

PDC

PORTLAND DEVELOPMENT COMMISSION

DATE: June 25, 2008

TO: Board of Commissioners

FROM: Bruce A. Warner, Executive Director

SUBJECT: Report Number No. 08-85
Requesting the Portland City Council Execute a Non-Revolving Line of Credit for the purpose of financing an upgrade to the PDC Information Technology Systems

EXECUTIVE SUMMARY

BOARD ACTION REQUESTED

Adopt Resolution No. 6609

ACTION SUMMARY

This action will initiate a request that the City of Portland (City) execute a non-revolving line of credit in a principal amount not to exceed \$5 million for the purpose of financing an upgrade to Portland Development Commission's (PDC) information technology systems.

PUBLIC BENEFIT

This action will benefit the public by supporting the following Commission goals for the Area:

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)
- Contribute to a strong regional economy

PUBLIC PARTICIPATION AND FEEDBACK

Not applicable.

COMPLIANCE WITH ADOPTED PLANS AND POLICIES

This action will allow staff to acquire and implement upgrades to existing information technology systems as included in the FY 2008-09 Approved Budget and Five-Year Forecast.

FINANCIAL IMPACT

Debt service costs are expected to be paid from available PDC resources, including tax increment revenues. System charges to urban renewal areas will be included in the indirect

expense allocation. Debt service on the line of credit is included as a recommended change to the FY 2008-09 Approved Budget.

RISK ASSESSMENT

It is anticipated the line of credit will bear interest at a variable rate, most likely tied to LIBOR or the Prime Rate of the lender which makes the overall cost of funds uncertain.

WORK LOAD IMPACT

No additional work load impacts are anticipated related to the execution of the line of credit.

ALTERNATIVE ACTIONS

The Board could delay its recommendation to request the execution of the line of credit which would delay the implementation of the Information Technology System upgrade.

CONCURRENCE

The decision to execute the line of credit is supported by OMF and estimated debt service is included in the 2008-09 Approved Budget and Forecast.

BACKGROUND

PDC'S Enterprise Resource Planning ("ERP") project team recently developed a strategy for the future use of Enterprise Resource Planning ("ERP") systems to integrate all data and processes of PDC into a unified system. The project team has completed an evaluation of available information technology systems meeting defined selection criteria and has determined an upgrade to the Lawson Financial System to be the system that best fits the selection criteria.

The project team is now beginning the process of performing application assessments and evaluating application solutions to further refine acquisition and implementation specifications. Based on current estimates, it is expected acquisition and implementation of the system will cost approximately \$5 million. The Board reviewed the information strategy and the related information budget requests during budget hearings in January 2008.

A cash flow analysis indicates that a line of credit in a principal amount not to exceed \$5 million will be necessary to acquire and implement the system upgrade. It is expected the line of credit will have a maturity date 5 years from the date of closing with no prepayment penalty allowing PDC to close out the line of credit as soon as resources are available. Semi-annual principal and interest on the line will be paid by PDC from available resources. PDC will not draw on the line for interest payments. The source of repayment of the line of credit will be all available resources of PDC, including tax increment revenues.

The final cost of the information technology upgrade will be allocated to all funds, including urban renewal areas, based on PDC's indirect cost allocation plan.

The City's Office of Management and Finance has reviewed and supports this action, and the Council is scheduled to consider an Ordinance authorizing the line of credit to finance PDC's information technology upgrade.

CC: J. Cody, Central Services Director
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