



**City Council**

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& Environmental  
Services  
Fred Braun

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Recording Secretary  
Jeremy Teal

**Dallas City Council Agenda**

Mayor Brian Dalton, Presiding

TUESDAY, February 16, 2016

7:00 pm

Dallas City Hall

187 SE Court St.

Dallas, OR 97338

All persons addressing the Council will please use the table at the front of the Council. All testimony is electronically recorded. If you wish to speak on any agenda item, please sign in on the provided card.

AGENDA ITEM	RECOMMENDED ACTION
1. ROLL CALL	
2. PLEDGE OF ALLEGIANCE	
3. EMPLOYEE RECOGNITION/INTRODUCTION	
4. STATE OF THE CITY MESSAGE	
5. COMMENTS FROM AUDIENCE <i>This time is provided for citizens to comment on municipal issues and any agenda items other than public hearings. The Mayor may place time restrictions on comments. Please supply 14 copies of the material brought to the meeting for distribution.</i>	
6. AUDITOR PRESENTATION	PG . 3 Information
7. PUBLIC HEARINGS <i>Public comment will be allowed on items appearing on this portion of the agenda following a brief staff report presenting the item and action requested. The Mayor may limit testimony.</i>  Public hearing regarding the funding of proposed Street Repairs and Maintenance	PG . 8
8. CONSENT AGENDA <i>The following items are considered routine and will be enacted by one motion. There will be no separate discussion of these items unless a Council member so requests, in which case the item will be removed from the Consent Agenda and considered separately.</i>  a. Approve minutes of February 1, 2016 City Council meeting	PG . 19
9. ITEMS REMOVED FROM CONSENT AGENDA	
10. REPORTS OR COMMENTS FROM MAYOR AND COUNCIL MEMBERS  a. General Comments from the Councilors and Mayor	
11. REPORTS FROM CITY MANAGER AND STAFF	



**Our Vision**

Our vision is to foster an environment in which Dallas residents can take advantage of a vital, growing, and diversified community that provides a high quality of life.

**Our Mission**

The mission of the City of Dallas is to maintain a safe, livable environment by providing open government with effective, efficient, and accountable service delivery.

**Our Motto**

Commitment to the Community.  
 People Serving People.

**City Hall**

Dallas City Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours before the meeting to the City Manager's Office, 503-831-3502 or TDD 503-623-7355.

a. Naming the new Main Street park	PG. 22	Motion
b. January financials	PG. 23	Information
c. Council goal update		Information
d. Other		Information

**12. FIRST READING OF ORDINANCE**

**13. SECOND READING OF ORDINANCE**

**14. RESOLUTIONS** PG. 24

- a. Resolution No. 3338: A resolution of the City of Dallas, Polk County, Oregon calling a measure election to submit to the electors of the City the question of contracting a general obligation bonded indebtedness in an aggregate principal amount not to exceed \$10,000,000 to finance capital costs; declaring intent to reimburse expenditures, and related matters.
- b. Resolution No. 3339: A resolution of the City of Dallas, Polk County, Oregon calling a measure election to submit to the electors of the City the question of contracting a general obligation bonded indebtedness in an aggregate principal amount not to exceed \$8,500,000 to finance capital costs; declaring intent to reimburse expenditures, and related matters.

Roll call vote  
  
Roll call vote

**15. OTHER BUSINESS**

**16. ADJOURNMENT**

# DALLAS CITY COUNCIL REPORT

**To: DALLAS CITY COUNCIL**

<i>City of Dallas</i>	<b>Agenda Item No.</b> 6	<b>Topic:</b> Audit Report FY Ending June 30, 2015
<b>Prepared By:</b> Cecilia Ward	<b>Meeting Date:</b> February 16, 2016	<b>Attachments:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<b>Approved By:</b> Ron Foggin		

RECOMMENDED ACTION:

Information Only

BACKGROUND:

Every year the auditor presents the prior year's financial statements to the council for your review and to assist you in fulfilling your responsibilities for oversight of the City's financial reporting. The financial statements for fiscal year ending June 30, 2015, is being presented by Kamala Austin with Merina and Company, LLP.

For your review, the Comprehensive Annual Financial Report was provided to you prior to this meeting and is also available on the City's website.

FISCAL IMPACT:

DALLAS 2030 VISION IMPACT:

ATTACHMENTS:

Auditor's Communication With Those Charged With Governance

December 30, 2015

To the Honorable Mayor and City Council  
City of Dallas, Oregon

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Dallas, Oregon (the City) for the year ended June 30, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 13, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. As described in Note 11 to the financial statements, the City implemented two new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB). Those pronouncements include:

- GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*
- GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*

We noted no transactions entered into by City during the year for which there is a lack of authoritative guidance or consensus. There was a restatement of beginning net position that was included in the financial statements:

Net Position – The City restated the beginning net position for the Governmental Activities and Business-Type Activities based on the implementation of GASB Statement No. 68 and 71 where GASB Statement No. 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures and GASB Statement No. 71 addresses an issue regarding application of the transition provisions of GASB Statement No. 68.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the City's financial statements were:

Management's estimate of the accumulated depreciation is based on historical cost or estimated historical cost if purchased or constructed and donated capital assets are recorded at estimated fair market value at the date of donation.

Management's estimate of the compensated absences payable is based on current wages.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of Capital Assets in Note 3 to the financial statements summarizes the changes in capital assets for the year ended June 30, 2015.

The disclosure of Long-Term Debt Note 4 to the financial statements summarizes the changes in long-term debt for the year ended June 30, 2015 and future debt service requirements.

The disclosure of Change in Accounting Principle Note 12 to the financial statements summarizes the restatement in beginning net position for the year ended June 30, 2015.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We noted three misstatements with a total financial statement effect of \$108,053. The first misstatement includes \$279,656 for unbilled revenue that was not accrued at year end and prior year unbilled revenue of \$(239,343) for a financial statement effect of \$40,313. The second misstatement includes \$131,930 for payroll expense that was not accrued at year end and prior year payroll expense of \$(123,895) for a financial statement effect of \$8,035. The third misstatement includes \$63,146 of accrued interest that should not have been accrued at

year end and \$12,629 that should have been booked as prepaid interest for a total overstated financial statement effect of \$75,775 for interest expense. Management has determined that their total effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 30, 2015.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to the management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit management's discussion and analysis, schedule of the proportionate share of the net pension liability, and schedule of contributions and do not express an opinion or provide any assurance on this information.

We were engaged to report on the budgetary comparison schedules, as listed in the table of contents under RSI, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

We were engaged to report on the other supplementary information, as listed in the table of contents, which accompany the financial statements but is not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section or statistical section, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Honorable Mayor and City Council and management of the City and is not intended to be, and should not be, used by anyone other than these specified parties.

If you should have any questions or comments, we would be pleased to discuss this report with you at your convenience.

Very truly yours,

A handwritten signature in cursive script that reads "Merina & Company".

Merina & Company, LLP  
Certified Public Accountants and Consultants

# MEMO

## City of Dallas

To: Mayor and City Council  
CC: Department Heads and Managers  
From: Ron Foggio, City Manager  
Date: 2/10/2016  
Re: **Street Funding Information**

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This memo is in regard to questions, concerns and comments about proposed capital street funding options.

### Brief Streets History

Over the last three plus years I have worked for the City, there has been a great deal of discussion about the condition of city streets and what the community should do to fix the street infrastructure. A citizen streets committee spent more than a year studying and discussing the City's streets issues. The committee deliberated on the issue of whether the City should fix the residential streets and if the City was going to fix the streets, where the money for the streets repairs would come from. The committee decided that the City did need to repair all the streets and recommended a three step process to pay for the streets repairs and ongoing maintenance. The three step recommendation is as follows:

1. Ask the voters to approve a general obligation (GO) bond for \$10 million for 10 years (paid with property taxes) to repair as many streets as possible.
2. Three or four years after the GO bond, implement a streets utility fee and possibly hold an election for a local gas tax. The revenue collected will be used to maintain all the streets overtime.
3. When the 10 year GO bond is paid off, the City would again ask the voters to approve a GO bond to finish the remaining streets.

The committee was very clear that the City streets needed to be repaired and maintained and there was going to be costs. They also wanted to make sure everyone understood and knew that the fix consisted of three steps and each step had costs involved. The City Council accepted the citizen committee's recommendations in early 2014. At the 2014 and 2015 City Council retreats, the City Council made fixing the city streets one of the top Council priorities.

In order to ensure we were working with the most accurate information, I asked the Engineering Department to identify a third party engineering firm to evaluate the conditions of all the streets

# MEMO

and provide an estimate to fix each street. The Engineering Department identified a third party engineering firm to do this work.

The third party engineering firm started their work in the summer of 2014. The firm used a vehicle with high-tech equipment to evaluate every street in the City. The streets evaluation showed that the streets were in slightly better condition than expected, which also meant the estimated cost to repair the streets was less.

We took the information from the evaluation and created an interactive streets map. This map allows anyone to see the current condition of any street as well as the estimated cost to fix the different streets. We put the interactive street map on our website and encouraged people to use it. We also provided street information and interactive street map demonstrations at the 2015 Department Expo, Bounty Market and Summerfest.

In the fall of 2015, a separate citizen streets task force was created in an effort to keep the streets discussion moving forward. The task force was asked to look at the streets education and information that had been provided to the community and make recommendations for additional information that could be provided, if needed. The task force was also asked to consider the best timing to implement the citizen committee's three step plan.

The streets task force did what they were asked and recommended that the City develop several things to provide more information concerning the condition of the streets infrastructure. They recommended that a fact sheet/flyer be developed and distributed to as many citizens and businesses as possible and a PowerPoint presentation be created that could be used to present the information to community groups. The task force also looked at different election dates and recommended May 2016.

## **Streets Fund Budget**

In an effort to help everyone understand what is currently happening with city streets, I thought it best to go over the 2016 streets fund budget. The following is an overview of the current budget:

### **Revenue:**

Gas Tax	\$ 1,050,000
Misc	<u>\$ 27,000</u>
Total	\$ 1,077,000

### **Expenditures:**

Operations	\$ 682,900 (personnel, materials and services)
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# MEMO

Capital	<u>\$ 270,000</u> (equipment and projects)
Total	\$ 952,900
<b>Difference:</b>	
Revenue Over/Under	\$124,100

There is some confusion about the streets fund budget which is the result of the State of Oregon's budgeting laws. The State requires the City to budget the beginning balance in revenues and contingencies in the expenditures (Beginning balance plus revenue over expenditures). This means we added \$585,000 to revenues to recognize the beginning balance and \$709,100 to expenditures which is known as contingencies. Both these numbers work to balance the streets fund budget. The budget presented above is the budget the department is expected to follow.

It should be noted that the beginning balance we use to create the budget is a best guess, because the budget is required to be balanced and approved before the end of the fiscal year. The official beginning balance is established during the audit process. The official beginning balance for the streets fund for fiscal year 2016 is \$792,298.

The 2016 beginning balance may appear to be larger than it should be based on the struggles we are having funding residential streets. Before you draw any conclusions, let me outline some of the items that are competing for these funds.

1. Fiscal Policy 10% Contingency	\$ 108,000 (This is the bare minimum the City wants to see as the contingency serves as emergency funds)
2. Godsey Road Grant Match	\$ 150,000
3. Fir Villa Signal Match	\$ 600,000
4. Streets Sweeper	<u>\$ 200,000</u>
Total	\$ 1,058,000

The final thing that needs to be covered regarding the streets fund budget is streets capital projects. When the third party engineering firm conducted their study of our streets, they provided an estimate of how much money the City should be spending on the streets infrastructure to keep all the streets in better than good condition. The firm estimated that we should be spending on average \$650,000 annually (this does not include equipment).

At this time, the City is spending on average \$275,000 per year on street repairs. This means we are approximately \$400,000 short of what we need on a yearly basis. Because the streets revenue is short of what is actually needed to take care of all the streets, the City has developed a policy for how the money is spent on streets. The policy requires the City to only spend capital streets money on arterial and collector streets. These are the streets that carry the most traffic

# MEMO

and directly connect people to businesses and industry. The only time money is spent on residential streets is to fix major safety issues.

## **Street Funding Options**

There are four street funding options I would like to cover with you. Each option I am going to cover has pros and cons. It is not my intention to provide an exhaustive list of every pro and con for each option, but to give you a general sense of strong and weak points. You are the policy makers and you need to weigh the pros and cons and determine what you think makes the most sense for our community.

### **Option 1**

The first option would be to do nothing or, in other words, stay the course.

#### **Pros**

- No additional taxes or fees for residents and businesses.

#### **Cons**

- Street safety issues increase.
- The residents and businesses that want to see improved street infrastructure will be upset.
- Property values drop due to lack of infrastructure investment.
- Economic development suffers because livability will decline.
- There is a long term cost. Every year the City waits to repair residential street the cost to repair escalates (Doing nothing this year will add \$300,000. Waiting another year will see that number jump to \$350,000. This means waiting two more years will cost an extra \$650,000 in street repairs and the longer we wait, the faster this number grows.)

It should be noted that this option has not been suggested by any of the committees that have worked on street issues.

### **Option 2**

The second option is the option recommended by the citizen streets committee and confirmed by the streets task force. As you will recall from earlier in this document, the committee recommended a three step process to repair and maintain the city streets. I will not be able to provide a complete financial breakdown of this option because there are too many unknown factors to develop a valid analysis for steps two and three.

# MEMO

## Step 1: \$10 million GO Bond for 10 Years

Some of the basic estimates regarding the GO bond:

- The average tax rate for the ten year bond is \$1.09\* per \$1,000.
- The all-in true interest cost for the GO bond is 2.4%.
- The total amount of interest that will be paid over the life of the bond is \$2,312,800.
- The total amount that will be paid back over the 10 year period is \$12,312,800.

\* Dallas property owners are currently paying \$.50 per \$1,000 for the Polk County road bond which will be paid off January 1, 2017. This means the total increase in property taxes will be \$.59 per \$1,000 rather than \$1.09 per thousand. (See Option 4 for detail regarding County road bond.)

Engineering estimates show that the City will be able to repair approximately 22.75 miles of city streets with \$10 million. This will leave 11.25 miles of streets needing repair work.

How does this step affect the property owners in Dallas? The three examples below will help you better understand what the property owners can expect to pay for this street improvement step.

Assessed Property Values		
\$150,000	\$200,000	\$250,000
\$13.63 per Month	\$18.17 per Month	\$22.71 per Month
\$163.50 per Year	\$218 per Year	\$272.50 per Year

### Pros

- The payments are progressive. (The less a person's property is worth, the less he/she pays.)
- Interest rates for GO bonds are low right now. (The borrowed money costs less.)
- When the reconstruction work is complete, more than 80% of the City's streets will be in good or better condition.
- The increasing costs of deteriorating roads are slowed to a great degree.
- Property taxes qualify as a tax deduction, so many property owners will get some of the money back.

### Cons

- \$10 million is a large amount of money to borrow.

# MEMO

- People that own multiple properties have to pay the property tax multiple times.
- People that own expensive properties may not be able to afford the property tax increase.
- Seniors on fixed incomes may not have the ability to pay for the increase.
- Landlords may not be able to pass the property tax increase onto renters.

## **Step 2: Generating Ongoing Maintenance Revenue**

It was recommended by the streets committee that three or four years after the City bonds to start fixing streets, that a streets maintenance fee will be put in place. The committee was adamant that the City should have a way to take care of all the streets, especially after we invest millions of dollars.

As stated above, the third party engineering firm that evaluated the streets in 2014 provided us with a yearly street maintenance estimate. The engineering estimate from the report is \$650,000. Spending this amount of money yearly would keep all our streets in good or better condition over time. It is worth noting that the \$650,000 will need to increase over time to keep up with the cost of doing business.

The streets committee suggested that the City implement a streets utility fee or a combination of a streets utility fee and a local gas tax to fund ongoing street maintenance. You will recall the City is spending on average \$275,000 a year on streets maintenance, which means we need to generate approximately \$400,000 to completely pay for the streets maintenance program.

In order to generate the additional \$400,000, a street utility fee will have to be put into place. Coming up with a street utility fee may not be a simple matter, because we tend to want fees to be fair. The complexity starts as soon as you introduce different fees for single family properties and multifamily properties. The complexity continues to increase when you introduce small and large businesses to the conversation. The other question that needs to be answered is how does a local gas tax affect the utility fee discussion?

In the fall of 2014, City staff completed a gas tax analysis. The analysis looked at an Oregon community that has a similar population to Dallas and has a local gas tax in place. Based on a number of assumptions about fuel consumption in Dallas and tolerance for taxing, the analysis shows the City will generate approximately \$250,000 a year if a \$.03 gas tax (this is the rate most Oregon cities with a gas tax are charging) is implemented.

# MEMO

In summary, the City will need to determine when to start generating money to fund street maintenance as well as needing to determine what the funding mechanism will be. Will it be a streets utility fee or a combination of utility fee and gas tax revenue? We do know that if we want to maintain the street infrastructure we are going to have to generate an additional \$400,000 each year.

### **Step 3: Second GO Bond for 10 Years**

The third and final step in this process will be to ask the citizens to approve a second GO bond to repair streets that are not repaired with the first GO bond. The plan will be to issue the second GO bond as soon as the first bond is paid off. By the end of the first 10 year bond, the City will know how much street work still needs to be completed and the GO bond can be issued for that amount.

With what we know today there will be approximately 11.25 miles of streets remaining to be repaired. The one thing we do not know is the total amount of construction money needed (Engineering estimates in today's dollars put the remaining street repairs between \$5 and \$6 million) and what bond interest rates will be. Thus, we have no way of estimating what this final step will cost property owners.

### **Option 3**

The third street funding option is to adopt a streets utility fee and then use this money to bond for street repairs as well as ongoing maintenance. Before providing the financial breakdown of this option, I need to provide some information regarding borrowing money with utility fees, also known as revenue bonds. This information was provided by the City's Financial Advisor (FA) from Western Financial Group.

- The City must demonstrate the revenue stream, in this case a streets utility fee, being used is stable/dependable. In order to demonstrate a stable/dependable revenue stream the fee will have to be in place at least one year, but in most cases this is two years.
- The City must have a sufficient revenue stream in order to borrow money. This is known as debt service coverage. Our FA indicated that the legal debt service coverage for most revenue bonds is 1.35 times debt service, but bond investors like to see at least 1.5 times debt service. This means if the City has a debt service of \$1 million, our net revenue available to pay debt service should be \$1.5 million.
- For this type of revenue bonds, the City will need to fund a debt service reserve sufficient to cover one full year of principal and interest payments.

# MEMO

- The City's FA ran the numbers for a 10 year \$15 million bond along with the current interest rate, cost of issuing the bonds, and a debt service fund. Based on all this information, the FA estimated that the annual debt service will be approximately \$1.925 million per year. Assuming a debt service coverage requirement of minimum 1.35 times coverage, the City would need net annual revenues of approximately \$2.6 million.

In order to establish a flat streets utility fee, I am using the same sewer account numbers that Councilor Garus used in his letter dated February 1, 2016. Using the sewer accounts makes sense because all the sewer accounts are within the City limits. It should be noted that the numbers that follow have not been analyzed and are provided to give a general sense of what a flat streets utility fee may look like.

## Sewer Accounts

Residential:	4,225
Commercial:	321
Multi-Family:	<u>2,500*</u>
Total:	7,046

\* The City has 222 multi-family sewer utility accounts. The City does not know how many estimated residential units (ERUs) each multi-family sewer account serves. This means the 2,500 ERUs used in the equation is speculation. The actual multi-family ERU count could be significantly lower or higher.

## Estimated Flat Streets Fee per Account

\$2.6 million\* per year / 7,046 accounts = \$369.00 per year per account or \$30.75 per month per account

\* The \$2.6 million per year is based on the minimum of 1.35 times debt service coverage and our FA advised us that investors most likely will require 1.5 times debt service coverage which would mean the City would need a revenue stream of approximately \$2.9 million per year.

## Estimated Flat Streets Fee per Account if Multi-Family is 10% Higher

\$2.6 million per year / 7,296 accounts = \$356.36 per year per account or \$29.70 per month per account

## Estimated Flat Streets Fee per Account if Multi-Family is 10% lower

# MEMO

\$2.6 million per year / 6,819 accounts = \$381.29 per year per account or \$31.77 per month per account

## Pros

- When construction is complete, the average for all City streets will be graded as excellent.
- The City is able to repair all the streets in a much shorter time frame.
- This option establishes a much needed street utility fee, which will help the City maintain the streets over time.
- The City is able to avoid increasing the property taxes.
- Home owners, renters and businesses all help pay the fee.

## Cons

- The fee may be viewed as too expensive.
- Street utility fees have been a tough sell in the past and may meet with a great deal of opposition.
- City will be required to show sustainable revenue stream for 1 or 2 years before we can borrow the money.
  - Run the risk of higher interest rates.
  - Costs to fix the streets increases every year.
- Revenue bonds (particularly a newly instituted fee) have a higher interest rate than GO bonds (Generally a full percentage point higher), and much higher debt service requirements.
- Developing a streets utility fee that requires different rates can be very time consuming and adds a great deal of complexity.
- A flat rate utility fee is regressive, meaning households with lower incomes pay a higher percentage their income for the fee.
  - Household income of \$35,000 pays 1.05% of its income for the fee.
  - Household income of \$50,000 pays .7% of its income for the fee.
  - Household income of \$75,000 pays .5% of its income for the fee.

## Option 4

The fourth street funding option I would like to cover deals with an existing property tax levy the Dallas property owners are already paying. This alternative funding option has not been discussed in great detail, but it has been mentioned a few times over the last two years. Option 4 will require at least two steps to properly take care of the street infrastructure. This funding option may provide a middle ground on the streets funding issue.

# MEMO

Almost twenty years ago, Polk County asked the County residents to pass a 10 year GO bond to repair County roads. Just as the first GO bond was being paid off, the County asked the County residents to pass another 10 year road GO bond. The second bond passed and it has less than a year before it is paid off, thus completing a twenty year Polk County road improvement plan. The current County road GO bond costs Dallas property owners \$.50 per \$1,000 and the Dallas property owners will make their last payment to the road GO bond in late 2016/early 2017.

The idea with this option is to ask the City of Dallas voters to approve a streets GO bond for \$.50 per \$1,000 and start collecting the property taxes after the County road bond is paid off. If we take this approach, Dallas property owners will not see an increase in property taxes due to street funding.

Some of the basic estimates regarding the 20 year GO bond:

- The average tax rate for the ten year bond is \$.50 per \$1,000.
- The all-in true interest cost for the GO bond is 3.2%.
- The total amount of interest that will be paid over the life of the bond is \$4,628,525.

The total amount that will be paid back over the 20 year period is \$13,628,525.

There are several things that must be noted when considering this option. The first thing to note is that the GO bond will need to be 20 years instead of 10 years. The 20 year GO bond will generate \$9 million in construction money, which will allow the City to repair approximately 21.5 miles of streets. The second thing to note is the City will need to develop a streets utility fee and possibly a local gas tax in the next three to four years. This additional revenue will be needed for streets maintenance and remaining street repairs.

Assessed Property Values		
\$150,000	\$200,000	\$250,000
\$6.25 per Month	\$8.34 per Month	\$10.42 per Month
\$75 per Year	\$100 per Year	\$125 per Year

## Pros

- Property owners do not see an increase in property taxes.
- Interest rates for GO bonds are low right now so the City will be able to get more money for street repairs.
- Easier to sell to the community. (Polk County did this with their road bond and Dallas School District did this with their building maintenance bond)
- Average streets condition rating will be good or better.

# MEMO

## **Cons**

- This option does not follow the recommendation from the citizen streets committee.
- This option does not get all the streets repaired as quickly.
- Will require the City to collect more money with some combination of a streets utility fee and local gas tax to cover street maintenance and unfunded street repairs.
- We will have to wait for the County road bond to be paid off before we can bond for the streets repairs. Bond money will be available mid 2017.
- Requires a 20 year GO Bond.
- Polk County may want to ask County residents to pass a new bond once the second road bond is paid off.

I do want to note that I did not include this fourth option to cause confusion or undermine the work done by the streets committee. I have discussed this option with several members of my senior management team and we feel it is a legitimate option worth City Council's consideration. We know this option falls short of funding repairs for all the streets, but it provides a strong starting point for street repairs.

## **Conclusion**

It is my hope that this information will aid you in making a decision about repairing and maintaining the City's street infrastructure. There is not a wrong or right option. In fact, there are probably a hundred different options within the options presented. It comes down to what the City Council thinks is best for the community.

If there are any questions, comments and/or concerns regarding the information provided in this memo, please let me know. I am more than happy to answer questions as well as provide additional information.

These minutes are supplemented by electronic recordings of the meeting, which may be reviewed upon request to the City Recorder. Audio files from City Council meetings from February 1, 2016, forward can be found online at <http://www.dallasor.gov/archive> under the corresponding agenda date. Staff reports, resolutions, ordinances, and other documents related to this meeting are also available at that site in the "Council Agendas" archive.

<b>DALLAS CITY COUNCIL</b>	<b>Monday, February 1, 2016</b>
<p>The Dallas City Council met in regular session on Monday, February 1, 2016, at 7:00 p.m. in the Council Chambers of City Hall with Mayor Brian Dalton presiding.</p>	
<p><b>Council:</b></p> <p>Council President Jim Fairchild, Councilor Kelly Gabliks, Councilor Micky Garus, Councilor Bill Hahn, Councilor Jackie Lawson, Councilor Kevin Marshall, Councilor Murray Stewart, Councilor LaVonne Wilson, and Councilor Ken Woods, Jr.</p>	
<p><b>Staff:</b></p> <p>City Manager Ron Foggin, City Attorney Lane Shetterly, Police Chief Tom Simpson, Fire Chief Fred Hertel, Community Development/Operations Director Jason Locke, Director of Engineering and Environmental Services Fred Braun, Finance Director Cecilia Ward, HR Manager Emily Gagner, and Recording Secretary Jeremy Teal.</p>	
<p><b>Pledge of Allegiance:</b></p> <p>Mayor Dalton led the Pledge of Allegiance.</p>	

<b>AGENDA</b>	<b>ACTION</b>
<b>0:54 EMPLOYEE INTRODUCTION</b>	Mr. Locke introduced the new City Planner 1 Chase Ballew.
<b>2:32 COMMENTS FROM THE AUDIENCE</b>	<p>Mark Sturdevant, 1313 Broadmore Ct., Dallas, gave a brief update on the Dallas Downtown Association noting they received a grant to paint a mural on the outside of the Polka Dots building on Main Street.</p> <p>Carol Christ, 3955 Kings Valley Hwy, Dallas, noted she would like to assist preparing a public affirmation or statement that says Dallas was a community that worked together and doesn't tear other people down.</p> <p>Gene Henshaw, 2424 SW Oakwood Dr., Dallas, stated he promoted the street fund, whether a bond or fee, but a victory. He noted a fee system would be more palatable by the voters than a bond, but it would be no easy task to pass to fix our streets.</p> <p>Mayor Dalton noted there would be a public hearing at the next meeting regarding the Residential Street Initiative being placed on the ballot.</p>
<b>PUBLIC HEARINGS</b>	There were none.

<p><b>11:29 CONSENT AGENDA</b></p> <p>Items approved by the Consent Agenda: a) approve minutes of January 19, 2016 City Council meeting minutes; b) reappointments to the Planning Commission; c) reappointments to the Budget Committee.</p>	<p>It was moved by Councilor Gabliks <i>to approve the Consent Agenda as submitted</i>. The motion was duly seconded and carried with a vote of 9-0.</p>
<p><b>ITEMS REMOVED FROM CONSENT AGENDA</b></p>	<p>There were none.</p>
<p><b>12:07 REPORTS OR COMMENTS FROM THE MAYOR AND COUNCIL MEMBERS</b></p> <p>GENERAL COMMENTS</p> <p>REPORT OF THE JANUARY 25, 2016 ADMINISTRATIVE COMMITTEE</p> <p>REPORT OF THE JANUARY 25, 2016 BUILDING &amp; GROUNDS COMMITTEE</p>	<p>Councilor Garus gave an overview of a memo distributed to each Councilor proposing a fee system for the repair of residential streets, a copy of which is attached to these minutes and incorporated herein.</p> <p>The Council discussed Councilor Garus' memo.</p> <p>Mr. Shetterly noted that the suggested fee system would need to use a Revenue Bond which would have and a higher interest rate than a general obligation bond. He stated that a revenue bond could be approved by the Council and not brought before the voters.</p> <p>Councilor Gabliks reported the committee discussed the Planning Commission applicants, a business registration process, the investment policy, and the Finance and HR Manager reports.</p> <p>It was moved by Councilor Lawson to appoint Andy Groh to the Planning Commission to fill the seat formerly occupied by Les Oehler. The motion was duly seconded and carried with a vote of 9-0.</p> <p>Councilor Marshall reported the committee discussed the Carnegie Building RFP in Executive Session he renewed and the Community Development Director's report.</p> <p>Mr. Foggin noted the committee directed staff to draft a letter to the applicant to get answers to a few more questions which was delivered last week.</p>
<p><b>REPORTS FROM CITY MANAGER AND STAFF</b></p>	
<p><b>39:13 COUNCIL GOAL UPDATE</b></p>	<p>Mr. Foggin stated the Council retreat would be held on Saturday, March 5 at Chemeketa from 8 am to 3pm with Erik Jensen as the facilitator.</p> <p>Mr. Foggin announced the 2015 Year in Review magazine would be available soon at everyone's desk, and noted the customer service training was well received and praised by the employees.</p>
<p><b>FIRST READING OF ORDINANCE</b></p>	<p>There were none.</p>

<b>SECOND READING OF ORDINANCE</b>	There were none.
<b>RESOLUTIONS</b>	There were none.
<b>EXECUTIVE SESSION</b>	There was none.
<b>OTHER BUSINESS</b>	There was none.

<b>ADJOURNMENT</b>	There being no further business, the meeting adjourned at 7:42 p.m.
Read and approved this _____ day of _____ 2016.	
ATTEST:	_____ Mayor
_____ City Manager	

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DRAFT

# DALLAS CITY COUNCIL REPORT

**TO: MAYOR BRIAN DALTON AND CITY COUNCIL**

<i>City of Dallas</i>	<b>Agenda Item No. 11a</b>	<b>Topic:</b> Naming of new park on Main Street
<b>Prepared By:</b> Emily Gagner	<b>Meeting Date:</b> February 16, 2016	<b>Attachments:</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>Approved By:</b> Ron Foggin		

RECOMMENDED MOTION:

Motion to direct staff to draft a resolution for the March 7 Council meeting naming the new park on Main Street the Ian Tawney Memorial Park.

BACKGROUND:

The Park Advisory Board sought recommendations to name the new park across from the Main Street fountain. We then had a survey on our website allowing people to choose from the top 5 suggestions.

At the close of the survey, the Park Advisory Board reviewed and discussed the results, and voted to recommend the Council adopt the name chosen overwhelmingly (with 89% of the votes). That recommendation is to name the park the Ian Tawney Memorial Park.

FISCAL IMPACT:

Minimal – cost of signage

ATTACHMENTS:

None

# DALLAS CITY COUNCIL REPORT

**TO: MAYOR BRIAN DALTON AND CITY COUNCIL**

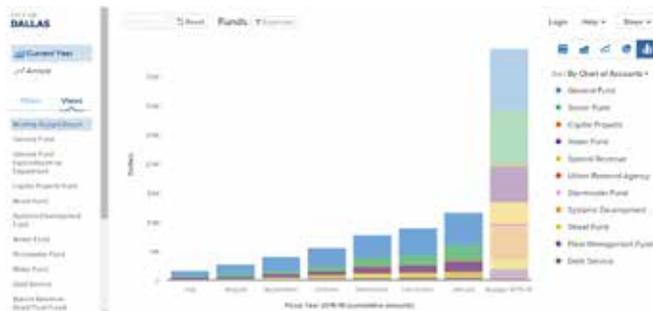
<i>City of Dallas</i>	<b>Agenda Item No. 11b</b>	<b>Topic: January 2016 Financial Report</b>
<b>Prepared By:</b> Cecilia Ward	<b>Meeting Date:</b> February 16, 2016	<b>Attachments:</b> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
<b>Approved By:</b> Ron Foggin		

RECOMMENDED ACTION:

Information Only

BACKGROUND:

Reports are now available on the City's website. Go to City Departments, and under Finance click on Financial Data Portal. This will take you to:



January financial highlights:

- Percent collected/spent should be at 58.33%. This can vary up or down depending on seasonal or one-time revenues and expenditures.
- The following budgeted capital improvement payments were made in January:  
 Capital Projects Fund - Add-ons to new vehicles \$15,383  
 Water Fund - Transmission Water Line - Clay St. Project \$329,540

FISCAL IMPACT:

DALLAS 2030 VISION IMPACT:

Element 1.f.: Dallas citizens of all ages are proud of their city and involved in its civic affairs, engaged in important community issues & invested in their city's future.  
 Strategy – Continue to improve transparency in providing financial information.

ATTACHMENTS:

None

# DALLAS CITY COUNCIL REPORT

**TO: MAYOR BRIAN DALTON AND CITY COUNCIL**

<i>City of Dallas</i>	<b>Agenda Item No. 14a and 14b</b>	<b>Topic:</b> GO Bond Resolutions (Res No's 3338 and 3339)
<b>Prepared By:</b> Emily Gagner	<b>Meeting Date:</b> February 16, 2016	<b>Attachments:</b> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<b>Approved By:</b> Ron Foggin		

RECOMMENDED MOTION:

Staff has no recommendation.

BACKGROUND:

The Council has been discussing the possibility of pursuing a General Obligation Bond for street repair and maintenance costs. Because the timeline for processing the GO bond for the May election is tight, and because it is unclear which direction the Council may pursue, staff has included two resolutions in the agenda. The Council may choose to vote on one or none of the following resolutions, depending on the public hearing earlier in the agenda; however, we needed to include them in the event the Council chooses one of these avenues for the May election.

FISCAL IMPACT:

Possible revenue of \$10 million or \$9 million for street repairs.

ATTACHMENTS:

Resolution No 3338  
Resolution No 3339

**RESOLUTION NO. 3338**

**A RESOLUTION OF THE CITY OF DALLAS, POLK COUNTY, OREGON CALLING A MEASURE ELECTION TO SUBMIT TO THE ELECTORS OF THE CITY THE QUESTION OF CONTRACTING A GENERAL OBLIGATION BONDED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$10,000,000 TO FINANCE CAPITAL COSTS; DECLARING INTENT TO REIMBURSE EXPENDITURES; AND RELATED MATTERS.**

WHEREAS, the Council of the City of Dallas, Polk County, Oregon (the “City”), has determined that a need exists for the City to finance capital costs, as more fully described in Exhibit A attached hereto, and pay bond issuance costs (the “Project”); and

WHEREAS, the costs of the Project is estimated to be \$10,000,000; and

WHEREAS, Oregon Revised Statutes 287A.050, as amended (the “Act”), authorizes the City to contract bonded indebtedness upon approval by the voters to provide funds to finance the costs of the Project and to pay bond issuance costs; and

WHEREAS, the City anticipates incurring expenditures (the “Expenditures”) to finance the costs of the Project and wishes to declare its official intent to reimburse itself for any Expenditures it may make from City funds on the Project from the proceeds of voter-approved general obligation bonds (the “Bonds”), the interest on which shall be excluded from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”);

NOW, THEREFORE, the Council of the City of Dallas, Polk County, Oregon resolves as follows:

1. A measure election is hereby called for the purpose of submitting to the electors of the City the question of contracting a general obligation bonded indebtedness in the name of the City in an amount not to exceed \$10,000,000. Bond proceeds will be used to finance the costs of the Project and pay all Bond issuance costs. The Bonds shall mature over a period of 11 years or less from the date of issue and may be issued in one or more series.
2. The measure election hereby called shall be held in the City on the 17<sup>th</sup> day of May 2016. As authorized by the County Clerk of Polk County, Oregon, and the Oregon Secretary of State, the election shall be conducted by mail pursuant to ORS 254.465 and 254.470.
3. The City authorizes the City Manager or Finance Director, each of them acting alone, as authorized representatives (“Authorized Representative”) to act on behalf of the City, to submit the final ballot title and explanatory statement and to take such further action as is necessary to carry out the intent and purposes herein in compliance with the applicable provisions of law.

4. The Authorized Representative shall cause to be delivered to the Election Officer of Polk County, Oregon (the "Election Officer"), a Notice of Measure Election (the "Notice") in substantially the form as attached hereto as Exhibit A, which shall be approved and filed by the Authorized Representative of the City not later than March 17, 2016 (61 days prior to the election date).

5. The City hereby declares its official intent to reimburse itself with the proceeds of the Bonds for any of the Expenditures incurred by it prior to the issuance of the Bonds.

6. The law firm of Mersereau Shannon LLP is hereby appointed to serve as bond counsel with respect to the Bonds. The City will pay the fees and expenses of bond counsel from Bond proceeds.

7. This resolution shall take effect immediately upon its adoption by the Council.

Adopted: February 16, 2016  
Approved: February 16, 2016

\_\_\_\_\_  
BRIAN W. DALTON, MAYOR

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
RON FOGGIN, CITY MANAGER

\_\_\_\_\_  
LANE P. SHETTERLY,  
CITY ATTORNEY

EXHIBIT A

NOTICE OF MEASURE ELECTION

CITY OF DALLAS,  
POLK COUNTY, OREGON

**Notice**

<b>Date of Notice</b>	<b>Name of City</b>	<b>Name of County or Counties</b>	<b>Date of Election</b>
2/19/2016	City of Dallas	Polk	May 17, 2016

**Ballot Title**

**Caption** City of Dallas Street Repair/Maintenance General Obligation Bond Authorization

**Question** Shall Dallas issue \$10,000,000 in general obligations bonds to finance the repair of City streets? If the bonds are approved, they will be payable from taxes on property or property ownership that are not subject to the limits of sections 11 and 11b, Article XI of the Oregon Constitution.

**Summary** Approval of this measure authorizes Dallas to issue up to \$10,000,000 of general obligation bonds for capital costs to repair streets. Dallas has approximately 56 miles of streets. Over half are below a Pavement Condition Index (PCI) of 75 (good condition). Of those, two-thirds are at a PCI of 40 or less (poor/very poor condition). Revenue to repair streets comes from state and federal sources. The City has determined current funding is insufficient to repair the condition of most streets. Bond proceeds would be used to bring as many streets as possible to a PCI of at least 75 (good or better condition).

The City estimates the bonds would cost property owners \$1.09 per \$1,000 of assessed value per year.

Bonds would mature in a period not to exceed 11 years from date of issuance; may be issued in one or more series.

## RESOLUTION NO. 3339

### **A RESOLUTION OF THE CITY OF DALLAS, POLK COUNTY, OREGON CALLING A MEASURE ELECTION TO SUBMIT TO THE ELECTORS OF THE CITY THE QUESTION OF CONTRACTING A GENERAL OBLIGATION BONDED INDEBTEDNESS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$9,000,000 TO FINANCE CAPITAL COSTS; DECLARING INTENT TO REIMBURSE EXPENDITURES; AND RELATED MATTERS.**

WHEREAS, the Council of the City of Dallas, Polk County, Oregon (the “City”), has determined that a need exists for the City to finance capital costs, as more fully described in Exhibit A attached hereto, and pay bond issuance costs (the “Project”); and

WHEREAS, the costs of the Project is estimated to be \$9,000,000; and

WHEREAS, Oregon Revised Statutes 287A.050, as amended (the “Act”), authorizes the City to contract bonded indebtedness upon approval by the voters to provide funds to finance the costs of the Project and to pay bond issuance costs; and

WHEREAS, the City anticipates incurring expenditures (the “Expenditures”) to finance the costs of the Project and wishes to declare its official intent to reimburse itself for any Expenditures it may make from City funds on the Project from the proceeds of voter-approved general obligation bonds (the “Bonds”), the interest on which shall be excluded from gross income under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”);

NOW, THEREFORE, the Council of the City of Dallas, Polk County, Oregon resolves as follows:

1. A measure election is hereby called for the purpose of submitting to the electors of the City the question of contracting a general obligation bonded indebtedness in the name of the City in an amount not to exceed \$9,000,000. Bond proceeds will be used to finance the costs of the Project and pay all Bond issuance costs. The Bonds shall mature over a period of 21 years or less from the date of issue and may be issued in one or more series.

2. The measure election hereby called shall be held in the City on the 17<sup>th</sup> day of May 2016. As authorized by the County Clerk of Polk County, Oregon, and the Oregon Secretary of State, the election shall be conducted by mail pursuant to ORS 254.465 and 254.470.

3. The City authorizes the City Manager or Finance Director, each of them acting alone, as authorized representatives (“Authorized Representative”) to act on behalf of the City, to submit the final ballot title and explanatory statement and to take such further action as is necessary to carry out the intent and purposes herein in compliance with the applicable provisions of law.

4. The Authorized Representative shall cause to be delivered to the Election Officer of Polk County, Oregon (the “Election Officer”), a Notice of Measure Election (the “Notice”) in substantially the form as attached hereto as Exhibit A, which shall be approved and filed by the Authorized Representative of the City not later than March 17, 2016 (61 days prior to the election date).

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7. This resolution shall take effect immediately upon its adoption by the Council.

Adopted: February 16, 2016  
Approved: February 16, 2016

\_\_\_\_\_  
BRIAN W. DALTON, MAYOR

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
RON FOGGIN, CITY MANAGER

\_\_\_\_\_  
LANE P. SHETTERLY,  
CITY ATTORNEY

EXHIBIT A

NOTICE OF MEASURE ELECTION

CITY OF DALLAS,  
POLK COUNTY, OREGON

**Notice**

<b>Date of Notice</b>	<b>Name of City</b>	<b>Name of County or Counties</b>	<b>Date of Election</b>
2/19/2016	City of Dallas	Polk	May 17, 2016

**Ballot Title**

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The City estimates the bonds would cost property owners \$0.50 per \$1,000 of assessed value per year.

Bonds would mature in a period not to exceed 21 years from date of issuance; may be issued in one or more series.