

MINUTES
Troutdale City Council – Regular Meeting
Troutdale City Hall – Council Chambers
104 SE Kibling Avenue
Troutdale, OR 97060-2099

Tuesday, February 23, 2010

1. ROLL CALL, AGENDA UPDATE

Mayor Kight called the meeting to order at 7:00pm.

PRESENT: Mayor Kight, Councilor Wand, Councilor Thomas, Councilor White, Councilor Kyle and Councilor Daoust.

ABSENT: Councilor Hartmann (excused).

STAFF: Dave Nelson, City Administrator; Rich Faith, Community Development Director; Debbie Stickney, City Recorder; David Ross, City Attorney; Scott Anderson, Chief of Police and Erich Mueller, Finance Director.

GUESTS: See Attached.

No agenda update.

2. CONSENT AGENDA:

2.1 ACCEPT MINUTES: January 26, 2010 Work Session #1, January 26, 2010 Regular Meeting, January 26, 2010 Work Session #2 and February 2, 2010 Work Session.

2.2 RESOLUTION: A resolution to appoint Ronald A. Garzini as Troutdale City Administrator, and approve an employment agreement establishing the terms and conditions of his employment.

MOTION: Councilor Thomas moved to adopt the Consent Agenda. Seconded by Councilor Kyle. Motion Passed Unanimously.

3. PUBLIC COMMENT: Please restrict comments to non-agenda items at this time.

Cheryl Guild read a letter into the record supporting equal taxation of energy, which is attached as Exhibit A.

4. UPDATE: Update from Bryan Fearn, Branch Manager of the new Troutdale Library.

Bryan Fearn stated I wanted to introduce myself. I relocated here from Nevada and have been with Multnomah County Libraries for a little over three weeks. I would like to point out a few things about the new Troutdale Library. We will be having what we call

a “Lucky Day” collection of the popular items that can be checked out. We will also have laptops available for checkout for use in the library only. We will have about 20,000 items in our collection. We will be a LIBROS branch which means we will be focusing on serving the Spanish-speaking community. At all times that the library is open there will be at least two staff members that are fluent in Spanish. We will provide numerous programs to that community as well. We are going to have a slightly different customer service model which I call a retail service model. Typically when you enter a library you will see folks sitting behind a desk and you might be hesitant to ask them for assistance because you might feel like you are interrupting them. In this location what we will be doing instead is we will have library staff moving around throughout the library offering assistance similar to what you see at a retail store.

5. DISCUSSION: Discuss supporting use of the Reynolds Middle School Pool as a community pool.

This item will be discussed following Item No. 6.

6. MOTION: A motion to authorize LeMur Race (10 Guys Named Alex) to prepare a proposal for a race in May 2011 and to work with the city staff on requirements.

Charlie Warren, Public Works Director, stated we have before you a proposed motion to authorize 10 Guys Named Alex to promote the LeMur Race for 2011. Dennis Petross is here this evening to advocate for the race. We originally thought the race was going to be held in May of 2010, but trying to make those preparations was a little more than what they were ready for, so they are now looking at May 2011 for the race. The report before you shows some of the issues that still need to be resolved. One of those issues is that we have about \$9,000 worth of staff time that would be necessary for a race like this.

Dennis Petross stated I represent 10 Guys Named Alex and I am a race director for LeMur. We are proposing the bike race for May of 2011 and we are asking that the City evaluate your budget to see if Troutdale is willing to sponsor the race and have the venue in Troutdale. The proposed race will include five categories of races including both amateur and pro racers. The race would start in Glenn Otto Park and they would head out towards Brightwood and then come back through Bull Run, Corbett and Springdale and end with a circuit race in downtown Troutdale. The race will be completed in one day and will bring approximately 3,000 spectators and 500 racers. Troutdale offers a beautiful racing area. 10 Guys Named Alex is a small group of racers that is about 11 riders strong and we are passionate about racing. We are trying to provide something that isn't done in the Northwest. Troutdale could have a very unique race here which would be a big draw for racers and spectators.

Charlie Warren stated when 10 Guys Names Alex came before you the first time you directed staff to ensure that other agencies had been contacted as well. Dennis has met with the downtown merchants. I also attended a meeting with Dennis where representatives from Multnomah County, Multnomah County Sheriff, Clackamas County Sheriff, ODOT and other agencies were present to discuss the details of the race. Dennis has been addressing issues such as insurance, liability, and communications

during the race. An issue for Troutdale is to make sure that we contact our downtown residents. If we move forward with this race we should have a meeting and invite the public to come and ask questions about the race and the streets being shut down for the day. A number of the issues have been addressed, but there are still a few outstanding issues.

Mayor Kight stated when I look at a business transaction for the city or in my private business I always look at the cost benefit or the return on the investment. You are asking the City to underwrite the police and other support services at approximately \$9,000. What do you expect this race to generate as far as income for the City? When I say city I am talking about the merchants.

Dennis Petross stated we envision that the spectators would be watching the race and going into the stores and spending money. People are here for 3-5 hours at a time so we are expecting folks to hang out here and spend money. That is approximately 3,000 people in one day; I don't know what your downtown stores typically see in a day. I don't think that I am suggesting that the City underwrite the entire \$9,000. I am just asking for the City to take an interest in the race and partner with us. We don't charge the riders a lot of money to participate and we don't charge the spectators, so we don't bring in a lot of money. It is a large sum of money for us to have to come up with to put on a race like this which is why I am suggesting that we partner.

Mayor Kight asked do you have a sponsor for the race?

Dennis Petross replied not yet. As soon as we get an okay to go forward with the race then we will work on getting a sponsor.

Mayor Kight asked are you going to set up a website to promote the race?

Dennis Petross replied we have already done that.

Councilor White asked what happened for the race plans for this year?

Dennis Petross replied we had a deadline of mid January to get an answer from the Council. Since we didn't meet that deadline there would be no way to get sponsorship with such a short notice.

Councilor White asked what kind of feedback did you get from the meeting with the Chamber of Commerce?

Dennis Petross replied I felt the meeting went well. I was expecting some challenges and I felt like everyone was really positive and excited about the race. There were some valid concerns but I think we were able to address those concerns and I think those who had concerns are on board.

Chief Anderson stated I was at the Chamber meeting and I suppose you could say it is a matter of semantics because we had a couple of people who spoke negatively as they were talking amongst themselves after Dennis left. To be fair to Dennis, he wasn't there

so he can only report what he saw. There were some people who were at the meeting who were favorable about the race. They were concerned about what it might do to the businesses.

Mayor Kight asked how many people were strongly opposed to the race?

Chief Anderson replied there were probably 25 to 30 people in attendance and there was 4 or 5 of them that were in the General Store kind of behind the counter talking.

Councilor Kyle asked have you organized an event of any kind before?

Dennis Petross replied no.

Councilor Kyle stated it is not for the faint of heart. I have been part of a lot of events here and everybody downtown is always happy with the activity, but getting to that point is not easy. This event will have a big impact on our area. You are not really clear about the kind of support you want from the City other than having us give you our blessing to go forward. You probably don't know how much financial support you may need from the City, if we were to give any as far as co-sponsoring the event.

Dennis Petross replied if I had to come up with a figure today, I am thinking about \$6,000.

Councilor Kyle asked do you have any grant options?

Dennis Petross replied no.

Councilor Kyle stated I may be able to share some information with you on possible grants.

Councilor Daoust asked if the Brightwood and Corbett portion of the route was dropped would you still anticipate 500 racers?

Dennis Petross replied I don't think the number of racers would drop significantly, if at all. We would just change the route slightly and keep it the same distance.

Councilor Daoust asked do you still need to work with the other jurisdictions?

Dennis Petross replied after meeting with the counties, they have been very positive and they are trying to make this happen. There are still some items to work on, but, I think we can still work with the counties to make the race happen.

Councilor Daoust stated I don't know if we are going to hear from any of the opposition to the race tonight, but it certainly seems promising.

Councilor Wand asked if we decided to support this race tonight, what other sponsors will you approach to gather up additional resources to help offset, reduce or eliminate the need for us to spend City funds?

Dennis Petross replied we already have sought out interest from bike shops and others. Our team has some sponsors and they are interested in being involved in this race. We are trying to find a large sponsor.

Councilor Wand asked have you prepared a business plan, marketing plan or budget that we could take a look at? Even if we decide tonight that we want to sponsor the event, this will still need to be approved by the budget committee. Our budget is real tight this year so you will need to provide a lot of documentation for us to review.

Charlie Warren stated for the budget process I would show a line item of the expense for the City of \$6,000 and see how that goes in the budget process.

Dennis Petross replied we have a business plan and a budget that I have shared with Charlie Warren.

Mayor Kight asked do you anticipate this becoming an annual event?

Dennis Petross replied yes, we would want it to be an annual event.

Mayor Kight asked is there anyone here that would like to speak to us on this topic?

No testimony received.

Councilor Daoust stated I think they are asking for City sponsorship. I think we can make a motion without committing any specific dollar amount right now. I think what they want right now is a green light that we are willing to host and sponsor the event to a certain degree. I would like to hear from the Council before I make my motion.

Councilor White stated I view this as a luxury item which in the past hasn't done well in our budget cycle, and I don't want to burden our staff. At the same time I feel that cycling is a natural fit for Troutdale. We have a lot of cyclers here already. I think it is nice to be recognized for that. I can see this event growing. My biggest concern is shutting down the street, but if the businesses are okay with that I guess I am comfortable.

Councilor Kyle stated when you look at how popular bicycling is in the Portland area I am also honored that we are being considered for this. Of course we have concerns with issues that have been raised regarding shutting down the roads and monitoring the roads. If we make a commitment to do what we can, at least support this event, but not guarantee what level of financial support we can provide, they can go out and start collecting sponsorship dollars and I bet they won't even need any money from the City. They have more than a year to prepare for this and collect sponsors. I think we need to support them in this endeavor because this event could be huge for us.

Councilor Daoust stated I think this would be a positive event for the City. There may be some things that still need to be worked out like how long the main street would be closed, and which roads would be closed. If the Chief has any comments to make I

would like to hear those before we make a decision. I tend to think if we give them a green light tonight that they can work things out, but they really do need to know if we are going to host them and sponsor this. We have shut down main street before for the SummerFest parade, the Blue Grass event, car shows, the 100 Year Celebration and a number of other events. There is always some complaining.

Chief Anderson stated I fully support the idea. I think it is exciting for Troutdale to be thinking in terms of a race like this. In an earlier meeting with Mr. Petross and staff, I stressed that there needs to be a clear communication strategy to inform Troutdale residents of what is going to happen on race day. People who are not going to have access to certain streets need to know that they are not going to have access to those streets. I think that the outcome of this will be determined by the amount of communication that takes place with the residents in Troutdale. They have plans and I am confident that they are going to continue with those plans to make sure that those communications are made and people are given enough time in advance so they know if their car is parked there it can't be there at race time or it will be towed.

Councilor Wand stated I appreciate the Council President's comments and I agree with them and the rest of the Council's assessments at this point. In my view the commitment today is let's go ahead and authorize staff to work through the details keeping in mind the communications we have already had with our local businesses and the concerns of the residents and businesses to make sure that it is all taken care of. We have already spoken with the Ten Guys Named Alex about the kind of information we want to have before we make a financial commitment. Right now he is asking us for a commitment of sponsorship and some staff time and I think that is appropriate at this point.

Councilor Thomas stated I like the proposal but I have some serious concerns about blocking off almost a square mile of Troutdale for a day. It is definitely a PR issue. Financially sponsoring this event creates quite a quandary for me because I have been asked by some of the merchants downtown to sponsor events by providing the insurance. When we step into this we are stepping into a much bigger budget piece than just \$10,000 for this event. My preference would be that it pays for itself and that the City be reimbursed for those fees. In talking with some of the business folks I would say that the reception has been luke warm at best. I really have some concerns. I am okay with going forward with the plan and I hope it works, but I am really interested in how well they are able to work with the downtown businesses to alleviate their concerns and also the residents. At this point I don't want to commit any money at all.

MOTION: Councilor Daoust moved to authorize LeMur Race (10 Guys Named Alex) to prepare a proposal for a race in May 2011 and to work with city staff on the requirements. Seconded by Councilor Kyle.

VOTE: Mayor Kight – Yes; Councilor White – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Wand – Yes; Councilor Thomas – Yes.

Motion Passed 6 – 0.

Mayor Kight stated we will now go back to Item No. 5.

5. DISCUSSION: Discuss supporting use of the Reynolds Middle School Pool as a community pool.

Mark Beasley showed the Council a PowerPoint Presentation (attached as Exhibit B) regarding the need for a family aquatics center in East Multnomah County.

Mark Beasley stated the options to address this need are: 1) upgrade the Reynolds pool; 2) build a new aquatics facility; 3) partner with or form a recreational district; or 4) partner with a 3rd party such as the proposed destination facility at the dog track.

Mark Beasley is promoting the formation of an Operational Foundation, 501c3, and is soliciting the Council's approval to move forward with this and is asking for a commitment of \$15,000 to \$20,000 to get started.

Councilor Daoust asked looking at the extensive work that would need to be done at Reynolds Middle School, was there any consideration of partnering with Mt. Hood Community College (MHCC) to expand their aquatics center?

Mark Beasley replied that was considered. There are a number of people within the three cities that are concerned about getting involved with something that also involves Gresham. MHCC's focus is on doing quality education programs. When you are looking at forming an operation like this you have to go to the best learnings and every time that type of thing has been attempted it has always been detrimental. Trying to form an operational organization that they would buy into, as well as the cities, there would be a lot of tension. What they found in Holland, Michigan was that once they started becoming successful with the school system there was a backlash with the problem of funding schools. Schools have enough on their plate and don't need to be involved with aquatics facilities. It is not impossible, but I am highly skeptical.

Councilor Wand asked have you spoken with the East Metro Economic Alliance (EMEA)?

Mark Beasley replied I have not.

Councilor Wand stated the reason I ask is that the \$15,000 to \$20,000 price tag for legal fees to create a 501c3 is a sizable price tag. We have organizations in Multnomah County such as EMEA that could work with you and partner with you to secure grants through their organization. Maybe you could contact Travis Stovall and talk to him about that.

Councilor Thomas asked will the aquatics center be owned by the Foundation?

Mark Beasley replied no. I would see the Foundation as helping to secure funding and to make the community center the communities.

Councilor Thomas asked so you are proposing that the stakeholders be the three cities plus the Foundation?

Mark Beasley replied yes. The cities are the ones who elect the Foundation directors so it becomes a true partnership in that we all own it together.

Councilor Thomas stated if you are trying to build a center to service East County I think that Gresham needs to be part of this.

Mark Beasley replied I would like to look at a bigger picture but the reality is that we have enough population to drive it with our needs in the three cities. There is another key learning that I found when I was dealing with MHCC. That is that you cannot find time at MHCC's pool. Building a facility that is too big means that you will have over-served the community to the point that you can't maintain the programs that you need. Nobody wants to go into an aquatics facility that is elbow to elbow. What I am saying is that we can have a facility in this area that services our communities where we can provide this service relatively inexpensive, cheaper than MHCC, and still maintain the facility but it would also be a draw so that other communities can come here. It would be further away so kids can't go on their bike to get here, but it can be a destination point for weekends. When I say there is a hole in East County, I am saying it is not just this area that there is a hole. There are not enough aquatics facilities or pools to service this area. I don't want to have a big water park because that is too expensive, and it is too expensive to maintain and staff.

Mayor Kight stated this is just an introduction to this issue. I think a strong case can be made for having an aquatics facility or other facilities for families here in East Multnomah County. I think Councilor Wand had an excellent suggestion to contact Travis Stovall of EMEA as a first step to see if there is some grant funding options available. As this moves forward maybe we can have a work session on this to see what level of commitment the City of Troutdale would be willing/able to make. There are budget constraints for the City with declining revenues and increasing expenses. Before we take on any new financial liabilities we need to make sure that we can secure the public safety for our residents and provide the same level of service that they have received in the past.

Mayor Kight called for a break at 8:56pm and reconvened at 9:10pm.

7. PUBLIC HEARING / ORDINANCE (Introduction): An ordinance vacating the southerly 60 feet of CP Park accessway and amending the Comprehensive Plan Map and the Zoning Map designations of the vacated property.

Mayor Kight read the ordinance title.

David Ross, City Attorney, stated item number 7 on tonight's agenda is being processed as a Type IV legislative public property vacation and land use hearing in accordance with the provisions in the Troutdale Development Code (TDC). A staff report has been prepared for this matter and made available seven days before this hearing. The staff report identifies the approval criteria that apply and analyzes those criteria. The

procedure that the City will utilize for this hearing is as follows: Staff will present the report; the Mayor will open the public hearing; anyone who wishes to testify about the proposal will be given the opportunity to do so; after all of the testimony has been submitted the City Council will discuss the proposal. If you are going to testify make sure that you have signed in and give your name at the beginning of your testimony so that the City has it in the record. If you are going to submit exhibits such as letters, reports, or pictures please identify the exhibit for the record and confirm that you want it included in the record before you distribute it to the Mayor and Councilors. Your testimony and exhibits should address the applicable approval criteria. If you believe that other criteria apply in addition to those that are addressed in the staff report, you must identify those criteria and explain why you believe they apply. The Mayor may reasonably limit oral presentations in length or content depending upon time constraints. Any party may submit written materials of any length while the public record is open. After all of the testimony has been submitted the Mayor may close tonight's public hearing and this matter will be set over for a second reading on March 9th, or the Mayor may continue the public hearing until March 9th to take additional testimony. Before the Mayor begins with the staff presentation, do any City Council Members or the Mayor have any conflicts of interest to disclose?

None disclosed.

Rich Faith, Community Development Director, stated this is a vacation of a portion of a public park known as CP Park. This particular park was created in 1978 when it was carved out of a portion of a subdivision called CP Park. Looking at Exhibit A to my staff report, the piece of property that we are referring to is shown in black on the map, which was referred to as Track A of the original subdivision. Track A was a long flag pole lot which provided an accessway from the main park area to what was at that time vacant undeveloped property located immediately to the south. In anticipation of future development this would provide a connection between the park and the adjoining commercial development. Track A, which encompasses the portion that we are talking about in this vacation proceeding, was dedicated on the face of the plat, but it was subsequently deeded to the City as well. In 2003 we had a number of property owners that live adjacent to and immediately surrounding CP Park come forward to testify about problems they were encountering with this accessway. Because of its location it was somewhat secluded from view from the street and the main part of the park, so it became a favorite hangout for kids and a lot of undesirable activity was occurring there. At their request the City Council decided to close off the accessway from usage to discourage kids from hanging out in that area. Since 2003 this segment of the accessway has been fenced off from public access. Some years later, in conjunction with the Parks Master Plan that the City was considering, there was some thought to reopening that portion of the accessway. Once again the property owners came forward and testified that the problems really had not gone away, and even though it was fenced off kids were still breaking through the fence and continued to use this area as a hangout. At that time the property owner to the west, Mr. Bill Ormond, said he was willing to buy the property from the City. The main point was that the Council recognized that we still had a problem and decided to keep the accessway fenced off. More recently Mr. McWilliams, the property owner to the east, has come forward and expressed his desire to take over this property if the City wished to dispose of it. Mr.

Ormond has stated he is no longer interested in the property and he would be satisfied if we were to convey it to Mr. McWilliams. The important thing to him is that it be permanently closed off to public access.

Rich Faith showed the Council an aerial photo of the property (not submitted into the record). In November of last year the question was put to the Council as to whether we should go forward with a vacation of this property. The unanimous decision of the Council was to initiate proceedings to vacate the southern 60 feet. Once it is vacated we could legally dispose of the property. According to Multnomah County this will not be automatically merged in with the adjoining property so the City will have to convey it by deed before the ownership will change hands. I have been working off the assumption that we would be conveying the property to one or both of the adjoining property owners. Since we have been talking about disposing of this property and conveying it to adjoining property owners we felt it appropriate to deal with the Comprehensive Plan Map and Zoning Map to provide consistency with adjoining properties. On the Comprehensive Plan Map the park, including the accessway, is currently designated as Open Space, whereas the adjoining residential properties are designated as Medium Density Residential to the west and High Density Residential to the east. Looking at the Zoning Map the park is zoned as Open Space and the residential property to the west is zoned R-4 and the residential property to the east is zoned A-2. Based upon the conversations we have had in the past and the testimony received, I made the assumption that the wish of the Council would likely be to convey the property to Mr. McWilliams (property owner on the east side of the park). Therefore, the ordinance talks about changing the designation of the vacated property from Open Space to High Density Residential in the Comp Plan and from Open Space to A-2 or Apartment Residential on the Zoning Map. The Planning Commission held a public hearing on January 20th and on the basis of the information presented and the testimony received they are forwarding a recommendation to the Council to approve the vacation and the requested map changes. Under Section 2 of the ordinance I have included a statement that the owner of Lot 1, Mr. McWilliams, would be responsible for paying all of the associated recording fees if this property were to be conveyed to him. If that is not the desire of the Council we can certainly strike that language.

Mayor Kight asked are there other access points to get from the residential neighborhood to the commercial development?

Rich Faith replied there is another access point off of SW Charity Court which provides a pedestrian connection between the residential neighborhood and the same commercial development (Albertsons). We heard testimony at the Planning Commission from folks who use this accessway that it has some deficiencies. It is constructed with asphalt and apparently has several low spots where water accumulates. In addition, it is a very short distant to 257th which has sidewalk connections to the commercial development as well.

Mayor Kight asked who is responsible for maintaining the accessway off of Charity Court?

Rich Faith replied the City.

Mayor Kight stated if we go forward with this vacation maybe we should make some repairs to the accessway off of Charity Court.

Rich Faith replied I will work with Public Works on that.

Mayor Kight asked what type of surface is on the path we are vacating?

Rich Faith replied it is cement and is approximately 10 feet wide.

Mayor Kight asked will that be removed by the property owners?

Rich Faith replied I assume so; there has been no discussion or request that the City remove the walkway from the portion that is being vacated. At the Planning Commission there was testimony about a remnant of this walkway of about 40 feet that would remain as part of the park, and takes you right up to where the fence would be on the property if it is conveyed to Mr. McWilliams. The request was that the City remove that remnant walkway so it would not encourage folks to use that as a hangout.

Mayor Kight asked what is the total cost to the City for this vacation?

Rich Faith replied if we are not doing anything for the vacated portion and we are only talking about removing this 40 foot section of the walkway, we received an estimate of \$800 to remove and haul off the concrete. There would be a small cost to prep the area and put some grass seed down, which would be done in-house.

Mayor Kight stated so the total cost to the City would be less than \$1,000.

Rich Faith replied out of pocket, yes. There is obviously staff time involved.

Mayor Kight opened the public hearing at 9:30pm.

Larry McWilliams, Troutdale resident, stated my wife and I have lived in the city for 16 years. I am here this evening to speak to the vacation by the City of Troutdale of an 840 square foot path that lies between CP Park and a retail center on 257th and Stark. In October of 2003 I received notification from the City of Troutdale that the City Council was going to address undesirable activity, vandalism, and security issues in CP Park. My property line is adjacent to CP Park so my wife and I are very knowledgeable of the positive and negative activities within the park on a daily basis.

Larry McWilliams shared some excerpts from his statement made to the Council back in October 2003 when the Council eventually decided to close the path in CP Park. His statement from October 2003 included testimony about how dangerous the secluded path is, the loitering that occurs by school age kids, the alcohol and drug activity that takes place, other undesirable activity, gang activity, litter, shop lifters using the path as an escape route, transients sleeping on the path, and how he urged the Council to take action and close the path.

Larry McWilliams stated that evening the City Council by unanimous vote officially closed the path. In September of 2006 I was informed that the Parks Advisory Committee would be going to the Council to report on various findings regarding city parks. I was informed of this by a Troutdale family that has been a neighbor to CP Park for 20 years, and they were very concerned that the closed path might be reopened. In October of 2006 I attended the City Council meeting and testified that as of October 2006 peace and tranquility had settled in on Troutdale's smallest neighborhood park, that families have returned to the park to play, that there has been no drugs, no transients or other undesirable activity on the path, and that to reopen this path would be like revisiting the past. I urged the Council to stand by their previous determination that this path is unsafe and does not belong in this park or a neighborhood. The Council determined that evening that the path would remain closed.

Larry McWilliams stated at the present time this path has been reopened by some of those that created the closure to begin with. The fence posts on both the north and south ends have been damaged and the fence is badly destroyed and has been opened and the undesirable activity has been re-emerging. The path in its current state is unofficially reopened. I want to commend past councils for closing this path, the 2010 Planning Commission for a favorable recommendation to vacate the path, and the City Council for initiating this vacation process. I urge conveyance of this property.

Fernando Olvera, Troutdale resident, asked what is going to be done with the pathway on Charity Court? If the path from CP Park is vacated the only access to Albertsons and the adjacent businesses is from the pathway on Charity Court. You cannot walk on that path. When it rains the path is flooded.

Mayor Kight stated I believe that this issue was addressed earlier this evening. Rich Faith and the City staff will take a look at the path and see what improvements can be made and take care of the water issue. Mr. Faith will inform the City Council of what action will be taken in regards to this path and he can also follow-up with you.

Mayor Kight closed the public hearing at 9:49pm and stated that the second hearing will be held on March 9th.

8. PUBLIC HEARING / RESOLUTION: A resolution providing for a Supplemental Budget for the current Fiscal Year 2009-10, budget transfers, and making appropriations changes.

Mayor Kight read the resolution title.

Erich Mueller, Finance Director, stated this Supplemental Budget requires a public hearing given the number of funds and amounts that we are adjusting. This is taking the administrative action to implement previous Council actions that were taken back in July 2009 when you approved the Collecting Bargaining Agreement with the AFSCME Council 75 for a new 3-year agreement with city employees beginning July 1, 2009. There were a number of items adjusted in the collective bargaining agreement related to the health insurance cost share, long-term disability and the Oregon Public Employees Retirement System (PERS) Individual Account Program (IAP).

This Supplemental Budget also recognizes some additional resources into the General Fund which are unrelated to anything to do with the AFSCME contract. In order for those resources to be available for the City to make use of in its budget process, the resources have to be recognized. There was an audit process that was conducted by a number of cities related to the franchise fees due from Verizon covering a multi-year period. That audit process was completed and a settlement was reached. Once the signatures were obtained from the sixteen different cities, Verizon processed checks for each city. That was money that was not recognized in our budgeting process last year, so that is incorporated as part of the \$118,941 in additional resources that I am bringing forward. The balance of the additional resources is related to prior year delinquent property taxes that have been received in this current fiscal year in excess of what we had budgeted for.

Mayor Kight opened the public hearing at 9:54pm and stated since there is no one in attendance this evening I will close the public hearing. The public hearing was closed at 9:54pm.

MOTION Councilor Daoust moved to adopt a resolution providing for a Supplemental Budget for the current Fiscal Year 2009-10, budget transfers, and making appropriations changes. Seconded by Councilor Thomas.

VOTE: Mayor Kight – Yes; Councilor White – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Wand – Yes; Councilor Thomas – Yes.

Motion Passed 6 – 0.

9. RESOLUTION: A resolution approving the City’s financial statements and Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2009.

Mayor Kight read the resolution title.

Erich Mueller, Finance Director, stated this resolution, as well as the next item on the agenda, are interrelated. This resolution is to some degree a formality but an important one in that we have complied with the municipal audit law requirements of having our financial statements audited. The auditors have expressed an opinion on it, however, it is important that the Council goes on record that these are the official financial statements otherwise the auditors have expressed an opinion on something that is not the official financial statements. As the governing council ultimately it is your oversight responsibility that has the purview over the financial statements. Staff is responsible for the day-to-day and the preparation. What the auditors “own” is one page in the front, and the two pages in the very back of the report, which express their opinion on the report. The rest of the report is put together by staff with the auditors.

Erich Mueller stated the City has exceeded the minimum requirement of the Generally Accepted Accounting Principles (GAPP). The City has chosen to exceed that minimum for the last 19 years and has been successful in getting the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for 19 years. This report has been submitted and I have every expectation that it will also be successful and this would be the twentieth year. Troutdale is among a small group of municipalities across the country that goes the extra step to receive this certificate.

MOTION Councilor Thomas moved to adopt the resolution approving the Financial Statement and the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009. Seconded by Councilor Kyle.

VOTE: Mayor Kight – Yes; Councilor White – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Wand – Yes; Councilor Thomas – Yes.

Motion Passed 6 – 0.

10. RESOLUTION: A resolution accepting the Report of Independent Certified Public Accountants on the audited financial statements of the City for the Fiscal Year ended June 30, 2009, the Management Letters (SAS No. 112 and SAS No. 114), and the OAR 162.10.000 required communication.

Mayor Kight read the resolution title.

Erich Mueller, Finance Director, stated this comprises four different letters of official communication that come from the auditors to you as the governing board.

Erich Mueller stated the first item is bound in the CAFR on page 1 is the **Independent Auditor's Report**. This is where the auditors summarize their opinion. The purpose of the audit is to compare the financial statement to the Generally Accepted Accounting Principles (GAAP) and audit standards and to the applicable Oregon Municipal Audit Laws (administrative rules). The auditor's responsibility is to express an opinion about whether the financial statements prepared by management, with the Council's oversight, are fairly presented in all material respects and conform with GAAP. Their audit of the financial statements does not relieve you or management of our responsibility. The auditors have rendered a "clean opinion", meaning that the auditors have not qualified their opinion with any concerns or reservations. This is the type of audit opinion we desire to achieve.

Erich Mueller stated the next couple of items are part of the **Statement of Auditing Standards (SAS) 112**, which is generally referred to as the management letter. This is where the auditors are required to address matters related to internal controls that they have evaluated and observed. There are three categories, or severities of internal control exceptions that they are required to place their observations into. The lowest level of severity is referred to as "not significant deficiencies", the intermediate level is referred to as "significant deficiencies", and the most serious are referred to as "material

weaknesses". They have outlined in the SAS 112 what they have determined are significant deficiencies, the intermediate level.

The first item mentioned is that bank reconciliations are not being reviewed independently. Much of this was due to the fact that the city was without a finance director for a significant portion of this audit period. I came on board during the last five months of this audit period. There were periods of time after Paul Hughes left that you had an interim finance director that was only working one or two days a week and he wasn't able to perform the full range of activities. This was something that didn't occur and the auditors rightly made that observation. It has been corrected and it is something that I look at every month.

The second item was something that they observed in the receipting process. While they were here following through what they call the cycle testing they made a completely valid observation. Not that they found any fraud, or found any inappropriate activity, just that the possibility existed that it could occur and therefore there was a need for a compensating control. That compensating control has been implemented to address that item.

The third item is one that I ran out of time to deal with. The first draft of the management letter was about four times this length, related to their level of understanding of how the purchasing card system worked and the electronic controls and processes related to sign-offs. When I received the first draft I began addressing the issues that they raised and it kept getting smaller as I answered their questions. This is what is left. Had there been time to address this with them when they were here, my belief is that this item would not have remained on the list. I disagree with the significance of what remains of this item. The senior auditor made the comment to me that in their testing they were able to view evidence of receipts and invoices to substantiate the charges. There was never an instance where there was an expenditure that we couldn't substantiate. It turned out that there were four items out of their sample of twenty-eight where it was all clearly documented as to where it was charged, what the expenditure was for, the date, amount and what it was receipted for. However, there was not a hand written note on the receipt saying what the business purpose was. Two of those four issues were from my travel expenditures. One was my hotel bill for when I attended the Oregon Municipal Finance Officers Association conference. It was completely documented for the conference, I just didn't write down the conference that I was at. Another one was for a plane ticket when I went to Salt Lake City for a week long training with GFOA. I clearly documented all of those things I just forgot to write it on the receipt. Those things were documented in the electronic system; they just weren't on the physical piece of paper.

Items 4 and 5, I don't disagree with the observations that they made.

Number 4 is related to a question of staff resources and when those activities take place. I can't give you an assurance that it is going to occur because I can tell you so far this fiscal year I am not performing any better on it, however I expect it to be resolved before the auditors show up this year. However, it does require having the

necessary staff resources with the necessary skills and that is not something that I currently have outside of my office.

Item number 5 is another one where it is an issue of time, resources and priorities. I have not provided as frequent or as detailed financial reports on an interim basis to the Council as I would have liked to. I have made a marginal improvement this fiscal year. That is what items #4 and 5 are related to in the auditor's observations. I don't disagree with their observations. Those are the five items in the intermediate level of exception to optimal internal controls.

Erich Mueller stated the next three items on the SAS 112 are the other issues shown as not significant deficiencies.

I don't disagree with item #1. It is always a challenge when you have a small accounting department to have an adequate number of employees to provide separation of duties. They have to make this observation so that if there ever is an issue they are on record as having made the observation, not that they necessarily think there is much that can be done about given the circumstances.

Number 2 is a carryover from the prior year. This is something that I started the process but I didn't end up completing the paper work and the procedures necessary with CIS to get it rated and quoted. I don't disagree with that.

Number 3, to some degree is a new item and it is one where they are going on record. This stems from the financial crisis when things that were thought to be safe or stable value funds, there were headlines and breaking news when major money market funds broke the bank when the value of them dropped below a dollar per share. They are making the observation and going on record to make sure that you are aware that the State Treasurers Local Government Investment Pool does not guarantee preservation of principal. I don't disagree with their statement but I don't believe there is any action necessary to change on it.

Erich Mueller stated the remainder of the SAS 112 is related to future GASB requirements that we will have to comply with moving forward. The result is it will take more staff time and the audit will cost more. Some of them will have more relevance to us than others. The GASB Statement No. 54 will probably have the biggest impact on us.

Erich Mueller stated the next letter is **SAS 114**, which is a requirement placed on the auditors specifically requiring them to communicate with you. It speaks to the purpose of the audit and their responsibilities to communicate with you what they are and are not responsible for. In particular they talk about having a clean audit opinion and then it talks about having the state minimum standards for audits related to the Oregon Municipal Audit Law and that the exceptions to that are found on Page 98. The rest of the documents outline the other areas that they touched on. They make the point that they communicate certain control deficiencies in writing that may not have been considered reportable conditions in prior years. Part of it is the standards that are involved and part of it is that the testing is done on a rotating basis. They do not test

every transaction in every account every year. The same with the control process, they will focus on different aspects of it on a rotating basis to ensure that there is coverage across all of those items. The qualitative aspects of the accounting practices section is where they talk about the disclosures in the financial statements being neutral, consistent and clear. Neutral being that the financial statements are not bias, do not try to shade the truth, influence or mislead. That is the desirable outcome. They also talk about there being no difficulties in dealing with management while performing the audit. There were corrected and uncorrected misstatements that were trivial and immaterial and don't affect the accuracy of the financial statements as presented. They are also required to report on disagreements with management and they mention that they were pleased to report that they had no such disagreements that arose during the course of the audit. They received representations from management, which is something that we provide as part of the ordinary course. On occasion they will provide other consultations; they have not provided any of those kinds of services to the City.

Erich Mueller stated the SAS 114 points to **Page 98 in the CAFR, which is the 4th letter of communication from the auditors**. This letter is specific to Oregon where they are required to address part of the Oregon Municipal Law.

On the top of Page 98 it talks about expenditures of various funds appeared to be within authorized appropriations, except as noted on page 22. On the bottom of page 22 under the category "Excess of Expenditures over Appropriations", they noted that the personal services category item in the Street Fund was exceeded by \$1,908. The overall Street Fund was under budget by \$227,000. This offense occurred because I failed to catch it and failed to include it in the year end supplement budget and budget transfer that I brought to the Council in June. It was an oversight on my part.

Erich Mueller stated I am not asking you to approve or disapprove these four communications. They are the auditor's professional judgment/opinion and they stand on their own merit. You are in the position of accepting or rejecting them.

Mayor Kight stated within the City of Troutdale there is quite a number of purchasing cards issued. Do you feel from your prospective that there are enough controls and folks monitoring that so that there is not any abuse?

Erich Mueller replied yes. I believe that the software system that we have available to us, the administration of it, and the separation between the accountant role as well as the administrator role provides sufficient tools to maintain appropriate controls. If the tool is used properly it provides more than enough controls to make sure things are handled properly. I have not observed any abuses. Depending upon the department there can be two to three different levels of oversight and review that look at the charges before they get to the Finance Department.

Mayor Kight stated in a small city when you have folks taking in money and the same employees are making the deposits, basically having the same person handling the transaction all the way through. Although we have no evidence within the city, do you think we have enough safeguards in place?

Erich Mueller replied if we are able to operate in the optimal manner there are sufficient separations that occur in that daily process. The primary cashier is not the one responsible for preparing the daily receipting run and deposit, that is handled by someone else in the department. Where we run into difficulties is when staff is out ill, on vacation or gone for some other reason, then staff is in a position of doing steps that they wouldn't normally do. We still endeavor to ensure that there is not one person handling all of the steps of a transaction.

Councilor Daoust stated the GASB 54 will be asking us to provide more detailed reports on expenditures. If this is something that we will have to start doing after June 15, 2010, I am concerned about your workload. Will this have a major impact on your workload such that you will need some assistance?

Erich Mueller replied this will certainly require some additional time on my part particularly as it relates to dealing with the year end presentation. In terms of additional resources, the auditors made that observation to the City Administrator and me. One of their concerns was the degree to which I was involved in the day-to-day processing activity. Not that there was a concern about me doing it, but by being involved in that it took away the time necessary for me to exercise oversight and supervision. As we have talked about it subsequently, it is an issue of resources. Ideally I would have an assistant finance director or an accounting supervisor that had additional skill levels beyond what the current staff positions provide that I could offload some of these things to.

Councilor Daoust stated my purpose of bringing that up was to note my concern about your workload and the possible need for additional help.

Councilor Wand stated I am glad that Councilor Daoust brought up the issue of your workload because as I was looking through this document I didn't see anything that would cause me to question your expertise or your ability. What I saw here is that you are doing excellent work and we are asking you to do more. Every supplemental budget that we pass increases your workload. When we ask you to research funding options for various things, that increases your workload. We just had meeting where we talked about budget priorities and your abilities to participate in a constructive way in that process so far surpassed the day-to-day operations that you mentioned in answering Councilor Daoust's question, I think this is something that we should revisit. When we talk about priorities, handling the citizen's money has to be number one. I would ask Mr. Nelson to pass this concern on to Mr. Garzini. With regard to the purchasing card system, I understand that there hasn't been instances that have caused you any concern but how many other organizations have you been in that have the number of purchasing cards that we have available to our employees?

Erich Mueller replied this is the first municipality that I have worked in so I don't have a basis to compare with. When I was in the private sector I was the CFO for about 200 employees, in a company that had \$28 million in annual revenue, and we had corporate American Express cards. Out of the 200 employees there were maybe 18 employees with cards. I will say that a large number of the city employees with cards do not use

them frequently so it may not be a significant inconvenience or impact for some of those cards to be retired from that group of people.

Councilor Wand stated regarding investment in the pool (LGIP), have you had an opportunity to do an analysis. There was talk in the paper about governments and cities placing some or all of their deposits into local banks to increase the availability of capital and then it goes into an FDIC insured institution. Is that something we should look at?

Erich Mueller replied there is the practical impact and benefit and then there is the larger question that was raised in terms of placing money in a community bank, therefore it has more capital to go out and make local mortgage loans in the community available to lend the money multiplier effect. That is a policy question as to whether you want to do that. From the mechanics standpoint, FDIC insurance is at \$250,000 so for a fire district, soil conservation district or a water district that maybe has a single fund and an annual budget of \$750,000, that can be a meaningful activity to accomplish. At the point and time of our audit one of the entries that they refer to is the adjustment for valuation. We had \$11 million in the pool on that specified date when the audit took place and had the pool been liquidated on that date of all of its investments the auditors' estimate that we would have had to write off \$106,000. More to the point is with \$11 million if you had to slice that up into \$250,000 chunks, we would have to put that into quite a few different banks, and there is also the staff time involved in managing those banking relationships and process. There can be a greater degree of interest earnings. There are larger cities that keep less of the money in the pool because they have their own in-house investment management process. That is an expertise level and staff time issue. Even if we had the time I am not sure that Troutdale is of the size where we would warrant that.

Councilor Thomas stated I do agree with what Councilor Daoust was saying regarding taking a look at staff levels. Will our software be able to help you with the GASB 54 reporting requirements or will we need to look at upgrading our software?

Erich Mueller replied I am not sure yet.

MOTION Councilor Daoust moved to adopt the resolution accepting the Report of Independent Certified Public Accountants on the audited financial statements of the City for the Fiscal Year ended June 30, 2009, the Management Letters SAS No. 112 & No. 114, and the OAR 162.10.000 required communication. Seconded by Councilor Kyle.

VOTE: Mayor Kight – Yes; Councilor White – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Wand – Yes; Councilor Thomas – Yes.

Motion Passed 6 – 0.

11. STAFF COMMUNICATIONS

None.

12. COUNCIL COMMUNICATIONS

Mayor Kight stated I received a letter from the Post Master in Troutdale who informed me that Steve Kenney, a historian in Troutdale, is recommending that the City do a pictorial postmark to celebrate the completion of the Centennial Arch. The City would need to submit a written request to the Post Master at least 10 weeks in advance of the event.

Councilor Daoust stated we may not have enough time to get this done before the Arch goes up.

Councilor Wand suggested that the work that needs to be done on the Charity Court pedestrian walkway could be a good Eagle Scout project.

Councilor Wand suggested asking the West Columbia Gorge Chamber of Commerce (WCGCC) to present their annual report to us in the month of March so it is completed prior to the budget cycle.

Councilor Wand stated our neighbors to the south have taken the lead in looking at reducing or suspending certain business and development fees under certain circumstances. I am in the process of obtaining a copy of the ordinance they are looking at adopting and maybe that is something we can take a look at.

Dave Nelson stated I will have the City Recorder call the WCGCC tomorrow and schedule them to give their report on March 23rd.

Mayor Kight asked Councilor Wand, are you looking for a work session to be scheduled to discuss doing something similar to what Gresham is doing with reducing or suspending business and development fees?

Councilor Wand replied yes, I think that would be an appropriate topic for a work session.

Councilor Kyle stated it would be beneficial to also have some information from the city about what we currently do in those same circumstances.

Council discussed when to hold the work session and agreed that they would decide on a date and time after we obtain a copy of what Gresham is doing and have had time to review it.

Councilor Thomas stated some of the businesses were hoping to put on some kind of art festival in April and they were hoping to do the unveiling of the Arch at the same time.

Mayor Kight asked is the City or the Historical Society planning the event?

Dave Nelson replied we have already had two events surrounding the Arch, the 100 Year Celebration and the Ground Breaking Ceremony. We are talking about coordinating a ribbon cutting ceremony and Debbie will be working with the WCGCC and the Historical Society.

Councilor Thomas stated one of my concerns is the Marino property and the health risks associated with the floor collapsing. I would like for us to pursue declaring the property a nuisance and have the city clean it up and put a lien against the property if they are unwilling to clean it up.

Mayor Kight stated I talked to the broker that is handling that property for the Marinos and he is going to email them and apprise them of the situation and inform them of the liability issue. His hope is that they can send over some maintenance folks and make some repairs to the floor.

13. ADJOURNMENT:

MOTION: Councilor Daoust moved to adjourn. Seconded by Councilor Thomas. Motion passed unanimously.

Meeting adjourned at 11:09pm.

Jim Kight, Mayor

Approved March 23, 2010

ATTEST:

Debbie Stickney, City Recorder