

CITY OF ALBANY
CITY COUNCIL WORK SESSION
Municipal Court Room
Monday, March 6, 2017
4:00 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 4:02 p.m.

ROLL CALL

Councilors present: Mayor Sharon Konopa and Councilors Bill Coburn, Dick Olsen, Ray Kopczynski, Mike Sykes, Rich Kellum, and Bessie Johnson.

Councilors absent: None.

BUSINESS FROM THE PUBLIC

None.

HYDROPOWER COST/BENEFIT COMPARISON

Utility Services Manager Mark Yeager reviewed the information provided in the staff report. Staff is looking for ways to reduce the regulatory burden and costs associated with hydropower at the Vine Street Water Treatment Plant (WTP).

In response to a question from Councilor Rich Kellum, Yeager explained that nothing as part of the hydropower process would mean abandoning use of the Santiam-Albany Canal as it is still needed to divert water to the Vine Street WTP. In response to a question from Councilor Ray Kopczynski, Yeager explained that the original acquisition of water rights was 275 cubic feet per second (cfs). The City has dedicated 85 cfs to canal diversion, leaving 190 cfs as the portion remaining for hydropower. Public Works Engineering & Community Development Director Jeff Blaine explained that if the Council wished to pursue options for abandoning hydropower, the first step would be to go through the process to try and transfer that 190 cfs to another use. If that transfer were successful, the City could abandon the hydropower without a loss of water rights. Discussion followed.

Yeager reviewed revenue history and expenses as outlined in the staff report. Yeager also explained some of the federally-imposed restrictions that affect the City's ability to generate hydropower. Staff must continually monitor the water levels in both the South Santiam and Calapooia Rivers. If the South Santiam River is too low, they cannot generate hydropower because of the requirement to preserve water to protect spawning salmonids. If the water level is too high in the Calapooia River, there isn't sufficient head available to operate the turbine. There are also times when the system is down because of operational or maintenance needs. All of these factors considered, the turbine only runs about 68 percent of the time, on average.

Public Works Operations Director Chris Bailey explained that the year with the least amount of revenue was a year that the area experienced low-level waters early in the spring, so the City had to cut off operations in May instead of June. In the same year, a project on the canal that was supposed to be finished in October went all the way into December, so there was a total of three months of lost run time that year.

Kellum asked whether the City is being reimbursed by Pacific Power at retail or wholesale rates. Yeager stated that staff is not certain of the rate as it was negotiated in the 1980s, but he believes it is at retail rate. He said the reimbursement rate is one of the things staff needs to investigate. Discussion followed.

Councilor Mike Sykes questioned why the City would continue to operate the hydropower plant when it has been losing money for at least the last five years. Yeager explained that there would be financial consequences for abandonment; the City cannot simply shut it down and walk away. Yeager stated that the major issue has been that the regulatory requirements have continued to increase exponentially over the past several years, and the City is expected to meet the same requirements as major operations such as the Bonneville Power dam. Yeager stated that the demands on the City are beyond reasonable for the risks associated with the City's project.

Yeager reviewed the options moving forward as outlined in the staff report, noting that the memo does not mention abandonment or simply shutting down the plant. Yeager stated the Federal Energy Regulatory Commission (FERC) would have a wide range of penalties they could impose if the City abandoned their contractual obligations related to hydropower. Instead, if the City were to surrender its license, that would provide the opportunity to negotiate the terms. An additional option that did not exist previously would be for the City to pursue a reclassification involving a conduit exemption option. Discussion followed. Yeager said it's not clear yet how that process would work or whether Albany would qualify. The opportunity for a conduit exemption would be very beneficial as it removes many of the regulatory requirements associated with the current license.

Konopa expressed that she would hate to see Albany completely abandon its hydropower facility. She questioned some of the expenses accounted for in the staff report and whether those expenses included staff positions that would still be needed even without hydropower production. City Manager Wes Hare clarified that staff is not recommending abandonment of hydropower at this point. He said the first question that needs to be asked is how the City gets out of a money-losing situation, and it sounds like the conduit exemption option would be ideal to pursue since it reduces much of the regulatory burden and associated costs. Hare said the guidance staff is seeking at this meeting is whether or not to investigate a path forward that would be more positive than it is now. Yeager added that for a number of years, staff has been trying to make the best of this project, but the FERC requirements keep ratcheting up.

Councilor Bessie Johnson asked what would happen with the canal if the City doesn't renew the hydropower license. Yeager explained that the canal would continue to be maintained as long as Albany has the Vine Street WTP. Councilor Bill Coburn, Councilor Dick Olsen, and Konopa agreed that this should be studied further to look for solutions. Sykes reiterated his concerns over continuing to spend money when the City is already losing money on this operation.

MOTION: Olsen moved to authorize staff to spend up to \$90,000 for the action requested in the staff report. Kopczyński seconded the motion, and it passed 6-0.

UPDATE ON STRATEGIC ENERGY MANAGEMENT PROJECT

Assistant City Manager/Chief Information Officer Jorge Salinas explained that the City has been working with Energy Trust of Oregon on Strategic Energy Management (SEM) since early 2014. The first year of the program began with a review of commercial buildings including City Hall, the Police Station, Main Library, Cool Pool, and the Train Station; and the City saved 882 kilowatt hours (kwh), or roughly \$61,000. There were also natural gas savings of roughly 27,000 therms, or \$22,000. The total first-year savings were roughly \$84,000, of which the City received a \$21,000 check from Energy Trust. In year two, the savings were around \$124,000, of which \$98,000 was energy cost avoidance and a check from Energy Trust of \$25,000. The City accumulated roughly \$46,000 of Energy Trust dollars that were put into an account to fund other internal projects for the City and expand the program. In year three, the City began with industrial facilities that included the water and wastewater treatment plants.

Wastewater Treatment Plant Supervisor Scott LaRoque, reviewed the PowerPoint presentation included in the packet. He noted that through February 2017, the plant has seen about 620,000 kwh worth of savings. Recently completed projects include 31 streetlights around the plant that were converted to LED and an actuator installed last month at Talking Water Gardens (TWG) that allows staff to shut off the water to TWG on winter nights when the cooling effects of the gardens are not needed. LaRoque noted that the City has saved around \$45,000 on the cost of power by reducing consumption and has spent around \$24,000 on these projects. Staff is projecting flow into the plant of about 3.8 billion gallons this year, compared to 3.2 billion gallons last year. Even with the extra flow, power consumption is down. LaRoque projects that if the City had not gone through the SEM process, the plant would have spent \$535,000 on power instead of \$490,000. Coburn commended staff for their efforts. He said it was certainly a worthwhile project.

Water Treatment Plant Supervisor John Adams reviewed the PowerPoint presentation included in the packet. He said their focus was on six pumping stations and two water treatment plants, which included a wide range of conditions. Adams explained that one of the major processes they were able to alter to save on energy consumption is the backwash process for the membrane cells and increasing the amount of time between washes from every 30 minutes to every 45 minutes. Overall, that saves 4.5 hours per day of run time. He said staff made sure to discuss the option with the manufacturer of the membranes to ensure that the 45-minute cycle was adequate. He said they've also fixed leaks in air lines for the compressors, which reduces how often and for how long they need to come online. He said they expect a significant return on investment this year since they have fixed or replaced several bad motors. Overall, 31 opportunities for savings were identified; 22 have been completed; 2 are currently in progress; 1 is scheduled but delayed; and 6 were evaluated but not implemented. The plant has saved 109,486 kwh of power consumption, as well as a 31.34-percent reduction in natural gas consumption. Staff takes great care to turn off heat sources when not in use, target specific times with automatic controls, and limited use of the halogen lights. Discussion followed.

Salinas noted that the City has signed up for a fourth year of SEM to find other opportunities for savings with the other City facilities.

INTERGOVERNMENTAL AGREEMENT WITH LINN COUNTY

Salinas stated that based on previous direction from Council, staff has prepared an intergovernmental agreement between the City and Linn County for the allocation of \$100,000 toward capital improvement projects at the Linn County Fair and Expo Center. The agreement includes a commitment by Linn County to provide matching funds. Staff is requesting Council's feedback before having the City Attorney discuss with Linn County.

Kellum said he's not certain the agreement achieves the City's goal of more overnight stays at the hotels and generating Transient Lodging Tax (TLT) revenue. He would like to see more thought put into identifying specific projects before agreeing to give the County \$100,000. Konopa agreed. She noted that she read that one of the County's projects at the Expo was to repaint horse stalls, which she sees as being routine maintenance. Kopczyński

also asked whether the funds would be tied to a list of projects. Hare cautioned against spending too much time haggling over an approved list of expenditures. He said that if the Council is going to move forward with the agreement, they are buying into an improvement to the facility of whatever nature that may be and buying some goodwill with the County that reflects well for the City. He feels this investment makes better sense than the money that was spent on hiring a marketing person; at least the improvements are something tangible.

Salinas explained that the County provided a list of much-needed improvements totaling \$750,000. Within that list were projects like the horse stalls. The County claims that substandard stalls are driving horse shows to Lane County. Konopa noted that the Albany hotels have reported that horse shows don't fill their hotels because many of the attendees stay in travel trailers on County property for which the City doesn't collect TLT. Discussion followed. Olsen asked where the funds were coming from, if there was a surplus in the TLT Fund. Salinas noted that there is an eight-percent increase in TLT revenue that's not allocated.

Council directed staff to bring the item back for consideration once a list of proposed capital improvement projects for the Fair & Expo Center is provided by Linn County.

BRANDIS PROPERTY/GAPS

Hare explained that previous direction from Council was to work with Greater Albany Public Schools (GAPS) on a plan for them to purchase a 10-11 acre parcel from the City for a future school site. The agreed-upon cost was \$1.4 million in total, with \$375,000 being for the land and the balance being the cost of the road construction to extend Santa Maria Avenue. GAPS is proposing a land trade as payment in order to preserve their cash. The City uses two GAPS-owned parcels for City parks. Deerfield Park is entirely on GAPS property, and Sunrise Park is partially on GAPS property. They'd like to subtract those parcels from the price of the Brandis property, then cover the road construction portion of the project. Discussion followed. Konopa expressed concerns over the assessed value of the parks being inflated by the investments the City has put into those parcels. She stated that the City has paid for those parks and maintained them for over 30 years, so that investment needs to be taken into account. Hare said he believes that the assessed value is going to be based on the development opportunity, i.e., what the property would be worth to a developer, not what it is worth as a park. Discussion followed.

Hare noted that the real question for Council to consider is whether they want to give up the \$375,000 in cash that would be returned to the Pepsi-Co Fund and instead use it to purchase parks property. Hodney noted that the leases the City has with GAPS would allow them to take those parks back if they wanted to. Kellum said he would be more inclined to pursue their proposal if they were offering up different property, such as the property on Lochner Road SE next to SnoTemp. Discussion followed. Hare asked Council whether they'd like him to approach GAPS about the Lochner Road property. Coburn said he would prefer to take some time to think things over. He sees value in the concept of trading land, but he feels GAPS has overvalued the parks in this case.

Blaine noted that when the City did an appraisal on the Brandis property, for residentially zoned land that's encumbered with wetlands, the value came in at \$37,500 per acre. If the parks properties were 100 percent encumbered with wetlands, which would be a worst-case scenario, the value for them as raw land comes out the same as the value of the Brandis parcel. Discussion followed. Council directed Hare to continue working with GAPS on the details of an agreement to purchase the parcel needed for a school site.

BUSINESS FROM THE COUNCIL

Coburn asked whether the City Council would be publically supporting the GAPS bond measure. Konopa said she had been approached about endorsement as an individual, but she's not sure about the Council as a whole. Hare explained that if the City is approached about endorsement, it will be scheduled as an agenda item for Council to consider.

Konopa reported that the Historic Properties Ad Hoc Work Group had their first meeting earlier in the day, which was a tour of the historic Main Street church. She said there was a great turnout from the work group, several citizens attended who were interested in taking the tour, and everyone seemed really energized.

CITY MANAGER REPORT

None.

ADJOURNMENT

There being no other business, the meeting was adjourned at 6:08 p.m.

Respectfully submitted,

Holly Roten
Administrative Assistant I

Reviewed by,

Wes Hare
City Manager