

CITY OF ALBANY
CITY COUNCIL (WORK SESSION)
Municipal Court Room
Monday, July 6, 2009
4:00 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 4:00 p.m.

ROLL CALL

Councilors present: Councilors Bill Coburn, Floyd Collins, Dick Olsen, Jeff Christman, Bessie Johnson, and Ralph Reid, Jr.

Councilors absent: None.

BUSINESS FROM THE PUBLIC

John Pascone, Director of Albany-Millersburg Economic Development Corporation (AMEDC), asked the Council to support the Lochner Road water transmission line. There is a lot of empty industrial land that would benefit from the loop being completed.

ALLIED WASTE RATES AND SERVICE ADJUSTMENT REQUEST

Operations Manager Kevin Hines said he is providing follow-up to the June 8, 2009, presentation of Allied Waste's (AW) rate increase. At that meeting the Council asked AW to consider other service options to lower the proposed rate increase. Hines said in March 2008, AW introduced the new co-mingle program along with separate glass collection. Since then the recycling tonnage has increased by 150 tons per month, with 79% of residents participating. The program is working very well and is successfully diverting several tons from the landfill into the recycling stream.

Hines said a primary reason for the rate adjustment is that customers have been downsizing cart size since the implementation of the co-mingle program. AW anticipated this could happen, but did not realize how widespread participation would become. Customers are also downsizing their carts for economic reasons. AW had hoped to have glass added to curbside service in 6-12 months but it seems it will not happen for awhile because the recycling processors are unwilling to invest in the capital improvements and equipment necessary to separate the glass from the recycle stream.

Additionally, Hines explained, commodity prices have plummeted over the last eight months from \$77 per ton for co-mingled, to the point that AW must now pay to get rid of it. This is true for cardboard, which AW used to be paid \$150 per ton and now it costs \$8 per ton to dispose of. There is no indication that it will improve because the market is saturated with inventory.

Hines described steps AW has taken to manage their costs. They converted 80% of drivers to four – ten hour day schedules in order to not run a truck on a fifth day; certain routes were rerouted to cut down on labor costs; three different residential routes were refined due to boundary changes because the small cans allow for more waste to be hauled in the truck; and 2-3 vacant positions were not filled. He agreed that this is a difficult economy.

Referring to the data provided by AW at previous work sessions, Councilor Floyd Collins recalled that the Council asked AW to break down the line item for management salaries. Collins said, AW has not yet provided that information. General Manager Dave Hauser said that information is listed under salaries, general and administration. He explained that two-thirds is capital costs that AW borrows at 8%, and the other third is for support from the other two offices (which includes safety, computer hardware/software, insurance and risk services, medical benefits, training, development, taxes, accounting, and legal). The business expenses represent what is purchased from the corporate office. The increase of \$40,000 is to help pay for the loan used to purchase trucks and carts for the co-mingle program.

Collins asked, did AW locate an indexing for the costs from their service providers? Hauser said he tried, but the vendors were not able to provide them. He said, no one will put it in a contract for AW so AW is unable to make those projections.

Hauser reviewed the options as outlined in the attachment to the agenda.

Collins said, he has heard from his constituents that they do not fill their co-mingle container every week and would prefer it to be picked up every other week. To that comment, some Councilors and staff reported that they do fill their carts weekly. Discussion followed. AW does not recommend it be picked up every other week, although they did provide it as an option.

Councilor Jeff Christman asked, what happens to the co-mingled items? Hauser said all the fiber goes to a paper plant in Newberg and the aluminum and plastic are sold. Generally markets across the whole west coast are down. Preparation for the Olympics in Beijing, China, is what drove the prices; and now that they are done, recyclables are back to a domestic market.

Councilor Bessie Johnson asked, if AW stops taking glass, will it end up in the regular garbage stream? Hauser said yes, that is likely.

Johnson asked, has AW found a market for plastic bags? Hauser said the bags become entangled in the automated equipment and they get caught in the gears, so the recyclers won't take them and there is no other market for them. Hines said, customers can take their plastic bags to the recycle depot in Albany.

Hines discussed the service package AW provides to Corvallis. He said it is possible to do the same in Albany but it can be confusing for customers.

Collins said the feedback he is getting is that the rate increase should be either zero or a minimal increase; and if AW offers reductions in service, the Council should accept them. Collins said, based on AW's last report of a 3.23% annual increase, they should consider a figure between zero and 3.23% for residential; retain industrial and commercial rates status quo; and add leaf pick up service for 21 cents per customer. Rates could be further reduced by using options 1.A) or 1.B) as outlined in the staff report. Collins said, AW would still have a net increase to their revenue.

Collins said the community is asking, why should AW be guaranteed a profit and high rate of return when everyone else is cutting back? The rate of return in a bad economy should be low. AW is a monopoly.

Councilor Bill Coburn said he is not comfortable with the Council trying to tell AW how to run their business, because the Council does not have the necessary experience. He said a month ago he didn't think the numbers presented by AW were unreasonable; the problem is, Councilors are getting phone calls asking how AW can consider raising the rates in this economy. Coburn said his business has had to make cuts, too, but because AW is a monopoly he feels the Council's hands are tied.

Hauser said he wishes AW's franchise agreement with the City was more specific. For example, other agreements he has worked with had scheduled increases based on the CIP plus 3%. That structure is much easier to work with than trying to make all these projections.

AW and staff will meet to evaluate Collin's suggestion and to prepare proposed rates for the July 8, 2009, Council meeting.

LOCHNER ROAD WATER TRANSMISSION LINE

Assistant City Engineer Jeff Blaine said staff has been working with SnoTemp on expansion plans and has identified inadequate fire flows to support the expansion. One option for correcting the problem is to construct the 2,300 foot water transmission line on Lochner Road, which is currently shown as unfunded and development driven in the Capital Improvement Program (CIP). If this project is constructed, the necessary fire flows would be available.

Blaine said the second option is for SnoTemp to build a very long, private, 16" line from the north side of their property to the south, creating a private "looped" system. This is not the preferred solution because it is a significant expense for a temporary solution.

Blaine reviewed the potential funding strategy in the staff report.

Konopa asked, how much of the \$570,000 would actually pay for the 8" portion if it were separated out, in the same way costs are separated out for 8" water lines in subdivisions? Blaine described how the oversizing costs are usually passed on. Konopa asked, how is it charged with any new development? Blaine said that once there is construction on the other side of the street, they too are charged a connection fee.

Public Works Director Diane Taniguchi-Dennis said that generally the three options are: System Development Charges (SDCs), a Local Improvement District (LID), or for the City to pay up front and being reimbursed. In this case, staff is suggesting the City pay up front for improvements, acting as bank, and then be reimbursed as the properties develop. By treating it as a City project, SnoTemp is being treated the same whereas if we did an LID, they would potentially pay more. This seems to be the fairest way to stimulate development and to build the right size water main. It seems to be the best use of everyone's capital.

Collins said, it also helps National Frozen Foods. He sees this as a broad-base community improvement.

Coburn does not like the idea of private water line. He asked, who maintains it if it breaks? He asked, does staff anticipate bids coming in lower due to a competitive economy? Blaine said yes, there is that chance.

Collins thinks we should proceed and if there are any savings, they should be directed to SDC-r funds and the water economic development funds.

DIRECTION: The Council concurred to have staff proceed with construction of the Lochner Road water transmission line.

REVIEW OF CITY STRATEGIC PLAN

City Manager Wes Hare said that he considers the draft of the Strategic Plan (SP) document (see agenda file) as the beginning of the budget process for the year ahead. The SP talks about what is important to Albany and what the focus should be over the course of the next year. It has been modified to make it more precise, more measurable, and to better communicate with staff, the Council, and the community.

Hare said there are some issues not yet addressed that relate to the SP. First of all, the declining rate of increase - or perhaps the decrease - in revenues. The main impact is to the General Fund, but not exclusively. There is uncertainty around property taxes, with unknown rates of collection. Franchise fees are trending downward and salary and benefits, which are bound by contractual obligations, will increase. Hare imposed a freeze to cost-of-living-adjustments (COLAs) for non bargainers until January 2010, and negotiations commence in the spring with unions. Police and Fire have unmet facility needs. The Water Treatment Plant (WTP) is on schedule so far, but it will have an impact on sewer and other areas since it imposes a hardship on payers. Albany must also address stormwater; there is uncertainty about the level of improvements necessary and their timing. Albany's streets are already in poor shape, are chronically underfunded, and will only get worse. Utility rates are scheduled for increases despite a difficult economy. Also legal costs for SVC (Pepsi-Co) litigation continue, in addition to the staff time involved in other litigations.

Hare said, on a positive note, the development of the BEST program has identified ways to reduce costs and to get more value from the dollars spent. The SP and Dashboard are examples, and there are other projects underway.

Hare said economic development is also an area where future funding is uncertain.

Hare said it is important to staff that as a guiding document, the SP expresses the will of the Council. Staff tried to avoid a "list" concept.

Parks & Recreation Director Ed Hodney explained that when needs are prioritized, services such as Parks & Recreation typically fall below a certain threshold. In a tight economy social services are at risk because possibilities for being creative and finding different approaches for services can be overlooked.

Hare said that Library, Senior Services, and Transit would also fall off the list in the same manner.

Konopa likes how the objectives are narrowed in the SP. She agrees with Hodney that certain departments would fall below the threshold on a list, which is not fair. In the past the Council made lists during all day work sessions, yet only one or two goals were actually achievable. She prefers this format.

Councilor Ralph Reid distributed a document from Jack Casper (see agenda file) which had an email on one side and a property listing for 1050 Price Road SE on the other. The owner of the property on the south end of the Airport has agreed to donate the land to the City if the City pays for an appraisal in the amount identified in the letter. The owner's goal is to use the donation as a tax write-off. Collins said, this is an example of an opportunity that is not in the SP, but that the Council should take advantage of. Reid needs Council consensus to get an appraisal. He said he spoke to Fire Chief John Bradner and learned that this property would work nicely for Fire Department accessibility. The property would help to maintain a clear zone at the end of the runway and with a new surface, it could provide access to motels and restaurants.

Taniguchi-Dennis agrees that this property is a good example of an opportunity that would not have appeared in the SP, yet we recognize it is an immediate priority.

Staff will prepare this item to be presented at the July 8, 2009, City Council meeting.

Management Systems Director Bob Woods clarified that the items in the SP are goals staff determined can actually be accomplished.

Hare noted that if the economy changes dramatically, we may have to revise the goals but staff's desire is for the Council to review the SP to verify that they are in agreement with the goals at this time. We can identify a priority process as well; not necessarily a list, but rather direction for staff to bring items to the Council.

The Council discussed if they should, or how to, prioritize the SP; how much the current economy should play into the prioritization process; and the appropriate time of the year to review and/or prioritize the SP.

Reid is bothered that economic development has been written out of the SP. Hare said that much of those activities are in the Central Albany Revitalization Area (CARA) Funds. Many are project-driven, along with some smaller projects Hare is working on. Reid said, but CARA is not pursuing other economic development areas such as family wage jobs. Hare described other ways the City contributes to economic development, especially though AMEDC and tourism activities. However, if the Council agrees that more should be done towards economic development, then they could give that direction to staff.

Councilor Dick Olsen asked, how many new employees does the SP call for? Hare said the goal is to sustain current levels of service. Woods said the new national methodology and what is included in the SP, are benchmarks for FTEs per 1,000 residents. The correct ratio is based on population growth. Staff has not yet, but could apply the benchmarks to Albany's data for the Council.

Johnson thinks the Council should finish the SP review now, but it should be reviewed again in January before the budget process begins. She will want to know what the department's needs are at that time.

Collins commented that the SP works in association with the five-year projection spreadsheet provided by Finance Director Stewart Taylor.

The Council will continue review of the SP at a future work session. It will be adopted in August and then reviewed again in January, as requested by the Council. Taylor wants the SP to be part of the adopted budget which goes to print in September.

Olsen would like to know the costs associated with the projects in the SP as well as Albany's bonding authority.

COUNCILOR COMMENTS

Coburn said he is struggling with AW's request for a rate increase. He would like to see AW's franchise agreements with other cities and is curious if AW has any competition in this area. Other agreements may have rates tied to the CPI. He thinks Collins' suggestion would work in the short-term, but it doesn't fix the methodology. Discussion followed.

Olsen asked if Finance can create a form for rate increase requests from franchisees. The completed form could be included in the City's contracts. Taylor agreed a standardized form would make it much easier to evaluate their financial information because it would in be a format recognizable to staff and the Council.

Taylor suggested that large grant recipients be required to have an audit. Konopa noted that audits can be expensive and cause a hardship for non-profits. Instead, she suggested using a Council liaison to review the budgets of non-profits. Discussion followed.

Konopa said the Summerfest event put on a great fireworks show. She asked to send them a thank-you note on behalf of the Council and the Council concurred.

CITY MANAGER REPORT

There was not report from the City Manager.

ADJOURNMENT

There being no other business, the Work Session adjourned at 6:24 p.m.

Respectfully submitted,

Mary Dibble, MMC
Deputy City Clerk

Reviewed by,

Stewart Taylor
Finance Director