THE CITY OF KENT OHIO
FINANCE COMMITTEE
WED., AUGUST 4, 2010

This meeting of the Finance Committee of Kent City Council was called to order on Wed., August 4, 2010, by Wayne Wilson, Chair, at 7:19 p.m.

PRESENT: **MR. AMRHEIN, MR. DELEONE, MR. FERRARA, MR. KUHAR, MS. SHAFFER, MR. TURNER, MR. VALENTA, MS. WALLACH, AND MR. WILSON**

ALSO PRESENT: **D. RULLER, CITY MANAGER; J. SILVER, LAW DIRECTOR; L. COPLEY, CLERK OF COUNCIL; D. SMITH, ECONOMIC DEV. DIR., AND D. COFFEE, BUDGET & FINANCE DIRECTOR**

ABSENT: **JERRY T. FIALA, MAYOR**

Chair Wilson explained the Regional Income Tax Authority update was postponed until September, as staff was not prepared to move forward at this time.

He said the next item on their agenda dealt with the Tax Incremental Financing (TIF) with the Kent City Schools.

Dave Ruller, City Manager, explained that one of the City's partners said, prior to the start of this meeting, that this is a momentous night. He said they do not have the Council's approval, but are hoping to have it by the end of the night. He said they have two documents that have never been prepared in the last twenty to twenty-five years when this project became a priority. He said he wanted to offer a few reflections to them at this time.

Mr. Ruller said he has told a number of them that some parts of the process were weary and battle worn. He said that is unfortunate, and hoped they do not forget about how far they have come. He said one of the applicants in the previous committee mentioned a vision of the City and where they are heading. Mr. Ruler said their Bicentennial Plan, which was done in early 2000 and won national recognition, was an exceptional example of community planning. He said that was their vision of where they wanted to go. He said it is great to have dreams, but if they cannot do them, those dreams are no better than hallucinations. He said it was not a quick period, adding that was not because of a lack of work. He said what they have is a culmination of a lot of work. He said they took the vision of the Bicentennial Plan, translating that into more details for a blueprint for redevelopment. He said they took concepts and operationalized them so someone could build something. He said they spent the better part of one summer creating that plan, adding that is how they got to where they are in the plan. He said they assembled the right team, adding they could not have done this by themselves, nor could the University, PARTA, Fairmount, or Kent City Schools. He said he believed they can "get 'er done" because they have the right people together. He said they have investments from all of them, and once they have skin, the dynamics change and people are motivated. He said it was a strategic effort to get people invested, adding that Mr. Floyd twisted Dr. Lefton's arm for a commitment from Kent State. He said they are all small steps, until a night like this, when they seem like giant steps.

Mr. Ruller said they created what they think is a workable plan. He said they dealt with urban design, making it people friendly, better integration in the downtown, and newer, fresher buildings. He said it had to work right, and be affordable. He said they were present to discuss that affordability.

Mr. Ruller explained the TIF is the financial plan that takes all of those aspirations and sets the parameters of how to afford them. He said they have spoken individually with him, and as he explained to them at that time, they are able to take their $2.5 million investment in the land over the last five years, and convert it into $7.5 million for infrastructure and improvements in the downtown area. He said it allows Mr. Ruttenberg to spend $40 to $50 million of his private investment. He said the University will invest $3 to $5 million in the esplanade and hotel. He said with the TIF, the schools will have invested close to $10 million at the end of thirty years, as it is money they would have otherwise received. Mr. Ruller said it is clear in all conversations, including with Mr. LaHood, PARTA's project became the breadth and the depth of the downtown. He said it became an economic catalyst, which was the goal of the federal stimulus program. He said all preceding work, no matter how frustrating, was necessary.

Mr. Ruller said this is not simply about the value of what they get immediately, but is a platform, which is their springboard for future development. He said they have had a budget situation in the making for about ten years, adding that the former manager, Lew Steinbrecher, warned them eight years ago in his budget messages of a budgetary crisis. He said the fiscal picture of the entire region is tumultuous, and while not solving all of their problems, this will be a significant step forward. He said they are basically trying to restart the economic engine in downtown Kent. He said it is like a race car that has had a governor for many years. He said they are disabling the governor, and letting the economy do what it can do. He said when they create the synergy, it becomes its own prophesy. He said that is why Mr. Ruttenberg is willing to take the risk, as he has seen it work in other cities. He said they are talking about fulfilling the promise of a university city.

Mr. Ruller said he is proud of the work of his staff. He said they have more than one hundred hours of staff time on this project, adding it has had many highs and lows. He said he is grateful for his staff and for the school's cooperative approach. He said they were clear with the schools that they intended to collaborate. He said the schools are a new partner and a new investor of close to $10 million. He said that is how they are financing what they need to do.

Mr. Ruller said that **Dan Smith, Economic Development Director,** would refresh some of the major points, and that **Paul Komlosi,** their financial advisor, was also available to answer questions.

Mr. Wilson asked if they wanted questions during the presentation, or when they were done. Mr. Smith said this is a complex issue, and suggested that after Mr. Komlosi is done, they could answer questions.

Mr. Smith said they have representatives present from Kent State, Davey Tree, and Fairmount. He said the negotiating team included himself, with Mr. Ruller, Mr. Locke, Mr. Silver, Mr. Bowling, Pam Hanover of Squires, Sanders, and Dempsey, and Paul Komlosi. Mr. Ruller reminded him that Mr. Coffee was also involved.

Mr. Smith said they have spent hundreds of hours on this and the land development agreement. He said their developer needs those two documents to move forward. Mr. Smith said that short of sticking a shovel in the ground, this is the biggest milestone of this project.

Mr. Smith said they have committed $3 million to PARTA for two parking decks. He said they need $4.5 million for demolition, infrastructure on Depeyster Street and Erie Street, the central parking lot and the streetscapes. He said if they include the $2.5 million already spent, it equals $10 million.

He said the Ohio Revised Code said they can do this for ten years at 75%, without the School Board's permission, and beyond that, it must be negotiated. He said to make the kind of money they wanted, to pay for the bonds, was through this deal. He said he spoke earlier in the day with the Superintendent of Kent City Schools, who had conferred with his board. He said they plan to vote favorably on the TIF the following day. He noted that the School Board must approve it first.

Mr. Komlosi said he wanted to briefly recap the last sheet of his handout. He said those were the major components of the cash flows upon stabilization. He noted that this was based on estimates. He said they are "building blocks" that make up the TIF transaction and they need to be in sequential order. He said the final number is the PILOT, which are the Payments In Lieu of Taxes. He said his assumptions are conservative, and all numbers are subject to change. He said they expect $705,000 to be generated annually upon stabilization generated from the hotel/conference center and the mixed use development. He said the stabilization based on the construction schedule is expected in 2013, with payments the following year, 2014.

Mr. Komlosi said that based on the compensation agreement with Kent City Schools, the schools will receive about 40% of what they would have received without this funding of infrastructure or 30.53% of the total. He said the schools received 76% of every tax dollar. He said that leaves the City with $489835 of the net PILOTs. He said they expect to receive new taxes in excess of $205,000 with another $125,000 in hotel/bed taxes, for a total of $821,000. He said they need $656665 for debt service of the bonds and notes.

Mr. Komlosi said they are recommending long term bonds with notes because the blended interest rate is lower. He said that by having notes, the ability to pay down the debt is faster. Mr. Komlosi said they are trying to cover a lot of different aspects to give maximum flexibility and the lowest cost of interest. He said that $656665 is a little high as he is using an interest rate of 5.25%. He said if they issued the bonds today, the interest rate would be about 4.6% to 4.63%. He said they do not expect to go to the market until later this year, but will issue the notes sometime this year. Mr. Komlosi said the net project related revenues are estimated at $165,000, which is a conservative estimate about what will be generated with income taxes and hotel/bed taxes.

Mr. Komlosi said his role is to help facilitate the maximum return with the minimum risk. He said he tried to leave as much cushion as possible, like higher costs, higher interest rates, and differences in tax valuation. He said they are trying to take a conservative approach, and he believed $165,000 is a healthy return. He said if they looked at it as a cash on cash return, they are looking at a little more than 6.5% return. He said if they wish to amortize the expenses for the land acquisition, they have a rate of return that is a little more than 5%. He said in terms of short term cash today, it is a nice, healthy return. He said they have purchased the land, getting the infrastructure paid for, got a grant, and see a return.

Mr. Kuhar asked if they are recommending partial borrowing and partial bond issuance for the $7.5 million, and Mr. Komlosi said they are recommending the issuance of general obligation bonds and notes. Mr. Kuhar asked if there is a guarantee they will be purchased, and Mr. Komlosi said with the City's strong credit rating, there is no concern about selling the debt. Mr. Kuhar asked if they could borrow the $7.5 million, instead of issuing debt, and Mr. Komlosi said that the issuance of debt is a contractual obligation to repay the loan, adding it is the same thing. Mr. Kuhar asked if the interest rate was lower, and Mr. Komlosi said that a rate of 5.25% is locked in for thirty years. He said the rate is lower if they borrowed on the short term, adding it is less than 2% currently, but they are subject to an interest rate risk when they renew the note. Mr. Komlosi said he was trying to do two things, adding he wanted to lock them in with a good, attractive rate, but still give them flexibility to pay it off quicker as additional monies come in.

Mr. Kuhar said Mr. Komlosi spoke about a return on their investment, adding he was looking at $2.5 million, but noted the City is on the hook for $7.5 million, and has already spent $2.5 million. Mr. Komlosi said they are creating a revenue source to pay their debt. Mr. Kuhar asked what happens if they do not meet those amounts, and Mr. Komlosi said they have built in cushions. He said he talked to a commercial appraiser, adding he went with lower end valuation, higher interest rates, and discounted some other costs. He said he is going to probably be wrong on the PILOTs generated, adding he hopes he is on the low end, adding it will allow them to meet their debt obligation.

Mr. Kuhar said the total picture shows a return of less than 1%. He said they are putting in $10 million, and will only get $165,000 back, and Mr. Komlosi suggested he factor in the debt service on $7.5 million. Mr. Kuhar said this development was to help their financial situation, with income taxes and property taxes, but $165,000 is nothing. He said he is concerned that it is safe, adding he understands the spinoff and jobs providing additional revenue. He said he wished Mr. Komlosi had a magic ball. He said he is not used to seeing money go out without some type of return.

Mr. Komlosi said they are seeing the debt they would issue will also create its own repayment source. He said things can be wrong about what is built and what is generated. He said he cannot guarantee that the worst case scenario is $165,000 net annually. He said he hoped it was higher, but would not project that. He said his figures were based on a conservative series of assumptions.

Ms. Wallach asked if they would issue the 30-year bonds, with a fixed rate, in 2014, and Mr. Komlosi said they would issue them this year, and would include capitalized interest, so there was no cash going out. He said the Ohio Revised Code allows them to only capitalize for two years with General Obligation bonds. Ms. Wallach asked if that meant there were no payments, and Mr. Komlosi said it meant the payments would be included, and the bond issuance would be $9.2 to $9.3 million, allowing them to set aside the monies to pay the interest and the cost of issuance, and to generate the net $7.5 million. Ms. Wallach asked if that would pay the accumulated interest they would not pay, and Mr. Komlosi said that was correct. He said he recommended in the third year that a portion of the income taxes generated from the construction period be set aside, so they are using no money from their existing sources to get to the fourth year when the PILOTs kick in. Ms. Wallach said they would actually be issuing $9 million, and Mr. Komlosi said they could borrow only the actual amount. He said the infrastructure has to go in before the private improvements, adding their money is needed early and spent first. He said they do not have to borrow the interest component, and could defer the principle for a few years. He said if they feel they have the financial flexibility, it is their choice.

Ms. Wallach asked where the notes would come in, and Mr. Komlosi said they would need up to $9.2 million total, and he suggested about 75-80% in bonds, with the balance in notes. Ms. Wallach asked if they were short term, and Mr. Komlosi said the interest rate would change annually, like their current notes, and they could pay them down. Ms. Wallach asked what the rate was on notes, and **David Coffee, Director of Budget & Finance,** said they are approximately 1.5%. Ms. Wallach asked if that was for one year only, and Mr. Coffee said that was correct. Mr. Komlosi said there are a lot of reasons why the interest rates will be low, but questioned who knows after that, adding there are a lot of reasons for them to go up in future years.

Ms. Wallach asked how long he anticipates they would carry the notes, and Mr. Komlosi said that was up to them, and suggested it is dictated by cash flow. Ms. Wallach asked if they would pay the notes first since they have a variable rate, and Mr. Komlosi said they cannot prepay the bonds for the first ten years. He said after ten years, they can redeem them. He said if the short term market interest stays low, it would be better to pay off the bonded debt in Year Eleven. He said they will have to do a cash management or asset management exercise each year. Ms. Wallach suggested if the rate was lower, they should keep them going.

Mr. Valenta asked if the City is allowed to repurchase them, and pay themselves the interest, and Mr. Komlosi said they could. Mr. Valenta asked if he would recommend it, and he said he would for a portion of it.

Mr. Ferrara asked why they would not just pay the two years of interest, instead of borrowing the money, when they can make 25 basis points with a money market, and Mr. Komlosi said they based it on not using current funds. He said he assumed they would not want to do that. Mr. Ferrara asked if he ran the calculation, and he said he could do that. Mr. Komlosi said they are better off to pay it on the current interest basis, and not capitalize it. Mr. Komlosi said they were trying to eliminate any impact on the General Fund. Mr. Ferrara said if the PILOTs do not hit until 2014, how would they pay it down, and Mr. Komlosi said the bond structure and note structure gives them a lot of flexibility should they get an influx of dollars they want to contribute to the pay down.

Mr. Kuhar suggested if the notes are about 1.5%, and they are looking at 5.25% for the bonds, could they do it with notes, issuing bonds later if the rate increases, and Mr. Komlosi said they could do that. Mr. Kuhar said the difference between 1.5% and 5.25% upsets him.

Mr. Coffee said they do have a debt team analyzing this, including Mr. Komlosi and KeyBank. He said they are trying to optimize this mix, pushing the issuance of debt as far as they can. He said there are a few unknowns, and they are continually working with the mix to optimize it. Mr. Coffee said Mr. Komlosi spoke of interest rate risk, adding they do not want to expose the City unduly. He said timing is everything.

Mr. Komlosi said that with the notes, they do not have the ability to prepay, like the bonds, after ten years. He said if they issue bonds in October, and think the market is trying to trend away in November, they are locked in, unless they paid the higher interest rate to have prepayment flexibility. He said borrowing for thirty years is part of the mix when coming up with the overall plan. He said they are looking at minimizing the risk for the City, while maintaining the flexibility to pay off the debt and minimize interest.

Mr. Kuhar asked Mr. Komlosi if he foresaw an interest rate increase of 3 to 3.5% in one year for bonds, and asked if he thought that was unlikely, and Mr. Komlosi said it was unlikely. He said he would not have been so unequivocal about eighteen months ago, adding that things change. He said there are a lot of variables they cannot control, but will influence those rates. He said he would not say that it is impossible for that to happen.

Mr. Kuhar asked how flexible they are if they are committed to 30 year bonds, and Mr. Komlosi said there is an optional redemption provision in the bonds. Mr. Kuhar asked if that was up-front, and Mr. Komlosi said they have the ability to do it in ten years. He said they will have a cash management exercise annually to decide whether or not to pay it off. Mr. Kuhar said once they commit to the issue, they are committed, taking away the flexibility if they are committed, and Mr. Coffee said that was correct, for that portion of the debt.

Mr. Kuhar asked if these are guaranteed bonds for the purchaser, and Mr. Komlosi said they are General Obligation bonds. Mr. Kuhar asked if those who buy them are at risk, and Mr. Komlosi said that was correct, adding they will get a rate of 4.63%. Mr. Komlosi said the combination of bonds and notes gives them flexibility. He said the bonds, once locked in, remain locked in for ten years, with flexibility after that. He said the overall flexibility is the note feature, but they have to renew them annually at the same amount, but must start paying them down after five years. Mr. Kuhar said if they wanted to, they could load up heavy on the notes for several years, issuing the bonds later, instead of committing themselves to 5.2% up-front.

Ms. Wallach said the bonds can be capitalized for two years, and asked if that was the same thing with the notes, and Mr. Komlosi said that was correct. Ms. Wallach said if they had $1 million issued the first year, and the next year would be $1 million plus interest. Ms. Wallach said they would be spending more on interest. Mr. Komlosi said the figure he gave them assumed all bonds and no notes, so it was another one of those cushions he mentioned. He said if they were doing this today, he would recommend a good chunk of it in bonds, as the long term rate is attractive. He said it will not be paid off in ten years. He said they need to think about the rate in the overall picture of five years ago or ten years from now. He said if they lock it in, that is one variable that is taken care of. Mr. Komlosi said if they went with all notes, they have added a variable that can go against them. He said the interest rates are low now, but they are going in the other direction.

Ms. Wallach said that bonds lag the market. She said if the interest rate went up the next year, the bond rate would still be the same. Mr. Komlosi said he does not agree with that statement. Ms. Wallach asked how long they can turn over the notes without paying anything, and Mr. Komlosi said it is five years. Ms. Wallach noted the bonds are two years.

Ms. Shaffer asked how common TIF financing is, and Mr. Komlosi said it is more and more common, particularly in projects located in urban settings. He said unlike a greenfield site, where they just pave and paint lines, they need structured parking in an urban site. He said in Kent, a bulk of their needs are being paid by the PARTA grant. He said in the urban setting, they have to redo infrastructure, because what they have is old, and will not handle the capacity. He said the land in the downtown is more expensive than land in the middle of nowhere. He said they have the cost of development and redevelopment. He said developers are good business people, and greedy at times, and the projects need more buy-ins.

Mr. Komlosi said in Ohio, their TIF statutes only give them six ways to do it and are antiquated. He said Ohio is only property tax based, and Missouri throws in everything, including income tax, sales tax, and utility taxes. He said it does unfairly put the burden on the public partner. Mr. Komlosi said because of how Ohio schools are funded, it falls on them to be at the table for economic development issues. He noted that is a fact of life in Ohio. Mr. Komlosi said they have had discussions with the Administration about changing the TIF structures, particularly those with state universities. He said there should be something special for them to tap into the State's share of dollars for sales and income taxes.

Mr. Komlosi said they also talked with the County, who will receive about $250,000 annually in sales tax revenues, and have not been met with much success. He said they are a critical component to almost every redevelopment project. He said every school district is at the finance table because of the laws.

Ms. Wallach asked if they were splitting up the 76.42% the schools are getting, and Mr. Komlosi said they are splitting up the total, including the City and the County's total. Ms. Wallach asked if everyone else would get their normal amount, and Mr. Komlosi said that the figure of $705,000 is everyone's share that they will split between them and the schools. Ms. Wallach asked if the County will get anything, and Mr. Komlosi said they will not. Ms. Wallach said the County is losing, and Mr. Komlosi said they are losing $6,000 but picking up about $250,000 in sales tax revenue.

Ms. Shaffer said Mr. Komlosi seems to have done a lot of these, and asked if he thought this was a fair deal as compared to other TIF negotiations, and Mr. Komlosi said he would like to have more cushion. He said they went into the negotiations with the School District wanting to be collaborative. He said they needed to generate $7.5 million in proceeds, and wanted it to be as simple as possible. He said they proposed a 25%-75% split, and the school proposed 50%-50% split plus some share of income tax. He said that would have put them nowhere close $7.5 million. He said that sharing income taxes are an administrative nightmare, as some information is private, which creates problems when trying to validate and verify amounts. He said they would have to hire someone to do it, costing an additional $10,000 to $12,000 annually to validate the numbers. He said they can argue that the City went from 25% to 40%, but they need to remember all other revenues were kept out of the mix. He said they also incorporated an interesting feature. He said they did not want to be greedy, and understood the School District's situation. He said they agreed that if they hit a certain number, they would incorporate a schedule, and once that number was received, the school would get what they would have received otherwise. He said if the PILOT is not up to a sufficient amount, they would get 30%. He said as his client, he would have liked to see the City get 25% with more cushion, but because of 40%, he cannot be as unequivocal.

Mr. Turner said he heard talk about taking money off the table. He said it seemed to him that this is a mechanism to create a new revenue flow. Mr. Turner said the County and the Schools do not lose, nor does the City. He said this is a new revenue stream created by the TIF, facilitating these projects for a new economic base. Mr. Komlosi said that was an excellent point, adding it is all new money and the result of something happening on that site, and it not remaining raw land.

Ms. Wallach asked if he said this was a typical agreement, and Mr. Komlosi said it was a fair agreement in the range of what he normally sees. Ms. Wallach asked when he sees these if their budgets are solid or in trouble, and Mr. Komlosi said it runs the gamut. He said that sometimes a weak budget can be used to get a higher percentage.

Mr. Kuhar asked what occupancy ratio he used for the bed tax, and Mr. Komlosi said it was 62%. Mr. Kuhar asked if he was confident they could reach that, and Mr. Komlosi said he was, with the University's involvement, as they are an equity partner with incentive to drive traffic to that hotel. He said the University gets a return on that project, and they want to see a return. He said they are in a unique position to drive the traffic. Mr. Kuhar asked if his numbers were based on the University's previous numbers of what they brought into other hotels, and Mr. Komlosi said that was part of the overall analysis. He said the Pizzuti Company hired an outside consultant, as did the University, to validate those figures.

Mr. Smith said this allows them to move forward. He said it is one condition of the Land Development Agreement, adding it allows them to leverage $10 million into $80 to $90 million in an overall investment. He said they have committed $3 million to the parking facility. Mr. Smith said Acorn Alley, Phase II will not happen without the parking deck. He said the new infrastructure and new downtown will be paid by this project. He said there are some up sides.

MOTION TO AUTHORIZE THE TAX INCREMENTAL FINANCING AGREEMENT WITH KENT CITY SCHOOLS, WITH THE EMERGENCY CLAUSE.

Motion made by Mr. Ferrara, seconded by Mr. Valenta.

Mr. Valenta thanked everyone involved for their hard work, and thanked the School Board for working with the City. He said it is a great symbol for everyone working together to get the project done. He said they need to be happy about this, adding they have a great project.

Ms. Shaffer said she would support the motion. She said if they do not take a chance, nothing will happen. She said she is satisfied that this has been carefully negotiated with the best expertise. Ms. Shaffer said that this is necessary for redevelopment of the downtown. She said they are all winners in the process.

Ms. Wallach said it is exciting to have the multi modal in Kent, as well as the conference center and the new hotel. She said this has been needed for a long time. She said she is concerned about taking on a lot of debt, adding it is the most debt they have had in fifty years. She said she is concerned that the City is taking on all of the risk for 30 years, adding that is a long time to take the risk. She said if something happens, and numbers come in below what they need to be, she hoped the City can be creative to fill the gaps, without putting the burden on the backs of the citizens of Kent.

Mr. DeLeone supported the motion. He said they are not even counting on what Mr. Burbick will be bringing in or the retail in the bottom floor of the PARTA building. He said there will be more income and revenues for their tax basis. He said he was unsure how Mr. Komlosi forgot to mention that.

Mr. Turner said he was unsure about the risk aspect, adding they have to believe those they hired to do the modeling of the financial part through tradition and history, do know how to reduce the risk and make this a more viable project. He said it is almost a ‘no brainer’. He said it moves the community forward, and creates new opportunities. He questioned where they would be if they did not do it, adding it is a terrific opportunity for the community. He said there will always be some risk, but he sees this opportunity as a catalyst for other aspects of development, like Mr. Burbick. He said he is proud to be a part of it, adding it is historic and will have a tremendous benefit for future generations. Mr. Turner said he is proud of the administrative team and staff for what they have done, and Council’s support. He suggested they move forward.

Mr. Kuhar said it was a tough one for him. He said he would like to see the downtown renewed as much as anyone else. He said that Fairmount and Pizzuti will do a good job, but he has some issues with some of the things he sees financially. He said he cannot support it, or oppose it either. He said he cannot make a decision one way or another, and wants to see it through. He said he is thinking about the taxpayers he represents.

The motion carried by a voice vote of 6-0-3, with Mr. Kuhar, Mr. Amrhein, and Mr. Wilson abstaining.

Chair Wilson called for a recess at 8:25 p.m. He reconvened this meeting at 8:33 p.m.

Chair Wilson said the next item deal with an update on properties owned by the DKC, including Triangle Cleaners, the old hardware store, and the Arthur building.

Mr. Ruller said that Dan Smith would explain the update, adding some of these properties are involved in these projects, and need to be in the City’s name. He said that one has an outstanding balance.

Mr. Smith said in their agreement with the DKC, they transfer titles to the City when it is time to use the property for economic development, or, like the case of the Triangle Cleaners, it is no longer part of the Master Plan. He said three are in the downtown area, and they are the old hardware store, the Arthur building and adjacent lot. He said the Triangle Cleaners building was demolished as part of the Fairchild Avenue bridge project, and is not a buildable lot. He said the original purchase in the 1990s was $120,000 with an interest rate of 8.5%. He said they need to pay the remaining balance of $17,814.54. Mr. Smith said that they paid Bob Meeker originally. He recommended they use the undesignated fund balance. He said another option would be using the Line of Credit, but he would not recommend it for such a small amount.

There were no comments or questions at this time.

MOTION TO AUTHORIZE THE TRANSFER OF THE FOUR PROPERTIES FROM THE DKC TO THE CITY OF KENT.
Motion made by Mr. Ferrara, seconded by Ms. Shaffer, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Chair Wilson said the last item on the agenda dealt with an amendment to the 2010 appropriations ordinance. Mr. Ruller said Mr. Coffee would present these amendments. Mr. Coffee said they received the list previously, and requested their favorable consideration of the items listed. He said this represents departmental needs for budget revisions.

Ms. Wallach said she did not understand the increase of $8300 in the Community Support line, and asked if they had $10,000 allocated. Mr. Coffee said that was correct, but in 2009, due to a miscommunication, the funds were not encumbered and the appropriation lapsed. He said it is technically for the 2009 commitments. He said they are not increasing their expenditures, adding if they look at 2009 and 2010 together, they are making them whole. He said they had to borrow against 2010 to meet their 2009 commitments. Ms. Wallach asked about the additional $1000, and Mr. Coffee said it was for the mural they authorized in June.

There were no comments or questions at this time.

MOTION TO APPROVE THE AMENDMENT TO THE 2010 APPROPRIATIONS.
Motion made by Mr. Ferrara, seconded by Mr. Valenta, and carried by a voice vote of 8-0-1, with Mr. Wilson abstaining.

Hearing no further business before this Committee, Chair Wilson adjourned this meeting at 8:38 p.m.

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Linda M. Copley, Clerk of Council

ACTION RECOMMENDED:

1) TO AUTHORIZE THE TAX INCREMENTAL FINANCING WITH KENT CITY SCHOOLS, WITH THE EMERGENCY CLAUSE

2) TO TRANSFER THE FOUR PROPERTIES FROM DKC TO THE CITY OF KENT

3) TO AUTHORIZE THE AMENDMENT TO THE 2010 APPROPRIATIONS