



NOTICE OF PUBLIC MEETING

CITY OF ALBANY
CITY COUNCIL WORK SESSION
Municipal Court Room
Monday, August 25, 2008
4:00 p.m.

AGENDA

- 4:00 p.m. **CALL TO ORDER**
- 4:00 p.m. **ROLL CALL**
- 4:00 p.m. **BUSINESS FROM THE PUBLIC**
- 4:05 p.m. **NORTH ALBANY WATER SERVICE DISCUSSION** – Jeff Blaine
Action Requested: Information, discussion, direction.
- 5:45 p.m. **COUNCILOR COMMENTS**
- 5:55 p.m. **CITY MANAGER REPORT**
1. Oregon Sesquicentennial Celebration
- 6:00 p.m. **ADJOURNMENT**

City of Albany Web site: www.cityofalbany.net

The location of the meeting/hearing is accessible to the disabled. If special accommodations to attend or participate in the meeting/hearing are needed, advance notice is requested by notifying the Human Resources Director at 917-7500.



TO: Albany City Council

VIA: Wes Hare, City Manager
Diane Taniguchi-Dennis, P.E., Public Works Director *DSTD*

FROM: Mark Shepard, P.E., Assistant Public Works Director / City Engineer *MWS*
Jeff Blaine, P.E., C.W.R.E., Assistant City Engineer *JB*

DATE: August 19, 2008, for the August 25, 2008 City Council Work Session

SUBJECT: North Albany Water Service Alternatives

RELATES TO: ● An Effective Government
● A Safe City

Action Requested:

This memo provides a discussion on water system improvements in the North Albany area and potential interconnections with the City of Adair Village. Staff is seeking further direction on these topics.

Discussion:

This memo provides background information on several discussion topics all related to water service in the North Albany area. This discussion has been triggered by a Council interest in exploring cooperative efforts with Adair Village for an emergency back-up and potentially a long-term water supply. There are several inter-related issues addressed individually in this memo because they are dependent on each other in the way they impact the City's strategy to secure water rights, pursue regional water treatment options, and maximize resources. At the end of this memo staff has provided several recommendations and is seeking further direction on future water planning efforts.

Existing Operational Issues in North Albany and Hydraulic Water Model Update

The City's computer model of the distribution system, including North Albany, was created as part of the 2003 Water Facility Plan done by Montgomery Watson Harza (MWH). Following that planning effort, additional modeling was completed for the City by CH2M-Hill in association with the start up of the Albany-Millersburg Water Treatment Plant (A-M Plant). While conducting this modeling, CH2M-Hill identified issues with the filling, and subsequent draining of, the 8-million gallon Broadway Reservoir in North Albany. The findings of this modeling effort confirmed what plant operators were experiencing during high demand periods with the Vine Street Water Treatment Plant thought to be caused by hydraulic bottlenecks in the existing distribution system. Operational mitigation strategies had been developed by Operations staff to overcome the challenge of filling the reservoir and the City had not experienced any practical problems such as shortages in water supply storage or reduced water quality. Therefore, CH2M-Hill concluded that improvements were not immediately needed, but would likely be required in the future.

There have been significant changes in the North Albany water system since the last modeling effort in 2003. The changes include the A-M Plant coming on line, a fourth pressure zone in North Albany has been created, and numerous pipe replacement projects have been completed. With the recent discussions regarding potential interconnections to the City of Adair Village, staff

felt it timely to update the water model evaluation of North Albany. This effort includes a reevaluation of the issues surrounding the filling and draining of the Broadway reservoir and the reevaluation of two major pipeline projects indentified in MWH's 2003 plan for the North Albany area. CH2M-Hill was retained to conduct these additional evaluations.

CH2M-Hill's evaluation once again identified the filling and draining of the Broadway Reservoir as a problem. Plant operators are currently overcoming this problem by filling the reservoir during peak demand times. This is not a typical operational strategy, but it allows the operators to fill the reservoir without over pressurizing the downtown area. As demands increase over time, the effectiveness of this strategy will decrease. Additionally, turnover (how long water stays in the reservoir) in the Broadway Reservoir was identified as a concern. Although no water quality problems have been identified yet, CH2M-Hill staff estimates that the turnover rate in Broadway Reservoir is greater than 20 days during low demand periods. For design of a reservoir of this size, a turnover goal of five days is typical.

To improve draining and refilling of the Broadway Reservoir CH2M-Hill identified the need for an additional transmission line to better move water to and from Broadway Reservoir from the south side of the Willamette River. The plan calls for 16-, 20-, and 24-inch waterlines parallel to the existing lines from the Vine Street Water Treatment Plant to just east of the Broadway Reservoir as shown on Attachment A. The required timing of these improvements is not known, partially because it is hard to anticipate when water quality problems will arise or how fast demands will increase in the near future. They recommend conducting regular water quality evaluations at or near the Broadway Reservoir site and monitoring tank filling activities to help identify when the improvements will be required. These improvements will be discussed again later in this memo as part of the City of Adair Village discussion.

The two Water Facility Plan projects identified for reevaluation involved the replacement of existing lines with larger diameter lines. The projects were identified as P13 and P14 in the 2003 Water Facility Plan, and are shown in Attachment B. It was determined that with the improvements completed to date, these projects are no longer required. P13 was reevaluated because the suggested improvement only increased the diameter by two inches to meet peak hour demand planning criteria. The analysis confirmed this replacement was not needed. P14 was identified to meet fire flow conditions but a pipe replacement project on Shady Lane and completion of a loop to Spring Hill Road were able to accomplish the intent of the suggested project at a much lesser cost.

Partnering With Other Communities

Unlike many cities in Oregon, Albany is in the unique position of having treatment capacity that provides two sources of supply from the Santiam River system and sufficient water rights for many years to come. As a result, Albany is well positioned to pursue more long-term strategies and agreements for future water supplies.

Currently, the City of Albany has an Intergovernmental Agreement (IGA) with the City of Millersburg for the A-M Plant. The agreement describes how the two communities will benefit from each other's water rights. Between the two communities, there are potentially enough water rights to meet both cities' buildout water demands. As identified in the agreement, Albany would benefit by utilizing approximately 12 cubic feet per second (cfs) of Millersburg's right and Millersburg would benefit from the reliability of Albany's more senior water rights.

It is important to note, however, these water right needs are based on future demand estimates. Additionally, they are based on buildout of the current urban growth boundary (UGB) using land and water use patterns identified during the 2003 master planning effort. Should UGB expansion be considered in the future, based on providing an adequate supply of buildable lands, the existing water rights may not be adequate. Given these facts, and that both cities seem to attract water intensive industries, it is likely that both communities will need additional water rights at some point in the future.

Recognizing this likely need, the Albany City Council approved a Memorandum of Understanding (MOU) between the City of Albany and Adair Village on December 3, 2007, to evaluate the needs of both communities and to pursue perfection of both communities' water rights. The City of Adair Village currently holds an 82 cfs permit, with a 1972 priority date from the Willamette River, which far exceeds their projected demands. Specifically, the principles of understanding were:

1. The large water right owned by the City of Adair Village is an asset for the region that has the potential to be beneficially utilized by both communities and possibly the region in general.
2. Additional analysis and discussion to explore the opportunity of a future interconnection between the water distribution systems of the two cities makes sense to provide back-up water supply.
3. Additional analysis and discussion to explore the opportunity of joint investments in water intake, treatment, and other related facilities on the Willamette River in Benton County makes sense.
4. The internal resources of both communities would be leveraged to conduct the above analysis and each community will pay a mutually agreed upon share for consultants or other outside resources, as needed, to conduct the analysis.

Potential Connections to the City of Adair Village

Albany's adopted 2009-2013 Capital Improvement Plan (CIP) document identified the first potential project to connect to the City of Adair Village's water system but recommended further evaluation before proceeding. Staff recently conducted these evaluations as part of a larger water modeling effort that also considered other potential connections to Adair's system. When reviewing these results it is important to remember that the alignments and supply quantities were chosen for evaluation purposes. Therefore, the supply quantities and alignments should be further evaluated to maximize benefits and minimize costs prior to proceeding with any designs.

Option #1 – Third Level Connection

This option considers the potential connection identified in the City's CIP. CIP project #1938 called for improvements to construct an emergency connection with the City of Adair Village. One of the drivers behind this project was concern of vulnerability for the single 24-inch pipeline attached to Lyons Street Bridge that serves North Albany. The project called for constructing approximately 1,500 feet of 12-inch waterline and constructing improvements to the pump station near Ryals Avenue in order to provide an emergency connection for the North Albany area (see Attachment C).

The modeling evaluation concluded that with the 12-inch connection, and a new pump station, the City of Adair Village could only partially meet emergency water supply needs for North Albany. With this option Adair could only supply North Albany a total of six million gallons (three days of emergency supply) of water, over a single two week period. The limitation under this scenario is not the pipelines, or the pump station, it is their existing treatment plant. Without any treatment constraints, a new pump station, and the 12-inch connection, Adair could deliver approximately one million gallons per day (MGD) to North Albany, which is equivalent to half of the emergency supply desired per day. However, the available amount would decrease over time as Adair's water demands increase because of capacity constraints within Adair's distribution system.

In order to deliver an adequate emergency supply for North Albany, Adair would need to replace their treatment plant, increase the capacity of their transmission piping, and the pump station near Ryals Avenue would need to be replaced. However, because this connection is to the third pressure zone in North Albany, additional system improvements to the Albany distribution system would also be required to actually feed water to the lower pressure zones during an emergency.

This same connection was then evaluated for its ability to effectively serve the City of Adair Village from Albany's water system. Results showed that Albany could supply Adair up to two MGD. Adair's existing maximum day demand is approximately 0.5 MGD and is projected to increase to 1.85 MGD by 2025. Adair's treatment plant is currently in poor condition and in need of replacement. It is possible that Adair could temporarily cease water production and save money for new infrastructure while receiving water service from Albany for up to twenty years. This would require the 12-inch connection as described above, a six-inch pressure reducing valve, and more frequent pumping at Albany's Gibson Hill Road pump station to keep an adequate water supply in the Valley View Reservoirs.

Based on these results, it appears a third level connection to Adair's system would not be the optimal alternative to provide a reliable long-term emergency supply for the City of Albany, but it would provide a significant benefit for the City of Adair Village. This realization, when combined with the knowledge about required improvements for filling/dRAINING Broadway reservoir led staff to consider Options 2 and 3 as described below.

Option #2 – First Level Connection, 8 MGD

The evaluation assumptions for this option were:

1. Assume that the City of Millersburg requires the 12 cfs (8 MGD) identified for Albany's use in the current IGA.
2. Assume that Albany has access to at least 12 cfs of the City of Adair Village's water right.
3. Assume that the City of Adair plans to construct a new treatment plant and that the plant will be constructed to serve portions of Albany.
4. Assume that the plant will connect to the first level line feeding Broadway Reservoir, as shown in Attachment D.

Current estimates for buildout water demands in North Albany are our MGD during maximum day demand conditions. This means that Adair, if they provided 8 MGD, would be providing water for portions of Albany located on both sides of the Willamette River. The analysis showed that an 8 MGD pump station would be required to serve Albany and that a 24-inch diameter waterline would need to be constructed between the Adair plant and the connection to the first level line in North Albany Road. In addition, the transmission capacity between the Vine Street Water Treatment Plant and the Broadway Reservoir would still need to be increased similar to what was described in the first section of this memo. These improvements are still required to fill Broadway Reservoir from the new point of connection and to deliver water from North Albany to the South side of the Willamette River.

Option #3 – First Level Connection, 4 MGD

The evaluation assumptions for this option were:

1. Assume the City of Millersburg requires a portion of the 12 cfs (8 MGD) identified for Albany's use in the current IGA.
2. Assume Albany has access to at least six cfs (6 MGD) of the City of Adair Village's water right.
3. Assume the City of Adair plans to construct a new treatment plant and the plant will be constructed to meet North Albany's estimated demands at buildout of 4 MGD.
4. Assume the plant will connect to the first level line feeding Broadway Reservoir, as shown in Attachment E.

This analysis showed a 4 MGD pump station would be required to serve North Albany and a 16-inch diameter waterline would need to be constructed between the Adair plant and the connection to the first level line in North Albany Road. In addition, the transmission capacity between the Vine Street Water Treatment Plant and the Broadway Reservoir would still need to be increased similar to what was described in the first section of this memo. These improvements are still required to fill Broadway Reservoir from the new point of connection and to deliver water from North Albany to the South side of the Willamette River.

Evaluation Summary

It appears the City of Albany would receive the greatest benefit from a first level connection from a future treatment plant at the Adair site (Options 2 and 3). When compared to the third level connection using the existing 12-inch Dumbeck line (Option 1), the first level connections can deliver more water and service a greater area without the complications of moving water down pressure zones. However, it does appear the City of Adair Village would benefit from a third level connection to Albany's system. Finally, based on these evaluations it appears that regardless of how the City of Albany may connect to Adair's water system, capacity increasing improvements between Vine Street Water Treatment Plant and the Broadway Reservoir will be required.

Water Right Considerations

All of the options considered for connecting to Adair's water system assumed that Albany had "access" to a portion of Adair's 82 cfs water right. Access could be made in the following three ways:

1. Albany and Adair enter into an IGA where Adair retains its rights but agrees to serve Albany a specified amount of water for emergencies only.
2. Albany and Adair enter into an IGA where Adair retains its rights but agrees to serve Albany a specified amount of water to meet daily demands.
3. Adair assigns Albany a specified amount of its water rights through the Oregon Water Resources Department (WRD).

Out of the three, the assignment process through WRD would provide the greatest security to Albany citizens. Through assignment, a portion of Adair's right would essentially be converted into an Albany right. Adair would no longer have any interest in the assigned portion. Assignment can be accomplished because Albany is within the described place of beneficial use. In fact, the right was at one time in Albany's name but was assigned to the City of Adair Village many years ago.

If the water right were assigned, Albany could then determine at some point in the future if it was in the best interest of the City to construct a joint intake, or plant, with the City of Adair Village, or if it made more sense to transfer the point of diversion downstream closer to the City of Albany.

However, that may not be the only opportunity for partnering on a Willamette River source of supply. The City of Millersburg's 22 cfs water right also has an approved diversion from the Willamette River. As a result there is the potential for another Albany-Millersburg joint plant or perhaps a joint plant between Albany, Millersburg, and Adair. This type of arrangement could be formalized through an IGA similar to what was completed for the A-M Plant or the IGA could be drafted to create a water commission.

As exciting as these opportunities are, our water rights attorney has advised us to proceed cautiously. Each community is in a different phase of securing their water right permits. Without WRD approval of an extension for Adair's water permit, the assignment of any rights to Albany would be of little value.

Adair is faced with the challenge of going through the permit extension processes with WRD to justify their need for their permitted rights, or potentially lose a portion of them. It is possible that Albany demands, or need for an emergency supply, could be used to help justify Adair's water right need. Albany went through the extension process several years ago but did not identify the City of Adair Village as a potential source of supply. In order to justify the need to the WRD it is possible that Albany will have to update its Water Management Plan, which would not otherwise be required until 2016. Additionally, the City of Millersburg has received its extension order but has yet to comply with the condition to complete a Water Management Plan. Millersburg's extension request did not align with Albany's approved extension and it is unknown if the Water Resources Department will have questions regarding Albany's demands during their review process. The complexity of trying to justify three communities' needs

independently strengthens the argument for formation of a formalized coordinated effort such as a water commission format. Instead of the need to make a separate case for each municipality's water usage, a water commission would allow the three Cities to collectively address their water needs and pool their water resources.

Conclusions

Updates to the City's hydraulic model confirmed the need for additional transmission capacity between the Vine Street Water Treatment Plant and the Broadway Reservoir. Additionally, two pipeline project previously identified in the Water Facility Plan do not need to be constructed as previously thought.

Modeling efforts were expanded to include an evaluation of three potential connections to the City of Adair Village water system. These evaluations showed that under all scenarios there is still a need for additional transmission capacity between Vine Street Water Treatment Plant and the Broadway Reservoir site to maximize the use of the reservoir. As a result, if the City of Albany is interested in protecting against a loss of supply to North Albany because of a failure of the existing line on the Lyons Street Bridge, an alternate solution to the third level connection proposed in Albany's CIP is to bore the required parallel transmission line under the Willamette River for added security. This likely represents the least cost option over the long term for protection against a failure of this line. These improvements, however, do not negate the benefits of Albany partnering with the City of Adair Village for long term water supply alternatives or the potential for Albany to serve Adair from the higher elevations in North Albany.

Many potential opportunities exist through a partnership with the City of Adair Village once their water right permit is secured. The City of Albany, and potentially the City of Millersburg, should work collaboratively with the City of Adair Village to help secure future water rights for the three communities, and potentially the region.

It is also important to note that all of the alternatives analysis assumed continued operation of the Vine Street Water Water Treatment Plant. Portions of this facility were constructed in 1912 and there are concerns regarding the long-term viability of this facility to meet the water quantity demands of a growing city and more stringent water quality requirements. Complicating future improvements to this facility is the historic designation for portions of the plant and the lack of space available for new treatment works. As discussed below, future evaluations considering potential interconnections with the City of Adair Village should also consider varying levels of water supply from the Vine Street Water Treatment Plant.

Recommendations

Based on the results summarized in this memo, staff has the following recommendations:

1. If Council is interested in learning more about a formalized coordinated effort for water resources, such as a water commission, staff should conduct further investigations and report the findings at a future Council work session.
2. Work collaboratively with the City of Millersburg and the City of Adair Village to justify water right needs to the Oregon Water Resources Department.

3. Initiate discussions with the City of Adair Village about the ability to provide water to their community through the construction of 1,500 feet of 12-inch line. Staff would need to conduct further investigations on operations of Albany's reservoirs and pump stations before committing to service.
4. Pursue negotiations with the City of Adair Village for assignment of a portion of their water rights to Albany.
5. Continue to monitor filling and draining activities at Broadway Reservoir.
6. Conduct more water quality sampling aimed towards evaluating Broadway Reservoir turnover concerns.
7. Conduct further evaluations on the transmission main between the Vine Street Water Treatment Plant and the Broadway Reservoir to identify the least cost solution. These evaluations should consider different water supply quantities from the City of Adair Village and the Vine Street Water Treatment Plant. Potential alternative solutions should not be limited to improvements only in the North Albany area. Consideration should be given to only partially filling Broadway Reservoir during low demand periods to protect against water quality concerns and minimize pipe improvements. This would have to be balanced against the ability to fill the reservoir by different sources, either Adair or Albany.

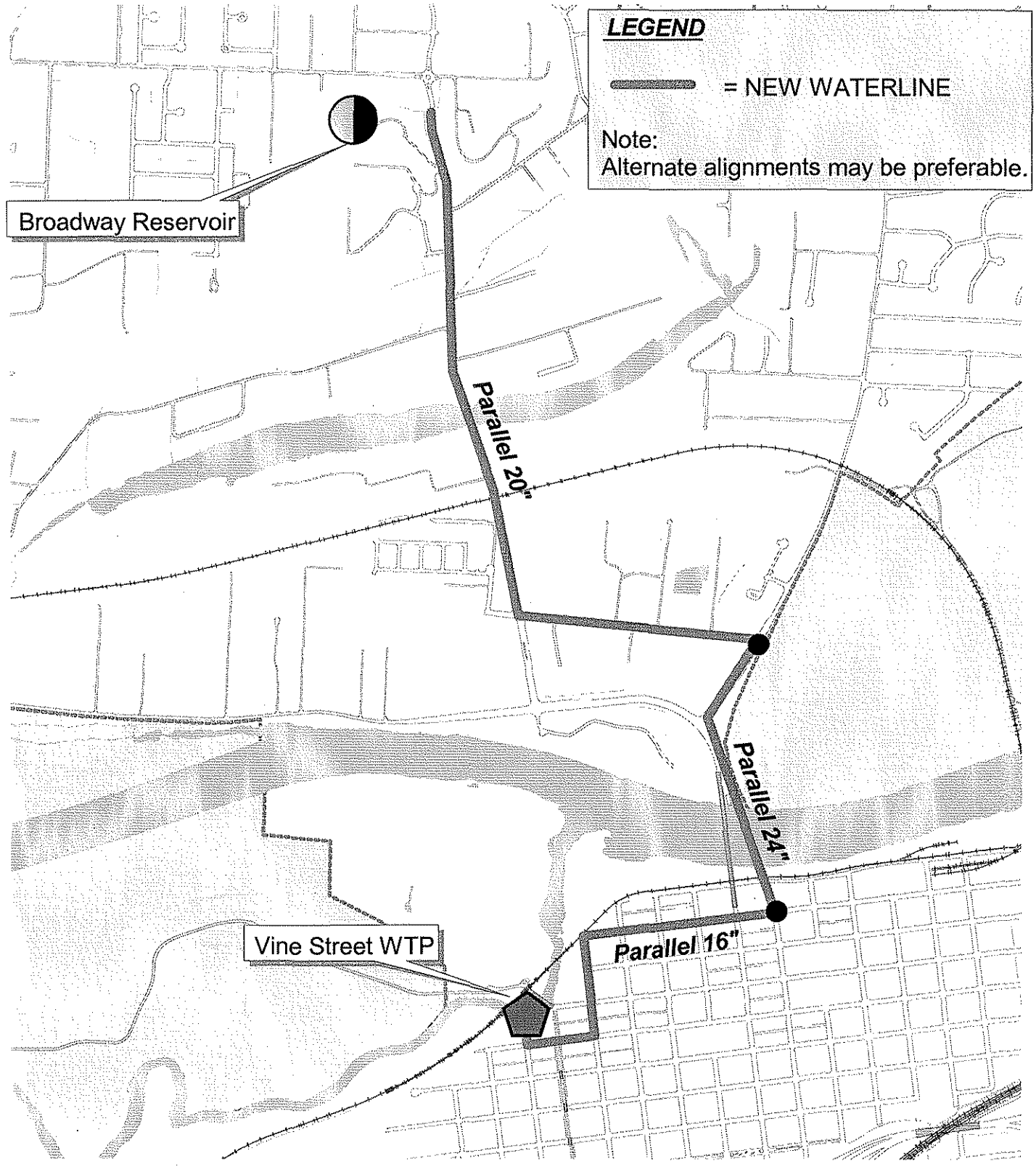
Budget Impact:

None.

JJB:prj

Attachments (5)

- c: Mike Wolski, Assistant Public Works Director/Operations Manager
Jim Young, Water Superintendent
Chris Goins, Engineering Associate
North Albany Neighborhood Association



Attachment A - Broadway Feed Line



1" = 1,200'

Engineering

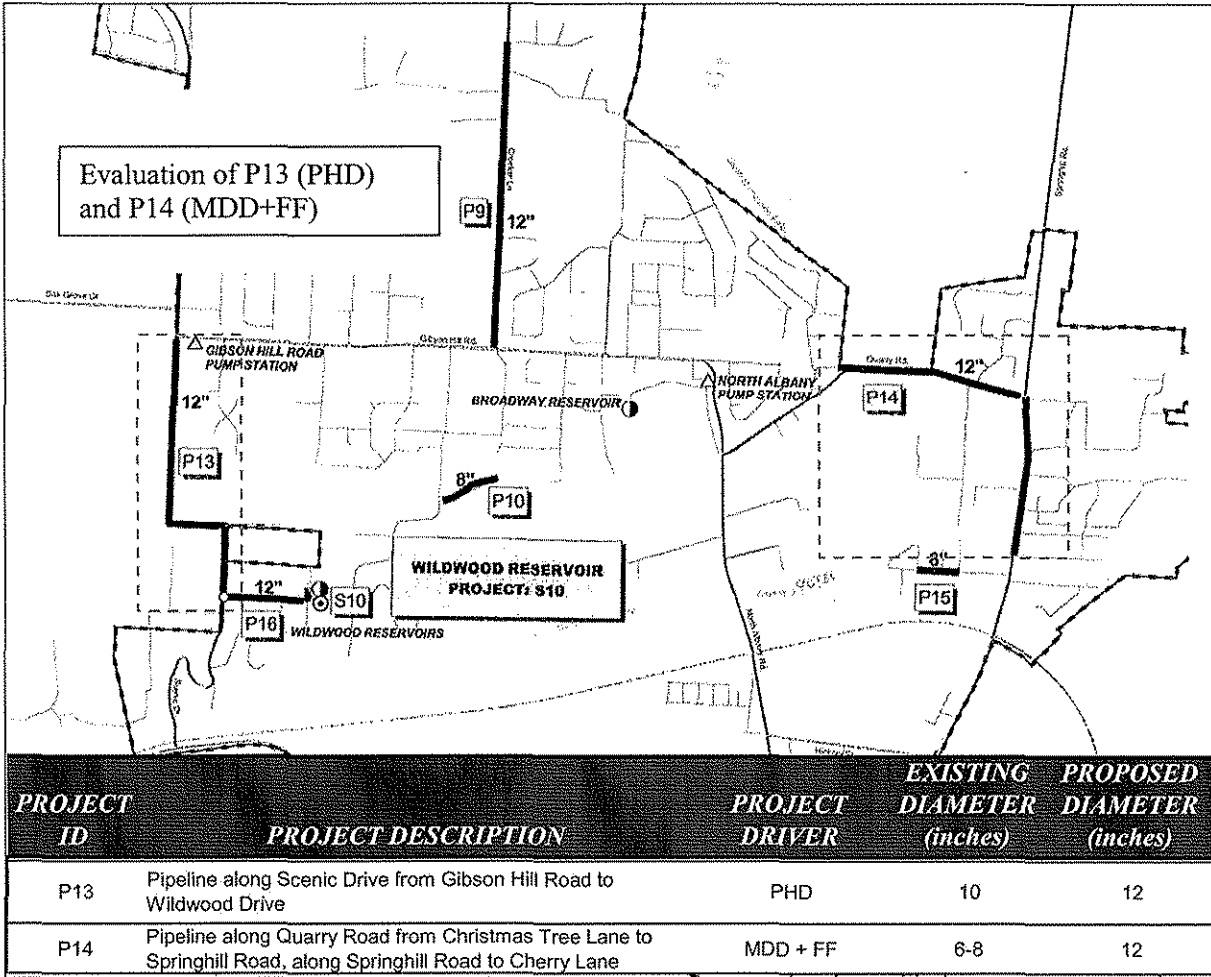
Aug 14, 2008

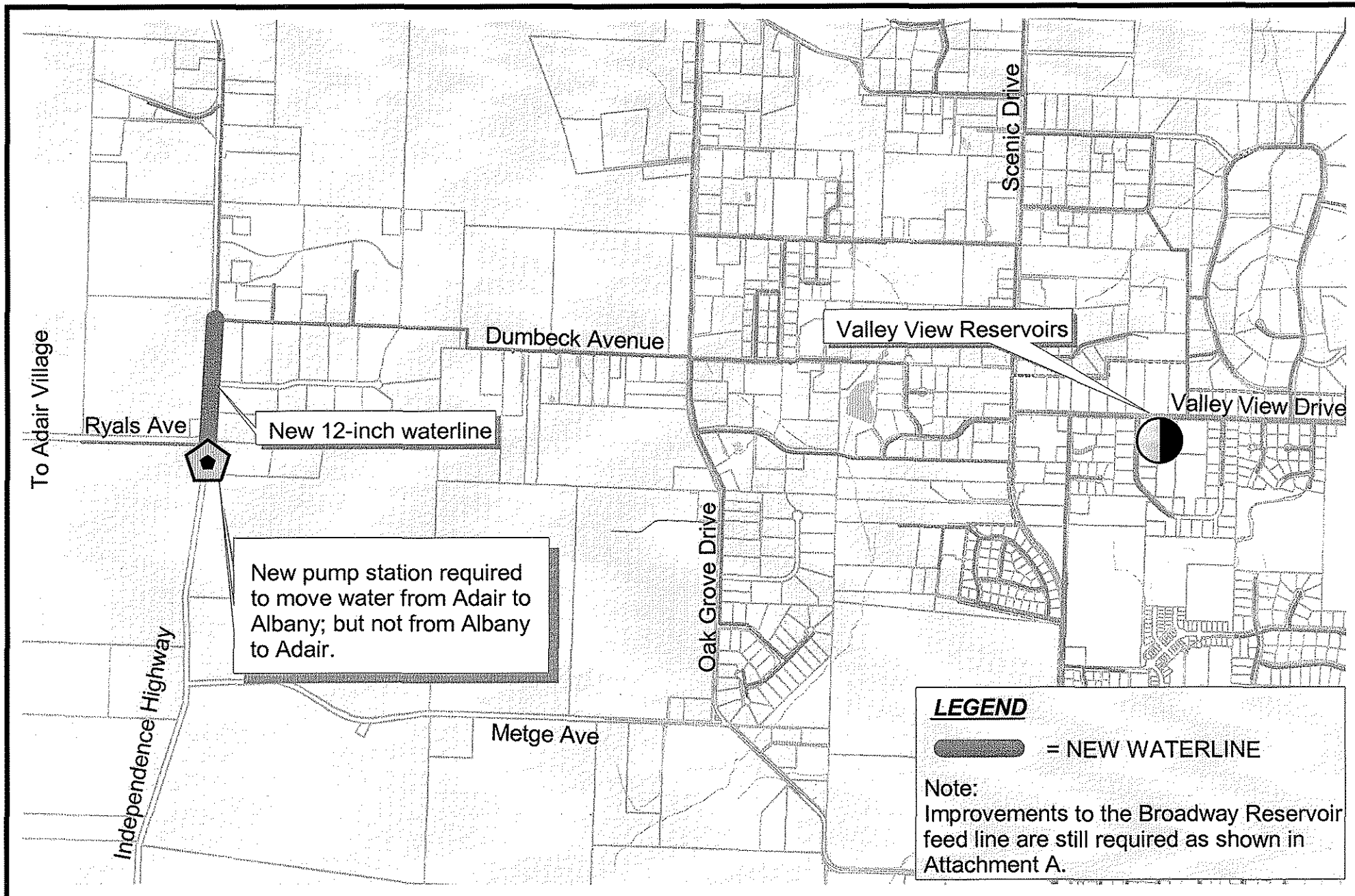
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The City of Albany's infrastructure records, drawings, and other documents have been gathered over many decades, using differing standards for quality control, documentation, and verification. All the information provided represents current information in a readily available format. While the information provided is generally believed to be accurate, occasionally this information proves to be incorrect, and thus its accuracy is not warranted. Prior to making any property purchases or other investments based in full or in part upon the information provided, it is specifically advised that you independently field verify the information contained within our records.



Attachment B: Water Facility Plan Projects P13 and P14 Not Required





Attachment C - Third Level Connection



Engineering

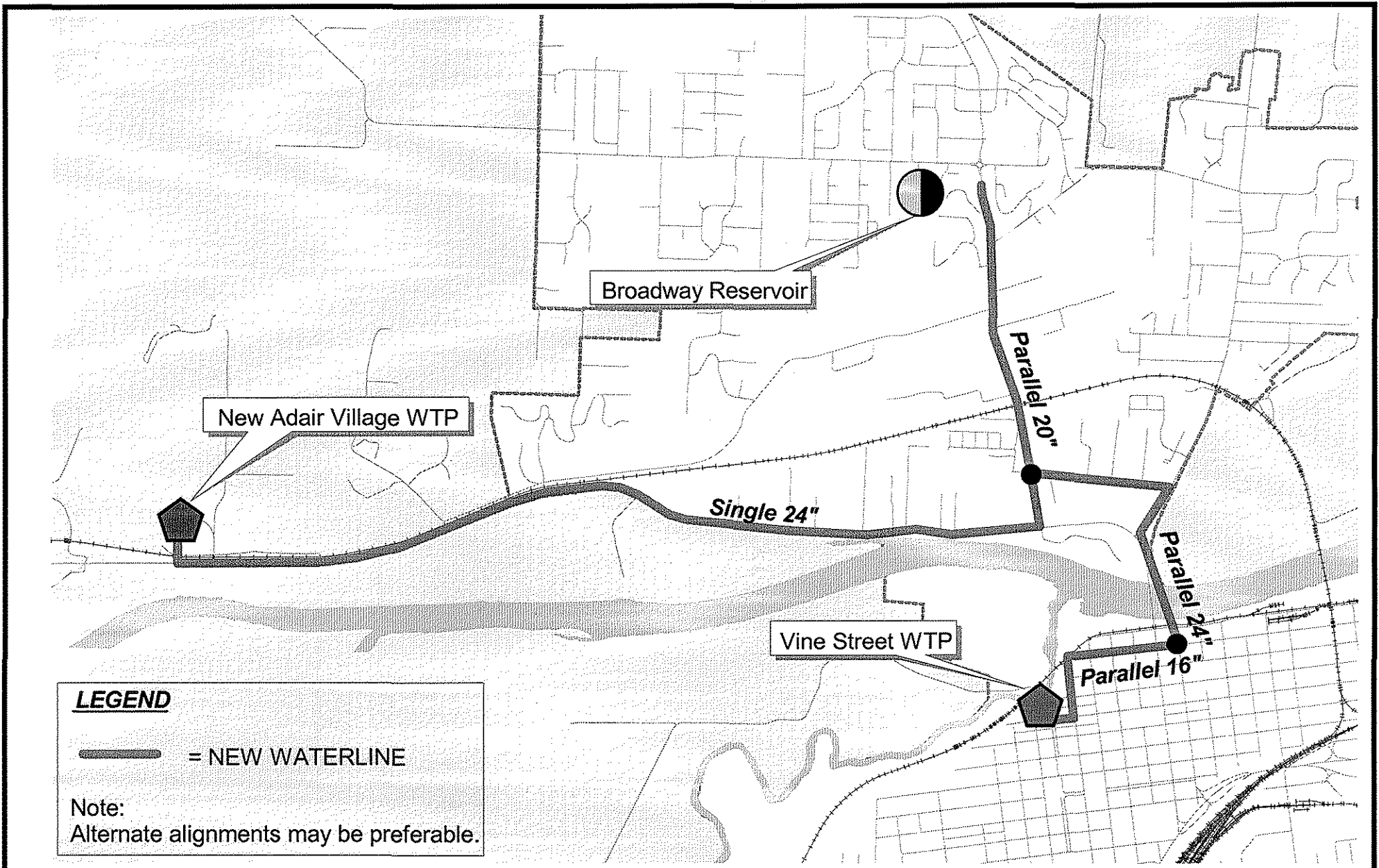
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Aug 14, 2008

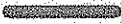
1" = 1,500'

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LEGEND

 = NEW WATERLINE

Note:
Alternate alignments may be preferable.

Attachment D - 8 MGD Adair Connection



1" = 2,000'

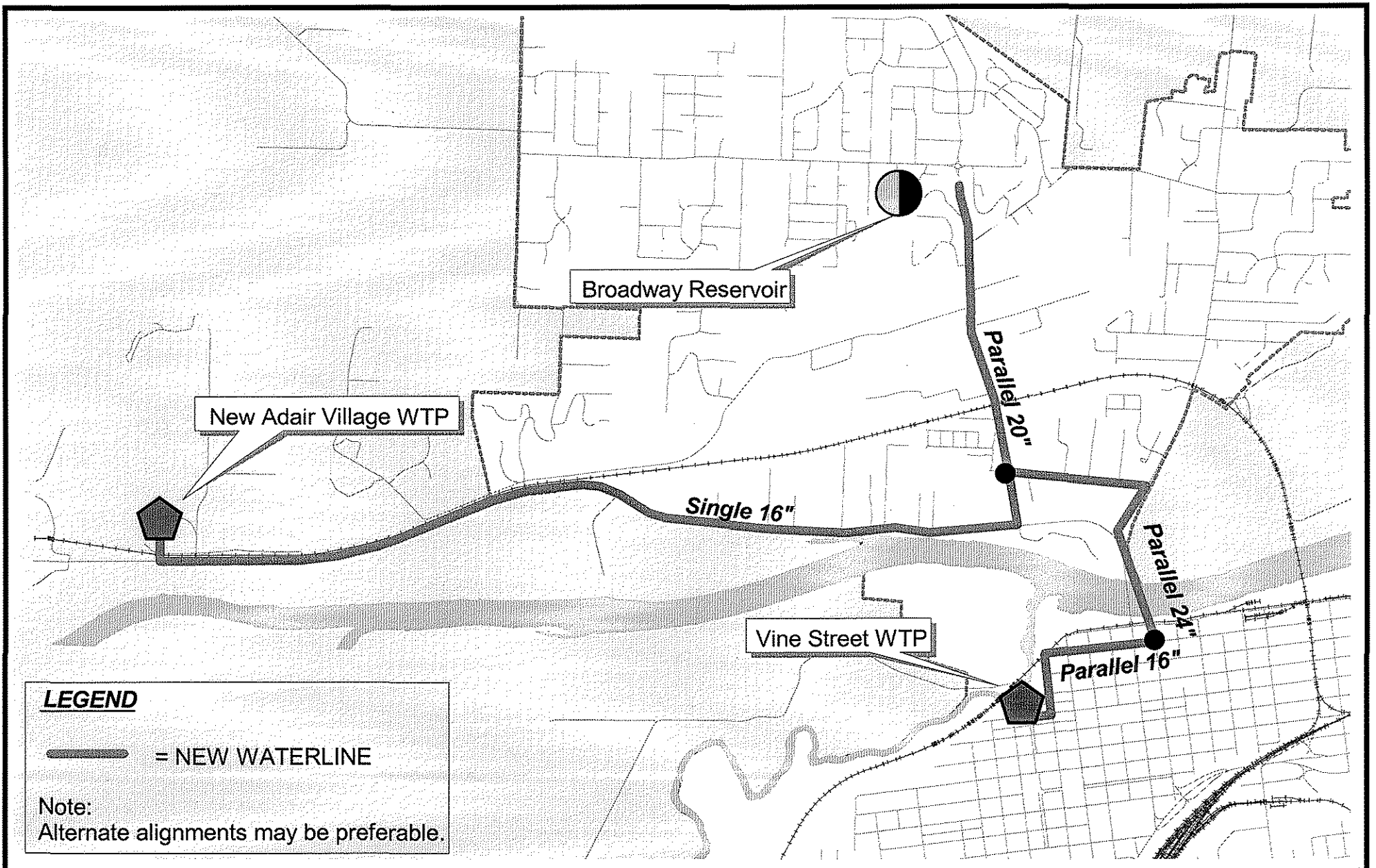
Engineering

Aug 14, 2008


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LEGEND

 = NEW WATERLINE

Note:
Alternate alignments may be preferable.

Attachment E - 4 MGD Adair Connection



Engineering

Aug 14, 2008

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1" = 2,000'

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TO: Albany City Council

VIA: Wes Hare, City Manager
Diane Taniguchi-Dennis, P.E., Public Works Director *DSTD*

FROM: Mark Shepard, P.E., Assistant Public Works Director / City Engineer *MWS*
Jeff Blaine, P.E., C.W.R.E., Assistant City Engineer *JB*

DATE: August 18, 2008, for the August 25, 2008, City Council Work Session

SUBJECT: Water Service Outside the Urban Growth Boundary

RELATES TO: • An Effective Government

Action Requested:

This memo is in response to the City Council's request for more information regarding properties receiving water service outside the urban growth boundary (UGB). Staff is seeking Council direction on the policy for the provision of water service outside the UGB.

Discussion:

At the July 23, 2007, Council work session the current policies and potential changes to those policies were discussed. This memo summarizes the discussion and provides additional information for Council to consider. Staff had hoped to provide a more expedited response but setbacks in finding a competent professional to perform the hydraulic modeling of the water system caused significant delays.

Current Policy

State rules allow cities to provide water service to customers outside the UGB. Therefore, the issue of providing water outside the UGB is a policy decision. The City's present policy is embodied both in the Comprehensive Plan and in Resolution No. 3363. The relevant Comprehensive Plan policy reads as follows: "For those properties located outside the Urban Growth Boundary, prohibit extension of water service except as provided by Albany City Council policy or resolution, or specific contracts." (A copy of the plan policy is attached.)

Resolution No. 3363 relates to service outside the UGB in North Albany. It states that: "No water line extensions shall be allowed outside the Albany city limits. Service shall be provided only to parcels immediately adjacent to existing water lines, as the parcel existed on July 1, 1991." In North Albany, the properties as they existed on July 1, 1991, are limited to one water service and cannot have further service in the event of subsequent partitions or subdivisions. (A copy of the resolution is attached.)

These existing policies prohibit the City from allowing water service extensions outside the UGB unless a specific action authorizing service is taken by the Albany City Council by policy, resolution, or contract. These policies exist to protect the City from potential adverse impacts created when water service is extended outside of the UGB. Water service to areas outside the UGB enables fringe development, and encourages urban sprawl. It also can lead to the inefficient provision of urban services. Because of the low density it takes more water mains to serve the properties. It also provides the property owners an urban service without being part of an urban area that contributes to the support of the City services with property taxes. Premature provision of urban services to property outside of the UGB also eliminates property owner incentives to

participate in subsequent UGB extensions or annexations, if and when the City's inventory of developable land warrants UGB expansion.

Recent Property Owner Requests for Water Service Outside the UGB

There have been several requests over the past five years for City water service outside the UGB. These individual property owner requests were first reviewed at the staff level. The requests have been approved or denied based on the specific requirements of Resolution No. 3363. The requests have been brought to City Council when the property owners ask to pursue an exception to the Resolution. A majority of the requests in the past five years have been associated with lots subdivided in North Albany by Dr. Kim Wood. All five lots he created have requested City water service due to problems with water quantity and water quality from the wells they installed on their individual properties. In addition, water quality concerns at the Albany Mennonite Church off of Century Drive caused the church to request connection to City water. Unlike in North Albany, there is no specific resolution to allow connections for the rest of the City fringe areas. There is a specific Linn County prohibition to allow such provision of service. All of these requests have come to the Albany City Council for discussion and decision.

The number of requests for water service outside the UGB has been fairly low to date and handled on a case-by-case basis. This is likely due to the fact that the City's current policy prohibits connection and most people have been discouraged to pursue connection to the City system if they did not meet policy guidelines for connection. A change in this policy could result in an increase in the number of people seeking to connect to the City's water system.

Discussion on the Current Policy

While there are prohibitions against extending sewer service outside the UGB, ORS 225.020 expressly authorizes a municipality that maintains a municipal water system to sell water outside of its municipal boundaries if it chooses. Therefore, Council has the discretion to alter its policies if it wishes. ORS 225.020 provides as follows:

"Authority of cities to acquire, own and operate utilities within and without city limits. (1) When the power to do so is conferred by or contained in its charter or act of incorporation, any city may build, own, operate and maintain waterworks, water systems, railways and railroads, electric light and power plants, within and without its boundaries for the benefit and use of its inhabitants and for profit. To that end it may: (a) Acquire water systems and use, sell and dispose of its water for domestic, recreational, industrial, and public use and for irrigation and other purposes within and without its boundaries..." (emphasis added).

Benefits of Allowing Water Service to Properties Outside the UGB

There are essentially two benefits for water sales outside the UGB. The first is it allows the Council to address humanitarian and public concerns when people need access to a safe, clean, and reliable drinking water source. Secondly, sale of water outside the UGB can provide additional income to the water utility. The City can also charge additional connection fees which enable the City to generate a higher return on the existing infrastructure investment. Practically speaking, this means the existing rate payers could benefit from the new revenue stream generated by new rate payers outside the UGB.

However, since densities outside the UGB are lower, the cost of service for properties outside the UGB will be higher than for properties inside the UGB. For example, most of the developable,

rural, residential land surrounding the UGB in North Albany is zoned for two-acre minimum parcels. If water lines are extended to serve these properties, a significant amount of pipe will be required on a per-customer basis because of the longer frontages to serve individual customers on larger parcels. Since these longer lines serve fewer customers than inside the UGB, the cost per customer is greater than per-customer costs within the UGB, potentially justifying differential water rates and higher connection fees to provide service to those customers.

Creating differential rates for customers outside the UGB in North Albany cannot be developed unilaterally by the City. Setting of rates would require a joint effort between the Albany City Council and the North Albany County Service District (NACSD) since the NACSD retains rate setting authority for these customers. The NACSD will retain this authority until a new agreement is negotiated or the NACSD is dissolved.

Challenges with Allowing Water Service Outside the UGB

There are several challenges with allowing water service outside of the UGB. The only current limitations on development in rural, residentially-zoned land are physical infrastructure limitations (lack of water) and county zoning restrictions. If the City eliminates the infrastructure constraint by providing water, the City will have to rely on county government to restrain rural growth. The City has no control over land use decisions made outside the UGB.

Benton County has shown a willingness to allow new rural residential development. This is evident in the recent developments by Dr. Kim Wood. The rural residential development patterns inherited by the City in North Albany are still a cause of substantial concern over uneven infrastructure extensions and inefficient development patterns.

However, service to properties in Linn County outside the UGB will be frustrated by a Linn County Comprehensive Plan Policy which reads as follows:

*“Public water and sewer systems may be established or extended in a rural residential area when the governing body determines that a health hazard exists pursuant to DEQ or Oregon Health Division procedures and criteria. A new or extended public water or sewer system is appropriate in the rural areas only when needed to protect the public health and safety. **Municipal water or waste disposal systems cannot be extended into a rural residential area unless the health hazard area is included within an Urban Growth Boundary**” (emphasis added).*

Benton County has not shown a desire to limit water service to properties outside of Albany's UGB. Therefore, unless either county changes its current regulation, it is likely the City would only be providing water to properties outside the UGB in Benton County. This could raise a perception of inequity among citizens.

Many municipalities in the state have water extension policies similar to Albany's current policy. For example, our neighboring cities of Corvallis and Lebanon do not allow new water extensions outside the city limits or urban growth boundary. Lebanon's policy can be found in their water "ordinance." Corvallis's policy is in their City Charter as well as in their Land Development Code. Albany's situation is complicated by the fact that it took over a consolidated water system consisting of several smaller water districts and included piping outside of the UGB.

Responses to Council Questions

At the July 23, 2007, Council work session, the City Council asked staff to gather additional information and bring the water service discussion back for further consideration. The following paragraphs identify Council's questions and provide staff's responses.

Questions 1 – What is the legal boundary of the NACSD?

The legal boundary of the NACSD is generally contiguous with Albany's urban growth boundary. However, there are deviations in some locations as can be seen on the attached map. Therefore, water customers outside the urban growth boundary are generally also outside the legal boundary of the NACSD. This, however, does not mean these customers are not part of the agreement with the NACSD regarding water service. These customers are addressed specifically in the intergovernmental agreement (IGA) between the NACSD and the City of Albany. The terms of the agreement are discussed further in Question 7 below.

Question 2 – How many properties does the City of Albany provide water service to outside the urban growth boundary in North Albany?

The City of Albany currently serves roughly 400 customers outside the urban growth boundary, all of which are in North Albany.

Question 3 – How many additional properties could connect under the current policy outlined in Resolution 3363?

Approximately 60 additional properties are eligible for one water service per the terms of Resolution 3363.

Question 4 – How many additional properties could be served if the City prohibited waterline extensions but allowed all adjacent properties to develop to their maximum density per current Benton County zoning designations?

Based on existing zoning in Benton County, a maximum of approximately 160 connections, in addition to the 60 identified in Question 3, could be served. However, this is a very rough estimate to establish a conservative maximum. The estimate is based on total acreage and does not account for future rights-of-way, site conditions such as wetlands, or the fact that newly created lots interior to the property will not be adjacent to the waterline and may be unable to connect.

Question 5 – Can the current pipe network support the additional connections should the conditions discussed in Question 4 be allowed?

The City retained CH2M-Hill to add this portion of the distribution system to the hydraulic model and conduct an evaluation. It was determined that if Council adopted a policy as described in Question 4, in general it would not have any impact on the level of service provided to the existing water customers in the area. This is important because the IGA with the NACSD says Albany will maintain its current level of service to the existing NACSD customers.

However, it is also important to note that hydraulic models with average demand assumptions are not necessarily the best tool to evaluate small diameter lines at the extreme ends of a water system. Because of this, CH2M-Hill recommends further evaluation of some of the 2-, 3-, and 4-inch waterlines that serve multiple customers. Regardless of the policy Council chooses to

codify, connections on some of these small lines should be limited until they are replaced with larger diameter waterlines. Further evaluations will identify these lines specifically.

In addition, CH2M-Hill also looked at providing fire flows to this area because it was unknown if expanding water service would come with the expectation to provide fire service. Consistent with the IGA between the City and the NACSD, the City does not currently provide fire flows to these customers. It was determined that the current system outside the urban growth boundary is simply incapable of providing standard residential fire flows. If the system were replaced to meet this requirement, water quality problems would likely develop from stagnant water because there would not be enough demand on a daily basis to keep fresh water moving into the system. Additional maintenance activities for flushing would need to occur.

Question 6 – How many irrevocable requests to annex does the City have for properties outside the urban growth boundary in North Albany?

The City of Albany currently has five irrevocable requests to annex for properties located outside the urban growth boundary. Three of the properties were added last summer as part of water service agreements for the Brown, Foss, and Sams families. The remaining two were also obtained through water service agreements. These two are the properties known as the Cohen and Scariano properties from the original subdivision completed by Dr. Kim Wood.

Question 7 – In general, what are the terms of the agreement for providing water service to customers that were previously served by the NACSD outside the urban growth boundary in North Albany? Can the City charge higher rates for customers receiving City water service outside the urban growth boundary?

The IGA between the NACSD and the City of Albany has several key requirements governing water service to customers outside the UGB. Specifically,

- The City shall be the sole supplier of water service for the North Albany Urban Growth Boundary, and to areas outside the boundary currently receiving water service from the District.
- The City shall provide, at a minimum, the water services provided by the NACSD on June 30, 1990. The City agrees to provide water service to all of the current water service customers of the District, including current customers located outside of the District and outside of the urban growth boundary.
- Rates will be set by the NACSD but will be raised and lowered consistent with the rates for City of Albany water customers.
- Upon annexation to the City of territory currently served by the District, customers in the annexed territory will be charged the same water rates paid by customers located within the City limits.

Based on these requirements, the City of Albany cannot charge differential rates for customers outside the UGB in North Albany without modifying the existing agreement. If the agreement were modified, it is unlikely there would be an agreement reached with the NACSD to raise rates significantly. One idea expressed last July was to create a rate that recovers expenses for City services these customers are perceived to receive, but do not pay for through City property taxes. These types of rates would not be tied to any cost to the utility for providing water service and may be subject to legal scrutiny. Additionally, there may be concerns about creating higher differential rates for long time NACSD customers that received water service prior to City involvement and have continued use under the protection of the existing IGA. To avoid these

concerns, but still capture additional revenue and/or discourage growth outside the UGB, Council could consider a significant connection fee for new customers outside the UGB. This concept is discussed later in this memo with other potential policies.

Questions 8 – What are the components of a water bill for customers outside the urban growth boundary in North Albany? What additional fees do these customers already pay that customers inside the urban growth boundary don't?

Customers outside the urban growth boundary in North Albany pay a base charge, volume charge, and low-income assistance charge similar to water customers inside the urban growth boundary; which was a goal of the City's Water Task Force and the request of the NACSD. In addition, these customers pay in-lieu of property tax charges for the 1984 purchase of City's water system from Pacific Power and Light and for a Farmers Home Administration loan through the NACSD. Water customers inside the urban growth boundary in North Albany pay their fair share of these costs through their property taxes.

Customers outside the urban growth boundary in North Albany pay an additional \$15.93 per month capital charge toward replacement of waterlines outside the urban growth boundary. An additional \$5 per month will be dedicated to this fund once the in-lieu of property tax charge for purchase of the water system from Pacific Power and Light is retired in 2009-10. The capital charge fluctuates annually based on the change in the Engineering News Record (ENR) index for Seattle.

Questions 9 – What does the intergovernmental agreement between the NACSD and the City of Albany say about dissolution of the District?

The IGA does not identify any target dates for dissolution of the NACSD. The NACSD must stay in force until their Farmers Home Administration loan is retired, which is anticipated to occur in Spring 2009. Staff plans to bring information back to council this winter regarding the dissolution process and seek further direction. In the past, the NACSD has expressed willingness to dissolve and transfer authority to the City of Albany. However, it is assumed the District will require as part of the transfer, the same conditions contained in the original IGA, and as identified in Question 7.

Potential Water Service Policies

Council will need to weigh the underlying perspectives and goals for the City in determining the policy direction for providing water to properties outside the UGB. If it is a goal to increase the water utility's customer base by providing broader access to water for citizens outside the UGB, and to increase income to pay for the costs of operating the utility, then it may make sense to allow expanded service outside the UGB under specific conditions and only where the customers pay the full cost of providing that service. However, if the goal is to protect current land use patterns and minimize growth outside, but on the fringe of, the City limits, the current policies should remain and only allow connections in extraordinary circumstances on a case-by-case basis.

Staff proposes two policies for Council consideration. Each option includes codifying the selected policy. Codifying the policy is preferred over a resolution because it strengthens staffs, and ultimately Council's, position when responding to water service requests. The two proposed policies are:

- 1) Codify the existing connection criteria as currently established in Resolution 3363.

- 2) Codify language to allow parcels outside the urban growth boundary and adjacent to an existing waterline one service connection and not limiting additional connections to parcels created through subdivisions or partitions.

Staff does not recommend extending public lines to serve new individual customers; primarily because of the amount of pipe necessary to serve rural sized parcels. However, staff would recommend the City continue to consider partnering opportunities with other cities and water districts to provide wholesale water services.

Under each of the potential policies, staff suggests that Council consider the following additional connection criteria.

1. Property owners must consent to annexation and UGB extensions.
2. Property owners must pay all customary SDCs and service and meter installation costs.
3. Property owners will be charged a special connection charge. Previous suggestions from Council were \$10,000. These funds could be dedicated to replacing pipes outside the urban growth boundary.
4. Water connections must meet current City standards.

Conclusions and Recommendations

Staff has proposed two policies and four additional criteria for Council to consider for providing water service to properties outside the urban growth boundary. The first policy would be to simply codify the language contained in Resolution 3363 while the second policy would allow one service for a parcel adjacent to an existing waterline and not be limited by further subdivisions or partitions. The obvious benefit to allowing additional connections is an increase in revenue. Some of the potential problems include:

- Inequities between Benton County and Linn County residents given the existing differences in policies (i.e., Linn County prohibits connection to City water).
- Inefficient development patterns.
- Reliance on county government to restrain rural growth.

Staff recommends some public outreach if Council chooses to include special connection fees or require annexation or UGB expansion agreements. Outreach is recommended to allow a grace period where people can connect under the existing policy and before the new policy would take effect. Additionally, staff recommends that Council authorize staff to initiate discussions with Benton County for the dissolution of the NACSD following final payment of the Farmers Home Administration lone next spring.

Budget Impact:

None.

JJB:prj

Attachments

- c: Greg Byrne, Community Development Director
Mike Wolski, Assistant Public Works Director/ Operations Manager
Jim Young, Water Superintendent
Chris Goins, Engineering Associate
North Albany Neighborhood Association

GOAL 11: PUBLIC FACILITIES AND SERVICES

WATER POLICIES AND IMPLEMENTATION METHODS

POLICIES

POLICIES:

1. Provide an adequate supply of water to meet projected demands based on the Comprehensive Plan land use designations and adopted population projections.
2. Maintain high standards of water quality and service levels for the community water system. Consideration shall be given to:
 - a. Long-range public facility planning as well as implementation of a five-year capital improvement program.
 - b. The adequacy and reliability of the water supply.
 - c. Maintenance of water quality in conformance with state and federal requirements.
 - d. The adequacy of the distribution system.
 - e. Construction and operational standards.
 - f. Ensuring protection of and accessibility to water lines, water supply, and other facilities.
3. Prohibit the construction of structures over public water lines and easements.
4. Review and regulate development proposals, in accordance with the Development Code, to ensure that adequate water service improvements shall be provided for the proposed development as well as to serve future land uses as identified in the Comprehensive Plan.
5. The availability of an alternate water supply does not relieve a property owner from the responsibility of participating in a local improvement district or other financing method for public water distribution regardless of whether the property connects to the system.
6. Develop and periodically review and adjust funding mechanisms and rate structures to ensure adequate revenues for operation, maintenance, and expansion of the system.
7. Developments requiring the extension or expansion of water facilities will be required to pay an equitable share of the costs.
8. Rely on the Water Facility Plan and Capital Improvement Plan to assist in prioritizing extension of water service lines and correction of system deficiencies to ensure that the provision of water services is occurring in an equitable and logical fashion.
9. For those properties located outside the City limits but within the Urban Growth Boundary, require annexation or consent to annex agreements prior to receiving water service.
10. For those properties located outside the Urban Growth Boundary, prohibit extension of water service except as provided by Albany City Council policy or resolution, or specific contracts.
11. Regularly update the Water Facility Plan as part of the Public Facilities Plan. The Water Facility Plan shall be used as the primary guide for setting of priorities for the expansion, improvement, or modification of the water system.
12. Coordinate with other local jurisdictions and state and federal agencies to ensure a safe water supply.

RESOLUTION NO. 3363

WHEREAS, the City of Albany has assumed responsibility for the operation of the water system in North Albany formerly operated by the North Albany County Service District; and

WHEREAS, the water system in North Albany includes water mains outside the Albany city limits; and

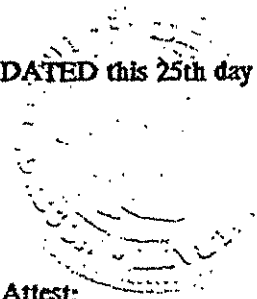
WHEREAS, a connection policy is required to address requests for water service outside the city limits.


NOW, THEREFORE, BE IT RESOLVED that the connection policy outside the Albany city limits in the North Albany area shall be as follows:

1. No waterline extensions shall be allowed outside the Albany city limits.
2. Service shall be provided only to parcels immediately adjacent to existing waterlines, as the parcel existed on July 1, 1991.
3. One 3/4-inch water meter connection may be allowed for each unserved property adjacent to an existing waterline, as the parcel existed on July 1, 1991.
4. In the event of the partitioning of land, additional 3/4-inch meter connections may be allowed provided the applicant is able to present multiple unused water shares that were not extinguished, invalidated, or acquired by the North Albany County Service District, from one of the non-profit corporate entities that predated the North Albany County Service District. The water shares must be for property that is owned or was formerly owned by the original grantee of the share and which was owned by the applicant on November 17, 1993. Multiple shares are required for connections in excess of that allowed without water shares. For example, two shares are required for one additional connection, and three shares are required for two additional connections. No new parcel, for which a water connection is granted pursuant to this policy, shall be eligible for additional connections upon subsequent partitioning or subdividing.
5. A connection may be made only if the City is satisfied the requested connection, by itself or cumulatively with others, will not degrade water service to any existing water customer, either inside or outside the city limits, or to any future water customer inside the city limits, below minimum standards necessary for domestic and fire safety purposes.

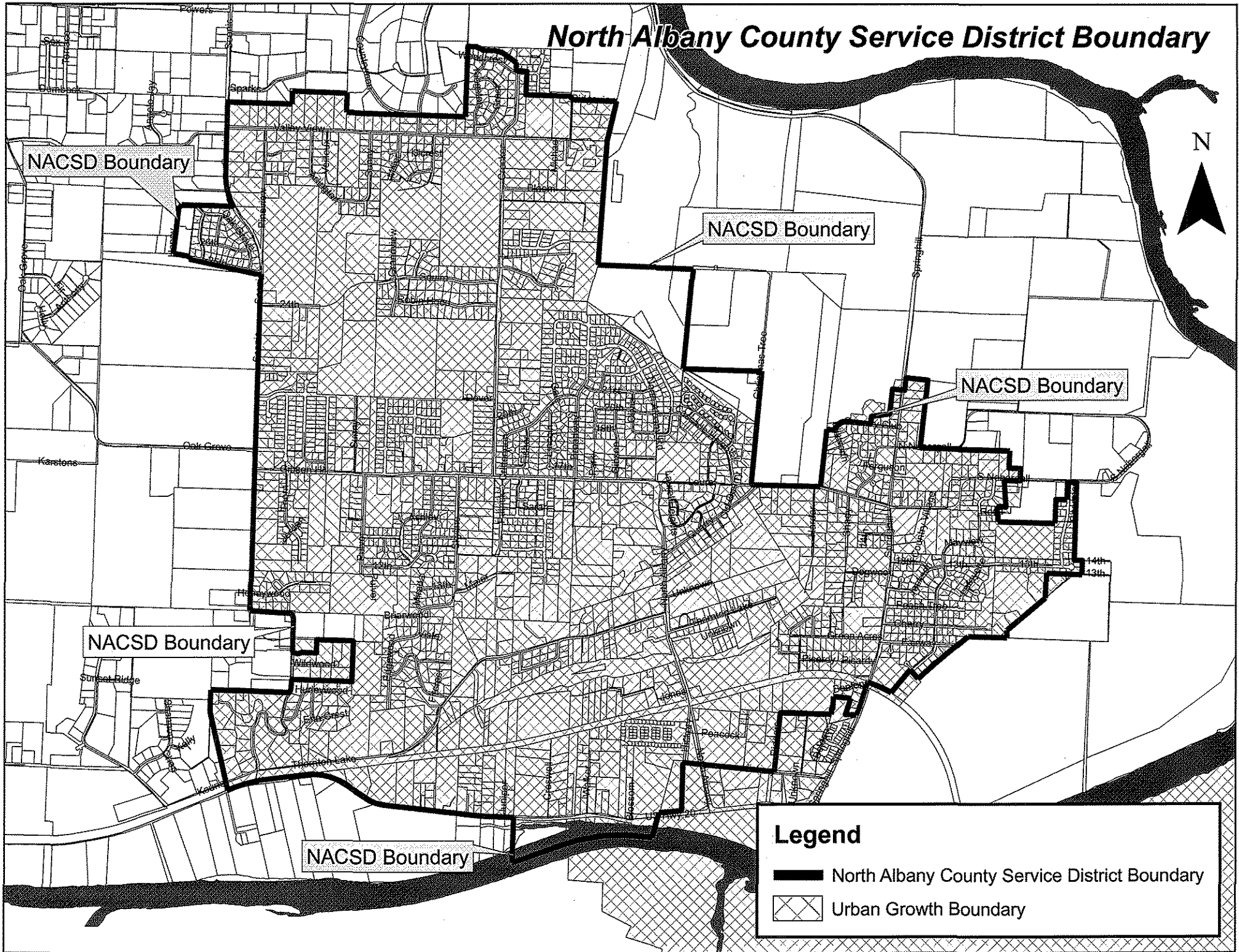
DATED this 25th day of May 1994.

Attest:


Norm C. Withrow
Deputy City Recorder


Mayor

North Albany County Service District Boundary



NACSD Boundary


NACSD Boundary

NACSD Boundary

NACSD Boundary

NACSD Boundary

Legend

 North Albany County Service District Boundary

 Urban Growth Boundary