

CITY OF ALBANY
CITY COUNCIL WORK SESSION
Council Chambers
Monday, March 7, 2016
4:00 p.m.

MINUTES

CALL TO ORDER

Councilor Floyd Collins called the meeting to order at 4:00 p.m.

ROLL CALL

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

Councilors absent: Mayor Sharon Konopa (excused).

BUSINESS FROM THE PUBLIC

None.

STORMWATER UTILITY DISCUSSION

Public Works Engineering and Community Development Director Jeff Blaine explained that the goal of this meeting is for Council to provide direction and general guidance related to rate structure for the utility. Blaine reviewed the handout titled “Public Outreach and Project Milestones” (see agenda file). The handout shows a proposed implementation schedule and project milestones across the top portion of the page, and the public outreach strategy across the bottom portion. Blaine said that it makes sense to start by identifying when the program needs to be online, and then work backward to determine when each item needs to be accomplished. Staff is suggesting a target implementation date of March 2017. Staff has been told by the Department of Environmental Quality (DEQ) that the City should expect to apply for a permit in October 2016, and can expect to have a permit issued by March 2017.

Blaine explained that the DEQ permit is going to require significant changes for the City and those are going to have significant costs. The City already has regulatory requirements we must comply with that require funding in addition to the most basic of maintenance activities that are not currently being done, such as cleaning and inspections of stormwater pipe and funding replacement of infrastructure. Blaine hopes to finalize this process with the current Council, given the significant amount of time that has been spent on this topic over the last year. He added that as Council and staff get into the financial components, they may find that it’s best to phase in stormwater charges; March 2017 is not necessarily the point at which the City has a fully implemented stormwater program, but rather the point at which we begin to phase in the program. When you look at the timeline that results from the March 2017 target date, Council will need to have major decisions made by the fall of 2016, including: adopting Albany Municipal Code (AMC) language; creating the framework for the utility; and preliminary rate structure decisions should be made by June 2016, which will facilitate some targeted public outreach over the summer so that Council can review that input and make final rate structure decisions in the fall. Final funding decisions will need to be made by December 2016.

Blaine pointed out that there has already been a great deal of public outreach relating to stormwater and a lack of funding to support stormwater activities. He related this to the Erosion Prevention Sediment Control and Post-construction Stormwater Quality programs that the City developed recently. He said, when we conducted our public outreach activities for those programs, we explained that they were driven by regulatory requirements and a lack of funding to meet those requirements. We’ve also changed our Capital Improvement Program (CIP) and our budgeting process over the past several years to highlight stormwater needs and the need for a dedicated funding source for stormwater; and the Strategic Plan has identified this need as well.

Blaine gave examples of the type of public outreach staff has in mind including a series of write-ups in *City Bridges*, anticipating frequent coverage by the *Democrat Herald*, news releases, and utility bill stuffers. Staff also plans to develop and use a stormwater utility website to provide consistent and accurate information, and to provide it in a way that’s user friendly. Staff also plans to hold targeted group meetings over the summer, which will provide an opportunity to outline preliminary plans and receive feedback from citizens prior to making formal decisions in the fall. Staff is requesting Council provide direction as to which groups they would like staff to meet with; staff would suggest the Chamber of Commerce, Greater Albany Public Schools (GAPS), Samaritan, or potentially the top ten impacted customers.

Councilor Ray Kopczynski suggested a town hall meeting that the general public could attend. Councilor Rich Kellum feels that a town hall meeting should definitely be prioritized over meeting with individual companies.

Utility Services Manager Mark Yeager gave a PowerPoint presentation (see agenda file) and reviewed slides 1 through 6. He noted that the items on slide 5 are not linear. He stated that the purpose of this meeting with Council is to discuss concepts, not specific funding amounts, and for Council to give direction to staff related to rate structure. Staff will continue to work on revenue requirements and will continue with public outreach activities.

Yeager reviewed the draft ordinance and explained that amendments need to be made to the existing AMC language to give the City the authority to create the stormwater utility as an entity; create a separate stormwater fund, much like the City has water and sewer funds; give the City the ability to segregate assets, allowing for the opportunity to be more transparent with the current costs for running stormwater programs; and will give Council the authority to impose a service charge for services. The ordinance is structured very similarly to the way it's structured for the water fund – there's no fee or charge until Council goes through the process to adopt a rate resolution, if they decide to implement one.

Collins asked if staff was able to identify the funding that will no longer be used from the sewer and street funds, and identify what projects they'll be able to accomplish as an offset. Blaine explained that they were able to quantify a dollar amount; and that can be related to additional work that could be done and/or rate increases that could be avoided, if alternate stormwater funding becomes available. The figures that Blaine had on hand were \$700,000 from the Sewer Fund and \$200,000 from the Street Fund, which don't include some of the capital expenses from pipe replacements and other activities that are part of street projects. Blaine stated that for the Street Fund, it would amount to \$200,000 more of capital projects that could be accomplished; and for the Sewer Fund, since the City is on a rate projection schedule, Council could choose how they want to implement the \$700,000 reduction in expenses. He sees it potentially accounting for a one-time waiver of a four to five percent rate increase.

Kellum suggested that when the times comes to initiate a rate for stormwater, Council could reduce the sewer rate by the amount of the initial stormwater rate, and identify it as a new allocation on the customer's billing; so it's not just a new tax, but redirecting those funds from sewer to stormwater.

Kellum asked what equipment we have available for sewer and water. Public Works Operations Director Chris Bailey explained that equipment is purchased from a specific fund and is largely used for projects within that fund; but of course, it is available for projects in other funds, when not in use. Kellum said he is concerned that a new utility means new equipment, new staff, and a new bureaucracy that has to be fed. He feels it is very important to show that the utility resources are closely associated and shared. Blaine explained that Council and staff would be looking at this next month, as far as staffing, equipment, and resource requirements.

Councilor Bill Coburn said the term "gap funding" comes to mind for him. What he's hearing is that there's roughly \$900,000 being spent on the stormwater system currently, and in his mind, it's a matter of comparing what funding is needed to what the City has been using from other funds, and then fill the gap. He likes Kellum's suggestion to reduce sewer charges proportionate to the stormwater fee and feels it's a good step toward making this more palatable to the public.

Discussion followed related to the order in which some of the text appears within the ordinance. Collins mentioned that given that the primary driver is the City's requirement to address state and federal regulations, he would move the statements relating to compliance to the top of the ordinance. Coburn agreed it would be sensible to have these items listed first.

Collins would like for Yeager, as part of the advisory group he is a member of, to push back on some of the requirements coming forward from the state. Yeager said there has been significant push back thus far, and staff members from multiple communities that serve on the advisory board will continue to do so.

Kellum asked if the requirements being proposed by DEQ are written in a manner that a layperson would be able to understand. Yeager responded that no, the requirements are not written in common terms; staff would need to repackage the information to present it to the public. Kellum would like to see this information made available, once DEQ settles on their requirements, in an effort to show the public what DEQ is asking for, what staff and Council are pushing back on, and what is eventually agreed upon. Yeager noted that there has been some discussion about that approach and agrees it is important for people to understand that staff isn't just rolling over and doing whatever DEQ says must be done.

Kopczynski asked about definition number 25 and whether it applies to bare land. Yeager clarified that it will be Council's decision as to whether or not they're going to impose a fee on undeveloped property; in fact staff is going to be recommending that they do not charge those properties, but that will be a Council policy decision.

Kopczynski also asked about Section 4, relating to the transfer of relevant stormwater utility assets, and who makes those decisions. Yeager explained that the Public Works Director would make those decisions. Presently, staff knows what stormwater assets are being held in the sewer fund, and they only intend to transfer those assets to the new stormwater fund.

Collins questioned the use of the term "benefit" in section 12.30.020 and feels it will be very important to refine that definition; there are "benefits" which derive from services that people don't plainly identify as benefits. Coburn agreed, noting that it's easy to identify who contributes to the stormwater system, but the question is how they quantify who the beneficiaries are. Yeager explained that if you think of water quality in general within the community, all the work that the City is going to be required to do benefits everyone in the community. Alternatively, even if you don't contribute to the stormwater system, there are ways that one would benefit, such as through use of the street system. Yeager added that if Council decides at some point that the language isn't appropriate, the term "benefit" could be modified.

Kellum questioned the definition of “hazardous materials” and feels the language is too broad; virtually anything could be considered a hazardous material under the definition listed. Yeager explained that the definition is existing code language, which staff is not proposing to modify at this time. The language is designed to protect the stormwater system so that if someone does in fact dump, either legally or illegally, into the system, staff has the opportunity to try and mitigate the situation. Collins asked staff to take a look at the definition and compare it to other communities. Coburn also agrees that it should be reviewed, considering Council is not likely to look at this language again for a while.

Staff will bring the modified ordinance to the March 23, 2016, City Council meeting.

Yeager reviewed PowerPoint presentation slides 7 through 10. Discussion followed related to what other communities are doing for a rate structure, the principles behind designing rates, and broad framework for how Council might begin to look at rate structure concepts. Yeager pointed out that when developing a rate structure, it is important to strike a balance between complexity and equity, and to avoid creating a rate structure that is so complex that it cannot be implemented; even though it may be more equitable, it’s not administratively sustainable. In addition to meeting revenue requirements, there is also the expectation from the public that now that they’re paying for a service, everything should be fixed. He added that on the revenue side, it’s not only important to make sure that the City meets the revenue target, but that revenues are somewhat predictable; and to do this requires a rate structure with as few conditions as possible. Finding the balance between simplicity and equity will help to make sure it is easily explainable by staff and understandable for customers. Collins said he agrees that this is key.

Kellum would like for there to be an appeals process through which customers can request a review of their charges.

Yeager reviewed PowerPoint presentation slides 11 through 14. Discussion followed related to the concept of an equivalent residential unit (ERU) as it applies to rate framework. Staff will recommend possibly creating a tiered system within the residential category (small, medium, and large lots) for which they would use geographic information system (GIS) data currently available to determine the average square footage of impervious surface for residences, and group those based on lot size. Yeager added that a tiered system within the residential category would be a huge step toward equity and that it is very uncommon to find this sort of set up with other communities.

Councilor Dick Olsen asked what would be considered in measuring the impervious area. Yeager explained that staff is looking at a few different options, which could potentially include sidewalks and other ancillary buildings that are on the property, but they are leaning toward using the building footprint and anything attached to the building, plus the driveway. This would be used to determine the average impervious area for residential lots, and to ultimately set the rate for an ERU. Measuring individual lots would be reserved for non-residential properties.

Councilor Bessie Johnson said she was under the impression that the rate structure would be much simpler, which she would favor.

Olsen asked if staff has an idea of the cost per month to customers. Yeager said he is unable to make any rate determinations until Council decides on target revenue; and staff is in the process now of looking at revenue requirements. Yeager plans to present revenue requirements to Council at a work session in April and noted that Council may even decide that what’s required is not affordable. Olsen feels that the rate structure shouldn’t be too complicated if they’re talking about a \$5.00 per month charge, for example.

Yeager explained that most communities use the ERU concept and most have a single, fixed-rate charge – not a base charge plus usage – and very few properties are exempted generally from paying the bill. He added that for residential rates, most communities do not have tiered rates – they don’t distinguish between small, medium, or large lots – and most do not have a credit program for residential properties. Non-residential and multi-family lots are typically based on ERUs and may offer a credit program.

Yeager reviewed PowerPoint presentation slides 15 through 17. He explained that stormwater charges are generally assessed based on impervious area, regardless of the tax structure of the company that owns the property; so public-owned property (e.g. government buildings or schools), as well as churches or other non-profit facilities, are charged, as they contribute to and benefit from the system. Direct discharge properties, i.e. properties with creeks that flow through them, are also charged, as they are conveying stormwater and are part of the stormwater system.

Going back to rate structure, Kellum questioned why the rate would not be based solely on square footage of impervious surface, since the ERU is derived from that anyway. He feels that is the only way to be completely equitable is to measure the impervious area and multiply it out accordingly. Yeager explained that this comes back to creating a rate structure that is administratively feasible; and it is not realistic to individually measure over 17,500 properties and come up with an individual rate for each one. Staff will recommend that undeveloped properties not be charged. Streets and highways are generally exempt from charges as they benefit the entire community.

Coburn mentioned that an appropriate source of funding for stormwater may be a gas tax, considering that runoff from streets and highways contributes much of the pollution to stormwater. Collins said this comes back to revenue requirements and determining whether it is strictly rate revenues that support stormwater programs, or a combination of funding sources. Coburn added that another item of discussion should be stormwater SDCs and how to pay for infrastructure as the city grows.

Collins raised a question about whether the City would be responsible for the rural parcels that discharge to county ditches and other stormwater systems. Yeager explained that Linn and Benton Counties do not get permits from DEQ, only the City does; so it would be a cooperative effort between the Counties and City, should an issue arise.

City Manager Wes Hare feels that part of the issue is that the people who will be affected by these new requirements are not necessarily paying attention to this process. He stated that Council needs to keep in the back of their minds, as they move toward implementing this program, whether they want to have some sort of public outreach program. Kopczynski reiterated his hopes to host a town hall event.

COUNCILOR COMMENTS

Kellum plans to attend the Transient Lodging Tax (TLT) Ad Hoc Advisory Committee meeting on Wednesday, March 9, 2016, for a few minutes to greet the committee members and thank them for their volunteering their time to the committee.

CITY MANAGER REPORT

None.

ADJOURNMENT

There being no other business, the meeting was adjourned at 5:53 p.m.

Respectfully submitted,

Reviewed by,

Holly Roten
Administrative Assistant I

Wes Hare
City Manager