

City of Springfield
Work Session Meeting

MINUTES OF THE WORK SESSION MEETING OF
THE SPRINGFIELD CITY COUNCIL HELD
MONDAY, FEBRUARY 22, 2010

The City of Springfield Council met in a work session in the Jesse Maine Meeting Room, 225 Fifth Street, Springfield, Oregon, on Monday, February 22, 2010 at 5:30 p.m., with Mayor Leiken presiding.

ATTENDANCE

Present were Mayor Leiken and Councilors Ralston, Lundberg, Wylie, Leezer, Simmons, and Pishioneri. Also present were City Manager Gino Grimaldi, Assistant City Manager Jeff Towery, City Attorney Joe Leahy, City Recorder Amy Sowa, and members of the staff.

1. Arts Commission Applicant Review.

Librarian Carrie Schindele-Cupples presented the staff report on this item. The Arts Commission had three vacancies on its board. The City advertised for three position openings due to two term expirations of members Charlene Eckman and Robert Winkelman. Karl Kreutzer announced his resignation in November 2009, creating a third opening.

In response to the news releases of November 23, October 14 and December 15, 2009 and a Team Springfield article published in the *Register Guard* on January 4, 2010, the Arts Commission received four applications to fill three vacancies. The Arts Commission reviewed all applications and met with the four applicants during its regular February 8th meeting.

The Arts Commission recommended that Kathleen Smith and Marilee Woodrow be appointed to the commission, and Robert Winkelman be reappointed to the commission, with terms to expire December 31, 2013.

Kathleen Smith was a long-time Springfield resident and had raised her six children here. She was interested in serving the community in a way that drew on her arts education and teaching background.

Marilee Woodrow was a community activist, involved with the Springfield Library Board, the SMART reading program, the Springfield Community Parade and the Springfield Kennel Club. She was eager to advocate for arts in the community and assist with fundraising and increasing the volunteer base for Arts Commission projects.

Bob Winkelman had served as Chair of the Arts Commission since 2007. He had spent the past 25 years as a professional photographer and had volunteered his time for several Arts Commission projects and events.

The Arts Commission believed all applicants were eligible and qualified to serve on the commission. The Council was requested to review the Arts Commissions' recommendations at the Work Session and to appoint three candidates at the Regular Session on March 1, 2010.

Council agreed that the three recommended applicants should be appointed.

2. Deferral of Systems Development Charge Increases and Time of Payment of Certain Other Fees.

Assistant Public Works Director Len Goodwin presented the staff report on this item. Mr. Goodwin noted that Attachment 3 in the Council's agenda packet was an incorrect version of a memo from a different meeting. He distributed the correct memo.

Council had deferred certain increases in SDCs as they affected one and two family residences through March 1, 2010. In addition, although Council had adopted an updated Stormwater SDC methodology, staff had not presented recommendations from a Citizen Advisory Committee for stormwater SDC rates because action had not been completed on necessary amendments to the Public Facilities and Services Plan (PFSP). On February 1, 2010, the Council adopted a single jurisdiction PFSP amendment, subject to acknowledgement by the Department of Land Conservation and Development. This made it possible for the Council to act on the recommended rates. Finally, Council had also deferred the time of payment of certain fees. Staff would report to Council on the impact of these deferrals and review three possible options:

1. End the deferrals.
2. Continue the deferrals to June 30, 2010.
3. Increase Local wastewater SDCs to an amount which incorporates an increase in residential levels to reflect 50 percent of the increase between the current rate and the maximum permissible rate (as recommended by the citizen advisory committee) for a limited period of time through June 30, 2010.

Mr. Goodwin noted that because Councilor Lundberg would be out of town on March 1, staff had prepared a Consent Calendar resolution to be presented on March 1 to extend the existing deferrals through March 19. A public hearing could then be held on March 15 when Councilor Lundberg would be present and Councilor Wylie would participate by telephone.

Mr. Goodwin reviewed the three options listed above. He further discussed Option 3 and noted that when staff met with the CAC to talk about SDCs, they reviewed the methodology for transportation and local wastewater. From those meeting, they rewrote the methodology for local wastewater. The CAC determined a maximum permissible fee if that methodology was adopted by Council. Council adopted that methodology but had decided, in the interest of attempting to stimulate the local economy, not to impose the fees for residential. The fees were in place for all other building activity.

The City had a significant loss in revenue in local wastewater as a direct result of not imposing the new fees. There was conflicting evidence whether or not deferring the fees had helped to stimulate the local economy. The choice the Council now faced was whether or not to move forward and recalculate the fees or see what happened in the economy. One of staff's concerns in waiting to increase the fees to their full amounts was that it would produce additional pressure on user rates. There were only two sources of revenue for transportation and local wastewater. He explained. Revenue bonds had been issued to fund some construction of essential projects for rehabilitation needed to comply with a compliance order from the EPA. The City had not funded projects that were important to the growth of the community. There were enough funds to build the Jasper Natron trunk sewer, but it may be prudent to temper the next rate increase by deferring the construction phase of that project until new bonds were issued. If SDCs were not increased, the Council would need to decide whether or not to raise user fees or not have funds for future growth.

Mayor Leiken referred to the Environmental Protection Agency (EPA) and asked for more information on requirements. He asked if Mr. Goodwin had heard about additional environmental regulations for cities from the EPA.

Mr. Goodwin said there were some additional rules to eliminate all overflows in 2009. The restrictions would be more stringent and expensive.

Public Works Director Susie Smith said the date of December 31, 2009 was linked to a state rule regarding the Oregon bacteria standard. The reason the date was included in the Federal Compliance order was connected to the state requirement. The Attorney General's office was very interested in environmental enforcement. Springfield wasn't on their radar screen, but the awareness of our area was increased when MWMC was sued. Springfield was having localized overflows in Springfield that should have been enforced. The EPA had been in the midst of writing rules for enforcement of overflows for about 10 years. She agreed the current update of that enforcement would be difficult for the City to meet.

Mayor Leiken said there were no Federal funds with that mandate. That was correct.

Mr. Goodwin said that was the scope of his presentation. He asked if Council had any questions.

Councilor Simmons said the ongoing, growing need in transportation, wastewater and sanitary sewer was moving ahead. He appreciated the difficulty the developers were having in the process, but having spent five to seven months on the CAC going through the methodology and cost analysis, it was clear we had a growing need that needed to be funded. He has consistently said he favored increasing SDC charges to the CAC's recommended amount. There was a need to collect that money. He agreed with the delay of payment of the fees and making it part of the closing or occupancy. He was not sure how these costs could continue to be forced on the rate payers. He commended staff on their work, and said it was time to make the increases. The City would not likely collect many of those fees in the current economy, but needed to be in the position to collect when things turned around.

Councilor Lundberg said part of the premise of delaying was that there were projects that needed funds. In terms of growth and development, if the City implemented the increase and there was no building, ratepayers were going to have to take on the burden anyway.

Mr. Goodwin said that was correct in the short-term. Increasing the SDC rates would not bring in a lot of funds. To date, the City had forgone about \$500,000 in fees with the delay. If deferred another 6 months, it could mean a loss of a similar amount. There were smaller projects that could use that \$1M.

Councilor Lundberg said they would still have to look at user rate increases if this economic slump continued. The ratepayers needed to know these projects needed to move forward and the funds may have to come through user rate increases in the short term.

Councilor Wylie suggested they increase the SDCs half of the deferral amount until June, then increase to the full amount. Expenses continued, so the City needed to do something.

Mr. Goodwin referred to the last chart in the agenda packet which showed the percentage of all fees for an average residential home in several Oregon cities with the full recommended increase. Springfield was higher than most, but not the highest. That gave some indication of the impact of the SDC on the cost of a residential house.

Councilor Wylie said she was opposed to user rate increases of any kind.

Councilor Ralston asked how long we had been deferring the fees.

Mr. Goodwin the Transportation SDCs since March 15, 2009 and Local Wastewater SDCs since July 1, 2009.

Councilor Ralston said the City showed good faith in trying to spur development by deferring the fees. He also didn't want to raise user rates and wanted to be in a position to do projects as they came available. He would like to help homebuilders, but leaned towards not deferring the fees much longer.

Councilor Lundberg asked if the chart Mr. Goodwin was referring to earlier was on Attachment 11.

Mr. Goodwin said it was Attachment 12.

Councilor Lundberg said Springfield had a separate SDC for parks because they were a separate entity.

Mr. Goodwin said Eugene and other cities imposed a park SDC separately, even when their park system was part of the City. He noted examples on Attachment 11 of other cities that charged them separately.

Councilor Leezer asked how much would be raised if they chose Option 3.

Mr. Goodwin said it would raise about \$250,000 more than the current fee over a one year period. From now until the end of June, it would be considerably smaller.

Councilor Pishioneri asked about deferring the fees.

Mr. Goodwin said the amount charged to the builder would be determined by the date filed, no matter when it was paid.

Mr. Grimaldi said they were two different issues: delaying the increase in SDCs; and deferring all fees until time of occupancy.

Councilor Pishioneri said he liked the deferral, but was not sure he liked the reduced amount. The City had costs to cover and he would be in favor of charging enough to cover our costs. Delaying the payment seemed to make sense.

Councilor Pishioneri said the SDC cost would affect the cost of the house.

That was correct.

Mayor Leiken asked for information about reimbursement districts and SDCs charged, based on the size of development. He asked Mr. Goodwin to go over the advantages or disadvantages.

Mr. Goodwin said a reimbursement district was one way to help cover the cost of infrastructure when SDCs were not enough. He gave an example of how a reimbursement district worked. The developer

took some of the risk that some of the development might not get built out during the time frame of the district, which was typically twenty years.

Mayor Leiken noted an example in Junction City.

City Attorney Joe Leahy gave further details on the reimbursement district in Junction City.

Mayor Leiken said the developer needed to have the funds to put that money out up front, and there weren't many with that kind of money.

Mr. Goodwin said it could work with the SDC structure. He explained how the developer could put up half and the City could put up half, depending on what the City could handle.

Mayor Leiken said all was not lost if someone was able to take that risk.

Mr. Leahy said in a reimbursement district the City acted as the collection agent only.

Councilor Lundberg said she wanted to keep houses affordable, while not adversely affecting user fees. There weren't many who could pull that much money together (for a reimbursement district). She would be o.k. with Option 3 and a partial increase for now. It was too difficult to get any building going with more fees.

Mr. Goodwin said we had a situation where the residential user was bearing the weight of the increase and getting the benefit of reduced SDCs. The user rate for commercial and industrial builders was irrelevant once the building was complete. The cost of providing sewer service was not a deciding factor of whether or not they would locate in a certain community. The residential user was very sensitive to the user rate. The commercial SDCs were not terribly significant regarding location decisions, but were an impact on the resident. In a situation where the residents were bearing the burden on both sides, it made sense to increase the SDCs to equalize the burden to some extent by generating more from commercial and industrial, which provided more in fees and taxes than it took in taxes.

Councilor Lundberg said her preference would be to defer the SDCs until they came out of the economic downturn, but she noted the importance of being ready. She wanted to be as sensitive as possible because the economy was still in trouble. Having Jasper Natron remain in the planning stages was a good strategy. Staff had always been very creative. She didn't want to make the approaching building season any harder.

Councilor Simmons said one of the problems was that the SDCs accumulated towards growth were nothing compared to what we would be impacted by in stormwater costs borne by the ratepayers in the process. He noted issues in the state of Washington with runoff that were very expensive. Oregon would have to do the same type of thing and that would go on the backs of ratepayers in addition to what we were charging in this process. Collection of SDCs would help mitigate what the ratepayers would have to pay. The City was still not collecting 100% of growth costs with SDCs, even with the increase recommended. He felt it was time to move forward with this issue. The consequences of not having the funds for infrastructure were great.

Ms. Smith said the City was in this situation because the City took too long to get our master plans updated. Some projects could be done with reimbursement districts, some could not. As projects

stacked up, and funds were not coming in, it cost the City more because we needed to sell bonds. It was great to have our plans updated, but funds were not available to complete the plans. This was a big challenge. Ratepayers would suffer for awhile longer regardless of the SDC collection.

Mr. Goodwin said his experience showed that once an entity got into a debt cycle, it was very difficult to get out and took a lot of time and effort. Unless we moved in the direction of self-sufficiency, the City could get into the cycle of debt issuance.

Mayor Leiken said it was important to get Council's questions answered so they could give staff direction. Council was here to represent the citizens. They had received good information from staff, but it would be Council's decision based on their own judgment. He appreciated the information regarding the Attorney General's office. The City had compliance issues to deal with as we moved forward. No matter what Council decided, there would be people that were disappointed. He asked if Council had an option they would like to look at.

Mr. Grimaldi said Council could let staff know if they had the right information and the right options.

Mayor Leiken noted times in the past when Council had chosen to combine options.

Councilor Ralston said he felt staff had covered the three options well.

Councilor Wylie said referred to staff's recommendation on page 6 of Attachment 1. She suggested increasing the fees 50% from April 1 through June 30, then increasing the full amount on July 1.

Councilor Ralston said he assumed Option 3 meant voting on this on March 15. He noted that April 1 was only two weeks from that date.

Discussion was held regarding the March and April dates.

Mr. Goodwin said Option 3 increased the SDC to 50% starting April 1 through June 30, 2010. That would give builders some notice before increasing.

Councilor Leezer agreed.

Councilor Lundberg would like to see what that would look like.

Mr. Goodwin said staff would discuss stormwater SDC methodology with Council on March 8. They could also show Council what the schedule would look like for transportation and wastewater SDCs so they could see all three together.

Councilor Lundberg said she wanted to see the impact of all of them.

Councilor Simmons asked if the user rate increase would be 22%.

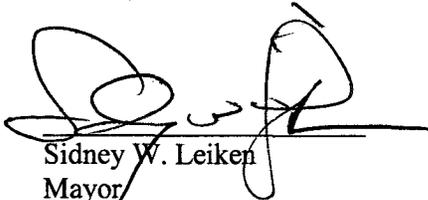
Mr. Goodwin said because they had shifted some projects, the increase would be just 15%.

Council was agreeable to bring Option 3 to the March 15 meeting for discussion and deliberation.

ADJOURNMENT

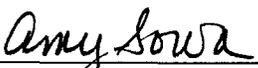
The meeting was adjourned 6:28 p.m.

Minutes Recorder – Amy Sowa



Sidney W. Leiken
Mayor

Attest:



Amy Sowa
City Recorder