

WORKSHOP MEETING MINUTES  
SISTERS CITY COUNCIL  
520 E. CASCADE AVENUE  
JULY 15, 2010

**MEMBERS PRESENT:**

Lon Kellstrom      Mayor  
Bill Merrill      Council President  
Sharlene Weed    Councilor  
Pat Thompson     Councilor

**STAFF PRESENT:**

Brad Grimm      PW Director  
Lisa Young      Finance Director  
Pauline Hardie   Community Dev. Director  
Kathy Nelson     City Recorder

**ABSENT:**

Jerry Bogart      Councilor

**ABSENT:**

Eileen Stein      City Manager

**GUESTS:**

Brad Bailey, President, High Country Disposal  
Ron Shearer, Manager, High Country Disposal

The meeting was called to order by **Council President Merrill** at 8:00 a.m. per Mayor Kellstrom's request. Mayor Kellstrom returned to the meeting after a brief absence.

1. Water Fund Budget Discussion

**Finance Director Young** stated the discussion was in follow-up to the June 24<sup>th</sup> workshop Deb Galardi presented on water rates. She distributed a handout highlighting how the average residential customer would be impacted by a 15% increase in water rates in each of the next three years followed by an increase of 13% during the fourth year. She also illustrated how the water conservation plan would affect residential customers over the same period of time depending on a household's water usage.

**Councilor Weed** stated in some cases a bill would go down and asked how the City would balance that revenue shortfall. **Director Young** explained that small water users would receive the benefit of reducing their payment for using less water and the large water users would be paying for their actual use, and no longer be subsidized by small water users.

**Director Young** directed the Council to *Table 1, Updated Financial Forecast* in the staff report and explained that the five year revenue projections included the previously discussed rate increases and the assumption of a loan for capital projects in FY 12/13. She stated best practices also recommend a Water Fund operating contingency and Ms. Galardi's recommendation is to have an amount equivalent to 90 days of operation and materials. She explained the assumption of creating a contingency was built into *Table 2, Updated Financial Forecast with Contingency Table*. She pointed out that in FY 09/10 the total revenue figure also included \$165,000 in cash carry forward from FY 08/09; in FY 10/11 that cash carry forward figure is anticipated to only be \$44,000.

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Director Young directed the Council to the information on the approved budget for the FY 2010/11 Water Fund. She reported that personal services would be reduced \$6,868 for the allocation to the fund for the Associate Planner position, which will remain unfilled. She stated \$17,000 would be transferred to pay for the Water Funds portion of debt service for City Hall. **Councilor Weed** asked staff to determine the total balance the Water Fund owes in debt service payments for City Hall and how much longer that yearly transfer will take place. She stated she wants to consider all the options that might be available before considering a rate increase.

**Councilor Thompson** asked if it would be possible to make another rate decrease in the Sewer Fund to offset a rate increase in the Water Fund that would be revenue neutral for the average residential user. **Director Young** stated it was not, as Ms. Galardi projections from her previous presentation indicate the Sewer Fund will also require a rate increase in a few years to keep pace with anticipated costs.

**Mayor Kellstrom** asked what the projected water receipts would be for FY 09/10 as he felt the Council was trying to make decisions based on old data. **Director Young** stated the March figure used in the Budget for the projected year-end balance was fairly accurate and the total would be \$476,000, which was \$1,000 more than anticipated. **Mayor Kellstrom** noted that a higher percentage of staff allocations had been moved into the Water Fund for FY 10/11 and asked why, noting it would impact the Council decisions. **Councilor Thompson** asked if employee allocations could be revised to take advantage of funds that are healthier. **Director Grimm** explained that the FY 10/11 allocations are accurate as the water line projects will take a large amount of staff time.

**Mayor Kellstrom** stated it was his understanding the City was talking about water rate increases as the City does not have the reserves it needs to secure funding for future projects. **Director Young** stated that was accurate. **Councilor Weed** stated she was not interested in raising any rates for citizens. **Councilor Merrill** countered that the longer the City waits the higher the rates will need to be raised. **Director Grimm** noted the two CIP projects scheduled for this year are funded mainly by System Development Charges (SDC) with only 17% of the total project cost coming from the Water Fund. He stated both projects are necessary to provide appropriate water flow and fire hydrants to neighborhoods that are currently underserved.

**Mayor Kellstrom** stated the Council will need to see revised five year projections with the water conservation plan taken into consideration. **Councilor Thompson** stated he was interested to see how the water conservation plan would affect the average large water user. **Director Grimm** pointed out the water conservation plan will be revenue neutral as it will adjust for the actual water use by each user. **Councilor Merrill** stated a water conservation plan could also act as an incentive to large water user to cut back on their water use.

**Mayor Kellstrom** requested staff provide the Council with some examples of how large water user accounts would be affected by the proposed changes. He stated it would be helpful to see the

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actual dollar amounts and asked staff to include some irrigation users, hotels and restaurants in its examples. **Director Young** stated she would provide the cost on a sampling of accounts for the average annual consumption with the proposed water conservation plan.

**Councilor Merrill** stated that this year the City included a Reserve Fund and a Rainy Day Fund in the FY 10/11 budget and asked if it was necessary to create a reserve for the Water Fund.

**Director Young** explained that the Government Finance Officers Association (GFOA) recommends that each fund have reserves. She stated if a Reserve Fund is not created for the Water Fund than the Council will be having this same discussion each year while trying to decide where to make cuts. **Councilor Thompson** stated the City needs to look at what will happen if there is no rate increase and the City should look at re-allocating staff for the year. **Councilor Merrill** stated it is the assumption that all users will see a higher bill when in fact many will see a lower monthly bill. **Councilor Young** reminded the Council that many residential users have been paying for more water than they have ever used to the benefit of the commercial accounts which have not been paying for their fair share of the water they use.

2. Recycle Center Operations FY 10/11

**High Country Disposal (HCD) President Brad Bailey** provided a brief history on the recycling depot noting that when it first opened the depot was primarily funded and operated by Deschutes County. He reported that currently funding and operations are transitioning from the County to HCD. He noted the list of elements proposed by HCD which include a reduction in days and hours of operation, creation of a rural County boundary around the City of Sisters where curbside recycling will be implemented, implementation of hauling efficiencies and HCD's commitment to handle the anticipated revenue shortfall of \$15,000 to \$20,000 for FY 2010-11. He asked if there were any questions.

**Councilor Weed** asked what the actual cost was to run the depot for the year. **Mr. Bailey** stated the County paid \$90,000 in FY 09/10 to run the facility with \$35,000 being the cost of staffing. He stated he anticipates the rural collection of recyclables will lower the amount of materials coming into the depot. He stated of the \$25,000 to be received from the County \$21,000 will be used for staffing costs and the remaining \$4,000 will be used towards operation costs. He added that additional costs to operate the depot will be borne by HCD. He stated the program will need to be re-evaluated for FY 11/112 to determine program changes and funding sources for the long term. He stated the only off-set he has for anticipated unfunded service for next fiscal year is if HCD increases rates. The **Council** was not in favor of increasing rates. **Director Grimm** pointed out the rate increase would include both out-side residents as well as city residents.

**Councilor Thompson** suggested a need for public education to inform residents on what might happen in the future if unattended recycling is allowed. He asked Mr. Bailey to consider self-service recycling with public education be tried on a trial basis. **Mayor Kellstrom** stated he would be concerned with the center becoming a dumping ground for unwanted and non-recyclable

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items if it is unmonitored. **Director Grimm** confirmed that dumping of garbage and inappropriate items is already a problem. **Councilor Thompson** stated the City needs to look at what point it stops offering recycling if the center is not self-sustaining and the City is not required to provide the service

The **Council** discussed the proposed operations plan with Mr. Bailey and proposed running the program without installing fencing, security or being staffed. **Mr. Bailey** explained the risks of an unattended site noting an attendant spends a great deal of time correcting recycling errors. He stated the option to fence and provide security cameras at the depot is still viable to limit risk and is a one-time expense to the City. **Mr. Bailey** stated he would consider having the recycling center open every day during normal business hours and have the 24 hours of staffing be spread over the week. He stated with a cooperative schedule of HCD staff and Public Works staff the depot could be opened, closed and monitored on a daily basis. **Director Grimm** stated that Public Works staff could help open or close the facility if needed.

**Director Young** recommended creation of a memorandum of understanding (MOU) between the City and HCD to outline the expectation of each. **Mr. Bailey** indicated he would craft a list of elements for both HCD and the City to review as well as create an education piece that could be included in utility bills.

3. Preview 07/22/10 Meeting Agenda

**Mayor Kellstrom** stated he had an item to discuss prior to the preview. He distributed a letter from Mac Hay, to the County Commissioners outlining the merits of Aspen Lakes and its contribution to the City of Sisters tour based economy. Mr. Hay's letter encouraged the Commissioners to include Aspen Lakes in the mapping for destination resorts. **Mayor Kellstrom** stated he would like the City to also send a letter of support to the Commissioners and asked the opinion of the other Council members.

**Councilor Weed** stated she was not in support of the resort development as the impacts to the City of such a development are unknown. She stated she would not support sending a letter.

**Councilor Merrill** stated he is ambivalent about the project and feels it is outside the purview of the City Council. **Mayor Kellstrom** disagreed stating new regulations will require the input of cities within a three mile radius of proposed resorts to provide input. **Councilor Merrill** stated it was premature to weigh-in as County zoning and applicable codes are still being sorted out.

**Councilor Thompson** stated Aspen Lakes has a tremendous impact on Sisters with regard to tourism and providing jobs. **Councilor Weed** countered that it's difficult to know if those impacts are good or bad. **Mayor Kellstrom** pointed out that if the Council does not promote Aspen Lakes and it is not kept on the resort map, there will be no options available to consider in the future. **Councilor Thompson** stated he feels the County Commissioners would consider and appreciate

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the City's comment. He added that any growth would be positive for the City. **Councilor Weed** stated she feels support of the resort is not reflective of the community's view.

**Mayor Kellstrom** asked Director Hardie to perform a quick evaluation of the alternatives and report back to the Council and she replied she would.

Councilor Thompson left the workshop at 10:05 a.m.

**City Recorder Nelson** provided an overview of the June 24th Council workshop and regular Council meeting. She stated a resolution supporting applying for a Small City Allotment (SCA) grant had been added to Council business.

**Director Grimm** explained the need for the resolution that would authorize the City Manager to approve contracts and accounts payable during the City Council summer recess. He discussed the list of possible contracts the City would need to negotiate during the break. **Mayor Kellstrom** asked that a list of contracts that will require approval during the break be specified in some manner in the resolution. **Recorder Nelson** stated that Manager Stein would be discussing the matter with City Attorney Bryant to determine the necessary language for the resolution.

**Recorder Nelson** reminded the Council of the potential City Council candidates' information session that will occur on Wednesday, July 21<sup>st</sup> from 7:00 to 8:00 p.m. at City Hall.

The meeting was adjourned at 10:15 a.m.

Respectfully submitted,

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Kathy Nelson, City Recorder

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Lon Kellstrom, Mayor