City of Dublin
Office of the City Manager
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Memo

To: Members of Dublin City Council

From: Dana L. McDaniel, City Manager

Date: October 19, 2017

Initiated By: Angel L. Mumma, Director of Finance
Jerry O'Brien, Chief Accountant

Re: Ordinance No. 74 -17 - Authorizing the Establishment of the Property Assessed Clean Energy (PACE) Agency Fund

Background

Council recently passed Ordinance 62-17, which authorized an Energy Project Cooperative Agreement by and between the City of Dublin, the Columbus Regional Energy Special Improvement District, Frantz Investments, LLC and the Columbus-Franklin County Finance Authority. The purpose of the agreement was to provide funding to Frantz Investments, LLC to pay for energy efficiency improvements made to a property owned by Frantz Investments, LLC, as part of the Property Assessed Clean Energy (PACE) program. The funding will be provided by the Columbus-Franklin County Finance Authority in the form of a loan and will be repaid with special assessments levied by the City of Dublin on the Frantz Investments, LLC property and collected by the Franklin County Auditor.

The special assessment loan is not considered a debt obligation of the City. The City's obligation is limited to paying to the Columbus-Franklin County Finance Authority moneys collected by the Franklin County Auditor and submitted to the City. The City is not obligated to make payments toward the debt from any other source of revenue. Specifically, the agreement states that "The City's obligations under this Agreement are not and shall not be secured by an obligation or pledge of any moneys raised by taxation. The City's obligations under this Agreement do not and shall not represent or constitute a debt or pledge of the City's faith and credit or taxing power."

Since the City is not responsible for repaying the loan with any source of revenues other than the special assessments and is not responsible for assuming the debt in the event of default, the loan is considered no commitment special assessment debt of the City. The guidance provided by the Governmental Accounting Standards Board (GASB) for this type of debt states that:

> *The debt service transactions of a special assessment issue for which the government is not obligated in any manner should be reported in an agency fund rather than a debt service fund, to reflect the fact that the government's duties are limited to acting as an agent for the assessed property owners and the bondholders.*

Therefore, an agency fund is needed to account for the receipt and payment of the special assessments. Moreover, should the City enter into additional agreements that constitute no

commitment special assessment debt, it would be appropriate to account for those future debt issuances in the fund.

The City may establish an agency fund for this purpose with the permission of the Auditor of State, pursuant to the authority granted by the Ohio Revised Code. Ohio Revised Code 5705.12 states that "the taxing authority of a subdivision may establish, with the approval of and in the manner prescribed by the Auditor of State, such other funds as are desirable, and may provide by ordinance or resolution that money derived from specified sources other than the general property tax shall be paid directly into such funds." Upon Council's approval of this Ordinance to establish an agency fund to account for the special assessments, staff will prepare and submit a written request as required by the Auditor of State seeking approval for the fund. A copy of the Ordinance is required to be submitted with the request for approval.

Recommendation

Staff recommends approval of Ordinance 74-17 at the second reading/public hearing scheduled on November 6, 2017.

RECORD OF ORDINANCES

Dayton Legal Blank, Inc. Form No. 30043

Ordinance No. 74-17 *Passed* _____, 20____

AN ORDINANCE TO AUTHORIZE THE ESTABLISHMENT OF THE PROPERTY ASSESSED CLEAN ENERGY AGENCY FUND

WHEREAS, Section 5705.12 of the Ohio Revised Code grants permission to the taxing authority of a subdivision to establish special funds; and

WHEREAS, the City wishes to establish an agency fund to facilitate the collection of special assessments for energy improvement projects; and

WHEREAS, the City has entered into its first Energy Project Cooperative Agreement with the Columbus Regional Energy Special Improvement District, the Columbus-Franklin County Finance Authority, and Frantz Investments, LLC, which provides financing to Frantz Investments, LLC, for an energy improvement project through a special assessment loan from the Columbus-Franklin County Finance Authority to Frantz Investments, LLC; and

WHEREAS, Dublin City Council passed Ordinance 61-17 authorizing the City of Dublin to levy special assessments against the property owned by Frantz Investments, LLC, located at 5500 Frantz Road to provide funding to repay the special assessments loan; and

WHEREAS, the financial obligation of the City is limited to submitting the special assessments collected by the Franklin County Auditor to the Columbus-Franklin County Finance Authority; and

WHEREAS, the special assessments loan does not constitute a debt obligation or pledge of the City of Dublin's faith and credit or taxing power; and

WHEREAS, generally accepted accounting practices (GAAP) directs that special assessment debt for which the City is not obligated in any manner (no commitment special assessment debt) be reported in an agency fund.

NOW, THEREFORE, BE IT ORDAINED by the Council of the City of Dublin, State of Ohio, _____ of its elected members concurring, that:

Section 1. There be established a Property Assessed Clean Energy Fund, an agency fund.

Section 2. Special assessments collected on behalf of the Columbus-Franklin County Finance Authority as stipulated in the Energy Project Cooperative Agreement, as well as any future special assessments collected for energy improvement projects, be receipted into the Property Assessed Clean Energy Fund.

Section 3. Special assessments received into the fund be paid as required by the pertinent Energy Project Cooperative Agreement.

Section 4. This ordinance shall take effect and be in force in accordance with Section 4.04(b) of the Revised Charter.

Passed this _____ day of _____, 2017.

_____
Mayor - Presiding Officer

ATTEST:

_____
Clerk of Council