



SCIO CITY COUNCIL WORK SESSION MINUTES
MONDAY February 24, 2020

COUNCIL PRESENT: Councilors Karen Eckhart, Joey Ferguson, Tom Gray, Tom Meyer, Debbie Nuber, Dennis Thomas, and Mayor Chadd Weaver

STAFF PRESENT: City Manager Ginger Allen, Assistant City Attorney Jeffrey Clayson, and Administrative Assistant Cathy Martin.

CALL TO ORDER: Mayor Weaver called the Work Session of the Scio City Council to order at 6:00 P.M. at Scio City Hall, followed with the flag salute.

ROLL CALL: Roll call was taken with all councilors present.

OPENING REMARKS: Mayor Weaver stated that the council will be discussing the new city hall. No decisions will be made tonight. Discussion only. Figure out which way we need to head with the project.

WASHINGTON FEDERAL BANK PRESENTATION: Pete Sullivan, VP Relationship Manager - Municipal Lender, reviewed the handout provided for the February 3rd meeting which he was unable to attend. Mr. Sullivan stated that several things have changed, and he would update the information as he goes.

Sullivan gave an overview of Washington Federal, he stated that it is a fairly small bank, with branches in eight states, and is within the top 100 publicly traded banks. He provided a market analysis, taking a look at the economy, rates are currently low and the economy is as strong as it has ever been. GDP is above 2%, Fed Fund rate is at 1.75%, and there is a 22% chance of a rate cut this year. There are no rate increases expected in 2020, due to it being an election year.

Sullivan then went over the banking product that Washington Federal can offer to provide funding for the city hall building project. Sullivan explained the “Draw to Term” Loan. He stated that it is a combination of a “Line of Credit” and long-term debt. This product is used for real estate developers. The rate is fixed for the 2 year draw period and then continues throughout the 15 year mark.

Allen asked for clarification on the total number of years. Is it only 13 additional years after the draw period?

Sullivan stated that it is a total of 15 years (2 year draw +13 years). He then reviewed a couple of funding scenarios.

Example: Borrow \$2M – at end of the draw period (construction), only use \$1.75M – only pay principal and interest on only what you need, and you reduce the actual borrowing amount. The savings \$117K (construction cost uncertainty)
Eckhart – does the interest rate changed after 10 years?

Sullivan - can pay it off after 10 years with no penalty, a payoff before 10 years does have a penalty, to allow for this, the bank would charge higher interest rate. If interest rates go up, may not have a penalty. Don't have a call provision.

Allen – principal only payment

Sullivan – have to build in provision – couple of basis points

Allen asked Sullivan to send the monthly payments via email.

Sullivan stated that there is a lot of volatility in the market today. That is the rates are volatile and not likely to go up soon.

Answers to the Questions posed to both lenders–

- *Project Manager* – no charge the same rate, interested in city's financial health.
- *Full Faith & Credit – Vs. Construction* – do not put together Construction for municipalities – base products on FFC
- *Typical lengths* – 20 years
- *Criteria – Loan Good Risk* – carefully look at financials, process to determine based on cash flow – look at history – debt, change in net position, decent cash position- are you managing your books – will look back at 8-10 years of financial history
- *When start paying* – Draw to term – interest only until close
- *Advances on loan* – like an equity loan – non revolving debt, borrow, but do not pay down, once done becomes long term debt.
- *Project funds inclusive* – if we determine that you can borrow it, how you use it is up to the city.
- *How long is interest rate lock* – 60 days, can be longer, can add additional provisions.
- *Do you assign a bank representative to the loan* – no – he is representative – to review financials.
- *Monthly payment* – will send to Allen

Weaver asked for questions. There were none. Council thanked him for his presentation.

BOND COUNCIL PRESENTATION: Courtney Dausz, Mersereau Shannon LLP – specialize in municipal finance. Previously worked with city on Water Debt refinance

Bond Council's role is representing city in the transaction. Banks typically need opinion from a firm like theirs to give debt opinion. Draft resolutions; work on structure of the financing, under state law and tax law. Requirements for borrowing on a tax-exempt basis – borrowing only used for capital cost. Dausz stated that they are there to make sure that the process is legal.

Questions that were posed to Bond Council –

- *How much does it cost?* Ms. Dausz stated that they will look at the proposed project, learn about construction and details and then determine fee proposal that will be submitted to the city for approval.
- *What does the bond council do for the process?* Bond Council answers the city's questions, provide guidance, help with compliance with state law, prepare resolutions, complete filings with state, closings, and draft loan documents.
- *Can bank loan be all including?* Allen asked if it could pay for rental of modular building for temporary housing or furnishings. Dausz stated that the city can only finance those things that are capitalized (modular – no, furniture – yes) Allen asked if putting things into Capital Improvements would those qualify? Dausz stated yes.

HOW WE GOT HERE PRESENTATION: Ginger Allen, City Manager, gave a PowerPoint presentation to the council regarding why the city is looking into building a new city hall. The presentation included the cost of necessary repairs, including asbestos abatement, roofing, doors, flooring, ADA accessibility, and structural (seismic) stabilization, as well as the needs for improvement for the community. (a copy of the presentation is attached)

Gray asked where the public works shop would be built?
Allen stated that it would be located on the city's 6th Street property.

WHAT HAPPENS NEXT: Mayor Weaver asked for council discussion.
Thomas asked what will happen to the existing building? Allen stated that the plan would be to demolish the existing structure and rebuild.

Thomas asked about the roof and if the building was not stable. Allen spoke regarding the previous insurance company inspection, stating it is a matter of time before they will no longer insure the shop area. Meyer stated that from his experience working for an insurance company. When companies ignore the issues, then they have to go to substandard insurance carriers for insurance and the cost increases tremendously.

PUBLIC COMMENTS:

Steve Shrunck – SW 4th Street – Asked about the budget, specifically do we still have money set aside for other projects (i.e. Stench in south part of town) Will the upcoming rate increases go to that?

Allen stated that last month in a report to city council, she announced that the city is working on Bio-Solids Plan with DEQ to try to mediate odor that occurs with an-aerobic flip. The city has called in both DEQ and lagoon experts from the city's Engineering Firm. According to them the city has done everything possible. Why it lasted so long when it occurred last fall the experts don't know. The city is looking into the purchasing micro-organisms that eat the sludge to help. This is the least costly of the options, as treatment plants are expensive, the small ones cost approximately \$6.5M to build. Shrunck stated that he is glad the city is addressing it.

John Whalen, SW 3rd

May Garland, 38795 N Main Street – Ms. Garland stated she had a few questions. 1) Has the city looked at potential number of sq. feet? Allen stated that we have not gone to design phases at this time

2) Understood that the money borrowed will be for capital expenses, what about the architect and abatement costs? Allen stated that the city has set aside money for that part of the process for the past 2 fiscal years.

3) Ms. Garland stated that she thought the city would need additional staff in the library with adding all those wonderful things. Debbie Nuber stated that we cannot guarantee that everything on the list will be able to be done.

4) Ms. Garland stated the structure needs to be environmentally conscious.

Roger Gaither, 38795 N Main Street, asked what is the next step in the process? Allen stated that the council needs to know the comparisons between the two lenders, need specifics, bring to council for the March meeting.

Sandy Baggett, 38608 SW Filbert Street, asked does the city have a time-frame? Allen stated that if city moves forward in March, we will need to move as quickly as possible to lock in rate.

John Whalen, 38821 SW 3rd Avenue, stated that if council decides to move forward, there will be months of work to proceed. Allen stated that there will be multiple city meetings.

Whalen commented on how disappointing the number of people in the audience.

Nuber asked about the demolition of the neighboring building. Allen stated that it will be coming down over Spring Break, so as to not interrupt school traffic.

Nadji Vogel, 38932 NW 2nd Avenue, asked where will the city go when the current city hall is torn down. Allen stated that the city would build the city shop first, put in module office on slab. The module may not hold the city council meetings, we can use the Fire Station. Staff visited SMTA Building on SE 2nd, but there is not enough space, to keep senior center and library.

Vogel asked if this cost go into the loan? Allen that it will not and the city will have to look into the cost.

Ferguson asked if the staff was touring various city municipal buildings for ideas? (i.e. Jefferson, Mill City, Sweet Home). She stated she is interesting to see feedback from those communities.

Allen stated that it is important to have representatives go on the tours.

Ferguson asked if we will add parking

Eckhart about the cost of renting modular? Allen stated that staff will be checking.

MEETING ADJOURNED: The city council work session was adjourned at 7:48 p.m.

The next regular meeting is scheduled for March 9, 2020 at 6:00 p.m.

Cathy Martin,
Administrative Assistant