Agenda Item No. 3.A.1
Meeting of Oct. 26, 2010

City *of* Tigard
Tigard Workshop Meeting - Agenda

TIGARD CITY COUNCIL

MEETING DATE/TIME: July 20, 2010 – 6:30 p.m. – Workshop Meeting
MEETING LOCATION: City of Tigard – Town Hall, 13125 SW Hall Blvd., Tigard, OR 97223

1. WORKSHOP MEETING

1.1 6:33:22 PM Mayor Dirksen called the Tigard City Council Workshop Meeting to order.
1.2 Deputy Recorder Krager called the roll:

	Present	Absent
Council President Wilson	x	
Councilor Buehner	x	
Mayor Dirksen	x	
Councilor Henderson	x	
Councilor Webb	x	

1.3 Pledge of Allegiance
1.4 Council Communications & Liaison Reports – Mayor Dirksen said Council would discuss at the end of the meeting who is planning to attend the League of Oregon Cities Conference in September.
1.5 Call to Council and Staff for Non-Agenda Items

2. BUDGET COMMITTEE MEETING

6:35 PM Mayor Dirksen announced that there was one item of business requiring Budget Committee action tonight so it would be convened and roll taken. Member Dan Goodrich called the Budget Committee to order. Deputy City Recorder Krager called the roll.

	Present	Absent
Budget Committee Member James	x	
Budget Committee Member Parker		x
Budget Committee Member Bailey	x	
Budget Committee Chair Struck		x
Budget Committee Member Goodrich	x	
Budget Committee Member Moghimian	x	
Budget Committee Member Wilson	x	
Budget Committee Member Buehner	x	
Budget Committee Member Dirksen	x	
Budget Committee Member Henderson	x	
Budget Committee Member Webb	x	

Budget Committee Member Goodrich asked if there was a motion for approval of the minutes from the May 10, 2010 Budget Committee meeting. Budget Committee Member Buehner made a motion to approve the minutes. Budget Committee member Webb seconded and the motion was approved unanimously.

Finance and Information Services Director LaFrance said he wished to discuss three items:

- Update on the documentation of the Adopted FY 2011 Budget
- Update on the close of Fiscal Year 2010
- Present staff's work plan for the Fiscal Year 2012 budget and CIP process for review and comment

Finance and Information Services Director LaFrance covered the 2011 budget adopted in May saying that Finance staff are nearly done with preparation of the annual budget document. He said extra time was spent on history as Councilor Henderson noticed historical data that didn't match the prior budget documents. He said time was spent working on data reconciliation including going back through audited financial reports. Budget documents should be available in early August, with pdf copies available on the website.

Assistant Finance Director Smith-Wagar described the software conversion which did not go as planned so the City has returned to using Springbrook financial software. She said the City is closing the books in Springbrook for the 2010 soft close. She noted that the financial statements will be prepared before the auditors arrive in October.

Budget Committee Member Bailey asked if the City was going back to using the IFAS software. Finance and Information Services Director LaFrance said the City has reached an agreement with the software vendor and has been able to recoup some of the costs.

6:44:23 PM Finance and Information Services Director LaFrance described the general process and work plan for the 2012 budget, illustrated in a document he handed to Council called the City Operating Budget Flowchart. This Flowchart ties together on a timeline, the processes, decisions due and documents required for the Capital Improvement Program (CIP), Financial Forecast and Budgets for the City and the CCDA.

Finance and Information Services Director LaFrance said Senior Management Analyst Collins' major focus is to help the City put together a Capital Improvement Plan and help the departments prepare their budgets.

6:55:25 PM Budget Committee Member Bailey asked Finance and Information Services Director LaFrance if his outlook on the economy had changed. He said the outlook is that economic recovery will continue slowly. He said the economy was buoyed by government stimulus spending but that has ended. City Manager Prosser added that two years ago the City had to make cutbacks in the Building Department but has experienced an increase in permits lately and is considering adding back some hours in that department.

6:58:16 PM Budget Committee Member Bailey asked to see a step in the process where the Budget Committee would be involved. When asked where he thought was appropriate, Budget Committee Member Bailey responded that the month following each quarter seemed logical to him.

Mayor Dirksen said there could be a Budget Committee and CCDA review in this format. He said he liked the format of the City Operating Budget Flowchart. City Manager Prosser said the CIP column is the result of the engineering review the City completed last year. Finance and Information Services Director LaFrance complimented Senior Management Analyst Collins on her work on the Flowchart.

7:01:36 PM Councilor Henderson asked if Budget Committee meetings should be identified on this flowchart, perhaps with a star icon. Finance and Information Services Director LaFrance agreed and said staff would add them.

There being no further business, Budget Committee Member Dirksen adjourned the Budget Committee at 7:03:18 PM

3. JOINT MEETING WITH THE PLANNING COMMISSION – TREE GROVE INVENTORY

7:03:25 PM Senior Planner Wyss said this Joint Meeting with the Planning Commission was to discuss and receive feedback on the tree grove inventory project prior to beginning the project. He said Tigard has budgeted funds to develop a Tree Grove Inventory and Protection Program and hired a consulting firm to assist staff. He introduced Greg Winterowd of Winterbrook Planning.

Senior Planner Wyss said inventory protection is a component of the larger process to update the City's forestry regulations. He noted that updating the Tree Code is one of Council's 2010 goals and this tree grove inventory is guided by the adopted Urban Forestry Master Plan, which includes protecting Tigard's remaining native tree groves. He said the City's approach is proposed to be flexible and incentive-based. Goal 5 requirements must be met. He said they wanted to cover three items with Council and the Planning Commission:

1. Give an update on the scope and schedule for this project
2. Discuss the definition of a tree grove
3. Discuss potential options for protection

Senior Planner Wyss said Winterbrook Planning is scheduled to complete this work by April, 2011. He read the scope of work and work plan. He said GIS tree data has been collected. Fieldwork, which will identify the groves for protection can begin once Council and the Planning Commission define a "tree grove." Next will be an analysis of allowed and conflicting uses, which will follow the Goal 5 process. The last step is the development of a protection program. He said public involvement will continue throughout this project and staff will keep Council and the Planning Commission informed of progress throughout the project.

Consultant Winterowd complimented the Council and Planning Commission on what they have accomplished and said he thought the Urban Forestry Master Plan was excellent. Senior Planner Wyss said they used Metro's definition of a tree grove once they got the numbers and took into account the project budget. He said they looked at various size options, including half-acre, one-acre and two-acres. After analyzing different options, staff settled on the description of two-acre groves, or 930 acres (12.3% of the City). He said 60% of these fall within the significant habitat areas which have already been surveyed. He said as a basis for the project, the definition of a tree grove is "a two-acre or larger, contiguous, healthy canopy of predominately native trees that provide scenic, aesthetic, environmental or other functional values to the community."

Mayor Dirksen asked for a brief explanation of how staff arrived at two-acres being the cut-off point. Senior Planner Wyss said the two-acres or greater size yielded 930 acres Citywide. When dropped down to one-acre it meant 1,107 acres, gaining less than 200 acres but increasing by 131 the actual groves that would need to be inventoried. This would take up the entire budget just to do the inventory. Mayor Dirksen asked if there was a scientific measurement of a tree grove.

Consultant Winterowd asked, "What is a tree grove? It is a subjective sense we have. You want something big enough to enter. It is more round than linear. From a practical standpoint the more tree groves you have the more lives of people you affect. You want to be careful and selective about what you call a tree grove."
He said Tigard needs to be confident that these can be identified and appreciated by average citizens as a grove and can be defended in terms of their functional and aesthetic qualities.

Assistant Community Development Director Hartnett asked Senior Planner Wyss about the effect on the Buildable Lands Inventory with the different definitions. Senior Planner Wyss said staff analyzed the tree groves that would fall on a piece of land considered buildable and when increased from one-half to one-acre in size, the difference was not much, and usually the grove would extend onto other parcels.

7:16:41 PM Consultant Winterowd said as a general rule, the most difficult Goal 5 resource to protect is trees. It raises fairness issues. You need to make sure you have something that will rally neighbors to protect and preserve them.

Mayor Dirksen asked Council what their reaction was. Councilor Webb said she liked the idea of two-acre groves instead of a smaller size.

Council President Wilson said he envisioned that this will be inventive-based, by designation of tree groves as historic or by provision of a tax abatement or some other kind of perk. He said while some citizens might not want more regulations, he thought some property owners might actually want this designation. He said he favors the two-acre size and the grove should rise to the level of city-wide significance. He asked if parcels planted with native trees that are crops (cottonwood or Christmas trees) would be listed. Senior Planner Wyss said those would be inventoried and catalogued through the inventory process but the consultant would put them through a significance test.

Consultant Winterowd said developers like meaningful density transfers that combine with setbacks, or height restrictions or parking. He said the City should not come up with a set of regulations that take design creativity away from the developers. He said any incentives should be vetted with the development community and property owners.

7:26:18 PM Regarding types of incentives, Council President Wilson said he wouldn't think of a grove in a cemetery as a diverse wildlife habitat and wouldn't want to strictly limit it to natural resource value. Consultant Winterowd said pioneer cemeteries have historic value and all are peaceful contemplative places.

Councilor Buehner commented that if one looks at old maps of Tigard, Bull Mountain was clear-cut from about the time of World War II to the mid-1950's. She suggested that the consultants investigate how the replacement growth has occurred. She said in many places there are too many non-native trees, planted too closely, taking the place of native trees.

In response to a question from Councilor Henderson about how many people are affected per parcel, Consultant Winterowd said they will count the number of houses, not people in each house. Councilor Henderson asked how large these groves are and Senior Planner Wyss said one is nearly 30 acres, a few are 20 acres and most large groves are city-owned.

Council agreed that the two-acre definition seemed reasonable.

7:33:32 PM Consultant Winterowd said most of the time when we think of resource protection we think of zoning to keep people away, but he suggests the following:

- Buy the grove (although most cities don't have the money)
- Regulatory incentives (Density transfers)
- Tax incentives
- Recognition incentives
- Conservation easements

Consultant Winterowd suggested approaching developers to work with you as a good neighbor. Give the developer or owner recognition by naming the grove after them, for example. He said if the City pays for the easement without any regulations, staff should negotiate the value of trees with the property owners.

Consultant Winterowd said tax incentives have less value for developers currently, but in busier times there is value to having a tax write-off for donating property. He said all approaches depend on good will and a sense that the city is negotiating in good faith. He said developers will be looking for a way to negotiate with staff and a combination often works best, such as a tax incentive and recognition.

In response to a question from Council President Wilson, Consultant Winterowd said he didn't recommend off-site density transfers, but did suggest looking at how developers could pool their resources, which had recently been done in Sherwood.

Mayor Dirksen suggested the City could offer developers a voluntary program whereby a builder agrees to reconfigure his lots to save the maximum number of trees. When this is verified and staff, Planning Commission and the developer all agree, the builder would be able to build without having to provide costly mitigation. He said this could be a voluntary program as opposed to our regulatory program which requires mitigation.

Mayor Dirksen commented that the City hears from property developers that mitigation costs are too high so an alternative to mitigation is appealing because it would cost less.

Consultant Winterowd said it makes sense to preserve groves of trees rather than a few trees in a straight line. The worst thing is to say to a developer, "Just save twelve trees, we don't care where they are."

Senior Planner Wyss summarized the discussion:

- Two-acres is the size definition for the inventory process.
- Some sites initially identified will be eliminated if they don't pass the significant test.
- Staff will return in a few months to present an update and statistics on the groves.
- Notices will be sent to property owners.

Mayor Dirksen called a five-minute break 7:59:39 PM

8:04:06 PM Mayor Dirksen reconvened the meeting.

4. WATER RATE CONSULTANT PRESENTATION ON WATER RATE STUDY AND SYSTEM DEVELOPMENT CHARGES (SDC) FINDINGS

Utility Division Manager Goodrich introduced this item. He said Consultants Paul Matthews and Joe Healy from RedOak Consulting were present to present preliminary findings and discuss the financing of the Lake Oswego/Tigard Water Project. He described different elements of the financing project and said there will be project cost revisions coming out in September or later this fall.

Water Rate Study Findings -
Consultant Healy gave an overview of financial planning for utilities. He said a financial plan is a planning tool and a communication tool. A plan can be used for stakeholder communication, highlighting upcoming issues and gives an opportunity to focus on key performance indicators. He showed graphs in a PowerPoint slide show of the annual capital expenditures through 2020 and summarized operations and maintenance costs, of which the major item is purchasing water from Portland. He said costs will drop starting in 2017 by $2 million a year because of the Lake Oswego/Tigard partnership.

Consultant Matthews gave an update on the project status and financial planning in general. He discussed debt service and the importance of coming up now with the additional bond test amount to demonstrate that Tigard has enough money to cover the debt. He said their assumptions include funding this reserve and this is driving the rate increases. He noted that the consultant team met with the City's Finance staff and discussed the assumptions.

Council President Wilson asked if the revenue increases required are on top of each other. "In other words, you have a 35% increase one year and another 35% increase on top of that and then when it flattens off, you stay at that high level?" Consultant Matthews said yes, the consecutive annual increases are required to acquire the money needed.

Public Works Director Koellermeier said, "If we had been doing this five years ago, those numbers would be substantially different and part of the issue is the inability of cities to get insurance on their bonds anymore… This steepens our curve at the front end of this project because we have to have this reserve sitting in the bank when we are ready to sell the bond issues." Consultant Matthews said the good news on the reserve is that it becomes the last year's debt service payment.

In response to a question from Mayor Dirksen on whether the City could reduce the upfront increases if the larger increases were extended out further into the future, Public Works Director Koellermeier said that would require the building of the Lake Oswego partnership at a slower rate and it would not be operational in 2016.

8:22:51 PM **System Development Charge (SDC) Findings -**

Consultant Matthews discussed goals and objectives of SDC's, which include developing a practical SDC that is easily implemented, understandable to customers, ensures equity, maintains the financial health of the utility and complies with Oregon law. He said the idea is to level the playing field and without sufficient SDC's the ratepayers have to shoulder more of the burden. He said the cost is based on meter size, which is what Tigard currently does.

Councilor Henderson asked what the current SDC is. Utility Manager Goodrich said it is $2,366 for a 3/4-inch line. He noted that the rates had not been raised since the year 2000.

Referring to the slide showing future rates, Council President Wilson asked, "For a two-inch meter – we're going to charge $88,000? If you do that you aren't going to sell any two inch meters." He said he works in the industry and installs meters all the time and didn't think the market would support that.

Public Works Director Koellermeier said the policy decision Council will have to make is how much of this calculation is charged, the full amount or a portion. He said that process will play out as we conduct public hearings, discuss it with the Homebuilders' Association and find out what other jurisdictions are charging.

City Manager Prosser cautioned that it is a closed system. If Council determines that these SDC recommendations are higher than the market will bear, the options are to cut back on the service, which is difficult with water, or bring in additional money, most likely through the ratepayers. Money could be raised by grants but there are not a lot of other sources out there.

Council President Wilson asked what percent is borne by the existing ratepayers and what by the SDC's. He asked, "If development completely paid for itself, these are the numbers?" Consultant Matthews said they were.

Council President Wilson argued that the City is buying a water system for the first time and to make development pay for it all doesn't seem fair. Consultant Matthews said that is not what is happening and a good portion of the $118 million is not included in the SDC because it is not growth related.

Consultant Matthews said implicit in the assumptions are the revenues expected from SDC's to provide some of the project cost, but low growth rates are assumed. Councilor Buehner said if the assumption is that there will be little or no SDC income within the next three or four years, the rate payers pick up 100 % of the freight. In response, Consultant Matthews said 0% growth rate is assumed for 2011 and 3/10 of a percent in 2012, on up to two percent, so we are gradually assuming that growth will resume but we didn't want to count it until it has occurred.

Council President Wilson asked if the consultants figured on what's going to happen with conservation if water prices double within three years. Consultant Matthews said that would be part of the next phase of the study which is the rate design, where a conservation impact mode will be developed.

He said this is a significant issue so an entire study phase is dedicated to it. Councilor Buehner said Tigard is very conservation minded and this should dilute some of the conservation impacts. Public Works Director Koellermeier said that was a fair assumption.

<u>8:36:47 PM</u> Public Works Director Koellermeier said guidance was needed from Council. The City is in the third year of a planned water rate increase. Built in to the current budget is a 7% increase effective October 1. He asked Council if they wanted to postpone that until January 1 which will roll out the first year of the water rate study. He said another option is to impact the 7% with a higher number now and do the second half of the higher number in April, splitting the first year between April and October.

He said the issue to Council is that they'd be adopting a potential 18% rate increase and replacing the 7% increase before the study has been adopted. He said another issue for Council is to take a serious look at monthly billing. He noted that other communities have made that adjustment and this seems to help the customers.

Councilor Buehner said she strongly advocated for imposing half the rate increase in the fall and half in the spring. Councilor Webb said she liked the idea of going to monthly billing.

Mayor Dirksen said, "I knew this was coming but hadn't really seen the figures and it's a stunning amount."

Council President Wilson said he expected rates to double but thought it would be over ten years, not three.

Councilor Webb commented that a lot of communities are going through this now, including Tualatin, Sherwood and Portland.

Public Works Director Koellermeier said the real message is the cost of ownership. Mayor Dirksen agreed, saying there is nothing to be saved by Tigard in remaining renters of water. He said rates would still go up, but we'd have nothing to show for it.

Council discussed previous options that were projected to cost even more.

8:43:20 PM Councilor Webb said that when she was on the Tigard Water Board in 1991, they saw this coming and were trying to find some kind of ownership.

Councilor Buehner asked Public Works Director Koellermeier to obtain the information for the public about when we estimate that our rates will cross what Tigard citizens would be paying if the City stayed with Portland water. Public Works Director Koellermeier said he would get that information. He said the year 2016 is not only the end of Tigard's contract with Portland, but gets us ahead of when Portland can legitimately start putting some of their capital costs into their rate model.

Mayor Dirksen said, "In listening to public testimony that is going on in surrounding cities that are also having these discussions, I've heard questions from citizens saying there are other cities in the country, even the desert southwest, that pay less for water than we do. They ask why that is. I've researched this and have found that their water systems are not sustainable. They are essentially using their grandchildren's water today." Public Works Director Koellermeier said at the end of all this the water will still be a penny a gallon.

8:47:01 PM Council President Wilson asked if it helps or hurts Tigard to expand out to the west. Public Works Director Koellermeier responded that they are still working on that issue. He said capacity to serve Areas 63 and 64 is built into the SDC Model. He suggested there may be an additional SDC when Areas 63 and 64 get ready to develop to help pay for the additional capital within the limits of those boundaries. He noted that this is a common model to fairly assess SDC's on a growth area.

8:48:32 PM Councilor Buehner said, "From a policy point of view it is really important to remember our current rate payers and fairly charge SDC's to pay for the growth." Mayor Dirksen replied that he doesn't want to unfairly burden either group.

Public Works Director Koellermeier said the entire rate design package will come before Council. He asked if Council's inclination was to chunk down the revenues at 18%. Council agreed.

Councilor Webb asked if anything will be built into this for people that use enormous amounts of water. Public Works Director Koellermeier said that generally, in an incline rate there is a fixed fee, a historic use and anything over that would cost more. Council concurred with this.

Councilor Buehner strongly urged that the consultant's PowerPoint presentation be posted on the website. Councilor Webb disagreed, saying, "It could be misunderstood without the detailed discussion, like we just had." Mayor Dirksen agreed that a presentation should be available to citizens but it may be too preliminary right now. He suggested a presentation be created in the near future that gives significant information without

being too specific until we have those answers. Public Works Director Koellermeier said a communication plan had already been prepared and a press release would come out tomorrow.

Councilor Webb complimented Lake Oswego on their Water Savvy format and weekly updates which make the information easier to digest.

Councilor Buehner said, "I'm particularly concerned that citizens, the rate payers are aware that this didn't just come out of the blue...we got a consultant in to do a rate study to help us figure out that we need this much revenue. Don't just hit them with a final number. They need to understand that this was a very long and thoughtful process. We were stunned, too, when we saw the numbers."

City Manager Prosser said this information naturally flows from what we are already putting out there to discuss the partnership's solution to water supply problems both communities are experiencing. He said that is what's leading to these rate increases. He said Lake Oswego may be looking at some large rate increases also. He said a communication plan is being built off of the base that the partnership is operating now.

5. REVIEW CURRENT CITY COUNCIL GROUNDRULES ESTABLISHED BY RESOLUTION NO. 08-45

8:57 PM City Manager Prosser said Council procedures call for an annual review of groundrules. They were last adopted in 2008 and last year Council felt they were still workable. Staff was given direction to work on a code of conduct for Council and Boards and Commissions. He said that as they worked on this some questions were raised:

- Does Council want separate groundrules and code of conduct or should they be merged?
- If you do want separate groundrules and a separate code of conduct, are there things currently in the groundrules that would be better addressed in a code of conduct?
- How do we deal with accountability issues in terms of making sure that groundrules and code of conduct are followed?

Councilor Webb commented that until a recent problem with a Commissioner, there hadn't been any trouble. She noted that the City has nothing in writing that prevents any behavior or gives any consequences.

City Manager Prosser said that Council is elected and cannot be removed from office by anyone but the citizens of Tigard. He said through working with the City Attorney however, Council could make a motion of censure.

Mayor Dirksen said if the Boards and Commissions have a code of conduct, the Council should have one. He suggested that the code of conduct doesn't need to repeat provisions already listed in the Charter. He said there needs to be separate documents for Council and for Boards and Commissions because issues and consequences are different. He suggested for Council there needs to be something up to and including formal censure. He said he couldn't imagine a time when anyone would need to invoke this, but thought it best to have a formal process in place. For violations of the code of conduct, he said he thought the primary consequence would be damaging relationships with the other Councilors and subsequent loss of ability to influence the direction of the Council and the City. He said that in itself would be a major deterrent for a violation of the code. He said that violations of the Board and Committee code of conduct could result in removal and that should continue, but

other steps to be taken prior to removal should be considered. Mayor Dirksen suggested putting something in about Council relationships with board members and commissioners.

9:04:06 PM Council President Wilson said, "There is a lot to learn. I'm not so sure we shouldn't repeat certain sections. It is a good idea to separate procedural from ethical parts although it may be difficult to identify what is procedural rather than ethical."

Councilor Webb said she liked the example from Glendale. Mayor Dirksen agreed, saying he liked the tone of the language, which sounded more like advice rather than law.

9:08:17 PM Councilor Henderson asked why there hadn't been a May meeting for potential candidates to hear about what is involved in being on the Council. He reflected on questions he had upon election to Council about the relationship between CCDA or LCRB and the Council. Mayor Dirksen apologized for there being no meeting this year and explained that the person who would have coordinated it had been laid off. He said, "It fell through the cracks."

Councilor Buehner commented that Tigard is unusual in that there are only five councilors. She said it becomes more important to have cooperative skills given how small the Council is.

City Manager Prosser summarized that Council wants one document with two sections Groundrules (internal relationships) and Conduct (external relationships). The Glendale model is desirable. A section will be included on Board and Commission liaison responsibilities. Councilor Buehner asked that it specify that Council's job is to be there to listen, answer questions and act as a liaison, but not get involved in or unduly influence their work.

Councilor Henderson requested that the draft be sent out for review prior to the meeting.

6. 9:04:01 PM COUNCIL LIAISON REPORTS - Assistant City Manager Newton said registration was open for the September 23-25 League of Oregon Cities Conference in Eugene. She asked if any Council members were planning on attending. Councilor Henderson said he was and would not need accommodations. Councilor Webb said she would not be attending. Councilor Buehner said she would probably attend only the Friday meetings. Mayor Dirksen said he would only be attending the Mayor meetings on Thursday, and said if the City of Tigard wins an award, Councilor Henderson could accept it on behalf of the City.

7. NON-AGENDA ITEMS – There were none.

8. EXECUTIVE SESSION –There were none.

9. ADJOURNMENT

At 9:19:24 PM Councilor Buehner moved to adjourn the meeting and Councilor Webb seconded the motion. All voted in favor.

	Yes	No
Council President Wilson	x	
Councilor Buehner	x	
Mayor Dirksen	x	
Councilor Henderson	x	
Councilor Webb	x	

Carol A Krager

Carol A. Krager, Deputy City Recorder

Attest:

Mayor, City of Tigard

Date: Oct. 26, 2010

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