

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

Tuesday, December 13, 2005

1. PLEDGE OF ALLEGIANCE, ROLL CALL, AGENDA UPDATE

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

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

ABSENT: None.

STAFF: John Anderson, City Administrator; Rich Faith, Community Development Director; Kathy Leader, Finance Director; Marnie Allen, City Attorney; Sarah Skroch, Office Support Specialist..

GUESTS: See Attached.

2. CONSENT AGENDA

2.1 ACCEPT MINUTES: September 13, 2005 Regular Meeting, September 27, 2005 Work Session and October 4, 2005 Work Session.

MOTION: Councilor Daoust moved to adopt the Consent Agenda. Seconded by Councilor Gorsek. Motion Passed Unanimously.

3. PUBLIC COMMENT

Trent Morrison stated I am volunteer representative of a local non-profit organization called Metro Child Care Resource & Referral. We would like to request to be placed on a future agenda. We would like to host a fund raiser at the Glenn Otto Community Park. Mr. Morrison provided the Council with a handout (copy included in the packet). Metro has been around for about 28 years and they have been providing services to child care providers. They provide reduced cost trainings like fist aid, CPR, health education and obesity training. They are looking to increase operating revenue and one way that we thought that we could do this in a creative way that we could help bring exposure to this part of town would be a ducky derby which is basically a raffle. Folks have an opportunity to adopt a duck and they receive a certificate that indicates the number of their rubber ducky and the first duck to cross the finish line is the winner. The proceeds go to your local non-profit.

4. APPOINTMENTS: Motion accepting the Selection Committee's recommendation for appointments to the Parks Advisory Committee, Citizens Advisory Committee, Budget Committee and Planning Commission.

Mayor Thalhoffer read the Selection Committee's recommendation for appointments to the Parks Advisory Committee, Citizens Advisory Committee, Budget Committee and Planning Commission.

MOTION: Councilor Thomas moved to adopt the Selection Committee's recommendation for the Parks Advisory Committee, Citizens Advisory Committee, Budget Committee and Planning Commission as enumerated by Mayor Thalhoffer. Seconded by Councilor Daoust.

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

Motion Passed Unanimously.

5. RESOLUTION: A Resolution electing application for entry to the Oregon Public Employees Retirement System State and Local Government Rate Pool.

Kathy Leader, Finance Director stated this is a resolution authorizing the City to apply to the Oregon Public Employees Retirement System, PERS, State and Local Government Rate Pool. Back in 2001 the State Legislature authorized local governments to apply and be accepted into the state and local government rate pool. Previous to that local governments were independently funded and rated for our retirement costs. As you are aware, Troutdale continues at this point to be independently rated. The main advantage to entering into the pool is rate stability. It allows you to spread the cost of unanticipated events over a larger population. Also the actuarial assumptions are more accurate and better predictable over a larger group whereas when you look at an individual city one incident could have a significant impact on their rate. Some of the assumptions that the actuary makes when they are setting our rates are salary growth, retirement dates, disabilities that will occur, and member mortality rates. Over a larger population historically they have shown that they can accurately predict that, but for a smaller city, like Troutdale with seventy-five employees, any one change or event that would occur could have a significant impact on that rate. As an example in my staff report I showed disability claims because that is an item for us that is of interest. Just this last year we have had disability claims that have occurred, at this point they have not applied to PERS and it doesn't appear that these particular individuals qualify, but it just shows you the vulnerability that we have in this situation. When the actuary is valuing the cost of disabilities in the PERS environment they have found that disabilities occur usually one out of every one-thousand individuals. A city that has an experience of two employees out of seventy-five employees could have a significant impact on the rate. I gave one example, although it doesn't depict what would happen to Troutdale's rate because it is such a small pool, the City of Huntington has five employees and one individual went out on disability and their PERS rate went to 101% of their payroll. Every case is different because some disabilities are short-term. This just shows the vulnerability that is there when you are

a smaller employer. For the rate pool this is the opportunity for us to join effective January 1, 2006. They do have other opportunities to join at future dates; the next available date to apply is 2008. If we were to apply now there wouldn't be an impact on our rate initially. Our current PERS rate is 17.19%, that rate is in effect for this current fiscal year and it will also be in affect for 2006-07. We will have another rate actuarial valuation based on calendar year 2005 information and that would be before we entered the pool so the rates for the next two years would still be under the similar situation where we would be individually rated. The first rate that we would see impacted by being in the pool would be July 1, 2009. I want to reiterate that we do have the opportunity if we choose to wait to a later date to enter into the pool. If we decide to join the pool you can not leave the pool. They require you to stay in the pool to promote the stability of the rates inside the pool. In my staff report I have provided you with three options. 1) You can elect to apply to the pool effective January 1, 2006. 2) You can continue to be independently funded and re-evaluate entering the pool effective January 1, 2008. 3) You can choose to remain independently funded. The pros for Option 1 would be the stability of the rate in the future. Although that rate that will be set at the time we enter the pool will be based on our 2005 valuation, so if we had any unexpected events during 2005 that caused us to have an unfunded liability we would carry those with us into the pool. We would continue to pay those over an amortized time period of I believe 22 to 24 years then we would pay the normal cost of the overall pool members and also their unfunded liability or surplus amortization over the same time period of 22 to 24 years. The cons for Option 1 is that we then would be sharing in the experience of the pool overall. So if we were, over the life of our retirement plan, to experience better rating than on average everybody in the pool, we will end up paying a little bit more than what we would if we stayed independently rated. One of main things that I think is a con, or would have been a con if we had joined the pool on previous opportunities back in 2001 and also in 2003, is just recently when they had that huge spike in the PERS rate for this fiscal year to help mitigate that increase PERS phased in that increase over two years. If you were individually rated like we were you could choose to take that full increase upfront rather than having it phased in over a two-year period. So we took that opportunity to do that and that has saved us money. Individuals in the pool did not have that choice; they had to phase it in. In talking to PERS that is not a normal occurrence. Usually policies that are set are applied consistently between pooled and non-pooled members. If we were to join the pool, they say the average change in an employer's rate when they enter the pool is usually less than 1%. They say change because some people have a rate reduction and others have a slight rate increase. If we were to wait and stay independently funded (Option 2) and re-evaluate and enter into the pool in 2008 the con is that we are still exposed to rate volatility but on the pro side if other options that were to the benefit of Troutdale came up we could take those options if we were not in the pool versus in the pool if that was one of the stipulations that was there. We could also hire an actuary to look at our demographics for the City of Troutdale to see how we compare to the pool and see if our demographic is so different that we really wouldn't find a benefit of entering the pool. However, we are very similar to the other entities that are in the pool in the types of service that we provide such as public works and police so I really don't see where they would say that our demographic is significantly different. Finally, you could choose to remain independently funded (Option 3). The pro for that are we would just be responsible for the cost that we incur versus taking on the liabilities of the pool overall. The con would be that we are still susceptible to stability issues, volatility of the rate in the future if we had some unexpected event for our small population. The staff's recommendation is to

approve the resolution and submit an application to join the state local government rate pool effective January 1, 2006. Councilor Canfield had asked for some additional information and I have provided that at your place this evening (copy included in the packet). He had asked me to list out our experience over the last ten to fifteen years including what our PERS employer rate and pension costs have been with PERS. The second section of the handout shows you the actuarial valuations that have occurred for the City of Troutdale as an individually rated city. The actuary does the valuations on a calendar year basis and they perform the odd year evaluation as the basis to set the rate for the next two years. So as you can see in the calendar year 2003 Troutdale's employer rate was 16.58% and for the first time in quite a few years Troutdale experienced an unfunded liability. As you can see in previous years they have had surpluses when the valuations were done. The two main reasons for that unfunded liability in 2003 was the amortization of the investment losses that occurred in PERS in the 2001-02 years. The amortized loss is over a four year period so you see the impact of those significant losses they had over a four year period even though we had stronger earnings in 2003, those are also being amortized over a four year period so they don't get to benefit the rate fully for awhile. The other component that had a significant impact on Troutdale individually was the fact that when the actuary makes assumptions of your rate they assume how your wage base is going to grow over time and that this rate is going to be applied to. There average is usually 5% growth in wage base. Troutdale with its tight General Fund budget has not filled positions as individuals have left, we have not always increased the rates at that 5% level so we have actually seen a decline in our wage base over time. The assumptions that were made on what our wage base was going to be and what the rate should be were incorrect for Troutdale and resulted in that significant increase in the employer rate. That component is one that also could benefit from the pool environment where the cost of these unanticipated events are spread over all members rather than impacting just one city.

Councilor Gorsek asked so basically the pool probably gives us a little more security and even if we were to get estimates PERS can't really tell us for certain what it would be?

Kathleen Leader stated they are estimates and I strongly feel that our demographic is not much different than what you see in the pool and we probably will experience similar activity and events as pool members.

Councilor Gorsek asked and we have had two?

Kathleen Leader replied yes, unanticipated disabilities in the last year.

Councilor Ripma asked is the pool just cities?

Kathleen Leader replied no, it is state, schools, special districts and local governments.

Councilor Ripma asked the sixty-seven cities that are independently funded now is there a way to characterize them? Are they mostly the larger cities?

Kathleen Leader replied I went back to see if I could say a majority of them are large cities, but that isn't the case. There are some smaller than the City of Troutdale and some the

same size. Some of the larger cities that have over 1,000 employees have a pool similar in size to some of the assumptions so your rate volatility isn't quite as significant. There are some cities that have chosen to not enter the pool. In talking to LGPI some of those individuals have reviewed their demographic and determined that they are not similar to the state and local governments. They provide a service that is different. The Eugene Electrical District is one example of an entity that had a review done and they determined that their demographic was so different from public works, police and fire that their experience would be better than the pool.

Councilor Thomas asked we wouldn't see any rate changes until 2009? If we got into the pool next year what happens in the middle if any one claimed disability for 2006 through 2008, does that become unfunded and do we have to pay for it in 2009?

Kathleen Leader replied the only liability we would be responsible for are any events that occur in 2005. As of January 1, 2006 any disabilities or any other events that occur are then included in the 2007 evaluation for our pool rate. Our clock stops December 31, 2005 if we enter the pool so any liabilities that we have owing at that point and time we would be responsible for and would follow us into the pool and would be amortized over the 22 or 24 years. Any events that occur after that date would be impacting our rate that is calculated once we are in the pool, so the 2007 evaluation.

Mayor Thalhoffer asked is Gresham in the pool?

Kathleen Leader replied no.

Mayor Thalhoffer asked what about Fairview?

Kathleen Leader replied they are not in the pool although they are looking at it.

Mayor Thalhoffer asked it is your recommendation that we join the pool?

Kathleen Leader replied yes.

Councilor Canfield stated we have the unfunded actuarial liability, assuming that there is still a liability, should we join this, from what you have told us that liability would amortize over 22 to 24 years. I also read that we have to pay PERS 8% interest.

Kathleen Leader stated and you would on any liability that you hold with PERS, they always charge at that 8%.

Councilor Canfield asked and we had the option of paying down the liability, have you thought of possible methods to do that if we were to join the pool?

Kathleen Leader replied we have the opportunity to make a lump sum payment to PERS either through one-time monies that we have available or looking at more cost effective financing than the 8% that PERS is charging. Groups of cities have done PERS pension bonds by combining their resources together to save on some of the issue costs and then put

in money to fund what they call transitional liabilities to pay that down at a cheaper rate. That is a component that we will look at to make sure that we are paying the lowest rate that we can.

Councilor Canfield asked do you have an idea of what that lowest interest rate would be today?

Kathleen Leader asked if you were able to do a non-taxable issue you could probably get rates between 4% and 5% versus the 8% that PERS is charging on that.

Councilor Canfield asked if we were to eliminate that liability then it would have a positive impact on the employer rate, is that right?

Kathleen Leader replied yes. But you have to think about the other component that comes in. Your rate would go down, unless legislation and things happen, but on the other side now you are picking up that debt service and that is a component to think about in your pension costs because now you have some interest component related to that. But yes the goal would be to reduce your rate.

Councilor Kyle asked in your report you talked to the actuarial valuation, if we had that done would we have that in time to meet the December 31st deadline or would they extend our time?

Kathleen Leader replied no. PERS has changed their actuary recently so they have not actually done a computation like that yet for PERS so they didn't anticipate it being any sooner than 30 days to do that valuation.

Councilor Daoust asked lacking any evaluation or analysis of whether to get wet or stay dry it is your intuition that being part of the pool is less risky, is that right?

Kathleen Leader replied yes.

Councilor Thomas asked I thought we passed a resolution in 2003 to cover some of these costs?

Marnie Allen, City Attorney replied I think what you may be referring to was a resolution authorizing the City Administrator and Finance Director to join with other local governments on a bond issue that would reduce our 8% rate and give us money to pay down that unfunded liability. I believe that resolution is still out there I just don't think a decision has been made to join with others to exercise that option. For whatever reason it was decided it was not the right time to do that.

Kathleen Leader stated we can look to see if that is still an active resolution. More than likely we would want to and would come back with a separate resolution if we choose once again to join with other jurisdictions and issue bonds.

Councilor Canfield asked who does the actuary work for, are they an employee of PERS, the state or third party?

Kathleen Leader replied they are an independent entity that contracts with PERS to provide their actuarial service.

John Anderson stated as a person who has practiced city/county management in a couple of other states, when I came to Oregon I was surprised to find that cities and counties were individually rated because that wasn't the case in Minnesota and Ohio they were pooled. Schools have been pooled here for a long time. When the state passed the law allowing cities and counties to join the pool I know a lot of cities and counties spent a lot of time analyzing that and generally it was pretty close to a jump ball and they decided to get into it because of the stability.

Mayor Thalhofer asked is there anyone here this evening that would like to speak to us on this issue?

No testimony received.

MOTION: Councilor Canfield moved to approve a resolution authorizing application to join the Oregon Public Employees Retirement System State and Local Government Rate Pool. Seconded by Councilor Gorsek.

Councilor Canfield stated we can't control what the legislature does, we can't control the economics of the stocks and other investments that PERS does but what we can address here is we can control our volatility. So this is something that we have control of and I think we should do it.

Councilor Gorsek stated I agree. I think that our Finance Director has made a very plausible argument for why we should do this. It would be nicer if we could say that we are absolutely certain but I think this is probably the wisest course for us to take fiscally.

Councilor Ripma stated I agree with what Councilor Canfield and Councilor Gorsek have said.

Mayor Thalhofer stated I am putting my trust in our Finance Director and will support her recommendation.

Councilor Kyle stated I am also going to place my trust in our Finance Director.

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

Motion Passed Unanimously.

6. STAFF COMMUNICATIONS

John Anderson, City Administrator stated at your place this evening is a copy of a post card we are planning to send out to everyone in the city informing them of the neighborhood meetings, Planning Commission and City Council meetings regarding the redevelopment project and the urban renewal element of that.

7. COUNCIL COMMUNICATIONS

Mayor Thalhofer stated when we adjourn this meeting we will be holding an executive session followed by a work session.

Councilor Canfield stated I was at Café Bono around 6am this morning for the Toy and Food Drive. I want to thank Café Bono for hosting this event.

Councilor Kyle stated to add to that they had a full pick-up of toys and food so it looks like it was a good turnout.

Councilor Daoust stated I appreciate everyone who is putting up Christmas lights in Troutdale.

Mayor and Council wished everyone happy holidays.

8. ADJOURNMENT:

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

Meeting adjourned at 7:49pm.

Paul Thalhofer, Mayor

Approved March 14, 2006

ATTEST:

Debbie Stickney, City Recorder