



**MINUTES
FAIRVIEW CITY COUNCIL WORK SESSION
FAIRVIEW CITY HALL
1300 NE VILLAGE STREET
FAIRVIEW, OREGON 97024**

October 19, 2005 – 5:15p.m.

**I. CALL TO ORDER/
ROLL CALL**

Council President Steve Owen called the meeting to order at 5:15 p.m.

PRESENT:
Councilor Barbara Jones
Councilor James Raze
Councilor Ken Quinby
Councilor Steve Owen
Councilor Darrell Cornelius
Councilor Larry Cooper

ABSENT: **Mayor Mike Weatherby**

BUDGET COMMITTEE:
Helen Maguire
Lisa Barton Mullins
Michelle Anderson
Todd Johnsen

STAFF PRESENT: **Jan Wellman, City Administrator**
Laura Zentner, Finance Director
Connie Hansen, City of Fairview Secretary

**II. INVESTMENTS
MANAGER WORKSHOP
AND PRESENTATION**

Council President Steve Owen opened the work session at 5:15 p.m.

Councilor Owen stated that the purpose of the work session is to review possible investment opportunities and options for the City other than the Local Government Investment Pool. Councilor Owen called for the presentation by the two guest presenters from US Bank: John DiPasquale, VP of US Bank Government Banking and Joyce Woodring, VP with US Bank Money Center Division.

Mr. DiPasquale stated that US Bank has a long history of experience helping cities improve their investment opportunities. DiPasquale noted that public funds are to be invested using the guidelines set by



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the State of Oregon Treasury and the ORS regulations. The approved products include US Treasury Issues, US Government Agencies and US Government Sponsored Enterprises (GSE's), Local Government Investment Pool, Repurchase Agreements, Bankers Acceptances, Corporate Debt, Municipal Debt Obligations, Certificates of Deposit and 18-month maximum term investments.

The focus of investment opportunities with US Bank is to provide a full range of fixed income products with a focus on short-term money market products and government securities, to offer investments with competitive market yields, a commitment to quality service for their clients and to provide a one-stop investment center designed to meet the City's investment goals. The wide variety of investment types available can be tailored to fit the City's needs for ready access, longer term investments, and laddered strategies where money can be locked in, but advantage can be taken of increased rates for a longer time (the longer the investment the higher the interest rates). Each Monday the bank sends out rates on CD's and Treasury Notes to their clients.

Helen Maguire and Darrell Cornelius asked if either Ms. Woodring or Mr. DiPasquale had reviewed the City's financial situation, how much would be needed for the initial investment, whether there are fees associated with the options, and how secure the investments would be. Director Zentner stated that the City would have approximately three to four million dollars for the initial investment. Ms. Woodring commented that there would be no direct fees to the city, but the bank makes money through a variety of ways. For example, when the bank staff purchases an investment at a certain percentage it is in turn sold to the City at a slightly lower interest rate than the actual interest points. Current interest rates for CD's are running about 4% and she might provide the investment at 3.8% to the City.

Mr. DiPasquale stated that the rule for public entity investments is that they have to be secured with 25% of the investment amount through the federal security programs. Mrs. Maguire asked if that was 25% of the city's money and DiPasquale stated that would be the bank's funds, but when pledged then that money is not available for other purposes. Mr. Cooper asked about the other 75% of the investment. DiPasquale stated that would be repayed to the city as a creditor because in the ORS the collateralization could go up to 110% of that amount if there is concern about the bank. DiPasquale assured the committee that the US Bank is double A rated, so there is no concern with the bank's funding supply.

Councilor Cornelius asked what the risk to the city is in today's environment. DiPasquale stated that flexibility is a key element and the pool managers are very expert in managing the investments. At this point in the rising rate environment the trend is to go for short-term investments so that the money can be reinvested quicker and at a higher rate. Funds can be moved fairly rapidly in these situations. Mrs. Maguire stated that it is important for the city to review the current investments, as it appears that we are paying a premium at this point.

Councilor Raze concurred that the city does need to manage the

**BUDGET WORKSHOP
- FINANCIAL
PROJECTIONS-FISCAL
YEAR 2005-06**

investment opportunities for a higher return, and that is becoming more important as the residential build out occurs, thereby decreasing some revenues. Councilor Raze asked who would be managing this fund because the City would rather deal with one or two people, not multiples. The Committee indicated they had concerns about how much time would be required by Director Zentner for managing of the portfolio, as she has other duties that require a significant amount of her time. Director Zentner stated she would work with Joyce Woodring on the initial set-up of the investment portfolio, which would take more time, but the time commitment would be less afterward.

Councilor Raze asked what staff would need from the Budget Committee and the Council for approval to move forward with these investments. Administrator Wellman stated there would need to be a resolution for adoption of the investment policy by the Council. Once the city staff and the bank staff have developed investment strategies, the Council would review the recommendations and approve a resolution.

The Committee thanked Mr. DiPasquale and Ms. Woodring for their time.

Council President called for a five-minute recess, after which Director Zentner presented the financial update.

Director Zentner stated that the presentation on the financial outlook for the general fund would cover two important questions: (1) what is the financial health of the City and the future outlook; and (2) what has been done to create financial stability for the City. Director Zentner commented that while many people think that Fairview is a small city, out of 241 cities in Oregon, Fairview is actually the 49th largest city in the state.

Director Zentner discussed financial forecasting for the City. Forecasting is a picture of the City at a certain point in time. As of today, with one fourth of the data now available from the first quarter of the fiscal year, there is a picture of every revenue, expenditure, and reserves. The forecast can change monthly based on revised assumptions, unexpected expenses, or even natural disasters. Assumptions are based on history, City County Insurance Services, State of Oregon Economists, information from the League of Oregon Cities, current economic conditions, future predictions, and experience.

Director Zentner noted that the current city forecast is more predictable this year because the Teamsters Union Contract has been settled with wages, benefits, etc., which is set through 12/31/07 for those covered under the Union Contract. The police are covered under a different contract with an end date of 12/31/06. Most of the PERS litigation has been settled with many decisions in favor of the cities, and the rate increases are known for 2006. The fire contract has been settled for the next 10 years providing stability for that essential service. However, there are still a lot of uncertainties with the local economy, global economic factors, the war in Iraq, the deficit spending at the federal level in the U.S., rising health care costs, liability insurance rates, the recent natural disasters, fuel prices, and a number of other related issues which could have significant impacts on the forecast.

Councilor Raze commented that there would be continued legal battles over the PERS issues and if the cities lose then that could significantly impact the City's budget.

there will be more expenditures than revenues in the city's budget. Director Zentner stated that plans and decisions would have to continue to be made on how to improve the financial stability of the city through increased revenues and decreased expenditures. Staff may have to be reorganized as part of that process.

Director Zentner highlighted ways the staff found to make cost saving changes over the past year that have been helpful in decreasing the current expenditures. These have included savings in the meter reader's contract, publishing the newsletter on a quarterly basis, savings on the janitorial contract, changes in banking fees have saved the city \$3,500, and the IT contract services have been predominantly moved in-house through training of a city staff member for those services. The new staff accountant reviewed the classifications for worker's compensation rates and the resulting changes are projected to decrease the rates the City is paying for those services. Other savings have included the refinancing of the City's debt resulting in a savings of over \$360,000, and the prepaying on debt where possible provided an additional savings of over \$300,000. Director Zentner noted these and other savings have added up to over \$900,000 since October 2003. Other areas of decreasing expenditures include charging interest of 9% on late LID payments (the amount allowed by the ORS), a savings of \$57,000 per year for health care coverage realized because of the Union contract, and a reduction in cost for police uniforms. The staff is currently reviewing all invoices and contracts to assure that possible cost savings are identified.

Helen Maguire asked why, if the Union contract lowered the costs for personnel, Director Zentner is projecting about a 10% increase in those costs. Director Zentner stated this is a precautionary measure for budget projections.

Director Zentner reviewed increasing revenues that have been identified.

- Hiring Valley Credit Services to collect unpaid violations and debts brought in \$32,000 for the city.
- Bail on tickets was at the lowest range in the area, now our fees are in the mid-range.
- A violations bureau was created to allow the court clerk to adjudicate cases, as opposed to paying for a judge and staff overtime for court.
- The Police Department staff is writing more tickets, bringing in more revenue from that source.
- Lien searches being completed via the Internet has doubled the revenue for the City.
- Billing receivables are centralized and standardized saving staff time.
- Franchise fee audits would continue to assure these are correct.
- Public/private partnerships have decreased the expenditures for the Economic Development Coordinator. The city now only pays for half of the costs of the position.
- Income from grants has added revenue to the budget. These include: a wellness grant for \$500, Police procedures manual for \$10,000, gang enforcement for \$106,000, CDBG for \$94,000, LCDC for \$40,000, and a COPS grant for \$125,000.

Helen Maguire stated that last year Director Zentner did not have enough history to review forecasts for this year, but now it can be done with more viable information on hand. The information provided in the workshop has been very helpful.

Councilor Raze cautioned that some of the increased revenues would go away, namely the backlog of debts being collected by Valley Credit. The city is now up to the year 1999 for those back collections, and once these debts are brought

up to date, the revenues would decrease.

Director Zentner stated there are potential new revenues such as a rental tax, PILOT increase, a local option levy, formation of a new fire district, reviewing all fees for possible increases and filing to form a 501(c)3. Helen Maguire questioned if the purpose of the 501(c)3 would be so that people could make donations to the city for tax write off purposes. Administrator Wellman clarified that people can currently make donations to the city and take a tax write off, but there are a lot of funding sources for arts, parks, and recreational programs that prefer the 501 status. Councilor Quinby noted that the Community Center could benefit from the city obtaining that status, as one of the Council goals is to increase recreational activities within the City.

Director Zentner concluded her report by discussing some of the long-term challenges facing the city. Zentner noted the following:

- The three-year COPS grant runs out in June of 2007 and funding for the ongoing costs of that position will have to be absorbed into the budget as part of the agreement;
- Residential development is rapidly approaching build out, and the remaining commercial/industrial lands are being marketed at this time;
- The administrative excise charges that are part of the general fund will be impacted once growth slows;
- The Gang Enforcement grant will conclude in 2007;
- New infrastructure needs have been identified; and
- New financial software is needed.

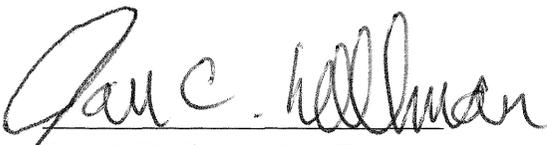
Director Zentner finalized her statements by noting that expenditure cuts alone will not solve the long-term financial challenges facing the city and new forms of revenue are needed to meet the ongoing needs of the city.

Councilor Cooper asked what the plans are for the policing of Blue Lake Park. Administrator Wellman stated that the needs are expected to escalate over the next five years, and would impact the Police budget.

The Councilors and Budget Committee members thanked Director Zentner for the excellent presentation on the City's overall budget, the forecasting, and evaluation of the City's current financial status.

III. ADJOURNMENT

Councilor Owen adjourned the workshop session at 6:55 p.m. and stated that the regular City Council meeting would begin at 7:00 p.m.


Jan C. Wellman, City Recorder


Mike Weatherby, Mayor

November 17, 2005
Date of Signing