

City of Springfield
Work Session Meeting

MINUTES OF THE WORK SESSION MEETING OF
THE SPRINGFIELD CITY COUNCIL HELD
MONDAY, MAY 17, 2004.

The City of Springfield council met in a work session in the Jesse Maine Meeting Room, 225 Fifth Street, Springfield, Oregon, on Monday, May 17, 2004 at 6:00 p.m., with Mayor Leiken presiding.

ATTENDANCE

Present were Mayor Leiken and Councilors Ballew, Woodrow, Lundberg, Ralston and Fitch. Also present were City Manager Mike Kelly, Assistant City Manager Cynthia Pappas, City Attorney Meg Kieran, City Recorder Amy Sowa and members of the staff.

1. Proposed Resolution Approving the Metropolitan Wastewater Management Commission (MWMC) 2004 Facilities Plan and Adopting the 20-Year Project List.

Environmental Services Manager Susie Smith presented the staff report on this item. Ms. Smith introduced Doug Keeler, Springfield's appointee to the MWMC; Peter Ruffier, City of Eugene's Wastewater Division Director; Mike Kortenhoff from the Department of Environmental Quality (DEQ); and Dave Jewett, MWMC's legal counsel. She also introduced Gary Colwell, Environmental Services Supervisor from Springfield who will lead up the System Development Charge (SDC) portion of the meeting. She thanked Councilor Ballew who also serves as commissioner on the MWMC for her leadership and efforts over the past year on the facility plan.

The MWMC recently adopted the 2004 Facilities Plan (Plan), which includes a list of capital improvement projects necessary to meet the regional wastewater treatment needs of the Eugene-Springfield urban services area through 2025. MWMC is forwarding the Plan to the governing bodies of Eugene, Springfield and Lane County for approval because implementation of the projects will expand capacity for future community growth, and because the 20-Year Project List will be used in calculating regional wastewater system development charges (SDCs).

The 2004 Plan was adopted by MWMC on May 6, 2004, following two public hearings. It is the first comprehensive regional wastewater facilities plan update since the completion of the original "208 Plan" in 1977. The 2004 Plan addresses regional facilities improvements necessary to meet community growth needs through 2025, state and federal requirements, and community expectations for protection of the public's health and safety and the environment. It builds on and includes continued implementation of the Biosolids Management Plan (1997), and the Wet Weather Flow Management Plan (2001).

During the year-long development of the Plan, MWMC evaluated a wide range of alternatives. Four alternative sets of system-wide improvements ranging in cost from \$144 million to \$233 million (in 2004 dollars) met the planning criteria. The Commission selected the least-cost alternative, which achieves significant cost savings through efficient use of and reinvestment in existing facilities where possible to gain increased capacity and performance. The 20-Year Project List includes a "just-in-time" phasing approach so construction will not occur until needed.

The Oregon Department of Environmental Quality will review the Plan and may require additional improvements.

The 2004 Plan represents a significant investment in vital public infrastructure over the next five to ten years. Unlike the original facilities, which were constructed largely with Federal grants, this investment will be funded entirely with local funds through a combination of sewer user rates and SDCs. The 20-Year Project list included in the plan will provide the basis for calculating regional wastewater SDCs. The impact on user rates and SDCs is discussed in the Council Briefing Memorandum (Attachment 1 of the agenda packet). Actual projects and budgets will be reviewed annually as part of the MWMC budget and capital improvements program.

Even with “just-in-time” construction phasing, necessary expenditures in the first few years will require substantial user rate increases. Although raising user rates and fees is never desirable, timely implementation of the Plan is important to minimize the overall costs to the community in the long-term. Failure to maintain the project schedule would likely result in several consequences that would increase overall costs and reduce efficiencies built into the planned phasing of projects. It would increase risks associated with permit violations such as fines, enforcement orders, law suits, and could thwart community growth.

Additional background information on the MWMC 2004 Facilities Plan and the MWMC adoption process is included in the attachments included in the agenda packet.

Ms. Smith referred to posters located on the wall which gave an overview of where MWMC came from, where they are, what they are doing and not doing, and where they were going. The three jurisdictions came together to create MWMC in an intergovernmental agreement (IGA) in 1977. The first facility plan was developed and a county service district was created in 1979, which provided the matching funding to the federal funding to build the main regional wastewater treatment plant, the seasonal industrial waste facility and the biosolids management facility. The IGA charters the MWMC to plan and construct new facilities as needed for wastewater services for the growing community. In the mid 1990's, MWMC recognized they were approaching the end of the twenty year design life of these facilities and analyzed the situation for capacity shortfalls and other improvements. The commission undertook a series of plans. They started with a master plan which began to look at short and long term improvements and follow-up studies that were needed to address certain identified capacity shortfalls, primarily biosolids, processing and wet weather flow management. She discussed the Wet Weather Flow Management Plan (WWFMP) which was implemented in 1997. The biocycle farm and improvements to the facility were outcomes of this plan. MWMC implements these projects through their capital improvement program (CIP) and budget process. The CIP comes to council each year for approval.

Ms. Smith said MWMC was issued a new discharge permit with a number of environmental requirements the plant must meet. Over the past year the commission has worked with significant assistance from the consultant from CH2M Hill and used a public process in reviewing the proposed facility plan. The resulting improvements over the next five to ten years total \$144M. Prior to the completion of this facility plan, the long-range plan the commission had to meet regarding wet weather flow requirements and biosolids needs was \$100M. The new permit requirements and working through the modeling has added \$44M to the cost. There is no longer federal funding and it is no longer a strategically beneficial tool to use the county service district

and issue General Obligation (GO) bonds. The commission adopted a financial plan in 2003 and would be financing the improvements. The payment for those improvements would come from SDC's and annual user rates.

Ms. Smith referred to a chart which showed the overall investment over the first twenty years of MWMC facilities. In today's dollars, what has been built so far equals about \$200M in investments. Because of the level of analysis and the degree to which they have evaluated many alternatives, leveraging advancements in technologies and efficiencies, they are looking at \$144M for the next twenty years. She described the four alternatives that would meet the plan objectives. The alternatives that would meet the regulatory requirements in the planning objective range in cost from \$144M to \$233M. They all meet some of the planning objectives, but the first two alternatives don't meet all of the objectives. The MWMC has adopted option 5 in the plan before council. It would require approval from DEQ in being in compliance with the way they manage wet weather flows. If not successful in getting that approved, they may need to add an additional \$13M in improvements to meet the standards for approval. Option 5 is the one being considered for City Council, Board of Commissioners and DEQ review. This is a large investment for the well being of the community. She described the benchmarks in financial fitness, levels and rates relative to other agencies in the state. She referred to a chart which showed a per capita comparison with Albany, Salem and Tri-City. She discussed user rates compared to other cities in Oregon and SDC comparisons. Some cities already have raised rates for building of new facilities or other improvements.

Councilor Ballew asked Ms. Smith to describe why Eugene and Springfield figures were different.

Ms. Smith said the figures look different because there is a local component and a regional component. The MWMC portion is the same in both cities. Eugene has not yet completed their local fee updates. She referred to the information included in the agenda packet. Minutes from the MWMC April 22, 2004 and May 5, 2004 meetings were attached and included testimony received and reviewed by the commission and the responses to that testimony. The commission held several well advertised public workshops as the plan was being developed and held two public hearings for input up until adoption on May 6. The commission is forwarding this to the governing bodies because of the area in the IGA which addresses decision making for future community growth. This is not a land use plan and does not require a land use review. There is a parallel process initiated by the City of Springfield including amendments to the Public Facilities and Services Plan. Ms. Smith said this would be coming forward to council during their public hearing later in the evening as a resolution for them to consider adopting.

Mayor Leiken asked for clarification regarding the difference between Eugene and Springfield's figures.

Ms. Smith said Springfield completed an update to the city's local SDC's in 2000 and the City of Eugene began to undertake the local wastewater SDC in 1999 or 2000 and have not completed that process. Their methodology is significantly older. Each council approves local SDC methodology. MWMC would seek council approval of regional wastewater SDC methodology as well.

Councilor Ballew said the SDC's are well defined by state law and we must be in compliance with that. She speculated that Eugene has a higher population and may have a better economy of scale.

Ms. Smith agreed.

Councilor Fitch asked about the capital plan and if there was a way to phase the cost out longer rather than having the bulk of it in the first ten years.

Ms. Smith said this is the longest feasible phasing to maintain the permit requirements deadline of 2010 from DEQ. They have pushed hard to see how far out they could push it without sacrificing efficiencies. Ms. Smith introduced Matt Noeson, project manager for this project from CH2M Hill. Mr. Noeson was available to answer questions.

Councilor Fitch confirmed that we are not only planning for growth, but also for the mandates from the federal government. This was correct.

Discussion was held regarding the new regulations which include thermal load, ammonia, and wet weather flow.

Councilor Ballew referred to solids put into the river and the processes used to remove some of those. She said this has been a long process. She said the consultant from CH2M Hill was first rate and staff has done an outstanding job. She hoped council would be supportive.

Councilor Woodrow discussed multi-user rates in Eugene and Springfield and combining those rates.

Ms. Smith said each city has a local system which they own. It becomes an MWMC system when they merge, once the pipes reach twenty-four inches or larger. Springfield and Eugene are responsible for costs of the system carrying sewer within their area. There are variables that go into the cost differential on the local systems. She gave an example. Over time it will fluctuate as each city takes on different projects. Eugene is looking at a twelve percent increase in local systems this year and additional increases in the next several years. That differential would most likely narrow.

Mayor Leiken asked when the federal grants were done away with.

Mr. Jewett said the last grants were made in the late 1980's.

Mayor Leiken noted his frustration over the fact there are more federal regulations and requirements placed on cities than ever before and there is no longer federal assistance to meet those requirements.

Ms. Smith said through United Front efforts we received nearly a quarter of a million dollars for biocycle farm. However, the facility plan must be complete before that money is distributed. There may be similar opportunities in the future and she would continue to look for those options.

2. Review Regional Wastewater System Development Charge (SDC) Methodology and SDC Charge Schedule.

Environmental Services Supervisor Gary Colwell presented the staff report on this item. On April 1, 2004 the Metropolitan Wastewater Management Commission (MWMC) approved a new methodology for determining the Regional Wastewater SDC. The new methodology is based upon the recommendations of a citizens advisory committee (CAC) appointed by MWMC. On May 6, 2004, MWMC approved a new SDC Charge Schedule based on the new methodology. In the fall of 2002, MWMC amended its methodology for determining SDCs for regional facilities. The resulting new SDC charges sparked extensive opposition, including the threat of legal action, from the Home Builders Association (HBA). In September of 2003, MWMC, Springfield, and Eugene reached an agreement with the HBA, avoided litigation and provided for an acceptable regional SDC fee update process. The essentials of the agreement were:

- The cities would approve a one-year regional SDC fee update for FY 03-04 based on the FY 02-03 5-year CIP and the June 30, 2002, regional asset value; MWMC would hire a consultant and appoint a citizen advisory committee (CAC) that would include the HBA, to review and make recommendations on SDC alternatives; MWMC and the cities would endeavor to implement new regional SDC fees by July 1, 2004; HBA would dismiss any pending legal action; and HBA would not challenge the Regional Wastewater SDC during the review process and would attempt to dissuade any of its members from filing an action on their own.
- In accordance with that agreement, MWMC hired a consultant and appointed a citizen advisory committee (CAC) which included a representative of the HBA. The CAC presented their recommendations to MWMC on April 1, 2004. Following a public hearing, MWMC approved the new SDC methodology. On May 6, 2004, MWMC approved a new schedule of regional wastewater SDC charges.

Mr. Colwell said the process with the CAC involved people from varied backgrounds. On all decision points they looked for consensus. They reached complete consensus on most items, but received one or two negative votes on several issues. Prior to the commission's approval of the resolution for the methodology, the HBA representative gave a minority report. The representative was asked by a commissioner if the methodology was fair and he said that it was.

Mr. Colwell presented a slide show which showed the high points of the process. There were a number of legal requirements for structure which would be required by July 1, 2004. He discussed reimbursement fees and improvement fees. He discussed cost basis development. The SDC's have been based on the idea that the bigger the waste, the bigger the impact it has on the plant, and the bigger the impact fee or SDC. Looking at the capacity of the treatment plant, they look at how much flow capacity is available. During the planning process for the facility, it was determined how much capacity was needed during that period. Future capacity and existing capacity calculates into the reimbursement fee and improvement fee. He discussed the issue of being charged for both capacities. The new methodology does not charge for both capacities. He explained how the figures are averaged and charged for one capacity. Part of the methodology

process is to determine what type of improvement we have; either performance capacity or rehabilitation. Capacity expansion is for growth so it is all growth eligible. Performance improvements increase performance so existing users also benefit. Those are eligible for the improvement side in that context.

Councilor Ralston referred to the chart which showed something from Alternative 4 which was not adopted.

Ms. Smith said they were looking at that option, but they determined that the purpose was to get Alternative 5 approved. They don't want to collect more than what is fair for the work plan they are putting forward. In the event the DEQ approves Alternative 5, they would collect for the \$144M. If DEQ requires the additional \$13M for improvements, MWMC would go through a procedure to amend the project letter and add it back in to for SDC's. It is a set of facility improvements that would have had a certain amount added to both capacity and performance.

Councilor Fitch asked about the percentage of growth for the \$144M versus the \$157M.

Mr. Noeson addressed the question. There is approximately \$4M to be allocated to growth and the remaining balance would be allocated to existing users.

Mr. Colwell said another issue was whether the methodology considers potential rate funded payments to be made by new customers. After a new building pays their SDC, they become a user. Some of the user fee would go to improvements they just paid in the SDC. A procedure was incorporated into the methodology for determining a credit. He credited Roxie Cuellar from the HBA and her work for bringing that to their attention.

Mr. Noeson said the credit would come off their initial SDC charge.

Councilor Ballew said a project has to be in the CIP and once it is built there are no more SDC's. There are only user fees, unless improvements are then made.

Mr. Colwell referred to the slide presentation which highlighted Methodology Summary, Methodology Comparisons, Reimbursement Fee Cost Basis and Improvement Fee Cost Basis.

Councilor Ralston asked about the biocycle farm.

Mr. Colwell said it is part of the biosolids program and includes the growth of the poplar trees.

Councilor Fitch asked if all of these projects are MWMC projects, not particular to either city.

Mr. Colwell said that was correct. These are regional projects only. He referred to a chart showing our current condition related to other cities in Oregon and where we would be if the new fees went into affect.

Councilor Woodrow asked for a ballpark percentage of how much the SDC's are increasing.

Mr. Colwell said the SDC's now are based on 2002 valuation of assets and a five-year capital plan. That rate is \$528.86. The two year jump would increase 79 percent to \$947.34. He also noted that the cost for the facility has gone up \$44M. Mr. Colwell said he would bring this to council during a regular session and public hearing on June 21.

Councilor Ballew said the facilities plan sets out the work. The SDCs' are a way to collect revenue for the plan. SDC methodology is a cost accounting system.

3. 32nd and Main Agreements.

Transportation Manager Nick Arnis and City Engineer Al Peroutka presented the staff report on this item. The city has developed an agreement with Les Schwab Tire Centers of Portland Inc. in order to implement improvements at the 32nd and Main intersection. The intersection project is part of the 32nd Street improvements for the sports complex.

In order to complete the 32nd Street project, which is an obligation from the September 2002 Sports Center agreement, the intersection at 32nd and Main (McKenzie Highway) will be improved this summer. Improvements to the intersection involve an agreement between the city and Les Schwab Tire Center of Portland. The cooperative improvement agreement with Les Schwab Tire Company is for signal and road improvements at the 32nd and Main intersection. Les Schwab will pay the city \$51,000 or 100% of the estimated costs to construct a north leg to the 32nd and Main intersection, and Les Schwab will pay 25% of the signal modification portion of the project estimated to cost \$200,000. As a condition of an ODOT access agreement, Les Schwab must gain access to their site from a new north leg at the 32nd and Main intersection. The city will pay for 25% of the signal modification cost while the Oregon Department of Transportation (ODOT) will pay for 50% of the signal modification project. The final section of 32nd Street improvement will be funded by the city and Arlie & Company as outlined in the Sports Center September 2002 agreement and is estimated to cost \$228,000.

Mr. Peroutka said the financial impact was listed on the bottom of the agenda item summary in the agenda packet and would be addressed during the Budget Committee Meeting on Tuesday, May 18.

Discussion was held regarding the property listed on the map.

Councilor Woodrow asked how far the street would go to the north.

Mr. Arnis said there would be 100 feet of public road. Les Schwab may be submitting a site plan for a warehouse which would include a private road that would continue north.

Discussion was held regarding the financial impact and other buildings in the area.

Councilor Fitch said there was an opportunity for a councilor to speak at the dedication of the Morrisette Fields at the new Sports Center on Sunday.

Councilor Ralston said he would be there.

ADJOURNMENT

The meeting was adjourned at 6:54 pm.

Minutes Recorder – Amy Sowa

Sidney W. Leiken
Mayor

Attest:

Amy Sowa
City Recorder