

**COTTAGE GROVE CITY COUNCIL
WORK SESSION MINUTES
April 27, 2010**

CALL TO ORDER

Mayor Gary Williams called the meeting to order at 6:02 p.m. in the Council Chambers at City Hall.

ROLL CALL

COUNCIL PRESENT: Mayor Gary Williams, City Councilors Mike Fleck, Jeff Gowing, Thomas Munroe, Heather Murphy, Wayne Clark and Diane Conrad

STAFF PRESENT: City Manager Richard Meyers, Finance Director Bert McClintock, Public Works Director Jan Wellman, Community Development Director, Howard Schesser, City Engineer, Ron Bradsby, City Planner, Amanda Ferguson, City Recorder Trudy Borrevik

CITY ATTORNEY: Sean Kelly

OTHERS PRESENT: John Ghilarducci

City Engineer, Ron Bradsby said John Ghilarducci had presented to the Council at a work session in October, 2009. Since that time, Council had attended work sessions on the water utility, wastewater utility, stormwater utility, transportation and parks. He said John took the input from Council and staff and compiled utility rates and SDC charges. He said John would briefly go over the presentation that he gave six months ago for a refresher and then he would cover affordability, as well as phasing and implementation.

Mr. Ghilarducci went over information he had provided to Council in October, 2009. He went over what system development charges were and outlined all five services. He discussed the reimbursement and improvement fees and how they made up the system development charge.

Councilor Conrad asked about the original cost of the water treatment plant and asked if the figures were being used to calculate proposed fee increases.

John said it was for proposed system development charge increases.

Councilor Conrad said since some of the costs of the plant had already been paid off, why couldn't the existing cost of the plant be used rather than the original cost.

John said they were using the full cost of the plant in the year that it was constructed.

Councilor Conrad said she understood that but asked why couldn't the current balance of the loan be used instead of the original cost.

John said it was because the purpose of the fee was that new development had not paid for any of the plant or any of the facilities that were planned and it was to catch them up to the ratepayer as the ratepayers had made the investment and it was reimbursing them. He said the entire amount listed included the whole system, including the treatment plant costs.

John continued with his overview of the system development charges.

Councilor Conrad asked about the \$21+ million figure in the Calculation of Water SDC sheet and said the sheets that listed the projects from the engineer did not match that figure and she wondered if they shouldn't match.

John said they should and there could have been a project that was constructed that hadn't been deleted off the list.

Councilor Conrad said the list the engineer had was \$18+ million and it was a substantial difference.

Ron said they missed out the next step in the Phase II for the water treatment plant which was almost a \$1 million that wasn't on the list.

Councilor Conrad said she found that each of the categories whether it be water, storm or sewer, the engineer figures did not match the figures in the handout John provided and it was several million dollars difference. She wondered if they had to close the gaps that would then influence the fee figure that people would have to pay.

John said they were brought up to current year dollars so that was probably a couple years of cost estimation.

Councilor Conrad asked which one was the true cost.

John said the engineering estimates were the true cost at the time of the estimates but they adjusted them so that the fee would adequately recover the costs in present day dollars. The lists were the basis of the fees. He said he would get back to her with a dollar for dollar estimation.

Councilor Conrad said what she was looking at was could the fees be reduced that the City was going to charge.

John said there were a couple of answers. Projects could be deleted from the list to bring down the system development charge but he suggested to keep the list intact because they have flexibility as to how you spend the dollars. If you took projects off the list to drive the number down you wouldn't be able to spend SDC money on the projects if they were deleted from the list.

Councilor Conrad said what she understood was that the difference in the figures, which was

millions of dollars, had to do with one set of the figures were brought up to current costs and the other set of figures were not.

Ron said the methodology that John was explaining would not hurt or the end result would not be a big difference when they saw what it was today.

Councilor Munroe asked when looking at the figures if there was a plus or minus factor issued into each one or they were just standard estimates as current costs today. If you were projecting something down the road at one figure and the time frame the costs could be way out of line because of material adjustments.

John said it was recommended that the fee be adjusted every year to keep up with construction cost inflation.

Ron said most of the projects the City had were from the Master Plan which had a thirty percent contingency, a thirty percent engineering fee and had planning numbers, so as John explained you get further into the design of doing that, yes they would refine estimates of engineering costs and that kind of thing.

Jan said there was approximately \$3-\$3.5 million of upgrades on the water system, which included pump station upgrades, additional pipeline and another 2M gallons of filters.

John continued with his review of the handout on Water SDCs.

Councilor Fleck asked if the City did a comparison for SDCs. He said he noticed in the water, wastewater and stormwater utility rates a comparison was done to other cities.

John said there was a comparison done and it was later on in the handout.

John reviewed the Wastewater SDCs in the handout which had the same methodology as the Water SDCs. He reviewed the Stormwater SDCs and outlined what the current charges were and how they were calculated and what they were proposing.

Councilor Fleck said as far as State law went, as time went on the City would implement an SDC rate based on unused capacity and outstanding debt which both would decrease over time, at some point wouldn't it be feasible that you could have used up your capacity and still be charged an SDC for "unused".

John said the law didn't tell you how often you should update the charges but the oddity was that one day after you adopted them, they didn't precisely apply anymore because you had consumed some of the unused capacity if new development had occurred and so everything should change. He said no one paid any attention to that and in reality what was done they were updated every five to six years.

John continued on with the stormwater SDC and how the new proposed fee was calculated.

John went over the transportation SDC charges and what the current and proposed SDCs were and how they were calculated. He also went over the application examples and how they were calculated for different customer types.

Councilor Conrad said the current figures were based on the historical transportation SDCs and asked if that was correct. Yes. She asked if the historical SDCs were lower than comparable cities, would that be rational to then increase the numbers shown in the handout.

John said they were supposed to make the calculations blind to what other cities were doing and base them only on the costs and expenses of the City of Cottage Grove. He said they didn't look at the calculation of the City's existing transportation SDC, but if the City wasn't recovering as much as they could have then basically money was left on the table and there was no way to go back and pick it up through a future SDC calculation because that growth had already occurred, the City couldn't charge new growth for the past.

John discussed the parks SDC charges and said it was a different methodology. The list of park improvements was developed by another sub-consultant and the cost estimates were based on what it would take to sustain the city's existing level of service for each of the park types. He explained how they came up with the proposed SDC charge and how they were charged. He talked about charging SDCs on residential and commercial development and said they fit best in tourist destinations such as Seaside and Jacksonville where they were building park capacity to serve the influx of tourists and they charged that through to commercial development.

Councilor Fleck said it was interesting to him that in a planned unit development the developer would be required to dedicate a certain percentage of open space for parks and then the City would turn around and charge them a SDC fee after they had already dedicated part of their property. He asked if that didn't seem a little odd.

Councilor Munroe asked if they did either or.

John said the way it was usually done was the park SDC was a share of the park system capacity and what they did for the individual development was basically a local requirement and condition of development. He said it was like a large commercial development might be required to put in a signal outside of its development but that was because that was the local requirement but they still had to pay an SDC for their share of the system.

Richard said that was why the neighborhood park land costs were zeroed out in the handout because the City obtained land through donations instead of purchasing the parks. They weren't charged twice for the park land when they did donate.

John talked about the SDC comparison chart in the handout and said the cities listed were either in the neighborhood or they were similar in size to Cottage Grove. If the list were expanded to look at more in the Portland metropolitan area, there would be charges well in excess of \$20,000 for all five services but they wouldn't be comparable to Cottage Grove.

Richard said Springfield just updated their SDC charges and they were in the \$15,000 to \$16,000 range.

Councilor Conrad said she thought they had discussed that the chart was more misleading than it was informative because there were so many individual characteristics in cities.

John said by definition they were misleading but he included it because if he didn't he normally got asked for the information. He said the charges calculated for Cottage Grove were based on the needs of Cottage Grove and everyone's needs were different.

Councilor Fleck said if they weren't included and there were cheaper SDCs in Eugene and Springfield, did they then not lose all the development to those cities.

John said he had heard that expressed but hadn't seen that but SDCs were one part of the package in terms of what the factors a developer was looking at before locating.

Discussion on SDC's ended and John began the discussion on the rate study results in the handout for water, wastewater and stormwater utilities. He said the City should generate sufficient revenues to sustain the utility system, charge for services provided, recover costs equitably and achieve City objectives such as conservation.

John outlined the overview of rate study process: establish fiscal policies; assess rate revenue needs; allocate costs by function, allocate costs to customer classes and design rates, which ultimately came up with fixed charges and variable charges.

John went over the key study assumptions listed in the handout.

Councilor Conrad said in the summary memo he had a five percent increase and if he was now saying that four percent was the correct percent.

John asked what summary memo she was referring to.

Councilor Conrad showed him the memo she was referring to.

John said it was specific to transportation. He said what DKS did to the transportation list and in updating the 2007 costs they had for transportation projects, they added five percent to bring it up to current and that was based on what they knew about transportation costs. He said what they were doing for water, sewer and stormwater project lists, from this point, it was 4% rate based on what they had seen in construction costs, they were not related numbers.

The next section in the handout John talked about was the Water Utility Revenue Requirement Forecast in the handout which covered the fiscal year ending June 30, 2009 through June 30, 2015.

Councilor Munroe asked if they were approximate factors and if they didn't allow for default in

economic times that there would be a larger percentage of default on the user so the figures didn't show that.

John said they didn't assume an uptake in delinquent bills, they used budgeted revenues.

Councilor Fleck said the City was going to pay off the one debt next year and he saw that line item dropping from \$1.65 million to just under \$800,000 a year in debt service. He said he was looking at the new debt service and how much money were they borrowing where the City would be paying \$335,000 a year in debt service, that was a huge loan.

John said what they were assuming was three debt issues, \$1.6 million in the current fiscal year would be issued and debt service payments would begin next fiscal year; \$2.2 million in 2012 and \$2.9 million in 2014. That was to accomplish the capital projects that were in the CIP plan.

Councilor Fleck asked if the City was going to have those kind of expenditures in three years. He thought when they looked at the CIP didn't they have twenty years in improvements. He said they were talking about doing \$6-7 million in the first three years.

John said there were main line replacements, upgrading lines under 8" in diameter, budget capital expenditures and more.

Councilor Fleck said he wasn't talking about the dollars spent but the debt service.

John said the handout showed the injection of capital reserves which was the assumed debt issue and there was very little money in the bank for the water fund and anything it did capital construction wise in the next few years, the City would need to issue debt or wait on the capital. They had assumed that if it was in the plan, the City was going to build it.

Councilor Fleck said he was wondering how much was in the CIP for water and if it wasn't around \$20 million.

John said the fully estimated cost after you took into account inflation, was more like \$31 million.

Councilor Fleck said even at \$31 million if the City was doing \$6-7 million in the first three years, that it seemed like the City was doing most of the projects up front.

Councilor Murphy said it looked there were some big projects in the next three years and then they were spread out.

John said the reservoir was \$2.8 million and was starting in 2013 so debt was issued a year in advance. They were going to cover projects through 2017.

Councilor Fleck asked if the City was going to borrow the full amount of the reservoir in the first year. He said the City wouldn't continue to borrow money, they would borrow one lump sum.

John said it couldn't all be done in the first year because it was about seven years of improvements. He said if the City was going to build the reservoir in three years, then it would borrow the money but couldn't go beyond three years or they would be subject to IRS issues. They had been spread out for every other year but could probably do two issues to cover the same period, one in 2011 and one in 2014 and get to the same place but this had lesser impact on the rates.

Councilor Munroe said if it went beyond a three year time frame that there was a problem with it but yet it was showing on the CIP four consecutive years.

Councilor Fleck said he was not seeing how they were deriving the debt, he wanted to be able to understand how the City was going to do the projects and when they were going to fund them.

John said there was about \$1 million a year in projects, \$20 million in twenty years. Seven years of projects were being funded with the three debt issues, \$7 million and the proceeds were \$1.5 million, \$2 million and \$2.6 million, that was \$6 million in debt proceeds and that was where the money was going. He said how the City timed the debt issues or whether it did the projects that aggressively was entirely up to Council.

Councilor Conrad asked if John could say again how he got the revenue figures from 2009 to 2010.

John said the FY2009 was an actual and then 2010 was the operating budget.

Councilor Conrad asked if they were based on population estimates.

John said they were more reliable than that because when the City put the budget together, they were looking at numerous factors including population to make the budget estimate, that was where the 2010 revenue came from. He said the one thing that he thought was unavoidable about the water was the immediate crisis based on this year's operating expenses and this year's existing debt service, that would be there through 2011. After that there was flexibility about how the City went about executing the capital improvement plan and issuing the debt that supported it.

Jan said the debt numbers assumed that the projects would be done on the schedules as outlined and also assumed a certain level of growth in population or if the City could carry that debt. If the City didn't have the growth then the projects didn't come on line when they are identified in the chart. The debt they were looking at were some of the existing Row River debt that came on line the end of the current fiscal year. Phase II of the water plant was projected to happen over the next two to five years based on growth. The way it was right now with the growth being fairly slow, the City may not have to do Phase II of the water plant as quickly as it showed on the chart.

The project schedule was discussed.

Councilor Fleck said if the project costs were included in the rates, that was where he was getting confused because they were talking about increasing rates based on that future debt but were also talking about going back to the rate payers when it was incurred.

Jan said the debt would only be implemented at the time that Council decided to issue the debt.

Councilor Fleck asked if they were talking about a staggered in rate increase or if they were talking about increasing the rates right now.

Jan said when they incurred the debt, the rates would be increased to cover the debt. At the same time there would be growth and population that helped share the debt and also commercial development.

Councilor Fleck asked if the City was going to keep increasing rates each year as per the increased costs or was the City going to go X dollars to cover the costs right now.

Jan said they would have to look at the annual rate increase each of those years.

John said no matter what was done with the planned capital, the 11% was needed regardless and was based on the existing obligations.

Councilor Fleck asked if the City could, as projects were funded, borrow the money for that project and put back that service onto the bill. He said that way citizens could see what they were paying for. His fear was they were talking about building at a rate that would cover all the costs for twenty years and they knew that number was enough and they would end up having to ask for more.

Jan said some projects would be paid for by SDCs.

Ron said some of that was assumptions as well. In the rates there was an assumption, a minimum amount that went to capital projects, he thought it was \$75,000. He said Bert liked to have two months personnel as a safety net.

John said they recommended that there was a target for a minimum balance.

Councilor Fleck said he wasn't proposing to run so lean so there weren't any reserves.

Councilor Clark said he had an issue with the \$200,000 this year and were they going to do what councils in the past had done which was to pay a little bit as they went and hope it would be okay and then get to the point where rates needed to be jacked up 15% because nothing was dealt with prior to that. It was good to talk about paying for a project when it was done, but when there was never any reserve, they go back to the rate payer and asking for 25% or have another "emergency" to go to the ratepayer with. Council needed to consider how to plan for the future.

Councilor Fleck said he had a problem with raising rates on a guesstimate of what the twenty

year projects were going to be because who knew what inflation was going to be.

Councilor Clark said they knew it wasn't going to go down.

John went over the capital funding plan. He discussed the Water Utility information in the handout and customer cost allocation results and outlined the summary of the existing water rate structure. He reviewed the existing water rate schedule and the water rate alternatives evaluated. He went over how an across-the-board rate increase would look and how the cost of service rates (alternative 1) would look. He also showed sample utility bills with both alternatives.

Mayor Williams asked if he was saying that if a residence used less than 6,000 gallons their bill would go down from what it was currently, from the \$32.48 to the \$29.14.

John said it would mean the \$29.14 plus 6 x \$1.60. He said on the irrigation rates, fixed charges weren't too bad but because they stretched the system out in the summer, their rate per thousand was pretty high. He showed some example bills for water, residential and commercial, industrial and irrigation.

John went over Alternative 2 in the handout and outlined the impacts on single family bills. He also went over the sample bills for residential, commercial, industrial and irrigation.

John said there was a new sheet, Wastewater Utility Revenue Requirement Forecast, that was provided to Council and he discussed the new figures. He discussed the line that had been added for loan reserve replenishment and talked about the proposed 24% increase in rates for 2010 and said the figures hadn't been programmed for rates to decrease, however once it had gone over the spike and replenished the reserves, if you were to delay capital projects or do something different, rates wouldn't necessarily have to stay at that level.

Councilor Clark asked if it was 24% from now or was it for the entire fiscal year.

John said it was the figure that would have worked for a January 1, 2010 implementation.

Councilor Clark said it would be considerably higher.

John said he didn't think the City could get there this fiscal year because there wasn't enough time. He said they had to assume that some of the expenditures were going to slip. Councilor Fleck asked what percentage of the costs were covered by SDC fees.

Richard said if he was talking about the revenues on page 37 of the handout, none of the expenditures were covered by SDCs, it was all rate.

Councilor Fleck said he thought Jan had said some of the capital costs were covered by SDC fees.

Richard said some of the total capital costs were covered by SDCs and those were eligible for SDC expenditures, but these were the expenditures for basic operations and the other pieces of

maintenance and capital that weren't covered by SDCs.

Councilor Fleck said the handout was showing new debt service.

Richard said it was the debt service for those things that weren't covered by SDCs.

Councilor Fleck said what he wanted to see was what portion would be covered by SDCs.

Ron said under the current code anything above an eight inch line was SDC eligible.

Councilor Fleck said he was looking at the total project cost but it didn't spell out what was covered by SDCs.

John said they had estimated approximately \$60,000 a year in SDC revenue that the City could either bank and use to issue less debt later or it could be spent on a portion of the debt service but the secret about system development charges was they didn't help with cash flow at all. He said they generated so slowly so if you needed to build something now, the bond market wouldn't let it be secured with SDC revenues, it had to be secured with rate revenues so rates needed to be in place to meet that debt service.

Councilor Fleck said when he calculated it, it didn't look like any SDC fees were used for the debt service.

John said there hadn't been any assumptions about how the City would use the SDC, it was banked in the rate model.

Councilor Fleck said he had an issue with that because the City was collecting SDCs but weren't applying them to what the City was building.

John said SDCs were being brought in right now that were substantially less than the \$60,000 they expected.

Councilor Fleck asked if they could use a historical average to give a guesstimate of what the offset was going to be.

John said not for debt because covenants would require the City to set rates in order to meet the debt service payments.

Councilor Fleck said he followed what he was saying but they were talking about raising to satisfy these but they were not using any of the revenue from the SDCs in those assumptions and he had a problem with that. At some point the City would have a lot more than they actually needed.

John said they wouldn't because they are netting the SDCs against all future capital expenditures and he showed what he was referring to.

Councilor Clark said it would interesting to see the projections if the assumptions were moved

from twenty to thirty years on the capital plans.

John said it would make a big difference on the long term but wouldn't help for the immediate humps.

Councilor Fleck asked about future ratepayers and how they were figured in.

John said they were using 1.37% per year and that was from the planning documents and they were increasing revenues by that amount and some expenses had to be increased by growth and inflation so that is all taken into account when they are projecting out.

Councilor Conrad asked if she understood correctly that the projection of revenue was based on the current SDC funds, not on increased SDC funds.

John said he was saying that the rate revenues were based on the City's existing monthly rates.

Councilor Conrad said that assumption could be changed in the projections and they could project an increase in the rate as well as the increase in population.

John said yes and explained where it showed that on the handout.

John reviewed the information in the handout for the Wastewater Utility for the following: Functional Cost Allocation Results, Classification of Customers, Customer Cost Allocation Results, Summary of the Existing Wastewater Rate Structure and Existing Wastewater Rates. He discussed the three wastewater rate alternative handouts and reviewed the Sample Bills for Single Family Residential, Commercial/Industrial and Schools.

Councilor Murphy asked if there was any idea of what typical school usage was.

John said he didn't know but it was something that could be easily found.

Councilor Murphy said she was curious about the sample wastewater bills for schools in the upper ranges with an increase of 86.8% increase over existing rates and if there were schools that were using 75,000 gallons a month.

John said he would follow up on that one as well and find out what the schools were using. Councilor Murphy asked why churches were included in commercial rates. She said with the proposed increases, she didn't know what their usage was, but typically they weren't wealthy organizations and would get hit hard.

John said generally if they used less than a typical commercial, they would pay less because so much was in the usage charge. There was a strength assumption that was imbedded in the rate and the strength of church's wastewater effluent wasn't much different than a general office building. There wasn't any distinguishing characteristics that made them less costly.

Councilor Murphy said it was quite a bit of a jump and they would get caught.

John said Alternative 2 looked better from that perspective. When the capital improvement was charged separately the usage rates went down substantially so the impacts were a lot different.

Councilor Fleck said he was looking at the existing rates versus the alternative 2 rates on pages 42 and 49 and they weren't the same for capital improvement charge and asked why that was.

John said it was because when they did the across the board, they held the capital improvement charge the same because it didn't seem like it was across the board if they went in and recalculated what that the new capital improvement surcharge should be. Alternative 2 was based on the actual cost of capital in 2010 including anticipated new debt service, the 24% and all your capital spending and they didn't recalculate it for the across the board alternative.

Councilor Fleck said he would have preferred to see an alternative that showed the rate adjustments to reflect the base rate and the per thousand rate would have been adjusted across the board. He said he would support one that showed the capital costs separately on the bill. He would go for the across the board increases but if they were saying that commercial was getting a better bargain, couldn't they adjust the base numbers so that it was an even percentage.

John said it was the same rate structure but with a cost of service adjustments.

Councilor Fleck asked why the capital surcharge was different, it should be the same because they based it on the existing.

John said they didn't recalculate the capital improvement surcharge because of the across the board rate increase, they were going to hold it constant. It was based on the actual cost of debt service and capital spending for 2010.

Discussion was held on how the charges were calculated and what was included. John talked about the difference between the three options.

Councilor Fleck said he didn't want to put rate increases on the bill for capital projects, he wanted to see that separated out as debt service. He didn't want to see the rate increase go for anything but operational increases and capital costs being covered in debt service.

John asked if the alternative accomplished that.

Councilor Fleck said it did but some of the debt was already being added into as opposed to straight across and he was okay with that if that what was done every year for whatever debt the City incurred. He said Council needed to be cognizant of what they were doing to the rate payer.

John said the chart could be changed that as debt was added on in future years it could reflect whatever the debt service was. He said they would have the tool to calculate the separate surcharge in future years and could show it that way on the bill.

John went over the Stormwater Utility Revenue Requirement Forecast in the handout and said in

2010 they had no increase because revenues exceeded expenses. He discussed the capital and how it affected the stormwater utility rates. He said beginning in 2011 there was considerable increases of 39% and 20% through 2014 and in 2015 it dropped to 6%. The increases were related to the new debt service associated with executing the capital plan in the 20 year schedule. He said this was an example of how spreading it out and delaying could make a difference.

Councilor Munroe asked if the projections were inclusive to the 10,000 population.

John said yes, the expenses jump up in 2012 and 2013 as a result of the addition of an FTE associated with the NPES requirements. He said the NPES requirements didn't mean capital improvements, it meant an additional FTE for monitoring, increased public education, a lot of non-structural activities that you needed to do in order to meet the requirements.

Discussion was held regarding the increase in the total operating expenses and the addition of a FTE.

John went over the sheets in the handout for the Stormwater Utility for Capital Funding and Fund Balances and Rate Structure Alternatives. He talked about the existing rate structure calculated on a per account basis increasing from \$7.69 in 2009 to \$22.68 in 2015 which he said would be the highest stormwater rate in the state. He said they had created an alternative for stormwater that was based on the ESU approach where single family residences were charged uniformly based on the average amount of impervious surface area which went from \$3.05 in 2010 to \$9.01 in 2015.

Councilor Fleck asked if an ESU was one residential unit.

John said yes.

Ron said they took a sample of the building permits for single family residences and did an average of the imperious area and came up with the 2,650 sq. ft and that was what was equal to one ESU.

Councilor Fleck asked what a typical commercial rate would be.

John said there wasn't really a typical commercial rate and used a 7-11 as an example that they might be 2 or 3 ESUs which would include the parking lot footprint plus the footprint of the building and said Wal-Mart would be several hundred ESUs. He said the chain stores were accustomed to the higher rates and were paying them all over the northwest. Where he said they would see impacts was the local businesses whose bills would go up depending on their impervious surface. He said since there were so many more ESUs, the rate structure was consistent with around the state.

Discussion was held on how the ESU rate structure would affect some of the businesses, schools and churches in the city.

John said the stormwater utility had been small, but now moving into a new level with the NPES

requirements and starting to address some of the capital needs, the fairness of the rate structure became more important.

John said the last page in the handout was a comparison of a select group of cities which showed how Cottage Grove would compare with the different alternatives for rate increases presented. He said that all the Cottage of Grove listings that didn't say existing assumed an 11% increase for water, 24% for wastewater and nothing for stormwater for the first year of the schedules presented. He said there wasn't any further increases for wastewater and none for water in 2011 but picked up again in 2012.

John talked about affordability. He said the 2000 Census said the median household income in Cottage Grove was \$30,442 per household in 1999 dollars. From the Department of Labor he used the Bureau of Labor Statistic calculator and converted that to 2010 dollars which increased that medium household income to \$39,767 which he rounded to \$40,000. He said he researched different definitions of hardship and he found them in grant and loan applications, and communities for which the utility rates reached a hardship level could allow a City access to grant money at times. He found the percentages to be really high. When he looked at them several years ago he saw percentages such as if the annual utility rates were 1½% of the median household income, it was a measure of hardship and now for sewer rates it was 5%. In order to meet the definition of elevated hardship, your sewer rates needed to be 5% of the household median income. He said he looked at all the utilities combined and at \$40,000, a \$100 a month, which was roughly where the City was at with the proposed increased, was exactly 3% of the median household income which didn't meet the current criteria for elevated hardship.

Richard said in the existing rates, there was a senior and disabled disadvantaged rate and asked if John figured that into the existing rates and/or into the calculations of Alternative 1 and 2. He asked if the City kept the disadvantaged rates for those that met the poverty income levels, how that affected the numbers.

Councilor Fleck asked what that percentage was.

John said he thought he had all that information and it was part of the customer statistics and it would reflect the same ratio of the people applying for the disadvantaged rates and they would successfully get the discount.

Richard asked if he figured the discount on the same kind of ratio and percentage as what it was on the discounted rates.

John said yes, they did not recalculate any discount.

Discussion was held on the City's disadvantaged rate program.

Councilor Conrad asked where John had gotten his statistics from.

John said he got the median household income information from the 2000 Census information and the US Department of Labor Bureau of Labor Statistics Calculator to convert it to 2010

dollars.

Councilor Conrad asked where the got the 5%.

John said he couldn't find an Oregon DEQ definition so he looked at other states and what they used as most are federal programs administered by state agencies and the 5% was from the Washington Department of Ecology to access federal grant money.

Councilor Fleck asked if the City had gotten \$600,000 toward the wastewater treatment plant.

Richard said the City reviewed very little because the City didn't satisfy the requirements with the rates at that time, he thought it might not have been more then \$300,000.

Jan said the City received an CDBG grant to do some of the initial planning and engineering.

John said in terms of phasing, the needs for water and wastewater were immediate and in his opinion there wasn't really an opportunity for phasing for these two funds. He said for stormwater there was no immediate increase required. He said the ESU approach for stormwater and the cost of service alternatives in water and wastewater, all moved costs away from single family residential and to commercial customers. He said the bills for residential customers would help them with the change in rates for stormwater and then that was where the capital program could be phased in and have an impact on future rate increases.

Councilor Conrad asked why the City couldn't phase in the 2010/2011 numbers.

John said using water as an example, the revenues didn't meet the expenses without any capital construction and there wasn't the money in the bank to.

Councilor Munroe said he understood that ODOT controlled pretty much everything that the City did except the local gas tax which the City was able to use. He didn't understand why when the City did a requirement as far as fixing a street or avenue and ODOT allowed trucks to use that as access through the City and they collected the road tax and PUCs from that and the City got nothing. He asked why that was.

John said the City got a portion of the weight mile tax that trucks paid.

Richard said it was part of the State Highway Tax which was around \$36 and going up to around \$40 next year per capita which included a share of the weight mile tax as well as the state motor vehicle fuel tax.

Councilor Munroe said the PUC road mileage taxes had gone up and the same department was the one that controlled the vehicles that came through the City and used the City streets and they ought to be compensating the City.

John said the last increase was the first one since 1993. He said statewide gas tax revenues had been a flat line for along time. He said a lot of cities were starting to deal with that through the

transportation utility tax and there was about twenty to twenty-five of them in the state currently. He said they charged a monthly rate based on trip generation to secure additional money for road maintenance.

John said that one thing they were hearing from the homebuilders and having been through the system development charge increases with them several times in the last year, they didn't really have a beef with the methodology, the approach that was being taken, but any kind of phasing, delayed implementation with the system development charge was really well received by the development community. He said it could be helpful to be able to say to the rate payers that growth was going to pay its fair share through the SDCs.

Mayor Williams made reference to several developers and suppliers that had attended the meeting earlier and said it was a good sign that they attended the first part of the meeting and have an understanding of where the City was and the situation.

Councilor Clark said he thought there would be an organized, lobby effort from developers when the hearings were scheduled for the raising of SDC charges.

Councilor Fleck asked about the process regarding SDC increases.

John said there was a ninety day notice requirement associated with the SDCs.

Councilor Fleck asked if it would be a this year thing and not every year. He said he guessed on the water rates the City would make adjustments every year on those rates.

Richard said once the SDCs were established and the hearing and process had been completed, there would be a resolution every year to adjust the SDCs as well as the ordinance to adjust the water and sewer and stormwater rates.

Councilor Fleck asked if they would do that as well when they borrowed the money for the capital projects that were in the CIP.

Richard said yes.

Councilor Clark said the hardest thing for Council was going to be having the public understand that they were enterprise funds, essentially businesses, and the Council didn't have a magic bullet in the general fund that would somehow make it go away.

Richard said he was trying to put together something for the budget message and presentation at the budget meeting to help emphasize that.

Councilor Fleck said capital numbers didn't need to be itemized in the bill, if there was a capital expenditures line item and if someone was interested, they would look at the budget.

Councilor Clark said he was interested in seeing the difference between a twenty and thirty year capital improvement plan because it helped Council in the off years try to sell what they had to

do this year.

Richard said an issue with that was there were adopted plans that had a planned window approved and adopted in them and the City had to make sure they weren't violating any other laws or requirements.

Councilor Conrad said she would like Council to examine some of the assumptions of the study and she had questions that came from the engineer reports. One assumption was what can be weeded out, there didn't need to be a Cadillac plan to meet all the master plan guidance. She said not only the assumptions but some of the figures needed to be looked at in order to make it affordable for the rate payers.

Councilor Fleck said there were some other variables that hadn't been considered that could end up costing considerably more.

Richard said the City was funding things that broke and during the course of a year if a pump at the wastewater treatment plant was lost, there went the reserves and the costs had changed completely.

Discussion was held on when the next meeting should be held and what information needed to be addressed.

ADJOURNMENT

There being no further business, Mayor Williams adjourned the regular meeting of the City Council at 8:44pm.

The next regular City Council Meeting will be held May 10, 2010, at 7:30 p.m. in the Council Chambers at City Hall.

Trudy Borrevik, City Recorder

Gary Williams, Mayor