

**STREET COMMITTEE MEETING  
PAW PAW LAKE ROAD  
JUNE 8, 2020 9:00 A.M. (VIA ZOOM)**

Present: Mayor, Councilman Carroll, Fiscal Officer Romanowski,  
Engineer Haibach, Solicitor Matheney, State Representative Grendell

Absent: Chairman Mark Porter

Visitors: Brenna Smathers, ODOT; Kent Kristensen, Paw Paw Lake; “Anonymous”, Collin  
Cunningham, CVT

The Mayor had the participants introduce themselves. Brenna Smathers stated she is with the Ohio Department of Transportation (ODOT) in Finance. She is the State Infrastructure Bank (SIB) program manager and would be discussing and answering questions about this program. The Solicitor stated she was attending to find out what the program entails and suggested discussing the legal parameters. The Fiscal Officer stated she was also present to learn about the funding. Kent Kristensen stated he is the Road Chair for Paw Paw Lake Home Company. He explained that the roads in the Paw Paw Lake community are deteriorating faster than the HOA can keep up. They are looking for options to repair, resurface, and possibly widen the roads and ultimately pass the service and maintenance over to the Village. He added that they had also discussed making them public, and the community was willing to do this. Kristensen stated that the HOA was considering a number of options to include resurfacing and widening the road and keeping the utility poles where they are. However, the Village Engineer proposed that the poles might need to be moved. Kristensen stated they are also considering burying the utilities in the ground because there is limited property for the road. Kristensen advised that the community has prices for all the options.

Carroll stated he was interested to hear what funding options ODOT may be able to provide.

The Mayor stated that he did not want to involve Representative Diane Grendell yet, but stated that her office is interested and had contacted Smathers.

Kristensen explained that Paw Paw Lake has just under a mile of road, and one cul-de-sac turnaround with a narrow bridge and narrow dam in between. They are considering putting in two more turn arounds so that the Village snowplow, school bus, firetruck, or EMS could turn around. He explained that in the past when a firetruck had come into Paw Paw Lake, it blocked everything. They are eager to have the road widened. Kristensen stated that the community has managed their money well and would be able to pay something towards the project.

Smathers explained that about a year ago, she received questions about the SIB program from Paw Paw Lake. At that time, she let them know that it was SIB policy that they only loan to public entities. She suggested to them that the Village would be the actual applicant for the SIB loan. This would be the first step. Smathers stated there was a fee involved for getting the SIB loan depending on the amount of the loan. She asked if the amount was \$1,000,000. Kristensen stated that \$1.5 million should cover the burying of the utilities as well. Smathers clarified that this was a good estimate, and Kristensen said it was, and that there were quotes to support it.

Smathers stated that the only fee involved with the SIB loan would be the financial advisor fee. The financial advisor works for ODOT. This would be based on the dollar amount of the loan and would be based on closing. It could be rolled into the loan and would be \$6,000. Smathers stated that the first 12 months after the loan closes, there are no payments or interest. After this, the interest will accrue on the balance of the loan, but no payments are due. On the 31<sup>st</sup> month from the time the loan closes, the first payment will be due. The payments are semiannual for whatever is due. She explained that if the Village were to apply for the loan, are backing it, and got the SIB loan, what would happen is that ODOT would not just cut a check for \$1.5 million. She stated it would be like a line of credit, and the Village would make requests to draw funds with supporting documentation. These requests would be approved and signed off by ODOT and the funds would be sent to the Village. She clarified that as funds are needed, funds are drawn against the loan. Until the project is done and draws are finished, the schedule will keep updating to whatever the balance is and the interest will be based on this. It is a 3% fixed rate for the life of the loan.

Smathers offered that the maximum amount of the loan term is 25 years but stated the Village could pick any term it wanted. Once the application is submitted, she would review it and then send it to the financial advisor who would calculate the debt service coverage ratio. He would also get the preliminary term sheet together. Smathers stated that there is a SIB loan committee at ODOT which consists of ODOT finance staff. She would present and seek approval for the application and as long as there were sufficient funds, which was not a concern to her, then the committee would provide approval.

Once this is achieved, there are loan documents, loan agreements, and a promissory note. The process would take about one to two months to close the loan. This could be done through email, which speeds up the process.

Smathers asked if there were funds Paw Paw Lake had to contribute towards a project, and Kristensen stated that there are 42 homes paying into the fund and the Home Company pays its own taxes to the Village. There is a yearly road maintenance fee the residents pay which includes snow plowing and ice treatment. There is also a capital account where money is put aside for repairs. The HOA runs a Road Department, and he is the Road Chair. Kristensen stated the HOA hires contractors to do their work. Smathers reiterated that the loan application must come from a local entity like the Village and show a source of repayment. However, she stated a side agreement could be made between the Village and the residents of Paw Paw Lake, although it would not be shown in the loan agreement or any of the ODOT documents. If Paw Paw Lake wanted to contribute to the Village to help pay for the loan payment, this would be worked out through the Village's legal counsel or some other manner. ODOT would just have the Village on the loan. Kristensen stated that in contract terms, this would be a back to back agreement. Smathers stated that in the past she has had this situation come up, but it would be a matter of the comfort level of both parties.

Kristensen thought the ability to draw funds as they are spent was a positive thing. He further explained that the community is very good at getting good bids and may be able to have the work done for less. Smathers agreed and said she would then adjust the payment schedule to reflect a

lower payment amount. There is no requirement to use the entire \$1.5 million. Smathers offered to create a preliminary schedule to show the Village, which would provide an idea of the payments with the 3% interest. The Mayor stated the Village would want this, and Smathers stated she would email it to the Mayor to share it with whomever he wished.

Smathers also stated that from the time the loan closes, there is a prepayment penalty if the loan is paid off early. Specifically, there would be a 3% penalty on whatever the balance is on the SIB loan.

Kristensen stated that this looked like a very attractive loan. He explained that the HOA looked at private loans, and the highest they could get was 20 years. Kristensen stated that the longer term would be helpful in terms of the interest and payment.

Carroll asked Smathers for the interest rate, and she reiterated that it is 3% fixed rate. He verified that the Village would be responsible for the loan and verified that if Paw Paw Lake were to default, it would go against the Village's debt or bond rating and would be debt levied against the Village finances. Smathers stated this was correct. Carroll referred to Smather's suggestion that the Village could have a side agreement with Paw Paw Lake and asked if she was aware of any other municipality in the State doing this. Smathers stated no but explained that her predecessor mentioned that this is a possibility. Again, she explained that it is not documented in the loan agreement. Smathers said she could check on it, and knew it was a possibility but it would have to be worked out between the two parties and legal counsel. Carroll stated it would be beneficial if Smathers could provide specific examples of private entities partnering with the public government. He explained that there may be legal requirements that the Solicitor would need to address. Smathers said she would see what she could find.

Carroll also addressed the impending need to address Bell Rd. east and the possible need to leverage funds. He asked Smathers if the Village could potentially have multiple SIB loans, and she said it could. She referred to local entities that have eight SIB loans, and said it is possible to have multiple loans for different projects. The only time it would become an issue would be if the SIB program were limited on funds in the bank. In this case, preference would be given to the new applicant rather than an entity with multiple SIB loans.

Carroll wanted to verify that with the Village making the application for the loan, the Village would be technically responsible for the loan. Smathers stated this was correct.

Kristensen stated that in his research, he found that when Villages do this, they take over the road and the road becomes public, which would be why Smathers had not seen examples like this scenario. He had spoken to other associations where this had happened, and said the Village basically takes it over, at least the surface of the road. Carroll stated that being a private road, the road would have to be brought up to Village standards before the Village would consider taking it over. Kristensen commented that the community had been paying taxes for 99 years.

The Solicitor asked if the Village had copies of the quotes obtained by Paw Paw Lake, or if the HOA would be willing to share them. Kristensen agreed and said that based on the most recent

meeting with the Mayor, he had also started a bullet point Memorandum of Understanding. He thought that should be put in place as well.

The Mayor stated he would bring this matter up at his Mayor's meeting to get advice and to find out what his colleagues had done over the years. The Mayor also stated he would contact Rep. Grendell's Office to tell her it was a productive meeting and that they would be meeting again. Third, the Mayor stated that they needed to be careful and that the Village has a three-million-dollar budget. The idea of the Village taking out a loan for \$1.5 million would cause some people to roll around in their graves. It would be necessary to work through slowly and carefully because there are other private roads that would be watching and listening. The Mayor stated he would be back in touch after speaking with Rep. Grendell and after the Village had a couple more meetings with Paw Paw Lake to see what sort of common ground could be established. The Mayor thanked Smathers and said she had given him hope that there is something that the Village could possibly do that is reasonable. He did not think that one to two months to get a loan would happen in South Russell, but he could see something happening soon if everything fell into place.

Carroll stated that first, the Village needed to have Engineer approved drawings with definite pricing. He added that bluntly, he was hard pressed to expose the Village to do any kind of loan if only because the Village has Bell Road East and other projects, and as the Mayor stated, other private entities wanting to come forward. First and foremost, Carroll stated that Council needed to decide whether the Village would consider taking over the road if it were brought up to standard, and definitively tell Paw Paw Lake residents this so that wheels were not just spinning with the project over and over again.

The meeting was adjourned at 9:35 a.m.



Michael Carroll