AGENDA and Notice of
Meeting of Infrastructure Task Force

The Infrastructure Task Force of the City of Newport will meet on Thursday, October 10, 2013, at 3:00 P.M., in Conference Room A at City Hall, 169 S.W. Coast Highway, Newport, Oregon 97365. A copy of the agenda follows.

The meeting location 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 in advance of the meeting to Peggy Hawker, City Recorder 541.574.0613.

The Infrastructure Task Force reserves the right to add or delete items as needed, change the order of the agenda, and discuss any other business deemed necessary at the time of the meeting.

AGENDA
Thursday, October 10, 2013 - 3:00 P.M.
Conference Room A

This meeting may last until 5:00 P.M.

I. Call to Order

II. Approval of Minutes from the September 19, 2013 Meeting

III. Update on Grants and Loans by Tia Cavender from Chase Park Grant Consultants

IV. Update on Standard and Poors Bond Rating by Bob Gazewood

V. Ideas for Future Funding Structure by Derrick Tokos, Bob Gazewood, and Tim Gross

VI. Task Force Comments

VII. Public Comment

VIII. Establish Next Agenda

IX. Adjournment

Draft MINUTES
City of Newport
Infrastructure Task Force Meeting
City Hall Conference Room "A"
Thursday, September 19, 2013

Task Force Members Present: David Allen, Ralph Busby, Patricia Patrick-Joling, Mark McConnell, Mark Saelens, and Fred Springsteen.

City Staff Present: Interim City Manager Ted Smith, Community Development Director (CDD) Derrick Tokos, Public Works Director Tim Gross, Interim Finance Director Bob Gazewood, and Executive Assistant Wanda Haney.

I. Call to Order. Allen called the meeting to order at 3:03 p.m. He introduced everyone in attendance.

II. Approval of Previous Meeting Minutes.

MOTION was made by Patrick-Joling, seconded by Springsteen, to approve the meeting minutes of September 5, 2013, as presented. The motion carried unanimously in a voice vote.

Allen noted that he had sent an email re-arranging meeting dates. Meeting times will remain 300 to 4:30 p.m. Today is the fourth meeting. The fifth meeting will be October 10th; then October 31st. November meetings will be November 7th and 21st. The final meeting, the 9th, will be on December 5th.

Allen said that the next item to note was that there was an article in the News-Times yesterday regarding the Visual Arts Center, which was an agenda item before the City Council on Monday. The article reached some assumptions about what the Task Force did when in fact the Task Force didn't do what was reported. The Task Force hasn't looked at any specific city-owned properties and made any decisions; they have only asked staff to put a list of city-owned properties before the Task Force as a potential concept for discussions regarding looking at future revenue sources. He wanted to note for the record that the Task Force has never done anything with specific properties. He did speak with the reporter at the News-Times who agreed to clarify that in the Friday edition. McConnell noted that the folks he was at the meeting with when they left the meeting had the same impression as reporters; and he clarified that with them right away. He was waiting to see how the reporter perceived it, and he perceived it the same way; so there were five or six people who had the same perception. David said his comment was speaking about the process of the Task Force, and he thinks people reached the assumption that when he talked about this Task Force process that he was somehow including what they were doing at the Council meeting, which are two separate issues. But perhaps people were making a connection that wasn't necessarily so. He said that has been clarified, and everyone understands what the Task Force has been doing. Everyone understands what the City Council is considering. These are two separate parallel processes. McConnell wondered if the process here is kind of a sham if certain people on the Council are working through some other process ahead of time on ways to improve the budget. Allen said that he wasn't going into that issue right now. Perhaps McConnell can bring that up at a later time with staff; but right now Allen wants to just focus on what is in front of the Task Force on the agenda. If there are some other issues, McConnell can always speak to Tokos or Gross and get their take on it and perhaps they can bring it up to the City Council at some point in the future.

The final thing Allen wanted to bring up was that all the information presented at the last Task Force meeting on September 5th is now posted on the web page. So now the public and everyone else can look at all the PowerPoint presentations.

III. Existing Funding Structure. Gazewood was taking the lead on this presentation. He handed out spreadsheets he had prepared showing existing funding sources for projects. Gazewood noted that as Allen had indicated at the last meeting, he had broken this down into certain areas like bonds, rates, and areas like that. He had it broken into four schedules. The first, Schedule A, was bonded indebtedness; the second, Schedule B, was on special revenue/proprietary funds; the third, Schedule C, was on SDC funds; and the fourth, schedule D, related to the capital projects fund.

Beginning with Schedule A, Gazewood noted that there are five different debt funds that the City currently has outstanding. Those and the various factors that tie into that were presented on Schedule A. He noted that the beginning balance is the projected carry-over balance that went into the budget for this fiscal year. Certain debt funds require a reserve, and if you see a carry-over that is the amount that bond document requires you maintain and is not something you would normally touch and pay down. He explained that the purpose is so in the event that you don't have sufficient monies collected in order to meet that annual debt service, you go back to the reserve. He said that the wastewater GO bond is a refunding bond. He noted that this doesn't have totals on it; but it has six years left and probably averages close to $850,000 annually. He said that is just a broad estimate. That is a substantial debt. Busby asked is we had anything that shows the mandated reserve on these; and Gazewood said that would be part of the budget document, but this is pretty close to it. The wastewater general debt beginning balance of $573,556 was his recollection of where it was in 2007; so it has just been maintained. Busby asked if that is removable from that fund and can be used for other applications. Gazewood said there may be a contingency thrown in there someplace. McConnell said that the reserve policy the City Council adopted did not include these bond funds. He said the bond documents mandated them. Allen said they are more discretionary reserves that we have some policy choice over. Busby said that on the wastewater GO bond where the ending balance is $114,000 more than the start; if we only have to have the $230,000 we started with, that implies that we have that $114,000 to apply.

It was noted there was even a bigger difference in the water treatment plant GO bond column. Gazewood said that $253,640 is set aside as contingency in that fund. He said that's probably what is needed to bring that up to what the reserve level is. It's either that or collection of older property taxes. He will look into that fund and find out exactly what that is. It might just be bringing the reserve up to what it should be to meet the annual debt, which is $796,225. Gross noted that it would be helpful to know when these bonds are finished because in terms of timing, say a bond falls off in six years, from a strategic perspective we can go after a GO bond in the sixth or seventh year because nobody really sees an impact on their property tax because they are already paying on that. Gazewood said that is a terrific point and we should touch on that GO bond issue before the end of the meeting because it is very crucial in terms of our maximum debt ceiling. There may be certain commitments that have been made and could result in limitations of what we do in the future. McConnell said that on the water treatment GO bond, he would guess that $13,000 is not the reserve that is required. Gazewood said that when you consider the debt service on that, it is $796,000 in 2014. That would not be anywhere near close. McConnell said so even though it carried over $13,000, that doesn't mean that is what was required; what was required might be what is shown at the bottom. Gazewood will look into that and find out what that debt reserve is. Gross wondered if how this was developed was to try to build up that reserve over a couple of years rather than going in and lumping it in there right out of the gate. When asked the timeline, Gazewood said that goes out to 2029.

Continuing, Gazewood noted that those debts in the first two columns are general obligation bonds that affect the maximum bonding authority, and the revenue sources are strictly property taxes. The third column is the wastewater general debt, and it shows the three areas that fund that debt; a transfer from the wastewater fund, transfer from the wastewater SDCs, and a good chunk from the room tax fund. McConnell asked where this debt payment is going, and Gross explained to a low interest loan through DEQ. He thinks both the GO bond and that are for the wastewater plant. Allen remembered talking about the debt service funds in the budget committee process; things weren't necessarily just GO bonds. Gazewood said there is a mix between the regular tax-supported debt payment type and other types. He said that everything we have bond through some sort of actual bond or lease purchase or loan is not reported on this schedule here; just the portion that deals with the funds that we are concerned about here.

Gazewood said that the water general debt is simply the purchase of those Seal Rock water lines; and that is $60,000 a year until 2037. Allen noted that, as discussed at Monday's Council meeting, how we are handling the rolling stock has an indirect impact on how we are handling funding on infrastructure. Gazewood agreed and said that if one of those happened, it would affect that. Whether we do a straight lease or a 5-year tax levy that still ends up going back against the maximum debt level, which is 3% of market value. Allen said, based on Monday's discussion, if the Task Force comes up with a recommendation and we focus just on facilities and infrastructure, perhaps we can also get some idea as to how the City is handling the rolling stock issue so we can at least see any connection between the two. He said at the Monday meeting, the Council was hoping that would be another similar internal process with department heads working on that rolling stock issue. Smith noted that the department heads had started that on Tuesday. Allen said then perhaps by the time the Task Force has to make a recommendation to the Council on this stuff, staff can make a recommendation on that. He added that perhaps before that recommendation, Smith can make a presentation to the Council and make this a recommendation to the Task Force maybe toward the end of this process so we can get an idea before we make a recommendation what Smith and the department heads have put together as a way of handling the rolling stock issue. McConnell agreed that has a direct connection and has to be part of it. Allen said perhaps he would note that as an agenda item toward the end of this process as we get close to a recommendation.

McConnell asked about the low-interest loan. Gazewood said that is a combination of several, which includes 2007 low cap that goes until 2024, and 2009 in 2019, and the fire hall to 2018 with a balloon payment in 2018. He didn't include the regular general debt, which has the ones he was just speaking to; so the fire hall is not in here. He thinks this is a combination of South Beach bond encompassed into two debt services; 48th project and South Beach improvements. He said it looks like Urban Renewal. Allen asked if then there is still some additional information that we should have at some point. Gazewood said that he will clarify that. Allen said that perhaps Gazewood could send a handout by email before the next meeting so the members can take a look at it. From the audience, Nyla Jebousek asked if the information sent out will be posted. Allen said that the handout that supplements this will be posted on the Infrastructure Task Force web site. Gazewood noted that the last column is the general debt. That $1,000 is just a carry-over. This is a group that has a couple of lease purchases in it, and the low cap is in there. The low cap requires a fee for handling the debt service payments. That is why the $1,000 is in there to have a cushion to cover those fee charges. Gazewood clarified that so this does include $200,913 from the general fund for the fire hall. Allen noted that now there won't be a supplemental handout; that information is actually in this handout. We just got it clarified. The general debt is what we were assuming would be sent out to us later, but it is actually here. Gazewood said that the general fund transfer includes the share of general fund's portion of annual debt service for that. He said this is where we had the confusion in the budget about appropriations. We were going to get into that discussion at the last City Council meeting, but he had to take off so we didn't get into that. He said there were some strange things happening there. He said the rest of everything down there is a commitment that the Public-Works-related funds are obligated on their percentage amounts to meet their portion of the 2007 low cap; and that's a League of Oregon Cities financing and 2009 low cap, and then we incorporate additional money into the general fund share of the north side fire hall.

Gross wondered why there was such a disparity between the water and wastewater. Gazewood said it was probably the purchase of the sewer jet. Saelens asked how long the situation was for the general debt. Gazewood said there are several issues; the 2007 one goes out in 2024, and that last debt payment is $25,675; the 2009 low cap goes out in 2019 at $296,190; and the north side fire hall goes out in 2018 at $202,097. Allen asked that when the Task Force has all the information in front of us and are trying to make a recommendation, if Gazewood could go through this handout and have a narrative for when you reference a fund saying what that amount is for so we know what the project is we are talking about. He is saying that for the benefit of the public and others, a narrative would be nice. We are perhaps going to be talking about specific projects as we go along with this, and it would be nice to see how specific projects are currently being funded.

Patrick-Joling asked if Gazewood's handout matched Gross's handout. Gross said that he doesn't have any of this data on his CIP spreadsheet because it doesn't apply to projects. Gazewood said that he wanted to give the committee a narrative, but he didn't have time. Allen asked if Gazewood could just try to connect those two spreadsheets (Gross' and Gazewood's). Gazewood said that when we get to capital projects, Gross is over-appropriated; and we need to talk about that. McConnell said back to line 12 in the general debt column (that $58,000 that got transferred from line undergrounding), did that go to equipment or is that just a way of balancing. Gazewood said that we have the 2009 low cap, which is something that happened after he was here, so he's not really sure what all is entailed in that. What he can say is that it was a pretty big bond issue because it has a debt service of over $290,000 a year, and the Public Works portion for that debt is almost 47%. McConnell said it looks to him like we are just using that line undergrounding item to help recover the debt service; it doesn't have a particular undergrounding function. Tokos said that presumably if we are tapping into the undergrounding fund to help retire debt, then the project itself has some undergrounding component to it to justify it. Gazewood will go back and research the items incorporated into the bond documents that built the estimates on the bond issue and will have that information for the Task Force.

The separate CIP sheet, which was an actual part of the budget document, was distributed.

Going on to Schedule B, Gazewood noted that it is a group of special revenue and proprietary funds. He has broken the street fund down into two categories because it is two activities specifically appropriated; street fund maintenance and street fund storm drain maintenance. There is water fund, wastewater fund, and finally line undergrounding fund. There are some beginning balances projected to be carried forward. The one activity that doesn't have a beginning balance projected is the street fund storm drain. He noted that until the County records are closed, he can't tell the committee what these beginning balance carry-overs are coming into the new fiscal year. This was put together in the spring with a best guess. Whether or not these change significantly, he can't tell the committee right now. By the time we have our next meeting he might be in a position to relate those figures to the Task Force. McConnell believed that the contingencies or reserves on this page are subject to Council policy that was adopted. Allen also thought they did try to set reserves in the water and wastewater, but not all of them. Gross thought the first two columns are odd because there is no such thing as street fund storm drain; that's a cost center of the street fund. Gazewood said he is just reporting it the way they put it in the budget. Gross said they do try to track separately between the two. Gazewood said he can clean up the language if Gross just tells him what it should be. Gross said in theory the street fund would have an ending balance of $150,000 or something like that. McConnell asked if 2012-13 was the first year those funds were collected. Gross said it started last fiscal year, and they went right to the operational fund. Gazewood said that one thing that bothers him in the way the County records are kept for the budget purposes is how the revenues are accounted for. He said he needs to get the impression of the department heads of how they feel about it because he has different thoughts about where to show those balances and he doesn't want it to be something inconsistent with what the department head is expecting to see. His attitude toward it might be different. Gazewood said that the Task Force can see what is going on here. For example, the water and sewer user charges are carried across; there is $3 million in the water and $3.5 million in wastewater. Again, those are best guess estimates. The 5% factor that is peeled off and goes to the general fund comes off those figures only. So, if you took 5% of $3 million, you would see that the City's budget had $150 thousand from the water fund, and from the sewer fund 5% would be $177 thousand going to the general fund. David said that at some point one thing we would be looking at in this Schedule B, which are special revenue bonds that we can use water and sewer rates for, is if we want to try to lessen those impacts in Schedule B we might have to make it up in Schedule A. Tokos told Gazewood that as we move forward to Gross's stuff one thing we want to keep in mind is that something that probably should be incorporated into at least these charts is the South Beach Urban Renewal both on its debt side and on its construction side.

McConnell asked about the numbers on line 19 (total requirement excluding contingency) and if Gazewood has factored in the contingencies and reserves required. Gross said that when we did the budget, they did not follow the policy for water and wastewater because it ended up being such a huge amount. It really wasn't necessary to maintain that level of contingency in water and wastewater for the sake of a project that we needed to do now. You look at it from the perspective that you keep a contingency to treat an emergency; and we have projects this year that are treating emergencies. So they made a conscious decision this year not to retain as much contingency in those two funds for that reason because those resources were needed to fix two projects. Allen recalled that there had been that conversation at the budget committee. Gross said that was discussed at the budget committee level. McConnell asked if the City Council passed resolution approving that. Allen said he would have to look at the resolution that created that policy and whether to deviate from it would require a separate resolution or not. Gross said it did not; there was a clause in there that said for certain circumstances you can vary from that policy. Gazewood said that overall policy was to set up unappropriated fund balances at certain levels, reserve for future equipment, and provide for contingency levels. If you take what was set up in the policy for the general fund, and it is only carrying about $73,000 now, the policy actually was several hundred thousand dollars; it's not even close to what that policy is. Allen said that staff told them at both the budget committee and at the Council level, that we were not going to meet the objective of the policy. It wasn't a big discussion item, but it was noted and acknowledged. He doesn't think they got into much discussion. McConnell said when the policy was adopted it was for contingency funds for emergencies; but it was never defined how to tap that fund and how does that contingency get paid back. He said you have to have a process to pay it back. Say you have a 15% reserve and actually have to tap it because of an emergency or projects you have to get done, how do you adequately insure that it gets paid back? In the past years, we used the reserves for balancing and never paid the reserves back. Gross said there is a lot sitting there not being used. The enterprise funds are way too high. We put it down to 5% this year because we had Agate Beach improvements and Lakewood Hills pump station. He asked what more do you call an emergency.

Saelens said that one thing that would help the City Council and the public is an explanation of what is a reserve and what is a contingency because we need to get on the same page. He said he is siding with Gross in that if the contingency fund is there, you don't need to pay that back. But, in his mind, if it's a reserve, that's something else. Gazewood said that the policy only deals with reserves as related to reserves for future purchases. There is no other defining outside of that. What is being referred to is for unappropriated fund balances. Fifteen percent might be fine for the general fund, but not necessarily appropriate for another fund. Gazewood referred to a recent email about the City's S&P rating. He said that bond rating has an awful lot to do with it. The S&P rating basically looks at the health of a City and can they meet their commitments. Allen said the City's S&P rating will be going from A+ to AA-. The highest is AAA. We are moving forward in a positive direction, but there is still room to go. Allen noted that as we get toward the end of this process, perhaps the members should all have a copy of the policy to look at. The Task Force also may recommend to the Council that this reserve policy needs to be looked at. That may be a good discussion item at some point. McConnell said the policy was put in place but there was never any direction about how to change it and how to utilize it when you have to. Gazewood said this whole issue came to his attention following a department head meeting a couple of days ago. Based on things said, he asked questions and got a copy of the reserve policy. He also found out that it requires a monthly update to the Council from the finance director. Gross said that by putting just 5% in contingency, we actually had capital to do something with this year. The policy is not functioning as written. McConnell said the Council can still spend reserves. Gazewood said if they go through a supplemental budget. Allen added that it's for big emergencies like natural disaster events and things like that.

Gross said that within the water enterprise fund for example, you have pots of money for unappropriated and contingencies and the treatment plan also has a line item for repair of infrastructure. If you add them up, you have a healthy contingency. He said a good exercise might be to go through the various cost centers to determine what is unappropriated in the end. Saelens noted that when he came to the County, there was a 40% reduction in user fees. There was no process in place to determine what kind of unappropriated funds he had. He was three years in the job when he got the news that he had $105,000 unappropriated that no one mentioned from year to year. He said it is a healthy part of the overall financial situation that is not necessarily looked at that often. Busby wondered if we should roll the contingencies and the reserves into separate accounts. Gazewood said that every fund has to have its own contingency fund. Allen said not just unappropriated; each fund would have its own contingency for big ticket items that you may consider tapping into. You could have a separate reserve level. You may have categories; looking at a way not to touch it this year, or perhaps it could be touched if a good project came along. Gazewood said that contingencies are a good use of that. McConnell said if we can lock those down, it allows more of a process. Gazewood said that the reason contingencies were put into that policy was to address an issue like the general fund being something less than $100,000. This requires that to be a higher level because if unforeseen things happen, you would have money appropriated for that and not have to dig into the emergency fund balance. McConnell said the City was at a point where we couldn't borrow money. We had no way to carry more debt. When the policy was written, there was no proactive work being done looking at things before emergencies occurred. Everything was putting out fires, and there wasn't enough money even to do that. The policy said to Public Works, you have to set money aside. You know things are going to happen so you need to have that money there. Gross said that the capital projects haven't required to have contingencies and unappropriated. It is simply a transfer fund; transferred from room tax, and there is a grant.

Gross noted that as Gazewood is going through the budget, errors have come out. There is $170,000 from the budget not transferred appropriately. Water and wastewater may have contingencies, but he has no money to make payroll. Allen said the policy is a good starting point to address that issue. It is a good exercise from which may come part of our recommendation. Gross said maybe we should have an emergency contingency fund that could be pulled back and forth across the enterprise funds for project-related contingencies instead of in every fund. This discussion can expand as we get closer to a recommendation.

Moving on to Schedule C, SDC funds, Gazewood noted that there is not much activity going on. Tokos said that he had presented an extensive presentation on SDCs to the Council in the past. Gross said that he has to be very careful budgeting based on SDCs.

Tokos noted that sometimes the Council makes adjustments to the methodology, but the Council doesn't have a whole bunch of discretion in the budget figures that end up being appropriated. *(At 4:00 p.m., Smith left to attend another meeting.)* Tokos noted that water and wastewater have been drawn down for capital projects like the Big Creek lift station and the tank is another. They are exhausted, and it will take some time to recover. At the request of Jebousek, Tokos gave a brief explanation of what SDCs are all about.

Looking at Schedule D, Gazewood explained that there are a lot of funding sources and an estimated beginning balance of $1.6 million. Sources include the State gas tax, Newport gas tax, federal and state grants, capital improvement surcharge, OMSI flow-through revenue, and bond forfeit money. Gross said there are a number of those missing; it lacks a lot of money. Gazewood told Gross to bring those up to his office. Gross said for example, line 11 (interest on investments) is "0", and you would expect that a $1.6 million balance would have interest earnings. Allen said that perhaps they could revise Schedule D and send it to the members by email and post it on the web page. Patrick-Joling asked Gazewood if he got these from the budget. Gazewood said they are a compilation of the budget and the appropriation resolution. The numbers that Gross have were in the budget. Gross said that the transfer from other funds is accurate; but there are a bunch of things within the CIP fund that are state and federal grants that are missing. He noted that we have a $1.1 million FEMA grant, and this shows $457 thousand under federal grants. Gazewood and Gross haven't had a chance to sort numbers. Saelens said that there was a $10,000 error on SDCs. On Schedule C, line 10 under the wastewater SDC shows $72,324, and it's reflected on this page (Schedule D) as $62,325. It was noted that $10,000 of the wastewater SDC goes to the general fund.

Gazewood handed out a page from the budget document. He noted that he couldn't take this Schedule D verbatim off the budget because if you look at the total resources in the budget (about mid-page) it says $4,958,821. That is the amount that is appropriated for capital projects fund in the adopting resolution. But the transfers coming into this fund, if you look above where he placed a checkmark, that figure totals $521,467; and $426,301 transferred in from SDC funds. Those were overstated by almost $100,000. In addition on Schedule D line 16, the transfer from South Beach Urban Renewal is $421,394. That is appropriated to go to capital projects for urban renewal. But on this budget page, those transfers show $520,000; almost another $100,000 off. He said appropriations have been based on erroneous figures. Gross said that his papers show $380,000 transferred from SDCs. Allen asked if when we start comparing the resolution with the appropriation categories and looking at the underlying budget, will we have to make some changes with amending resolutions; and Gazewood confirmed that. Gazewood explained that, based upon the actual figures we show being appropriated and transfers to the capital projects fund that would adjust the appropriation to $4,765,049 as reflected on Schedule D. Gazewood said that Gross is about $193,700 over-appropriated as it exists right now, and he doesn't know how that affects funding of Gross' projects. Gross said that he isn't particularly concerned because he has almost $5.2 million in loans and grants. He thinks when he and Gazewood sit down, they will sort it out. He has $1.1 million in federal grants alone, and only about $400 thousand is reflected in the budget. Allen asked if between now and October 10th, if Gross and Gazewood could sit down and sort it out. McConnell thought that was more of an issue for Council. He said maybe Gazewood could prepare a revision of Schedule D; maybe list actual projects. Allen asked if they would try to match Gazewood's and Gross' documents together as much as they can into a document for the Task Force to look at. He thought that perhaps that would give them enough time to come up with something that might be more informative. McConnell added to also give a picture of where revenue is coming from.

Tokos handed out a list of grants secured over the years to help give an idea of what those different funding sources are. To make it more accurate, this has been revised by Tokos. He added a number of additional grants. The list is more current. It is kind of spotty in the 80s, but from 09 forward, it is close to what all we have pulled in. For a lot of our different programs, streets for example, Parks and Rec, Airport is another, we don't have dedicated funding sources for capital improvements. There are limited resources from the general fund to put together a match. He said that we have secured grant funds from agencies where the city's and the agency's interests align. He said they have been fairly good at that. A large chunk of our capital budget is grant funding. This list shows pretty substantial amounts to fund the senior center, Coast Park, the airport, FEMA for Big Creek slide repair and Safe Haven Hill, and the Agate Beach wayside. With each of these, you will see small dollar planning funds. Those are grants too. In many cases, we wouldn't have gotten big dollars without spending small dollars. The Agate Beach wayside hasn't been built yet, but it is funded. It is to enhance the wayside up by Roby's with restrooms, trails, access, drainage improvements, and improve circulation in that neighborhood. McConnell asked if Tokos was saying we have always been able to find matching funds in the budget, or is a reserve or contingency for that something that should be considered in the future. Tokos said an example is the 101 pedestrian project where costs are quickly going up. The budget match came out of the gas tax and SDCs. We don't have monies to match that grant at this point. It is in the hands of ODOT whether we have to cancel another project to meet that. Gross said that he updates his CIP all the time. He shifts money from one eligible project to another. 71st came in under budget, so they allocated money elsewhere. Part of money set aside for Big Creek went to Moore Drive. The cost at budget level never changes; it just moves from project to project. His list has to be flexible; things are always changing. Tokos said that we do want to build up what limited resources we have to apply to grant matches. He said it will become more and more competitive to win grants. He noted that for the SE 35th and 101 improvements, we were just able to get a state transportation grant of $2 million to match up with $1.5 million of urban renewal funds. The minimum match for that grant was just over 10%; the average that was brought to the table was 35%. If we want to be competitive for grants, the level of competitiveness is forcing us to plan to have more than the minimum matches. In-kind matches are still looked favorably upon, but not as much as cash. Allen noted that we used to use in-kind quite a bit in the past. McConnell gave kudos to Tokos and Gross for getting as many grants as we can. He noted that there was a long time the City didn't do any grants.

The last two sheets that Gross handed out were about Chase Park grants and the strategic funding plan. Gross meets with Chase Park every other week by a phone call to find out what is out there and what we are eligible for. The most favorable project at this time is our dam work. There is lots of money out there for that, and we are looking into that. You have to have money up front. It takes a long time to get grants. Agate Beach is eligible for a state low-interest loan. There is some stuff on the table right now. There is a list about twenty pages long. The last sheet is the monthly progress report. Gross noted that at the very bottom of his CIP spread sheet, it gives a breakdown of how much of the funding comes from LID and grant funding. He explained that LIDs are formed when a developer needs improvements on a regional level. They put together an LID. The City may do the work, but they are assessed for that. He said there are a number of grants. The STEA fund exchange comes from the state each year. The state allocates to local agencies for road improvements. The CWSRF load (clean water) is for Agate Beach improvements, and will be used for John Moore and Bay Blvd. We have a FEMA grant for Safe Haven Hill where work is in progress. We received two FEMA awards; one for Big Creek, and one for the 7th and Iler sink hole. The Oregon flexible funds grant is for Highway 101 pedestrian crossings. The Oregon scenic byways grant is for Agate Beach. At Jebousek's request, Gross explained the Highway 101 pedestrian improvements. There will be seven or eight locations to improve visibility and make safer crossings. We don't have enough funding for everyone, so over a course of time, we will put in a number of pedestrian-activated crossings.

Allen asked if pdfs of the handouts could be put on the web page.

IV. Opportunity to request follow-up information or particular items for review at the next meeting (RE: new funding sources). Allen wondered how the Task Force wanted to approach that. Gross said that his grant consultant will be coming here this fall. She could talk about different funding sources. He said that he will see if he can get her here for the next meeting. Allen noted that at the original meeting, some of the options listed were north side urban renewal, asset management, budget concepts that might provide alternative options. He thought maybe just having a roundtable discussion might be the way to conduct the next meeting. Saelens' thought was that it is such a big list, he wondered if there was any way to whittle it down to the most interesting ones. Busby thought that the first step is to go through and hit on all of them. Allen said that when we put the agenda together, we can list all the options. That way we can consider each one and check it off. Then have a roundtable discussion. McConnell thought that on the north side urban renewal it would be good to take five minutes to explain what it takes to create a new urban renewal district. Explain what a GO bond means and what you have to have to get a GO bond. He said that is the kind of information you need first. Tokos and Gross will put together a narrative for each of those. Gross said that he imagines Gazewood as well because he can give the pluses and the minuses and options. Patrick-Joling said she wants to look at only realistic options. She doesn't want to discuss things that are not in the realm. Allen said that he will work with staff to put together an agenda that makes sense. Patrick-Joling said to include refinancing existing debt on the list of options. McConnell said to include a timeframe too. Gross said another thing to consider is the commitment of staff to implement. There have not been too many LIDS because they are so labor intensive, and his department doesn't have time to do it.

V. Public Comment. Jebousek complimented staff. She said what McConnell had noted about not going after grants was her experience too. She said the City didn't go after grants and that kind of funding prior. She remembers asking if there weren't funding sources, and the response would be that there is no money for that. She told Tokos and Gross that they have brought their skills to go after that kind of money that the City didn't have before. She thanked them for their knowledge and experience to do that.

VI. Other Comments. Gross said to also put corporate sponsorship on the list of options. He noted that Parks and Rec. does it all the time. Tokos said to put parking meters down too; for the Bay Front and Nye Beach particularly.

VIII. Adjournment. Having no further business to discuss, the meeting adjourned at 4:40 p.m.

Respectfully submitted,

____

Wanda Haney
Executive Assistant

GRANT CONSULTING SERVICES AGREEMENT

THIS AGREEMENT is entered into this 23rd day of July, 2012, by and between the City of Newport, a municipality of the State of Oregon, hereinafter called City, and Chase Park Writing Services, LLC (doing business as Chase Park Grants, LLC), hereinafter called Consultant.

WHEREAS, City has need for the services of a contractor with the particular training, ability, knowledge, and experience possessed by Consultant; and

WHEREAS, City conducted a procurement pursuant to its duly adopted public contracting rules; and

WHEREAS, Consultant was chosen as the most highly qualified consultant, best suited to meet the City's needs, from all the proposals submitted to the City; and

WHEREAS, City has awarded the contract to Consultant;

NOW THEREFORE, the parties agree as follows:

<u>CONTRACT EXHIBITS</u>

The following Exhibits are hereby incorporated by reference into this agreement:

Exhibit A:	Scope of Work
Exhibit B:	City's Request for Qualifications for Grant Consulting Services, issued June 18, 2012, and Consultant's Proposal for Grant Consulting Services, dated July 5, 2012
Exhibit C:	Consultant's Schedule of Rates and Charges
Exhibit D:	Oregon Personal Services Public Contracting Code Requirements

<u>CONSULTANT'S OBLIGATIONS</u>

1. <u>Scope of Project</u>.

Consultant agrees to perform, during the period from August 1, 2012 through July 31, 2013, unless earlier terminated in accordance with the terms of this agreement, the following personal services, as more particularly described in Exhibits A and B to this agreement:

(A) Monthly Research and Reporting [Task 1] and Develop & Advance the Strategic Funding Plan [Task 2]: Each month this agreement is in effect, Consultant will research applicable grants, corresponding timelines, and grant criteria, compile the material into a written report, and submit the report to the City. Further, Consultant will develop and regularly update and advance the strategic funding plan for the City. Consultant will participate in monthly conference calls with city staff to discuss report details and specific grant opportunities, and provide ad-hoc grant-related technical assistance;

(B) Project Specific Grant Services [Task 3]: The City may direct the Consultant to prepare an additional scope of work that may be adopted by the City as a work task to allow the Consultant to respond to, or to aid city staff in responding to specific, identified grant opportunities pursuant to this agreement;

2. Payment.

(A) Payment for the services described in paragraph 1(A) of this agreement will be made by the City to the Consultant in monthly installments, not to exceed $5,330 per month. This monthly rate includes a flat fee of $2,690 for Task 1 activities, and an estimated, not-to-exceed fee of $2,640 for Task 2.

Reimbursable expenses associated with Tasks 1 and 2, in amounts not to exceed those listed in Exhibit A, will be paid upon receipt of an invoice from Consultant as provided in paragraph C of this section.

The City is eligible for a discounted rate for pre-payment of Task 1 services (i.e., 3% discount for quarterly pre-payments; 5% discount for a yearly pre-payment). Task 2 activities are not eligible for the discount.

(B) Payment for the services described in paragraph 1(B) of this agreement will be made by the City to the Consultant as provided in the scope of work for that work task and in accordance with the rate schedule attached to this agreement as Exhibit C.

(C) Payments shall be based upon monthly invoices that Consultant shall submit to the City, detailing the previous month's fees and costs. The City will review Consultant's invoice and within ten (10) days of receipt, notify Consultant in writing if there is a disagreement or dispute with the invoice. If the City does not dispute the amount of the invoice, the City will pay the invoice amount in full within 30 days of the invoice date.

(D) Upon request, Consultant will provide the City Manager with supporting documents, records and draft programs evidencing the services provided pursuant to this agreement.

3. Consultant is an independent contractor and for all purposes and is not entitled to any compensation other than the compensation provided for under this agreement. While the City reserves the right to set various schedules and evaluate the quality of Consultant's completed work, City cannot and will not control the means or manner of Consultant's performance. Consultant is responsible for determining the appropriate means and manner of performing the work required by this agreement. Consultant is responsible for all federal and state taxes applicable to payments made to Consultant pursuant to this agreement. City will not withhold any amounts to cover Consultant's tax obligations. Consultant is not eligible for any City fringe benefit plans.

4. If payments made pursuant to this agreement are to be charged against federal funds, Consultant certifies that Consultant is not currently employed by the federal government and the amount charged does not exceed Consultant's normal charge for the type of service provided.

5. Consultant is not currently employed by City, and will not be under the direct control of City.

6. Consultant will not be eligible for any federal Social Security, state Workers' Compensation benefits, unemployment insurance, or Public Employees Retirement System benefits from this contract payment, except as a self-employed individual.

7. Consultant is not a member of the Oregon Public Employees Retirement System, nor employed for a total of 600 hours or more in the calendar year by any public employer participating in the Retirement System.

8. Consultant shall comply with all federal, state and local laws and ordinances applicable to the work under this agreement, including, without limitation, applicable provisions of the Oregon Public Contract Code including ORS 279B.020, 279B.220, 279B.230, and 279B.235, as more particularly set forth in Exhibit D, attached hereto and incorporated herein by this reference.

9. Consultant shall maintain during the life of this agreement and provide certification of the following insurance, naming City as an additional insured, which shall protect City and Consultant from claims which may arise from the performance of work under this agreement:

(A) Statutory workers' compensation and employer's liability insurance for the State of Oregon.

(B) Consultant shall also maintain and provide certification of professional liability insurance with limits of not less than $500,000 during the life of this agreement.

Insurance policies shall not be canceled or terminated without 30-days prior written notice to the City.

10. Access to Records. The Consultant shall maintain, and the City and its duly authorized representatives shall have access to the books, documents, papers, and records of the Consultant that are directly pertinent to this agreement for the purpose of making audit, examination, excerpts, and transcripts for a period of three years after final payment. Copies of applicable records shall be made available upon request. Payment for cost of copies is reimbursable by the City.

11. Subcontracts and Assignment. Consultant shall not subcontract, assign or transfer any of the work scheduled under this Agreement, without the prior written consent of the City. Notwithstanding City approval of a subcontractor, the Consultant shall remain obligated for full performance under this agreement, and the City shall incur no obligation other than its obligations under this agreement. The Consultant agrees that if subcontractors are employed in the performance of this agreement, the Consultant and its subcontractors are subject to the requirements and sanctions of ORS Chapter 656, Workers' Compensation.

12. Errors. The Consultant shall perform such additional work as may be necessary to correct errors in the work required under this agreement without undue delays and without additional cost.

13. Confidentiality. Consultant shall maintain the confidentiality of any of City's information that has been marked as confidential, unless withholding such information would violate the law, create the risk of significant harm to the public, or prevent Consultant from establishing a claim or defense in an adjudicatory proceeding. Consultant shall require similar agreements from any subcontractors to maintain the confidentiality of information provided by the City.

CITY'S OBLIGATIONS

14. City shall pay Consultant the payments described in paragraph 2 of this agreement upon Consultant's submission of monthly invoices, and satisfactory progress and performance made in accordance with the Scope of Work attached as Exhibit A to this agreement and/or specific work tasks agreed to by City and Consultant. Payments shall reflect the services provided pursuant to this agreement to date.

15. The City may terminate this agreement, with or without cause, upon thirty (30) days written notice to Consultant. Upon termination, City will pay Consultant for services rendered prior to the date of termination.

16. City will report the total amount of all payments made to Consultant, including any expenses, in accordance with federal Internal Revenue Service and State

of Oregon Department of Revenue regulations.

GENERAL PROVISIONS

17. Arbitration. If any disputes, disagreements, or controversies arise between the parties pertaining to the interpretation, validity, or enforcement of this agreement, the parties shall, upon the request of either party, submit such dispute to binding arbitration. Except as otherwise provided in this agreement, arbitration shall be requested by delivering to the other party a written request for arbitration. Within five (5) days of receipt of such request, the parties shall select a mutually agreeable arbitrator and designate mutually agreeable rules of arbitration. If the parties cannot agree upon an arbitrator within five (5) days, an arbitrator may be appointed by the Lincoln County Circuit Court, upon the request of either party submitted in accordance with ORS 36.310. If the parties have not designated mutually agreeable rules of arbitration at such time as the arbitrator is appointed, the arbitrator shall adopt rules for the arbitration. The arbitrator's decision shall be binding upon the parties.

City and Consultant agree to a consolidated arbitration of such claims, disputes, and other matters in question between themselves regarding the work performed pursuant to this agreement, with claims, disputes, and other matters in question regarding work performed pursuant to this agreement between and among the City, Consultant and the City's third party designees and contractors and anyone else under contract with the City or any other party to perform work or services related pursuant to this agreement.

Notwithstanding any dispute under this agreement, whether before or during arbitration, the Consultant shall continue to perform its work pending resolution of a dispute, and the City shall make payments as required by the agreement for undisputed portions of work.

18. Indemnification.

A. Consultant agrees, to the fullest extent permitted by law, to indemnify and hold the City and its officers, employees, agents, and volunteers harmless from any damage, liability or cost (including reasonable attorney fees and costs of defense) to the extent caused by the intentional or negligent acts, errors, or omissions of Consultant, or its officers, employees, or agents in the performance of this contract.

B. The standard of care applicable to Consultant's service will be the degree of skill and diligence normally employed by professional consultants performing the same or similar services at the time such services are performed. Consultant will re-perform any services not meeting this standard without additional compensation.

19. Ownership of Work and Documents. All work performed by Consultant and compensated by City pursuant to this agreement shall be the property of City upon payment of full compensation for the work. Consultant hereby conveys, transfers, and grants to the City all rights of reproduction and the copyright to all such documents.

20. Attorney Fees. If either party commences any arbitration, suit, or proceeding against the other to rescind, interpret or enforce the terms of this contract, the parties agree that the prevailing party shall be awarded reasonable attorney's fees and costs incurred in any such arbitration, action, suit or proceeding and in any later appeals filed as a consequence thereof. Such costs shall bear interest at the maximum legal rate from the date incurred, until the date paid by losing party.

21. Applicable Law. This agreement shall be construed in accordance with Oregon law.

22. Severability. If any part, term, or clause of this agreement is held by a court or arbitrator to be unenforceable, of no effect, or in conflict with any law, the validity of the remaining provisions and clauses shall not be affected and the rights and obligations of the parties shall be construed and in force as if the contract did not contain the particular part, term or clause held to be unenforceable.

23. Waiver. No waiver by either the City or Consultant of a breach of any provision of this agreement will not operate or be construed as a waiver of any other provision of this agreement or of any subsequent breach of the same provision of this agreement.

24. Entire Agreement. This agreement represents the entire understanding of City and Consultant as to those matters contained herein. No prior oral or written understanding shall be in force or effect with respect to those matters covered hereunder. This agreement may not be altered except in writing signed by both parties.

25. Headings. Paragraph headings are provided solely for convenience and are not to be used in construing or interpreting this agreement.

26. Notice. All notices provided for pursuant to this agreement shall be in writing and shall be deemed to be served: on the date of delivery, if delivered in person; when receipt of transmission is generated by the transmitting facsimile machine, if delivered by facsimile transmission; on the day after deposit, if delivered by overnight courier; or three days after deposit, if delivered by placing in the U.S. mail, first-class, postage prepaid. Any notice delivered by facsimile transmission shall be followed by a hard copy. All notices shall be addressed as follows:

City: Timothy Gross, Director of Public Works/City Engineer
City of Newport
169 SW Coast Highway
Newport, OR 97365
Phone:(541) 574-3369
Fax: (541) 574-0609

Consultant: Tia A. Cavender, Principal Grants Consultant
Chase Park Grants, LLC
2521 Alton Street, Denver, CO 80238
Phone: (303) 284-9098 (o) or 720.785.4155 (m)

27. Authority to Execute. Each person executing this agreement on behalf of a party to this Agreement hereby covenants that he or she is duly authorized by that party to bind that party to this agreement.

CONSULTANT:

By: ______________________
Printed Name: Tia A. Cavender
Title: Chase Park Grants, LLC
Address: 2521 Alton Street
Denver, CO 80238
Date: 7/23/12
Federal Tax ID # 27-2862919

CITY OF NEWPORT:

By: ______________________
Jim Voetberg
City of Newport City Manager
Address: 169 SW Coast Highway
Newport, OR 97365
Date: 7/26/12

EXHIBIT A – SCOPE OF WORK

The following section outlines the objectives, approach, and deliverables involved to conduct the planned work.

Task 1: Monthly Research and Reporting (Retainer)

Objectives: To provide on-going monitoring of relevant funding opportunities; to provide an updated inventory of grant opportunities specific to the City's capital needs; to keep the City informed of timelines relevant to their targeted grant pursuits; and to provide grant-related technical assistance on an ad-hoc basis.

Approach:

- Review background materials including, but not limited to: City of Newport's 5-year Capital Improvement Plan, 2008 Water System Master Plan, 2012 SCADA System Master Plan, 2008 Pedestrian and Bicycle Master Plan, and Transportation System Plan.
- Assess fundable features of each project and identify key opportunities; assign priority based on current funding trends and construction timelines.
- Conduct a query of the Chase Park capital grants database. The query will capture government (i.e. federal, state, county, and local) and private funding opportunities (i.e., corporate foundations, family foundations, and corporate giving programs) that match with the City's projects.
- Evaluate the identified grant opportunities to determine fit with project scope, eligibility, grant purpose, deadline, and budget.
- Generate a prospect list of viable grant opportunities.
- Conduct in-depth research to advise the City about top prospects.
- Collect research data for prospects and make recommendations about priority.
- Identify leverage opportunities and ways to maximize competitiveness.
- Respond to technical assistance requests on grant-related matters.

Deliverables:

- Kickoff meeting materials (agenda, handouts, grant summaries)
- Kickoff meeting memo documenting meeting outcomes and final scope of work
- Prospect report (electronic version; in Excel or PDF format) on a monthly basis
- Monthly progress meeting/conference call to update work plan

Task 2. Develop & Advance the Strategic Funding Plan (Retainer)

Objective: To conduct in-depth research about the City's top prospects and to develop a long-term strategic funding plan for the City's capital improvements; to make recommendations about the most fundable projects in the capital improvement plan; and to identify ways to maximize grant competitiveness and leverage opportunities

Approach:

- Compile comprehensive research data for top prospects (i.e., grant application materials, guidance documents, list of past awards, technical assistance materials).
- Interview program officers to gather insight about targeted programs.
- Interview key informants (e.g., successful awardees, grant program) to gather information to help maximize the competitiveness of the City's grant applications.
- Help establish and cultivate relationships with key prospects (including grant-making organizations and individual donor prospects).
- Participate in planning meetings with City staff and engineering team.
- Recommend tactics to improve the City's grant success.
- Explore strategies to raise capital funds (i.e., designing a demonstration project).
- Identify, research, and make recommendations about leverage opportunities.
- Research and compile grant materials for the City's use.

Deliverables:

- Strategic Funding Plan (updated quarterly at minimum) with recommendations for pursuing top prospects.
- Grant application materials, grant guidance documents, and technical assistance materials for the top three prospects (updated quarterly).

Task 3. Project Specific Grant Services (Task Order)

Objective: To support the City in pursuing its top funding prospects.

Approach:

- Participate in the pursuit of key grant opportunities (e.g., facilitating meetings with program officers, etc).
- Provide grant-related technical assistance and consultation to City staff as needed.
- Advise City staff about eligibility determination and grant-specific technical issues.
- Analyze competitiveness and likelihood of success.
- Correspond with engineering team, technical advisors, subcontractors, and City staff.
- Conduct in-depth research about grant programs to help create the pursuit strategy.
- Identify ways to broaden the funding pool (e.g., designing a demonstration project as a funding strategy) and tap into unique sources of funding.

Deliverables:

- Draft versions with comments, edits, and recommendations about competitiveness
- Project-specific Scope of Work and Fee Estimate

COST OF SERVICES

Task 1 – Monthly Research and Reporting

Based on our approach and methodology, we will provide retainer services for Task 1 (Monthly Research and Reporting) on a flat monthly rate of $2,690 per month. This monthly retainer was based on an estimated 21 consultant team hours per month (see Table 1).

Task 2 – Develop & Advance the Strategic Funding Plan

Activities related to Task 2 (Advance the Strategic Funding Plan) will be provided and billed as incurred. Monthly fees for Task 2 activities will not exceed $2,640 per month without written approval from the City.

We will monitor hours twice per month to take reasonable action to maintain the budgeted hours and/or adjust upcoming work plan. Combined fees for both tasks combined will not exceed $5,330 per month.

Table 1.
Fee Estimate for Task 1: Monthly Research and Reporting (8/1/12 to 7/31/13)

Team Member & Name	Hourly Rate	Est. Hrs per Month	Est Monthly Fee
Principal-in-Charge (Cavender)	$200	4	$800
Sr. Project Manager (Shumar)	$135	8	$1,080
Research Assistant (Secord)	$85	8	$680
Technical Advisor (Winter)	$130	1	$130
		Monthly Fee for Task 1:	**$2,690**

Fee Estimate for Task 2: Advance the Strategic Funding Plan (8/1/12 to 7/31/13)

Team Member & Name	Hourly Rate	Est. Hrs per Month	Est Monthly Fee
Principal-in-Charge (Cavender)	$200	4	$800
Sr. Grant Strategist (Hood)	$160	4	$640
Sr. Project Manager (Shumar)	$135	6	$810
Technical Advisor (Winter)	$130	2	$260
		Monthly Estimate for Task 2 (Not-to-Exceed):	**$2,640**
		Estimated Monthly Total for Tasks 1 and 2: (Not-to-Exceed):	**$5,330**

Estimated reimbursable expenses will include costs associated with traveling to the City of Newport three times throughout the year. Associated expenses are listed in Table 2 below. These costs are subject to change based on the final approved scope of work, and are based on Tasks 1 and 2, exclusive of Project Specific Grant Services.

Table 2. Reimbursable Expenses for Tasks 1 & 2 – 8/1/12 to 7/31/13			
Expense Item	**Qty**	**Each**	**Total**
Airfare for site visits (3 per year)	3	$450	$1,350
Hotel (2 nights @ $125/each - 3 trips p/year)	3	$250	$750
Rental car ($110/trip - 3 trips/year)	3	$110	$330
Meals (2.5 days @ $66/per diem for 3 trips/year)	3	$165	$495
Airport parking ($48/trip for 3 trips)	3	$48	$144
		Total:	**$3,069**

STANDARD & POOR'S
RATINGS SERVICES
McGRAW HILL FINANCIAL

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40265491

September 20, 2013

Newport
169 SW Coast Hwy
Newport, OR 97365
Attention: Ms. Linda Brown, Interim Finance Director

Re: ***City of Newport, Oregon, General Obligation***

Dear Ms. Brown:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have raised the underlying rating (SPUR) from "A+" to "AA-" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:
Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

Standard & Poor's

Standard & Poor's Ratings Services

ss
enclosure

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40277617

September 20, 2013

Newport
169 SW Coast Hwy
Newport, OR 97365
Attention: Ms. Linda Brown, Interim Finance Director

Re: ***League of Oregon Cities, (City of Newport), Oregon, General Obligation Bonds, Series 2009B***

Dear Ms. Brown:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have raised our credit rating from "A+" to "AA-" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

Standard & Poor's

Standard & Poor's Ratings Services

ss
enclosure

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5000
reference no.: 40302968

September 20, 2013

Newport
169 SW Coast Hwy
Newport, OR 97365
Attention: Ms. Linda Brown, Interim Finance Director

Re: ***City of Newport, Oregon, Full Faith & Credit Refunding Obligation Bond, Series 2010A&B***

Dear Ms. Brown:

Standard & Poor's Ratings Services ("Ratings Services") has reviewed the rating on the above-listed obligations. Based on our review, we have raised our credit rating from "A+" to "AA-" while affirming the stable outlook. A copy of the rationale supporting the rating and outlook is enclosed.

This letter constitutes Ratings Services' permission for you to disseminate the above rating to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements) will become effective only after we have released the rating on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable.

To maintain the rating, Standard & Poor's must receive all relevant financial and other information, including notice of material changes to financial and other information provided to us and in relevant documents, as soon as such information is available. You understand that Ratings Services relies on you and your agents and advisors for the accuracy, timeliness and completeness of the information submitted in connection with the rating and the continued flow of material information as part of the surveillance process. Please send all information via electronic delivery to pubfin_statelocalgovt@standardandpoors.com. If SEC rule 17g-5 is applicable, you may post such information on the appropriate website. For any information not available in electronic format or posted on the applicable website,

Please send hard copies to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

The rating is subject to the Terms and Conditions, if any, attached to the Engagement Letter applicable to the rating. In the absence of such Engagement Letter and Terms and Conditions, the rating is subject to the attached Terms and Conditions. The applicable Terms and Conditions are incorporated herein by reference.

Ratings Services is pleased to have the opportunity to provide its rating opinion. For more information please visit our website at www.standardandpoors.com. If you have any questions, please contact us. Thank you for choosing Ratings Services.

Sincerely yours,

Standard & Poor's

Standard & Poor's Ratings Services

ss
enclosure

STANDARD & POOR'S RATINGS SERVICES
McGRAW HILL FINANCIAL

Standard & Poor's Ratings Services
Terms and Conditions Applicable To Public Finance Credit Ratings

General. The credit ratings and other views of Standard & Poor's Ratings Services ("Ratings Services") are statements of opinion and not statements of fact. Credit ratings and other views of Ratings Services are not recommendations to purchase, hold, or sell any securities and do not comment on market price, marketability, investor preference or suitability of any security. While Ratings Services bases its credit ratings and other views on information provided by issuers and their agents and advisors, and other information from sources it believes to be reliable, Ratings Services does not perform an audit, and undertakes no duty of due diligence or independent verification, of any information it receives. Such information and Ratings Services' opinions should not be relied upon in making any investment decision. Ratings Services does not act as a "fiduciary" or an investment advisor. Ratings Services neither recommends nor will recommend how an issuer can or should achieve a particular credit rating outcome nor provides or will provide consulting, advisory, financial or structuring advice. Unless otherwise indicated, the term "issuer" means both the issuer and the obligor if the obligor is not the issuer.

All Credit Rating Actions in Ratings Services' Sole Discretion. Ratings Services may assign, raise, lower, suspend, place on CreditWatch, or withdraw a credit rating, and assign or revise an Outlook, at any time, in Ratings Services' sole discretion. Ratings Services may take any of the foregoing actions notwithstanding any request for a confidential or private credit rating or a withdrawal of a credit rating, or termination of a credit rating engagement. Ratings Services will not convert a public credit rating to a confidential or private credit rating, or a private credit rating to a confidential credit rating.

Publication. Ratings Services reserves the right to use, publish, disseminate, or license others to use, publish or disseminate a credit rating and any related analytical reports, including the rationale for the credit rating, unless the issuer specifically requests in connection with the initial credit rating that the credit rating be assigned and maintained on a confidential or private basis. If, however, a confidential or private credit rating or the existence of a confidential or private credit rating subsequently becomes public through disclosure other than by an act of Ratings Services or its affiliates, Ratings Services reserves the right to treat the credit rating as a public credit rating, including, without limitation, publishing the credit rating and any related analytical reports. Any analytical reports published by Ratings Services are not issued by or on behalf of the issuer or at the issuer's request. Ratings Services reserves the right to use, publish, disseminate or license others to use, publish or disseminate analytical reports with respect to public credit ratings that have been withdrawn, regardless of the reason for such withdrawal. Ratings Services may publish explanations of Ratings Services' credit ratings criteria from time to time and Ratings Services may modify or refine its credit ratings criteria at any time as Ratings Services deems appropriate.

Reliance on Information. Ratings Services relies on issuers and their agents and advisors for the accuracy and completeness of the information submitted in connection with credit ratings and the surveillance of credit ratings including, without limitation, information on material changes to information previously provided by issuers, their agents or advisors. Credit ratings, and the maintenance of credit ratings, may be affected by Ratings Services' opinion of the information received from issuers, their agents or advisors.

Confidential Information. Ratings Services has established policies and procedures to maintain the confidentiality of certain non-public information received from issuers, their agents or advisors. For these purposes, "Confidential Information" shall mean verbal or written information that the issuer or its agents or advisors have provided to Ratings Services and, in a specific and particularized manner, have marked or otherwise indicated in writing (either prior to or promptly following such disclosure) that such information is "Confidential."

Ratings Services Not an Expert, Underwriter or Seller under Securities Laws. Ratings Services has not consented to and will not consent to being named an "expert" or any similar designation under any applicable securities laws or other regulatory guidance, rules or recommendations, including without limitation, Section 7 of the U.S. Securities Act of 1933. Rating Services has not performed and will not perform the role or tasks associated with an "underwriter" or "seller" under the United States federal securities laws or other regulatory guidance, rules or recommendations in connection with a credit rating engagement.

Disclaimer of Liability. Ratings Services does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a credit rating or the results obtained from the use of such information. RATINGS SERVICES GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. Ratings Services, its affiliates or third party providers, or any of their officers, directors, shareholders, employees or agents shall not be liable to any person for any inaccuracies, errors, or omissions, in each case regardless of cause, actions, damages (consequential, special, indirect, incidental, punitive, compensatory, exemplary or otherwise), claims, liabilities, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in any way arising out of or relating to a credit rating or the related analytic services even if advised of the possibility of such damages or other amounts.

No Third Party Beneficiaries. Nothing in any credit rating engagement, or a credit rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of a credit rating. No person is intended as a third party beneficiary of any credit rating engagement or of a credit rating when issued.

STANDARD
& POOR'S
RATINGS SERVICES

RatingsDirect®

Summary:

Newport, Oregon; General Obligation

Primary Credit Analyst:
Li Yang, San Francisco (1) 415-371-5024; li.yang@standardandpoors.com

Secondary Contact:
Jennifer Hansen, San Francisco (1) 415-371-5035; jen.hansen@standardandpoors.com

Table Of Contents

Summary:

Newport, Oregon; General Obligation

Credit Profile

Newport Full Faith & Credit rfdg oblig bnd ser 2010A&B due 06/15/2023		
Long Term Rating	AA-/Stable	Upgraded
Newport GO (ASSURED GTY)		
Unenhanced Rating	AA-(SPUR)/Stable	Upgraded
League of Oregon Cities, Oregon		
Newport, Oregon		
League of Oregon Cities (Newport) GO bnds (Locap) ser 2009B		
Long Term Rating	AA-/Stable	Upgraded

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services raised its rating on Newport, Ore.'s outstanding general obligation (GO) and full faith and credit obligation bonds to 'AA-' from 'A+' based on the application of our recently released local GO criteria. The outlook on all bonds is stable.

The city's full faith and credit secure the bonds, including the obligation to levy sufficient property taxes within statutory restrictions. The GO bonds are also secured by the city's full faith and credit and the city's obligation to levy sufficient property taxes without limit as to rate or amount.

The rating reflects our assessment of the following factors for the city:

- We consider Newport's economy to be strong, with projected per capita effective buying income at 96% of the U.S. and per capita market value of $155,626. The city is located in Lincoln County and the county unemployment rate for calendar year 2012 was 9.3%.
- The city's budgetary flexibility remains strong with reserves above 10% of expenditures for the past several years and no plans to significantly spend them down. Audited fiscal 2012 reserves were $1.8 million, or 22.3% of expenditures. Management projects ending with available general fund reserves of 19.1% at the end of fiscal 2013. For fiscal 2014, the city's budget reflects general fund reserves falling to 10.6% although management indicates this is a conservative estimate, and actual results are likely to end higher.
- The city's budgetary performance has been strong with a surplus of 7.9% for the general fund in fiscal 2012, but the city estimates a slight deficit of 3.8% for the general fund for fiscal 2013. The operating results for total governmental funds reflect an adequate 1.5% surplus in fiscal 2012 although fiscal 2013 estimates reflect a deficit of 10.7%, which management indicates is primarily due to one-time planned capital expenditures.
- Supporting the city's finances is liquidity we consider to be very strong with total government available cash more than 80% of both total governmental fund expenditures and debt service. We understand the city has not needed to borrow from external sources for liquidity purposes during the past few years.
- We view the city's management conditions as strong with good financial practices.
- The city's debt and contingent liabilities profile is weak with total governmental funds debt service at 10.8% of total

governmental funds expenditures and net direct debt at 142.9% of total governmental funds revenue. We expect debt issuance within the next two years will bring the net direct debt, including the new issuance, to roughly 156% of total governmental funds revenue.

- The city participates in the Oregon Public Employees' Retirement System and the Oregon Public Service Retirement System and fully funded the annual required contribution of $834,000 ,or 5% of total governmental fund expenditures, for fiscal 2012. The city does not have any other post-employment benefit obligations.
- We consider the institutional framework score for Oregon cities as good. See the Institutional Framework score for Oregon.

Outlook

The stable outlook reflects our view of the city's continued consistently strong financial position and underlying economy supported by good management. We do not anticipate changing the rating in our two-year outlook horizon due to our expectation that the city will maintain reserves at strong levels.

Related Criteria And Research

- USPF Criteria Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Oregon Local Governments, Sept. 12, 2013

Summary:

Newport, Oregon; General Obligation

Primary Credit Analyst:
Jennifer Hansen, San Francisco 415-371-5035; jen_hansen@standardandpoors.com

Secondary Credit Analyst:
Chris Morgan, San Francisco (1) 415-371-5032; chris_morgan@standardandpoors.com

Table Of Contents

Summary:

Newport, Oregon; General Obligation

Credit Profile		
US$14.66 mil Full Faith & Credit rfdg oblig bnd ser 2010A&B due 06/15/2023		
Long Term Rating	A+/Stable	New
Newport GO (ASSURED GTY)		
Unenhanced Rating	A+(SPUR)/Stable	Affirmed
League of Oregon Cities, Oregon		
Newport, Oregon		
League of Oregon Cities (Newport) GO bnds (Locap) ser 2009B		
Long Term Rating	A+/Stable	Affirmed

Many issues are enhanced by bond insurance.

Rationale

Standard & Poor's Ratings Services assigned its 'A+' long-term rating to the City of Newport, Ore.'s series 2010A full faith and credit refunding obligations and series 2010B full faith and credit refunding bonds. At the same time, Standard & Poor's affirmed its 'A+' rating and underlying rating (SPUR) on the city's outstanding general obligation (GO) bonds and certificates of participation (COPs).

In our opinion, the ratings reflect the city's:

- Strong property tax base;
- Economy closely tied to the fishing and tourist industries; and
- Moderate to high debt burden, with no short- or medium-term plans for additional debt.

Partially offsetting these strengths is our view of the city's projected drawdown in fund balances in fiscal 2010, which is somewhat mitigated by its projected surplus in fiscal 2011.

The city's full faith and credit secure the bonds, including the obligation to levy sufficient property taxes, within statutory restrictions. The COPs and GO bonds are also secured by the city's full faith and credit and the city's obligation to levy sufficient property taxes without limit as to rate or amount.

We understand that the city is issuing the series 2010A obligations to refinance certain outstanding wastewater revenue obligations. The series 2010B bonds are being issued to refinance certain outstanding tax increment revenue obligations of the city and to finance new capital projects.

The City of Newport is located in Lincoln County, Ore., on the Pacific Coast. According to management, the area has attracted many second-home buyers and tourists. The area economy is connected to commercial and recreational fishing, as well as seafood processing. Other major employers are in the education, government, and health industries.

The city's assessed value (AV) has increased by an average annual rate of 4.1% since fiscal 2005 to $860 million in fiscal 2010. Real market value, however, dropped by a small 1.5% in fiscal 2010 to $1.9 billion. Previously, market value had grown at a double-digit pace in fiscals 2007 and 2008, and a still strong 9% in fiscal 2009. The area's wealth indicators are extremely strong at $178,700, which is due partly to second homes. However, despite the growth in property values, the city's median household effective buying income is only adequate at about 77% of the nation. In our opinion, this likely reflects the income potential in the area compared to the wealth brought to the area in the form of second homes.

Prior to fiscal 2010, the city had improved its financial performance and brought its reserves to what, in our opinion, is a strong level. The city drew down its fund balances in audited fiscal 2009 but still ended with a general fund balance of 9.6% of expenditures, or $775,100. Prior to fiscal 2009, the city had three years of general fund surpluses. The city's general fund revenues are made up primarily of property taxes (55%), which have been a stable source of revenues. Management's projections for fiscal 2010 show an additional drawdown in fund balances due to a $200,000 budget error, legal fees, and a drop in revenues. The city has budgeted to end the year with $177,000, or 2% of expenditures. Management reports that it expects to end the year with better-than-projected results. The city is projecting that in fiscal 2011 it will rebuild its fund balances due in part to a reduction in six positions overall and the expiration of a renewal district debt, which will bring the property value and an additional $700,000 in revenues from that area back to the property tax rolls. Management's projections show an ending fiscal 2011 fund balance of at least $445,000.

Standard & Poor's considers the City of Newport's management practices "standard" under its Financial Management Assessment (FMA) methodology. An FMA of "standard" indicates that the finance department maintains adequate policies in some, but not all, key areas.

In our view, the city's overall net debt burden is a high $6,200 per capita and a moderate 4.0% of market value, reflecting in part of the area's second-home wealth. The city's overall debt service as a percent of total government expenditures is an elevated 15.9%. We understand that the city does not have any near- to medium-term plans for additional GO debt.

Outlook

The stable outlook reflects our expectation that although the city is projecting a drawdown in fund balances in fiscal 2010, it will restore its balances to levels that we consider good. The stability of the revenue streams, bolstered by the anticipated additional property tax-related revenue in fiscal 2011, adds to the stability of the credit. The outlook also reflects our opinion of the area's appeal to second-home buyers, who generally add value to the tax base but tend to require fewer services.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

Complete ratings information is available to RatingsDirect on the Global Credit Portal subscribers at www.globalcreditportal.com and RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

The McGraw·Hill Companies

The McGraw-Hill Companies

STANDARD
&POOR'S

One Market
Steuart Tower, 15th Floor
San Francisco, CA 94105-1000
tel 415 371-5004
reference no.: 1051573

March 10, 2009

City of Newport
169 SW Coast Highway
Newport, OR 97365
Attention: Mr. Dale Shaddox, City Manager

Re: ***US$7,825,000 Newport, Oregon, General Obligation Bonds, (Current Interest Bonds), Series 2009 A, dated: Date of Delivery, due: June 1, 2021***

US$8,070,125 Newport, Oregon, General Obligation Bonds, (Deferred Interest Bonds), Series 2009B, dated: Date of Delivery, due: June 1, 2029

Dear Mr. Shaddox:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions*, have assigned a rating of "A+". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poors

js
enclosures
cc: Mr. Derek Keller, Senior Associate
Seattle-Northwest Securities Corporation

The McGraw-Hill Companies

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 40265491

March 30, 2009

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
Attention: Mr. William Hogan, Managing Director

Re: ***$15,895,541.20 City of Newport, Lincoln County, Oregon, General Obligation Bonds, Series 2009A (Current Interest Bonds) and General Obligation Bonds, Series 2009B (Deferred Interest Bonds), dated: March 31, 2009, Series A Bonds due: June 1, 2011-2020, Series B Bonds due: June 1, 2020-2029, (POLICY #D-2009-389)***

Dear Mr. Hogan:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A+". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

K&L|GATES

Kirkpatrick & Lockhart Preston Gates Ellis LLP
222 SW Columbia Street
Suite 1400
Portland, OR 97201-6632

T 503.226.3200 www.klgates.com

April 24, 2009

To the persons on the attached Transcript Distribution List

Subject: City of Newport, Oregon, General Obligation Bonds
$6,265,000 Series 2009A (Current Interests Bonds)
$9,630,541.20 Series 2009B (Deferred Interest Bonds)
Our File No. 1827806.00014

Ladies and Gentlemen:

We have enclosed a copy of the transcript for this financing for your records. We have enjoyed working with you on this issue and look forward to working with each of you again. Please call if you have any questions.

Cordially,

K&L GATES LLP

Harvey W. Rogers

Harvey W. Rogers

HWR/acg
Enclosure

STANDARD & POOR'S

RATINGSDIRECT®

March 11, 2009

Summary:
Newport, Oregon; General Obligation

Primary Credit Analyst:
Lisa Schroeer, San Francisco (1) 415-371-5006; lisa_schroeer@standardandpoors.com

Secondary Credit Analyst:
Le T Quach, San Francisco (1) 415- 371-5013; le_quach@standardandpoors.com

Table Of Contents

Summary:

Newport, Oregon; General Obligation

Credit Profile		
US$8.07 mil GO bnds (Deferred Int Bnds) ser 2009B due 06/01/2029		
Long Term Rating	A+/Stable	New
US$7.825 mil GO bnds (Currrent Int Bnds) ser 2009 A due 06/01/2021		
Long Term Rating	A+/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'A+' long-term rating to the City of Newport, Ore.'s general obligation (GO) bonds, series 2009A and B.

In our opinion, the rating reflects:

- A still strong property tax base, with continued growth in 2009;
- An economy closely tied to the fishing and tourist based industries;
- A recently improved financial position, with a strong ending fund balance in fiscal 2008 as a percent of expenditures; and
- A moderate debt level, with no short- or medium-term plans for additional debt.

The bonds are secured by the city's GO pledge.

The City of Newport is located in Lincoln County, Ore., on the Pacific Coast. According to management, the area has attracted many second home buyers and is an attractive destination for tourists. The area economy is connected to the fishing industry, with commercial and recreational fishing as well as seafood processing. Other major employers are in the education, government, and health industries.

The city's assessed value (AV) grew 5% during the previous year to reach $1.1 billion in 2009. Historically, AV grew between 4% and 6% annually between 2004 and 2009. Real market value, however, has grown at a much faster pace -- reaching double digits in fiscals 2007 and 2008, and a still strong 9% in fiscal 2009, to reach $1.9 billion. The area's wealth indicators are high, which is partly due to second homes, at $181,800. However, despite the growth in property values, incomes in the area are only adequate at about 75% of the nation. In our opinion, this likely reflects the income potential in the area compared to the wealth brought to the area in the form of second homes.

The city has seen new management, starting in fiscal 2006, which has improved its financial performance and brought its reserves to what, in our opinion, is a strong level. Audited fiscal 2008 ended with a 12% of expenditure fund balance of $954,100. This level of reserves was achieved by three years of general fund surpluses. The city's general revenues are made up of a majority of stable revenues with 55% from property taxes; however, the next-largest contributor is hotel/motel room taxes, which make up 14% of revenues. Nevertheless, management has indicated it expects to maintain its strong reserves and intends to build them during the years. Adding to the likelihood of continued revenue growth despite an economic downturn, is the expiration of a renewal district debt, which will bring the property value in that area back to the property tax rolls. Management included this in its long-term forecast.

The City of Newport's management practices are considered 'standard' under Standard & Poor's Financial Management Assessment (FMA). An FMA of 'standard' indicates that the finance department maintains adequate policies in most but not all key areas. Highlights of the city's policies include at least monthly budget discussions with the city council and long-term financial forecasts for the general fund. The city also has a minimum reserve target of 20% of expenditures. The new city management is working on formalizing other policies as well. Currently there is no formal debt or investment policy -- although the city follows state guidelines for both.

Overall, net debt ratios are moderate at $3,685 per capita and low as a percent of market value at 2.0%, reflective of part of the area's second home wealth. The city's overall debt service as a percent of total government expenditures is, in our opinion, an elevated 15.9%. The city does not have any near- to medium-term plans for additional general obligation debt plans.

Outlook

The stable outlook reflects our expectation that finances will continue to remain solid and that the fund balance will remain at strong levels. The stability of the revenue streams, bolstered by the anticipated additional property tax related revenue in 2011, adds to the stability of the credit. Further adding to the stability of the outlook is the area's draw to second home buyers, which adds value to the tax base but tends to require fewer services.

Complete ratings information is available to RatingsDirect subscribers at www.ratingsdirect.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com; under Ratings in the left navigation bar, select Find a Rating.