

**Regular Meeting – Finance Standing Committee**  
**Wednesday, December 8, 2010, 3:30 p.m.**  
**City Hall Conference Room**

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**CALL TO ORDER**

Councilmember Palmer called the meeting to order at 3:30 p.m.

**IN ATTENDANCE**

Councilmember Jim Palmer, Chair  
Councilmember Beth Munns  
Councilmember Bob Severns

Mayor Jim Slowik  
Paul Schmidt, City Administrator  
Doug Merriman, Finance Director

**PUBLIC COMMENTS**

No public attendance, no comments.

**NOTES**

There were no changes to the November 10, 2010 notes.

**BONDING FOR THE MARINA**

Finance Director Merriman talked about the bonding process (see attachment A). Foster Pepper PLLC acts as the City's bond attorneys, and Martin Nelson and Company as bond advisors, specifically Jim Nelson. Mr. Merriman has worked with both firms for a number of years. The official bond statement and bond ordinance come before Council, an underwriter (from one of these two firms) takes the bonds out for sale, and the interest rate occurs on the day it is locked in. Mr. Merriman is waiting till after the end of the year to review rates since they will be more settled then. The City cannot reimburse for past costs regarding bond proceeds unless you do a declaration of reimbursement. A bond issue will allow for reimbursement with the attached declaration (Attachment A). The resolution in Attachment A appoints Mr. Merriman as the authorized official as certified by the City Clerk. Mr. Merriman brought this before the Finance Standing Committee for members to see the timing issues. The City will be asking for \$3,000,000 which covers closing costs, insurance, payment to the bond advisor and legal fees, and a 10 percent reserve. The reserve will be used to pay off the last year(s) of the bonding payments. A bond call needs to be timed and this bond would be timed for ten years out.

Discussion followed about the last underwriter (Bank of America), whether the underwriter is always a bank (no, it could be a securities company), and the risk of underwriting with an insurance company. Mr. Merriman researches the underwriter through rating bureaus and calls to other companies. The City wants to be sure to cover the Marina's costs with the bond. Mr. Merriman also noted that the Marina could not be put into the General Fund because of the bond issue. Adding the Marina to the General Fund would trigger a general obligation bond which becomes backed by the City's taxes rather than the preferred revenue bond. General obligation bonds have more restrictions. Revenue bonds hold higher interest. Our revenue bonds are now at parity with our general obligation bonds which is unique to cities.

Councilmember Palmer talked about other marinas he had contacted and their response that more boats are being pulled out of the water than normal. Councilmember Munns also added that boats can be hauled out due to this time of year, especially smaller or trailerable boats. Mr. Merriman also watches changes in Marina revenue as does Harbormaster Mack Funk and Development Services Director Steve Powers. Mr. Merriman talked about coverage of bond payments if Marina revenue dropped.

Discussion followed about the Marina's fee collection procedures, possible use of City employees who collect fees at the RV Park, if liveaboard tenants could help (no), that funds have to be deposited within twenty-four hours, and the use of fee collection machines at Mukilteo's Lighthouse Park for parking and the boat launch ramp. This system might prove useful at the Marina.

### **OTHER FINANCIAL REPORTS**

Mr. Merriman presented the Sales Tax Report attached as Exhibit B. If the percentage change in the *Current Period* column is less than the percentage change in the *Year To Date* column, that is good. The *Last Twelve Months* column on page two at \$2,751,689 is on target; Mr. Merriman had predicted \$2,750,000 for next year. Mr. Merriman returned to the Marina discussion: fund tracking can be seen quarterly for transient moorage, livaboard fees, etc., and will be tracked based on the average of the last five years.

### **OTHER BUSINESS**

The video equipment purchase for the jail will be reviewed. Mayor Slowik noted that a budget is a fluid, changing document. Mr. Merriman added that only \$12,000 was removed from the \$39,000 full cost and the CADA grant may be able cover that \$12,000. An adjustment may take longer than the week between this meeting and Council's next regular meeting. Discussion continued about streamlined sales tax (in the positive by approximately \$65,000 per year) along with a discussion by City Administrator Schmidt on backfilling for larger cities. The state predicted \$45 million but took \$34 million and allocated it to cities that had lost their revenue stream. How will backfilling continue since only \$8 million is now being received? Discussion followed about the audit and a change in phrases used by the auditors (more toward the individual rather than protection). The auditor's office looks at risks.

### **ADJOURN**

With no other discussion coming before the Finance Standing Committee, the meeting adjourned at 4:45 p.m.

### **NEXT MEETING**

The next Finance Standing Committee meeting will be held on Wednesday, January 12, 2011 at 3:30 p.m., City Hall Conference Room.

These notes were taken by:  
Connie Wheeler  
City Clerk

Declaration of Official Intent to Reimburse  
Expenditures from Proceeds of Bonds

I, the undersigned, am the duly appointed, qualified and acting Finance Director of the City of Oak Harbor, Washington (the "City"), and, as such, have been designated by the City to make declarations of official intent on behalf of the City when necessary or appropriate for any purpose under, and in compliance with, the requirements of certain federal regulations (the "federal reimbursement regulations") relating to the use of proceeds of tax exempt bonds or other obligations ("bonds") to reimburse the City for capital expenditures (and certain extraordinary working capital expenditures) made by the City before the issue date of the bonds. On behalf of the City, I make the following declaration of official intent under the federal reimbursement regulations:

1. Description of Project for Which Expenditures are to be Made. The City intends to make (and/or, not more than 60 days before the date of this declaration, has made) expenditures, and reasonably expects to reimburse itself for those expenditures from proceeds of bonds, for the following project, property, or program (the "Project"):

2011 Marina Dredging and Capital Improvement Project Fund #410

Maximum Principal Amount of Obligations Expected to be Issued for the Project.

The City expects that the maximum principal amount of bonds that will be issued to finance the Project will be \$3,000,000.00.

2. Declaration Reasonable. I have reviewed the existing and reasonably foreseeable budgetary and financial circumstances of the City, and have determined that the City reasonably expects to reimburse itself for expenditures for the Project from proceeds of bonds because the City has no funds available that already are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the City for those expenditures on the Project.

3. Limitations on Uses of Reimbursement Amounts. The City will not, within 1 year after the expected reimbursement, use amounts corresponding to proceeds received from bonds issued in the future to reimburse the City for previously paid expenditures for the Project in any manner that results in those amounts being treated as replacement proceeds of any tax exempt bonds, i.e., as a result of being deposited in a reserve fund, pledged fund, sinking fund, or similar fund (other than a bona fide debt service fund) that is expected to be used to pay principal of or interest on tax exempt bonds. Nor will the City use those amounts in any manner that employs an abusive arbitrage device to avoid arbitrage restrictions.

4. Date of Declaration. This declaration of official intent is made and dated on the 7th day of December, 2010.

CITY OF OAK HARBOR, WASHINGTON

By   
DOUGLAS A. MERRIMAN, Finance Director

CERTIFICATION

I, the undersigned, City Clerk of the City of Oak Harbor, Washington (the "City"), hereby certify as follows:

1. The attached copy of Resolution No. 04-09 (the "Resolution") is a full, true and correct copy of a resolution duly adopted at a regular meeting of the City Council of the City held at the regular meeting place thereof on July 6, 2004, as that Resolution appears on the minute book of the City; and the Resolution will be in full force and effect following its approval and adoption.

2. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 7th day of December, 2010.

CITY OF OAK HARBOR, WASHINGTON



CONNIE WHEELER, City Clerk

CITY OF OAK HARBOR, WASHINGTON

RESOLUTION NO. 04-09

A RESOLUTION of the City Council of the City of Oak Harbor, Washington, designating the finance director as the official authorized to make declarations of official intent to reimburse certain funds advanced for projects on behalf of the city, ratifying and confirming consistent actions, and repealing any prior such declarations.

WHEREAS, the City of Oak Harbor, Washington (the "City"), from time to time may reasonably expect to make expenditures for capital projects (or certain extraordinary working capital expenditures) from funds that are available but that are not (and are not reasonably expected to be) reserved, allocated on a long-term basis or otherwise set aside for those expenditures, and would reasonably expect to be reimbursed for those expenditures from proceeds of bonds or other obligations issued to finance those expenditures; and

WHEREAS, certain federal regulations (the "federal reimbursement regulations") relating to the use of proceeds of tax exempt bonds or other obligations ("bonds") to reimburse the issuer of the bonds for expenditures made before the issue date of the bonds require, among other things, that not later than 60 days after payment of the original expenditure the City (or any person designated by the City to do so on its behalf) declare a reasonable official intent to reimburse those expenditures from proceeds of bonds; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF OAK HARBOR, WASHINGTON, as follows:

Section 1. Designation of Official to Declare Official Intent. The Finance Director of the City is designated to make declarations of official intent, substantially in the form attached to this resolution as Exhibit A or in such other form as shall be prescribed by Treasury Regulation

Section 1.103-18, on behalf of the City as may be necessary or appropriate from time to time for any purpose under, and in compliance with, the requirements of the federal reimbursement regulations.

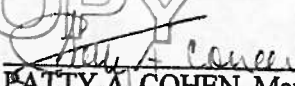
Section 2. Ratification and Confirmation. Any actions of the City or its officers prior to the date thereof and consistent with the terms of this resolution are ratified and confirmed.

Section 3. Repealer. Any prior designations of City officials authorized to make declarations of intent pursuant to the federal reimbursement regulations are repealed.

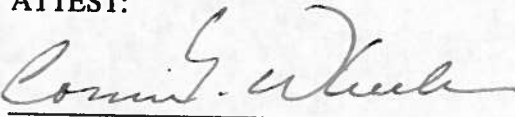
Section 4. Effective Date. This resolution shall be in full force and effect from and after its adoption and approval.

The foregoing resolution was ADOPTED by the City Council of the City of Oak Harbor, Washington, at a regular open public meeting thereof this 6<sup>th</sup> day of July, 2004.

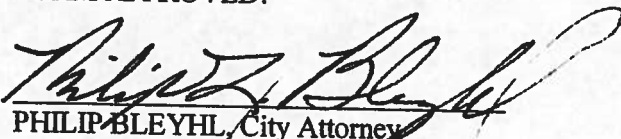
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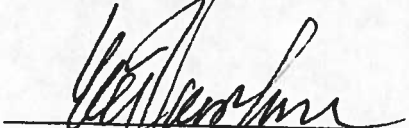
  
PATTY A. COHEN, Mayor

ATTEST:

  
CONNIE WHEELER, City Clerk

FORM APPROVED:

  
PHILIP BLEYHL, City Attorney

  
FOSTER HEPPER & SHEFELMAN PLLC  
Bond Counsel to the City

## EXHIBIT A

### Declaration of Official Intent to Reimburse Expenditures from Proceeds of Bonds

I, the undersigned, am the duly appointed, qualified and acting Finance Director of the City of Oak Harbor, Washington (the "City"), and, as such, have been designated by the City to make declarations of official intent on behalf of the City when necessary or appropriate for any purpose under, and in compliance with, the requirements of certain federal regulations (the "federal reimbursement regulations") relating to the use of proceeds of tax exempt bonds or other obligations ("bonds") to reimburse the City for capital expenditures (and certain extraordinary working capital expenditures) made by the City before the issue date of the bonds. On behalf of the City, I make the following declaration of official intent under the federal reimbursement regulations:

1. Description of Project for Which Expenditures are to be Made. The City intends to make (and/or, not more than 60 days before the date of this declaration, has made) expenditures, and reasonably expects to reimburse itself for those expenditures from proceeds of bonds, for the following project, property, or program (the "Project"):

[Insert general functional description of the Project or, alternatively, identify the name and functional purpose of the fund or account from which the expenditures will be made:]

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2. Maximum Principal Amount of Obligations Expected to be Issued for the Project. The City expects that the maximum principal amount of bonds that will be issued to finance the Project will be \$ \_\_\_\_\_.

3. Declaration Reasonable. I have reviewed the existing and reasonably foreseeable budgetary and financial circumstances of the City, and have determined that the City reasonably expects to reimburse itself for expenditures for the Project from proceeds of bonds because the City has no funds available that already are, or are reasonably expected to be, reserved, allocated on a long-term basis, or otherwise set aside by the City for those expenditures on the Project.

4. Limitations on Uses of Reimbursement Amounts. The City will not, within 1 year after the expected reimbursement, use amounts corresponding to proceeds received from bonds issued in the future to reimburse the City for previously paid expenditures for the Project in any manner that results in those amounts being treated as replacement proceeds of any tax exempt bonds, i.e., as a result of being deposited in a reserve fund, pledged fund, sinking fund, or similar fund (other than a bona fide debt service fund) that is expected to be used to pay principal of or

interest on tax exempt bonds. Nor will the City use those amounts in any manner that employs an abusive arbitrage device to avoid arbitrage restrictions.

5. Date of Declaration. This declaration of official intent is made and dated on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

CITY OF OAK HARBOR, WASHINGTON

By \_\_\_\_\_  
DOUGLAS A. MERRIMAN, Finance Director

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CERTIFICATION

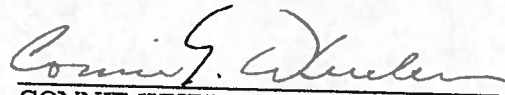
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1. The attached copy of Resolution No. 04-09 (the "Resolution") is a full, true and correct copy of a resolution duly adopted at a regular meeting of the City Council of the City held at the regular meeting place thereof on July 6, 2004, as that Resolution appears on the minute book of the City; and the Resolution will be in full force and effect following its approval and adoption.

2. A quorum of the members of the City Council was present throughout the meeting and a majority of those members present voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of July, 2004.

CITY OF OAK HARBOR, WASHINGTON

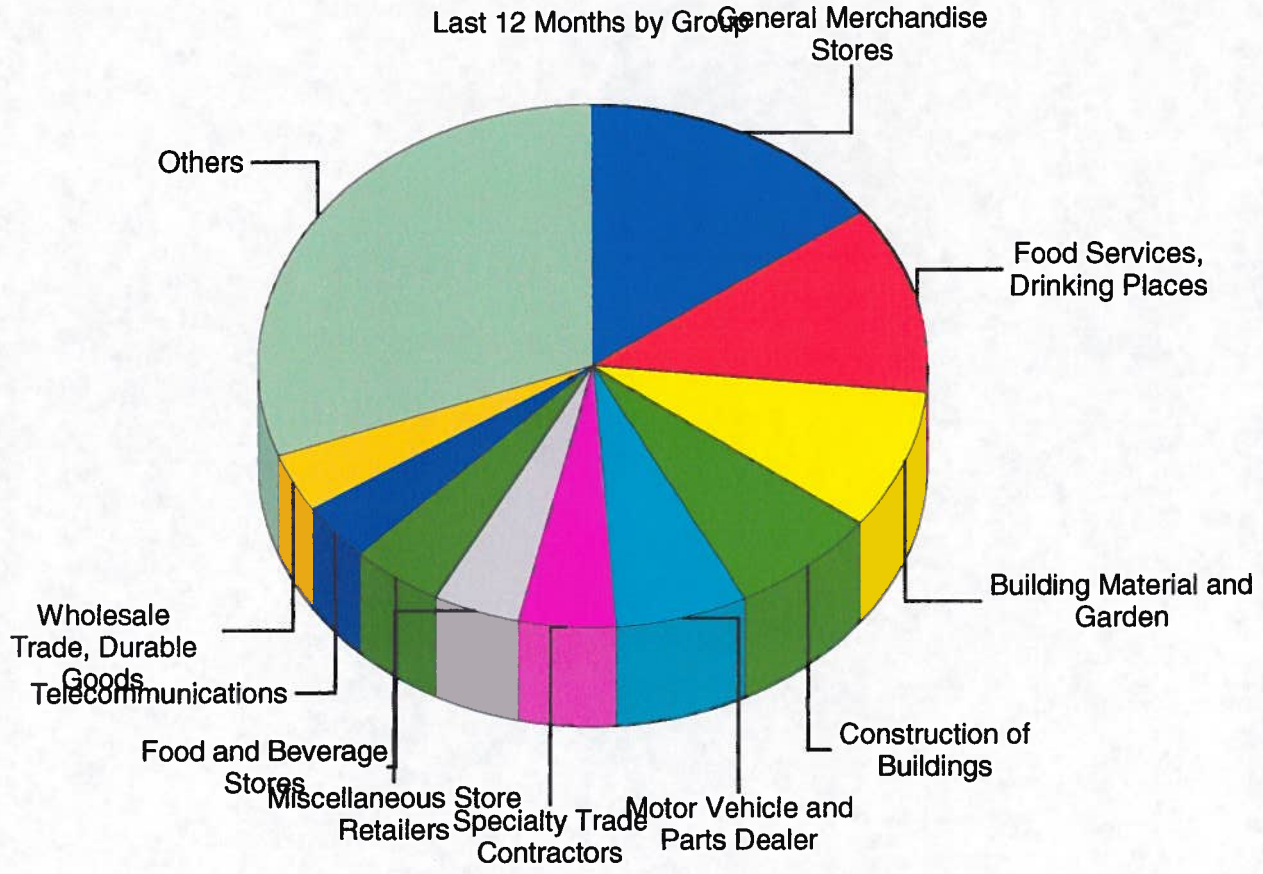
  
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CONNIE WHEELER, City Clerk

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Group	Name	Current Period			Year To Date			Last 12 Months
		This Year	Last Year	% Chg	This Year	Last Year	% Chg	
452	General Merchandise Stores	32,877	33,204	-1.0	380,713	397,085	-4.1	414,375
722	Food Services, Drinking Places	27,478	29,473	-6.8	294,806	291,442	1.2	319,872
444	Building Material and Garden	18,483	19,625	-5.8	216,274	239,358	-9.6	237,244
236	Construction of Buildings	18,267	37,056	-50.7	170,641	387,366	-55.9	197,938
441	Motor Vehicle and Parts Dealer	13,058	15,412	-15.3	161,195	202,402	-20.4	177,016
238	Specialty Trade Contractors	14,832	14,788	0.3	117,517	130,326	-9.8	128,980
453	Miscellaneous Store Retailers	10,963	9,874	11.0	108,597	109,082	-0.4	117,227
445	Food and Beverage Stores	11,318	10,776	5.0	107,615	111,234	-3.3	116,149
517	Telecommunications	8,017	7,996	0.3	95,833	88,088	8.8	103,920
423	Wholesale Trade, Durable Goods	15,200	9,031	68.3	94,936	75,729	25.4	100,117
454	Nonstore Retailers	5,839	5,154	13.3	60,674	57,733	5.1	65,297
443	Electronics and Appliances	5,812	4,962	17.1	59,172	57,353	3.2	64,430
424	Wholesale Trade, Nondurable	4,813	1,099	337.8	53,599	51,532	4.0	58,154
447	Gasoline Stations	4,865	4,454	9.2	49,109	48,808	0.6	53,538
811	Repair and Maintenance	5,168	4,647	11.2	43,927	39,169	12.1	47,707
541	Professional, Scientific, Tech	3,660	3,822	-4.2	40,999	43,818	-6.4	44,521
442	Furniture and Home Furnishings	4,178	2,905	43.8	40,565	40,627	-0.2	44,453
926	Economic Programs Admin	-2,288	5,190	-144.1	39,977	44,453	-10.1	43,623
561	Administrative and Support Svc	5,019	4,489	11.8	40,218	39,687	1.3	42,725
446	Health and Personal Care Store	3,512	2,895	21.3	37,442	33,814	10.7	40,443
721	Accommodation	3,132	3,830	-18.2	35,932	36,902	-2.6	38,860
448	Clothing and Accessories	3,024	3,522	-14.1	35,323	32,944	7.2	37,834
532	Rental and Leasing Services	2,667	4,544	-41.3	33,591	42,346	-20.7	36,780
713	Amusement, Gambling, and Rec	2,356	2,272	3.7	25,763	25,466	1.2	27,887
451	Sporting Goods, Hobby, Books	2,416	9,230	-73.8	20,729	22,762	-8.9	21,709
812	Personal and Laundry Services	1,896	1,991	-4.8	17,188	18,760	-8.4	18,845
999	Nonclassifiable Establishments	639	3,415	-81.3	17,430	6,307	176.4	18,405
237	Heavy and Civil Construction	2,532	1,887	34.2	16,714	15,246	9.6	17,970
321	Wood Product Manufacturing	1,293	1,504	-14.0	13,506	16,103	-16.1	15,103
524	Insurance Carriers and Related	1,430	1,196	19.6	13,589	15,081	-9.9	14,935
611	Educational Services	1,926	1,538	25.2	9,518	8,528	11.6	10,398
531	Real Estate	1,965	2,082	-5.6	8,951	76,908	-88.4	9,116
311	Food Manufacturing	526	560	-6.0	5,221	4,825	8.2	5,700
511	Publishing Industries	424	220	92.7	5,086	3,632	40.0	5,168
813	Religious, Grantmaking, Civic	366	417	-12.1	4,704	4,447	5.8	5,025
337	Furniture and Related Products	457	558	-18.2	4,568	4,945	-7.6	4,915
425	Wholesale Electronic Markets	484	27	1708.2	4,450	2,481	79.4	4,469
221	Utilities	186	472	-60.5	3,765	3,869	-2.7	4,167
327	Nonmetallic Mineral Products	242	369	-34.3	3,531	3,169	11.5	3,770
323	Printing and Related Support	370	353	5.1	3,512	3,413	2.9	3,722
332	Fabricated Metal Product Manuf	599	412	45.5	3,567	1,974	80.7	3,688
621	Ambulatory Health Care Service	695	243	186.3	3,319	3,245	2.3	3,464
522	Credit Intermediation	382	395	-3.3	3,322	5,650	-41.2	2,529
512	Motion Picture, Sound Record	182	227	-19.9	2,204	2,144	2.8	2,304
488	Transportation Support	165	162	2.2	1,649	1,752	-5.8	1,787
523	Securities, Commodities, Other	40	148	-72.7	1,608	1,124	43.1	1,699
518	Internet Service Providers	134	160	-16.5	1,561	1,698	-8.1	1,667
339	Miscellaneous Manufacturing	59	60	-1.9	1,306	1,552	-15.9	1,576
334	Computer and Electronic Produc	404	107	278.4	1,366	1,969	-30.6	1,555
312	Beverage and Tobacco Products	226	193	16.8	1,363	1,552	-12.2	1,491
562	Waste Management, Remediation	290	230	26.0	920	1,109	-17.0	1,437
212	Mining (except Oil and Gas)	332	146	126.8	1,175	1,737	-32.3	1,240

Group	Name	Current Period			Year To Date			Last 12 Months
		This Year	Last Year	% Chg	This Year	Last Year	% Chg	
711	Perform Arts, Spectator Sports	9	268	-96.5	586	452	29.7	594
325	Chemical Manufacturing	58	42	37.4	458	444	3.0	528
336	Transportation Equipment Man	104	117	-11.7	527	527	0.0	527
922	Justice, Public Order, Safety	3	8	-56.1	323	212	52.0	323
493	Warehousing and Storage	11	104	-89.2	291	371	-21.6	310
519	Other Information Services	22	23	-3.5	255	227	12.0	266
333	Machinery Manufacturing	74	56	32.1	243	644	-62.2	243
314	Textile Product Mills	57	8	587.5	233	157	48.0	241
551	Company Management	20	14	45.1	234	97	140.3	237
335	Electric Equipment, Appliances	36	7	435.2	220	79	177.0	224
515	Broadcasting (except Internet)	11	22	-49.1	201	84	140.3	215
111	Crop Production	19	18	6.6	129	1,084	-88.1	185
322	Paper Manufacturing	11	21	-46.5	162	168	-3.2	174
331	Primary Metal Manufacturing	0	0	0.0	135	34	297.7	135
525	Funds, Trusts, and Other	7	21	-67.1	91	42	117.8	101
313	Textile Mills	11	15	-28.7	76	79	-3.4	90
624	Social Assistance	17	16	8.1	86	122	-29.2	89
533	Intangible Assets Lessors	4	8	-46.9	67	60	12.0	75
315	Apparel Manufacturing	8	1	659.3	50	62	-19.7	53
000	Unknown	0	0	0.0	43	0	0.0	43
326	Plastics and Rubber Products	2	28	-94.7	19	43	-56.1	24
316	Leather and Allied Products	3	2	29.5	22	20	7.2	22
484	Truck Transportation	5	0	0.0	21	189	-89.0	21
482	Rail Transportation	0	0	0.0	10	0	0.0	10
115	Agriculture, Forestry Support	3	0	1304.5	7	7	5.1	7
924	Environmental Quality Programs	0	0	0.0	7	0	0.0	7
213	Support Activities for Mining	0	0	0.0	1	55	-97.5	1
492	Couriers and Messengers	0	1	-100.0	1	2	-54.1	1
923	Human Resources Administration	0	0	0.0	0	0	-59.6	1
921	Executive, Legislative, Other	0	0	0.0	1	4	-88.0	1
112	Animal Production	0	0	0.0	0	149	-99.9	0
113	Forestry and Logging	0	0	0.0	0	5	-100.0	0
324	Petroleum and Coal Products	0	0	0.0	0	69	-100.0	0
712	Museums, Historical Sites	0	0	0.0	0	1	-100.0	0
814	Private Households	0	0	0.0	0	3	-100.0	0
<b>TOTAL</b>	<b>7,313 Accounts</b>	<b>243,404</b>	<b>270,118</b>	<b>-9.9</b>	<b>2,524,737</b>	<b>2,868,235</b>	<b>-12.0</b>	<b>2,751,689</b>

NOTE: YTD column includes returns from 200911 to 201009



General Merchandise Stores	15.1%
Food Services, Drinking Places	11.6%
Building Material and Garden	8.6%
Construction of Buildings	7.2%
Motor Vehicle and Parts Dealer	6.4%
Specialty Trade Contractors	4.7%
Miscellaneous Store Retailers	4.3%
Food and Beverage Stores	4.2%
Telecommunications	3.8%
Wholesale Trade, Durable Goods	3.6%
Others	30.5%
<b>Total:</b>	<b>100.0%</b>