

FINANCIAL IMPACT STATEMENT For Council Action Items

(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Eric Johansen, City Treasurer		2. Telephone No. 503.823.6851	3. Bureau/Office/Dept. Financial Services/Public Finance and Treasury
4a. To be filed (date) February 24, 2011	4b. Calendar (Check One) Regular <input checked="" type="checkbox"/> Consent <input type="checkbox"/> 4/5ths <input type="checkbox"/>	5. Date Submitted to FPD Budget Analyst: February 16, 2011	

1) Legislation Title:

Authorize borrowing for computerized permit tracking system (Ordinance)

2) Purpose of the Proposed Legislation:

The Ordinance authorizes the City, in accordance with Ordinance 184226 passed on November 10, 2010, to establish a line of credit for the Bureau of Development Services ("BDS") Computerized Permit Tracking System (the "Project"). The line of credit requested is for an amount not to exceed \$6.6 million, and together with other BDS resources, will fund the Project, costs of issuance, and accrued interest on the line of credit.

3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated please identify the source.

This Ordinance will not reduce current or future revenues coming to the City.

4) Expense:

What are the costs to the City as a result of this legislation? What is the source of funding for the expense?

The financing proposed by this Ordinance is designed to defer the required repayment of principal and interest until FY 2013-14 and FY 2014-15 when BDS financial forecasts project sufficient revenues to repay the obligation in full. The anticipated debt repayment schedule is dependent upon projected increases in BDS revenues and reserves over the next two years as the economy recovers. Should these projections not be realized due to a constrained economic recovery or other factors, it may be necessary to adjust the BDS target reserve level, restructure the debt or call upon the General Fund to assume responsibility for repayment of the debt.

The line of credit will be secured with a general fund pledge.

Staffing Requirements:

5) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?


No positions will be eliminated or created as a result of this Ordinance.

6) Will positions be created or eliminated in future years as a result of this legislation?

No positions will be eliminated or created in the future as a result of this ordinance.

7) Change in Appropriations

There are no changes in appropriations.

Eric H. Johansen, City Treasurer	
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APPROPRIATION UNIT HEAD (Typed name and signature)



CITY OF PORTLAND
OFFICE OF MANAGEMENT AND FINANCE

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184449

DATE: February 17, 2011

TO: Mayor Sam Adams

FROM: ^{EH} Eric Johansen, Treasurer and ^{JB} B. Jonas Biery, Debt Manager

RE: Authorize borrowing for computerized permit tracking system (Ordinance)

FOR MAYOR'S OFFICE USE ONLY

Reviewed by Bureau Liaison _____

1. INTENDED THURSDAY FILING DATE: February 24, 2011
2. REQUESTED COUNCIL AGENDA DATE: March 2, 2011
3. CONTACT NAME & NUMBER: B. Jonas Biery, Debt Manager, x3-4222
4. PLACE ON: CONSENT X REGULAR
5. BUDGET IMPACT STATEMENT ATTACHED: X Y N N/A
6. (3) ORIGINAL COPIES OF CONTRACTS APPROVED AS TO FORM BY CITY ATTORNEY
ATTACHED: Yes No ☒ N/A

7. **BACKGROUND/ANALYSIS**

Introduction and History – Attached is an Ordinance for Council first reading and consideration on March 2, 2011. The Ordinance authorizes the City, in accordance with Ordinance 184226 passed on November 10, 2010, to establish a line of credit for the Bureau of Development Services (“BDS”) Computerized Permit Tracking System (the “Project”). The line of credit requested is for an amount not to exceed \$6.6 million, and together with other BDS resources, will fund the Project, costs of issuance, and accrued interest on the line of credit.

The line of credit will be secured by the General Fund and will have a term of not-to-exceed five years. Interest is expected to be financed initially from draws on the line until BDS reserves reach approximately 10% of BDS expenditures, which BDS currently projects will occur in FY 2013-14. Upon meeting the reserve target, BDS will begin paying principal and interest on the line. Based on BDS projections, it is expected that the first principal payment will occur in FY 2013-14 and the final payment will occur in FY 2014-15.

Of the \$6.6 million authorization, approximately \$5.84 million will finance capital expenditures and issuance costs, with the remaining authorization available to finance estimated interest costs of the line. Since the presentation by BDS to City Council in November 2010, research into a more up-to-date operating system and the opportunities that it offers has continued. BDS has been working with the vendor and the State of Oregon to review components of the project and cost estimates and now has more specific estimates and a more clearly defined project. The specific estimates include third party quality assurance expenses, additional expense to insure the functionality of integration with the City's SAP system and corporate GIS system. BDS has added additional staff members with expertise in these areas to maximize this integration thereby maximizing functionality as well as on line services offered to customers.

Therefore, the \$5.84 million in capitalizable costs represents an increase from the original estimate of \$4.26 million provided to Council in November 2010.

184449

Passage of this Ordinance would delegate certain tasks to the Debt Manager including soliciting proposals from commercial banks; establishing an amortization schedule; accepting interest rates and other terms related to the placement of the line of credit; and executing documents.

Legal Issues – The City is authorized by the Oregon Revised Statutes under ORS 287A.150 to provide interim financing for capital projects as long as the financing matures not later than five years after the date of issue.

Link to Current City Policies – The proposed financing is being done in conformance with the City's debt policy.

Controversial Issues – None

Citizen Participation – Not Applicable

Other Government Participation – Not Applicable

8. FINANCIAL IMPACT

Current cash flows are not sufficient to support the costs of the Project using conventional means of financing. The financing proposed by this Ordinance is designed to defer the required repayment of principal and interest until FY 2013-14 and FY 2014-15 when BDS financial forecasts project sufficient revenues to repay the obligation in full. The anticipated debt repayment schedule is dependent upon projected increases in BDS revenues and reserves over the next two years as the economy recovers. As noted previously, BDS has more specific cost estimates and a more clearly defined project, and current capitalizable project cost estimates are higher than was presented to Council in November 2010. As such, BDS has modified their financial forecast to reflect these higher project costs. These revised projections continue to indicate that the line of credit will be repaid in 2014-15. Should these projections not be realized due to a constrained economic recovery or other factors, it may be necessary to adjust the BDS target reserve level, restructure the debt or call upon the General Fund to assume responsibility for repayment of the debt.

9. RECOMMENDATION/ACTION REQUESTED

It is recommended that the City Council approve the Ordinance so that the Project can move forward and efficiency savings can be realized.

**Bureau of Development Services
Information Technology Advancement Project**

**Council Ordinance re Financing of ITAP
Council Agenda Item #218**

March 2, 2011

Introduce Ordinance

- Overview of line of credit issues

Background

- Improve level of automation and public access to information
- Save customers and stakeholders time and money by
 - Providing access to information/services remotely
 - Decreasing need to visit DSC
- Increase BDS efficiency
 - In plan review, inspections, permitting

More Specific Cost Estimates

- Now have:
 - More specific cost estimates
 - More clearly defined project
 - Refined prioritized list with added issues including but not limited to financial system interface and GIS interface
 - Sufficient contingency to guard against having to request additional funding prior to completion

Changes in Estimates:

- Third party Quality Assurance professional with specific knowledge about not only the Accela system but the State of Oregon implementation and overall system expectations
- Ensure the functionality of integration with the City's SAP system
- Ensure the functionality of integration with the City's corporate GIS system
- Additional 3 FTE with expertise in these areas to maximize this integration thereby maximizing functionality as well as on line services offered to customers.

ITAP Project Update:

- Continued Research and Negotiation since November 2010
- Continued coordination with BTS
- We now have
 - Accurate prioritization of critical elements and insuring sufficient staffing
- We are currently working on:
 - Negotiation of the Statement of Work with Accela has commenced; we are roughly half way through that process
 - Negotiation of the Contract for services with Accela has also commenced; we are progressing through this process with possible completion in early April
 - Negotiation of the Intergovernmental Agreement with the State of Oregon to become a full service jurisdiction in the Statewide permitting system is underway and should be completed by late March or early April

Line of Credit

- \$5.8 million in capitalizable costs represents an increase of the original estimate of \$4.26 million provided to Council in November 2010
- Current request: \$6.6 million authorization for Line of Credit
 - Approx \$5.8 million for capital expenditures & issuance costs
 - Approx \$450,000 for capitalizable interest costs & \$300,000 line of credit contingency
- Previous information shared in November 2010
 - Approx \$4.26 million for capital expenditures
 - Approx \$166,000 in capitalizable interest
- Repay in FY 13-14 and FY 14-15
- Financial Plan includes "worst case" scenario (reduces growth by 5 percentage points) which still projects repayment in FY 13-14 and FY 14-15