



MINUTES

CITY COUNCIL WORKSHOP / SPECIAL MEETING

Richland City Hall ~ 505 Swift Boulevard

Tuesday, September 22, 2015

City Council Workshop – 6:00 p.m. (Discussion Only)

Mayor Pro Tem Lemley opened the Council Workshop at 6:00 p.m.

Attendance:

Mayor Pro Tem Lemley, Council Members Anderson, Christensen, Kent and Revell were present.

Also present were City Manager Reents, Assistant City Manager Amundson, City Attorney Kintzley, Energy Services Director Hammond, Fire and Emergency Services Director Huntington, Parks and Public Facilities Director Schiessl and City Clerk Hopkins.

Agenda Items:

1. Electric Utility Special Equipment Policy (15 minutes)
- Bob Hammond, Energy Services Director

Mr. Hammond gave the following report: Richland Energy Services Department (RES) staff, through policy previously endorsed by the City's Utility Advisory Committee (UAC) and codified in Richland Municipal Code Title 14: Electricity, has adopted policy and administered procedures to ensure as much as is practical that new development pays for itself, thereby not creating a subsidy from existing electric utility customers. RES staff believes there is one substantive gap in meeting this fundamental principle. That gap relates to customers receiving enhanced service through the deployment and operations of special electrical equipment installed on the electric utility system.

At present, such special equipment comes in the form of automated switching devices that allow on-site re-routing of power from a redundant source. Automated Transfer Switches and Loop Restoration Switches have both been installed on the RES electrical system to meet individual customer needs. While working well for those customers, the results are delivering above-standard service and should be paid for by the customers benefitting from that special equipment.

While the cost of this equipment has been paid for by the requesting customers, we believe we should also address the life cycle costs (replacement/upgrade, operations and maintenance). RES staff's schedule is to present the issue in workshop to City Council on September 22, then first reading of the ordinance on October 20 and second reading/passage on November 3.

Council Member discussed the specialized electrical equipment and about the communication to the customers that will be affected by using the special equipment.

2. Electric Revenue Bonds (45 minutes)
- Bob Hammond, Energy Services Director

Mr. Hammond said the RES and Finance Division staff along with the consulting assistance of Public Financial Management, Inc. (PFM), the City's financial advisor, have engaged the UAC for most of 2015 regarding upcoming electric revenue bonds. The main emphasis of this discussion has been on debt service repayment.

This discussion has resulted in two contrasting alternatives for structuring the upcoming 2015 and future bonds. One alternative is supported by RES and Finance staff, the PFM Group, and the majority of the UAC. The other is supported by the minority of the UAC. The UAC rules call for both the majority and minority policy opinions to be presented to City Council when there is not a unanimous opinion.

He said Mr. Kosmata, UAC Member, will speak to the minority policy that he supports outlined in proposed Resolution No. 166-15. RES and Finance staff, along with the City's financial advisor Susan Musselman with Public Financial Management, Inc. (PFM) Group, do not recommend this policy framework.

Mr. Kosmata gave the background on a previous bond structure he worked on that was successful in saving the City money. He said proposed Resolution No. 166-15 provides a policy framework for City staff to use to supplement policy adopted through the Bond Ordinance for each future electric revenue bond sale. This discussion has primarily centered on the approach to structuring the debt service repayment schedules for future bonds.

He said this policy will accomplish: near term savings for current and near term rate payers to the extent necessary to correct the front loaded debt service payment schedule resulting from the 2007 electric revenue bond sale; calculate net present value for total debt service payments using no lower than a 6% return on investment and choose payment schedules that represent the lowest present value of money (lower overall payment impact on customers after considering the value of money to those customers); choose payment schedules which, combined with current debt service payment schedule(s), do not penalize or reward future ratepayers; do not evaluate and/or value a lower total debt service payment without considering the time value of money from the utility customers, not the City's, perspective.

Mr. Hammond said proposed Resolution No. 165-15 provides a policy framework for City staff to use to supplement policy adopted through the Bond Ordinance for each future electric revenue bond sale. This policy framework is recommended by RES and the Finance staff along with the City's financial advisor Susan Musselman with Public Financial Management, Inc. (PFM). This discussion was primarily centered on the approach to structuring the debt service repayment schedules for future bonds. The

policy framework recommended through proposed Resolution No. 165-15 aligns with the majority UAC opinion regarding the structuring of debt service payments for the 2015 and future bond sales.

Ms. Musselman reviewed the materials she supplied Council. Her report included: financial transactions shall be conducted in a manner in which current and future City electric utility ratepayers are treated fairly and equitably in as much as possible; as a general practice, the City will attempt to fund the maintenance of existing electrical infrastructure through retail rates (also known as "rate-financed capital"), to partially fund new electrical infrastructure through development contributions (also known as "facility fees"), and to finance the remaining costs of new electrical infrastructure through the sale of the Bonds; a standard term of thirty (30) years shall be established for the repayment of the Bonds; a repayment schedule of future Bonds shall be established which meets the intent of the policy framework set forth herein as well as remaining in conformance with the parameters set forth through the approval and adoption by Council of each respective Bond Ordinance; the City shall continue to consult with a financial advisor to assist in the sale and administration of the Bonds; and City staff, with advice from the City's financial advisor and after consultation and deliberation with the UAC, shall provide a report to Council after the passage of each respective Bond Ordinance and prior to the date of Bond sale; and said report to include but not be limited to a compliance status regarding the policy framework set forth herein and any special considerations regarding the upcoming Bond sale.

Adjournment:

Mayor Pro Tem Lemley adjourned the workshop at 7:00 p.m.

SPECIAL CITY COUNCIL MEETING - 7:00 p.m.

Mayor Pro Tem Lemley opened the Special Council meeting at 7:00 p.m.

Attendance:

Mayor Pro Tem Lemley, Council Members Anderson, Christensen, Kent and Revell were present.

Also present were City Manager Reents, Assistant City Manager Amundson, City Attorney Kintzley, Energy Services Director Hammond, Fire and Emergency Services Director Huntington, Parks and Public Facilities Director Schiessl and City Clerk Hopkins.

COUNCIL MEMBER CHRISTENSEN MOVED AND COUNCIL MEMBER KENT SECONDED A MOTION TO EXCUSE MAYOR ROSE AND COUNCIL MEMBER THOMPSON. THE MOTION CARRIED 5-0.

Pledge of Allegiance:

Mayor Pro Tem Lemley led the Council and audience in the recitation of the Pledge of Allegiance.

Ordinance - Second Reading/Passage:

1. Ordinance No. 54-15, Increase in Appropriations in the Park Project Construction Fund for the Construction of a Parking Lot at Trailhead Park and Revising the 2015-2030 Capital Improvement Plan
- Phil Pinard, Planning and Capital Projects Manager

COUNCIL MEMBER KENT MOVED AND COUNCIL MEMBER REVELL SECONDED THE MOTION FOR SECOND READING AND PASSAGE OF ORDINANCE NO. 54-15, INCREASE IN APPROPRIATIONS IN THE PARK PROJECT CONSTRUCTION FUND FOR THE CONSTRUCTION OF A PARKING LOT AT TRAILHEAD PARK AND REVISING THE 2015-2030 CAPITAL IMPROVEMENT PLAN. THE MOTION CARRIED 5-0.

Resolutions for Adoption:

1. Resolution No. 165-15, Adopting a Policy Framework for Electric Revenue Bond Sales - Option 1
- Bob Hammond, Energy Services Director

Mr. Hammond said the policy framework recommended through Resolution No. 165-15 aligns with the majority UAC opinion regarding the structuring of debt service payments for the 2015 and future bond sales.

COUNCIL MEMBER REVELL MOVED AND COUNCIL MEMBER CHRISTENSEN SECONDED THE MOTION TO ADOPT RESOLUTION NO. 165-15, ADOPTING A POLICY FRAMEWORK FOR ELECTRIC REVENUE BOND SALES - OPTION 1. THE MOTION CARRIED 5-0.

2. Resolution No. 166-15, Adopting a Policy Framework for Electric Revenue Bond Sales - Option 2
- Bob Hammond, Energy Services Director

Mr. Hammond said the policy framework recommended through this Resolution No. 166-15 aligns with the minority UAC opinion regarding the structuring of debt service payments for the 2015 and future bond sales.

As no Council Member brought forward this resolution, Mayor Pro Tem Lemley made the following statement.

FOR THE PURPOSE OF OUR MEETING MINUTES, LET THE RECORD SHOW THAT RESOLUTION NO. 166-15, ADOPTING A POLICY FRAMEWORK FOR ELECTRIC REVENUE BOND SALES - OPTION 2, HAS DIED FOR A LACK OF A MOTION.

3. Resolution No. 164-15, Award of Bid to D & D Tri-River Excavating, Inc. for the Construction of a Parking Lot at Trailhead Park
- Phil Pinard, Planning and Capital Projects Manager

COUNCIL MEMBER KENT MOVED AND COUNCIL MEMBER CHRISTENSEN SECOND THE MOTION TO ADOPT RESOLUTION NO. 164-15, AWARD OF BID TO D & D TRI-RIVER EXCAVATING, INC. FOR THE CONSTRUCTION OF A PARKING LOT AT TRAILHEAD PARK. THE MOTION CARRIED 5-0.

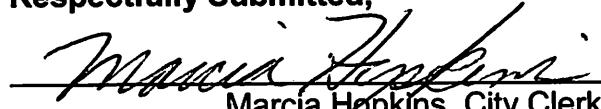
Mr. Schiessl displayed two City of Richland time capsules, about 30 years old, that were dug up in John Dam Plaza today. He asked Council if they would like the time capsules opened at a public event.

Council said they would like them opened at a Council meeting and have Trish Herron, Communications and Marketing Manager coordinate the event. Council Member Kent suggested inviting the senior citizens and former park staff that may be able to share knowledge about the time capsules.

Adjournment:

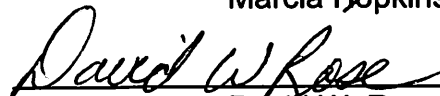
Mayor Pro Tem Lemley adjourned the special meeting at 7:10 p.m.

Respectfully Submitted,



Marcia Hopkins, City Clerk

FORM APPROVED:



David W. Rose, Mayor

DATE APPROVED:

October 6, 2015

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