

MINUTES
City of Newport
Infrastructure Task Force Meeting
City Hall Conference Room "A"
Thursday, December 19, 2013

Task Force Members Present: David Allen, Ralph Busby, Mark Saelens, Fred Springsteen, and Mark McConnell.

Task Force Members Absent: Patricia Patrick-Joling (*excused*).

City Staff Present: City Manager Spencer Nebel, former Interim City Manager Ted Smith, Interim Finance Director Bob Gazewood, Public Works Director/City Engineer Tim Gross, Community Development Director Derrick Tokos, and Executive Assistant Wanda Haney.

Audience Members: Citizens: Ellen Bristow and Carla Perry. Media: Larry Coonrod of Lincoln County Dispatch.

I. Call to Order. Allen called the meeting to order at 3:05 p.m. He noted that this was the tenth and final meeting of the Task Force in which we will finish up our recommendations. He said it has been a fairly intensive process with the Task Force meeting over the past five months. Introductions were made around the table and of the audience members. Allen noted that it is going to be a fairly intensive discussion process; but public comment time is reserved at the end. He suggested that if the audience members had a pressing question that they really wanted to get clarification on, to raise their hand and Allen will make sure they get an answer on it; but just general public comment will be reserved until the end. Allen noted that Patrick-Joling was excused from this meeting due to a personal commitment; but he added that there will be a joint meeting of the Task Force and the City Council on January 6, 2014, the first City Council meeting of the year; and all the Task Force members will be there as well as the Council members. Patrick-Joling said that she will be there; and she will be able to put on the record anything that she wishes at that point. Allen noted that City Manager Nebel would be joining the meeting shortly.

II. Approval of Minutes from the December 5, 2013, Meeting.

MOTION was made by McConnell, seconded by Springsteen, to approve the meeting minutes of December 5, 2013, as presented. The motion carried unanimously in a voice vote.

III. Finish Formulating Recommendations. Again, Allen noted the joint meeting of the Task Force and City Council on January 6th. He mentioned that on the back table were several handouts for distribution. First, the working draft document that was posted on the website already with the resolution establishing the Task Force back in June and along with that the five-year rate increase scenario that Gross had prepared about a year and a half ago that we have been working off of for the past couple of years. Then there were some handouts from Gazewood; and Allen asked Gazewood to go into greater detail what these were. Gazewood noted that on the first group that we discussed, which was the \$9 million every three years four times, he changed the terminology in the top corner on the left side and redefined what those were (water option 1 and wastewater option 1). Before he had different option numbers there; otherwise it's exactly the same. Allen confirmed with Gazewood that those were from the November 21st meeting. Allen asked Gazewood to go through what the changes are between the old and new documents so that the group could understand. Gazewood explained that on water option 2, which is shown in the blue box at the top, what is different here is rather than doing \$9 million every three years for four times because of the bank-qualified \$10 million threshold and other bonding needs of the City, he looked at a different approach saying let's do \$6 million for the first two years giving Urban Renewal an opportunity to get some funding in it. You can always go above the \$10 million, but what happens is you have to say that you are whenever you take a bond issue out; it's a higher interest rate and banks can't take tax credit back on debt cost. So to allow that room, he did the \$6 million for the first two years split \$1.5 million between the two funds. Then beginning in the third year, go back to \$9 million three times. Based on this schedule, it ends up being a \$3 million reduction in the amount; rather than \$36 million, it will be a total of \$33 million. Gazewood explained that the other difference here is that the first years between 2014-19, the rate increase would drop from 5% to 4.5% between the first schedule that we saw (Option 1) and Option 2 because of the lesser debt service on the \$6 million issue. Then the balance of the timeframe there would be the same. Gazewood explained that on the wastewater, the yellow boxes, the factors aren't really different in terms of percentage because for one we started out with a lower rate of increase in sewer of 4%, so that's sustained. He said that the one thing just to keep in mind is that as you get into the out years, you can always continue more bonding because the ending fund balance would support more debt.

Allen recalled that there was a discussion, although we weren't going to get into any policy discussion, about the 10% deal if for instance the fee-in-lieu of wasn't going back into the General Fund and how that would impact the rates and he asked Gazewood if he was able to do that quick calculation. Gazewood said that turned out to be a little more complicated than he thought so he doesn't have those finished schedules on that. Allen asked if he would have those available for posting; and Gazewood said he would do that and would have an explanation to send out. Allen noted that we didn't want to get into the

details of how that would work from the budgetary standpoint, we just wanted to see what the number would look like. He said if Gazewood could provide that number and handout to Haney, she will post it on the website as part of the meeting materials for today and then the Council and everyone else can look at it for next year. Busby asked if there was any way that Gazewood could give the Task Force a rough idea; and the reason he said that is because we are going to make suggestions, and that might qualify that as a good or bad suggestion. Gazewood said that he thought it was a possibility that the first four years the rate could drop to about a 3% increase; but then because of the balance that you are carrying into the next sequential years, it ends up being less. So, it might impact the rates a little bit more for a bit of an adjustment in that sixth year out. Gazewood said that he wanted to make sure all of his numbers are right. Allen said that he guessed what Gazewood is saying that if we look at that option, it might have an impact in lessening the rate in the first four years, we don't know the extent to which yet; but that might not happen quite as much after the fourth year and might actually increase it to some extent or stabilize it.

McConnell had a follow-up question to that. He noted that we have this chart that Gross created showing the rates in the pathway that we set out upon earlier and wondered if Gazewood had done any projections of what the water rate is going to look like if we follow the plans you have in your options. Gazewood said that he didn't do that. McConnell thought that would be really helpful to the City Council. Gazewood said you could imagine if you did that and stay with the numbers that he had, it would be a horrendous balance building up. McConnell said what he is saying is what would happen to the water rates if you went 4.5% until 2019 and 4% on wastewater. What would a person's water bill look like? Gazewood said that he didn't have that specific type data because it is affected by water meter size and stuff like that. Allen said that he asked Gazewood if he could do that. That is something that came up; what would it look like in hard numbers. Allen said the reason why he included that last page that shows the 5-year scenario was so we can at least see what it looks like. Again, if the rate increases are going to be more than 5%, maybe 10% or whatever, you can just kind of look at the numbers and double it to some extent. He said that at least this gives us a framework to work off of. McConnell wondered if Gross could use this spreadsheet that he has already and plug in another column. Gross said this doesn't identify everybody, but you can say that 90% of your users have 3/4-inch meters and use 5,000 gallons, and this is what your rate would be in a given year. That's why there are some quotes at the bottom (3/4-inch meter at 5,000 gallons). Allen said that we have the ability to do that today; we have the utility bill calculator here in case we need it. McConnell said just like this chart, it gives the Council an idea of what kind of water rate you are projecting on most people. Allen said we will do that. Whatever recommendation we come up with today, if that incorporates some type of rate increase based on Gazewood's handout then between now and the Council meeting we can extrapolate that out and probably have a handout for the Council, the public, and the Task Force that shows with Gazewood's new scenario what that looks like similar to what Gross did. He thinks that could easily be prepared between now and the next Council meeting for discussion in January. Gross noted that when we made an adjustment and said we are changing the rate by 5%; we adjusted the base rate by 5%, we adjusted the rate per thousand by 5%. It sounds a little strange; but it's not an exact translation of "you pay this," and it's going to be 5%; it's actually going to be something a little bit less. When you actually do the math, that's what happens. McConnell thought that people need to realize that this proposal is to keep the rates where they are right now and then only increase by 4.5% and 4% rather than dropping back to where they were two years ago. Gross agreed that you can't drop back. McConnell continued that people need to see what that really means. Their bills are not going to be less than they are this year; they're going to go up still, but how much. They're not going to go up as much. Gross said an important thing to remember is that two years ago the wastewater fund was operating in the red; and the rate increase brought it into the black. Anything we did in addition to rate increases since then has been for infrastructure. He said we can't move backward. McConnell reiterated that people need to understand that their rates are still going to be higher.

Allen agreed. He said he wouldn't speak for Gazewood, but he thought that Gazewood would probably say that if we had started two years ago with a different scenario according to the way Gazewood is working off these kinds of projections, it might not have been the kind of rate increase that occurred the past couple of years; it might have been something different. Allen noted that those are policy choices that were made two years ago. He's sure that Gazewood has some different perspective on that; but at least now he is providing it for moving forward. Allen said he's not going to be the one to say what happened two years ago was the only thing that could have been done; but he thinks if Gazewood had been around, with his perspective it could have been done differently. McConnell asked about the infrastructure fees, and Gross said we have always talked about the infrastructure fees increasing by 5%. McConnell asked, and the stormwater fee up 5% as well. Gross said that is what our original discussion was a couple of years back. He doesn't think we have ever really talked about those two particular fees in this discussion very much; we have always focused on water and wastewater rates. Those two particular fees are not sustaining an operational fund. He changed that and said that the stormwater fee is; it funds the stormwater operations. The infrastructure fee isn't. It's used for capital construction. It's a little bit more fluid in what you decide to do with it. Allen said we would be able to discuss that in further detail as we go through these bullet points.

To continue, Allen noted that one of the handouts is a printout of the webpage with all of the materials that are posted there. You can see the list, and it is going to get even longer after today's meeting; but we'll probably include this as part of the documents that are forwarded on to the Council so they can see all the materials that are available. And finally, he asked Busby to explain what he had prepared with the title of Oregon Coast Water and Sewer Rate Comparison. Busby noted that Patrick-Joling had volunteered to go out and try to obtain the rates from other coastal cities on their water and sewer, which she

collected about twenty pages worth of documents. He said that, as you would imagine, they are all different. Different cities include different things in their fee structures. Some measure their water in cubic feet, and others in gallons. Some come with a certain amount of water provided in the base fee. Not all use the same meter sizes. What Busby tried to do was take all of that information and try to turn “apples and oranges” into “apricots.” What he got is what you see in front of you, and that’s why all the disclaimers at the bottom. He said he can’t guarantee the accuracy of it; but he did the best he could to put it together based on a 6,000 gallon current Newport bill, which happened to be his. That is why he used the one he did that shows \$107. He hopes as close as he could come, those are comparable. He said that the backup data for this, about twenty pages worth, will be on the website. Allen thanked Busby for doing that. He said that he thought that Patrick-Joling asked him if we had a discussion about that, and he told her to check with Gross as well. He asked Gross if she had a chance to do that yet; and Gross said that she had not. Gross noted that he brought a couple of extra handouts that might be helpful. All they do is look at the water piece of it. One was done for Newport using last year’s rates. Again, it just breaks out the water piece of it; so it takes all those extra fees out. It breaks everything down basically on a cost per gallon basis. He thought it might be useful to take a look at it because then it compares to cities all across the state; not just in the coastal area. He explained that then there was another comparison done by EWEB (Eugene Water and Electric) that does something similar. McConnell noted that Busby’s chart isn’t that far off from this one that Gross provided because it is ¾-inch meter with 5,000 gallons. Busby said the only difference is another thousand gallons. He just picked the 6,000 because that is what his bill is. Gazewood noted that a \$107 bill with 6,000 gallons is the average bill. The first 1,000 gallons of water is included in the base fee, and then you would calculate the remaining 5,000 gallons at \$3.45 per thousand gallons. The sewer is on a full 6,000.

Gross asked at what point in our meeting it would be appropriate to suggest a potential additional recommendation. Allen said he was going to go through what his thoughts were, and then we could decide as a group. This morning he was trying to think about how to approach this. He summed up that those were the materials that were handed out. Haney will post everything on the website. Allen noted that the document we are going to be working off of, the working draft, is something that Tokos, Gazewood, Smith, Saelens, and Allen put together last week based on the discussions we had at the meeting on November 7th when we started formulating the recommendations with the flipchart notes. Then we added to that at our December 5th meeting. Allen put together a document that compiled everything and then they all met and what you have in front of you on the screen and in print is the document that Tokos fine-tuned to work off of today. Basically it is just compiling everything we have talked about. We haven’t voted on anything. These are just things we put on the flipchart notes for discussion, and then we can decide what we want to do with it. Allen said the group could approach this in a number of ways. His thought is that it is a fairly concise document. We should probably just go through each paragraph and bullet point and then decide as a group if this language is articulating the issue clear enough. Not that we’re going to support it or not support it; but we want to at least make sure that what we are articulating is clear, and then we can decide if we agree with it or not. He said we could approach each item that way and then just decide. We can go through the Mission Statement, which obviously is something the Council adopted; then go through the general assumptions; we can fix up the language if necessary; and then say do we support this. He said hopefully we will have a consensus; and when he says consensus he not only means the Task Force members but the staff as well. If we don’t have a consensus, maybe we can note that and kind of set it aside for a while; but try to get through the entire document. Then we can add on the additional recommendations, and Tokos can input those in his PowerPoint, which is something that he can revise as we go through this and say if it’s something we can support or not. Then perhaps if we have time (and he thought we should definitely make time) we can see if we want to prioritize things as a group. If we can’t do it as a group and there is not a consensus, maybe people will decide if they can support something or not; and maybe we’ll decide if there is a minority position on a particular issue and kind of go from there. Allen said he was going to try to keep it fluid. He didn’t think we have to try to set into any particular process here. He added, unless folks think we can do it differently that would be more efficient. He said that’s the way he looked at it; just kind of to get the ball rolling. He said if everyone was comfortable with that, let’s just start; and we can adjust it as time goes on. He suggested starting at the top of the first page and just go through everything and say if it looks good and then move on and decide if we can support something or not.

Allen noted that the Mission Statement is something that the Council had revised on April 1, 2013. He said if we want perhaps we can adjust the Mission Statement so the Council could consider it next year, or we can leave it alone and let the Council deal with that next year. He just wanted to put it in there because it sets the framework; and Springsteen suggested having something like that at the top, and this is what we pulled out. Everyone wanted to include it; so Allen said we will just say “okay to include.”

Allen said that next are the general assumptions that we put together based on what the discussions were over the past several meetings. He asked Tokos to go through it and read it, and we can decide if it articulates the issue well enough or whether we want to adjust the wording. Tokos read the first assumption that “the City has a responsibility to fund the maintenance and improvements of its capital assets.” Tokos said that is just capturing or recognizing that that is a general assumption of the Task Force in moving forward. Allen asked if everyone felt comfortable that that is capturing what we have been trying to do over the past five months. Everyone was okay with that.

Tokos said that we then move into what we are talking about in terms of capital assets. He noted that the group spent a fair amount of time talking about this. He read the list of capital assets: water, wastewater, and stormwater infrastructure, streets,

rights-of-way, and city facilities. It notes that the issue of rolling stock was discussed, but is not factored into the Task Force's recommendations. McConnell made a correction of leaving the "s" off of Task Force prior to recommendations because he thought that was easier to say. Allen agreed.

Tokos read the third assumption, which was the annual investments to upgrade capital assets. Water and wastewater were \$1.5 million each per year. We didn't have a figure for stormwater due to lack of capital facilities plan, and the dedicated funding source is sufficient to cover maintenance only. For streets we just talked about maintenance only, and dedicated funding sources are applied to maintenance of existing streets or are used as match for grants to construct capital projects. McConnell thought we should assign a number to those last three bullets even city facilities. Either we say it is an estimate of what we think is needed but is not there yet, or we say how much we are spending right now. Gross said that we can't answer the question because we haven't done the research to be able to answer it; even though we are in the process of doing the research. He suggested that maybe instead of putting a number in, we defer it to a later date and ask a future group to maybe look at our options that were in our recommendations in a year or two and review them and replug that in and see how we are doing. He said that when we finish our stormwater system master plan, we will have a much better handle on this. McConnell said maybe the dollar amounts needed to make that plan should be put there. Allen said what he thought McConnell was saying, and he agreed, is we don't have the hard numbers, but part of one of our recommendations could be to task the City staff over the next year to work in formulating some numbers that would be useful; and that could be a recommendation as part of our near-term recommendations. Allen said that could be an additional recommendation if we don't have it. Tokos said we have it, and he can work it in. Gross said they did research to figure out where the \$1.5 million comes from and he can explain where that calculated amount came about; otherwise we would just be shooting in the dark, and he would hate to defend that. McConnell said but you have some idea of how much money you need just to get the information to figure out how much you need to spend in the future. Gross said we already have those master plans in place and he can look at his CIP and tell you how much he is spending on it; it is somewhere around \$300 thousand. Saelens asked if we couldn't plug in for each of those three how much we are currently spending and at least we know we need to be somewhere above that to do better. Busby said that whatever we do, it has to roll up to what we are actually asking for in the end. He said if he came in off the street one of the questions he would ask is where did you come up with \$3 million; why is it that? He noted, as Gross said, you can justify pretty clearly how much everything in the CIP costs in water and wastewater; not so much in the others. But, we have to be able to roll to that number. Saelens said that is kind of what he is saying; if we discover that we've been spending \$2 million on stormwater and we plug in some amount smaller than that; that's not enough. Gross said that we aren't spending any money on stormwater capital improvements; all we do is maintain. Saelens said, but we could put how much we are currently spending. Gross said, yes, zero; all we do is maintain stormwater.

Tokos said it would be appropriate to put zero under stormwater, streets, and City facilities with respect to capital improvements because that's not assumed; there are no capital improvement dollars. Saelens said that was a good point. McConnell thought it was a mistake not to assign some kind of goal figure there, though, because you don't want to ignore those three things. Tokos said he understood what McConnell was saying. Gross said the infrastructure fee is not accounted anywhere in those numbers right now; and that generates something like \$450 thousand a year that we can use for stormwater and street improvement projects. So, the question becomes how much we should be spending in each of those each year. The infrastructure fee would consequently be adjusted to meet that need. McConnell said maybe they could all be combined and have a number that is going in there now or how much is planned in the future because if you don't set some dollars aside and put that in there, the Council. . . Gross said what we may be able to do then is do that for each section. We talked about we have a goal of \$1.5 million for water; we invested \$400 thousand this year, and in wastewater we invested \$300 thousand. He said something like that with "this is where we are at when we made this, and this is what our goal is." Busby said that would be good. Springsteen added, reviewable every year. Gross said you do that each year; and Springsteen said because it is going to change because of inflation and everything else. Allen said it will be something that we will include in the near-term recommendation. He thought that Tokos said we might be able to plug that in; some of the ones that are noted right after this.

McConnell said if you don't anticipate using any of the dollars you are generating through this scenario that Gazewood gave us, then you do know how much money you have coming in because you have an infrastructure fee and stormwater fee; and you know they are going to increase 5%. You do know how much money is going to be assigned to that in the next few years; and if that's not going to increase by adding extra dollars then we could put that amount in. Gross said there is a bit of a fallacy in the \$1.5 million because you are saying that is what you need, but ten years from now you need that plus the cost of construction index inflation for that same year; and then you are talking \$1.7 million or something. Under that argument, you have to adjust for that annually. McConnell said you could say that in here; "annual investments to upgrade capital assets were to be assumed as follows" and we need to add then that there should be an annual inflationary increase to this number. Smith said the other thing to consider is that to his knowledge none of the money that Gross takes in for City facilities can be used for buildings.

So that it is clear, Tokos added "(2013 dollars)" following water and wastewater. McConnell asked what we are spending in 2013 in stormwater and can't we just put that in there. Allen said if Gross has something, we can plug it in. McConnell said the same thing for streets and City facilities. Gross said he doesn't have it for City facilities. McConnell said Gross has a

budget for maintenance. Gross said that is only for maintenance. That \$1.5 million doesn't cover water maintenance. That's where the problem is; we keep mixing terminology here. We're talking about investing in capital improvement projects.

Allen noted that we put 2013 dollars for water and wastewater. He added that Gross had said he might have some numbers for stormwater and can plug something in. You can plug something in for streets; perhaps something general. For City facilities, you will put "0" for now. That will take care of our general assumptions. But then what we'll do in our potential near-term recommendations is have a recommendation saying we would like to have the Council and the staff work toward setting some benchmarks or future goals to address those items more clearly and how to get there; and we'll just leave it at that. That covers the issue that McConnell brought up and it makes it clear that we would like to see the Council and the City staff work on those three items for capital improvements. He thought that was a fair enough way to address it. We don't want to get into details; leave it up to the staff and the Council over the next year to two to work that out. He thought that was a fair recommendation. Allen asked McConnell if that addressed his concern. McConnell said if you go back to page 3 under long-term recommendations, maybe the first bullet point and the fourth need to be moved into short-term as a result of what you just said. Allen said we are going to be moving stuff around. He asked if Tokos had that captured. Tokos said he is going to tweak this a little bit, but is just putting placeholders in for now and will go back. Allen said that Gross is going to give Tokos numbers for stormwater and streets maintenance. Gross said that for City facilities we have to describe it differently. Allen asked Gross why he doesn't plug in for City facilities what we spent on maintenance that way we at least have an analogy. Tokos said if it's okay, he would prefer on City facilities to just go with zero and just note no dedicated funding source for capital improvement projects but maintenance... Allen said that after maintenance only you could put in parentheses the amount we are spending on maintenance perhaps just so people know. Allen's suggestion was since City facilities has zero amount for future capital improvements, we should at least note at the very end of that sentence or second sentence and put in parentheses "for maintenance only purposes this is what the City spent" because at least they'll know we are spending something. He said it's not like there is a zero for everything; it's a zero for capital improvements. Allen said that Gross can figure out what that number is so by the time we finish this draft up for the Council we can plug in the numbers.

McConnell didn't think that we should put down zero because we are making a recommendation to the Council to say "you need to find these extra dollars because City facilities have been neglected and will continue to be." It is a huge capital investment. Allen said it is zero in 2013 dollars. The recommendation will come afterwards; these are the assumptions. That will be part of the recommendation; you are combining both. This is just the assumptions of what we are working off of before our recommendations. He asked Tokos after zero dollars to put "2013 dollars" to note that for 2013 we are spending zero dollars; the recommendations that McConnell is talking about, we can put into the near-term recommendations that talks about we need to find a way to increase those dollars above zero. McConnell said that \$1.5 million under water and wastewater are not dollars we are spending right now; those are recommendations. Gross said that is what we recommended that we should be spending to keep up with things; it is far less than that. McConnell said those numbers are what we are recommending need to be generated on an annual basis.

Gross said maybe we just need a whole other section like this; one that says this is what we spend right now, and this is what we thing we should. It would be cleaner; right now we are confusing the two. We could have one right after the other; this is 2013, this is our recommendation. Saelens said it would be helpful to see that comparison. Busby said that is a very good way to do that. McConnell thought you could come up with a number even though it might not be very accurate. Gross said it would be general; and McConnell agreed. Gross said maybe we could put a disclaimer and say we are clarifying that and in the next couple of years that number will get much more definitive. Allen asked if Gross hasn't really been able to work up what is the annual investment needed for City facilities similar to what he did for water and wastewater; and is that something that he won't be able to work up until he gets more direction from Council. Gross said it won't be until he has the ability of staff to do it. Saelens said to show what we are spending for maintenance, but then leave it blank for capital improvements because we don't have an estimate yet. Allen said then we will put in a recommendation that what we would like to see happen is to get that number. Gross said if we do it internally, over the course of the next year we will probably be able to come up with some sort of facilities plan or will assess each building and say "I think in this amount of time, we will need to do that and it costs this." We'll do that for each building. It will kind of give us an annual number; at least there is a ballpark amount to work off of. McConnell said and you would have a plan and it may be that you are generating enough dollars right now, or you may need to find a new source of dollars for that plan. Gross said all of that is being paid for out of the general fund.

Tokos had noted to add a bullet for existing capital investments so that will be separate from assumed need for annual investments moving forward. Gross said this was a little bit more long-term, but right now because we are not making enough money in water and wastewater to cover those project costs, we are supplementing that with the infrastructure fee. He said the infrastructure fee can be spent on any kind of infrastructure, and he believes it actually can be spent on buildings too. So as water and wastewater are holding their own, the infrastructure fee can be used on stormwater, streets, and City facilities things; and hopefully it will balance our needs out a little bit better by getting the two big users (water and wastewater) to stop taking all of the money. Saelens asked how much Gross had said that infrastructure fee was. Gross said he thinks it generates \$350 thousand a year. McConnell said so in the very least you could take the \$350 thousand and distribute it out between

stormwater, streets, and City facilities by some kind of percentage. Gross said that streets has some funding too, like the gas tax.

As Allen and Tokos were reworking the draft document, Allen thought it wasn't capturing what was just talked about. Gross said you could make two columns; one that says "current expenditure" and one "recommended expenditure." Others thought that was another way to do it too. Tokos wondered if we wanted to keep it specific to capital and just drop references to maintenance or is there any reason to discuss maintenance. Allen asked if we were going to have two separate columns. Tokos said he could do that; it's just going to take him a little more time to work that out. Allen wanted to capture what McConnell had said. For water, wastewater, stormwater, streets, and City facilities we are going to have a number that says this is what we are spending right now; and then for each of those we are going to have what we assume we will need for annual investments in the future. For water and wastewater Gross has already given us \$1.5 million; for stormwater, staff will have to come up with some projections. For streets and City facilities, you'll have to come up with the same. Allen said that for the numbers that haven't been determined yet, the recommendation would be for staff to work with Council if necessary to come up with those numbers over the course of the next year. Gross said that even those projected numbers we have are 2013 numbers and may need to be adjusted. McConnell said the recommendation could also be to say "apply this stormwater fee and infrastructure fee toward these three places." Gross said he wouldn't do that; the whole purpose of the infrastructure fee is to make it fluid. Allen said let's just keep that open-ended for now. He thought McConnell's points were well-taken and we are adjusting for that. He said he could see where there was some confusion if we hadn't separated the two out. Gross said what the recommendation may be is to adequately fund water and wastewater so that the other fees that are collected for infrastructure can be used for those other forms of infrastructure that are much more difficult to fund like stormwater, streets, and City facilities. He said to leave the recommendation like that and it kind of sets the goal for future Councils and Finance Committees. Allen agreed with Tokos that this isn't about maintenance, but since City facilities is currently zero; we should at least reference a number for that just to show something's being done, even if it's only maintenance. Gross said to put \$100 thousand in there. Allen said it looks kind of odd just to have zero for that; it's nice to at least reference the maintenance for that. For the others we have numbers already. Gross said that zero should be \$100 thousand. Tokos said no, this should be zero. Allen said we are talking about capital, and Tokos agreed. Gross said that is capital; we set up a capital projects fund this year and populated it with \$100 thousand from the general fund. Allen agreed that shouldn't be zero then.

McConnell thought it would be really foolish to go through this whole process that we have gone through and leave out those three without having some kind of a figure to give to the Council to say these are places you need to also dedicate dollars to above and beyond what you are doing now. Gross said he can do a quick and dirty. He has eleven major commercial buildings he maintains, and that's not including any of the external bathroom facilities. One of those is the water plant, and one is the wastewater plant; so we could take them off the list. We can make the assumption that we have nine commercial facilities, and they may cost \$5-7 million apiece. What percentage of the initial construction cost should be spent on annual maintenance; 5%, 10%? Maybe we describe it like that. You dedicate 5-7% of the initial construction cost of a facility and annually adjust it for inflation for long-term maintenance of that facility. Set that as a goal by the City; so when the City builds a new pool and we spend \$7.9 million or whatever it is, we say we can expect to spend between 5-7% of that money each year in order to ensure that that facility continues to operate forever. He bets an architect can give us that. Allen said for what McConnell was talking about, before the City Council meeting we are going to have Gross input for stormwater and streets a capital number that will be general like he has for water and wastewater. Then what Allen is hearing is after we get that plugged in as a general assumption and when we get to the recommendations, we are going to have some additional stuff to insert based on this discussion. McConnell said that he thought we want to at least give people something to look at that says "if you are going to have capital improvement projects in stormwater, streets, and City facilities, this is what you might consider as a number to apply to it;" whether you can or not right away is not important yet.

Gross said he needed clarification on this though. Like he said, what we accrue in fees and what we spend is not the same. We collect the infrastructure fee, we collect water and sewer rates, and the stormwater utility fee; but we also pay for projects with lots of other things. So, when he comes up with these numbers should he only look at those four sources of revenues and say how much of those four sources we spend each year. It then gets rid of all the extraneous stuff that confuses things. So he just says this is how much we spend for capital out of stormwater utility fees each year, this is how much we spend in capital out of the infrastructure fee. Allen thought if Gross just articulates it so we know what he is doing. Gross said that is why he has that big, long spreadsheet. Busby thought it should delineate all of the capital requirements; where you get it is another question. Gross said we are just looking at what we need; and Busby added regardless of where you get it.

Allen noted that Spencer Nebel, our new City Manager, joined the meeting and asked him to introduce himself. Nebel said that he is glad to be here in Newport. He thinks this is a critical issue that needs to be addressed. He is curious to see where the Task Force is at with this report.

Tokos said when he, Gross, and Gazewood put their heads together, these spreadsheets were intended to show that it is feasible to do borrowing programs of this nature. They are fluid and living documents. He said one of the things that has been discussed here, not captured in these spreadsheets, but something we talked about is the need to inflate the amount of capital need we are going to have over time. \$1.5 million in 2013 dollars will be another number in 2019. He said that could be added

to the chart, and it would likely impact the rates. Gazewood said that there is no question that it would. He said the thing you have to keep in mind too is as you increase that, you are compounding that 3% per year. \$9 million gets well above \$10 million very quickly. It doesn't take much more than a couple of years. He said you have to consider that in relation to reality. Gross said from a finance perspective, his biggest challenge is how to finance stormwater projects because the only source of paying back a revenue bond would be the infrastructure fee, and it would handicap that infrastructure fee for other projects for a long time. He has SE Moore Drive that is going to be a \$5 million project that will be financed at some point with the infrastructure fee and grants; and that is a hard thing because we are basically making the assumption that we are going to be increasing the infrastructure fee a nominal amount each year. As demands on that fee increase and there is no other alternative for funding stormwater, we have to adjust that. Allen said so that will have to be part of a recommendation. Gazewood said it's obvious that you are not going to be able to fund \$5 million with that and there probably are not grants out there that would sustain that either; so you are going to have to do bonds.

Allen said that Tokos is going to add a column to show what the existing capital investments are for all those five categories. For City facilities he had plugged in \$100 thousand. Allen wondered if our recommendation for City facilities isn't going to be different than \$100 thousand because this is the future we are talking about now. Gross said that is the existing that we had in 2013. Allen said that's another column, and Tokos pulled that out. Allen said that either needs to be a recommendation from the Task Force or perhaps the Council and the staff in the future. Our recommendation could be City Council and City staff need to determine what kind of money they want to spend for City facilities for capital improvements in the future noting right now that Gross only has \$100 thousand set aside. That can be a recommendation for people to look at in the future. Allen said so right now those numbers we plugged in; and before the Council meeting when Tokos gets this finalized, we will send this out to everyone to see what we have and move on from there. Allen asked if everyone was comfortable with what we have on general assumptions for now.

Tokos said to be honest on capital, he is a little uncomfortable with staff throwing in basically guess-work numbers post-meeting on our capital needs in these three categories moving forward after you've already formulated your recommendations. He would almost prefer with these three categories to say "we don't have enough information right now. We need to complete facilities plans and other assessments to be able to generate a number." Allen said then maybe a recommendation will be to find what that number is that is a reasonable number for everybody. Gross said maybe just say something like "this is what we are spending this year. This is not sufficient to maintain the existing capital assets that we have. We don't know what the number is." Allen said that will be a recommendation. McConnell said and maybe add to that how many dollars you think you need just to gather that information. Gross said that is covered already on our water and wastewater side and stormwater side; the only one that really isn't is facilities. Allen said so we are not going to add numbers for stormwater, streets, and City facilities, but we will add a recommendation that the City Council and City staff work on that and come up with something more clear in the future. He asked if everyone was comfortable with that. Smith said that the one thing he has with not adding a number for facilities is if we kick it down the road a year before we start thinking that this is the number we need to do, then the idea of where that money is going to come from will get kicked down the road another year at least too. Allen said that he didn't think we were kicking it down. He thought the Council is going to start working on it in January. Smith said the other thing is to come up with a firm number for budget; but it was noted that we can't do that now. A suggestion was maybe just a placeholder number. Saelens said it's a little bit grey about what is maintenance and what is capital. If you are doing \$200-300 thousand of maintenance on all of the buildings, that is clearly maintenance. If you discover that the Library has a whole wall that is rotted out, that might end up being a capital project instead of maintenance. What he has been arguing for is that we have some sort of idea. That's what he liked about that \$100 thousand. Gross said if it's over \$10 thousand, he kicked it into capital projects. Saelens said we should definitely make that statement because he agrees with Smith that we need to start thinking now rather than later about how we are going to fund maintenance. McConnell said you have to have some sort of rule-of-thumb number that you could use that would give everybody looking at this an idea of how much should we have whether we ever get that much put together in the next ten years or not. He doesn't have any kind of clue how much money we think we should have in the budget to maintain the buildings; but he said \$100 thousand is not enough. Gross said that he ran some quick and dirty numbers on pump stations; five of them. We spend \$60 thousand in maintaining five pump stations. He has thirty-two pump stations. He said to just assume \$10 thousand per building; when you have nine buildings, that's \$90 thousand. It would be a lot more than that because these were pump stations. He said just say \$25 thousand per capital building for now for lack of anything else and multiply that by nine. It will be more than that. When he put a roof on the PAC, it cost \$300 thousand. McConnell said you know there are deferred items on every single building. Saelens wondered what about contrasting that number with what the buildings are actually worth using that 5-7%. Nebel said we should have the value of the buildings. Gross said the fallacy of that is the older the building gets, the higher the percentage becomes. McConnell said not to stack the deck against each building, but have a conservative estimate that you know you probably could spend if you had the money.

Allen said that he thought the recommendation he was hearing for these three unknown numbers for future capital needs for stormwater, streets, and City facilities, with respect to City facilities the recommendation probably should be once this group hands this off to the Council in January, City staff needs to come up with a number even if it's a ballpark number as at least a placeholder because when the budget comes around in March, we need to have something. Gross said let's just choose a percentage based on value because that's quantifiable for now. Then we say we can adjust that value when we get better

information. Tokos noted that as Allen had said, the recommendation from the group here would be that that number be generated. Allen added at the Council and staff level before budget. Tokos said as opposed to us trying to put something into this. Allen said for right now let's not try to determine what that is. Let's just say from this group that recommendation is for the unknown numbers for infrastructure, streets, and City facilities that the Council and City staff work out how to formulate a number and articulate it for purposes of putting it into the next budget process so we have at least a placeholder to work off of. Nebel added and plug in a date by March 1st or something. Allen agreed by March 1st or when the proposed budget needs to start getting worked on. He said he is talking that in January the Council and staff can decide by when they want to get that number into the budget. It would be before the proposed budget comes out. He said that will be a recommendation. He asked if everyone was comfortable with that. He thought we got that issue solved at least for now. Allen noted that Tokos is going to work on that, but he thought we at least have everything hammered out as far as this. Tokos said he will go back and clean this up. Allen thought that we got that last item fixed up as far as what we want. Busby noted that Gross had said \$10 thousand was the cut-off between the definition of maintenance and capital. He said that a lot of places capital is determined not by dollar amount but by use. He wondered if we have a common definition across the City. Allen believed that we do, and Gazewood could speak to that because David Marshall brought that up sometime last year. Busby said last year at budget time there was a discussion about why this isn't a capital project. Allen said maybe we can have as part of our recommendation that we need to have a clear definition of what we mean by capital asset and have that articulated. Gross said that is really blurry in buildings. He said he can go fix a five-foot section of roof, and it is maintenance; but if it's a thirty-foot section, it's a capital project. Allen said maybe let's try and at least see if we can come up with some general framework so at least the Council knows what we mean when we are talking about it generally. We have to have some kind of framework; you can't just be doing this arbitrarily. There has to be some kind of framework you are working under. Nebel thought that there are probably going to be some changes to the budget process; and when you look at the upcoming budget, you are going to have a clear understanding of what is capital or not capital. Allen said our recommendation will be in determining what's capital or not capital, we will leave it up to staff along with Council to make that determination for purposes of the budget process. Gross said that when we actually set that capital fund up, we had very specific projects; and if it was something under \$10 thousand we didn't look at it in that. Allen thought that will get hammered out once it gets to Council. Gross added that it wasn't just a pot of money we started pulling from, we had very specific projects plunked in there and funded. Allen thought that Nebel was right and what he was saying is by the time the next budget process rolls around, there might be a clearer understanding of what it is we are talking about. Allen said we will leave it up to staff to work on that; but we can plug that in as a recommendation as well.

Continuing through the draft document, Tokos began reviewing the potential near-term recommendations that were the next set of bullet points. He noted that the first one is just recognizing that these potential recommendations were prepared with the understanding that funding capital project needs is necessary both in the near-term and the long-term; so there are two different groups. He said that seemed pretty straight forward. Allen noted that now we get into the funding options that we articulated at the last meeting. Tokos explained that the first one is to continue along the "pay as you go" approach that relies upon the five-year plan for utility rate increases to meet capital project needs; and the water and sewer rate increases are set out explicitly under that bullet. McConnell noted that's basically the attachment in the back. Before moving on, Allen said at this point he was asking the group what they wanted to do. He noted that we have the next six or seven bullet points that have to do with how we are going to consider funding things for the future. He said the first thing we could do is go through each bullet point and say if the wording clearly identifies what the issue is and what the funding potential is. Once we go through the wording, since there might be differences of opinion amongst this group as to whether they agree to some over others, we may want to decide how we want to approach identifying of all of these seven bullet points that have to do with potential future funding options, how do we want to come up with a recommendation for each of those as a group so at least it will give the Council some idea of what this group's thinking was on this. He asked, after we get through the wording, how the group wanted to work out perhaps trying to rank or prioritize these. Saelens said that he would call this first one our least preferred because that is why we set up this group to begin with. Then as you get to bullet number two, you can decide if that's a better option or a worse option. McConnell said that some of the other bullet points are things that might happen at the same time. Busby said there are two categories of things in that list. There are the ones that are definitive and can generate money like "go get a bond;" that's a for sure thing. "Go get a grant;" those are the ones that are not firm and you can't count on so it puts them in a different category. He said the other thing to think about is that the end solution will not be a single item. It's probably a combination something like; we're going to bond 80%, we're going to steal 10% from general fund, and we're going to raise rates 5%. Allen said once we get the language worked out, and he thought the language pretty much fairly identifies what each option is... Tokos said maybe that's the question; does anybody have any concerns with the language. Allen said that is what he was saying. McConnell said personally he didn't think we need to prioritize these. He thought you give this to the Council. You have a new City Manager, and he's going to be hiring a new Finance Director; they're going to give you a whole different perspective on things. You let them look at it and advise you as a Council which pathway to follow from these. Allen said whatever the group thinks is the best approach; that's one idea. He asked if anyone else felt that maybe we need to give an idea of what options we think are more preferable for certain things. Busby thought we could be a little stronger than that in our preferences. Saelens said what he would suggest out of these seven if there was something in our discussions over the last months that was unanimous that something was a really strong approach we should pursue, then we should say that; other than that he would agree. Allen said that the last three bullet points are not really things we strongly discussed; those were kind of add-ons at the last meeting. He said if you look at the first three, those were the ones we really focused on over the course of

the past four to five months. The fourth one, the grants, is something that we want to do if the opportunity arises. He thought no one is disagreeing with that; so the grant one is yes we recommend trying to access grants, and Gross is working on that with Chase Park Grants. McConnell said but there's a funding issue there that has to be considered because it's not free to write grants and get grants. Allen agreed but said that we have the good framework in place with our consultant that actually gets paid to some extent when they actually secure the grants for us as well. Tokos noted that a big chunk of the grants that we get have not been generated by that consultant; it's been done by City staff. It's mostly on the transportation side where some of the big dollar grants came from. Allen asked if everyone could agree that we want to continue to pursue grants; and there was no question about that. Allen said so that's pretty much a given. He said the last three are just kind of things that came up. He asked if the new tax is a viable option. Busby said that Ashland has been mentioned at least three to four times. Saelens asked, is it like a food and beverage tax? Allen thought we just listed it because somebody thought it was something that we at least need to consider. It was noted that Gazewood brought it up. Allen noted that ten or twelve years ago the former City Manager brought it up to the Council back in 2002 or 2003. Saelens said that we have also heard a lot from our public about why we don't do more to collect money from the tourists. Our residents are complaining about having to support the tourists' infrastructure, so why isn't there an option to deal with that. Busby said apparently it's being done in other communities. Allen said we support the grant thing, but how about this new tax as a viable option. He asked if we just say "as a Task Force we take no position on this, but we are forwarding this to the Council and the staff to consider." He said it's not that we are taking a position on it, but we're just putting it up to them to consider if they choose to. Allen asked if that seemed like a fair way to handle it. Nebel said you could have it "evaluate" this as an option. He said not knowing anything about it, but these are the things that he thinks are valid options that may require some further evaluation. McConnell said to just say "consider evaluating." Allen said for that the group consensus could be to "consider evaluating a new tax as a viable funding option; the group takes no position on it;" and let the City staff evaluate it in the future. Nebel thought the group should take a position on having the staff evaluate it. Allen said, what he's saying is that the group's not taking a position on the tax right now. For confirmation, Nebel asked, of opposing it? But he said the group should take a position that we think you should evaluate it. Allen confirmed that will be the recommendation.

Allen said the one about annexation and urban renewal he thought the group agrees is something we want the City to take a look at because it has some opportunities. He thought that was what he's heard. Busby said it's already underway. McConnell agreed it's underway and said it's an economic development issue.

Springsteen thought there was one little bit to take a look at too; and that's back at the beginning sentence under 1-5 year recommendation. He suggested adding at the end of that sentence, "with an eye toward minimizing residential expense." He said we're sitting here because we had a minor revolt on our hands; and he thought somewhere there needs to be a statement as to why we are here. He thought this was a good place to put it. Allen thought we can pull out of the resolution the actual language that talks about the Task Force was created in part to look for other funding options to minimize the financial hardship for residents and businesses. Springsteen agreed. Gross said the interesting thing is the structure system of the City has changed. He said what he means by that is that Newport was a residential community, and over the course of the last several decades it has morphed into industrial and tourism-related. Yet, the rate structure is still set up that the ratepayer pays for the full brunt of the infrastructure. We pass by what the focus of infrastructure was developed for. Allen thought maybe we could add something like that because we talked about having the funding more equitably distributed across different sectors. He said maybe we can put something about equitable distribution among different sectors. Springsteen said that would make sense. Allen said maybe we'll add that as well. Springsteen said he would buy into that one.

Audience member, Bristow, said that she's seen a real aversion to the word "tax" pounded into everybody for years. She said that she's seeing that these fees are now replacing what in the past would have been property tax to pay for infrastructure. She said that's a long, long time ago. This is an evolution. She said the fees are covering what in the past would have been a property tax issue because of the change long ago where you have the set percentage amount you can increase your property tax each year. She said so we're coming to the end of a cycle basically. Allen said the water and sewer fees have always generated funds to pay; it's just that now it's increasing because there is less revenue available. Bristow said she is talking overall she is seeing more and more fees. Allen said not necessarily because we are also talking about general obligation bonds, which are different.

Gross wanted to interject something. He said that he didn't want to leave the rate structure too quickly. He said the rate structure is pretty simple; and what he meant by that was it doesn't really change much if you're a large user or a small user. You pay a certain value per gallon. You might have a gigantic impact on the system, but your cost for supporting the system isn't reflecting that accordingly. He said he is not a financial expert, but he did the best he could in adjusting our water rates accordingly. However, we may want to look at it a little more closely and not necessarily raise your residential rates; but maybe you adjust how your rate structure is set up. To give an example of that, he noted that one of the recommendations under short-term recommendations is to encourage water conservation. Yet the City gives a discount when people will irrigate their lawns. He would think that one very simple way not to lose revenue is simply discontinue that discount for lawn irrigation. What they are saying, and he understands their position on it, is if you're watering your lawn then it's not going into the sewer and so we give them a break on their sewer rate. He said what that does is encourage people to use a heck of a lot more water because their water bill is correspondingly smaller. He said that is something that he would make as a

recommendation; to eliminate that discount. McConnell said that's here on the list somewhere. Gross said that's one structure within the fee structure. He didn't know if anyone in the room had the education to understand if you modify your fee structure what the long-term financial impacts of that are. Make it more equitable. He said that is something he would like to look at more. Saelens thought we have captured it in here someplace, but maybe we need to emphasize that. Allen said that we have a bullet point that says "consider adjusting the City's utility rates to encourage water conservation." But what Gross is talking about is not just that but maybe look at other things that make it more equitable across the board. Allen said, so maybe make that a general recommendation. McConnell said maybe put the word equitable in there. Saelens said when he, Allen, and Tokos sat down they discussed that. Allen said we never really captured "equitable" in here; it was something that was discussed. He has it in his other handout.

McConnell said on the second bullet point, "consider a budget strategy that leverages utility revenues....," he thought that at the end we should also add the same words that are at the end of the first bullet point, "stormwater and infrastructure fees would increase 5% each year." Even in this scenario that Gazewood has, we are still talking about the stormwater and infrastructure fees would be increasing 5% each year. Tokos said that is a good point. Allen said that's good; we'll add that in. Gazewood said but the unknown impact hasn't been calculated through rate structure and capital needs. Saelens said we could probably say "at least 5% each year." He said do we have any thought that it will be any lower than that given what our current needs are. Gross said that the whole infrastructure fee probably needs to be looked at. Walmart pays \$6.80 and so does Gross. So our code and the way we are collecting our fee is not even correlating. Tokos added that language to the second bullet point. McConnell said obviously the stormwater and infrastructure fees are revenue based. You could buy revenue bonds with those dollars as well. We don't have any scenario for that right now. McConnell said that it's something for later. Saelens said maybe that ends up being a generic recommendation for ongoing work. McConnell thought that if you include the dollar figures we talked about in the very first part; you have to generate some dollars for these two things somehow. Allen asked McConnell what he was trying to capture that's not in here, and McConnell said that he thought it was okay. Allen thought that was a good addition to that point.

Allen said that the next one, "general obligation bonds," he thought was pretty straight forward. At the last meeting he brought that up and thought that everyone thought it was a good approach. He asked if folks were comfortable with that framework. Nebel asked if we were considering revenue bonds. Allen said general obligation bonds would be taken out to the voters. He said revenue bonds are in the bullet point above. McConnell noted that general obligation bonds go against property tax. Allen said maybe we should say revenue bonds up above. He said to put "loans/revenue bonds" on the second bullet point. Allen said since general obligation bonds require voter approval and you really have to make a strong case for it to do that for discrete facilities that serve the broader community rather than just a specific neighborhood or a specific street or whatever, it's really more of a community vote than something more specific that we typically handle through the City Manager for loans and revenue bonds. Allen asked Nebel if in his experience that is a good way to handle funding. Nebel said in his experience it has been entirely revenue bonds for sewer and water. He will have to look at Newport, but basically all the debt for all the major rebuild they did was all revenue bonds. Allen said here in Newport, we have had two major general obligation bonds in the past ten to fifteen years separate from the pool; one in the late 90s for the wastewater plant, and one in 2008 for the water treatment plant. Through those big facilities is really where we capture those general obligation bonds. Everything else has pretty much been revenue bonds. The swimming pool has been the most recent general obligation bond. We have only done about three over the past fifteen years. Nebel said that is something that he is going to have to look at. Water and sewer has a source of revenue coming into them. A lot of people argue that that source of revenue should be sufficient to cover replacement of infrastructure. Each place is different. He will have to take a look at it. Allen said maybe McConnell's recommendation about perhaps with some of these recommendations not making any preference of one over the other so that you can have a menu to choose from in terms of what works best for the City in terms of what the available information is. Nebel thought that ultimately the City Council will have to make a decision. But he thought a good guideline certainly for him coming into this position is to understand what the priorities are of this committee and of the Council if they approve. He said this is a good starting point for him working with the staff and really developing some specific recommendations as we are coming into our budget period and beyond.

Allen noted we had a "yes" for this bullet point; and for the grants, we said "yes." For the new tax, Allen didn't like the word "yes" after it; maybe "further evaluation." McConnell said at the first, you could just say "consider." Allen agreed with putting "consider" at the first and said after "yes" to put "further evaluation needed." Tokos said this isn't the final language. Allen said he was just trying to get away from the "yes" because that is more for the other ones. Allen said this was approached twelve years ago at the Council level and was dropped very quickly. Tokos said he will tweak the language to put the further evaluation aspect in there. Allen noted that it was "yes" for annexation.

Allen said the last one has to do with the fee-in-lieu-of. Busby said the underlying effect of that is that is the only one up there that has that this Task Force recommends that the City look at ways to save money out of their existing operation. That isn't what it says exactly in words, but that is what comes out of it. That franchise fee actually goes into the general fund, so if you take that away you effectively reduce the general fund by the amount of that fee; and that would in turn require you to reduce services or improve efficiencies across other parts of the City operation. He thought that it's important for that to be looked at. Allen thought that we all agree that the fee-in-lieu-of franchise fee is at least something that the Council should consider. He

said we recently adopted a resolution affirming what the Council did twelve years ago by motion; and Gazewood also stated his concern as a budget/finance director that we have the recent municipal bonds sold for the pool, and we have some feedback from Standard and Poor's and our financial advisor that we have to be very careful in impacting our general fund reserves because if it gets too low, it can impact our bond rating and impact the actual future of that. Nebel said the bottom line from a financial standpoint is that you need to have adequate resources to provide the services the City Council wants to provide; and as you divert money from the general fund that's obviously going to reduce what you can do with the general fund. As Gazewood has indicated, we are spending down a huge chunk of general fund dollars in this current fiscal year. You would have to figure out what you are going to eliminate. He thinks that is something that is appropriate as a budget discussion. From his standpoint, as far as making recommendations he needs to have a solid basis of understanding what the numbers are and have some level of confidence that the financial numbers are reflecting what your position is. He will have some solid recommendations for the Council going forward with this next budget. He thought that the idea that you want to look at that is appropriate. He thought as we are discussing the budget it will be clear what kind of impact that will have on the general fund. He said his gut reaction is that's probably not a good thing to do; but it's certainly something we can look at. Allen said when we put this working draft together, we carefully crafted this bullet point. He said in his opinion there needs to be a "yes" after that because it is about considering whether to do it after further vetting, which to him means it's appropriate. Nebel thought that reviewing expenses overall in the City is an integral part of the process by him as manager and by the department heads, and ultimately by the Council. McConnell said in reality the general fund is closely considered every year because it's really the only place where you have a whole lot of extra. Nebel said the general fund has more discretion. McConnell agreed that it's total discretion. He said, so it gets that kind of scrutiny every year really. He said one thing about taking the franchise fees away from the general fund is that it is being used for some of the infrastructure things we had higher on the list, such as building maintenance. Allen said that's a valid point. He knows there's a difference of opinion, but what we tried to do was craft a bullet point that wasn't taking a position whether it was good or bad, but it needs to be further evaluated. He asked if that's the kind of language that makes people comfortable. Busby said he doesn't know how you clear this up, but there were a lot of people looked at that in-lieu-of franchise fee words and thought that wasn't real money and that you could take it away and there wouldn't be any impact. Of course that's not the case. He said that you are in effect taking money out of the general fund. That needs to be understood. McConnell asked why you don't just say payment of franchise fee; why do you have the words in lieu of. Allen said because that's exactly what it is; that's the legal phrasing of it. Busby said, regarding Gazewood's concern about the reserves that if you just pull it out of the reserves it hurts your credit rating potentially; so you have to pull it out of the services that you provide or increase efficiency of the services you provide, which is a challenge. He thought that's one that needs to be mixed in with this. Allen noted that he actually has the resolution in his notebook that was passed at the Council a few months ago that actually affirmed the fee-in-lieu of payment, and that explains what it is. He said that we will include that as a reference document in the appendices so that people know when they look at that document what we're talking about. Busby said a lot of people thought it was a freebie. Allen said he would address that.

Gross said it doesn't really address Busby's concern that another way to make money is to save money. We take money in franchise fee in-lieu-of and take it out of water and wastewater and put it in the general fund. Then he takes the infrastructure fee and supplements the water and wastewater funds. But then he doesn't have enough money to finance capital, and he could have funded the building capital projects fund with the infrastructure fee to start with. So, it's this big circular motion of money. For transparency sake if that fee-in-lieu-of wasn't there, which then gave the money to water and wastewater and we simply used the infrastructure fee to finance building capital projects to start with, it's a little bit more transparent and not quite so bait and switch. Nebel said there are some general accounting standards. He said the other thing that potentially would become tricky with some grant sources that might be available for infrastructure replacement is that often times there are some very specific requirements in how you structure your revenues and expenses related to these utilities. He thought that it's something to look at and that it needs more evaluation probably than what this Task Force can give; but if the Task Force wants us to look at it from a staff standpoint, we will. Allen thought the language is worded to give you flexibility to look at many different ways of approaching this. Nebel agreed it says "take a look at it," and he thinks that's what the message is. Busby noted that Gazewood was going to run one of these spreadsheets with a 10% reduction based on that; and that would give us whether the impact was worth doing that. Nebel thought the easiest way to show that is as part of the budget process. It will be very evident if you take \$300 thousand out of the general fund where's that going to place the general fund once we have some recommended numbers together. He thought this provides some guidelines for us to take a look at it. We can take a look at it, and he will make a recommendation at that point; but we can certainly illustrate the impact of that if this recommendation was in this report. Allen thought with this recommendation, if it comes out of the Task Force, we're not really taking a position whether this is good or bad; but just that you, staff, need to further evaluate it for the Council. Nebel said the message he has from this is if the Council approved this as part of the budget process that's coming up, that's something that we would show. Allen asked if everyone was comfortable with having a "yes" on that. Allen said there has been some differences of opinion on this one, but he thought that the way it is worded should make people comfortable. Tokos asked about the wording in parentheses "(alternatively this could be structured as a fixed percentage cut)" and wondered if that really adds value here. Allen said not anymore because we actually have a hard number with the fee-in-lieu-of. It was agreed to remove that wording. Saelens wanted to clarify that part of how this came on so strong and part of what he likes that Nebel said is that we can at least demonstrate what that impact is even if we don't make changes because maybe not in the years prior to last year but there was a strong feeling last year that we didn't really have an opportunity to see what was truly happening in the general fund and where savings might occur. So doing that exercise and simply demonstrating that you looked at it is

going to be a vast improvement over what we had. McConnell said it really was more about whether you trusted the information you were given. He said it was a trust issue, and trust has to get developed again. Saelens added that lack of trust ended up manifesting itself into a lot of things.

Allen said to just focus on the recommendations. Regarding the first two recommendations, he asked if the Task Force wanted staff to consider continuing “pay as you go” and come back to the Council with a recommendation. The consensus was yes. Allen said again, this isn’t about whether it’s good or bad; it’s staff, you let us know whether it should continue. McConnell said that it goes without saying that the will of the current Council is not going to go that way. Allen said all he is saying is the Council needs to further consider this with staff input. Gross said if he were reading this document, he doesn’t get clear recommendations out of it. What he almost thinks staff needs to do is get it “green light,” “yellow light,” or “red light;” say “we really don’t think you should do this,” “yes we think you should do this,” “this is a maybe.” He said even if it’s at that level, it’s enough. Allen said let’s finish up on the second bullet point and asked if the group wanted a “yes” on that. Allen thought it was a given; we talked about that. The consensus was yes. Allen said it gets back to his original question that we didn’t get clarity on; now that we have a yes for everything but the tax one, which is more evaluation... McConnell told Gross that he’s not saying you shouldn’t have clear direction on there, but what he is saying is that he thinks the Council is going to have to take this stuff and sit down with Nebel and the new Finance Director as soon as they can and say this is what we want you to do. Nebel said to him as an incoming manager, this is all outlining the burning questions of this Task Force. He thought that we can logically develop answers to these questions as part of the budget process. He thought that’s the time. Busby asked if Nebel was happy with this level of specificity then. Nebel said yes, in his mind this triggers some of the issues you want us to look at. It’s not making the final decision today. From his standpoint, this is day number four; and he’s not comfortable saying anything more than he understands the questions this group has, and he thought they were worth providing an answer to.

Allen told Gross that he shares McConnell’s view. He thought the goal right now is just that this Task Force says these are the important issues you, Council along with staff, need to look at over the course of the next year and budget process and decide which of these funding options might have more preference over others after you have further evaluation. Gross thought then there should be a paragraph that says that to clarify it so that if somebody off the street picks this up, they understand that. Allen said let’s put that in there then, and Tokos noted it. McConnell said it should be up near the front. Allen said we will put that in the front of those bullet points. McConnell said it would appear under the recommendations section.

McConnell told Busby that his one comment about looking for efficiencies still really wasn’t in there as a recommendation. Busby said it should be in that last bullet. He said the implication is if you take money away from the general fund, you only really do one of three things: you either cut reserves, you cut services, or you increase efficiencies. Those are the only three things that can happen. Allen said maybe we should reference it. Gross said to make it much clearer you could say cut all those things from the general fund. McConnell said you should do that anyway regardless of whether you cut the general fund. Tokos said to be honest, as Busby said, that will play itself out. Allen thought it was fine. McConnell asked Busby if he was okay with that since he had brought this to the table. Allen said that he knew they had differed on that. Busby said as he mentioned there are only three resulted impacts. He said the best one of the three of course is increase efficiencies; not always possible. It would be great if you could find \$300 thousand of efficiencies, but he doesn’t know that you can. Allen thought included in that point is the efficiency issue.

Allen said to continue on with the next bullet point. Tokos said that this is to consider developing a 10-year prospective debt schedule across all departments to ensure viability. Springsteen said it has to happen, and others agreed. Tokos said that’s pretty straight forward. Gazewood asked when you refer to prospective debt schedule are you also considering capital purchases of vehicles. Tokos said yes, this is everything. McConnell said it has to be comprehensive. Tokos told Gazewood it covers everything. Tokos added the word “comprehensive” before 10-year prospective debt schedule.

Allen said that McConnell had an idea because of time; a lot of this stuff we have already agreed upon in previous meetings, which means we just kind of put it into writing. He said let’s just kind of go through each bullet point. He read the next point regarding the City’s reserve policy. The consensus was “yes.” The next one was to consider adjusting the City’s utility rates to include a viable low-income assistance program. Allen thought that was an important point that some people in the audience noted last meeting, so that would be “yes.”

Allen read the next one, consider adjusting the utility rates to encourage water conservation. He said maybe we need to expand on that. McConnell said, the equitability. Busby said maybe that needs to encompass what Gross said earlier. Nebel said the irony is that if you reduced the consumption, you increase the rates. You need so much money to operate the system, and the more you reduce the consumption the more the rates are going to go up. Tokos said maybe adding “to ensure equity.” Allen agreed that water conservation is just one part of it. Allen said maybe we could phrase it “to ensure equitable distribution across different users.” Tokos said maybe “equitable cost sharing.” Saelens said maybe they should be separate bullets because one of them is water conservation, and he would view that as looking at that the same way as the power company and other utilities do and what you are trying to achieve mostly is avoiding excessive additional infrastructure costs by conserving the water you have. The second bullet is equitable cost of running the system, which may involve a water conservation policy.

Allen noted that Tokos had changed the wording to “consider adjusting the City’s utility rates to ensure equitable cost sharing among all users,” and then we are going to delete encourage water conservation. Smith said, as Saelens had said, make that a separate bullet point. McConnell thought you need to have it there. Saelens said just make it a separate bullet. Tokos asked, or part of this one and was told it’s easier with two. McConnell said with water conservation there are savings on the wastewater side. There are some places you can offset that. Our water treatment plant operates at full capacity right now. Nebel said if we have capacity issues, then the conservation issue makes more sense. Gross said in the summertime when our wastewater flow drops, we have a harder time because there are too many solids. We have solids issues there; we don’t have hydraulic issues at our plant. McConnell said also when it rains, you have more than you can deal with. Allen asked what about “consider water conservation as part of the utility rate structure” or something like that. Saelens said that’s a way of doing it too. Tokos asked what the objective was in encouraging water conservation; and McConnell said so people can save money on their bill. Saelens said and the other is avoiding future infrastructure costs. Tokos asked, so it’s to “consider providing incentives?” He asked if it’s to try to consider working in some incentive program. Allen said the water conservation issue came up because we were charging less for more use for some businesses; it was because more use meant less cost. Allen said he didn’t know how to phrase it. Saelens said he would just leave it on water conservation for now and let staff deal with that later. Tokos wrote “consider developing incentives for water conservation.” Allen wondered if he wanted to add after that “in the utility rate structure.” Tokos wondered if we wanted to go that far or just keep it more general. It was noted that if you double the rates, you’ll sell less water. Allen said he was thinking more about the people using more and paying less for that greater use. McConnell agreed that reverse thing is bad. Allen said that’s what he’s getting at. McConnell thought we changed some of that already. Allen said no, not necessarily. Allen asked if that captures a lot of different ideas. Gross said what’s interesting is when we did the first rate increase, our usage went way up.

Allen said that the next point with the glossary of terms he thought everyone agreed upon needs to be done. A “yes” was put there. Allen read “consider developing level of service standards” and said that he thought that was pretty much a “yes” at the last meeting. “Prioritizing services” Allen said everyone agreed needed to be done. He asked if that wording was sufficient for everyone as far as what the objective is; and there was agreement. McConnell noted that it says “and other stakeholders;” and he thought that was what we talked about as being critical, which means the citizens of Newport. Allen asked if there were any more near-term recommendations to add. He thought Gross had said that he had something to add. Gross said that was the point he made about discounts for summer use; and it’s already been captured.

Moving on to long-term recommendations, Allen noted that except for the very first one, which Tokos came up with at our last meeting, the rest came out of that October 31st handout that we all thought was a great way forward. He asked Tokos to explain the first one since it’s something that we haven’t seen until today. Tokos said this gets back to the conversation we started at this meeting that without updates to our facility master plans, it is very difficult for us to come up with a figure of what we need in terms of our capital investments. McConnell said that he doesn’t see it as long-term; he sees it as happening now and needing to continue to happen. His proposal is to bump that bullet point up into near-term. Saelens said that he’s assuming under these long-term it’s not that we don’t start now, but it could take us up to five years to complete it all. He sees the same thing under the “continue to support the mapping of waste lines and everything;” we don’t want to put it off until year four and then say all of a sudden you want to get it done for that five years. Tokos asked if near- and long-term is the wrong way to phrase this. He asked if the first group is more for the upcoming budget, and the second group are on an ongoing basis. Saelens and McConnell both thought “ongoing” rather than 5-year. Allen said maybe we should redefine what we mean by long-term. He thought the short-term was fairly clear (1-5 years). But he agreed that a lot of the long-term isn’t that we start this in five years, it’s just that we may start it now and continue it on for the future. Saelens said that is what he’s thinking. Allen said so we should probably phrase it so that it captures that concept time wise. “Multi-year” was thrown out. “Ongoing recommendations” was mentioned. “Potential longer term” was also mentioned. Allen said he would prefer to keep “long-term” and then put in parentheses “ongoing;” so he said to take out the “5+” and just put in “ongoing.” McConnell said some of those bullet points, like the first one and the fourth one, have budget ramifications because you can’t do that without spending money. Saelens asked if the ongoing doesn’t signal some money right away. Allen thought that ongoing captures the concept. Allen asked McConnell if he wanted to change the language of that first bullet point. McConnell said no, it’s fine; he was just wondering where it fits in this list. Our other recommendations are near-term; and he thought that that bullet point and the fourth one should be near-term rather than ongoing. He wondered if it matters. Allen said maybe after that bullet point we should put in parentheses “(also near-term)” acknowledging that it is both. Tokos said or maybe we do it as two different ones; and this long-term is “updating,” and then the one that is near-term is “completing” the incomplete plans because that is where we’re at. The ones that are the most pressing are the ones that we don’t have. Allen said that before Tokos changes that, he would probably take out the word “mid” and just say near- and long-term because we have never used the word mid anywhere else, and he thought that would confuse things. McConnell said so just add another one in your near-term list that say “continue mapping.” You have to do it for buildings for sure because you haven’t even started doing that. Tokos said and basically this long-term one is to “complete.” McConnell said it would be the same for that fourth point too, because you are already mapping now. Allen said we are going to put a yes after what Tokos has done with the new near-term bullet point, and he thought everyone agreed that the first long-term bullet is okay now. He noted that the next five we all agreed upon; that came right out of that handout; so those next five are “yes” because we’ve already seen them and said those are good ideas. Saelens said that McConnell was saying something about moving that fourth one up. Allen said yes, the fourth one we’ll move up. McConnell said you can leave it in both places if you wanted too. Allen noted that McConnell was referencing putting the

fourth one regarding efforts to map in near-term as well. McConnell said you could say efforts to “finish” mapping or something if you wanted to. Allen told Tokos it will be something similar to what he did with the last one; “finish” or “complete” the mapping. Tokos made a note to reframe the fourth bullet point as ongoing, and he will add one under near-term; he said he would pick it up later. McConnell said because that is reflected in the budget; maybe not so far as getting to the budget committee, but Gross’ conversations with Nebel are going to be “I have this money here, and this is what we are using it for.”

Allen said two more bullet points in long-term and then we are pretty much done. He noted that McConnell brought up economic development. He thought that Tokos tried to frame it in that context. He asked if everyone felt that was a really good way of articulating that economic development piece. Consensus was, yes. He said that it’s kind of building on the work that was already done in that prior committee. He asked if that captured what McConnell was thinking; and he confirmed that it did. Gross wasn’t familiar with that. Allen said it was about two to two-and-a-half years ago. He noted that McConnell was on that committee. McConnell thought it was adopted in 2012. Tokos told Gross that he could bring him up to speed. Allen said that he thought the final bullet point gets to something that Busby brought up a while back, which is we need to have a way of measuring if what we are recommending over the next several years is achieving its outcomes. Busby added, and also making the information public so they see the progress. He said we’ve gone over that several times about people recognizing what’s being done. Nebel said it’s important to track that. Saelens said we haven’t done a very good job about letting them know. Allen said in our near-term we actually have something about making sure that in our utility billing we incorporate that. He asked if anyone had any more long-term they wanted to add.

Allen noted that for the appendices, Haney printed out the webpage from the Infrastructure Task Force; and he said what he can do between now and the Council meeting is work with Tokos in making sure the appendices covers all the information. He thought if the Task Force likes, we could decide if certain documents need to be pulled out and made part of the Council packet because what we are going to do is probably in some form have this document put into the Council packet for the next Council meeting; but he thought rather than just referencing the webpage for the Task Force, we should at least include some critical documents. Allen asked that if there are any documents you want to make sure are included, please say so. He thought that Gazewood’s handouts definitely need to be inserted for sure. McConnell said you have the Economic Opportunity Analysis; that could probably just be in the appendices. Allen said that could just be a reference point. He said if the Task Force members want they could let him along with Tokos determine what those documents are; and maybe he can send a quick email out to everyone to just give him an up or down yes it looks good or not and he can put it in there. He said we can at least say it looks good, and let’s do it that way. He said that will be just for the appendices. It’s not for any substantive issues; it’s more just putting the appendices together so that it makes it informative for the Council.

Allen said so between now and the Council meeting in about two-and-a-half weeks, he asked if everyone was comfortable that this document will be the one that those of us on the Council will be reporting back to the Council and staff. He asked that Springsteen, McConnell, and Patrick-Joling please be there because this will be a discussion and we’ll want the three of you to be part of that with your own perspectives. Allen asked if everyone was comfortable that that was a good approach for the Council meeting. He asked if there was anything else anyone wanted to see happen that would be advantageous to not only the Council but also the public that will be there listening. McConnell asked if Allen was going to put it at the beginning of the meeting. Allen said it will be at the beginning under discussion items. McConnell confirmed that that was January 6th. Allen said if everyone is comfortable, he and Tokos can just finish up fine-tuning the wording. Once they get to a point where it’s pretty much ready to go, he will send it out to everybody. He said to send him comments individually, not as a group; and he will just kind of look at what was sent to him in case things need to be tweaked. Then if things do need to be tweaked between now and the Council meeting, Tokos and Allen can finish it up. He asked if that worked for everybody; and the consensus was that it did. Allen said he would take that on as a responsibility.

Gazewood asked on that bullet you had further down on bond rating, what are you looking for there; the full bond report or just the applicable page that dealt with the issue of potential bond rating. Tokos said just what you already provided. Allen told Gazewood that a lot of documentation that he provided will just referenced as a link because everything he provided can be linked to the website; but if Gazewood thinks a specific two or three page document is important, let us know and we’ll include it actually in the Council packet rather than just showing it as a link to a webpage. Allen said what he is saying is that we will have an appendices, which will list everything that we have looked at. But as part of the Council packet, we will probably want to include specific documents that might be more relevant to what we will be discussing at the Council meeting. Gazewood said as a reference point he has an email that came through with a potential down-rating threat and a one-page from the report itself. He asked if he wanted just that or maybe the whole report. Allen thought just the one or two page deal. Haney noted that the email is already linked in there. Allen said we should probably have the report posted but not in the Council packet. He said there might be some Council members or the public that might want to take a look at stuff, and they’ll have the opportunity to do so.

Allen said that McConnell had a point about Gazewood’s handout for Option 1 and 2, which Allen thinks was very helpful. He said there are a couple of Council members here and asked if they thought this will be helpful to have this in the Council packet as part of an informative item, or should we just put it as a link to look at. Busby said it wouldn’t because it gets into specific

numbers and won't be accurate in the end. So he would say no. Allen said he would take McConnell's suggestion and leave that out. McConnell said it's going to be a work session topic at some point. Allen said that probably is a valid point. Allen said in the end we probably won't have much stuff in the Council packet; but we'll decide what we want to do. Again, he said for the Task Force members to let him know if they think there should be more in the Council packet or not, and we can go from there. He said we have a couple of weeks to work on it.

Allen asked if there were any other final items anyone wanted to bring up as far as anything we have done today and how you want to see things approached at the next Council meeting. He asked if Nebel had anything he wanted to add. Nebel thought that overall for him as we ramp up for the budget process, this outlines the questions that we'll provide some specific data for the Council as the budget gets developed. He thought it was a good road map.

Allen thanked everyone on the Task Force for the work you have put into it and also to the staff. He said we could not have done this without the staff input and expertise. Allen noted that we had ten meetings; two a month. He said it was almost as intensive as the Council meeting schedule.

IV. Public Comment. Perry introduced herself. She said that she attends a lot of City meetings; and when she doesn't attend, she does read the minutes, watch the video, and listen to the audio. She tries to stay up on what is going on. She said because the mission statement was actually put on this infrastructure draft we received today, it triggered something that she talked to Nebel about at the "meet and greet;" which is the City does not have or has not had for a long time a vision statement for what the City can be in 25-50 years. So, she feels we are not heading in any particular direction. The infrastructure is all based on immediate need, but there is planning that goes out. She put together a one-sheet idea to consider about a visioning process for the City. She said that all this infrastructure discussion is an appropriate place for that because it will affect every single area of infrastructure. She had a one-sheet idea and a request to maybe consider putting it on an agenda next year at some point. She distributed copies of her comments.

Nebel thought that the idea of a vision from the Council is actually something he and Tokos talked briefly about today. He thought that is something he will want to be talking to Council about as well because, again, if you don't know where the bigger picture is where you're heading then you don't know how to get there. He thought it is a good practice, and will be talking about probably building up to the budget process.

Allen said we will post Perry's comments on the City website. He told Perry that one of our near-term recommendations for the Council through their goal-setting process is to look at this entire process. He thought we could fit this kind of concept into that because that really fits into the prioritizing services, which is probably connected to a visioning process as well.

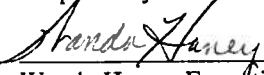
Bristow said that she was very impressed with how much effort everybody put out. She said it would be just dreamlike to have a city that actually took in money, spent it well, and kept moving forward. She said we have had enough instances in other cities and the county where sometimes it's just like there isn't enough systematically looking at what is going on; and then you go maybe years and someone goes "is that guy even on the job?" In some cases they weren't. They were actually getting money and not being on the job. So, she is very impressed. She hopes this keeps going. It's very exciting.

Allen thanked them for the public comment. He said he knows that both have appeared quite a bit. He noted that Nyla Jebousek couldn't be here today; but she has been at almost every meeting. He said he appreciates all of them attending these meetings. He said the real moving forward will be at the Council level; and he encouraged all of them to be there with the next Council meeting starting in January.

McConnell asked Tokos where that visioning document that the Chamber came up with was. Tokos said that he has a copy of it. McConnell asked if it is posted on the City website; he said he found it electronically somewhere. Tokos said it has been at different times when we had different projects going; he didn't know if it was up there right now. He wants to say it was called Vision 2020. McConnell said there is a visioning document that just needs to be updated. Saelens asked if it was possible to get it posted somewhere. Tokos said we could do that. Allen said maybe on the Planning webpage. McConnell said it's been something like ten years. Allen agreed that was a good process. McConnell said it included a citywide survey and everything. Perry said she would like to encourage it to be reviewed every few years. Allen said maybe something we can look at is how to go about doing that.

V. Adjournment. Having no further business to discuss, the meeting adjourned at 5:10 p.m. with Allen thanking everyone for their efforts. He said he felt it was a good process, and he has learned a lot. He reminded everyone of the joint meeting with the Council on January 6th.

Respectfully submitted,



Wanda Haney, Executive Assistant