

CITY OF ALBANY
CITY COUNCIL SPECIAL WORK SESSION
City Hall, Council Chambers
Monday, July 19, 2010
7:15 p.m.

MINUTES

CALL TO ORDER

Mayor Konopa opened the meeting at 7:15 p.m.

ROLL CALL

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

BUSINESS FROM THE PUBLIC

Edgar Hahn Jr., representing the American Legion, 1560 Davidson Street SE Apt #321, (see hand out) asked for some funding to help rebuild the American Legion Post building.

Joe Cox, 1150 W 24th Avenue, asked the Council to spend the funds throughout the City. He opposes the park issue in North Albany as he feels it only affects the North Albany area and not the entire City. He suggested fixing streets and paying off debts.

Bill Root, 2634 Valley View Drive, said that what he has been hearing from people he talked to is that most of them favor the Floyd Collins proposition.

Chris Hanson, 124 41st Avenue SE, Chalet RV Inc., advocated using the funds for jobs. He said the money came about because the original objective was to create jobs in the area. It would be appropriate to use it now to provide capital for jobs in the community. Recently, his company hired 20-30 people. They could easily hire more if they had the capital available. It costs companies to add employees. They have a need for more employees, but can't afford it right now.

Councilor Coburn asked, how could it be made available to the community? Hanson said by grants not loans. Working capital is at a premium and loans can become a burden on the balance sheet. The grant could be tied to an obligation for the companies to produce the family wage jobs they commit to, via an agreement.

Councilor Collins asked, how would that be enforced? Hanson said attach a time requirement, such as retaining the jobs in the community for five years as well as allowing no transferring of jobs for the same period. The company would have no obligation to repay the grant if they meet the requirements of the agreement. If they do not, it could be considered a loan and would have to repay the funds.

Councilor Christman asked, how much would you consider? Hanson said his company's needs would be around \$15,000 per job. These would be trade sector jobs, not service jobs. 100% of the revenue from their product comes from outside the state. They are bringing revenue to the area and he believes that five to six outside supporting jobs could be created for each job created directly in his company.

Mike Quinn, 4455 Sunset Ridge Drive, believes if the City paid down the water debt, rates would go down around 30%. He had concerns about the Police Department's proposed building on Pacific Boulevard. He believes the Police Department's current building site is more appropriate and the Fire Department has more of a need for the funding.

Heather Hill, 1183 11th Avenue SW, provided statistics regarding a performing arts theatre and Albany seating comparisons with Eugene and Corvallis.

PEPSICO SETTLEMENT ALLOCATION

Coburn wanted to add the Greater Albany Public Schools (GAPS) to the list. He has been getting suggestions and reading blogs from people to pay off a portion of the GAPS \$55,000,000 bond that was for the school improvements. He is assuming that people are thinking that if the City were to pay off the school loan, their property taxes would go down. He has also had comments to pay down the City's utility debt. What he has heard from staff is that there would not be any utility rate relief if an additional payment was made to those loans. The City could pay money towards the bonds, but payments would not go down. The City is contractually obligated to those payments and therefore utility rates would not go down. He would like to see some form of outreach to the community, through the newspaper or other means, explaining that reasoning. He believes the perception of the public is that City debt is like their personal debt, similar to a credit card: if the City were to decrease its principal amount, payments would be reduced and the public would then see a reduction in utility rates. But, government financing doesn't work that way.

Konopa said an article will appear in *City Bridges*, or the paper, once the Council has made a decision.

City Manager Wes Hare said besides the example of the utility debt, there are certain debts that it would make good sense to pay off early. Some considerations are current favorable interest rates and the benefit of paying off early. He doesn't want the perception to be that there is no value to paying some debts off early.

Councilor Olsen said the money the City borrowed for the water and sewer plants have the lowest interest rates available. If we pay off any debts it would be the higher interest debts.

Christman asked for an explanation of the 38% savings or payback on some debt. Finance Director Stewart Taylor said that debt is listed under "Debt Defeasance and Loans" on the staff list and explained that the Limited Tax Pension Bonds include a portion of their debt that would allow the City to prepay or call \$790,000. It doesn't remove the whole debt but the 38% savings are in the reducible debt payments of approximately \$1.5 million.

Coburn said recently the Council decided to increase the sewer rate by 7%, but they did have a discussion as to whether they could pay down the loan enough to not have a rate increase. He said staff's explanation was that the minimal payment to the loan would have to be about \$10 million to generate enough savings that there would be no need for the rate increase. He said he calculated his sewer bill and paying the \$10 million and foregoing the increase would save him only \$34.00. He doesn't believe that is enough savings.

Olsen asked for an explanation of how the callable bond would save the City. Taylor explained the payment savings.

Collins said his plan took strengths from the Taylor proposal and the Delapoe proposal. It is grouped by water and sewer issues, financial issues, economic development, and public facilities. It allows for some citizen relief by paying for the 7% increase in sewer, provides an opportunity to become our own banker in order to capture \$2 million in interest; pays off some of the outstanding debt and allocates that savings towards reserves for building a Police Station and Fire Station; sets up an economic development fund to be available for Council to distribute for job creation or to extend 53rd Avenue in the event the area would have a business buyer; and allows funding for the East Thornton Lake Natural Area.

Councilor Johnson agreed that most of the money needs to go to economic development. She doesn't think the money should be used for water and sewer rate reimbursement. She asked where the funding would come for any construction on the 53rd Avenue Bridge. Collins said the extension would come from the \$5,180,900 designated for economic development. He said the economic development monies would work like a revolving loan fund.

Collins said his reimbursement amounts under "water and sewer reimbursements" aren't calculated into the utility rate. It would make the City whole as to the expenditures put out for PepsiCo infrastructure improvements. He wanted to give the industrial folks and residential households a one-shot relief.

Johnson thinks some money should go into reserves and asked what the current interest rate was. Taylor said the current return is less than 2%. He mentioned that public dollars are limited in their investment opportunities.

Christman agrees with Collin's proposal to make the Water, Sewer, and Street Funds whole because of the Pepsi project. He believes the Central Albany Revitalization Agency (CARA) loan, Local Improvement District (LID) loan, and monies in Economic Development are like reserve funds. Christman would like to see the Risk Management Fund reimbursed as well.

Collins was willing to reimburse the Risk Management Fund and add it to his spreadsheet.

Konopa said the Collins' plan is similar to Taylor's but Taylor's uses the money as a bank and uses some for capital purchases. Taylor said yes, his plan was orientated towards facilities.

Konopa asked, when would the Police Station be constructed? Taylor said in year 2011. The Fire Station would be constructed in year 2016.

There followed more discussion regarding Collins' proposal and any savings to the taxpayers up to or after years 2015 and 2016.

Coburn said he understands the frustration of working in a crowded area and asked Police Chief Boyd how long they could hang on before the City would see adverse consequences to morale. Boyd said the Police Department would deal with whatever the Council decides. The current Police Station building was considered too small eight years ago and they have been coping with the limited area.

Olsen said he had talked to Linn County Commissioner Nyquist who said the County believes the City has a good chance of getting a business into the 53rd Avenue area property. Linn County has a need for a Justice Center and would like to build one by their current jail. Olsen thinks that having the Police Station next to a Linn County Justice Center would be a good idea. He would prefer to wait to build a Police Station.

Olsen said he liked a lot of the things in Collins plan, but he supports creating an Urban Renewal District (URD) as suggested in the Delapoer plan. He thinks it would bring a business sooner rather than later to Albany. It would make the area more shovel-ready.

Collins said he was concerned about making payments on debt incurred through a URD, if it doesn't develop. He agreed with Olsen saying it depends on a person's tolerance for risk.

Konopa commented that the funds need to go into something that is visible to the public. She would prefer a capital purchase. If it is used only for a financing tool she thinks that any time the Council wants to go out for a bond or levy the voters won't approve because they will believe this money is available.

Olsen said he would prefer to invest and get the facilities as needed. He believes the Council should ask the voters if there is a need for a Police Station or Fire Station.

Councilor Reid suggested dividing the funds up among the households in Albany.

Staff explained that each Councilor has received five dots for identifying projects and how to use the funding.

Christman said he would prefer not to use the dots because he wants a good plan. He is concerned that the public will perceive that wherever he doesn't put a dot, he is against that project or program. That would not be the case.

Reid asked, what is on the list that the Council doesn't want? There followed discussion of the items on staff's and Collins' lists.

Christman thinks there are ways to combine the Collins and Taylor plans.

Konopa named some of the items she would support.

Olsen said he wants to see investment of the money and the purchase of the East Thornton Lake Natural Area.

Coburn said he supports 99% of the Collins plan. He named some items he would support.

There followed discussion on the East Thornton Lake Natural Area. Staff mentioned that there would need to be a decision within 30-60 days.

Johnson questioned using the monies to support the area. She listed items she would be willing to support.

Christman also presented a list of items.

Collins mentioned that none of the monies in his plan goes to operations or maintenance except the reduction of the tax pension bond. He also said that he has received a number of positive comments on the East Thornton Lake Natural Area.

Reid said he would support pledging \$1 million to the natural area, if there was local participation. Coburn agreed that if it is a pledge from the City he could support it. Reid believes there are people interested in participating and they would also support it.

Konopa agreed. She believes the backers need the City's buy-in and support in order to get grants and other funding.

Collins said if the Council wants to do that he needs more information from staff. Reid thinks there is an interest from the Trust for Public Lands and they would pick it up. Collins thinks staff could put financing together and fill in the blanks.

Coburn said a pledge of a \$1 million from the Council with the rest to be raised by the people interested in the project, he is willing to support. He knows the Grande Ronde Tribe was interested.

MOTION: Reid moved to pledge \$1,000,000 of matching funds to acquire property on East Thornton Lake and start the formation of a Local Improvement District (LID). Johnson seconded the motion.

Collins and Coburn said they would prefer not to limit it to an LID because of its limitations.

Christman supports the project but wants it included in a package for the entire \$18.5 million rather than piecemealing the funds.

VOTE: A vote was taken on the motion and it failed 1-5, with Christman, Collins, Olsen, Coburn, and Johnson voting no.

MOTION: Collins moved to pledge \$1,000,000 of matching funds to acquire property on East Thornton Lake and have staff return with a plan for funding the additional \$1.25 million. Olsen seconded the motion, saying that this is the one item that has an urgency of time.

Christman believes there is a plan is out there for the \$1.25 million and thinks the Council will have the opportunity to vote no on the plan, if they so choose.

VOTE: A vote was taken on the motion and it passed 4-2, with Johnson and Reid voting no.

Christman suggested each Councilor highlight their preferences from the Settlement Allocation Options list and turn it into staff, and have staff return with a list of the supported items.

RECESS

The meeting was recessed at 9:32 p.m.

RECONVENE

The meeting was reconvened at 9:37 p.m.

The Council agreed to turn in their highlighted Settlement Allocation Options to Taylor by tomorrow, Tuesday, July 20, for staff to compile, and return for more discussion on Monday, July 26, at the City Council Work Session.

COUNCILOR COMMENTS

Transportation System Development Charges

This item was discussed with Christman during the recess and comes from the 4:00 p.m. Council Work Session that he was unable to attend.

Christman said he is leaning towards the ramping up option being presented to the public at the information meetings.

There was discussion in which Coburn mentioned that fees do not necessarily dictate the cost of a house.

DIRECTION: The Council directed staff to present both scenarios for the public information meetings.

CITY MANAGER REPORT

None.

ADJOURNMENT

There being no other business, the meeting was adjourned at 9:44 p.m.

Respectfully submitted by,

Reviewed by,

Betty Langwell, MMC
City Clerk

Stewart Taylor
Finance Director