

CITY OF ALBANY
CITY COUNCIL (WORK SESSION)
Council Chambers
Monday, November 1, 2010
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 Dick Olsen, Bill Coburn, Jeff Christman, Floyd Collins, Bessie Johnson, and Ralph Reid, Jr.

Councilors absent: None.

BUSINESS FROM THE PUBLIC

Janet Steele, President of Albany Area Chamber of Commerce (AAAC), 435 1st Avenue W, said that City Manager Wes Hare's recent presentation has created some awareness. She reminded the Council that the PepsiCo money was meant to bring private sector jobs to Albany, to produce the family wage dollars to help build fire and police facilities. She said the AAAC is very much in favor of public safety and have supported the public safety levy. She wants the Council to consider that Albany needs family wage jobs. She suggested they put together a grant program so small businesses have access to funds, similar to what the City does with the CARA program.

POLICE AND FIRE FACILITIES REPORT

Hare said he has reviewed the facility studies for Police and Fire over the last few months and spoke to the two Chiefs in detail. Hare's memo is in the agenda packet. Hare clarified that he was not asked to provide a financial plan for the facilities but rather to evaluate the need for them. He does not recommend using all the PepsiCo money for public facilities, as there are other allocations that can be made. He has produced an objective analysis based on the information he received.

Hare said, if we plan to save money for Albany, a good way to do it is to invest in these facilities. There has been a need for them for an extended period of time. The studies in 2003 proved that there was a need. If we acknowledge the need exists, then the question becomes how the need can be met for the least cost to citizens. Hare's conclusion is that since money is available that is not designated for a specific purpose, and using it would save interest, that it should be used. There are examples provided by Finance Director Stewart Taylor in the report of other communities that borrowed money to build public facilities, and it added millions in interest to the total project cost.

Hare said he used simple questions to formulate his recommendation. He reviewed the Question & Answers in his staff report. He also referred to an article from the November 2010 issue of *Oregon Business Magazine* called "Shake Down" (see agenda file). There is a 40% chance of a major earthquake event in this area in the next 50 years. Fire Station 11 will not withstand an earthquake. This is disturbing since it is a building we would be most reliant on in the event of an earthquake because it houses a high number of emergency vehicles and specialized equipment.

Hare said that having a bond measure just to give the public an opportunity to vote, is an expensive way to go. A bond would cost millions in interest. If the Council wants the public's opinion they could direct the formation of an advisory group instead.

Hare noted that shortly after being hired as City Manager he was advised that these two public facilities and the library were needed; and this need is supported by their inclusion in the Strategic Plan.

Councilor Bessie Johnson is intrigued by the amount of money in interest that would be avoided if we used cash. Citizens are asked to give more and more in taxes and it adds up. She said, paying \$2-3 million in interest when we have the money in hand, doesn't seem right. She said, if we don't have to have citizens take on the financial burden through indebtedness, then we shouldn't.

Councilor Jeff Christman noted that in Taylor's report, the General Obligation Bond example would cost \$9 million for a Police Station and \$7 million for a Fire Station, for a total of \$16 million. There is approximately \$15.5 million left of the PepsiCo settlement. Taylor had said previously that there are other alternatives that would involve not using all the remaining money and Christman would like to hear them.

Hare recommends using \$7 million for the Police Station since the City owns property and is ready to go. Also, the City may have revenue from a potential buyer that is interested in the current Police Station. This solves a couple of problems; it recognizes the Linn County Sheriff's interest in the building and provides the City with revenue. The City is not ready to build a Fire Station because we don't have property yet, but Taylor's financial plan included accumulating resources over five years for that facility, including lending money to two local improvement districts (LIDs). Hare said if the Council wants staff to continue working on that financial plan, they will.

Taylor explained how using the Timber North and South LIDs would be involved in the funding plan. An internal loan from PepsiCo settlement proceeds would provide the long term financing for the LIDs which would in turn be reimbursed by assessment revenues. The north project was financed by the Greater Albany Public Schools (GAPS) with bond proceeds and as it was completed the City used interfund loans to pay the construction costs of the non-school portions. The City reimbursed the school for the amount they advanced using an internal loan from the water and sewer funds. This same tool could be considered for the Fire facility as a financing bridge while interest accrues on the assessments. Also, construction costs for the Police Station will likely be lower given a favorable bidding market, so the project cost will be less than the first estimates. Taylor said that general direction from the Council would be helpful to staff in order to finalize the financing tools.

Christman said the LID plus the internal loan for CARA is \$7.1 million. Taylor said he is not suggesting they use CARA. The LIDs are \$4.1 million and would generate \$1.5 million in interest. Discussion followed. Christman wants to understand the total effect of Taylor's proposed financing plan.

Councilor Dick Olsen agrees that Taylor's plan is a good idea.

Councilor Bill Coburn asked, if it is a ten-year financing plan then how could the Fire Station be built in five years? Taylor said that is where the interim financing would be used; there would be enough in year three from assessment payments and an internal loan. In year ten there would be enough to pay back the internal loan and still have money left over. The extra money could be used for whatever the Council chooses.

Taylor reviewed the list of projects approved by the Council for PepsiCo funding to date: reimbursement to the Water and Sewer funds, reimbursement to the Risk Management Fund, a sewer rate credit, the Oregon Wetlands LLC settlement, prepayment of bonds for tax pension liability, and setting aside \$1 million for East Thornton Lake Natural Area for a total of \$4.865 million. The remaining balance is \$13,770,000 million including \$135,000 in interest earnings.

Councilor Floyd Collins said he has been outspoken about the timing of public safety facilities. He has no doubt that both are needed and when he was on staff with City of Albany he worked with the Fire Chief and the Police Chief to try to do that. He was also on the Public Safety Committee. He agrees there is a need, but the question is when do we fill the need and how should it be financed? He said he has been out of town and has not had time to read the agenda packet. He would like to put together a plan including things that have not been discussed, such as Steele's suggestions for how to bring jobs to this community. The Council needs to develop priorities, sequencing, and financing options. He pointed out that the staff report says the City has not had a serious conversation with Linn County so he wants to know how serious they really are. He said, we need to make appropriate decisions in the best timeframe. He doesn't think the Councilors are there yet.

Hare said that City staff has asked to discuss this with Linn County, but they were focused on the levy for Lebanon and did not want to begin discussions about joint facilities while they were trying to accomplish that. Hare said he talked to Linn County Commissioner Roger Nyquist and he had made a good point – that if the City and County are going to engage in planning for a multi-jurisdictional justice facility in the area, a project of such magnitude will take time. It is a long-term, different type of analysis than whether or not we need a Police Station and if we should build it on the property that was purchased last year.

Coburn asked Steele if she had identified an amount for the loan fund for small businesses that she proposed. Steele said no but there are businesses right now, small manufacturers, that could use \$200-300,000 to employ more people. This concept worked for the CARA program so the AAAC is suggesting the same type of program for small businesses.

Linn County Commissioner Roger Nyquist, 2896 Firwood Place, said that as long as he has been a Commissioner, and since the time that a car crashed through the Marion County Court House, an analysis by the federal government has recommended the Linn County Courthouse take measures to increase their security. He said they continue having conversations with the court facilities about this, but the more they secure court activities the more difficult it becomes for those activities not related to court to function effectively. Other counties have partnered with municipalities to have justice centers. This project is on the back burner in hopes that economic times will improve. Like Hare said, there has been informal talk about a shared justice center, but it would be a complicated conversation and would take awhile. In regards to plans for the County to purchase the Police Station, Nyquist said there is not a line item in their budget or funds that have been identified to do so. They are currently focused on protecting the law enforcement levy which will take a \$3 million hit. They also expect an \$800,000 hit in forest revenues. They are not out looking for property.

Olsen asked if there is federal money available for a justice center. Nyquist is not sure.

Konopa asked, how does a justice center meet with the City's need for a Police Station? Police Chief Ed Boyd said he thinks anytime resources can be combined it is a win-win, but a project of this magnitude would easily cost \$25-35 million. There is no land identified, so it would be 7-10 years out, conservatively. The Albany Police Department can't wait 7-10 years for that conversation to develop. Both the County's and the City's public safety levies are going into compression and he is worried that the City's next public safety levy may not pass. He asked the Council, do you reasonably expect \$30 million in new taxes to be approved by voters? He does not think so.

Collins thinks the PepsiCo money should be allocated but not spent. It can be put into reserves and see how it plays out over time. He needs more time to go over the staff report.

Olsen recalled a discussion about Central School in 2004-5. The cost for seismic upgrades at that time was estimated to be \$1-2 million; but then GAPS hired a company that made reinforcements for half the cost. Olsen said he talked to the owner of the company, Mr. Fitzpatrick, and verified that Central School is seismically safe for earthquakes in our area. In September Olsen suggested that the Fire Station be given another look too since it was last evaluated in 2003. Olsen said Fitzpatrick said he had worked with fire stations before and would be happy to look at Station 11 and give an estimate. Olsen wants to keep the building and expand it, and put in drive-through bays for the fire trucks. Hare said the City could do a Request For Proposals but he cautioned that a study would not be cheap.

Fire Chief John Bradner said a tier two seismic study of Station 12 was conducted in October 2009 and cost \$30,000; so he assumes Station 11 would cost \$30-50,000 since it is a larger and different structure. Bradner said the school district reviewed the work orders with him for improvements made to Central School, which included anchors, plaster patches, increasing the length of the facade, metal caps, etc. The impression they gave him is that they created safe escape routes for the students but the same improvements would not make a fire station seismically sound. It needs to be as operational as much as possible following an earthquake event.

Christman would like staff to bring back a funding plan that includes the two LID loans, \$7.7 million for a police station, \$1 million for economic development, and \$1 million for fire station property. He also wants staff to evaluate if both public safety facilities can be built in a five-year timeframe.

Christman said PepsiCo's Gatorade plant would have created jobs and been a great boost to Albany's economy. The settlement was to pay the City back for the economic impacts that would have resulted; and those financial impacts were calculated over a long period of time. The City would not have seen \$18 million immediately. He agrees that some of the settlement should be spent for economic development, but he doesn't think we have to spend it all on that.

Hare said it is prudent for the Council to take their time, and the City has earned \$130,000 in interest so far as a result. The PepsiCo settlement represents money the City would have received over a long period of time as a result of the Gatorade plant and would have helped to pay for services that we would need in our community, such as public facilities. Hare thinks it is appropriate to use the settlement for public facilities for that reason and also because it will ultimately save the tax payers money. If that is more important than creating jobs, or if it should be allocated differently, is a decision for the Council. Hare noted that these decisions have been a struggle, but that many cities would be envious of such a struggle.

Konopa said that City representatives met with a manufacturing company from the east. They are considering Albany for a project through Albany Millersburg Economic Development Corporation (AMEDC) that would create 150 jobs. The company didn't ask for any incentives; they told Konopa they were attracted to this region because it is a red zone, which means that there are federal tax credits available to companies that locate here. Konopa asked them why they looked at Albany specifically and they said it is our train station, and they were also impressed with the Airport given the size of Albany. Konopa said that was nice to hear since those two facilities are often the target of criticism. Her point is that that companies look at a community's public facilities. It was not incentives; it was our structures that attracted them. Funding the Police Station is an investment in our community because it makes our community more appealing.

Johnson said that even though there have been a lot of PepsiCo meetings so far, the Council has been wise not to make hasty decisions. There is no rush; they need to make the right decision.

The Council agreed with Christman's direction to staff: to bring back a funding plan including loans for \$4.1 million (involving two Local Improvement Districts), \$7.7million for a police station, \$1 million for economic development, and \$1 million for fire station property; and to determine if both public safety facilities can be built in a five-year timeframe.

Collins also wants staff to begin discussions with Linn County about a justice center.

SEWER RATE CREDIT

City Engineer Mark Shepard said staff needs direction from the Council in three areas: the method of application of the credit to different accounts; the method of delivery of the credit; and what verbiage to use on the bills to explain the credit.

Shepard said the draft resolution in the Council packet reflects what staff thought they heard the Council wanted.

Shepard described that residential sewer bills are calculated based on wintertime water use; the commercial bills are based on monthly usage; and the industrial bills are based on actual discharge samples. Language on the bill explaining the credit should be specific since there may be other adjustments on a customer's bill. This will require some programming with the software and mailing vendors and would take 6-10 weeks to implement, after the Council gives clear direction.

Konopa asked how the credit would be applied to apartment buildings. Shepard said the credit would go to the name on the bill, which would be the owner. The individual tenants would not see the credit. Konopa said that bothers her because many apartment owners don't even live in Albany, yet they will be getting the credit; and there is no way to guarantee that they will pass the savings along to the renters.

Coburn thinks this has become much more complicated than it should have been, but that the Council is the guilty party since they sent staff in this direction. He said it would be ironic if the cost to implement this \$840,000 credit would be about that same amount. Because of the inequities between customer classes and Konopa's point about tenants not getting their share, he thinks it can't be made to be equitable for all customers. It might make more sense to discard this idea and just not implement the next scheduled rate increase. Shepard said the next increase is scheduled for July 2011 so it would also buy them some time.

Public Works Customer Service Supervisor Patty McInnes explained how the rate increase is implemented for the five billing cycles throughout the City.

Coburn reiterated that the Council has started down a path with this sewer credit that has resulted in too many unintended consequences. Olsen and Johnson agreed.

Collins said the issue at the time was to communicate to the public that the Council listened to them and gave them something specific from the PepsiCo money. However he agrees that this proposal has become too difficult to implement. He is willing to put the funds into a reserve and use it to defer a major portion of the next rate increase.

Public Works Director Diane Taniguchi-Dennis said in the meantime, staff could begin negotiations with the Department of Environmental Quality (DEQ) to have them accept \$840,000 instead of implementing the full increase in July 2011. She anticipates they would want a resolution stating that the increase would be implemented in July 2012. She explained that the City has to have the rate increases in place in order to meet the debt coverage requirements. Also, if the increase is deferred the Council should be aware that the amount of funds available for capital will be impacted.

There was Council consensus for staff to contact DEQ.

PEPSI SETTLEMENT ALLOCATION DISCUSSION

Hare said that GAPS submitted a letter that is in the agenda packet. Currently the City and GAPS have an agreement for the City to lease Deerfield Park for \$1,000 each year for 25 years, with an option to buy the park within three years. GAPS has proposed that the City accelerate the purchase in order to help them with a project they would like to complete, which is the track and soccer fields at Timber Ridge School. The improvements to Timber Ridge School would mutually benefit both GAPS and the City. Hare said Parks & Recreation Director Ed Hodney has identified possible avenues to accomplish this, one of which is to pay off the Swanson Park bond early in order to free up money.

Sandy Gordon, 1230 Lynnwood, GAPS School Board Member for Zone 1, is an Albany resident and parent of a Timber Ridge School student. She explained that she grew up in the NE Albany area and is grateful to the Council for the expansion in the area.

Gordon said that due to expenditures, GAPS had to cancel the track project. In the last year they looked at different resources and in prioritizing goals, they determined that they want to promote community neighborhood and exercise, yet there are few places to walk or run in a safe environment. There is TimberLinn Park but it is not accessible to some of the neighborhoods. As a parent and patron of the area, she asked the Council to please consider the proposal from GAPS. It would mean a lot to the kids and the rubberized track would last for 20 years. She thanked the Council for their consideration.

Coburn is in favor of the GAPS' proposal.

Collins wants to put the proposal on hold until they see how other directives pan out. He recognizes that liquidating debt has advantages and wants staff to evaluate how the proposal would work.

Russ Allen, 1222 NW 20th, GAPS Business Department Director, said that when this agreement was drafted the City made a payment to GAPS for \$300,000. For that the City took title of Burkhart Park. The payment was greater than the value of the park so there was money left over. The agreement said that if the City purchases Deerfield Park within three years, that they could apply the remainder to Deerfield Park, thereby making it less expensive. The \$362,000 would be the cost to complete the purchase of Deerfield Park. From GAPS' perspective, they could use \$362,000 towards the track at Timber Ridge School and also get out from under the landlord-tenant position. This proposal would provide the community with a track and the City with the title to Deerfield Park.

Councilor Ralph Reid asked, if the \$182,000 credit is not used within the three years, does it go away? Allen said yes.

Hare said there is a joint meeting with GAPS scheduled in December, so staff could aim to present a financing plan to the Council in advance of the joint meeting so a decision could be made.

COUNCILOR COMMENTS

Reid said that there was an article in the paper about Oregon Department of Transportation (ODOT) Rail solutions. He asked if the Council has a direction to propose to ODOT. Hare said staff did communicate the City's position to ODOT, which is that the rail should be routed on Water Avenue and that any high speed rail should go use the Union Pacific track so that it stops at our train station. The City's recommendation is in ODOT's report. Reid said that the numbers

have increased for both lines and it costs 50% more per train for Oregon electric rail than Union Pacific. Discussion followed. Reid wants staff to write another letter to ODOT Rail about the City's position so he can present it to them. Reid will meet with Hare.

CITY MANAGER REPORT

Hare said there will be a potential for flooding events in Albany this winter. It would be a good idea to get the information out to citizens of the possibility of flooding. Individuals should take precautions and the City will too, but there isn't a lot any city can do to prevent a major flood event.

Johnson asked when Allied Waste (AW) will be picking up leaves from streets. Staff said leaf pick up is scheduled for November 8 and 23, and December 13. AW also wants customers to use their yard debris carts for leaf disposal. It is important to keep leaves out of stormdrains.

Taniguchi-Dennis said the City has received a proposal from someone wanting to rent 3801 Knox Butte Road. She asked if the Council is interested in hearing the proposal. The house appears to have been vandalized. The City can keep it as is but it will require some yard maintenance and will need to be secured to keep squatters out; or they can demolish it; or they can lease it for a certain period of time. To make it leasable it would require about \$8,000 in repairs because of the vandalism. The person that wants to rent has asked for an annual lease. Scott Lepman purchased the property next door and could take over management, though he would want to be paid back for his initial investment in repairs.

Konopa said that as one of the largest landlords in Albany, Lepman does have experience.

Taniguchi-Dennis said it would likely cost \$10,000 to demolish the house. Staff will bring back a full report.

Reid said with the City's history as a landlord and the problems that followed, he doesn't know why the Council would even consider this. He is opposed to the City being in a landlord position. Discussion followed.

ADJOURNMENT

There being no further business, the Work Session adjourned at 6:04 p.m.

Respectfully submitted,

Mary A. Dibble, MMC
Deputy City Clerk

Reviewed by,

Stewart Taylor
Finance Director