MINUTES
CITY COUNCIL WORKSHOP
Richland City Hall ~ 505 Swift Boulevard
Tuesday, October 28, 2014

Call to Order:
Mayor Pro Tem Lemley called the Council workshop to order at 6:00 p.m. in the Council Chamber.

Attendance:
Mayor Pro Tem Lemley, Council Members Anderson, Christensen, Jones and Kent were present. Council Members Thompson and Mayor Rose were absent.

Also present were City Manager Johnson, Deputy City Manager King, Assistant City Manager Amundson, City Attorney Kintzley, Public Works Director Rogalsky, Transportation and Development Manager Peters, Parks and Public Facilities Director Schiessl, Energy Services Director Hammond and City Clerk Hopkins.

Workshop Items:
1. Electric Utility Retail Rates Update (20 minutes)
   - Bob Hammond, Energy Services Director

Mr. Hammond gave the following report: Since spring of 2014, Energy Services Department (RES) staff have been working with electric rates consultant FCS Group and the City's Utility Advisory Committee (UAC) to update the Cost of Service Analysis (COSA) for test years 2015 through 2019. This is a change to the historical practice of just looking one year out on COSA updates. This five-year forward update, although contingent upon a variety of assumptions including electric load forecasts, provides valuable information both for utility operations and also to assist the City's utility customers to factor the electric rate projections into their individual business plans. The key areas of the COSA update include:

- Latest load forecast
- Wholesale power costs
- BPA rate case update and expected wholesale rates for Fiscal Years 2015 and 2016
- Electric utility capital program
- Revenue bonding considerations
- Customer class implications - cost causation
- Utility tax status
- Thoughts regarding optimum time of year to effect rate increases
- Questions from Council members

A 5.75% possible rate increase, effective July 1, 2015, represents the system wide revenue deficit. Recommendations for rate increases for each customer class will vary depending on detailed cost causation analysis yet to be fully processed with the UAC. It is expected that RES staff and the UAC will reach a preferred detailed 2015 rate recommendation broken down for each customer class at the November 12 UAC meeting. That recommendation will be brought back for Council consideration in January 2015.

2. New Large Load Policy (15 minutes)
- Bob Hammond, Energy Services Director

Mr. Hammond gave the following report: A tiered wholesale power pricing model was introduced with the City's new power purchase agreement with the Bonneville Power Administration (BPA) that took effect October 1, 2011. With that change, BPA became obligated to provide and price at cost the City's Tier 1 allocation of power projected to be produced by the Federal Based System, primarily the hydro turbines at the Columbia River and Snake River dams. The remaining portion of the City's projected power load needs are considered Tier 2 and the City is obligated to secure that power as far as 4 years in advance of need and at market prices.

Energy Services Department (RES) staff worked with the City's Utility Advisory Committee (UAC) in the determination to blend the cost of service impacts of the City's Tier 1 & Tier 2 power costs, recognizing that to do differently would be administratively impractical, that over time there would be no real distinction between tiered power needs, and that with a soft market there was not currently much difference between the market pricing for Tier 1 and Tier 2 power. This general blending addresses all practical concerns related to the electric utility's rate payers except for a situation where a customer introduces a new large load. BPA has special pricing conditions for any "New Large Single Load" over 10 average Mega Watts (MWa).

For perspective, the City's total electrical load is approximately 105 MWa. RES has been working with outside consultants and the UAC to begin addressing the implications of new large loads. The balancing point is to find a threshold amount of new electric load up to which the associated pricing will be blended across all customers and above which the new large load customer will pay full Tier 2 cost. If that threshold amount is too high, existing ratepayers will subsidize the new load customer. If too low, depending on the market conditions and how we define full Tier 2 cost, we will price out the potential for economic growth.

At present, market conditions are such that the implications of this situation are not concerning. Also, we don't have any known prospective development for which we believe a reasonable new large threshold would apply. However, conditions could change in the future which would elevate this situation to a very high priority; thus the importance of the current efforts to find the appropriate model.

Using a new Large Discrete Load (NLDL) rate calculator developed by RES's rates consultant, the FCS Group, the future range of customer impacts can be demonstrated, providing City Council members perspective regarding the relative urgency to develop the NLDL policy. As the work continues with the UAC, more detailed recommendations related to NLDL policy will come forward for City Council review and consideration of approval.

3. Street Resurfacing Program (30 minutes)
   - Pete Rogalsky, Public Works Director

Mr. Rogalsky gave the following report: The purpose of the workshop discussion is to: 1) educate Council about the Public Works Departments program to manage the City's pavement assets; 2) solicit input from Council regarding the preferred approach to maintenance of the City's pavement; and 3) discuss the financial implications of a variety of maintenance approaches.

The City currently repairs and maintains approximately 253 centerline miles, or 574 lane miles of roadway valued at over $219 million. The most recent condition survey for the City's street network indicated an overall Pavement Condition Index rating of 78. The Pavement Condition Index (PCI) is a measurement of pavement condition that ranges from 0 to 100, with 100 being a newly constructed or overlaid street while a failed street requiring complete reconstruction would have a PCI under 25.

Without periodic maintenance all pavement surfaces will decline in condition, ultimately to the point of requiring expensive reconstruction. Applying maintenance treatments in a timely manner extends the service life of pavement and avoids the most expensive maintenance treatments. A network PCI rating of 83 is considered optimal as it would enable us to maintain the entire network into the future at the least cost.

The Public Works Department is presently using a pavement management database that assists staff in applying an array of pavement maintenance techniques to the City's streets, based on current street condition and available budget. Staff is using the software to estimate maintenance programs over a ten-year horizon so that a consistent investment can be identified and the impacts of a program can be observed over a significant time. The database analysis indicates that the City's recent financial commitment to pavement maintenance will result in declining pavement condition over time, regardless of maintenance techniques applied.

Several approaches are available to establish a target program for long-term pavement management:

- Achieve a network condition rating of 83 to ensure least-cost long-term program. Since our current network condition is below this rating, a sizable investment would be required to achieve an 83 rating; and

- Maintain the current network condition rating of 78 and eliminate an identified backlog of deferred maintenance; and

- Set a target network condition rating that holds the backlog of deferred maintenance at current levels, while allowing the overall network rating to decline; and

- Maintain the current investment level, which will result in a significant declining trend for street condition.

Staff will provide additional detailed information from its analysis and will discuss the implications of the above approaches for street condition. Since the City's current pavement condition is relatively good, staff believes this issue should be recognized now and prioritized for future dialogue and problem solving. This workshop discussion is an early step in that process.

4. Discuss Board, Commission, and Committee Open Positions (30 minutes)
   - Bill King, Deputy City Manager

Mr. King gave the following report: With the introduction of a hearing examiner to process land use permits in Richland, the role of our Planning Commission has been dramatically transformed. The Commission still has an important role with the Comprehensive Plan, master plans and development regulations. With this change in responsibilities, there has been some discussion about the appropriate size and makeup of this Commission.

The Richland Municipal Code calls for nine members on the Planning Commission, but only six positions are currently filled. Staff would like Council's thoughts on maintaining the current size of the Planning Commission or amending the code to reduce the Commission size to seven. As an alternative, Council may also wish to consider transferring the duties of the Housing and Community Development Advisory Committee to the Planning Commission and keep the new combined Commission at nine members.

Council should also consider how future Planning Commission members are selected. We have currently received six applications to fill the vacant position(s). Current practice is for the Planning Commission Chairman, Vice Chairman and the Council liaison to interview the candidates and make a recommendation to the full Council. Given the importance of this Commission, the full Council may want to be involved with the interview process.

Council discussed phasing out some of the boards, commissions and committees, consider grouping the term expiration dates to once or twice a year, the pros and cons of the Council being involved in interviews, creating better description of the duties of the members for advertising the position, improve the interview questions and having further discussion on this topic at the January Council retreat. Council recommended that only one position be filled on the Planning Commission at this time and reducing the total number of positions to seven.

Executive Session:

1. Discuss Purchase of Real Estate if Disclosure Would Increase Price Per RCW 42.30.110 (1) (b): (20 minutes)
   - Bill King, Deputy City Manager

COUNCIL MEMBER KENT MOVED AND COUNCIL MEMBER CHRISTENSEN SECONDED A MOTION TO MOVE INTO EXECUTIVE SESSION AT 7:40 P.M. AND EXTEND THE DISCUSSION OF THE PURCHASE OF REAL ESTATE IF DISCLOSURE WOULD INCREASE PRICE PER RCW 42.30.110 (1) (b). FOR 30 MINUTES. THE MOTION CARRIED 5-0.

COUNCIL MEMBER CHRISTENSEN MOVED AND COUNCIL MEMBER KENT SECONDED A MOTION TO MOVE OUT OF EXECUTIVE SESSION AT 8:10 P.M. THE MOTION CARRIED 5-0.

Adjournment:

Mayor Rose adjourned the workshop at 8:11 p.m.

Respectfully Submitted,

Marcia Hopkins

Marcia Hopkins, City Clerk

FORM APPROVED: David W. Rose

David W. Rose, Mayor

DATE APPROVED: November 4, 2014