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In the Matter of:

CITY COUNCIL SPECIAL MEETING
CITY OF LONG BEACH.
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DATE: Thursday, April 30, 2020
TIME: 7:00 p.m. (via videoconference)

APPEARANCES: DAVID FRASER, City Clerk
JOHN BENDO, City Council President
KAREN MCINNIS, City Council VP
MICHAEL DELURY, City Council Member
SCOTT MANDEL, City Council Member
ELIZABETH TRESTON, City Council Member
DONNA GAYDEN, City Manager
SIMONE FREEMAN, ESQ.
INNA REZNIK, Comptroller
RICHARD TORTORA, CMA President
MARGARET GUARINO, CMA
TOM VOUZAKIS, CMA
TODD MILES, Law Firm of Harris Beach

DIGITALLY RECORDED PROCEEDING
TRANSCRIBED BY: GINA T. GUMA

[Audio, begins]

MR. FRASER: Internal recording. We're live.

PRES. BENDO: Okay. Good Evening everyone and welcome to a Special City Council Meeting. We apologize for being a few minutes late. We had some technical glitches for somebody being able to get in. We apologize for that. We thing we got it ironed out now. I guess we will begin with our salute to the flag and I will---

MR. FRASER: Wait, wait, wait do the roll call first.

PRES. BENDO: Sorry, sorry.

MR. FRASER: Okay, that's okay. Good evening, and welcome to a special meeting of the City Council of the City of Long Beach, held Thursday, April 30th, 2020 at 7 p.m. We'll have a roll call? Councilmember Delury?

MR. DELURY: Present.

MR. FRASER: Councilmember Mandel?

MR. MANDEL: Present.

MR. FRASER: Councilmember Treston?

MS. TRESTON: Here.

MR. FRASER: Vice President McInnis?

VP MCINNIS: Present.

MR. FRASER: President Bendo?

PRES. BENDO: Present.

D. FRASER: Let the record indicate the presence of City Manager, Donna Gayden and Corporation Counsel, Simone Freeman. We'll now have a salute to the flag.

PRES. BENDO: Councilwoman McInnis would you please lead us.

VP MCINNIS: I pledge of Allegiance

ALL: To the flag of the United States of America and to the Republic for which it stands, one nation under God, indivisible, with Liberty and Justice for all.

PRES. BENDO: Okay. First, I'd like to welcome our new Corporation Counsel, Simone Freeman. She joined us a couple of days ago. She brings a wealth of experience to the city. She's part of our efforts now to build the management team that's going to turn the city around, so we're looking forward to some good things from her.

MS. FREEMAN: Thank you.

PRES. BENDO: With that, I guess we'll get on to the agenda.

MR. FRASER: Item 1 is resolution delegating to the City Comptroller of the City of Long Beach, Nassau County, New York the powers to authorize the issuance of 4,250,000.00 deficiency notes of the city, or as much thereof as may be necessary, for the fiscal year ending June 30, 2020, and to prescribe the terms, form and contents, and provide for the sale enhancement of such notes.

PRES. BENDO: Okay. Just so people know, this was originally on the previous city council agenda was supposed to be a special meeting for Tuesday, and that was delayed until tonight. The reason was the Bond Counsel and Comptroller was still dotting I's and crossing T's and working out some details. That's why it got pushed to tonight, and I believe based on what I think the Comptroller said, that actually benefited us because the interest rates actually went down during that period. So, we're going to get a better interest rate. With that, I'd

like to introduce now, Richard Tortora, who's the President of CMA. CMA is the city's Financial Advisor and he's going to talk about what this is about and why we're doing it.

MR. TORTORA: Very good. Thank you John and good evening everyone. As John said, I'm Richard Tortora with Capital Markets Advisors. We are an independent registered municipal advisor, licensed by the security exchange commission and the municipal security rule making board. Our role is to serve as the financial advisor to the City of Long Beach and we also represent approximately 400 other public jurisdictions across New York State. In conjunction with our role as the city's financial advisor, we've been involved in discussions with Capital One which is the city's primary depository bank, that has resulted in Capital One extending an offer to the city to purchase the \$4.25 million deficiency note at an interest rate of 2.25%. At the rate that we think is quite attractive under current market conditions, we certainly commend Capital One for stepping up and giving us such an aggressive

rate.

In conjunction of what we do for the city, in addition to the standard practice of assisting the city with debt issuance, bonds and notes to finance capital project and cash flow needs, another part of the firm does strategic consulting work for local governments in New York State.

My colleague, Margaret Guarino is on the line. She heads up CMA's strategic consulting group. Also on the line with us this evening, is another colleague, Tom Vouzakis. Tom is involved both on the debt issuance side as it pertains to the city and on the strategic consulting side of the firm's practice. The strategic consulting side includes multiyear plans, strategic consulting, efficiency studies, things like that.

Tom is going to take us through a brief power point presentation that gives a little more, puts a little more meat on the bones of the deficiency note that we are here to talk about this evening. Tom.

(Power point presentation appears)

(First slide - **Estimated Revenue Shortfalls necessitating fiscal year 2020 Deficiency Note**)

MR. VOUZAKIS: Thanks Rich. As, Richard mentioned, the deficiency note is a short term financing instrument designed to make the city whole for any unforeseen budgeted revenue loss or short fall. So, for the current fiscal year, through the end of June 30th of this year, the city is expecting to have a revenue short fall of approximately \$4,250,000.00. This is comprised primarily of recreation and beach pass revenue loss that is not expected to come in, which accounts for approximately \$1,460,000.00 of the short fall. In addition to that, sales tax revenue is expected to decrease by about \$800,000.00 over what was originally budgeted.

MR. TORTORA: If I can interrupt Tom for a moment. There is a power point presentation. If someone could advance to the next slide, that would be helpful for the group that's listening on the line right now. Thank you.

MR. VOUZAKIS: Sales tax

revenue short fall of approximately \$800,000.00; decrease in state aid per capita of \$830,000.00 in various departmental income short falls; \$250,000.00 for licenses and permits; \$100,000 in parking violations; \$120,000.00 for court fees; \$300,000.00 for youth programs; \$100,000 for commuter parking; \$130,000 for police fees; and finally, \$160,000.00 in mortgage tax.

These are revenues that were previously budgeted for the current fiscal year that the city recently expects will not be received in the current fiscal year.

(Next slide appears - **DEFICIENCY NOTES MATURITY**)

Now, in the issuance of a deficiency note, typically this is issued during the fiscal year and must be paid off by the end of the following fiscal year. So for the city of Long Beach, assuming that this note is approved and closes the end of May of 2020, this would need to be repaid, principle and interest, no later than June 30 of 2021.

Now, there is an instance where this could be extended further. If the 2021 budget isn't

adopted prior to closing on the note, then the city has the option to renew the note for an additional year, in which case it would have to be paid off no later than June 30, 2022, giving it a little more flexibility for an additional year of financing.

As Richard mentioned earlier, CMA's been negotiating the sale of the note with Capital One. They've agreed to purchase the \$4,250,000.00 at an interest rate of 2.25%.

Currently, the city has enough cash in hand to meet two more payrolls, meaning that the note would have to close by May 29th to avoid the city running into a cash deficit during the current fiscal year.

(Next slide appears - **Repayment of Deficiency Notes**)

Now, to repay the deficiency note, the 4.25 million in principle, plus approximately \$96,000.00 in interest, would have to be paid back through the budget. This could be done in a few different ways. Raising additional revenue for the upcoming fiscal year; Reducing expenditures to attain additional savings, some combination of the two; or in the last case, the city could seek to

attain deficit financing which would be a long term deficit financing instrument, similar to a bond that would mature over 10 years. However, this would require first, city council approval as well as state legislative approval. It would have to fund the city's entire deficit which would be certified by the state, which could be a lengthy process. And the city would have to continue its process of having its budgets reviewed by the state comptroller's office. So this would have to be a last effort to repay the note.

(Next slide appears - **Impact on Property Tax Increase for FY2020 - \$4.25 million is to be raised by property taxes**)

Going back to the option to raise revenue in order to repay this note. If the entirety of it were to be absorbed by property tax increases to the city's residents, the tax levy would actually be increased by about 11.1% as opposed to what is currently in the proposed budget, which is a levy increase of 1.81%.

The current increase, both within the tax cap, where absorbing the note repayment would

have to pierce the cap.

I'm now going to pass it on to Todd Miles of Harris Beach who is the City's Bond Counsel for some additional comments.

MR. MILES: Thank you Tom. Thank you John.

I'm Todd Miles. I'm a partner with the law firm of Harris Beach. We have a statewide public finance and economic development practice with offices in Hempstead, New York and in the Albany regions and urban centers throughout the state.

Our role as the Bond Counsel to the City is to advise the City on all legal aspects of its borrowing transactions. Make sure that the city is in compliance with all applicable state laws and federal laws, relating to borrowing that the city does. Making sure that the city's borrowing is in the proper form for the situation that it's required for. We also prepare the authorizing resolutions for the city council such as the resolution that is before the council tonight. We negotiate, working closely with CMA as the City's financial

advisors, the terms of the borrowing. And then make sure they're documented properly and administer the closing execution of transaction so it's funded properly.

In this case, this form of borrowing is unusual in that it is not a typical cash flow borrowing, which is fairly routine for the city and for municipalities and school districts throughout the state. Where, as a need to borrow early in a fiscal year in anticipation of receipt of revenues that are expected to be received later in the fiscal year. We have a situation here with the City which is shared with municipalities and school districts across the state of New York and across the country for that matter. This is a direct result of the shutdown of the economy due to the COVID19 epidemic. There have been a dramatic decrease in revenues that the city expects to receive below budget levels and there is a specific form of borrowing which the city is permitted to do under state law, and that is the form of deficiency note. Again, it's not a cash flow borrowing, but it's in effect, a short term

financing of a budget deficit, resulting from this revenue short fall.

We recognize that there are limitations on how a municipality can finance revenue short falls such as this, and we have been working together with bond counsels throughout the state to draft legislation, propose legislation, which could provide more flexibility for this type of financing. Allow this type of financing to be renewed for several additional years in order to give the city or municipality doing this, more time to work out a recovery plan, instead of having to face the notes coming due in the following fiscal year or potentially in the second fiscal year, if it's going to be adopted and closed after the adoption of the budget.

Also, that legislation would provide blanket authorization for the city and all municipalities, if it chose to issue a long term deficit bond in order to pay off the short term note and then finance the deficit amount over a longer period, typically ten years, possibly fifteen years if the amount to be financed was

more than 2% of the city's budget.

This legislation has been communicated to the state comptroller and the budget division, which staff these matters for the Governor's office. It's been sent to the various trade associations across the state, and we're hopeful when the legislature comes back, that it's part of their relief package for local governments, this legislation will be enacted.

As Tom mentioned in his presentation, if this legislation is not enacted, in order for the city to be able to refinance this deficiency note on a long term basis, and be able to amortize the debt over a longer periods after ten years, the city would have to seek specific state legislation authorizing the city to do that.

I'd be happy to answer any questions that people have about any of the legal aspects of this. Other than that, I would turn it back to you John. Thank you.

PRES. BENDO: Alright, I had to unmute myself. Alright, thank you for that. So do we have any questions from the council

members?

Okay, hearing none, I believe we did receive some questions via email. So I believe our friends at CMA have those and they are going to be addressing those. So if you could go through the questions that were sent in and please answer those.

MR. VOUZAKIS: Sure John, this is Tom Vouzakis again. So the first question from Norah Egan: Why was this item taken off the agenda at the regular council meeting of April 21st?

As I believe John mentioned earlier, the City postponed the item until both Bond Counsel and us at CMA were available, which happened to be tonight.

The next question is from Eileen Hession: What is a deficiency note? How is it different from the other borrowings the city has done over the last six to ten years? How will it be paid off, and when will it be paid off?

I think we covered most of that during the presentations from ourselves and bond counsel. One, reutterance for how it's

different from other borrowings is that as Todd mentioned, this is specifically for revenue short fall, where as previously, the city had primarily borrowed for things like capital projects, typical cash flow borrowing to accommodate timing differences and receipts of revenue versus expenditures.

Next, from Warren Forman: How is what your proposing now different from what prior administrations have done?

This is done to address two issues. A budget short fall, which was--- under previous administrations and will be addressed by the upcoming 2021 fiscal budget. And this deficiency note specifically should mitigate the short fall revenues; loss of revenues from beach, sales tax, meters, parking, etc. that we anticipate, and the city anticipates as a result of COVID.

How will the deficit impact property taxes?

As we mentioned before, there are a few different areas where the city could if they choose to tackle the undertaking of paying off

this note. One of which could be absorption into the property taxes, as we laid out, that would cause an additional increase to city property taxes if that's the route that's undertaken.

Would it be expected revenue impact if the beach doesn't open in its normal capacity? Assuming there's a difficult forecast, can you share how you're approaching it and worse and best case scenarios?

The City generally collects approximately 4.4 million dollars in beach related revenue depending on the--- and other measures of COVID. We are approaching this comprehensively, working with other local governments on the same beach to develop contingency plans that will allow the city to provide best services to the residents and visitors, while being cognizant of financial implications of whatever changes will be made to the plan.

From Robert Zaminsky: Why not reduce certain services such as the continuing skating rink while the emergency exists?

Steps have been done to this effect. Primarily the layoff of some non-essential employees of which there are no more currently employed with the city. The ice skating rink and some other parks and rec centers have already been closed to accommodate this.

Why doesn't this council take necessary steps to petition the state legislature and the governor to pass legislation to create a state financial control board?

I think I would defer to Richard to speak on a state control board and the impact that that could have on the city.

MR. TORTORA: Sure, only a handful of public jurisdictions across New York state has been, or are presently subject to state control boards. The one that comes to mind, certainly in the past, the city of Buffalo, the city of Yonkers. They are quite onerous. They insinuate themselves in all corners of government. They micromanage. I would think that the city of Long Beach would be concerned about giving up the level of control that they would have to give up, if indeed a state control

board came onboard. Then once the control board's in place, itself is an expense, and they don't go away overnight. If indeed a control board is put into place, I would venture to guess it would be in place for many years. Nassau County of course has NIFA, the Nassau Interim Finance Authority that's been overseeing the county's financings. I suspect that's been at least the last ten years? Todd Miles, do you want to chime in on this?

MR. MILES: Richard, ironically you mention NIFA which is the control board for Nassau County and probably unknown to a lot of people, but in the state budget that was adopted this year, there was legislation included which extended the life of NIFA and its ability to borrow on behalf of the county. So, I believe it was scheduled to expire sometime around 2030 or 2035, but now it can extend its debt on behalf of the county, out to I believe 2051. So, echoing what you said, once these control boards are put in place, they're very hard to get rid of. They do in effect, substitute appointed officials and people appointed by

powers outside, in this case, the city, whether it be a control board in the city who make governing decisions, you lose that connection as you said Richard, between the people and their elected representatives. You now have governing decisions made by folks who are appointed by the Governor and other elected officials. So that is something that you would want to think long and hard before doing and another thing that you point out, is that their expensive. Those folks get paid high state salaries and it would all be on the city's tab. So it's like creating a shadow government that is not responsible to the people in the city but is being paid for by the people in the city.

MR. TORTORA: Thanks Todd. Back to the questions from Robin Donovan: It's not best practice to borrow for recurring financial operational costs, so why are we doing it? There was a deficit before COVID19. How did the pandemic add another 4,250,000 to that deficit?

To answer the first part. This is not expected to be a recurring cost. Obviously we're still in the infant stages of this

coronavirus situation and the full effects won't be known for some time. But this is primarily to address the current revenue short fall and the expectation is that the once this is over, the beaches will be able to open and things could get back to normal.

Which specific deficiency in the general fund is the borrowing covering?

I think we covered that earlier in the slides.

How much interest will the tax payers be paying a year on these deficiency notes?

So, as I mentioned, the interest rate is 2.25% which equates to about \$96,000 in interest for a full year.

How many years will the tax payers be paying for the notes?

Again, this is a short term borrowing that is currently expected to be repaid next year. But as we mentioned, there are certain options which could extend that for an additional year.

What happens next year and the

year after when the deficit keeps growing?

The city's administration is working on a contingency plan to address the potential impact from COVID19 and any additional impact that it might have on the city's fiscal 21 operations.

John, those are all the questions that we received. I'd like to turn it back to you.

PRES. BENDO: Okay, great, thank you.

So, just so people understand, the city gets its property tax revenue, so the taxes we as homeowners pay, typically comes into the city in July and December. Twice a year. When we get to the latter part of the year, like we're getting now, what often carries the city through is the late year revenue from things like beach pass sales, sales for the parking passes for the Long Island Railroad station, things like that. The late season revenues. The issue here is, because of COVID, we don't know if those revenues are going to come in. So that is what we're basically hedging here,

assuming that money's not coming in, and this is to carry the city to the end of the year.

Now, there is what they call a CAR on this, so if the monies do come in we can pay this off sooner. But this is what's going to carry the city to the end of the year because quite frankly, we have to keep the lights on and pay the employees. And how this is going to impact us next year? This is going to put the onerous on the administration to continue streamlining the city's operations in bringing revenues and expenses in line with each other, which has not happened in the city in some time. And that's why CMA is involved. There's a five year financial plan being put together, which the city has not had before. So, it's a process and it's not going to be flipping a switch fixing the problems. The problems have built up over time. It's going to take time to fix them but we're taking the steps to move us in the right direction.

So with that, I guess I will turn it back over to Mr. Fraser.

MR. FRASER: Alright, on to the

voting portion.

Item 1 is a resolution delegating to the City Comptroller of the City of Long Beach, Nassau County, New York the powers to authorize the issuance of \$4,250,000.00 deficiency notes of the city, or as much thereof as may be necessary, for the fiscal year ending June 30, 2020 and to prescribe the terms, form and contents, and provide for the sale and credit enhancement of such notes.

Who will introduce and move the adoption of this item?

MR. MANDEL: I will.

MR. FRASER: Who will second?

VP. MCINNIS: I will.

MR. FRASER: Voting. Council Member Delury?

MR. DELURY: I just want to say that a lot of revenue that the city was expecting like President Bendo said, came in the form of beach passes and related items. Which normally came in May and June. So, this is not a unique situation throughout New York state. Unfortunately, I don't think Long Beach is alone

when a beach community is impacted by this. So, I vote yes.

MR. FRASER: Council Member Mandel?

MR. MANDEL: Yes.

MR. FRASER: Council Member Treston?

MS. TRESTON: Yes.

MR. FRASER: Vice President McInnis?

VP. MCINNIS: Good evening. I have reviewed the cash flow forecast prepared by Ms. Reznik and Ms. Gayden. Their recommendations are sound, transparent and based on fact. This revenue short fall borrowing is necessary. Due to previous administrations, we don't have enough in our cash reserve account, aka rainy day fund, to weather any sort of crisis such as this. Previous administrations actually left this council with a negative balance in the general fund.

Ms. Gayden has been working non-stop, with state and county elected officials, to help us obtain COVID19 related funding to

repay this deficiency note as soon as possible. But there are no guarantees. Therefore, I will be, and I ask that each of you, reach out to our Congresswoman, Kathleen Rice to ask her to champion COVID19 related assistance for Long Beach. You can reach Congresswoman Rice at 516-739-3008. Let's make sure Long Beach gets its fair share. With that, I vote yes.

MR. FRASER: President Bendo?

PRES. BENDO: Yes.

MR. FRASER: Who will make a motion to close the meeting?

MS. TRESTON: I will.

MR. FRASER: Second?

MS. MCINNIS: I will.

MR. FRASER: Voting. Council Member Delury?

MR. DELURY: Yes.

MR. FRASER: Council Member Mandel?

MR. MANDEL: Yes.

MR. FRASER: Council Member Treston?

MS. TRESTON: Yes.

MR. FRASER: Vice President
McInnis?

VP. MCINNIS: Yes.

MR. FRASER: President Bendo?

PRES. BENDO: Yes.

Alright, thank you folks. There will be another council meeting, the normal one on Tuesday where we are going to get into more details about the budget and the city's financial situation, so tune in for that to start adding to the picture of where we are and where we're going.

MS. TRESTON: Before you turn off, I'm sorry to interrupt. Dave, could you just provide the email for residents to ask questions regarding the budget?

MR. FRASER: Info@longbeachny.gov.

MS. TRESTON: Thank you.

MR. FRASER: No problem.

MR. BENDO: Okay, with that, hope you tune in on Tuesday and we'll see you then. Have a good night.

VP. MCINNIS: Good night.

MS. TRESTON: Be safe.

MR. DELURY: Good night.

(Meeting Concluded)

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[Audio, concluded]

C E R T I F I C A T E

I, Gina T. Guma, certify that the foregoing transcript of City Council Meeting, City of Long Beach, was prepared using the available transcription equipment and to the best of my ability, is a true and accurate record of the recording.

Gina T. Guma
Acting Deputy City Clerk

Date: May 5, 2020