

**ADMINISTRATION AND FINANCE COMMITTEE
CITY COUNCIL CHAMBERS
140 WEST PINE STREET
MISSOULA MONTANA
April 28, 2010 1:05pm**

Members present: Stacy Rye, Chair; Ed Childers; Renee Mitchell; Pam Walzer; Dick Haines; Lyn Hellegaard; Roy Houseman; Jon Wilkins; Bob Jaffe.

Members absent: **Dave Strohmaier, Jason Wiener.**

Others present: Nancy Harte, Brentt Ramharter, Dee Andersen, John Hendrickson, Bruce Bender, Mae Nan Ellingson, Helen Rolston-Clemmer, Jeff Rolston-Clemmer, Jeff Larson.

I. Administrative Business

A. Approve committee minutes dated: [April 21, 2010](#)-approved as submitted

B. **Public Comment on items not listed on the agenda-None**

II. Consent Agenda

A. Approve claims (accounts payable). -Consent Agenda (Brentt Ramharter)

Motion: The committee recommends the City Council approve [claims](#) totaling \$ \$424,377.76 ([Detailed claims](#))

B. Amend resolution 7502 awarding Home Investment Partnership (HOME) funds to reallocate funds ([memo](#)).—Regular Agenda (Nancy Harte) (Referred to committee: 04/26/2010)**REMOVE FROM AGENDA**

Motion: The committee recommends the City Council consider a [resolution](#) of the City Council amending Resolution 7502 to reallocate HOME Investment Partnership Program (HOME) funds to certain organizations and directing staff to negotiate contracts and agreements with said organizations.

Nancy Harte, Office of Planning and Grants, said the last time she presented at A&F in February, the committee made award recommendations for the HOME and CDBG programs. Since that time she said they did find out the award amount and it increased a bit for HOME. They also had three applications for home assistance; one from Missoula Housing Authority, one from HOME WORD; and one from the Resource Council. Since that time when Council acted on that resolution The Missoula Housing Authority withdrew their application for State Tax Credits, which was the main financial underpinning to their project. The Department of Commerce asked them to come back with a broader scope project, they felt the Palace needed more work than MHA could accomplish. With that in mind, OPG reviewed a request from MHA for a more limited project. In the interest of fairness, because it wasn't the same project they applied for, and it would be scored on its own outside the process, we recommended they not be funded this year and the funds be redistributed to HOME WORD and Human Resource Council based on what their scores were.

Bob Jaffe asked if the HOME WORD/Human Resource Council projects will be fully funded.

Ms. Harte responded no we gave them 50-60% of what they requested. It gets them closer

Ms. Harte said HOME WORD and The Human Resource Council.

Pam Walzer motioned to amend the resolution and relocate the funds.

Upon a voice vote the motion carried unanimously

- C. A resolution authorizing the use of tax exempt financing for improvements to be made at Sussex School ([memo](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 04/26/2010)

REMOVE FROM AGENDA

MOTION: The committee recommends the City Council set a Public Hearing on May 24, 2010 to consider a resolution relating to Economic Development Revenue Bonds (Sussex School Project) of the City in an approximate aggregate principal amount not to exceed \$900,000; granting preliminary approval thereto; and calling a public hearing on such bonds and project.

Brentt Ramharter, Director of Finance, explained that this is a request by a non-profit organization to use our economic revenue bond authority. In the past when the city has allowed and sponsored tax exempt financing, we have requested they comply minimally with The Fair Minimum Wage Act. First Security Bank has agreed to provide the financing for the school projects. He said we have several representatives here today to discuss the project further. We are requesting a public hearing on May 24, 2010 to take public comment.

Mr. Jaffe asked why we are involved at all.

Mr. Ramharter responded that we would sponsor this as an economic project. It's a good thing to do for the community and since they are a non-profit it is not unreasonable for them to make the request. It will also make their project less expensive.

Jon Wilkins asked if there a limit to these funds

Mr. Ramharter said he did think there was a limit. They only come up once or twice a decade, and the amount of indebtedness is very small.

Mr. Wilkins asked if it affect our credit ratings.

Mr. Ramharter said no and suggested that Ms. Ellingson could address that.

Stacy Rye asked if we have any liability.

Mr. Ramharter said no.

Mae Nan Ellingson, Dorsey & Whitney, explained that Dorsey & Whitney serve as bond counsel on many City projects and are proposed to serve as bond counsel on this project. She said that basically, the federal code has allowed the City of Missoula and other government entities its ability for tax exempt bonds for qualified non-profits. The federal government has acknowledged that non-profit corporations perform valuable and essential functions in our communities and have made tax exempt financing to be available to them. For any debt to be tax exempt it has to be issued by a state or governmental agency. What this type of financing is called is conduit financing where you authorize the issuance of the debt, but as the issuer you hold no responsibility for the debt other than to authorize the issuance of it-It does not in any way count against your debt limitation or your ability to issue any other debt. It is your ability to sponsor this project and their ability to obtain tax exempt financing as a matter of federal income tax law. Without you or the county sponsoring this they wouldn't be able to get the tax exempt financing. There is no limit from federal purposes on the amount of this debt that you can issue, as long as this project is qualified. The whole underpinning here is that Sussex School is a qualified non-profit organization. She then introduced Helen Rolston-Clemmer from Sussex School to describe the project.

Dick Haines asked if the no liability has been tested in court.

Ms. Ellingson said yes, this conduit financing mechanism has been in the operation in the United States for 70 years. There have been challenges and test cases where it is absolutely clear that a municipality can sponsor this debt and incur no liability. One of the things we do when acting as bone counsel to the City, is to make clear in every document that the City has no pecuniary liability on this project and is solely on the credit of the non-profit being financed. In Montana we have never come close to having a default.

Helen Rolston- Clemmer, Business Manager, Sussex School, explained that they deconstructing their school building and building a new one. We are going to replacing 4 classrooms and adding 7 new ones. As part of our strategic plan we decided to grow the class size from 8-9 kids to 12. We decided to do as energy efficient project possible, the deconstruction is being done by home resource; we are using solar panels, ground source heating, and energy efficient and recycled materials. We think this will be the first LEED (Leadership in Energy and Environmental Design) certified school.

Rene Mitchell asked how much you are looking to borrow.

Ms. Rolston-Clemmer replied that we have been approved for \$900,000 but we don't want to borrow that much. Currently we are in the middle of a fundraising campaign. The total cost of the project is \$1.2 million. We have savings, pledges and cash in the amount of \$700 or \$800,000.

Ms. Mitchell asked how much lower of percentage rate did you get this way as opposed to getting the financing on your own.

Andy Larson, First Security Bank said they discounted the normal market rate by 30%. Market rates are around 7% so that makes it at 4.9%. It's not a straight forward project. He is not aware of anyone else who would finance for less.

The committee discussed revenue bond costs and projects associated with them.

Ms. Ellingson said one of the things that make this project more cost effective, than doing a private offering is that this is a private placement and there are fewer underwriting fees. The bank does not have a high cost in underwriting. We have agreed to cap out our fee because it is a non-profit that serves the community.

Mr. Wilkins moved to set a public hearing for May 24, 2010.

Upon a voice vote the motion passed unanimously.

Jon Wilkins left the meeting at 1:40pm

- D. Review the FY 2011-15 capital improvement projects (CIP). ([memo](#)) – Regular Agenda (Brentt Ramharter) (Referred to committee: 04/19/2010) **HELD IN COMMITTEE FOR DISCUSSION 5/5/10.**

Pam Walzer asked is the plan for the day's discussion to go over the CIP composite list tab by tab

Mr. Ramharter said we would like to give an overview of the projects and then the committee can decide which departments they would like present for discussion.

Mr. Ramharter and Mr. Bender reviewed the projects on the sewer tab.

Mr. Childers said he seemed to remember when the head works was a \$6 million project now it's up to \$11 million he said we should go ahead and get stated before the cost go up anymore.

Ms. Rye asked what ortho-photography is.

Mr. Bender replied aerial photography.

Roy Housman asked about the background on line item 8b for \$450,000. Line item 7 and the last project.

Mr. Ramharter said its tax increment financing. He suggested bringing in Ms. Guest from MPC and Ms. Buchanan from MRA at next meeting for further discussion.

Ms. Walzer would like the departments to break up their presentations by different projects; topic oriented with support to explain the projects.

The committee then discussed CTEP projects with Mr. Bender
Ms. Walzer said she heard that people were disappointed that the Bike Pedestrian Board didn't get to be participants in identifying the routes that need paint the most.

Stacy Rye left meeting at 1:55pm turning the Chair, to Ms. Walzer.

Mr. Ramharter then reviewed the Police Department, Public Safety and Parks projects.

Public Comment:

John Hendrickson asked about the core replacement.

Mr. Ramharter said there is a lot of revenue offset on this and he will provide Mr. Hendrickson with a spreadsheet that will show the revenue offsets. The rest is SCBA equipment and is grant supported and the 2 very large pieces are federally funded. The rest would be police vehicles which are on a 3 year rotation. It's a little over 300,000 with the revenue offsets.

Held in committee

- A. Approve claims. (Ongoing) (Consent Agenda)
- B. Approve journal vouchers. (Ongoing) (Consent Agenda)
- C. Approve budget transfers. (Ongoing) (Consent Agenda)
- D. An ordinance amending the municipal code as it relates to bike licensing. ([A&F](#)) (Returned from council floor: 12/15/08)
- E. Implications of establishing maintenance districts. ([memo](#)) – Regular Agenda (Bob Jaffe) (Referred to committee: 05/11/09)
- F. Clarify position of council member who also serves on the board of a non-profit agency that has dealings with the city. ([memo](#)) – Regular Agenda (Ed Childers) (Referred to committee: 07/20/2009)
- G. [Resolution](#) of the Missoula City Council establishing a tourism business improvement district consisting of non-contiguous lands within the City of Missoula for the purpose of aiding tourism, promotion and marketing within the district. ([Exhibit A](#)) ([Exhibit B](#)) ([memo](#)) ([A&F](#)) (Returned from Council floor: 10/05/09)
- H. Review the FY 2010-14 CIP projects in committee ([memo](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 03/23/09)
- I. Ratification of recommended refunding of the 2001A General Fund Obligation Bond issue in order to save future interest costs ([memo](#)).—Regular Agenda (Brentt Ramharter) (Referred to committee: 04/05/10)

E. Adjournment

Meeting adjourned at 2:30pm

Respectfully submitted,

Dee Andersen

Administrative Secretary