



CITY OF EAGLE POINT

"Gateway to the Lakes"

OREGON

EAGLE POINT CITY COUNCIL
17 BUCHANAN AVE. SOUTH, EAGLE POINT, OREGON

JANUARY 13, 2014

SPECIAL STUDY SESSION MEETING MINUTES

1. Call to Order – 5:00 p.m.

Council Members Present: Bob Russell, *Jonathan Bilden, Wayne Brown, Bill Fierke, Ruth Jenks, and Aaron Prunty.

Council Members Absent: Kathy Sell.

Staff Members Present: Henry Lawrence, City Administrator; Robert Miller, Public Works Director; Melissa Owens, Finance Officer; Mike Upston, Planning Director; and Cindy Hughes, City Recorder.

Guests: A member of the press.

2. Discussion regarding financing of new water projects and refinancing existing water debt – Henry Lawrence, City Administrator.

Henry Lawrence, City Administrator, referred to Melissa Owens, Finance Officer, to present. Ms. Owens noted discussions had been held during the last several months which led up to this meeting. An overhead presentation was made and copies provided to the Council (Submission No. 1). City Staff attended a one-stop financing meeting wherein possible variations of borrowing scenarios were discussed. Of those, consideration was given to borrowing only what the City needed and not refinancing, borrowing and refinancing, and borrowing and paying off existing loans through internal loans.

Ms. Owens went on to explain that when the City first looked at the amount it needed, it was nearly \$3 Million, estimated at \$2,997,000. After closer review, it was determined the City could narrow down projects to approximately \$2.5 Million.

Ms. Owens discussed repaying an existing loan of \$1,366,986, at a current interest rate of 5%; and, an additional loan of \$355,354, at a current interest rate of 4.625%. The Rural Development Program (United States Department of Agriculture – U.S.D.A.) offers a

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40-year loan at an interest rate of 3.5% through the end of March, down from 3.75% last November. One of its requirements is that the City would have to borrow twice the amount it needs. Ms. Owens reviewed internal borrowing requirements per ORS 294.468.

Ms. Owens also discussed assumptions about financing and refinancing, which included:

- 10 year projections;
- 25 new homes per year;
- 4% water rate increase annually;
- 3% water SDC rate increase annually;
- 2% personnel cost increase annually;
- No new FTE staffing in Water Fund;
- Water rights purchases not budgeted;
- Capital projects from the 10-year plan;
- 2013/2014 Payoff 1997 USDA loan; and
- 2013/2014 Payoff Meter loan.

Next, Ms. Owens reviewed the projections which were included in the Agenda Statement. Discussion ensued about:

- A 4% water rate increase. Staff evaluated the percentage need and it was determined that any amount less than 4% could present problems.
- Conducting an annual assessment to determine if it is necessary to raise the rate every year.
- Adjustments depending on variables such as the number of homes, or a large business coming in.
- SDCs, SDC study, and new development paying for itself.
- Annual review of Capital Projects as part of the budget process.

It was further noted that future Councils could make decisions about projects and staffing, but once a loan is locked in, it has to be paid back.

Evaluation of the City's General Fund and other City funds was made to determine the City's ability to make an internal loan. Potential challenges could be experienced towards 2018 or 2019, if revenues fall below expenditures. Issues such as health insurance costs, PERS rates, or other drastic increases could make an impact but it was determined the City could handle making an internal loan.

Other points of discussion included:

- Rogue Valley Sewer Services' rates.
- Base rate of \$52 per month is required in order to qualify for Rural Development grants.
- Eagle Point's water rates being lower than other areas in the state.
- An annual review of Utility Rates.
- Stormwater rates set by Ordinance.
- Implementing water rates immediately or waiting a year.

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Mayor Russell complimented staff on how well organized the presentation was. A brief discussion followed. Ms. Owens stated the next step was to make sure the Council was supportive, and then they would move forward with the process through the Rural Development Program. Obtaining a pre-approval letter from Rural Development will lock in the current interest rate. Mr. Lawrence discussed the need for preparation of a federal environmental document, and working with landowners to obtain a site permit and land acquisition.

Discussion followed about the growth rate assumptions and housing starts. It is estimated that more than 25 new homes will be finished this year, with 24 new homes built last year (*Calendar Year 2013*). Council President Fierke expressed concern about taking on new debt based on the forecasted population numbers. Likewise, Mr. Miller added that the City had some of the same concerns and ran the numbers based on 1% population growth. Staff proposed one 1.6 MG tank at this time, which would resolve operational issues and accommodate modest growth. Discussion ensued about new building and growth limitations, and a possible SDC tiered rate structure for newer areas. Mr. Miller will follow-up by providing additional documentation on storage capacity goals and needs.

*Councilor Bilden left the meeting at approximately 5:32 p.m. and returned at 5:34 p.m.

Mr. Lawrence reported Councilor Sell was unable to attend the meeting and had contacted her to state her opinion for the record. She wasn't comfortable with a 4% annual rate increase, although she understood the issue would be reviewed annually based on available SDC contributions. Her major concern was the rate increase but she was supportive of internal borrowing. Further, Mr. Lawrence suggested the SDC fund should be repaid faster than the General Fund as those funds may be required for other items.

In order to move forward, the Council's support was needed but did not require a formal action. The Council nodded in approval and there was no spoken opposition.

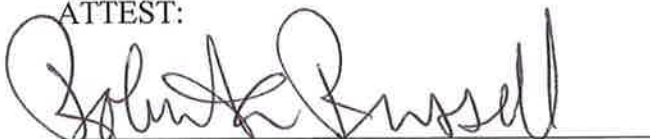
3. Adjourn.

At 5:51 p.m., Mayor Russell closed the Special Study Session of the Eagle Point City Council.

Respectfully submitted,


Cindy Hughes, City Recorder

ATTEST:



Robert E. Russell, Mayor