

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

Tuesday, March 25, 2008

1. PLEDGE OF ALLEGIANCE, ROLL CALL, AGENDA UPDATE

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

PRESENT: Mayor Thalhofer, Councilor Ripma, Councilor Thomas, Councilor Canfield, Councilor Kyle, and Councilor Daoust.

ABSENT: Councilor Kight (excused).

STAFF: John Anderson, City Administrator; Paul Hughes, Finance Director; Debbie Stickney, City Recorder; and David Ross, City Attorney;.

GUESTS: David Bodway of Pauly, Rogers & Co.

Mayor Thalhofer asked are there any updates this evening?

John Anderson replied there are two updates. You have a revised staff report for Agenda Item 2.3 to clarify the amount of the grant application and there is a revision to the first page of the resolution for Agenda Item #5.

2. CONSENT AGENDA:

2.1 ACCEPT MINUTES: February 26, 2008 Work Session, March 4, 2008 Work Session, March 11, 2008 Regular Meeting and March 11, 2008 Work Session.

2.2 RESOLUTION: A resolution supporting the request for Transportation Enhancement funds for the Troutdale Road Sidewalk Infill project.

2.3 RESOLUTION: A resolution supporting submittal of an Oregon State Parks Local Government Grant Application for certain improvements within Sunrise Park.

Councilor Canfield moved to adopt the Consent Agenda. Seconded by Councilor Kyle. Motion Passed 6-0.

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

None.

4. PRESENTATION: A presentation by David Bodway of Pauly, Rogers & Co. of the June 30, 2007 Comprehensive Annual Financial Report.

Paul Hughes, Finance Director, provided the Council with a copy of the Executive Summary (copy included in the packet). We completed another very successful audit this year and we enjoyed working with Pauly, Rogers & Co. The field work went very smoothly. The staff here at the City did an excellent job putting together their work papers for their respective departments. David Bodway is the senior auditor and he is here this evening to present to you the audit.

David Bodway stated we issued an unqualified or clean opinion on the financial statements. We found no exceptions or issues requiring comment in the state minimum standards. We implemented a new auditing standard this year that is called SAS No. 112 which deals with communicating internal control related matters identified in the audit. We did issue a management letter and the comment made in the management letter was a very common comment made with all of our clients. We found the books to be in good condition for the audit. There were no disagreements with management, no difficulties in performing the audit, no significant audit adjustments and no disagreements about accounting policies or estimates.

Councilor Daoust asked when you say that the City should prepare a formal policy and procedure manual for all accounting areas outlining internal and other key control processes, what does that entail?

David Bodway replied it is just outlining all of your control processes. For example, accounts payable, when a bill is received what is the process that it goes through. Under SAS No. 112 we have to evaluate your written internal control processes to determine if there are any deficiencies.

Councilor Daoust asked does the City have to put that process in writing?

Paul Hughes replied yes. In the past the auditor would come in with a list of questions about who does which functions and what the policies are for that function; that is not sufficient any longer.

Councilor Daoust asked will we have that in place by next year?

Paul Hughes replied yes, our goal is to have that in place by the end of this fiscal year.

MOTION: Councilor Daoust moved that we receive the Comprehensive Annual Financial Report. Seconded by Councilor Thomas.

Councilor Daoust stated we receive this report every year and it is very comprehensive. This is another good report and I am happy to receive it.

Councilor Canfield stated the City staff and the auditors have done a very thorough job.

VOTE: Councilor Canfield – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Ripma – Yes; Councilor Thomas – Yes; Mayor Thalhofer – Yes.

Motion Passed 6 – 0.

5. RESOLUTION: A resolution of the City of Troutdale, Multnomah County, Oregon authorizing the issuance, negotiated sale and delivery of general obligation refunding bonds; authorizing submission of an advanced refunding plan to the Oregon State Treasurer; designating an authorized representative, bond counsel and underwriter; delegating the approval and distribution of the preliminary and final official statements; authorizing execution of a bond purchase agreement; and related matters.

Paul Hughes, Finance Director, stated staff has been monitoring the bond market for quite a period of time waiting to see what the interest rates were going to do to see if the City had the ability to refinance these bonds and hopefully save the property taxpayers and utility ratepayers some money. The interest rates dropped substantially at the end of February which created this 4.5% to 5% savings on the current bond issuance which would have resulted in a \$500,000 savings throughout the remaining life of the bonds, or \$50,000 per year for the next ten years. Those low interest rates didn't hang around for very long. They were only at that rate for about a week and a half, which is fairly unusual according to the bond issuing experts that we have been dealing with. They did jump back up, substantially for a short time, creating a very unusual phenomenon where tax exempt rates were actually higher than taxable rates. That didn't last very long, but the gap between the two still had not spread to a level where we would do the financing mainly because the State says that you can not refund bonds unless there is at least a 3% savings. Our goal would be to try and refinance when it is up closer to 4% to 5% rate. If it does rise above the 3% rate and the professional bond investing individual that we deal with recommends that we go forward, we probably will, based on the Council's acceptance of this resolution tonight. I am asking that Council approve the resolution tonight and allow staff to continue monitoring the market and begin work with the chosen underwriter so that we can be in a position to actually do the issuance when the market presents itself. Staff talked to several bond underwriters when we started this process. There were four that we were dealing with during the very beginning and they are all members of the Oregon Municipal Finance Officer's Association. Those four were Wedbush, Seattle Northwest, D.A. Davidson and Wachovia. They all gave us a bid for their underwriters discount fees, which ranged from a low of \$37,929 to a high of \$69,685. Two of them, Seattle Northwest and D.A. Davidson were the same at \$39,820. Staff is recommending that we go with Seattle Northwest, who was the original issuer of our 1999 bonds and they have worked with the City on several other issuances during the last fifteen years. Wachovia, who was the lowest, is fairly new to the Oregon market. They do present a savings of approximately \$1,800 below what Seattle Northwest is proposing, but those are just the upfront costs. One very important factor that we have to keep in mind with this type of dealing is the power of the company when they actually take the bonds out to the market. You want to have the most well-known, strongest and experienced firm out there trying to

market your bonds. We believe that Seattle Northwest is the best firm to do that for us because of their experience in Oregon. They have been the leading underwriter in Oregon for at least the last ten years. Staff is recommending adoption of the resolution. My intent is to keep you updated as to what the market is doing so you will understand what my process is. If we haven't seen a real significant change in the market in the next six months, I will probably come back to Council with a recommendation as to whether we should keep the resolution active if we think the market will change in our favor, or rescind the resolution.

Councilor Canfield stated I have read your staff report which simplifies this complex procedure. I agree that Council should authorize this resolution.

Councilor Kyle stated at the end of February the market was between 4.5% and 5% which would be a \$50,000 a year savings, yet the cost to do this is almost \$40,000. It looks to me like the closer we get to 3% it kind of becomes a wash for the first year.

Paul Hughes replied there is actually no out of pocket cost to the city when you do a transaction like this. All of the costs of the underwriter, bond insurance, etc. are rolled into whatever the new bond rates are.

Councilor Daoust stated I trust you to keep an eye on this and I personally don't feel a need to be updated monthly on this.

Councilor Ripma stated I guess there is some efficiency in having this sort of standby green light authority by adopting this now so that you can go forward.

Paul Hughes stated it is a lengthy time period to complete the process which is another reason why we are asking for this resolution to be approved upfront. In the staff report there is a calendar that walks you through the process. It started last week and the earliest that the sale would be done is the end of April, even if we were to act on this issuance immediately.

Councilor Ripma stated there really isn't a time limit on this. You said if it doesn't happen in six months you would rescind the resolution.

Paul Hughes stated we could possibly recommend that. The reason for that is you may not feel comfortable keeping a resolution active regarding an issue like this.

Councilor Ripma stated I wondered if we should just make the resolution active for one year. Mr. Ross, do you have an opinion on that? We could forget to rescind the resolution.

David Ross, City Attorney, replied I don't think we will forget. I think we will tickler it for six months and then revisit the issue and see where we are.

Councilor Ripma stated okay, I am comfortable with that.

Councilor Thomas stated I like the idea of coming back in six months. I think any opportunity we have to save the taxpayers \$500,000 is something we should definitely take a look at.

Mayor Thalhofer stated I favor this resolution which will allow you to be ready to act.

MOTION: Councilor Thomas moved to adopt the resolution of the City of Troutdale, Multnomah County, Oregon authorizing the issuance, negotiated sale and delivery of general obligation refunding bonds; authorizing submission of an advanced refunding plan to the Oregon State Treasurer; designating an authorized representative, bond counsel and underwriter; delegating the approval and distribution of the preliminary and final official statements; authorizing execution of a bond purchase agreement; and related matters. Seconded by Councilor Daoust.

Debbie Stickney, City Recorder, asked for clarification that the resolution being adopted is the revised version that was provided to Council this evening (adding the words “and resolves” to the first line of the resolution after the title).

Councilor Thomas confirmed that his intent was to adopt the revised resolution.

Councilor Thomas stated this is an opportunity to save taxpayers a lot of money. From a financial management point of view it is always wise to try and control the amount of indebtedness you have, and the ability to bring down the interest and reduce the overall payment schedule could make a big difference to the taxpayers.

VOTE: Councilor Canfield – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Ripma – Yes; Councilor Thomas – Yes; Mayor Thalhofer – Yes.

Motion Passed 6 – 0.

6. RESOLUTION: A resolution authorizing negotiation of a credit facility, bond, and related documents.

Paul Hughes, Finance Director, stated the last estimate for the construction of the new Parks and Facilities building was approximately \$1.3 million. Staff put out a bid notice for the project and received sixteen proposals that were all very competitive. The lowest bid came in at \$965,000. In addition to this contract price, approximately \$101,000 is added to the project for SDC’s, project management, phone/computer cabling and installation, and landscaping. Adding a 10% contingency to the project brings the total estimated cost to \$1,173,000, which is still below the \$1.3 million. Staff solicited bids from financial institutions for the loan. We received two, one from MBank and one from Bank of America. These proposals are provided as an attachment to my staff report. The Bank of America proposal came in significantly below MBank. Staff’s recommendation is to move forward with the Bank of America proposal and at this time we are recommending the 10-year loan plan which is an estimated payment of \$140,687 annually for the ten year term. The other two terms, five years and seven years, created annual payments of \$255,399 and \$188,984 respectively for those terms. With the recent loss of the Fairview and Wood Village inspection contracts, I am estimating that will have an impact of a loss in revenue of \$1.3 million over the next four years. This is information that we did not have when we held our Budget Committee work session in

December. Based on that information, at this time staff feels more comfortable presenting a payment of \$140,687.

Councilor Canfield stated I have read your staff report and I agree with your recommendation that we go with a ten year loan term given the circumstances.

Councilor Daoust asked could you define the term credit facility?

Paul Hughes replied that is the term that is used that encompasses the entire financing package.

Councilor Thomas stated it would be nice to do the five year loan, but I agree with the ten year loan.

MOTION: Councilor Daoust moved to adopt the resolution authorizing negotiation of a credit facility, bond, and related documents. Seconded by Councilor Canfield.

No discussion on the motion.

VOTE: Councilor Canfield – Yes; Councilor Kyle – Yes; Councilor Daoust – Yes; Councilor Ripma – Yes; Councilor Thomas – Yes; Mayor Thalhofer – Yes.

Motion Passed 6 – 0.

7. STAFF COMMUNICATIONS

John Anderson, City Administrator, reminded the Council that there is a Urban Renewal Agency meeting scheduled for April 1, 2008.

8. COUNCIL COMMUNICATIONS

Councilor Canfield read the following statement: The economic downturn, particularly the slowdown in the housing market, has had a noticeable affect on housing activity in Troutdale. According to city staff, during the first six months of this fiscal year, July 1st to December 31st, the number of permits issued, fees collected and inspections performed has dropped significantly. Staff tells us that the number of inspections performed were the lowest for any six month period over the last three years. Because of this reduction in revenue and work, staff reduced the hours of some city building inspectors. This staff reduction would have saved the City \$30,000 for the remaining four months of this fiscal year. The other factor involved was the decision by the cities of Fairview and Wood Village to discontinue their building inspection contracts with Troutdale effective June 30, 2008, which is a loss of \$230,000 in annual revenue. No one can predict if and when this building permit activity will pick up again in Troutdale. During a Troutdale City Council Work Session on March 11th city staff explained that the reductions in staff hours were necessary to prevent future deficits in the City's Building Department. However, the City Council, by a majority consensus, directed

staff to reinstate the hours of the affected building inspectors for the remainder of the 2007-08 fiscal year. The reason identified by this Council was that it is in the budget so city staff had to spend the money. I objected strongly at the time and I still object strongly to the Council's decision. It doesn't make any sense to say that it is in the budget so the city staff has to spend the money. I was told by city staff that there was actually not enough work for these inspectors to do. Even though there was not enough work for the building inspectors, even though there won't be enough money to pay their salaries, and most importantly our city charter and city council rules prohibit the City Council from meddling in the day-to-day city operations, including staffing levels. According to the city charter and ordinances the City Council has delegated all day-to-day operational decisions to the City Administrator. And because of these reasons I object strongly to the City Council's interference with city management decisions. The City Council's interference in city management decisions can only hurt employee morale in the future. Why should an employee listen to their managers when they can come to the City Council who will overrule management? The City Council, I believe, made a terrible decision and broke the city rules to do so and Troutdale's taxpayers deserve better.

Councilor Ripma asked when are we going to be receiving our Statement of Economic Interest forms?

Debbie Stickney replied they are running late this year. I heard today that they will be mailing them the first of April.

9. ADJOURNMENT:

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

Meeting adjourned at 7:36pm.

Paul Thalhofer, Mayor

Approved April 8, 2008

ATTEST:

Debbie Stickney, City Recorder