

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
APRIL 21, 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 Public Works Director
Kathy Nelson City Recorder

The meeting was called to order by Mayor Kellstrom at 8:07 a.m.

1. Utility Rate Study Phase II – Revised Financial Plan and Revenue Scenarios

Manager Stein stated the workshop was a continuation on the discussion of water utility rates. She remarked the options presented in the staff report included a 4%, 5% and 8% rate increase. She stated only the 8% rate increase included the Capital Improvement Plan (CIP) projects. She voiced concern that if the Council chose to convene a blue-ribbon panel as previously discussed, the cost might absorb all of the new revenue. She stated she was hoping the Council could come to some agreement on a revenue target and how it might arrive at a revenue target. She stated the three variables to consider were the monthly rate, the quantity allowance and the overage charge. She stated there was any number of ways to get to a desired outcome.

Councilor Weed stated it appeared the Council would be moving forward with just a band-aid fix if it chose any of these options. **Manager Stein** replied some Council members have stated they need more time to make a decision and there was still considerable conversation on the CIP that needed to be resolved to make certain the Council was comfortable with its decision. She stated any of these options would provide a modest rate increase and begin to move the process forward while still providing the Council some breathing space before reaching its final decision.

Councilor Weed stated she was not convinced there was a need for any rate increase and felt the CIP issue needed to be resolved first in order to move forward.

Mayor Kellstrom suggested the Council consider the option that would keep the rate and overage rate the same as its current structure and reduce the quantity allowance from 1,300 cubic feet (CF) to 700 CF. He stated that would produce \$36,000 in additional revenue. He stated a 4% rate increase would only produce \$1,500 a month and wasn't worth the effort. He stated it would also allow the City to reach its conservation goals, produce some income and provide some time for the Council to reach its final decision on the CIP and rates in the future. **Councilor Asson** stated that approach would defeat the equity principal the Council was trying to address in a new rate structure. **Manager Stein** stated lowering the CF allowance would send the right message to the Water Resources Board and other groups following the City's water consumption. **Councilor Holzman** stated the concern she hears most from constituents is the issue of equity and paying only for the water a household actually uses.

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Councilor Weed stated the City won't know if it needs additional income until it decides on the CIP projects. **Mayor Kellstrom** countered that the Water Fund needs to build contingencies so as not to fall into a deficit balance. **Councilor Holzman** asked what the City should have in contingencies. **Manager Stein** stated the City's financial advisors recommend a minimum of 30 days of operational expenses, but that 90 days is preferred. **Councilor Asson** stated the Council needs to build for its future needs.

Mayor Kellstrom stated the Council has been dodging making a decision on water rates for 11 months and it needs to make a decision. **Councilor Thompson** stated he felt the Council was struggling because there has not been a clear objective on what the Council wants to achieve. He stated he felt the projects in the CIP could be put off as he didn't feel the Council had the right information yet to make decisions on them. He stated he didn't feel having people pay for their usage was the correct way to handle the equity issue as the cost was in building the infrastructure for the water system, not in the production of the water. He stated that at some point in the past the City decided it wanted to provide a large consumption allowance. He stated it helps to create a green town and if the consumption allowance was lowered, businesses would have to pass the additional costs on to its customers. He stated he was in favor of an across the board increase for future CIP projects and to begin building some contingencies for the fund.

Councilor Weed suggested the Council approve a 4% rate increase and set a specific timeframe for a blue ribbon panel to have all the questions surrounding the CIP answered and decide what expenditure are really necessary, if any. **Councilor Thompson** stated there were questions to be answered with that proposal; 1) does a majority of the Council want a rate increase, 2) should there be a decrease to the consumption allowance and 3) should a blue ribbon panel be formed. He stated its time for the Council to begin dealing with other business issues that have been deferred while dealing with the water rate issue. He stated he would agree to drop the consumption allowance to 1,000 CF, leave the overage rate the same and impose a 4% across the board rate increase. **Mayor Kellstrom** stated he would go along with that scenario, but the rate increase might need to be higher than 4% to reach the revenue target.

Councilor Asson stated he would not agree with proposal as he wanted to see the allowance drop to 0 CF. He stated that would allow every water user to decide if they wanted to conserve water or not. He added that giving any amount of free water with the monthly rate allowance defeats the purpose of what the Council is trying to do. He stated higher rates means that customers who don't use their full consumption allowance at present are going to be paying even more while still subsidizing those users who are using more. **Councilor Thompson** replied that dropping the consumption allowance to zero would create the appearance of a water shortage when there is not one. He stated the City is merely trying to raise revenue. **Councilor Weed** stated she was concerned about effects from conservation also.

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Mayor Kellstrom stated the City needs to increase water receipts to keep the fund whole. The **Council** discussed the possibility of a 4% rate increase and lowering the consumption allowance to 1,000 CF with the overage rate remaining the same and convene a blue ribbon panel. **Manager Stein** suggested an alternative to a blue ribbon panel would be a community meeting wherein members of the Council would preside but the public could also ask questions of the experts.

Mayor Kellstrom asked for the Council's opinion on the proposal. **Councilor Weed** stated she would only agree to a rate increase on the condition that a blue ribbon panel would be formed and a sunset clause to revert back to the original rate structure was included. **Councilor Thompson** and **Councilor Holzman** stated they would agree with both the rate increase and formation of the panel. **Councilor Asson** stated he would not agree to the rate increase or the panel. **Mayor Kellstrom** stated he felt the blue ribbon panel was not a good idea as it would take additional time to create the panel, there would be a cost associated with paying the experts to attend and the people involved would not have a vested interest in the outcome. He stated if the panel comes to a wrong conclusion and the Council takes its recommendation, it would be the Council that is accountable to rate payers, not the panel members. He stated the City has heard from the City Engineer, Fire Department representatives, city staff, water rate consultant Deb Galardi, and water rights consultant Adam Sussman, and the Council hasn't taken any of this advice so far.

Councilor Holzman stated there was a need to get Ms. Galardi, Mr. Sussman and City Engineer Richard Nored all together at one time to answer all the questions. She stated she felt the facts should be presented to all the Council at the same time. **Mayor Kellstrom** asked if the Council would agree to a public meeting with the experts where there would be an opportunity for the Council and community members to ask questions. **Councilor Weed** stated she felt it would be more beneficial for panel members to meet at the table without the Council present to get to the bottom of the issues. She stated the Council has been incapable of coming to agreement and she wanted to step back from the process. **Mayor Kellstrom** stated such a process could be convened after budget season. **Manager Stein** stated she thought all the questions could be answered by the end of the summer. **Director Bertagna** stated that would also allow the Council to see summer trends and how rate payers were being affected. **Mayor Kellstrom** directed Manager Stein to put the item on the agenda for the regular meeting on April 28th with the 4% across the board rate increase and appropriate wording relative to the group meeting.

2. Preview April 28, 2011 Budget Committee and Regular Meeting

City Recorder Nelson stated the first meeting of the Budget Committee would take place on the 28th and provided an overview of the regular meeting agenda. **Councilor Weed** asked whether the bill prohibiting roundabouts on state freight routes would impact the need for the feasibility study listed on the agenda. **Manager Stein** stated the bill was not moving forward and the Oregon Department of Transportation (ODOT) would be conducting a study on the issues associated with roundabouts on state freight routes. **Councilor Thompson** stated he was concerned with the cost of the feasibility study if it was ultimately decided that roundabouts are not allowed for Oregon

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highways. **Director Bertagna** stated the feasibility study would also be looking at signals along with roundabouts and that ODOT would be using the feasibility study for its study. **Manager Stein** replied that by the time the intersection project comes up in the 2013-14 State Transportation Improvement Plan (STIP) the City would know which option was acceptable to construct for the project. **Director Bertagna** reminded the Council there was strong community support for roundabouts versus signals during the Transportation System Plan (TSP) update.

3. City Manager Update

Manager Stein distributed a civil rights review on the sewer system from the United States Department of Agriculture (USDA) for Council members to complete. She stated the forms were sent since some federal funds had been used in the construction of the system.

Director Bertagna reported road maintenance season had begun with crack sealing. He stated chip sealing would be starting soon. He discussed the differences between oil-coated rock versus dry rock for chip sealing. He stated this year he wanted to look at the possibility of using dry rock as opposed to the oil-coating rocks. He recommended trying the dry rock in the outlying areas of the City to test the product and then make a decision on whether it is acceptable to use it in the downtown core. **Councilor Thompson** stated he felt it would be important to know what project approach a contractor will take. He stated there are times when the low bidder is not the right choice.

Manager Stein stated she would like to receive feedback from the Council on the draft FY 11-12 Council priorities. **Councilor Holzman** stated she did not remember discussing identifying city policies which impact economic development including system development charges (SDC's), enterprise zone benefit and funding for infrastructure planning and the design process for future economic development as a priority. **Councilor Thompson** stated he thought the conversation centered on not wanting the City review its SDC's fees as raising SDC's could have the potential effect of stopping all projects. **Councilor Weed** stated since the City Charter states the City will charge SDC's to the fullest extent allowed, she felt the City needed to make certain it was not violating the Charter or some law by not reviewing its SDC's.

The meeting was adjourned at 9:43 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor