MEETING SUMMARY NOTES

Mayor's Infrastructure Finance Committee

November 21, 2002 Meeting
Mayor's Conference Room, 4:00 p.m.

MEMBERS: Present – Brad Korell, Carol Brown, Russ Bayer, Bob Hampton, Jon Carlson, Richard Meginnis, Dan Marvin, Terry Werner, Larry Zink, Linda Crump, Jan Gauger, Allan Abbott (non-voting). Absent – Jerry Schleich, Otis Young

OTHERS: Steve Masters, Kent Morgan, Roger Figard, Nick McElvain, Randy Wilson

AGENDA ITEMS DISCUSSED:

1. Welcome - Brad Korell, Infrastructure Finance Committee Chair

Brad Korell opened the meeting by requesting the members to introduce themselves. Mr. Korell reviewed the ground rules. Mr. Kent Morgan passed out a handout a portion of the charter and read a portion of the information regarding official action and voting with recording being done by a secretary. If you are taking official action and since there is none at this time, you will not need to have some official vote. If you get to the point of recommending something you will need a vote, but for a hearing you will not need to have a vote. Unless there are some questions or discussion, we will proceed with the city charter.

Mr. Korrell thanked Kent for sharing the information which will be useful when making decisions.

2. Public Comment Period

Mr. Korell stated this is the time when we open up the meeting to public comments. There were no public comments were presented to the group at this time.

3. Work Group Report: Cost Savings and Efficiency

Russ Bayer reported from the first group of meetings a number of the committee members are here today. These were more informational meetings to set cost of dollars presentations. The objective of the committee will be getting into the work in progress idealistic of ways to help cost efficiency and savings. This is available on the Web site. A number was added the other day. Basically we see ourselves going forward by cleaning up this list, qualifying, categorizing and qualifying for values and debating ultimately dollars and sense and human value. We

started our conversations about the workshop and the content of the workshop. There was a general consensus of the group that Karen Jensen would be brought on as the facilitator.
The question was asked if dates have been set and Russ answered that tentatively they are scheduled for the second Wednesday, the third Thursday and fourth Thursday of January. This is very tentative at this time and hope to be firmed up by mid-December.

Carol Brown asked about the AGC and types of people will participate - like engineers.

Russ Bayer stated they have had good attendance.
Mr. Korell asked if there were any questions of Russ on the Cost Savings/Efficiency group.

Allan Abbott: Today an alternative was discussed today at the legislature.

4. Work Group Report: Finance

Mr Korell passed around a document with a graph where we expect to go through our process. There is no particular sequence and no time frames have been established but these are the kinds of things they hope to touch. Brad gave a brief frame work as follows: Without putting some discipline in place, this process could go all over the map and basically what we have said is what is it going to take to complete the comprehensive plan. This has been broken down into the dark red area saying that is the infrastructure that we need to get into place to take care of the comprehensive plan. We are looking at 6-year blocks that happen to fit the CIP process. In the years 1-6, the roads, the streets, sewer, water - what is it going to take to complete the build out of the dark cinnamon-colored area and then years 7-12 and the total for that 12-year period. That is the discipline that we have asked the city departments to accept and engage in. This is slightly different than where they were headed, but we think if they follow this discipline the comprehensive plan is built on assumptions for growth in our community and if we follow that we will develop baseline. The baseline scenario for infrastructure needs and cost to complete according to that schedule. If you refer to the outline, using that 6, and 7 through 12 year format, within streets we want to look at Antelope Valley because that is primarily street driven in terms of the city's participation. The cost in the first 6 years, the cost of years 7 through 12, the total cost of the 12 year period, identified funding sources and then "The Gap." The same thing with the beltways, maintenance and rehab are going to be more of a challenge because there is no real well defined program but they are looking at the need for the city's need for keeping existing streets up and in good condition. These will be looked at in the same format - the cost the first 6 years, the cost in 7 - 12 year time frame and "The Gap" will be identified. Then we get into the new development where the challenge comes in. We'll follow the same kind of process of identifying cost and then "Gap". We will work into water and waste water, storm sewer and parks. When we have the accumulated Gap identified, then that takes us into how are we going to handle financing. The first charge to our committee was to validate the Gap. We hope this process will help us to do that. Then we get into the ideas of how we close the gap. At some point in the future we will merge with Russ's committee (Cost Savings/Efficiency) and hopefully they will have some ideas how to close the Gap and sources for financing. We started with streets and then Kent brought a revelation to us that water flows

down hill, sewage flows down hill and that's how we built our city. The most important challenge is how to figure out how to get the water and sewer services into new areas because these trunk lines run miles that have to be sized according to the volume expected based on the development. These is logic that is used to utilize the tax dollars efficiently and scaled at appropriately at the right times. Yesterday's meeting was focused on water and waste water development by basin. Road can be added as needed but the water and waste water will guide the development by basin. Our community has been set up on basins with first water, waste water and then streets and then follow with storm sewer plans..

Carol Brown asked if there are smaller handouts and Kent stated yes,

Mr. Korell added that Kent will be going through more of this what was gone over yesterday. This is a real challenge for Allan Abbott and the city departments to come up with information we would like to have to make good decision. More of this information will be forthcoming after the Dec. 5 meeting.

5. Work Group Report: Legislation

Jan Gauger joined the group. The Committee has met three times including the meeting this morning. The Committee is taking an overview of what the possibilities are for legislation. No possibilities have been eliminated any but some are more likely than others but no conclusions reached and a written report will be prepared for the next meeting. The next meeting is scheduled for the first week in December and the second week in December and Jan hopes to have some recommendations back to this group on the 19th.

Mr. Korell asked if there was anything Jan needed from this group and her response was not at this time since they are not far enough along.

Mr. Korell asked the group if there were any questions for Jan and there were no questions.

6: 12-Year Baseline approach: Presentation and Discussion

Mr. Korell asked Kent and Allan to continue with the next item which is the Baseline approach which was alluded to earlier. That has already sparked discussion in our group. The reason this is important is because this is the basis that we are going to validate financial need. It is important for you to understand that and we need to be on track.

Bob Hampton asked if there were any changes?

Kent Morgan started by explained that basically the presentation was put together for the Finance Group using the slide presentation. Brad mentioned that one of the challenges to the Finance Work Group was to validate the "Gap" and look at what planning needs are.

Mr Korell stated that if a good solid base needs to be established the next 6 years and 12 years or longer.

Mr. Morgan went on explaining their were six different areas and how they were defining the "Gap", what improvements are needed to serve the area, what revenues you have, time horizons, how far out you would be and then compressing that into phasing in an area and how long will that take. Brad mentioned about the time horizon. There is a 25 year comp plan. Maybe you know about the tiers which is a 25 year tier with a priority area A or a "cinnamon" color which is projected to be about 12 years but the idea was to have so we will have infrastructure in place in those areas so development can begin. We are adding about 17 square miles over the years or 1.3 to 1.4 square miles per year. Also taking into consideration taking Area A: We have grown by basins and Kent explained the different basins and how we have developed on a basin by basin basis versus streets. An other thing we have is multidirectional growth: Many, many individuals are being given the opportunity to develop many different areas of the of the community. Priority area A has been getting growth tiers.
Dark green areas are for 50 years of projections. Contiguous Development is to grow on the edge not leap frog. It is also important to maintenance the older areas. Water, sanitary and sewer should only be within the city limits. One thing in the new plan is that we have adequate services established. We have basically a gravity flow system in the plan. Second, we should have development occurring approximately the same time as infrastructure. And last, we need a logical time fashion. The CIP is the program that was adopted last year by the public works for the waste water facility, and this must be in place before urbanization. There is nothing in Steven's creek, some areas to the south. This CIP was put together before the comp plan was adopted.

Larry Zink asked what the bright red in the cinnamon areas is?

Kent explained these are sub basins within the areas. What we were asked to do was to come up with some different approaches but basically it takes the Comprehensive Plan, kind of an extension of the CIP. The baseline approach which takes the new comprehensive plan and there are needs in the Frances St. and other areas with the need to expand. Steven's Creek or Salt Creek and Beal Slough show the need for the city to grow. The baseline approach for a 12 year period are in the cinnamon areas. What waste water facilities are needed? 1-5 and 1-4 are shown for nitration within the 12 year period. Kent explained the time progress that work should be completed and how development would occur. He also pointed out Yankee Hill Rd and where the city is today. In order to get to the reasonable time line we need a sewer which could be 5 years. In the Steven's Creek area we need to acquire property and then get started. Kent further explained some of the information shown on the graphs.

Jan Gauger asked what the lavender color represents.

Kent explained these would be the streets and how they would be expanded out.

Mr. Abbott added this has to be expanded in years 1-4 so that we have the capacity in order to serve areas that will be opening in the years 7, 8, 9 and 10.

Mr. Korell added that one more thing about the baseline that when he asked Kent and Allan, basically we could say without regard to where the city is pulling us, if our goal is to build out these areas of the city, what is the logic of getting into those areas based on extension of resources. If this is public works driven, how would they fill it out and what would the timing be? The developers do different planning. Again with the baseline we can continue to compare the
baseline cost as public works driven. This is a slight departure from where the city was before.

Mr. Abbott stated there are two variables. The CIP figures out how much money we have and what can we do. Brad asked us to forget that aspect and asked what do you have to do to get these areas open in a certain period of time. That included what we consider to be a normal process without going out and crashing a lot of other projects and not putting everything on an expedited basis - What would you end up with? This would be a normal process of doing things without any regard to the market, without any regard to much more help can you get in etc. but this is the baseline
.
Mr. Korell commented you will hear often the baseline going forward. He then asked if anyone had any other questions.

Dan Marvin asked what was the neon green?

Mr. Morgan explained they were trying to show the entire Tier 1 area and these are the trunk lines that would be needed.

Terry Werner asked if the timing on this was engineer driven?

Mr. Abbott responded that it was engineer driven in an approach that we are not going out to hire every consultant in the city and did everything else, what could we do? It was a "Logic" or more standard way of doing things as opposed to when the market wants to go somewhere else you want to do this.

Mr. Korell answered to Rich that we want to have services in the cinnamon areas in 12 years.

Bob Hampton commented that he felt this is a good way to approach it.

Mr. Morgan went on to say that we did not want to stop there. We decided the challenge goes beyond that and this became known as the Category 5
.
Steve explained that an F-5 hurricane is one that will level everything. That was the inspiration for the Category 5. We became very aggressive with construction and needed early approval.

Mr. Morgan explained further that this approach is more aggressive in waste water. If we go this approach, Allan is telling us we need the green light probably this year to get going. The lead time is needed soon. He also talked about how it could open up some basins that are falling down. They need indications that are feasible.

Linda Crump joined the group.

Mr. Morgan: The S-2 sub basin was at 5 under the baseline and it was moved up in order to build the trunk. Some of this line is already in and Kent reviewed what was started and how it should be developed.

Mr. Abbott: If this is a 5 year, this means that it must be done. We have 2, 3, and 4 years to get the work done. To get the work done by 5 years to serve the areas not when we are starting. So that means for a 5-year project, we are starting construction in a two-year period.
He does not feel it should be moved up any sooner than 5 years. This is the goal that it is supposed to be done in order to serve the area, not starting the project.

Mr. Morgan: There are issues of getting easements or buying land which are part of the planning process but here we are using a very aggressive approach.

Carol Brown asked about the treatment plant improvements that have to be done at Theresa St. station - Will that be done in 3 years?

Mr. Morgan answered in five years.

Carol again asked if it would be pretty much done by then.

Mr. Abbott agreed it was a 5-year program.

Carol questioned if it would be pretty well done by the third year?

Mr. Allan answered yes. As Kent stated, not all of these areas will be developed, but we are just allowing to be done. Not all of these areas will be developed, it will take awhile for all the capacity to be reached.

Larry Zink asked if there is a potential danger that everybody wants to be built there such as hot property and everybody builds there.
Mr. Allan answered there are risks involved with this and that is why this is Category 5 because anything can happen. Something could go wrong and we would be asked why did you do something so stupid, but we cannot not do something just because something could go wrong. We have to do this and realize there is a risk.

Mr. Morgan: This approach does give a lot more detail. This plan does allow us to do more with facilities with much more credibility. Giving many different developers and people a

chance to develop but committees need to stay on track and go the same direction and make a commitment to stay.

Mr. Abbott: If you will flip back to a Category 5 and added that they were asked to look at a 12-year period. So there would have to be money spent in years 11 and 12 to get ahead to years 13, 14, etc. We have looked ahead at that point as we cost it out making different assumptions, but picked on a 12 year period for to start.

Bob Hampton commented that planning and public works always did well to look ahead but funding was a problem.

Mr. Abbot commented that we were probably not even funding the plan, Bob, but we were building what we could fund and there is a difference. Several items are still on the table for discussion.

Jon Carlson had a question for for Alan and Kent. How much are the costs going to be? The reason he was asking was that with the scenario if the final cost is so dramatically high, are we going to turn back to something realistic?

Mr. Abbott responded to the question saying that so far the cost has been projected in segments. We can then say if you don't build this section or portion of the segment, the cost is down. We'll have it divided up so you can make some options and choices but we are using today's dollars. This avoids the argument of trying to use an inflation factor. The total cost of both projects will probably be the same. The difference will be with the 6-year program for the Category 5 rather than spread, maybe more equally, these same dollars over a different period. The total cost of the job is going to be pretty nearly the same for the two.

Mr. Korell stated I think, Jon, what period can we spend that money? And maybe what we plan to do in five years can stretch to 7 or 8. To me the key variable here is we start dealing with more reality.

Mr. Abbott: All I'm saying for this purpose, is that we talked about the shortfall. We were talking about this map, not the baseline. So when we come in with a different number, please don't say we changed the number on us. That's the only point, - whatever the number was, it was for this plan - not for this one.

Mr. Korell: Whatever numbers, please set those aside because we changed the ground rules for public works and this is the road we are headed down. The reason we want to spend time on this is because this is the foundation for everything we are going to do in finance going forward. Category 5 deserves a lot more consideration as far as finance but basically look at Category 5 as jump starting the process and then putting that cost in a tighter time frame and spreading it out over more years. There are more pros and cons.

Mr. Abbot added the streets and water are the same thing. That's why if you accept this, we start making estimates. And if you don't, tell me how you want to change. As I said, we don't need practice making estimates.

Mr. Korell said we will see numbers on three scenarios. You have already seen the numbers on CIP. We're not going to lose those. You will see numbers on baseline and then we will also compare the numbers on the Category 5 and those are the three scenarios that we expect to use for this process.

Bob Hampton added that we have to be careful of the roads.

Mr. Abbott: This is true and with efficiency how do we cut it back. We're going to be given the cost of what it takes to serve it and if the efficiency committee comes up with a better way of doing it, those figures will be reduced and you can save this much as opposed to we don't need it. Because optimally we are going to need it.

Bob Hampton added this is a huge cost variable.
Larry Zink appreciated the presentation on what was being talked about and the context of validating the Gap. In the long term it would be helpful, maybe not in the same sequence, but if we could ask the Planning Department to come up with a scenario that right now we have a certain amount of money. If we were to invest that money, what would that plan look like? For me, that's where I would start adding on as we could more money. This would be quite like the baseline.

Mr. Korell asked if that was like CIP or is this like the baseline, Al?

Mr. Abbott answered what do you build and the problem is that if planning wants to tell me what not to build. You define it as the public works procedure. If the engineers do this or if the planners do it, are they going to do it on the same basis what they think it is? Is it going to be market driven or whatever because somebody will say, well, I'd rather you do this segment rather than that segment.

Larry Zink added if you have a certain amount of money where would you spend it?

Mr. Korell called on Steve.

Steve commented that last year about this time you were going out and talking about the need to advance beyond Stevens Creek and Beal Slough. I don't believe there was understanding about going quickly. Engineers were wondering how to meet these needs. As a community, we need to come to a conclusion how to accomplish.

Mr. Abbott added the irony is here. It's really kind of funny, Planning is coming into Public Works and saying you have to do it faster.

Mr. Korell: That concludes the work group report.

7. Open Discussion on any of the three reports

Mr. Korell asked if anyone serving on any of the committees, are there any questions, observations or comments?

Jan Gauger did not have anything written up from this morning but she shared the following personal observation. Legislation is going to be difficult at best simply because of economic times and the state is in bad shape and we are not doing real well so it's going to be really hard to convince the state to share anything with us. They are looking at all possible options and one that is under consideration is an occupational tax. The city has gotten the opinion that the city does have the legal authority to enact and would not require any state action. It would, of course, require the City Council to agree to it but it would raise funds. Right now that looks like a survival option. Expanding on this Jan stated it would be a tax on gasoline at the retail or wholesale level. The State collects it at the wholesale level and that wouldn't work very well for us because we can't collect outside the city limits. We don't know how we would do that, just that we have the ability.

Mr. Abbot commented whether it would be at the pump or extra cent per gallon. We are trying to get a number of gallons used in city. It would be an occupation tax of two cents. One cent would be on the pump in Lincoln which is essentially the same thing as a gas tax as much as an occupation tax on that one item, but it is an occupation tax. City Council has to vote to enact this tax. We need additional revenue. It came out of one of the meetings that you can do this.

Jan remarked that it was Bill Austin, the former City Attorney was the one who brought it to their attention. The committee like it because it is a direct user fee. It taxes the people using the infrastructure. No conclusion reached but following this option.

Linda Crumb again added that Allan has really been out there to look at the options and how difficult it would be for legislation. People are supporting him and will be behind him, not necessarily beside him.

Mr. Korell asked for other comments or suggestions.

Don Marvin asked what are other options than the occupation tax?

Mr. Abbott answered you can have general revenue obviously which calls for a vote of the people. I'm sure that the Finance Committee will be looking at some of these things, too. All of this is again additional tax. Basically we have to raise revenue.

Larry asked what can we use?

Russ added there is no occupation tax on electric.

Allan stated there are occupational taxes in other cities with the results of what brings in revenue and sometimes it's a trade off. But the occupations tax is a method the city has.

Jan commented there is a better percentage for the gasoline tax in the city than to get money from the state.

Bob Hampton asked about district financing and SID's - which is nothing more than a financing tool. This city has no SID. If interested, he would like to bring an SID if anyone is interested. He felt could create what people like and this is nothing more than an financing tool.

Mr. Korell asked if most of the SID's are within the infrastructures?

Bob said no, it is also outside. We need to look at all the options.

Mr. Korell: We will be putting this on the list for future meetings.

Short discussion followed with Jon asking if they are built to city standards. Dan asked what happens when areas are annexed. Bob said this is a huge tool.

Mr. Korell noted there are advantages and ramifications to it.

Jan was trying to recall in the past if municipalities were hurt when the entities that held them only interest was paid and the principal was not paid, and not the bond until it was annexed.

Mr. Abbott added this is : Too often bring in one financially in the hole but not necessarily any who are ahead.

Bob Hampton again added this is a huge tool and could be crafted to Lincoln.

Jan commented that she is not for or against.

Allan stated for informational purposes on a bond you had sold in the last two days, bonds are going up but we got in at the right time - water bonds sold. All new bonds were sold and refinancing was also taken care of.

Mr. Korell felt this committee is off to a good start. He appreciated every one's participation and good work. The next meeting will be December 19th and 4:00 p.m.

8. Adjournment

The meeting was adjourned at 5:00 p.m.

I:\MIFC\committee\Mtg_Sum_Notes_MIFC_Nov_21_2002.wpd