

Presentation to the Cleveland Public Library Advocacy Task Force

Friday May 5, 2017



STIFEL
Stifel, Nicolaus & Company, Inc.

Stifel Financial Advisory Team



Alan Bauccho, Managing Director, Manager of Ohio Public Finance – Cleveland Office

- Mr. Bauccho serves the Cleveland Public Library as the lead senior advisor, primary contact person, and relationship manager for Stifel’s municipal advisory engagement with CPL.
- 41 years of Ohio governmental finance experience including eight years with the City of Cleveland and 33 years as a banker at several underwriting/advisory firms, including Stifel since 2009.
- Ohio Library debt issuance experience includes Cuyahoga County Public Library, Dayton Metro Library, Medina County District Library, Akron-Summit County Public Library and several others.



Bob Franz, Vice President – Cleveland Office

- Mr. Franz serves as the primary analytical and transaction support advisor for Stifel’s Ohio municipal advisory team. He has worked on Ohio Library systems, school districts, municipalities, counties, special districts and local development projects.
- 10 years of Ohio governmental finance experience as a banker at several underwriting/advisory firms, including Stifel since 2009.



Michelle Hillstrom, Managing Director – Cleveland Office

- Ms. Hillstrom serves as a supporting senior advisor for the CPL and will lend her credit rating and rating agency expertise to the Stifel team.
- 30 years of Ohio governmental finance experience as a banker at several underwriting/advisory firms, including Stifel since 2009.
- Ohio library debt issuance experience includes Medina County District Library, Akron-Summit County Public Library, Morley Library, Rocky River Public Library and several others

Current Tax Levies

Property Tax Levy	Expiration Date	Est. Total Current Revenue	Est. State Share of Total	Est. Taxpayers Share of Total
1.00 Mill Levy	Continuing	\$2,243,023	\$220,657	\$2,022,366
5.80 Mill Levy	2018	\$23,653,705	\$2,245,364	\$21,408,341

- ❑ The Library has a 1.0 mill continuing current expense levy which was first levied in 1985. Based on growth in the District's tax base, the millage has been reduced to an effective residential and agricultural rate of .54 mills.
- ❑ The Library also has a five year, 5.8 mill current expense levy which is expiring after tax year 2017 with final collections in 2018. This levy was first approved by voters in 1988 as a 2.0 mill, five year levy. It was renewed in 1993 and 1998, then increased to 5.8 mills in 2003. It has been renewed twice since 2003. The effective millage on this levy is still 5.80 mills. Before this levy expires, Renewal or Replacement election opportunities are available in November 2017, May 2018 and November 2018.

Critical Short Term Capital Needs of the Library

- Safe, Warm and Dry

- Estimated Cost \$5 million.

- South Renovation

- Estimated Cost \$3.5 million

- New MLK Jr. Branch

- Potential Cost \$4.8 million

- Deferred Maintenance of Other Facilities including roof replacements, HVAC etc.

- Estimated Cost \$11 million or more

- Other Critical Capital Projects

- Glenville Parking Lot - Potential Cost \$80,000
- Retaining walls Waltz and West Park branches - Potential cost \$50,000 - \$100,000

Levy Objectives

- Renew 5.8 mill operating levy before expiration in 2018 to ensure base funding for the Library.
- Generate new revenues/taxes to address short term capital needs of the Library, support debt issuance and possibly additional operating funds. It is not the Library's intention to address long term funding needs for the Community Vision projects at this time.
- Minimize number of voter requests for new funding.
- Maintain State funding share of current property tax levies to minimize impact on taxpayers.

Other Levy Considerations

- ❑ Size of a potential new levy request: Likely either ½ mill or 1 mill.
- ❑ Length of a new levy request, e.g. 5 years, 10 years, or a Continuing Levy. Prefer at least 10 years to support a debt issue. If combined into one question with the 5.8 mill renewal, the term of the two issues must be the same.
- ❑ Does the Library want to consider one ballot question with two issues or two separate ballot issues.
- ❑ If the Library goes to voters in November 2017 with a new money request along with the 5.8 mill renewal, it will still be able to solicit voters twice more if unsuccessful in November.
- ❑ Timing of levy request - possible competing levies on the November ballot.

Estimated Revenues Generated from ½ mill and 1 Mill Additional Levy

Scenario	Additional Levy	Annual Use of Proceeds	Amount of Debt that could be supported by new revenues	
			10 yr @ 3.50%	25 yr @ 4.00%
A	1.00 mill Generates Appx. \$4 million annually	Operations: \$0 million Service Debt: \$4 million	\$33 million	\$62 million
B	1.00 mill Generates Appx. \$4 million annually	Operations: \$1 million Service Debt: \$3 million	\$25 million	\$46 million
C	0.50 mill Generates Appx. \$2 million annually	Operations: \$0 Service Debt: \$2 million	\$16 million	\$31 million

- The Library’s legal ability to borrow for capital projects is flexible.
 - Traditional Public Library Fund (PLF) borrowing capacity of over \$95 million.
 - The Library has the ability to pledge property tax revenues to increase debt capacity if needed.
 - Additional levy proceeds would “replace” PLF funds used for debt service.

- Assumes a new levy of only five years would generate cash for new projects, but would not be used to support a debt issuance.

- A 25-year borrowing would require a Continuing Levy to protect the Library from future levy renewal risk.

Levy Recommendation

- ❑ Place a renewal of 5.8 mill levy and an increase of 1.0 mill to constitute a tax for the benefit of the Cleveland Public Library for the purpose of current expenses of the Library at a rate not exceeding 6.8 mills for each one dollar of valuation for [10 years or a continuing period of time].
 - ❑ *Lowest cost to Library taxpayers to generate new funds as renewal of the 5.8 mill levy maintains State reimbursement funding as compared to the replacement levy option.*
 - ❑ *Term of 10 years or continuing levy and the size of the new levy request should adequately fund short term capital needs as currently defined and possibly some operating support for the near term.*
 - ❑ *Limits voter requests to one issue vs. renewing 5.8 mill levy and separately replacing the 1.0 mill continuing levy to generate new money. [Note: do not suggest replacing the 1.0 mill levy because replacement would transfer partial cost of the levy from the State to the taxpayers, and unless new money is added to the replacement, the replacement alone may not generate enough new money to address short term capital and operating needs of the Library.]*
 - ❑ *10 year term or continuing levy would reduce future voter fatigue on the new 6.8 mill levy.*
 - ❑ *Timing – if the issue is unsuccessful in November 2017 , the Library has additional opportunities to return to voters for approval of the 5.8 mill levy.*

- ❑ Risk
 - ❑ *Extending the term of the issue and adding the new money may jeopardize passage of the 5.8 renewal levy in November 2017.*

Financial Summary of Ballot Options

LEVY OPTIONS	2016 Collections: Based on 2016 AV of \$4,624,989,710	Based on 2017 AV of \$4,687,806,690 and 87% Collection Rate	Based on 2017 AV of \$4,687,806,690 and 87% Collection Rate	2016 Collections: Based on 2016 AV of \$4,624,989,710	Based on 2017 AV of \$4,687,806,690 and 87% Collection Rate
Stated Millage	5.80 Mills	Renewal of 5.80 Mill Levy and Add 1.00 Mill Levy	Renewal of 5.80 Mill Levy and Add .50 Mill Levy	1.00 Mill	Replace 1.00 Mill
Effective Millage	5.80 Mills	6.80 Mills	6.30 Mills	.54 Mills	1.00 Mills
Actual for 2016 and Est. 2017 Collections from Taxpayers	\$ 21,408,341	\$ 25,487,700	\$ 23,448,504	\$ 2,022,366	\$ 4,078,392
Actual for 2016 and Est. 2017 Collection from State as Homestead Reimbursement	\$ 2,245,364	\$ 2,245,364	\$ 2,245,364	\$ 220,657	\$ -
TOTAL COLLECTIONS	\$ 23,653,705	\$ 27,733,064	\$ 25,693,868	\$ 2,243,023	\$ 4,078,392
Increased Collections to Library		\$ 4,079,359	\$ 2,040,163		\$ 1,835,369
Annual Tax Increase on \$50,000 Home from Increased Millage and/or Lack of Homestead Reimbursement		\$ 17.50	\$ 8.75		\$ 9.23
Annual Tax Increase on \$100,000 Home from Increased Millage and/or Lack of Homestead Reimbursement		\$ 35.00	\$ 17.50		\$ 18.46