



Allentown

435 Hamilton Street
Allentown, Pa. 18101

Minutes - Final

City Council

Wednesday, November 30, 2016

6:00 PM

Council Chambers

Call To Order

Present: 7 - Ray O'Connell, Julio Guridy, Daryl Hendricks, Cynthia Mota, Candida Affa, Roger MacLean, and David McGuire

ORDINANCES FOR FINAL PASSAGE (To be Voted On):

[15-1171](#)

Bill 60

AN ORDINANCE AUTHORIZING THE INCURRENCE OF NONELECTORAL INDEBTEDNESS AND THE ISSUANCE OF A SERIES OF GENERAL OBLIGATION BONDS IN A MAXIMUM AGGREGATE PRINCIPAL AMOUNT OF UP TO ELEVEN MILLION FIVE HUNDRED THOUSAND DOLLARS (\$11,500,000); PROVIDING FOR MAXIMUM INTEREST RATES, MAXIMUM MATURITY AMOUNTS AND PLACE OF PAYMENT IN RESPECT TO THE BONDS; SETTING FORTH THE PARAMETERS FOR ACCEPTANCE OF A PROPOSAL AND AUTHORIZING ACCEPTANCE OF A PROPOSAL FOR THE PURCHASE OF THE BONDS; AUTHORIZING THE PROPER OFFICERS TO EXECUTE AND DELIVER THE BONDS; AUTHORIZING AND DIRECTING THE PREPARATION, CERTIFICATION AND FILING OF THE PROCEEDINGS WITH THE DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT; AND SETTING FORTH A FORM OF BOND.

Attachments: [Bill 60 CITY OF ALLENTOWN 2017 BONDS - ORDINANCE - 2](#)

Mr. Brent Hartzell stated that Scott Shearer will handle the details.

Mr. Scott Shearer introduced the Bond Counsel, George Magnatta from Saul Ewing. He stated that there is an opportunity to refinance two different Bond Issues of the City. Page 2, we are looking at Series A 2011 Bond, about \$4.7 million outstanding and they are callable or refundable. We are also considering the 2012 Bonds with a little over \$4.1 million outstanding. They are both callable at the same time. It fully matures in 2022 and the average rate is over 2.5 percent. Net of issuance cost is right on the market. We have seen a lot of volatility. We are looking at a total of about \$350,000 of net savings. The savings would be about \$297,000 in the first year and a few grand each year after. We had a Request for Proposal to various underwriting firms that do good business here in Pennsylvania and

understand the municipal worlds. Section 2 on Page 2 is a quick summary of their proposals. When we analyzed all the proposals that came in PNC Capital Markets had the best proposal. With the timeline, tonight will be the second and final reading and then the pricing of the bonds in which we will lock in the interest rates and savings would occur sometime in early January and settle a few weeks after that.

Mr. Julio Guridy asked if you are saying that the average for Section C 1 is the saving would be \$350,000 with the bulk in 2017. That is the total savings. You are basing it on 2.43 percent average versus the 2.815 percent.

Mr. Scott Shearer stated that the current fix rate for the 2011A Bond rate is 3.91 percent and 2012 Bond rate is 2.5 percent. On Page 7, Column 3 is the current interest rate if it was done today.

Mr. Julio Guridy asked when you combine them, the average will be 2.8 percent. He asked about a minimum escrow a year. We just have a maximum escrow a year.

Mr. Scott Shearer stated that the new average on Page 8, the number in the box where it says Yield to Issue 2.77 percent. We are being conservative. We pay a Paying Agent Fee. That's an annual fee that is paid to the Bank of New York Mellon and it is about \$500 a year. There is a certain threshold. The short-term interest rates are so low that we would be investing in that escrow.

Mr. Daryl Hendricks asked the cost associated in doing this.

Mr. Scott Shearer stated that cost on Page 8, the savings that we are reflecting of \$350,000 is net of the cost of issuance. The estimates that we have on Page 8, we have \$6.50 for the underwriters discount, and that is conservative and not reflect the bid of PNC. The Bond Insurance we are going to bid that out. There are two bond insurances remaining. The other cost of issuance our fee, Bond Counsel fee, various credit rating fee, and printing.

Mr. Ray O'Connell asked any other questions from my colleagues or does Bond Counsel want to make a comment.

Mr. George Magnatta, Law Firm of Saul Ewing, stated that in front of you is an Ordinance that would establish parameters for the baseline that at the time when everything is ready to go would enable PNC to price bonds. The baseline establishes at least a two percent savings. It authorizes a refunding and notes that there must be at least a two percent savings in

order for the president or vice president of City Council to authorize PNC to go to market to price the bonds and you to accept the addendum to the purchasing agreement. The bonds have to be purchase no less than 95 percent of Par and no more than 125 percent of Par, and for you to executive the relevant documents to be filed with the Department of Community and Economic Development. Authorizes the Disclosure documents and execution the documents.

Mr. Ray O'Connell thanked Mr. Magnatta and asked any questions. He asked Mr. Shearer to go over the timeline.

Mr. Scott Shearer stated that the timeline would be if you pass it this evening, we will work on the official statement of the offering document that has a lot of financial demographic and geographic information about the city. That will take a few weeks, and credit rating phone call in December and we will look to finalize or post to investors at the New Year and price for the first or second week in January. We are looking to lock in the interest rate and savings sometime around the first or second week of January.

Mr. Roger MacLean asked about the the refinancing the 2011 and 2012 Bonds which are indicated on Page 2. On Page 8, it shows the cost. This will be the cost to refinance those bonds. We are looking at roughly \$9.2 million. We are looking at an Ordinance of about \$11.5 million. The \$2.5 million is a buffer, depending on what the costs are. The savings are based on the roughly \$9.2 million or the 11.5 million.

Mr. Scott Shearer stated that the new Bond issue is roughly estimated at \$9.2 million. About \$4.8 million and change go to pay off 2011 Bonds and \$4.2 million to pay off the 2012. The purpose of the issue is the refunding of this transaction. It is based on the \$9.2 million.

Mr. Ray O'Connell asked any other comments from my colleagues.

Mr. Lou Hershman, 405 N. Gilmore Street, asked about the buffer of \$11.5 million.

Mr. Scott Shearer stated that there is a legal theshold in the ordinance that we cannot executive the transaction unless the net savings are greater than two percent of what we are refunding. There are certain parameters.

Mr. Glen Hunsicker stated that there are a lot of bonds floating around here. He stated taht he doesn't understand losing this money. These are fixed and we will make principal payments. You are going to make payments in 2016. There were about \$2.5 million on principal. You have to pay for this. What is the value of the principal that was paid. When is the first payment

due. The word savings is for the one year only because you are pushing out the payment. He asked if they were able to look at other bond scenerios that the city can do the same thing with.

Mr. Scott Shearer stated that they are already made. They are made in April in October. Those two bonds will be defeased and taken off the market. These new bonds would replace them. That principal was already paid to allow this refunding at a lower amount. He stated April of 2017. No, we are not pushing out the payments. The savings are truly a result of going from a higher rate to a lower rate. That is reducing the interest expense that is realized through a reduced debt service payment in 2017. We always look at bonds outstanding to the city and look to see what would make economic sense. The city has 12 different serier most in which has various call dates. The next bite of the apple will be in 2023.

Mr. Brent Hartzell stated that on Page 7 on the document you will see it laid out over 20 years, columns six or seven. We make a savings in 2017 by doing this by \$300,000 and \$50,000 in an incrementing savings over 30 years.

Mr. Julio Guridy stated that we have done a lot of bond like this to try to refinance. By law, it has to be a savings whenever we do it.

Mr. Scott Shearer stated that you could do a restructuring of the debt. That is not what this transaction is at all.

Mr. Ray O'Connell asked anyone else from the public.

Amended to insert in the fourth Whereas the words "PNC Capital Markets LLC" before the words "(the "Purchaser")", approved by Common Consent.

Yes: 7 - Ray O'Connell, Julio Guridy, Daryl Hendricks, Cynthia Mota, Candida Affa, Roger MacLean, and David McGuire

ORDINANCES FOR INTRODUCTION (To be referred to Committee with public comment prior to referral)

[15-1225](#)

Bill 80 2017 Capital Projects

This bill was introduced late by the Administration. It needs amendment and passage by 6 to reduce the 14 day waiting period.

Attachments: [Bill 80 2017 Capital Projects](#)
[Budget Memo 3](#)

Mr. Ray O'Connell asked if there were comments from his colleagues or the public on Bill 80.

REFERRED TO THE COMMITTEE OF THE WHOLE

Enactment No: 15340

[15-1226](#)

Bill 81 2017 Grant Fund

The bill was introduced late, it needs an amendment to reduce the 14 day waiting period.

Attachments: [Bill 81 2017 Grant Fund](#)

Mr. Ray O'Connell asked any comments from my colleagues on Bill 81 or the public.

REFERRED TO THE COMMITTEE OF THE WHOLE

[15-1236](#)

Budget Memos

Attachments: [Budget Memo 1 - Public Works](#)
[Budget Memo 2 - Public Safety](#)
[Budget Memo 3](#)
[Budget Memo 5 - Personnel Summary](#)

SUSPENDED THE RULES FOR BUDGET AMENDMENTS

Mr. Ray O'Connell made Motion to suspend the rules, and seconded by Mr. Julio Guridy on the procedural rules found in council relating to budget amendments and make amendments to the respective budget bills that have been introduced and under review relating to the general fund (and capital plan resolution).

Budget Amendments to the General Fund:

Budget the following positions from the budget at \$1.00:

Managing Director

Community and Economic Director

Operations Manager

10% across the board cut in Premium Pay Account- Reduce Premium pay across the board by 10% in each program - the total budget is \$ 3,505,838 for a savings of \$350,583.

10% Cut in Account 46 across the board - reduce line item 46 by 10%, 5,864,145 - for a savings of \$586,414.

Pay Classification Study -place \$60,000 in Council's Account 46 - for a Compensation Benefit Analysis/Create Paygrade Schedule/Review reclassification.

Delete the Non-Bargaining Wage Range in the budget book - salaries will be what is budgeted. The intent of council is that these are annual budgeted salaries that cannot be increased except by ordinance.

Establish a 1.5 % increase for all Non-Bargaining Workers - roll back every increase contained in the proposed budget above and beyond the 1.5% that was granted to most of the non-bargaining positions - including rolling back all classification and other changes that is suggested in Budget memo #5. These pay structures will be addressed in the future after an appropriate city wide study.

Exceptions: Police Chief, Assistant Chief, Captains - will receive a 3% increase

above last year's wages; and the Fire Chief will receive a 2% on their last year's salary - increases correspond with increases in each respective bargaining unit.

Add \$50,000 to Council budget, Account 46, for potential legal assistance in the event of a conflict.

Place \$2500 in Council's budget, Account 46, this would go to an appropriate agency for teaching English.

Place \$5000 in Council's budget, Account 46, for Cultural Events to celebrate our heritage.

Place \$5000 in Council's budget, Account 46, for Arts and Cultural Events.

10% reduction in the EIT increase - \$6.1M - this would amount to a \$610,000 savings, reduce the EIT increase accordingly.

Capital Project for the 2018 Budget - restroom facilities at Fountain Park: Add the following to the 5 year capital plan in the year 2018 - add \$250,000 for permanent toilet facilities at Fountain Park between the soccer and baseball fields.

Mr. Ray O'Connell opened up the discussion to his colleagues and to the public.

Mr. Kenneth Heffentrager, 214 N. Saint Cloud Street, asked about the positions at \$1, if that means that Council is eliminating these positions.

Mr. Ray O'Connell deferred to the Solicitor.

Ms. Susan Wild stated that it is not an elimination of the position, it is a reduction. They are in as placeholders.

Mr. Glen Hunsicker asked about money putting aside for a toilet facility at Fountain Park. He asked for a toilet facility at the Christmas Barn. He asked Council to consider that for next year.

Mr. Ray O'Connell asked any other comments from the public.

Ms. Betsey Levin, 852 Chew Street, stated what you are doing is great. You guys are on the right track. As a taxpayer and a retiree, yay!

Mr. Dennis Pearson, 942 E. Tilghman Street, stated that there are two places at Irving Pool that have been closed for many years and they use Johnny's too.

Yes: 6 - Ray O'Connell, Julio Guridy, Daryl Hendricks, Cynthia Mota, Roger MacLean, and David McGuire

No: 1 - Candida Affa

ADJOURNED: 6:38 PM