



ALBANY CITY COUNCIL AGENDA

Monday, February 10, 2020

4:00 p.m. Work Session
Council Chambers, City Hall

333 Broadalbin Street SW

- 4:00 p.m. Call to order
- 4:00 p.m. Roll call
- 4:05 p.m. Business from the public
- 4:10 p.m. Reclassification of Clerk II position in Parks & Recreation – Kim Lyddane. [Verbal]
Action Requested: Information, discussion, direction.
- 4:15 p.m. Washington Street sewer improvements. – Andrew Monaco. [Pages 2-5]
Action Requested: Information, discussion, direction.
- 4:30 p.m. Fiscal Year 2020-2021 utility rate adjustments. – Jeff Blaine. [Pages 6-21]
Action Requested: Information, discussion, direction.
- 5:15 p.m. Highway 20 corridor report. – Ron Irish. [Pages 22-23]
Action Requested: Information, discussion, direction.
- 5:35 p.m. Business from the council
- 5:40 p.m. City manager report
- 5:45 p.m. Adjournment

The location of this meeting is accessible to the disabled. If you have a disability that requires accommodation, please notify the City Manager's Office in advance of the meeting: cmadmin@cityofalbany.net | 541-791-0206 or 541-917-7519.



MEMO

TO: Albany City Council

VIA: Peter Troedsson, City Manager *PT 2/6*
 Jeff Blaine, P.E., Public Works Engineering and Community Development Director *JB*

FROM: Staci Belcastro, P.E., City Engineer *SB*
 Andrew Monaco, Engineering Associate I *AM*

DATE: January 29, 2020, for the February 10, 2020, City Council Work Session

SUBJECT: Sewer Service to 921, 931, and 1001 Washington Street SW

Action Requested:

Staff recommends Council approve a sewer improvement project to address concerns with sewer service to three properties located at 921, 931, and 1001 Washington Street SW (Attachment 1).

Discussion:

Pat and Elaine Eastman, who live at 1001 Washington Street SW, submitted an application during the spring of 2018 to see if their sewer service was eligible for replacement under the City’s Sewer Lateral Replacement Program (SLRP). The SLRP program provides funding for a one-time replacement of qualifying sewer service laterals on private property, up to the foundation of a structure. These service laterals are not public infrastructure but do impact the public system when they deteriorate and groundwater leaks in. The SLRP’s primary purpose is to address structural failures on private laterals, thereby reducing groundwater entering the public sewer system. Staff investigated the Eastman’s lateral and found it is shared with two other properties located at 921 and 931 Washington Street SW; the sewer service runs underneath all three homes. The line was not eligible for replacement under the SLRP program due to its location under the three homes. Further complicating the situation, there is no sewer main adjacent to the Eastman’s property, making installation of new, separate, laterals more challenging.

The current Capital Improvement Program (CIP) includes a 1.64-million-dollar sewer improvement project in the Eastman’s neighborhood, planned for fiscal year 2022-2023. The City typically addresses issues like the failed, shared lateral experienced by the Eastman’s with these projects. When staff informed the Eastman’s that their lateral did not qualify for the SLRP, they also informed them of the planned project, and that if the project progressed as anticipated into future budgets, the City may be able to solve their problem within a few years. This was good news for the Eastman’s and their neighbors as it meant there was the potential for a near-term solution that didn’t involve a significant private investment. At this point, the Eastman’s decided it was in their best interest to wait for the future CIP project.

The Eastman’s have continued to experience periodic back-ups from their failed private lateral that, in addition to the inconvenience, requires hiring a private company to come clear the line. The Eastman’s are concerned that the private line will either soon fail to the point that it can’t be put back in service or will require an impractical amount of intervention to keep it serviceable until the CIP project is constructed. As a result, the Eastman’s and their neighbors are requesting that the City consider constructing a portion of the 2022-2023 sewer project now. The three property owner’s request was made via the letter provided as Attachment 2.



The most obvious solution to the current sewer problem is to extend a new sewer main in Washington Street and install three new sewer service laterals, at a cost of approximately \$120,000. However, during design, staff would evaluate potential cost saving alternatives.

Given the proposed improvements are already identified as a high priority in the current CIP, the condition of the private lateral, and the immediate impact on three property owners, staff recommends that council authorize staff to construct this portion of the improvements ahead of the larger project envisioned in 2022-2023.

Budget Impact:

The Washington Street sewer improvement project identified in CIP plan year 2022-2023 will be funded from the Sewer System Capital Projects fund (60140350). There are adequate reserves in the Sewer System Capital Projects fund to design and construct sewer improvements needed to abandon the shared sewer service lateral during the current fiscal year.

SLB:AM:kc

Attachments 2

Attachment 1 Washington Street Sewer Replacement Vicinity Map



01/10/2020

City of Albany Oregon

City Councilors; Olsen, Sykes, Coburn, Johnson, Johnson, Kellum, Mayor Konopa.

Public Works Engineers; Staci Belacastro, Andrew Monaco, Jeff Blaine

RE: Sewer connection; Pat & Elaine Eastman, 1001 Washington St SW - Jim & Leslie Hogan, 931 Washington St SW - Mary Gaslin, 921 Washington St SW.

Dear Councilors, Mayor and staff,

We are seeking consideration for an expedited resolution of a critical sewer connection issue that we three homeowners share. We have been involved with city staff in regard to this issue since early 2004.

In 2003 I purchased the home at 1001 SW Washington St and shortly after I discovered a situation with the connection of the sewer lateral to the city sewer main.

At a point in early 2004 I noticed liquid coming up through the floor drain in the basement. I called a plumber who determined that there was a blockage in the sewer lateral to the city services. After an unsuccessful and protracted effort to determine the location of the blockage by the plumber the city was contacted. The lack of current sewer pipe location maps at the city prompted one of the city employees to dispatch someone in public works to run a camera down our sewer lateral which determined that two additional homes are on the same sewer lateral. They described the two additional sewer connections as "Chimney Dump" type connections that are connections to 921 and 931 Washington St. We all three share the same sewer lateral. When the city workers were finishing up with their work at the house, one of them said they would document this improper connection with the city and someone would contact me about repair. Time went on and now I have had three other Roto-Rooter visits along with the original plumber digging for two days searching for the lateral.

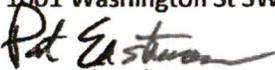
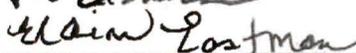
In March of 2018 I was informed that the City had replaced some sewer laterals in the older neighborhoods in town. We, my wife Elaine and I, applied for the replacement work, and Lindsey Austin was very helpful with that process. She, unfortunately, indicated that this was a unique situation and that she needed to turn the paperwork over to another person in the Public Works department. We were next contacted on December 2018 by Andrew Monaco who indicated that there was a project dealing with sewer issues in the Washington Street area and that our issue would be added to a list and accomplished at some point. At that time I asked to be kept in the loop.

This last Sunday, 1/5/2020, there was another blockage that required a three hour visit from Roto-Rooter. This time, the #4 blockage was very difficult to dislodge.

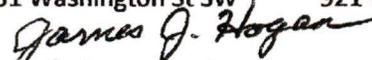
This situation is very problematic on two levels. First is the health issue at the 1001 address. That is where the drainage problem causes a potential health issue with raw sewage backing up into the basement. Second is the potential difficulty in selling any one of the three homes given the now known non-standard sewer connection to city services.

We thank you for your time and consideration of our problem and we look forward to further discussion with city staff in regard to a successful and expedient resolution.

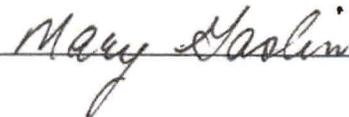
Pat & Elaine Eastman
1001 Washington St SW

Jim & Leslie Hogan
931 Washington St SW




Mary Gaslin
921 Washington St SW





MEMO

TO: Albany City Council

VIA: Peter Troedsson, City Manager

PT

FROM: Chris Bailey, Public Works Operations Director

CB

Jeff Blaine, P.E., Public Works Engineering and Community Development Director

JB

DATE: February 5, 2020, for the February 10, 2020, City Council Work Session

SUBJECT: Utility Rate Adjustments for Fiscal Year 2020-2021

Relates to Strategic Plan theme: A Safe City; An Effective Government

Action Requested:

Staff requests City Council provide direction regarding utility rate adjustments for Fiscal Year (FY) 2020-2021.

Discussion:

Each year, Public Works staff provide annual revenue and expenditure reports for each utility, recommend rate adjustments, and provide five-year rate projections necessary to meet levels of service established by council. All the utilities are discussed at one time in order to better understand the combined impacts of utility rates on the community. This year's discussion will occur at the February 10, 2020 work session.

Based on council feedback from the work session, staff will develop new rate resolutions for each utility, which will be adopted following a public hearing in the coming months. (In a budget year, these resolutions would be adopted in June with the Capital Improvement Program and City budget.) The effective dates of the new rate resolutions will mirror traditional times of year that adjustments are implemented (sewer is the first to occur in the fiscal year):

- Sewer – July 1, 2020
- Water – January 1, 2021
- Stormwater – March 1, 2021

This memo provides a summary of each recommendation for FY 2020-2021, and Attachment A provides a more detailed discussion of water, sewer, and stormwater revenues and requirements with an updated five-year rate projection.

Sewer Rates

A three-and-one-half percent rate increase effective July 1, 2020, is required to respond to inflationary increases throughout sewer programs and to meet the Council's approved financial target for annual capital projects of \$2.9 million (inflation adjusted). In addition to the rate increase, staff recommends increasing the permit fees for Significant Industrial Users (SIU) to \$723 to reflect the increase in fees charged to the City by the Oregon Department of Environmental Quality (DEQ) for these permits. As they have done for each of the last few years, DEQ raised the SIU fee last fall. The City's practice has been to adjust the SIU fee described in the rate resolution to match the amount charged to the City by DEQ.

Water Rates

A five percent rate increase effective January 1, 2021, is required to respond to inflationary increases and to move closer to the Council's approved financial target for annual capital projects of \$2.7 million (inflation adjusted). The Council chose to build to the \$2.7 million target over a five-year period. The January 1, 2021 adjustment represents the third year of the transition.

Stormwater Rates

Albany's first stormwater service charge was implemented March 1, 2017. The initial program was not established to address the many unfunded needs throughout the utility but rather to start small and grow the program slowly over time. Unfortunately, unfunded system needs are significant and the arrival of the new Municipal Separate Storm Sewer System (MS4) permit means that the time to simply make inflationary increases has ended. In June 2018, the Council approved a funding plan which would create an additional \$1.5 million (inflation adjusted) in annual stormwater revenue by 2025. This revenue is anticipated to fund new requirements placed on the City by the MS4 permit and to fund stormwater improvements associated with planned street projects. In order to remain on track for this revenue target, a stormwater rate increase of 17 percent is required. While an important increase, this funding target does not create any dedicated capital funds in the stormwater utility and the list of unfunded needs in the system continues to grow.

At the June 2018 meeting in which Council set the new revenue target that called for 17 percent rate increases, staff was asked to update the stormwater website with the new rate information and reach out to the same group of customers with the highest stormwater charges as we talked to prior to implementing the initial stormwater charge. This work was completed in 2018; discussions with this group of customers were productive and centered around opportunities for credits as described in the stormwater rate resolution.

Residential Utility Bill Impact

The following table identifies the monthly impact to a residential customer being charged for eight units of water/sewer usage and an average amount of impervious surface based on a 3.5 percent sewer increase, a 5 percent water rate increase, and a 17 percent stormwater increase.

Proposed Rate Increase	Monthly Increase	Total Monthly Charges
3.5% Sewer	\$2.12	\$62.74
5% Water	\$2.58	\$54.43
17% Stormwater	\$1.48	\$10.18
Total:	\$6.18	\$127.35

Unlike residential customers, commercial and industrial customers do not use water and sewer services in predictable and uniform ways. Impacts to the total monthly bill of any individual commercial or industrial customer are likely to be unique to that customer depending on their circumstances. For these reasons, summarizing the impacts to these groups of customers does not fit neatly into a single table. A more detailed discussion of potential increases in monthly charges for these customers will take place at the city council work session.

Community comparisons for both individual utility bills and total bills are provided as Attachment B. The total utility bill described in this table includes all utilities within each community (sewer, water, stormwater, and transportation).

Streets

Over the last few years the council has invested a significant amount of time in understanding the condition of Albany’s streets, what is required to proactively maintain them, and how the costs of proactive maintenance compare to available revenues. A key concept covered in those discussions was that, over the service life of a road, it is more cost-effective to actively maintain a road in good condition than it is to wait to rebuild it after it completely fails. Council set an initial maintenance goal for Albany’s arterial and collector streets, those most used by the community, of not letting them fall below a Pavement Condition Index (PCI) of 60 (a rating of “fair” condition that balances short and long-term financial impacts).

There simply aren’t enough funds available to maintain even Albany’s most used roads in fair condition. Council has considered several potential funding alternatives, acted on some, objected to some, and tabled others. Currently, only one potential reoccurring funding source remains for further consideration: water and sewer In-Lieu-of Franchise Fees (ILFF).

Per the Albany Municipal Code, all ILFF revenue is directed to the street fund. As has been discussed previously, staff proposes increases to these fees from five to seven percent of revenues. With this change, Albany would be treating itself the same as other utilities and generate more revenue for the street fund. In response, staff would not propose additional water and sewer rate increases beyond those already being considered.

Implementing such a change would generate an additional \$525,000 for the street fund, closing almost 20 percent of the funding gap for maintaining our arterial and collector streets.

Budget Impact:

Sewer: A 3.5 percent sewer rate increase is estimated to generate \$594,000 in additional rate revenue to the sewer fund.

Water: A 5 percent water rate increase is estimated to generate \$672,000 in additional rate revenue to the water fund.

Stormwater: A 17 percent increase is estimated to generate \$345,000 in additional rate revenue to the stormwater fund.

Increasing the water and sewer in-lieu-of franchise fees to 7 percent will generate \$525,000 in additional rate revenue to the street fund with a corresponding increase in expenses between the water (\$255,000) and sewer (\$270,000) funds.

JJB:ss
Attachments (2)

ATTACHMENT A – UTILITY RATES

Introduction

The Albany Strategic Plan identifies the importance of providing safe, sufficient, and reliable drinking water, sewage disposal, and drainage systems, and complying with related regulations. To accomplish this, the City proactively manages utility systems. Part of managing each system is to plan for the needed system revenues and expenditures. There are no general fund resources used to support Albany's utilities. Operations and Maintenance (O&M) activities are funded through revenues generated by service charges, System Development Charges (SDCs), and other permit fees. The exception is the stormwater utility where street funds still cover some stormwater related costs on street capital projects. Grant funding is used to augment revenues when available.

There are three components to the cost of running and maintaining each utility's expenditures. The three expenditure components are:

- Debt Service
- Operations and Maintenance
- Capital Expenditures

These three components are interdependent and impacts to funding of any one of the components ripple into the other two.

Debt Service: The City's first obligation is to pay off the debts we owe. At times, utilities borrow money to complete large capital improvement projects that cannot be funded with pay-as-you-go funding. The Albany-Millersburg Water Reclamation Facility (WRF) and Albany-Millersburg Joint Water Project are examples of these types of projects.

Debt agreements typically have specific requirements for repayment as well as annual revenue generation. Repayment of debts are often made through a combination of rate funds and SDCs, when eligible.

Operations and Maintenance: The City's second obligation is to properly operate and maintain existing facilities. These assets include pipe systems, sewer lift stations, water pump stations, reservoirs, and treatment facilities. In addition, there are regulatory requirements within each of the utilities that have operating, monitoring, enforcement, and reporting obligations the City must comply with in order to meet state and federal permit requirements.

Proper O&M reduces the risk of system failures that can lead to interruption of service or violation of health and environmental standards. Proper maintenance can also reduce overall expenditures, including capital needs, and prolong the service life of infrastructure components.

Capital Expenditures: Finally, the City needs to invest in capital improvements to replace failing and undersized infrastructure. Adequate investment in this work provides for reliable service to existing customers and anticipates needs to support economic development in the community. Almost all capital expenditures are made to replace failing or undersized infrastructure or in response to mandated regulations to protect Albany's citizens and the environment.

Regular capital investment in utility infrastructure will reduce the risk of system failures that can lead to interruption of service or violation of health or environmental standards and ensures adequate capacity in these systems is available for future growth of the City. Staff routinely conducts condition assessments of utility

assets, providing data that allows planning for specific, targeted repairs or replacements. Targeted capital expenditures will reduce the ongoing maintenance costs associated with operating the utilities.

Revenue and Expenditure Variables

Staff has prepared five-year projections for each utility. However, it is likely that the revenue and expenditure picture will change as we move into the future. Requirements to pay off existing debts are fixed, but there are significant variables that can impact revenue and the operation and capital requirements for each utility. The following is a list of variables that can impact the rate picture over time:

Rate Revenue: While we have confidence in our rate revenue projections, there are influences outside the City's control that can have meaningful impacts. The state of the economy can dramatically impact revenues in either direction and, for the water utility, the weather can also have a significant impact on revenues.

SDC Revenue: The revenue the City receives from SDCs is driven by the amount of development happening in the City. The projections in this memo are conservative in that they assume moderate SDC revenues. If development picks up, so will SDC revenues, which can change the long-term picture for rates.

Personnel and Other Large Operation Expenses: Personnel costs are the largest single driver impacting operating expenses. The cost of fuels, chemicals, and electricity can also have large impacts on expenditures and, therefore, rate requirements. Significant weather events can also have an effect on expenditures in the sewer and stormwater utilities.

Unforeseen Capital Needs: Staff can project and identify most of the substantial capital needs with enough notice that there is time to plan and incorporate them into long-range rate planning; however, there are instances when unforeseen issues arise that require unanticipated expenditures. We are continually working to improve our understanding of the current condition of facilities through a properly functioning asset management program in order to minimize unanticipated needs.

Future Regulatory Costs: Regulatory requirements can significantly impact rate projections. While regulations are tightening for all three utilities, more stringent regulations with important financial implications are anticipated for sewer and stormwater in the near term. The Oregon Department of Environmental Quality (DEQ) has required Albany to apply for coverage under the National Pollutant Discharge Elimination System Municipal Separate Storm Sewer System (NPDES MS4), Phase II stormwater permit. This permit brings multiple significant new requirements for stormwater management in Albany. For wastewater, Albany's discharge permit is outdated and has been administratively extended. There is no certain timeline for our permit renewal process to begin, but when it does, the City will be required to conduct additional studies and construct capital improvements for both permit renewal and implementation. The full financial impacts of these future regulatory requirements cannot be precisely calculated at this time.

Sewer Revenue and Rate Picture

The following is a summary of the revenue and expenditure needs for the sewer system.

Revenues:

Rate Revenue - The current estimated total sewer rate revenue the City will receive in fiscal year 2019-2020 is approximately \$17 million. This closely matches the revenue estimated during the budget development process.

SDC Revenue - SDC revenues vary year to year depending on the pace of development in the community. The City anticipates it will receive approximately \$1,100,000 in fiscal year 2019-2020. For the future projections, staff has assumed \$730,000 in annual SDC revenue. This is equivalent to approximately 205 home starts in a

year. If development patterns change and SDC revenues increase or decrease, the future analysis will be adjusted to reflect that change.

Expenditures:

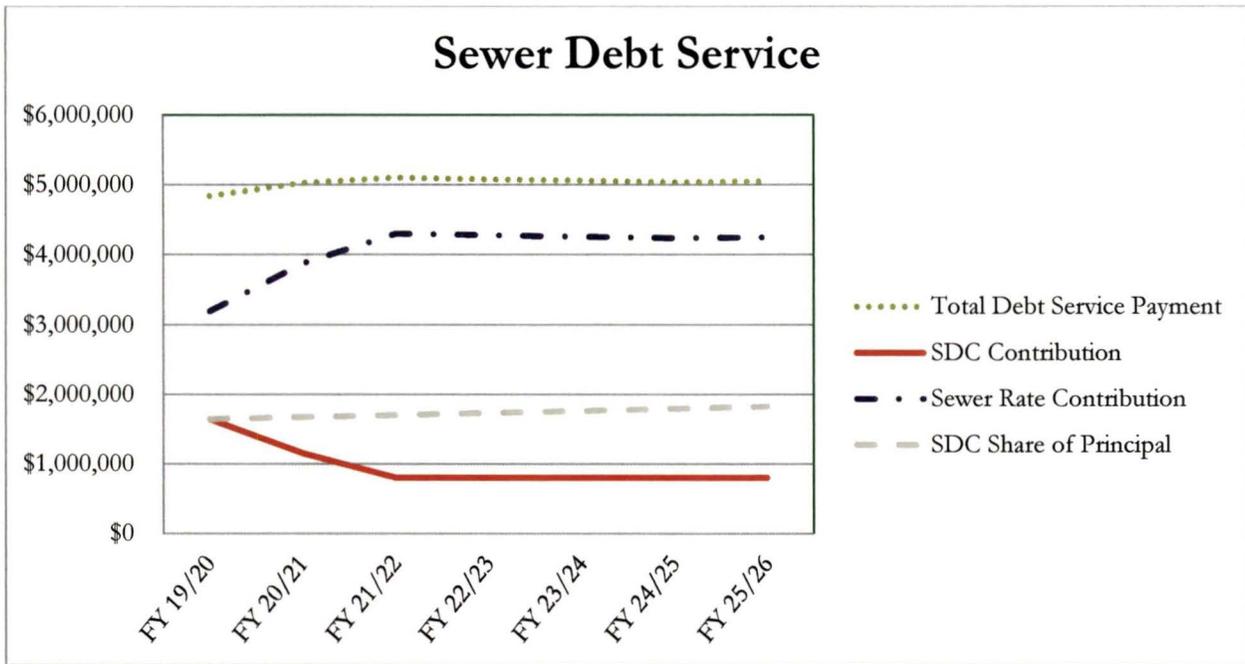
Debt Service - In order to complete the Water Reclamation Facility (WRF) and Talking Water Gardens (TWG) wetlands project, the City borrowed approximately \$77.2 million. While the City was able to secure low-interest financing for these projects, the annual debt payments are significant. In 2017, the City refinanced the remaining debt and is projected to save \$4.1 million over the life of the loan. The total current debt service associated with construction of the WRF and the TWG wetlands treatment projects amounts to approximately \$4.7 million per year through the year 2032. Albany's share after Millersburg's contribution toward debt service is approximately \$4.3 million per year.

Both rate and SDC revenues are responsible for paying off debt for the wastewater improvements. Rate revenues are responsible for all interest costs and 55 percent of the principal payments for the WRF and 100 percent of the TWG. In Fiscal Year 2020-2021 this will equal approximately \$2.6 million. SDCs are responsible for 45 percent of the debt principal payment for the WRF because a significant portion of the facility was sized to serve future capacity needs. In FY 2020-2021, SDCs share of the payment equals \$1.7 million.

The City also has remaining debt for the purchase of the TWG property. There is only one payment remaining on this debt; a final payment of \$90,000 due in December 2020.

Albany recently accepted a new low interest rate loan to address capacity problems in the City's largest sewer interceptor, the River Front Interceptor (RFI). The RFI has been a known problem for several decades and has been the subject of past enforcement actions by DEQ. The debt service associated with the new \$13 million loan will be offset with savings from recent refinancing and conclusion of the annual payments for TWG property. Consequently, debt service requirement for this loan should not require rate increases. Payments for this loan will be approximately \$760,000 per year and will begin when the construction project is complete. Phase 1 of the project is currently under construction.

For several years, staff has discussed with Council that SDC revenue has not been keeping pace with the amount of debt required to be paid by SDCs each year. When there is not enough SDC revenue to cover its share of the annual debt payment, rate revenue is used to make up the difference. Based on current annual SDC revenue projections, it is anticipated that SDC revenues will not be adequate to cover SDCs share of the sewer debt service for the WRF and TWG in fiscal year 2020-2021. This relationship is shown in the graph below. Should development pick up in the City and SDC revenues climb, SDC revenues may be able to keep pace with debt obligations.



Operations and Maintenance - Rising employment, chemical, and energy costs impact the O&M budget. For the five-year projection, a five percent per year increase in O&M expenses has been used.

Public Works staff will continue to look for efficiencies and make sure funds are appropriately targeted; however, most maintenance activities cannot be deferred without increasing the risk of sewer line failures, interruption of service, damage to streets and private property, or other impacts from failed systems.

Capital - The City needs to invest in capital projects to replace failing and/or undersized infrastructure. Adequate investment provides for reliable service to existing customers and anticipates needs to support economic development and growth. Although SDC revenue is not predicted to be adequate to cover the SDC share of debt service and operating costs (personnel and materials) continue to rise, sewer capital projects are still being programmed and completed at an acceptable rate. Staff continues to analyze the adequacy of capital funding each year and will discuss any shortfalls with Council should they arise.

Identifying the appropriate level of capital funding must be balanced with the burden it places on the rate payers. It is vital to have enough capital funding available to replace the worst infrastructure in a reasonable time in order to reduce the risk of failures, sewer backups into basements, surcharging, sink holes, and environmental permit violations. It is also important to be able to address problems that result in recurring high O&M costs.

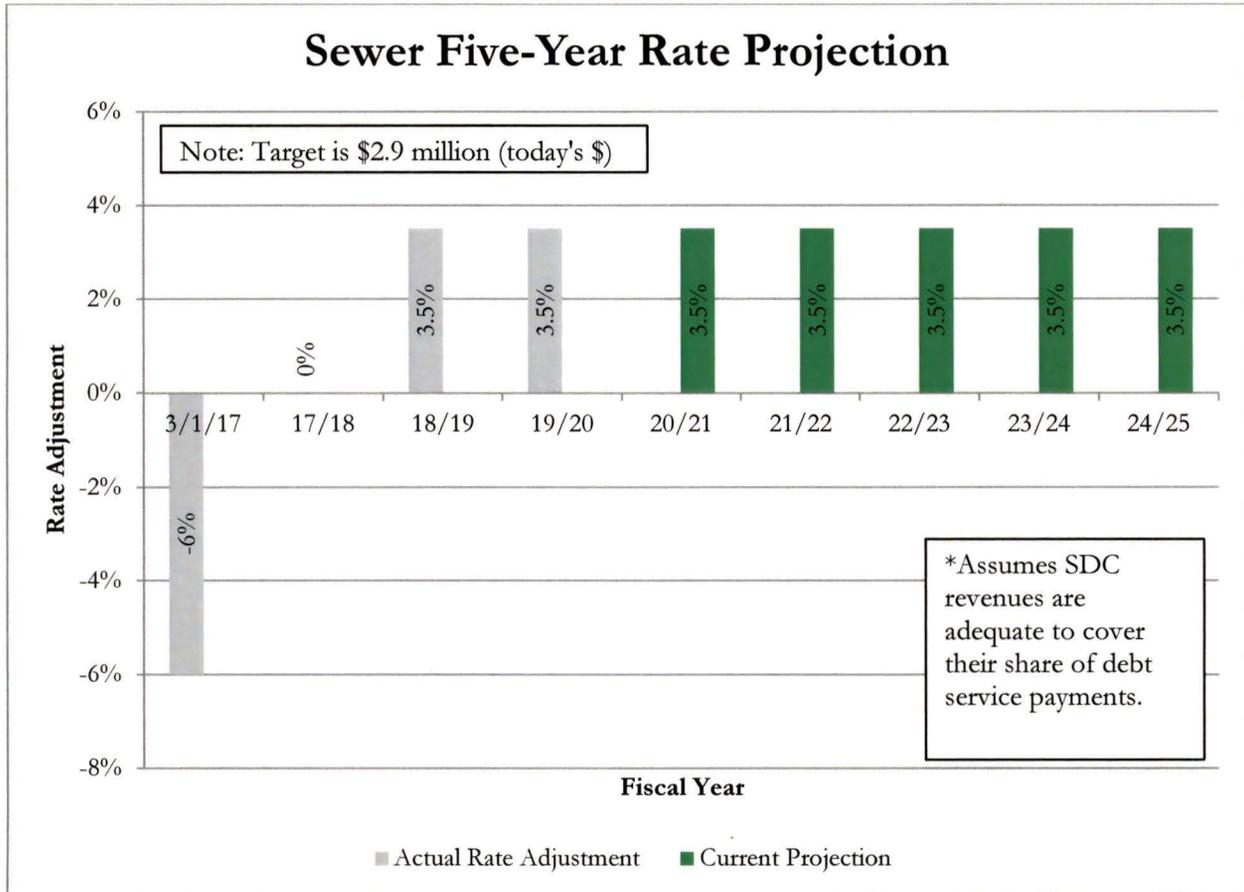
The remaining major capital needs in treatment are the solids process improvements and future permit-related costs. Additionally, staff continues to develop and implement capital projects to address long-standing collection system needs.

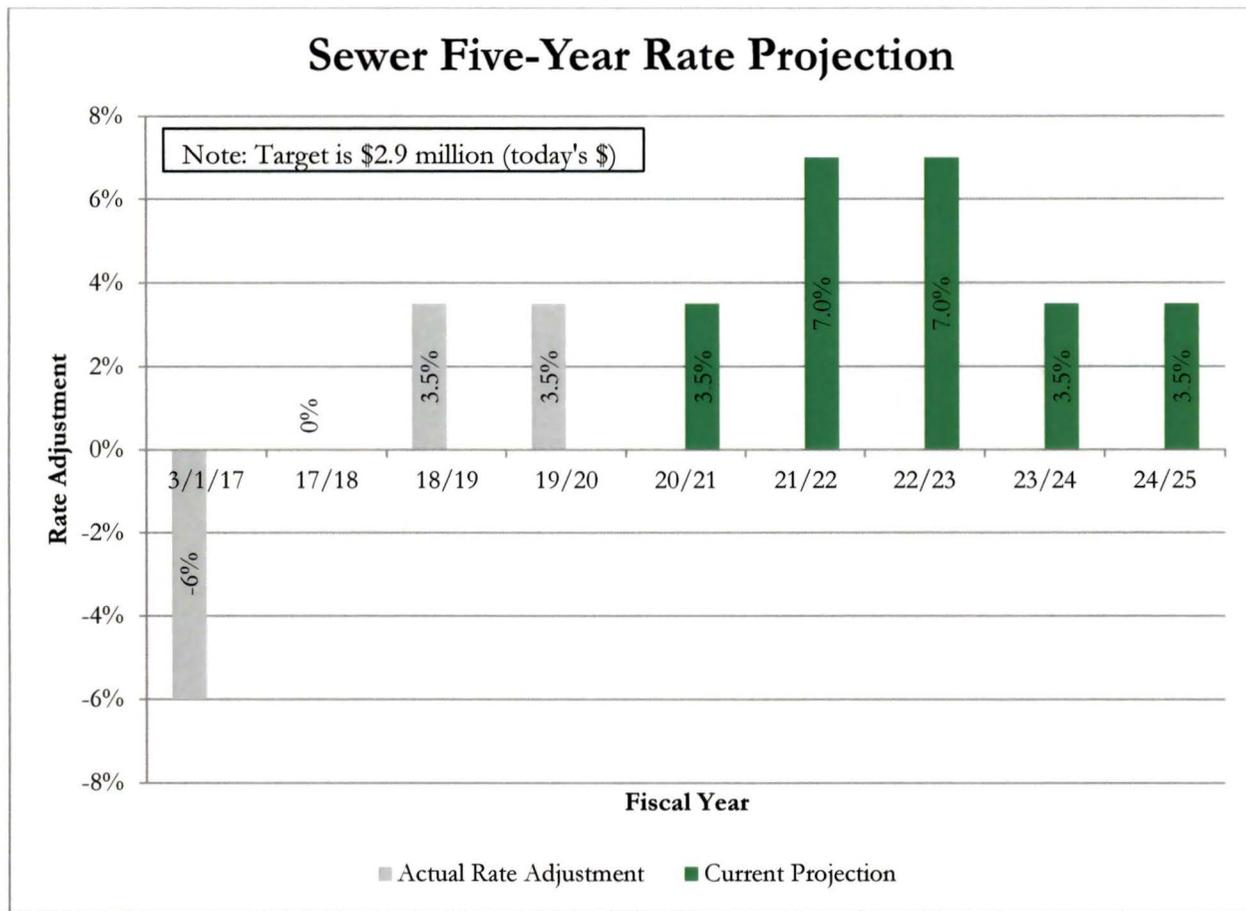
Council previously established program goals that resulted in an annual financial target of \$2.9 million (inflation adjusted) for capital projects. Like water, increases in local costs for some sewer construction projects have outpaced regional inflation indexes. However, the use of trenchless technologies, such as pipe bursting and cured-in-place pipe, provide for lower cost construction methods than traditional open trench methods and to date have allowed us to adequately address system needs without further inflationary adjustments for local conditions.

Summary

Recommendation:

A sewer rate increase of three-and-one-half percent is necessary effective July 1, 2020. This rate increase will allow the City to continue to meet debt service and O&M requirements and meet capital project program goals. The following graphs show recent past and projected future rate adjustments necessary to meet system requirements and provide desired levels of service. The first graph projects future rate increases necessary if SDC revenues are adequate to cover their share of future debt service payments. The second graph projects future rate increases necessary to meet capital financial targets and to redirect rate revenues to cover a portion of SDCs share of debt service payments.





Water Revenue and Rate Picture

The following is a summary of the revenue and expenditure needs for the water system:

Revenues:

Rate Revenue - The current estimated total water rate revenue the City will receive in FY 2019-2020 is approximately \$13.4 million. This closely matches the revenue estimated during the budget development process.

SDC Revenue - SDC revenues vary year to year depending on the pace of development in the community. It is anticipated that this fiscal year the City will receive approximately \$450,000 in SDC revenue, which is above what was assumed during the budget development process. For future projections, staff has assumed \$400,000 in annual SDC revenue. This is equivalent to approximately 140 home starts in a year. This estimate reflects the most recent development activity the City has been seeing. At this level, SDC revenues will not keep pace with the debt service funding needs. It is estimated that by fiscal year 2021-2022 rate funding will need to be used to help pay for some of the SDCs portion of the debt payment. If development patterns change and SDC revenues increase or decrease, then future projections will be adjusted to reflect that change.

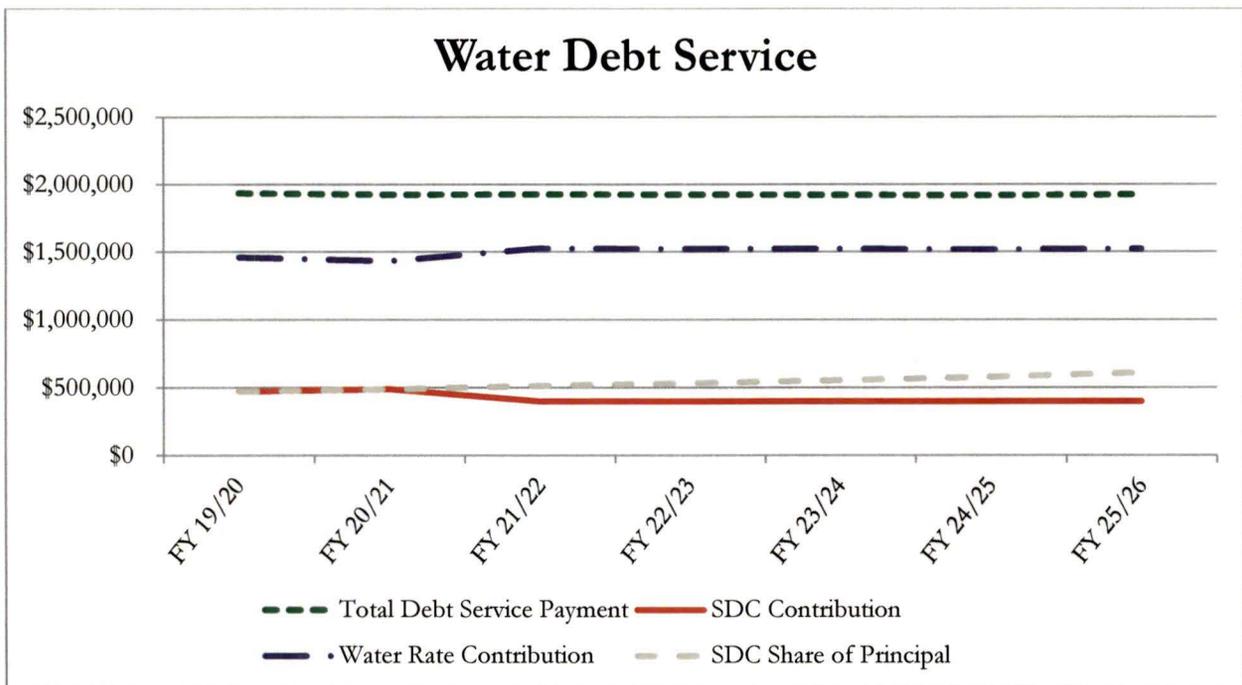
Expenditures:

Debt Service - In 2003 the City sold \$40.5 million in water revenue bonds to fund the construction of several significant water improvements and retirement of other water debt. These improvements included the

Albany-Millersburg Water Treatment Plant (WTP), dam and fish screen improvements on the canal, and other capital projects.

In 2013 the City refinanced the existing water bonds to take advantage of low interest rates. This saved an estimated \$7.3 million over the life of the loan. The total new debt service associated with the water bond projects amounts to approximately \$1.92 million per year through the year 2034. Both rate revenue and SDC revenues are responsible for paying for the water bond debt. Rate revenues are responsible for all interest payments and 57 percent of the principal payments. SDC revenues are obligated to pay 43 percent of the principal payments of the debt service.

Based on current annual SDC revenue projects, it is anticipated that SDC revenues will not be adequate to cover the SDCs share of the water debt service by fiscal year 2021-2022. This relationship is shown in the graph below. Should development pick up in the City and SDC revenues climb, SDC revenues may be able to keep pace with debt obligations.



Operations and Maintenance - Rising employment, chemical, and energy costs impact the O&M budget. For the five-year projection, a five percent per year increase in O&M expenses has been used.

Public Works staff will continue to look for efficiencies and make sure funds are appropriately targeted; however, most maintenance activities cannot be deferred without increasing the risk of public health advisories, water line failures, interruption of service, lower fire protection reliability, damage to streets and private property, or other impacts from failed systems.

Capital - The City needs to invest in capital projects to replace failing and/or undersized infrastructure. Adequate investment provides for reliable service to existing customers and anticipates needs to support economic development and growth. A five-year look at the water fund revenues and expenditures show a decreasing amount of rate revenue money available for capital maintenance projects unless additional funding is provided. If rate increases are limited to just the revenue required to meet debt coverage and O&M expenses, limited rate revenue will be available to fund capital projects.

Identifying the appropriate level of capital funding must be balanced with the burden it places on the rate payers. It is vital to have enough capital funding available to replace the worst infrastructure in a reasonable time in order to reduce the risk of failures, damage to public and private property, interruption of service, and health regulation violations. It is also important to be able to address problems that result in recurring high operation and maintenance costs.

Immediate capital needs for major treatment plant improvements have primarily been addressed with recent improvements; however, ongoing investments for system maintenance and reliability are anticipated. The largest annual reoccurring need is to invest in replacement of pipes in the water distribution system.

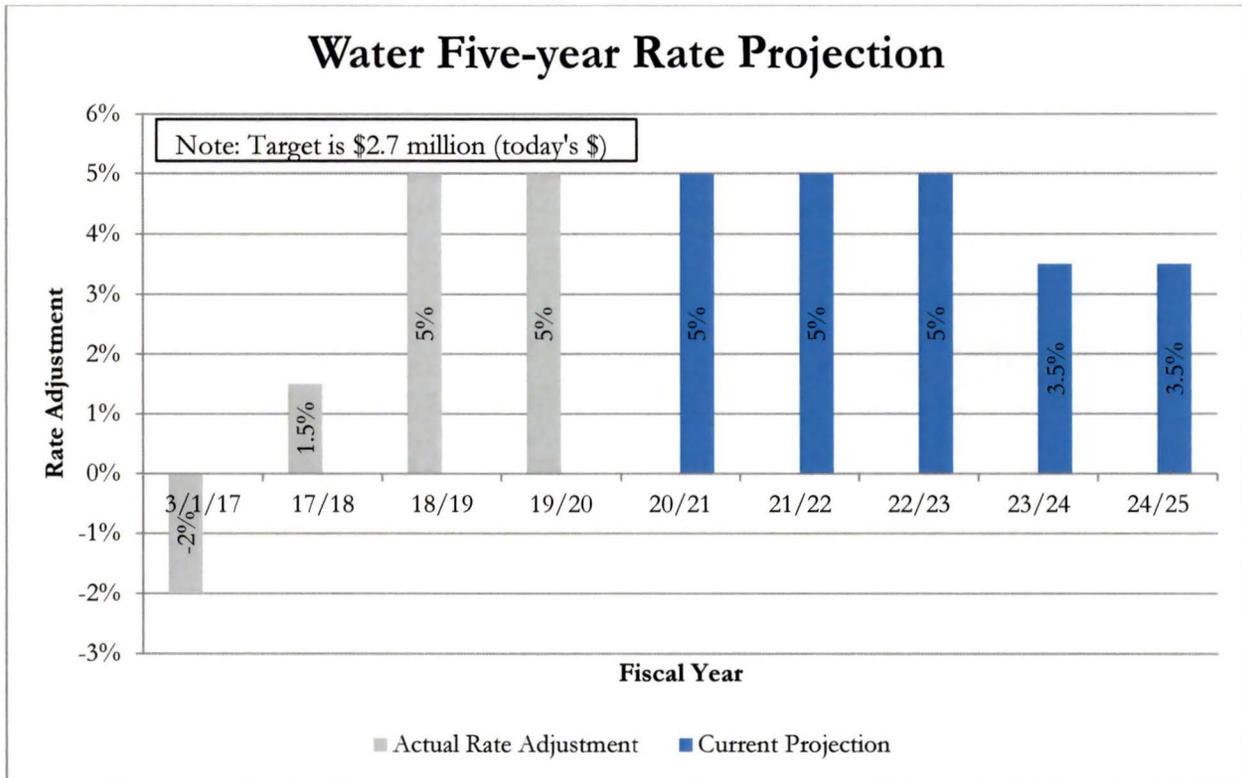
The water loss in the system has been reduced in the recent past and is currently estimated at approximately nine percent. This has been achieved through focused efforts to replace failing lines and an ongoing dedication to seek adequate funding. Despite accomplishments in reducing water loss, our work is not done. Water loss reduction goals were achieved through focused attention on steel water mains. Other pipes throughout the system are aging and exceeding their anticipated service life. For example, the City has some pipe sections that are 100 years old and still in service. Additionally, there are over 85 miles of Asbestos Cement (AC) pipe in our distribution system. The older sections of AC pipe are nearing 70 years of service, which means they are approaching the end of their original design life (75 years). AC pipe failures have shown this material fails in a catastrophic way rather than starting with smaller leaks, as other pipe materials do. This failure more often results in damage to both public right-of-way and private property.

Staff has started development of a water pipe assessment program that evaluates the risk and consequences of failure for each water main in order to prioritize pipe replacement projects, maximize the available capital funding, and avoid catastrophic failures and all of the consequences they bring. This approach has informed the distribution system capital projects planned for FY 2020-2021 and the five-year Capital Improvement Program. The pipe assessment program will continue to be refined and developed in future years.

From 2012 to 2017, actual construction costs for standard water line projects in Albany increased 80 percent while the regional ENR CCI for Seattle only increased 26 percent. In response to these increased costs, the existing financial target for capital projects was increased to \$2.7 million (inflation adjusted). Planned rate increases will build the annual capital funding target so that the new goal of \$2.7 million is reached in fiscal year 2022-23.

Recommendation:

A water rate increase of five percent is recommended effective January 1, 2021. This rate increase will allow the City to continue to meet debt service and O&M requirements and build toward an adequately-funded capital program. The following graph shows recent past and projected future rate adjustments necessary to meet system requirements and provide desired levels of service.



Stormwater Revenue and Rate Picture

The following is a summary of the revenue and expenditure needs for the stormwater system.

Revenues:

Rate Revenue - The current estimated total stormwater rate revenue the City will receive in FY 2019-2020 is approximately \$2 million. This matches the revenue estimated during the budget development process.

SDC Revenue - Albany does not currently impose stormwater SDCs. Adopting stormwater SDCs will be considered following completion of a stormwater masterplan update.

Expenditures:

Debt Service - There are currently no stormwater related debts.

Operations and Maintenance - The stormwater system has no treatment plants, reservoirs, lift stations, or other significant fixed facilities, which means the O&M costs for stormwater are much lower than those for water and sewer. This does not mean, however, that the stormwater utility is immune from rising employment, materials costs, or the impacts of growth. With growth comes additional infrastructure and increased regulation. For the five-year projection, a five percent per year increase in basic O&M expenses (not including regulatory compliance costs) has been used.

Now that Albany’s population has surpassed 50,000, the community must obtain coverage under the DEQ NPDES MS4 Phase II permit. DEQ implements federal Clean Water Act requirements through this permit. Staff estimates that an additional \$1,100,000 will be required annually for regulatory compliance, based on the requirements imposed through the MS4 permit. DEQ issued the permit in November 2018, and Albany was required to begin complying with the permit in 2019. Albany and other neighboring communities found the

permit requirements to be unreasonable and unachievable. These communities have formed a partnership and are currently in litigation with DEQ over the permit. Implementing DEQ's permit is estimated to cost the City an additional \$1.1 million per year. Council's revenue targets for the stormwater system provide for incremental revenue increases that would cover these costs by FY 2024-25.

As Albany's stormwater programs grow, public works staff will continue to look for efficiencies and make sure funds are appropriately targeted. Although Albany's stormwater program is relatively new, the City's stormwater infrastructure is not. More than 11 miles of pipe are known to be failing, which complicates ongoing maintenance efforts. Unfortunately, street flooding, sink holes, and property damage should be anticipated with the condition of our current assets. This issue is discussed further under capital projects.

Capital - The City needs to invest in capital projects to replace failing and/or undersized infrastructure, yet no revenue source has been identified to fund these types of investments in the stormwater system. Significant portions of Albany's piped stormwater system are failing. With only 65 percent of the system inspected and assigned a condition rating to date, more than 11 miles of pipe are identified as being in a failed condition or are anticipated to fail in the next 10 years. To address these issues would cost approximately \$35 million. If the remaining portion of the system to be inspected is in similar condition, that number increases to more than \$45 million. Left unaddressed, more frequent street flooding, sink holes, and property damage should be anticipated.

As part of an evaluation of street maintenance needs in 2017, staff estimated that the street fund was spending, on average, \$440,000 (inflation adjusted) to fund stormwater improvements associated with planned street projects. This included costs for stormwater quality improvements, addressing capacity constraints, and replacing failing pipes. This practice impacts the amount of street improvements that can be pursued. Council's revenue targets for the stormwater system provide for the stormwater system covering these costs by FY 2024-25.

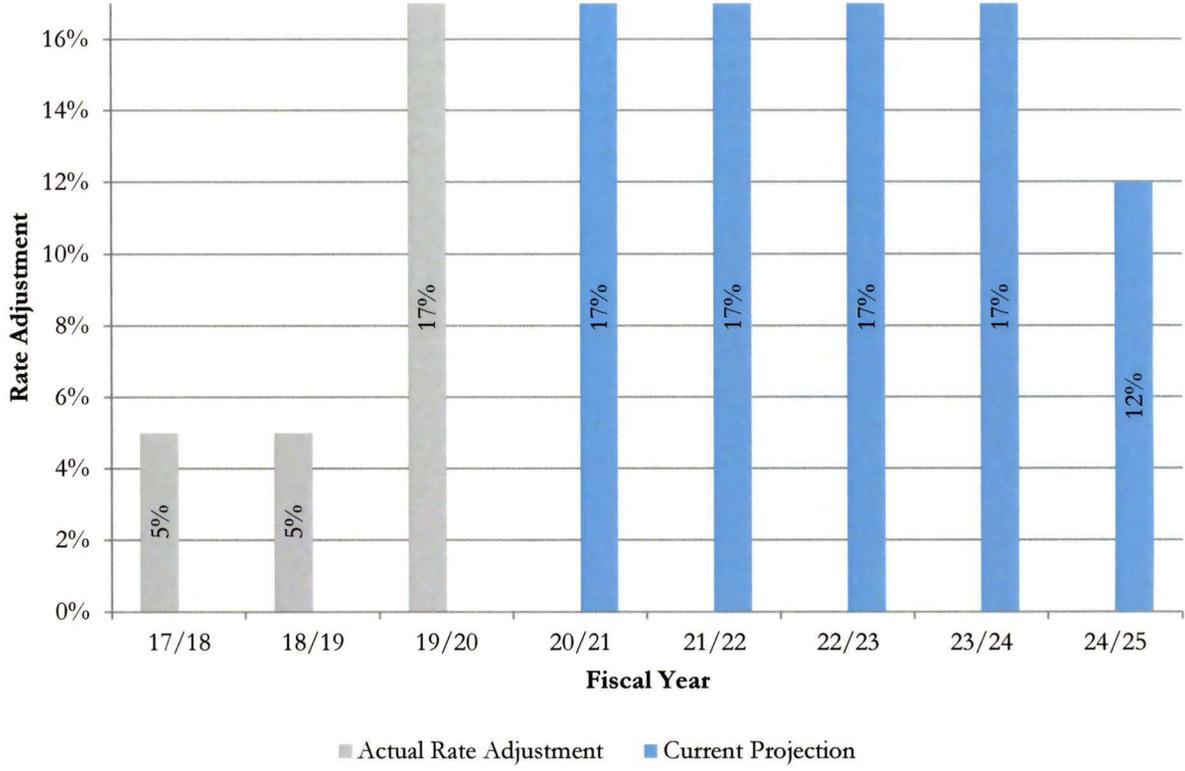
Portions of Albany's stormwater system are undersized and result in localized flooding. A stormwater master plan update that will identify the location of undersized pipes is underway. Costs to address these system deficiencies will be incorporated into future presentations once available.

Recommendation:

At the June 11, 2018, work session, council acknowledged the challenge of these unfunded stormwater system needs and chose to address the regulatory requirements and the burden stormwater is currently placing on the street fund. Toward that end, council directed staff to develop a funding target of \$1.5 million (inflation adjusted) above 2018 funding levels by 2024-2025. To achieve this revenue goal, stormwater rates will need to be increased 17 percent per year from March 1, 2020, through March 1, 2024.

While this funding increase is important to the stormwater utility, it does not address many critical needs in the stormwater system. Future rate discussions with council will include options to begin to address the worsening condition of existing infrastructure through a Perpetual Life Replacement program and improving capacity for growth with additional capital investment. There is also a possibility that stormwater regulations continue to tighten, which will place additional burdens on the stormwater program.

Stormwater Five-Year Rate Projection



ATTACHMENT B

TOTAL UTILITY BILL

(Assumes rate increases of 3.5% sewer 7/1/20, 5% water 1/1/21, 17% stormwater 3/1/21)

2019-20 Average Monthly Utility Bills in Oregon Cities
Single-Family Residential Customers - Total Utility Bill

Population 2018 PSU	City / District	800 cu ft	
		\$ / mo	Rank
648,740	Portland	\$177.50	1
9,225	Sweet Home	\$159.01	2
16,920	Lebanon	\$154.84	3
38,215	Lake Oswego	\$151.79	4
52,785	Tigard	\$139.52	5
9,370	Independence	\$138.69	6
860	Adair Village	\$136.33	7
4,715	Philomath	\$132.80	8
11,935	Cornelius	\$129.17	9
53,145	Albany	\$127.35	10
19,505	Sherwood	\$123.62	11
34,860	Oregon City	\$120.64	12
89,505	Bend	\$111.88	13
60,865	Springfield	\$106.78	14
97,000	Beaverton	\$104.19	15
101,920	Hillsboro	\$100.26	16
24,760	Woodburn	\$98.85	17
24,125	Forest Grove	\$97.66	18
165,265	Salem	\$96.98	19
33,810	McMinnville	\$96.50	20
25,830	West Linn	\$94.57	21
110,505	Gresham	\$91.64	22
169,695	Eugene / EWEB	\$88.15	23
59,280	Corvallis	\$87.17	24
9,890	Monmouth	\$82.00	25
38,505	Keizer	\$78.70	26
37,285	Grants Pass	\$76.94	27
24,820	Roseburg	\$68.93	28
	Average	\$113.30	

Utility bill calculation includes water, sewer, stormwater, and transportation fees, if applicable
 Rates are calculated on 3/4-inch meters for residential accounts only; all units calculated in cubic feet
 800 cubic feet is the comparison used by the League of Oregon Cities



MEMO

TO: Albany City Council

VIA: Peter Troedsson, City Manager *PT*
 Jeff Blaine, P.E., Public Works Engineering and Community Development Director *JB*

FROM: Rob Emmons, P.E., Assistant City Engineer *RE*
 Ron Irish, Transportation Systems Analyst *RI*

DATE: January 22, 2020, for the February 10, 2020, City Council Work Session

SUBJECT: Highway 20 Corridor Study
 Relates to Strategic Plan theme: Great Neighborhoods

Action Requested:

Staff recommends Council authorize staff to solicit proposals for a Transportation System Plan (TSP) refinement plan for the section of Highway 20 between Ninth Avenue and North Albany Road, and include an option for expansion to a full TSP update.

Discussion:

Issues surrounding the capacity of Highway 20 and increasing levels of congestion on both sides of its crossing of the Willamette River have been the subject of local concern since at least the late 1990's. Albany's 1997 TSP and the 2010 TSP update both projected capacity problems occurring on this section of the highway. The 2010 TSP update included a project for a "Highway 20 Corridor and Downtown Refinement Plan" (Project S2) that was intended to develop a plan to address short- and long-term issues along the corridor. The 2018 Regional Transportation Plan (RTP) adopted by the Albany Area Metropolitan Planning Organization (AAMPO) included the following language:

"Willamette River Crossing Capacity- the planning improvements in the RTP do not fully address congestion issues near the Willamette River crossing Highway 20. While an investment package including a new Willamette River Crossing was included in the RTP development process, it became clear that the needs and benefits/impacts of such an improvement were of a larger regional scale (e.g., including both AAMPO and CAMPO). A larger-regional study of the improvement options for US 20 and OR 34 could be considered."

The Highway 20 corridor is part of the state highway system and as a result, ODOT's support and involvement is a critical component of any study. The Albany and Corvallis Metropolitan Planning Organizations (AAMPO and CAMPO) have recently begun working together to develop a draft scope of work to present to ODOT for a study of the Highway 20 corridor between Corvallis and I-5. ODOT staff have indicated a willingness to consider undertaking such a study but note that it would need to wait for the next ODOT funding cycle to be considered. It would also need to compete for funding with other planning projects within ODOT's Region 2 area. That means that at best, an analysis looking at long-term issues along the corridor is not likely to begin for at least the next three to four years. The segment of the Highway 20 corridor currently experiencing the most severe congestion issues extends from North Albany Road south to Ninth Avenue. Waiting for completion of a long-term study to identify short- and mid-term treatments on this section of the corridor would delay identification and implementation of potential capacity improvements.



The Highway 20 corridor study project in the 2010 TSP and its associated TSDC funding offers the potential to split a corridor study into parts; a City-led and funded short- and mid-term analysis of the highway segment between North Albany Road and Ninth Avenue, followed by an ODOT-led long-term analysis of the section between Corvallis and I-5. ODOT staff have indicated that they would be willing to participate in and commit staff time to a City-led short- and mid-term analysis. The purpose of a short- and mid-term analysis is to identify and prioritize capacity improvements that could be implemented within a 5- to 10-year window. Implementation of identified projects could ultimately be funded by ODOT through their Statewide Transportation Improvement Project (STIP) process, by the City, or through a cost sharing agreement. Examples of the types of capacity treatments that could be evaluated are:

- Installation of updated traffic signal controllers
- Interconnection of all traffic signals along the corridor
- Improvements to allow use of adaptive traffic signal timing
- The addition of a second westbound right turn-lane from First Avenue onto Lyon Street
- The addition of a second southbound left-turn lane from Springhill Road onto Highway 20
- The addition of turn lanes from Lyon Street and Ellsworth Street onto selected side streets

Development of a TSP refinement plan is the correct instrument for analysis of the Highway 20 corridor between North Albany Road and Ninth Avenue and development of short- to mid-term capacity improvements. The City needs to select and retain a consultant to develop the plan. ODOT staff have indicated that given sufficient lead time (approximately 12 months), they are willing to assign staff to participate in the development of a TSP refinement plan.

In the event council chooses to support moving forward with a TSP refinement plan for the Highway 20 corridor, an additional consideration is whether the consultant contract should include an option that would allow the City to expand the contract to include a full TSP update upon completion of the refinement plan. Albany's current TSP was adopted in 2010, has a horizon year of 2030, and was developed prior to the City being designated an MPO. The ideal time frame to update a TSP is generally about mid-way through the plan's horizon year, and the City is at that point now with the current TSP. If the schedule for the recommended TSP refinement plan were to proceed as anticipated, its completion would roughly coincide with the release of information from the 2020 census. The census results have the potential to alter the AAMPO's boundary and add to the need for a TSP that is fully compliant with MPO standards.

Budget Impact:

Sufficient funds are available in the TSDC account for performance of a TSP refinement plan for the Highway 20 corridor. TSDC funds are also available to perform a full TSP update, along with the potential for supplemental ODOT funding through their Transportation Growth Management (TGM) program.

RGI:ss