

CITY OF ALBANY  
CITY COUNCIL WORK SESSION  
Municipal Court Room  
Monday, December 8, 2014  
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, Bessie Johnson, Rich Kellum, Ray Kopczynski, Dick Olsen

Councilors Absent: None

BUSINESS FROM THE PUBLIC

There was none.

INVESTMENT POLICY REVIEW AND ANNUAL MARKET UPDATE

Finance Director Stewart Taylor said that Government Portfolio Advisors was selected as the City's Investment Advisor through an RFP process that was undertaken this year.

Sally Walton, Government Portfolio Advisors, gave an update on the bond market. Rates have started to rise and market participants believe there will be a rise in short-term rates by the Federal Government in mid-2015. Rates are dependent on continued economic growth nationally. The City's portfolio is very safe and liquid, and the firm is poised to add securities if rates continue to rise. Currently, 16% of the City's portfolio is in Treasuries and the remainder is in Agency Securities. The City has funds in the Oregon Pool which has investments in Corporate Bonds so it was felt the City had enough exposure to corporate investments at this time.

Walton reviewed recommended changes to the policy based on Oregon Short Term Fund Board's recommendation that public funds address split ratings on credit type issuers. The proposed wording would incorporate using the lowest rating when both Standard & Poor's and Moody's rate the same issuer for commercial paper, corporate indebtedness, and state obligations.

City Manager Wes Hare noted that in the past, interest on the fairly substantial balances the City maintains was a good income source. In recent years, rates have been very low and the balances have not been earning much interest. With the volatility we have seen in investments, the City's bigger concern is making sure the balance doesn't go down rather than figuring out how to use the financial policies to make it go up. Walton agreed that ensuring the balance doesn't go down is the first priority, the second being liquidity and the third being a market rate of return.

Councilor Ray Kopczynski asked about the policy language under Delegation of Investment Authority which states that the Finance Director, acting on behalf of the City Council, is designated as the Investment Officer of the City. Taylor said the City Council has the ultimate authority and responsibility for the safety of the City's investments and assets on hand. The policy language is following the format of the Oregon Short Term Fund Board in designating the delegation of that authority to an individual in the organization.

RISK MANAGEMENT POLICY REVIEW AND ANNUAL CLAIMS HISTORY REPORT

Steve Uerlings, Barker Uerlings Insurance, distributed the City of Albany Risk Management Report, December 8, 2014 (see agenda file). He reviewed the Schedule of Property and Liability Insurance, showing coverage and premium history for the last five years. For 2014-15, earthquake coverage was doubled to \$50 million for \$9,000 additional premium. The modeling shows anticipated losses for the City at \$32 million and his firm is comfortable with the \$50 million limit since it was priced affordably. Crime coverage was also doubled to \$500,000 for just over \$600 additional premium. He felt this was a worthwhile change due to increasing concerns about computer fraud. He then reviewed information and graphics in the report showing the five-year history of premiums, deductibles, and losses for Property Insurance, Tort Liability, Tort Liability by Department, Automobile Liability, Auto Liability by Department, Automobile Physical Damage, Auto Physical Damage by Department, and Property and Liability Insurance Claim Costs.

City Councilor Dick Olsen asked if the City's premiums are affected by past performance. Uerlings explained the rate structure and affirmed that rates are individualized based on experience and that the City may see a reduction based on the last three years which have been excellent.

City Attorney Jim Delapoer raised an issue that he would like the Council to consider. From time to time, the City pays claims for utility system problems for which there is no insurance and for which the City has no legal liability.

For example, the City paid for property damage to the Albany Box Company this year when a water line broke. The City pays those claims as a matter of utility policy and not as a matter of legal responsibility, and he expressed concern about setting a precedent. He asked that the Council have a future discussion about the policy with regard to utility losses.

City Councilor Bill Coburn asked where homeowners insurance comes into play. Uerlings said most homeowners' policies have limitations for sewer and water damage in the \$5,000 range, if it is covered at all. He agreed that paying uninsured claims can set a precedent and he stated that future claims could include not only property damage but also potentially a loss in fair market value of the residence. He suggested that the City let the claim process start and if the claim is denied, the City could make a determination if it is something they want to pay on behalf of the customer.

Following brief discussion, Council agreed that they would like to have a future discussion about policy and parameters around paying claims for uninsured utility system problems.

In response to an inquiry from Councilor Bessie Johnson, Uerlings said that the cost/benefit of higher deductibles is considered on an annual basis.

#### FINANCIAL POLICIES REVIEW

Taylor referred to a previous report by the City's Bond Counsel on the municipalities continuing disclosure cooperation initiative, and a motion by Council at the November 10, 2014, Work Session to self-report the failure to properly disclose a 2008 ratings upgrade and implement policies and training procedures suggested by the Securities Exchange Commission. As an update, he advised that staff did self-report and has received confirmation from the SEC that they received the report, and that staff has been working with Bond Counsel on draft policies.

#### WATER RATE DISCUSSION

Public Works Director Mark Shepard said this is the fourth year of the annual water rate discussion. Last December, staff estimated that a 4% rate increase would be required in January 2015. Updated revenue and expenditure information has led to a reduction in the recommended rate increase to 2%. The rate increase would provide just under \$300,000 in revenue. For a resident using 6 units of water, it would be an increase of about \$0.83 per month; for a resident using 8 units, it would be just under \$1 additional per month. The average residential customer paying \$3.41 per day for both their water and sewer service and receives safe drinking water, reliable service, fire protection, and economic development opportunities.

Shepard showed a five-year history of Water Operating and Maintenance Expenditures (see agenda file). He said one reason staff can reduce the rate increase request is that they have done a good job of containing expenses. He showed a five-year history of Water Revenues, noting estimated Water SDC revenues have increased based on past performance and development occurring in the community. He showed Components of Water Debt Service Payments, noting that the projections are looking better and it is anticipated that SDCs would be able to make the annual debt service payment but not fund SDC eligible projects. He reviewed the Five-Year Rate Plan Variables, the Five-Year Rate Projection, and the Five-Year History of Water Rate Increases with both projected and actual rate increases. He reviewed 2014-15 Average Monthly Utility Bills in Oregon Cities, noting that Albany was ranked sixth in total rate costs four years ago and tenth this year. This indicates that other utilities have had to raise their rates in order to meet system demands or regulatory requirements. He requested that the issue be taken to a public hearing at which time staff will give a full report and ask for a Council decision on the recommendation.

Councilor Rich Kellum asked about the potential of doing larger rate increases less often. Coburn thought there might be value in having that discussion. Shepard said staff could come up with a model for consideration with future rate requests. One consideration is that projecting further out may result in more conservative estimates and larger rate increases than would otherwise be needed. Collins said this was discussed at the task force level. He said there is a market component involved and, in his experience, most people would rather have a smaller annual increase than a larger increase every two or three years. Brief discussion followed.

Council agreed to move the item forward as requested by staff.

#### CROCKER LANE/VALLEY VIEW DRIVE/BLOOM LANE LOCAL IMPROVEMENT DISTRICT PRELIMINARY COST ESTIMATES, BOUNDARIES AND ASSESSMENT METHODOLOGIES

Civil Engineer III Gordon Steffensmeier reviewed the staff request for Council input about the proposed boundaries of the Local Improvement Districts (LIDs) and potential assessment methodologies for three potential street improvement projects. Council input will help focus neighborhood meetings and the Engineer's report.

For the Crocker Lane improvements, Steffensmeier reviewed the cost estimates, proposed LID boundary, existing and potential development, and estimated assessment for each property based on the full project cost of \$1,462,000, as detailed in the written staff report. Staff proposes that the City contribute \$29,000 of North Albany Street Improvement Fee reserves, which represents the amount collected from the Crocker Heights subdivision development, and \$85,000 of Street and Storm Connection Fee reserves, which represents fees the four excluded single-family residential properties would pay if they develop in the future. Council could also consider

contributing Transportation System Development Charges reserves up to \$448, 600, which is 30% of the Crocker Lane improvements. These contributions would reduce the per lot assessment as detailed in the written staff report.

For the Valley View Drive improvements, Steffensmeier reviewed the estimate for a 10-foot-wide, multiuse path in the right-of-way on the south side of Valley View drive in the amount of \$235,000. The developer and Benton County Parks Department have suggested that an all-weather path within the proposed park could substitute for the more expensive path within the right-of-way.

In response to questions, Shepard said there is not a lot of undeveloped property along Valley View Drive. What appears to be missing, and what staff receives complaints from the neighbors about, is the pedestrian component. It is staff's opinion based on the development potential that the addition of the 10-foot path would satisfy requirements. Delapoer suggested that the LID could include language that the requirement may be satisfied by the construction of the developer-proposed path to the satisfaction of Benton County and the City.

Councilor Floyd Collins said he thought the LID should include the two lots adjacent to Valley View Drive at Hillcrest for connectivity of the path. Discussion followed regarding the route of the multiuse path and potential connection points.

Collins asked if the large parcel at Valley View Drive and Crocker Lane should be assessed using the option where frontage is measured on the diagonal. Shepard said the parcel already had a condition of approval to do full frontage improvements on Crocker Lane and Valley View Drive.

In response to an inquiry from Konopa, Shepard said a single-family lot with no plan to develop would be held harmless; however, if they come in to develop later, they would be required to pay connection fees.

Steffensmeier said Bloom Lane was included in the investigation because of its proximity to Crocker Lane and because combining those improvements with the larger project would result in lower construction costs. The estimate for Bloom Lane is quite high, however, and the petition/waivers along Bloom Lane won't expire until 2025. Staff requests Council direction about whether or not to proceed with neighborhood meetings and a financial investigation for Bloom Lane.

Konopa asked about the possibility of adding just sidewalks on Bloom Lane. Shepard said that would be a challenge due to potential impacts to drainage and constraints within the right-of-way.

Kopczynski said if there are no safety issues, he would suggest leaving it alone until the neighbors want the improvement. Discussion followed regarding existing conditions, development potential in the area, and development which signed petition/waivers acknowledging that they would pay for future road improvements at such time the City formed an LID. Shepard said the question for Council is whether staff should take this forward as a potential LID and hold the neighborhood meeting.

Kellum said if there is no safety reason for the improvements at this time, as long as the folks who live there recognize the street for what it is, and given that there is time on the waiver, he doesn't think it's necessary to move forward on Bloom Lane at this time.

Konopa asked if the City should not allow more development which would cause additional impacts. Delapoer said that would be taken into consideration in future land use decisions.

Coburn said his issue would be the fire and emergency access.

Collins said an option would be to turn Bloom Lane over as a private road with the neighbors forming a local road district. Delapoer said staff could raise the possibility but doing so wouldn't resolve concerns about emergency access and safety and wouldn't really achieve anything other than justification for not making improvements for which the City isn't really responsible anyway. Discussion followed regarding the local road district option. Johnson questioned the idea of the City having only one road with its own district. Hare noted that these groups often start off strong with highly motivated people but fade over time as those people move on.

Kellum reiterated that if there is no safety concern and the people who live there don't have a problem with what it is, he thinks it should be left alone until such time the neighbors want the improvement. Coburn agreed; he felt that some people wouldn't understand the local road district.

Konopa expressed concern about shoving the issue down the road. Johnson said it is very important to document that the improvements weren't done because the homeowners didn't want them. Collins said it is also important that the neighbors understand this was considered because of economy of scale with other improvements and that costs would be higher in the future.

Delapoer suggested that Council could direct Shepard to write a letter to the neighbors explaining that Council decided not to go forward with an LID at this time based on the opposition; however, this will come up again before the expiration of the petition and they may face costs that are 15% higher as well as inflationary costs.

Council agreed that staff could move forward on the Crocker Lane LID. It was further agreed that staff would come back with a revised Valley View Drive proposal which addresses the discussion about the location and connection of the pedestrian path and allows for an alternative as requested by the developer and Benton County Parks. It was further agreed that staff would draft a letter to the Bloom Lane residents as discussed.

#### COUNCILOR COMMENTS

Kellum referred to an email from a man whose son was hit twice in the crosswalk on Waverly Drive just south of Grand Prairie, right at the creek. Shepard said Council could direct that the improvement be done now using minimal Street Fund reserves, or the project could go into the Capital Improvement Program process this year and be weighted with other projects. In response to an inquiry from Konopa, Shepard said that Transportation Systems staff indicated the crosswalk was a good candidate for improvement because the area has two lanes in each direction and a 40 mph speed limit; however, there are other streets in the City that are good candidates also. Staff will bring back an analysis as to whether this would be the top priority based on the available data.

Kopczynski commended Public Information Officer/Management Assistant Marilyn Smith for the Public Safety Facilities Review Committee task force meeting minutes she prepared.

Konopa reviewed the work of Restore Oregon to encourage state historic tax credits. Councilors may receive an informational flyer on this issue, as well as emails about endorsing the bill.

Konopa said the Albany charitable Toy Run was a great success; 315 motorcycles came and brought gifts. The Downtown Twice Around parade was also a success; there was a great turnout with about 30 entries, with tree lighting and a visit from Santa.

Konopa reported on the Jackson Street Youth Shelter open house.

#### CITY MANAGER REPORT

None.

#### ADJOURNMENT

There being no other business, the meeting was adjourned at 6:15 p.m.

Respectfully submitted,

Reviewed by,

Teresa Nix  
Administrative Assistant

Stewart Taylor  
Finance Director