

CITY OF ALBANY
CITY COUNCIL
Special Meeting
Council Chambers
Monday, August 23, 2010
7:15 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 7:15 p.m.

PLEDGE OF ALLEGIANCE TO THE FLAG

ROLL CALL

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

Councilors absent: None.

SCHEDULED BUSINESS

Business from the Public

There was no business from the public.

PepsiCo Settlement Allocation

Konopa said the Council has narrowed the categories down to five: City funds reimbursement, economic development, capital projects, reduction of debt, and loans.

Konopa said the only money pledged so far was for the East Thornton Lake Natural Area (ETLNA) in North Albany.

Councilor Bill Coburn said he does not support using an Urban Renewal District (URD) or Local Improvement Districts (LIDs) as a mechanism for earning interest on loans. There are banks that will do that, so he prefers to leave it to the banks.

Councilor Dick Olsen said there was a time when the City made bonds available for the local community to invest in. City Manager Wes Hare said that local people could choose to purchase an issue but it would be difficult for the City to get the same rate if we were to offer them to local people first.

Councilor Floyd Collins said there was a time that you could reserve a portion of a Certificate of Participation (COP) to be available to the public, but the risk is if there aren't any takers. Staff confirmed that is a risk.

Collins said, the five categories seem to match closely what Councilor Jeff Christman suggested and also seem to align what the Council's objectives were. He thinks there could be many more meetings and still no resolution from the Council on exactly what to use the money for. He supports identifying the categories and letting this Council and future Councils work within those parameters.

Coburn said he wants to put the Police Station back on the table. He understands the strategy of using LIDs and a URD to earn interest to fund part of the Police Station and then asking the voters for the rest, but the problem is what if the voters say no? Or, the Council could choose to build a Police Station right now, at no cost to the tax payers. The public might ask, well if you had the money in 2010 why didn't you build it then instead of coming to the voters and asking for more money? On the other hand, \$9 million is a big chunk. He is generally in favor of the other pieces, such as economic development and reimbursing City funds.

City Manager Wes Hare said in some cases the litigation funds came from capital budgets and those were projects that were already scheduled and in the Capital Improvement Program (CIP). The Council could reimburse them and the practical effect would not be much.

Coburn said he agrees with Collins that the Council could have a month's worth of meetings and still not come to a resolution. He asked, for the Police Station the question is, should they allocate half now and let the voters approve the other half later.

Konopa said that Finance Director Stewart Taylor's original plan provided for a Police Station. Her plan took Taylor's plan and added \$2 million each year for economic development. That would allow six years to fund the Fire Station and year-one would be for the Police Station. There would always be money designated for economic development. The longer this Council puts off approving a specific plan, the less likely future Councils will stick to their intent. There are no guarantees. She said, this Council might have the best intentions but can't bind future Councils.

Hare spoke to a successful local business person about the concept of economic development. He asked the business person what they would suggest the City do if they had an economic development fund. He replied that the City should be putting the money in a rainy day fund until they really need it; and then when they really need it, they wouldn't have to ask his input for what to do. Hare said, we have financing tools available for economic development and it is rare that a project is untenable because local government can't come up with the resources. Even with PepsiCo there was an extraordinary barrier with the required overpass, but nonetheless they were able to come up with a financing plan in the form of an URD. Hare said the business person asked, if economic funds were used to grant additional jobs, what would happen when the market falls? He said he is in the business of creating demand, not jobs; and the City can't create demand for him.

Christman said the last plan hinged on doing either the Police Department or the loans now, but not both. He agrees that that decision needs to be made first, and then the Council can move on to the other pieces. Discussion followed.

Collins said he fully supports the emergency services employees and acknowledges the need to expand those services in the future, but at this point in time he does not support spending \$9 million on a Police Station so that 95 employees are more comfortable, when it does not provide a measurable increase in services. Konopa asked, if we don't build, what will the cost of expanding the current station be?

Police Chief Ed Boyd said he doesn't know if it is appropriate for him to weigh in on the evaluation of comfort versus service since that is a Council decision. As to the cost of building in the future, he said there is a cost for staying where they are. The HVAC system has limped along, in hopes they could get something new. If they do not get a new building and they need to finally repair it, the cost is \$200,000. To stay in their current location any length of time will require expanding the modulars, perhaps doubling the number, to allow employees enough room to operate. Boyd said that during a shift change there are 15 employees working out of a tiny locker room and it is ridiculous. A quick estimate would be that it would take \$2-2.5 million to stay there for another 7-10 years. Boyd said Linn County will be going out to voters for \$15 million to build a Veteran's home in two years and there may be a bond levy for streets; so there is no reasonable expectation that voters will approve a Police Station in the next seven years. If the Council chooses not to fund a new building now, then they have no choice but to expand where they are. In other words, it will cost to stay.

Coburn pointed out that the Council has not discussed the Fire Station yet. Perhaps at some point they would go to the voters for that. As a tax payer, he would ask, what happened to the \$18 million the City had in 2010?

Christman said the public safety facilities were the hardest for him to reconcile. He thinks waiting makes sense in the long run because at the end of the ten year period there would be \$4 million left in a capital improvement fund that could pay for a Fire Station. Also in year one, the property could be purchased.

Coburn asked Fire Chief John Bradner what the cost for the Fire Station would be. Bradner said \$6 million, plus \$1 million in the first year.

Boyd said the cost to delay construction for four years, based on the current 5.85 percent increase used in the Engineering News Record (ENR), which would add about \$600,000 for the same thing.

Collins said in his opinion, this is a major facility and the voters should have a say.

Collins said he and Olsen discussed putting the URD in place in hopes that the PepsiCo property will sell, and using part of the PepsiCo money to make the initial loan. Then if the property sells, the City gets another \$5 million. Having economic development funds as unspecified provides this and future Councils flexibility to respond to the job market.

Olsen agreed with Collins. He said he also talked to a Linn County Commissioner about a potential prison facility in Albany. The Commissioner said the state and federal government wants Linn County to either fortify the Court House or have a justice center that is more secure. The County is thinking about doing that on Jackson Street across from the jail. If there were construction out there the jail could be expanded as well as the Police Station. He thinks that option should be pursued before we build a Police Station at another location. Also, staff has said that the future looks bleak in terms of revenues covering personnel costs. He thinks they need to be more careful with these resources than to spend half on a facility.

Konopa asked Boyd to speak to the Justice Center concept. Boyd said he has not talked to the Commissioner. As Boyd has said before, the concept is great in theory, though personally he does not believe anything like that will happen in the near future. The County will be asking for \$15 million for a Veteran's Center, and then the City will be asking voters to approve the public safety levy and possibly a bond for streets. He doubts very much the voters would approve additional millions that it would take for a Justice Center. He doesn't think it will actually happen.

Coburn thinks City Attorney Jim Delapoer's original idea to complete the overpass makes a lot of sense but it is a big gamble. Collins idea is on a smaller scale but Coburn said he has concerns there also. He asked, if we don't build a Police Station and instead go to the voters and they say no, what is Plan B? We would then have two problems: an inadequate Police Station and a failing Fire Station.

Collins said if they go to vote in 2016 they would have \$5.7 million on hand, so the voters would only have to approve the difference. If they say no, then the City can use reserves of \$4 million at the end of the ten year period, and they would be short just \$1 million. This wouldn't include a Fire Station. The difference is, the voters would be making the decision instead of the Council. If they don't want to approve it then the Council can wait until 2020 to build and use the cash reserves then, but at least the Council would be complying with the intent and will of the voters. Konopa said, no matter what there will be voters that are upset because even if it were to pass, those that voted no would be irate. Collins thinks they could gain leverage with the public by showing they have been fiscally responsible, and then when the debt is paid off in 2015, they can blend savings with a vote to the public.

Councilor Bessie Johnson said, if we don't do anything until 2020 for the Police Station, we still have to come up with \$2.5 million for them to expand where they are. Albany will continue to grow as will the need for more police officers. Instead of spending the money to expand where they are, since we know the population will grow, why not use the money instead to build a station big enough for Albany's future population. Collins said that need for additional police and fire positions is not linear to population growth. It is incremental with population. Discussion followed.

Collins said there are lots of options on the table, including the \$2.5 million Boyd said it would take to stay there and expand, and Mike Quinn's option. Before he spends \$9 million he wants to evaluate all the options. Konopa suggested the Council could give staff a ceiling price and then ask that all of the options be explored to determine which is the most cost effective. Konopa asked Boyd if he looked into Quinn's proposal to expand where they are currently located. Boyd said yes; the cost for Quinn's proposal is \$8.4 million, which is close to building a new facility on the property that has already been purchased. Boyd said if the Council offered a ceiling price as Konopa suggested, he could bring back options that meet that number.

Konopa noted that Finance Director Stewart Taylor's original plan provided for the Fire Station and economic development. His plan touched on every category that has been discussed.

Boyd said that when they looked at the empty Weyerhaeuser building, they talked to 5-6 contractors who said it would be \$170 a square foot to remodel, or about \$1.75 million total (excluding the cost of the building). He is using that same remodel cost estimate in his assumptions that remodeling the current Police Station would be \$2 million. This includes adding modular buildings outside to expand the office space to accommodate staff for the next 7-9 years.

Collins noted that if they spend \$200,000 on the HVAC it is an improvement that will have more value later on. Coburn said he thinks it would have the opposite effect because by then it would be a ten year old HVAC system. Johnson agreed with Coburn that is not a good way to spend the money.

Delapoer suggested that the Council consider, what would we do if we didn't have the \$18.5 million? The need for the Police Station and the Fire Station would still exist. Years ago Hare explained that these projects would be completed by setting money aside in reserves throughout the years, and in fact that is how the City purchased the property for the Police Station. It is a success story: they got a good price and at a good site with money that was saved. Delapoer said perhaps it is unrealistic to expect the PepsiCo money to pay for everything, and the voters need to understand that.

Delapoer urged the Council to direct staff to see what is necessary to put the URD back into place so that they don't lose the ability to capture tax increment financing (TIF) in the event development takes place at the PepsiCo or the Piano property. Timing is critical. Whatever amount the Council can make available to the URD to pay for a portion of the overpass improvement so the property could develop, would create TIF and make the PepsiCo even more shovel-ready. Then when the PepsiCo property is sold the City would get another \$5 million that could be used to complete the infrastructure, at no cost to the new buyer.

Delapoer suggested the Council commit \$1 million towards debt reduction; \$4 million for Local Improvement Districts (LIDs); \$1 million has already been pledged to ETLNA; and \$5 million to Oak Creek URD, and there would still be \$7 left for capital improvements, rather than economic development. Then, the campaign could begin to evaluate community support for the rest of the funding for a Police and Fire Station. The further we get along with the bridge project, the less likely we are to waste the money that has already been spent. Discussion followed.

Collins asked what the money from the Risk Management fund was spent on. Hare said it was legal fees for the PepsiCo litigation. Collins thinks they should reimburse that account. Putting that money back means that they would have it for an emergency. Also having that balance restored is a plus when rating agencies look at the City's stability.

Coburn said for sewer rates he has heard consistently that they should pay down the debt but also give customers a break on their rates. Christman said the Council should be very clear with customers about what the \$840,000 credit would do for them. It would be a one-time credit of less than \$35 (\$2.80 a month) and the next month the bills go right back up. Konopa said those that live in apartments would not see the credit at all. Collins said the message the one-time credit would be sending to the public is: we had to raise rates 7.5 percent and out of PepsiCo funds we are paying that 7.5 percent increase for you. Collins said, to the public we would be saying "we heard

you.” This is a symbolic gesture.

Johnson said that \$840,000 might be symbolic, but most people will not even notice it.

Konopa said that if it is done, the timing will be critical; for example the credit should show on a winter time bill so that it would be noticed, as opposed to a summer time bill which tends to be higher.

MOTION: Collins moved to proceed with the City Funds Reimbursement Category from Christman’s spreadsheet (Water Reimbursement, \$640,000; Sewer Reimbursement, \$510,000; Risk Management Reimbursement, \$1,000,000; and Sewer Rate Credits, \$840,000). Coburn seconded the motion.

Olsen said he will be voting no, but only because of the sewer rate credits.

VOTE: The motion passed 4-2 with Reid and Olsen voting no.

Collins discussed paying off the three debts: the callable portion of the Limited Tax Pension, the General Obligation (GO) bond, and the Cool Pool bond. Collins said Christman suggested that that the cash flow for the GO bond and the Cool Pool bond in subsequent years be diverted to Parks Capital so it is not consumed in operations and maintenance costs.

Hare spoke to Collins’ comments. He said, we are facing increased costs in operations and in all likelihood that is where that money would have gone once the debt was retired. Parks & Recreation is going to need it. Putting it into a capital reserve for future use at a time when the City is laying off employees is a difficult call. There were eight employees affected in Parks & Recreation this year. It would be better to not pay it off now and then when it retires in three years, let the money be used for operations. If the Council does choose to pay them off now then Hare suggests putting the money where greatest need is, and that is in Parks & Recreation, in order to maintain service levels.

Collins said he sees the money like an external grant and when the grant goes away, then what? Hare said it is ongoing revenue source, unlike a grant. When the debt is paid off the money is available for use. It is nothing akin to an external revenue source; it is eliminating an existing expense and using the money for a different purpose. It also has nothing to do with the PepsiCo money; the payments are being made and the money will become available independent of PepsiCo. Paying it off early simply provides access to the funds at an earlier date.

Hare said he agrees with Collins that the Limited Tax Pension should be paid because of the savings to the taxpayers of \$1 million. There has been a lot of misinformation about this debt because some people believe the City had to borrow money to meet these obligations, but that is not the case. This was a decision the Council made back in 2002 to reduce pension obligations. By making a bigger payment back then, the City saved money over the long haul. That strategy was true for awhile but it no longer is, given market conditions. The bottom line is that if it is paid off, it will be to the taxpayer’s advantage due to interest savings.

Hare said for the other two debts (City Hall COP and the Cool Pool), there is no great savings to the taxpayer because the interest rate is so low; the advantage to paying them off is it is eliminating an ongoing current expense sooner, and consequently makes those same funds available for other uses. Hare said it has been suggested that they be used for utility reserves; another time he would support that, but not now because the City is coming up against hard decisions about services that will have to be cut back or eliminated. If the Council does choose to pay off the City Hall COP or the Cool Pool debt, Hare does not recommend designating the revenue stream for capital purposes.

Collins said given Hare’s comments he suggests not paying those two debts off and let the cash flow continue; and instead put the \$440,000 in another category. He does support paying off the Pension bond.

MOTION: Johnson moved to pay off the \$790,000 Limited Tax Pension Debt and Olsen seconded it. The motion passed 5-1 with Reid voting no.

Reid said, now there isn’t enough left for the Police and Fire Stations.

RECESS

The meeting was recessed at 8:24 p.m.

RECONVENE

The meeting reconvened at 8:35 p.m.

Konopa said the total that has been allocated so far is \$4.78 million. The rest could be used towards police or fire. Konopa suggested that when the public safety levy is renewed next year, they could ask the voters at the same time if the tax rate could stay intact when the bond expires in 2014, so that that revenue could be used to build a Police Station. It would not raise taxes so it would be easier to get voter approval, whereas if they wait until 2015 when

the GO bond for 45 cents retires, it would raise taxes. Her strategy provides for one facility to be built now and a better chance of getting the second facility built later, since it won't cost taxpayers more money. There would be two questions on the ballot: a renewal of the public safety levy, and preauthorization for a new bond when the bond retires in 2015 with revenue to be used for a public safety facilities.

Delapoer said it might be able to be approved ahead of time, but it would still require a new bond to be issued in 2015. Konopa said the message would be that it is not costing the tax payers more money. Konopa said, if we don't do something for police and fire, then they will have to go to the voters anyway later on – for even more money. Discussion followed. Delapoer will look into the legality of Konopa's strategy to approve a debt issuance four years in advance.

Collins said Konopa's strategy asks the voters the same question, just at a different time. Konopa said she is very uncomfortable going to voters asking for a facility when they have the PepsiCo money now.

Olsen said City Hall was built using Certificates of Participation (COP). Hare explained that COPs do not require a vote from the people but the City would have to identify a source for repayment. When it was done for City Hall the money was used from the General Fund to make the payment. To issue new general obligation debt at the end of a bond, does require voter approval. Collins asked what will happen to the rent charges that each department pays and is used to pay the City Hall COP, once the COP is paid off? Hare said that will be a policy decision for the Council. Some could be used for the Fire Station. Discussion followed.

Coburn asked if the money generated from interest earnings from LIDs and the URD is enough to make the payment. Senior Accountant Mike Murzynsky said that the cumulative payments for LIDs were about \$1 million annually, according to Taylor's spreadsheets.

Konopa asked staff to find out if the City can issue COPs to build Police and Fire Stations and if the revenue stream from CARA and LID interest earnings would be sufficient to cover the debt service on them.

Collins is curious to see what staff finds out but is still reluctant to build without asking the voters since it is a major public facility. He said, look how much flack the City took over using COP to build City Hall. Coburn said in the long run however, it was the best choice. Konopa pointed out that when Collins was the Public Works Director, she wanted to go to the voters to ask to build the Water Treatment Plant. Collins said that there is a difference between General Obligation bonds, COPs, and revenue bonds. He explained why he recommended the Council use revenue bonds to build the WTP. Konopa said if Collins' argument is that major facilities should go to the voters, then it should go for all major facilities.

Collins thinks there needs to be flexibility to have staff renew the URD and incur the debt to be paid from future TIF for clearing the 53rd Avenue right-of-way (ROW) and potential access to the Piano property. Delapoer confirmed the City can't use the private market because there isn't a revenue stream. Collins said they need to have enough in economic development to at least pay for that partial improvement. It will likely be less than \$4.9 million. Staff will check into that final number.

Collins said that \$9 million for a Police Station is a high estimate. Boyd said the Linn County Sherriff would buy the current building for \$1.3 million, which would reduce the \$9 million. Boyd has looked at five different new police stations in Oregon that have been built in the last three years and the cost ranges from \$250-300 square foot. He calculated the maximum, \$300 for 30,000 square feet for a total of \$9 million. This is the highest possible range and he uses this number because he would not want to use a lower number and risk returning to the Council to ask for more money. He thinks realistically however it can be built for \$250 a square foot, and with the sale of the property the net would be about \$6.4 million.

BUSINESS FROM THE COUNCIL

There was no business from the Council.

NEXT MEETING DATE

The next meeting is the Regular Session, on August 25, 2010, at 7:15 p.m.

ADJOURNMENT

There being no other business, the Work Session adjourned at 8:58 p.m.

Respectfully submitted,

Mary A. Dibble, MMC

Reviewed by,

Stewart Taylor