

CITY OF ALBANY
CITY COUNCIL
Council Chambers
Wednesday, June 11, 2014
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

Konopa led the pledge of allegiance to the flag.

ROLL CALL

Councilors present: Councilors Rich Kellum, Bill Coburn, Bessie Johnson, Ray Kopczynski, Dick Olsen, and Floyd Collins.

Councilors absent: None.

SCHEDULED BUSINESS

Communications

Accepting Camron Settlemeier's resignation from the Landmarks Advisory Commission.

MOTION: Councilor Ray Kopczynski moved to accept Camron Settlemeier's resignation and send a thank you letter. Councilor Rich Kellum seconded the motion and it passed 6-0.

Accepting Rob Duncan's resignation from the Human Relations Commission.

MOTION: Kellum moved to accept Rob Duncan's resignation and send a thank you letter. Kopczynski seconded the motion and it passed 6-0.

Human Relations Commission annual report for 2013.

City Manager Wes Hare said that he or Public Information Officer/Management Assistant Marilyn Smith attend most meetings. He asked if the Council had any questions about the report in the agenda packet. There were no questions.

Konopa said it is an active group and she appreciates the services they provide for the City.

Public Hearings

Public Works Director Mark Shepard said he put together a sewer rate PowerPoint presentation similar to what he did for the water rates, if the Council would like to see it.

Kopczynski asked if it is materially different than the information that has been already presented. Shepard said the facts are not materially different than what is in the report, but it includes explanations of staff duties, where the money goes, the cost impact to the average resident, etc. The Council asked for the presentation. Konopa said the public hearing for setting rates for wastewater system will be held as a separate item.

Open: Konopa opened the public hearings for Declaring the City's eligibility to receive state revenues (and the proposed use of the funds); Adopting the 2014-2015 Annual Budget; and Adopting the 2015-2019 Capital Improvement Program at 7:20 p.m.

There was no one signed up on the public hearing signup sheet for the Declaring the City's eligibility to receive state revenues (and the proposed use of the funds) (see agenda file); Adopting the 2014-2015 Annual Budget (see agenda file); and Adopting the 2015-2019 Capital Improvement Program (see agenda file.)

No one in the audience wished to speak.

Closed: The public hearings were closed at 7:21 p.m.

Declaring the City's eligibility to receive state revenues (and the proposed use of the funds).

MOTION: Councilor Floyd Collins moved to adopt the resolution declaring the City's eligibility to receive state revenues; and the resolution declaring the City's election to receive state revenues. Kopczynski seconded the motion and it passed 6-0, and was designated Resolution No. 6328 and Resolution No. 6329, respectively.

Adopting the 2014-2015 Annual Budget.

MOTION: Kopczynski moved to adopt the 2014-2015 Annual Budget and Councilor Dick Olsen seconded it.

Councilor Bessie Johnson commented that when there are minor issues to consider they sometimes have a packed audience, yet when they are here to pass a budget for millions of dollars, there are only few public in the audience. She thinks that is unfortunate. Konopa pointed out that there were rarely citizens in the audience at all four Budget Committee meetings. Konopa appreciates the Budget Committee's work.

Kellum commented on the process used this year for the Budget Committee; he liked it much better. He said there were a lot more questions and people connected to it better. To Johnson's comments, Hare said that he has heard that same comment many times over the years in other cities and agencies. Oregon is unique; there are not a lot of places that put as much process into budgets as Oregon does. It is a long multistep process, with work starting on the next fiscal year's budget before the calendar year is up. Staff gets a lot of input from the Council in the Strategic Plan, so by the time they get to the point they are at now, adopting the Budget, it is anticlimactic. The meetings are open to the public, there are articles and public notices in the newspaper, and meetings are televised, so there is definitely opportunity for people to get involved should they choose to. When people are concerned or upset about an issue, they show up; otherwise, they do not.

Councilor Bill Coburn said he feels the opposite of Kellum. He prefers when the Budget Committee meetings are held on consecutive nights; he likes the continuity it provides. That continuity was lost this year by having several days between meetings. He said it is fine that they tried it, but he didn't like it.

Collins said there were several discussions throughout the year about the \$160 million budget that is being adopted; it is not just for operating, it also includes all of the reserves. If it were an operating budget only, it would probably be \$100-120 million. Hare said actually it is less than that - about \$78 million. Collins said that even though they budget the \$160 million, they do not intend to spend that much, and a lot of it will be carried over to other years. Hare explained that by budget law, included in that number are transfers from one fund to another, or moving money around as opposed to actually spending it.

VOTE: A vote was taken on the motion to adopt the 2014-2015 Annual Budget and it passed 5-1 with Kellum voting no; and was designated Resolution No. 6330.

Adopting the 2015-2019 Capital Improvement Program.

MOTION: Collins moved to adopt the 2015-2019 Capital Improvement Program and Kopczynski seconded it. The motion passed 6-0 and was designated Resolution No. 6331.

Setting rates for wastewater system use and repealing Resolution No. 6230.

Open: Konopa opened the public hearing at 7:29 p.m.

Shepard said he appreciates the opportunity to tell the story about the wastewater system in Albany. There is a lot of good work that happens.

Shepard gave a PowerPoint presentation (see agenda file):

- Current Rate Requirement: this rate meets the target that Council set of generating \$2.3 million annually for capital investment primarily in the collections system.
 - In May 2013, staff estimated that an 8% rate increase would be required in July 2014.
 - Updated revenue and expenditure information indicates a rate increase of 6% is the minimum necessary.
 - An 8% increase would be a positive step toward addressing unfunded issues.
- 5 Year History of Sewer Operations & Maintenance (O & M) Expenditures
- Why do we need a rate increase?
 - Stay on track to reach the target for funding annual capital improvements of \$2.3 million per year by Fiscal Year (FY) 2017.
 - Predictable moderate increases are better than unpredictable large rate increases.
- Why might the Council consider an 8% sewer rate increase?
 - Construction costs appear to be rising quickly.
 - There is a significant unfunded need for addressing sewer capacity in many areas of Albany.
 - The cost of capacity improvements will likely exceed \$25 million.
 - These capacity issues could impact economic development opportunities.
- Rate increase impact for resident discharging 6 units of sewer:
 - For a 6% rate increase = \$2.79 per month
 - For a 8% rate increase = \$3.72 per month
- Where does the money go?
 - What customers pay per day for sewer only...
 - 6% rate increase for 6 units is additional \$1.64
 - 8% rate increase for 6 units is additional \$1.67
 - What customers pay per day for water and sewer combined...

- 6% rate increase for 6 units is additional \$3.02 and for 8 units is additional \$3.35
- 8% rate increase for 6 units is additional \$3.05 and for 8 units is additional \$3.38

Kopczynski asked what the rate is currently for 6 and 8 units. Shepard said the proposed increase for 6% would make the bills \$90.64 for 6 units and \$100.48 for 8 units. Discussion followed.

- What customers pay for other utility bill costs per day (estimated, family of four):
 - Cell phone: \$5.34
 - Cable TV/Internet: \$4.00
 - Electricity and Natural Gas: \$3.67
- What do the City's utility customers get:
 - Reliable service
 - Healthy people
 - Healthy environment
 - Economic development opportunities
- Where does the money go?
 - Debt Repayment
 - Annual City debt obligation of \$5.2 million
 - Will be paid off in 2034
 - Operations and Maintenance
 - Capital Investment

Shepard showed several slides with pictures of equipment, lines, crews, and different procedures.

- Where does the money go O & M
 - Clean and inspect sewer pipes (television inspection)
 - Inspected over 2,500 manholes
 - Responded to almost 300 service calls each year
 - Responded to 2,930 line locate requests
 - Treated almost 3 billion gallons of wastewater in FY 2013
 - Operated Talking Water Gardens wetlands
 - Maintained 11 Albany lift stations running
 - Maintained 4 Millersburg lift stations
 - Run an Industrial Pretreatment program in accordance with DEQ regulations
 - Respond to code enforcement complaints
 - Support storm water and water quality programs

Shepard explained a graph that shows the total feet of sanitary sewer pipes that were inspected over the three years; 167 miles or over 80% of the system. Prior to this work there was not a proper understanding of the needs in the sewer collection system. They are now beginning inspection of manholes.

- NASSCO Standard Scoring pie chart
 - Under repair (1.2%)
 - Failed or will likely fail within 5 years (7.1%)
 - Will probably fail 5-10 years (3.9%)
 - May fail in 10-20 years (18.5%)
 - Unlikely to fail for at least 20 years (4.6%)
 - Failure unlikely in the foreseeable future (64.6%)

Shepard showed a map that indicates the deficiencies in the sewer system. They can see where there are capacity or structural issues which helps to prioritize how to spend the limited dollars.

- Manhole pie chart
 - Inspected – no structural issues (49%)
 - Inspected – possible structural issues (10%)
 - Attempted to inspect (3%)
 - Not inspected (38%)
- Calls responded to from 2009 to 2013
 - Bad odor
 - Sewer line locate
 - Lift station problem
 - Flooding
 - Sewer line plugged
 - Sewage overflow/spill
 - Storm drain plugged
 - Miscellaneous

Shepard showed pictures of crews performing different procedures.

- Where does the money go? Capital/Engineering
 - Respond to emergency repairs

- Replace 50 to 60 private sewer service lines each year
- Design and manage the construction for about 1 mile of pipe replacement
 - Cured In Place Pipe (trenchless)
 - Pipe bursting (trenchless)
 - Open cut
- Manage City's response to water quality regulations
- Update and maintain the City's sewer system model
- Review development proposals
- Respond to citizen inquiries
- Bill and process payments for 17,000 accounts monthly
- Updated 5-year projection
 - Annual update of projections for Revenues and Expenses
 - Revenue sources
 - Rate Revenue Assumptions: rates are estimated annual revenue of \$14.25 million for FY 2015.
 - System Development Charges (SDC) Revenue Assumptions: estimates for \$320,000 annual revenue for 5-year plan; and revenue driven by development
 - Fees – SI, Connection Fees
 - Grants
 - No General Fund Money

Kellum said, according to the numbers they are at 101% of revenue for the year. Shepard said that is possible, as they have a partial month to go. They bill in five cycles throughout the month, so revenues will come later depending on the billing date. If they collect more than anticipated, it goes to beginning balance to be used for capital reserve. They do their best to meet the target, including not being overly optimistic on revenue projections.

Shepard showed a 5-year History of Sewer Revenues and SDC Revenues, which is about \$417,000 for a five year average. The projection is conservative at \$320,000.

Shepard showed a graph of Components of Sewer Debt Service Payments. In year 2016-2017 there is a dip showing that SDCs are no longer available to pay all of their share of the debt service. If SDC revenues end up being higher, the dip will occur in later years because less rate money will be needed to make up the difference; so in the future they may not need the same rate increases to meet the targets.

- Capital needs
 - Target is \$2.3 million in capital funding per year by 2017.
 - This will allow the City to address the worst pipes in the collection system over the next 10 years.
 - This target does not address the capacity needs in the collection system.
 - This target does not address the potential capital needs to address solids improvements project that is needed at the Water Reclamation Facility.
- 5-year rate plan variables
 - Rate Revenues
 - SDC Revenues
 - Personnel/Operation Expenses
 - Unforeseen Capital Needs

Shepard showed a graph of the Five-year Rate Projection.

Coburn asked about the last bar on the Five-year Rate Projection graph, showing 2018-2019 at 4%. Shepard said it doesn't show other projections because it is the first time it has fallen within the rolling five year window. He explained that the blue bars show the actual rate increases that were in place; orange bars show the 2012 projection; green bars show the 2013 projection; and gray bars show the current projection. For example, in 2011-2012, \$870,000 of the Pepsi settlement funds were transferred to the sewer fund in order to eliminate the need for a rate increase. In 2012-2013, they projected that a 9% rate increase would be needed but new projections dropped it to 8%. In 2013-2014 they projected an 8% increase was needed and indeed that is what was instituted. In 2014-2015, the current projection is that a 6% increase is the minimum needed to stay on track, while 8% is what had been projected previously. The projections further out haven't changed but if SDC revenues continue to increase and rate revenues come in higher than projections, the numbers could decrease if they are going to maintain the targets they currently have.

Shepard showed a graph and handed out copies of the "2013-14 Average Monthly Utility Bills in Oregon Cities" table (see agenda file). The graph compares single-family residential customers and the total utility bills paid including water, sewer, streets, and stormdrain. The graph assumes a 6% rate increase for Albany as of July 1, 2014. Shepard said the cities that are highlighted are in close proximity to Albany and they all have higher rates than Albany. He is pointing this out because it has been said that Albany has the highest rates in the state, yet we don't even have the highest rates in the area. Also, Albany's ranking in comparison to the other cities is dropping. That is a reflection of other cities having to start making investments in systems.

Shepard said the PowerPoint presentation will be put on the City's website so the public can view it.

To the graph comparing cities in Oregon, Collins said that the reason Corvallis' rates are so low now is because they invested millions in their water system years ago and their wastewater treatment plant was built in the 1970s and is paid for. They used the timber from Mary's Peak to replace the pipes in the ground and didn't have to go to the rate payers. Shepard said that also, Corvallis has not yet addressed their temperature issue.

There was no one signed up on the public hearing signup sheet (see agenda file).

Konopa asked if there was any other comment. There was none.

Closed: Konopa closed the public hearing at 8:05 p.m.

MOTION: Kopczynski moved to adopt the resolution and Coburn seconded it.

Kellum said he prefers the increase to be 6%. They are generating more revenue that when added to the leftover at the end of the year, would likely be about 9%. It needs to be rased, but he doesn't think it should be raised any more than necessary.

Coburn is okay with 8%. He said, the sooner we can fix the areas that are destined to fail, the sooner we can avoid catastrophic consequences of failures. We can get by with 6% but adding another 2% would allow us to accelerate other improvements that need to be made. Also, construction costs continue to increase, so they are just gambling that we can fix before they fail.

Hare said that one of the issues is the potential Cox Creek interceptor that serves the east side; there was one business that chose not to locate in Albany because of it. He asked, what does the difference do to us in terms of our ability to get that issue resolved? Shepard said it would be a step in the right direction, but the 2% difference does not solve that issue. However, it would create reserves so that maybe they would not need to go out for a bond issue, for example. It will cost about \$8 million. Shepard said it is already undersized but they don't have the money to fund it.

Collins said that water and sewer funds are enterprise funds, which means that any money that is not spent but budgeted, stays in the fund and is rolled over for use by that fund. In other words, it is not "use it or lose it". Additional money from revenues builds the balance faster to be able to address emergency needs. For example, the emergency manhole repair on Water Avenue cost \$60,000. Collins said when he was the Public Works Director, they were afraid the whole Water Avenue interceptor would fail, and it is about 35 feet deep in some places and goes under many of the lots on Water Avenue. They can't wait for it to fail; they need to identify problems and get it fixed before it fails. That interceptor drains from the Calapooia River over to Geary Street, all the way to 34th Avenue and beyond Pacific Boulevard. It serves the old portion of town. The money in the Capital Improvement Program for the interceptor doesn't address catastrophic events, and he said there will very likely be one in the next five years, in either the Cox Creek interceptor or the Water Avenue interceptor.

Olsen asked if the interceptor goes along the new housing that is going in across the street from Water Avenue. Shepard believes in that area the interceptor is along the river, which presents its own challenges. Discussion followed.

Konopa thinks the table should show that \$52.54 is the base rate for water and sewer.

VOTE: A vote was taken on the motion to adopt the resolution and it passed 4-2, with Johnson and Kellum voting no; and was designated Resolution No. 6332.

Business from the Public

There was no business from the public.

Adoption of Consent Calendar

- 1) Approval of Minutes
 - a) April 7, 2014, City Council Work Session.
 - b) April 21, 2014, City Council Work Session.
 - c) April 23, 2014, City Council Regular Session.
- 2) Approving a liquor license for Sammy Enterprises II, Inc., d/b/a Four Seasons Growler.

MOTION: Coburn moved to adopt the Consent Calendar as presented. Kellum seconded the motion and it passed 6-0.

Approval of Contract Increase

AR-14-01, Airport Security Fence Improvements.

Shepard said this is coming to the Council late; generally they try to get these changes to the Council close to the construction. This project was managed out of Operations instead of Engineering, and Shepard said he is responsible for the delay. The contract is essentially done. The impact is under \$3,000; the Federal Aviation

Agency (FAA) grant picks up the rest. The project is still under budget but they are over the project amount which requires Council action.

Kellum said that they talked about moving fences through the ditch. Shepard said that would be in the future; it was not part of this project because they do not have the funding or the required permits. As the reserves are built up and they go for another FAA grant, if additional fencing is the priority if could be addressed. They would have to go through the environmental steps and contracting steps.

MOTION: Kellum moved approve the construction contract increase to F & W Fence Company in excess of 10 percent for the Airport Security Fence Improvements. Kopczynski seconded the motion and it passed 6-0.

Konopa said she talked to staff and knows that they tried to make accommodations since this particular project had an unusual process for public input. She suggested that the Council drive on Price Road and consider what the fence will look like and if that is what they want the citizens to look at for the next 50 years. She said they could plant a hedge along the fence to soften the look of the fence, mostly when coming around the curve. She thinks that will make it more appealing as it blends in with the park. There is already water available. Kellum said blueberries or raspberries would be an option.

BUSINESS FROM THE COUNCIL

Collins will be absent at the June 25, 2014, Regular Session.

Konopa said that a few years ago they decided that West Albany High School could have an illuminated sign in front. The Code change was for institutions, so that schools qualified. Then a church on Springhill Road placed an illuminated sign and it upset the neighborhood. Staff worked with the church to bring it into compliance. The neighbor has asked the Council to consider if they want other churches to be allowed to do that in other neighborhoods. Konopa suggested the Council drive by the Church and look. Discussion followed.

Shepard said the signs have to be monochromatic and can only change every 30 seconds; the church had some different colors and it was changing more frequently. They were quick to come into compliance and their sign now meets the Code. Collins said the question is if the Council meant to include churches in the definition of institutions.

Konopa said she met with visitors from Albany, Western Australia. Their Mayor sent a book about Albany, Western Australia for the Councilors to look at. Its population is about 32,000. She described the similarities between the two Albanys. Konopa read a letter that was sent by their Mayor regarding their support for Friendship Force (see agenda file).

Konopa said it was an enjoyable time to show the visitors around. She asked them how they get their citizens to be engaged in the community; they find the same that we do, that younger adults are in tune to social media and not so much to civic organizations. Their challenge is also how to get the young adults to be more active.

Economic Development & Urban Renewal Director Kate Porsche said that the owners of the Edgewater Village property are interested in purchasing a small sliver of City land near the Dave Clark Path. The purchase is needed to finalize the platting for their development. She asked the Council if they would be willing to have City Attorney Jim Delapoer take action to formally transfer the property to Edgewater Village, and they would bring the item back to the next meeting for a public hearing. Delapoer said the purchase price is based on what it is actually worth rather than a subsidy. There is no public assistance; the proposal is to purchase the land at a fair market value. It is more or less a useless piece of land. Discussion followed.

The Council concurred to have the City Attorney proceed to take steps to formally transfer the property to Edgewater Village and bring it back to the next meeting for a public hearing.

NEXT MEETING DATE: Joint City Council & Albany School Board Meeting: June 23, 2014
Regular Session: June 25, 2014

ADJOURNMENT

There being no other business, the meeting was adjourned at 8:29 p.m.

Respectfully submitted,

Reviewed by,

Mary A. Dibble, MMC
City Clerk

Stewart Taylor
Finance Director