

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
FEBRUARY 03, 2011

MEMBERS PRESENT:

Lon Kellstrom Mayor
David Asson Council President
Sharlene Weed Councilor
Pat Thompson Councilor
Wendy Holzman Councilor

STAFF PRESENT:

Eileen Stein City Manager
Lisa Young Finance Director
Pauline Hardie Community Dev. Director
Paul Bertagna Interim PW Director
Kathy Nelson City Recorder

The meeting was called to order by Mayor Kellstrom at 8:35 a.m.

1. FY 10/11 Supplemental Budget

Finance Director Young provided an overview of the proposed supplemental budget adjustments for FY 10/11. She explained a supplemental budget was necessary because total fund expenditures would be ten percent or higher than the adopted category/department budget. Funds requiring adjustments were the General Fund, Reserve Fund, Transportation System Development Charge (SDC) Fund and Park Development Fund. A majority of the adjustments were due to projects spanning two fiscal years prior to completion. There was also an adjustment for the unanticipated purchase of some benches as a requirement of the Whychus Creek path grant, transferring the Desktop Support position from the Material & Services category to the Personal Services category and not using the full amount of the U.S. Forest National Fire Plan grant due to a prescribed timeframe and the weather limitations. She stated the overall effect of the supplemental budget increased the General Fund \$70,568.

The **Council** requested future reports include a narrative description of the need for the budget adjustments and an easier means of determining whether a fund is over budget or whether the adjustment is just a wash between line item accounts. **Director Young** stated she would make the requested changes in future reports.

2. Water Fund Financial Projections and Capital Improvement Plan (CIP) Assumptions

Manager Stein stated this was a continuance of the January 20th workshop and the purpose of this discussion was to focus on the CIP and financial projection for the Water Fund. She stated if the Council could agree with the CIP then staff would move forward in determining the amount of revenue that would be necessary to complete the projects.

Interim Director Bertagna provided a recap of how the municipal water system works including production, storage and distribution. He explained which wells run during which seasons and the reasoning behind the operating schedule. He explained that water systems are designed based on the maximum potential usage for a day with the added need for redundancy. He stated a percentage increase is built into the formula to help the City determine its future usage needs.

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Current data indicates the City would have enough water to meet its needs until 2025 at which time the City would need an additional reservoir to meet a peak use day plus account for the event of a fire in town. He stated that he and City Engineer Richard Nored took a fresh look at the CIP given the current state of the system, water consumption projections, the current bidding climate and inflation.

Interim Director Bertagna stated the biggest project the City is facing relates to Well #1. He stated replacing the well pump, motor building and installation of an upgraded chlorination system need to be scheduled by FY 2012/13 in order to insure public safety. He stated the well, with a life expectancy of 15 to 20 years, was built in 1974 and has provided 36 years of service. He stated the funds to perform the project would need to come from the operating budget as opposed to the Water SDC Fund as the improvements are maintenance related and do not add additional capacity to the system.

Manager Stein reminded the Council that this discussion was to focus on whether the Council agrees that a project is needed not how to pay for it. **Councilor Weed** stated that how to pay for a project does factor into the decision as to whether the Council approves a project or not.

Councilor Thompson agreed that financing plays a large role in determining if the City moves forward or not. **Interim Director Bertagna** replied there are risks associated with not making the improvements on the CIP.

Interim Director Bertagna discussed the other projects including upgrades to Well #2, building an additional reservoir, water line improvements and upsizing, as well as meter repairs and replacement. He stated upsizing water lines in the Timber Creek neighborhood could be postponed until development in that area picked up again. He recommended implementing a water meter replacement program noting that water meters wear out over time and begin to misread consumption. He stated since water consumption is a major source of the revenue in this fund its important to have the meters working correctly.

Mayor Kellstrom asked the Council for their input as to how staff should proceed and how they felt about the CIP as presented. **Councilor Asson** noted the City needs approximately \$700,000 in the Water Fund to meet the funding needs of the projects in the next few years and asked how that would be done. **Manager Stein** stated that past financial plans presented to the Council included an interfund loan with a short (three year) repayment period so as to make the loaning fund whole as quickly as possible. However, she suggested a commercial loan could provide a longer repayment term, but that the financial plan would need to be modified to add back in contingencies and other reserves that a bank or other lender would require.

Councilor Thompson stated in his view the CIP represents the City trying to provide the best case scenario by fixing any potential problems that could arise and become an issue. He stated the problem is performing and paying for all that work right now even though it should serve the City's needs for the next 15 years. He stated he couldn't commit to the CIP without knowing how

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the projects would be paid for. **Councilor Asson** stated in order to calculate the City's financial needs for the projects, the Council needs to agree the projects on the list need to be done. He suggested creating various models indicating different timeframes for the projects would help the Council have discussions on the projects and make its decision.

Manager Stein reminded the Council that some projects are operational and must be performed within a certain timeframe. **Interim Director Bertagna** stated there is constant ongoing maintenance to the water system and projects will never be completed. He stated the CIP is assessed every year to determine if projects are scheduled for the appropriate year and adjustments are made almost every year. He added that some projects had been done in the last few years to take advantage of the competitive bidding climate.

Councilor Thompson asked if the City raises water rates significantly over the next three years whether it might be able to lower rates after that. **Manager Stein** replied it was a possibility and would be dependent on what other projects or needs were forthcoming. She explained that according to Oregon law, cities are required to meet the needs of its 20 year population projections which system master plans are based on. She stated that sometimes the costs associated with those 20 year plans are front loaded as opposed to being equally spread over the years. She repeated that staff could look at the option of looking for a commercial loan that would enable the City to spread the payments over a longer period of time. She suggested the City should always be looking forward at least five years. She recounted previous work experience where the policy of the utility was to set a five year rate, meaning the rate was designed to meet the capital and operating needs for the utility for five year period which then provided an assurance to customers that their utility rate would not change for five years.

Councilor Weed remarked that Interim Director Bertagna provided a good case as to why the projects on the CIP list need to be done and she agreed they need to be performed. She stated the issue will be when they are done and how financing needs will be addressed. She stated she would like to see different scenarios showing projects pushed out to later dates and paying for them over a longer period of time. **Mayor Kellstrom** replied that providing clean potable water is a complicated expensive endeavor. **Manager Stein** asked the Council to think about not falling behind with regard to the Water Fund needs and added that the City of Bend's policy is to increase its utility rates slightly every year to keep on top of price inflation. **Mayor Kellstrom** reminded the Council that just because it adopts the list doesn't mean the projects will occur exactly as projected or that growth will occur as anticipated.

Councilor Asson stated he was in favor of moving forward with the CIP list. **Councilor Holzman** was also in favor of moving forward with the list, stating it was the City's job to provide clean water to citizens and be able to provide adequate fire flow when fighting fires. **Manager Stein** stated the City needs to raise significant revenue over the next five years and staff would look for ways of smoothing the process out with financing options. **Mayor Kellstrom** noted that

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usage, conservation measures and the CIP list are all variables that affect financial need. **Director Young** reminded the Council the CIP would come back to the Council during the budget session.

3. Preview February 10, 2011 Joint Workshop and Regular Meeting

Manager Stein provided a preview of the joint workshop the Council will have with the Planning commission on a concept plan for the Forest Service property and the regular meeting. She added that the adoption of the supplemental budget would be moved to the February 24th regular meeting.

4. City Manager Update

Due to the time, the City Manager Update was not given.

The meeting was adjourned at 10:45 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor