Mayor Laurie Gere called to order the regular Anacortes City Council meeting of November 14, 2016 at 6:00 p.m. Councilmembers Eric Johnson, Ryan Walters, Erica Pickett, Brad Adams, Liz Lovelett, John Archibald and Matt Miller were present. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Public Safety Committee: Mr. Miller stated that there was nothing new to report since the last report by Mr. Adams.

Finance Committee: Mr. Johnson reported from the committee's November 9, 2016 meeting that the fund balance policy had been discussed and would be presented to Council for consideration later on the agenda.

Planning Committee: Mr. Walters reported from the committee's three-hour meeting earlier in the day. He said the group met with Bob Bengford of Makers Architecture and Urban Design to discuss Makers' scope of work for development of design standards and the process for same. Mr. Walters said the committee also discussed with Makers the organization of AMC Title 19 and that the next draft presented to Council for consideration would likely reflect that input.

Personnel Committee: Ms. Pickett reported from the committee meeting earlier in the evening at which staff provided an update on Teamster negotiations, an update on an MOU regarding the Parks Department landscaping contract, and the possibility of new agreement with Skagit County for the Senior Center.

Public Comment
No one present wished to address Council on any topic not already on the agenda.

Consent Agenda
Ms. Lovelett removed Item 5c, Accept WSDOT Noise Permit Request for 2017 Overlay Project, from the Consent Agenda. Mr. Johnson moved, seconded by Ms. Pickett, to approve the following Consent Agenda items. The motion passed unanimously by voice vote.

a. Minutes of November 7, 2016
b. Approval of Claims in the amount of: $275,625.88
d. Street Fair Application: Christmas Tree Lighting
e. Street Fair Application: Lions Club Christmas Parade
f. Resolution 1973: Adopting Tourism Promotion Strategic Plan

The following vouchers/checks were approved for payment:
Voucher (check) numbers: 82708 through 82790, total $249,905.99
EFT numbers: 209537 through 210216, total $19,998.59

c. Accept WSDOT Noise Permit Request for 2017 Overlay Project

Ms. Lovelett reported that the night work proposed by WSDOT was based on public preference expressed at workshops. City Engineer Eric Shjarback clarified that only 10-12 nights would actually be worked. Ms. Lovelett moved, seconded by Ms. Pickett, to accept Consent Agenda Item 5c. The motion passed unanimously by voice vote.

PUBLIC HEARINGS

Continued Public Hearing: Ordinance 2993: Adopting the 2017/2018 Budget and **Continued Public Hearing: Ordinance 2994: Adopting the Capital Facilities Plan (CFP) for the 6-year Period 2017-2022**

Finance Director Steve Hoglund followed up on councilmember questions regarding the proposed budget from the November 7, 2016 Council meeting. He summarized the history of TBD establishment and adoption of Resolution 1895 regarding the pavement management program funding plan. Mr. Hoglund reminded Council that the annual $200K contribution from the general fund for street maintenance had been anticipated to be offset by public safety expenditure reductions related to the new county jail but that since that time general fund spending had increased by far more than that amount for other Council-approved purposes including the new public defender office and additional personnel in the police, fire and planning departments, all of which were positive changes in line with the budget goals Council established in 2015. Mr. Hoglund stated that the Mayor's proposed budget was balanced without reliance on general fund cash reserves but that Council might choose to direct an alternative course of action.

Mr. Miller stated that he did not support increasing the vehicle tab fee and asked what cuts could be made elsewhere to provide that funding, for example the proposed $50K to replace the library carpet. Mr. Hoglund listed a number of program and personnel cuts that could yield $200K for the street program but said the options were nearly limitless. He listed increased REET contribution or an increase in utility taxes as potential revenue increases in lieu of program cuts. Mr. Walters supported increasing the REET contribution to the pavement management program. Mr. Johnson spoke in support of increasing the vehicle tab fee, noting that the $200K of general fund contribution to the pavement improvement efforts would be required every year. Mr. Archibald agreed with Mr. Johnson. Ms. Pickett observed that vehicle tab fees increase the share of pavement costs funded by those who actually drive. Mr. Adams observed that the voters may wish to spend cash reserves on streets and said he would also support dedicating more REET funding to streets. Ms. Lovelett observed that the street maintenance funding could also be reduced depending on community priorities. Mr. Walters said he would support increasing the vehicle tab fee in order to increase the street funding budget over the targeted $1.1M per year but not to maintain that same level of spending. Ms. Pickett agreed. Mr. Johnson suggested considering Mount Vernon's recent adoption of additional sales tax to fund street improvements. He disagreed with lowering the targeted $1.1M annual street improvement budget. Ms. Pickett observed that additional sales tax would result in visitors helping to support streets in addition to residents. Mayor Gere asked Mr. Hoglund to bring back some additional options for street funding to the next Council meeting at which the public hearing on the budget would continue.

Turning to other items in the proposed budget and capital facilities plan, Ms. Lovelett reiterated her request that the budget for the Senior Center roof be increased to allow for installation of a metal rather than a composite roof. Ms. Pickett and Mr. Miller both indicated that a composite roof was sufficient, Ms. Pickett adding that constituents had expressed concern to her about excessive noise from rainfall on a metal roof.

Mayor Gere invited members of the audience to comment on the budget and the capital facilities plan. No one present wished to address the Council.

Mr. Miller asked about the budgeted $150K for ADA compliance projects in facilities and on sidewalks, proposed to be funded by REET. He asked staff to address the risk of not spending that money. Mr. Walters asked for more information on what the proposed ADA projects would include.

Ms. Lovelett asked if the $100K budgeted for City Hall structure design could be spent on actual seismic improvements rather than design work and questioned that spending if a new city hall was still a possibility. Ms. Pickett elaborated on the known seismic deficiencies and proposed repairs and supported protecting public resources including public employees. Mayor Gere said staff was working with contractors to determine what could be accomplished with the proposed funding. Mr. Walters asked for copies of the existing seismic reports.

OTHER BUSINESS

UW Health Impact Assessment (HIA) presentation of Anacortes South Commercial Avenue Corridor Plan by UW Graduate Students

Public Works Director Fred Buckenmeyer introduced a group of students from the University of Washington who had prepared a Health Impact Assessment (HIA) of the city's South Commercial Avenue Corridor plan as part of their coursework for a graduate level Urban Planning course: Tianna Fallgatter, Danielle Olson and Jerzy Eisenberg-Guyot. Their slide presentation and the full HIA were included in the packet materials for the meeting. Ms. Fallgatter explained the course's involvement via the city's design consultant, Alta Planning and Design, then provided an overview of the HIA process. Mr. Eisenberg-Guyot described the preferred design prepared by Alta Design including separate bicycle lanes, wider sidewalks and reduced traffic lanes. Ms. Fallgatter outlined the project considerations guiding the analysis, then discussed in detail the effect of design elements on public health. Ms. Olson reported on health benefits associated with design features of the plan. She described how the plan would serve both residents and tourists and improve safety, health and economic vitality. Mr. Eisenberg-Guyot reported that based on the HIA the 32-student class strongly endorsed the plan, specifically design elements including reduced traffic speed, quick-build streets, additional bike and pedestrian infrastructure and increased connectivity, for their positive impact on health. He concluded with the group's recommendations including additional wayfinding measures, public safety review for emergency vehicle circulation, studies of freight traffic paths, integration of public transit facilities into the design, and limiting building setbacks. The students responded to councilmember questions about connecting ADA-accessible corridors throughout the city, elements of quick-build streets, and means of separating cyclists from motorized vehicles.

Mayor Gere invited members of the audience to comment on this agenda item. No one present wished to address the Council. She thanked the students for their extensive report.

Lodging Tax Advisory Committee Appointments

Mr. Measamer advised that LTAC members must be appointed by the legislative body annually and that following the October 10, 2016 adoption of Resolution 1972 restructuring of the LTAC, Council needed to appoint two additional LTAC committee members. Mr. Measamer advised that Talent Bank applications for the two positions had been solicited, submitted and reviewed by staff. He also advised that Mr. Miller had agreed to serve as the councilmember representative on the committee. Mr. Measamer recommended appointment of Karla Locke, Nancy Dalton and Councilmember Matt Miller to the Lodging Tax Advisory Committee for one year terms.

Mr. Walters moved, seconded by Mr. Johnson, to approve the appointments. Mayor Gere invited members of the audience to comment on this agenda item. No one present wished to address the Council. The motion passed unanimously by voice vote.

Substantial Need Resolution 1974: Authorizing 1% Property Tax Increase and **Resolution 1975: Authorizing 1% Property Tax Increase**

Mr. Hoglund summarized the rationale for Resolutions 1974 and 1975 as discussed at the public hearing on revenue sources conducted at the October 10, 2017 City Council meeting and presented in the packet for the current meeting. He reminded Council that the property tax request needed to be submitted to Skagit County by the end of November so action was required before that time.

Ms. Pickett moved, seconded by Mr. Johnson, to adopt Resolution 1974 making a declaration of substantial need for setting the property tax levy for 2017 and Resolution 1975 setting the city's year 2017 property tax regular levy increase. Mayor Gere invited members of the audience to comment on this agenda item. No one present wished to address the Council. Vote: Ayes – Walters, Pickett, Adams, Lovelett, Archibald, Miller and Johnson. Motion carried.

Resolution 1976: Adopting a Fund Balance Policy

Senior Accountant Philip Steffen provided background on the development of the draft policy, prepared by Council Finance Committee and staff, including reference to policies adopted by other jurisdictions and best practices identified by professional organizations. Mr. Steffen elaborated on the various purposes of cash reserves and recognized Council's desire, expressed during the budget process, to determine the level of reserves appropriate for each purpose and whether a surplus existed that might be directed to current spending. Referring to his slide presentation included in the packet materials for the evening, Mr. Steffen reviewed the replacement reserve funds, economic stabilization fund, utility rate stabilization funds and the unassigned fund balance levels as presented in the draft policy. He then reviewed cash balances as of September 30, 2016 and how those would be assigned under the proposed policy. Mr. Steffen noted an approximate surplus fund balance of $2.6M and reminded that staff had recommended transferring $2.2M of that to the Equipment Rental Reserve Fund (per draft Ordinance 2990). He also reviewed the fund balance calculations for the utility funds. Mr. Steffen and Mr. Johnson responded to councilmember questions about terminology used in the policy. Mayor Gere inquired if the surplus fund balance could be used to fund street improvements. Mr. Hoglund said that would be one use for the surplus while it lasted. Councilmembers discussed other one-time expenditures under consideration including construction of a third fire station and replacing the ladder truck. Mr. Archibald supported transferring the bulk of the surplus to the equipment Rental Reserve fund, noting that the reason the surplus existed was largely because that fund had been underfunded for years. Mr. Walters concurred. Mr. Miller supported the draft policy but asked to see what the reserves would look like if Council adopted a 40% rather than a 20% economic stabilization reserve level and asked how reserve levels affected the city's bond rating. In response to a question from Mr. Walters, Mr. Steffen confirmed that the proposed policy would replace the city's current emergency reserve policy which called for maintaining 5% of following year's budgeted expenditures in each fund.

Mayor Gere invited members of the audience to comment on this agenda item. No one present wished to address the Council. Mayor Gere concluded that the topic would come back to Council for further discussion and action.

Contract Award: Depot Master Plan Update
Mayor Gere asked Council to approve a contract with Makers Architecture and Urban Design to update the Depot Master Plan it had developed ten years prior. She advised that sufficient funds remained in the 2016 budget to cover the contract costs. The mayor listed the various initiatives focusing on the Depot vicinity and the need to update the plan. Ms. Lovelett spoke in support of the update and the contract. Mr. Walters confirmed with Mayor Gere that the revised plan would come back before Council for consideration, potential revision and eventual approval. Ms. Lovelett and Mr. Adams echoed that need. Councilmembers noted the number of diverse parties interested in the area.

Mr. Johnson moved, seconded by Ms. Pickett, to authorize the mayor to execute the contract for the Depot Master Plan Update with Makers Architecture and Urban Design in the amount of $19,998. Vote: Ayes – Pickett, Adams, Lovelett, Archibald, Miller, Johnson and Walters. Motion carried.

Alternative Power Discussion
Mr. Buckenmeyer reminded Councilmembers of the city's ongoing efforts to reduce its energy consumption and carbon footprint including exploration of additional solar panel installation on city facilities. He said that given the space requirements, financing complications and long payoff period of the solar project staff had been tasked with exploring alternative green power solutions. He introduced Puget Sound Energy representatives Scott Corzine and Heather Mulligan to present PSE's Green Direct program. Mr. Buckenmeyer said mayor and staff were supportive of subscribing to the program and would come back to Council in the near future seeking approval to enter into an agreement with PSE. He requested Council direction at the conclusion of the presentation as to whether staff should prepare and file an application with PSE.

Scott Corzine, PSE Major Account Executive, identified himself as the PSE contact for the city's Water Treatment Plant. He introduced his associate, Heather Mulligan, to present the Green Direct program. Ms. Mulligan referred to the slide presentation included in the packet materials for the evening. She advised that the new Green Direct (Schedule 139) program had recently been approved by the state for large commercial and municipal customers to provide a long-term commitment for dedicated green energy resources with a price hedge benefit. Ms. Mulligan described the principles underlying the program including a guaranteed price for wind based energy and a credit that would fluctuate depending on the price of electricity in PSE’s total portfolio. She then reviewed eligibility requirements and next steps, including submission of a non-binding Enrollment Application by November 18, 2016. Councilmembers discussed factors affecting the price of energy and likely trends. In response to a question from Mr. Johnson, Mr. Buckenmeyer said that enrolling the Water Treatment Plant in the Green Direct program would increase its electricity bill by approximately $53K but that signing the plant up on PSE’s interruptible power schedule would lower the bill by approximately $100K per year so the plant would experience a net savings. He indicated that the backup generators at the new plant had made the interruptible power schedule a viable option. Mr. Miller asked to see the effect of the Green Direct program on an actual electricity bill for the plant. Mr. Adams asked how the project would affect ratepayers. Mr. Buckenmeyer said this would make the plant carbon neutral and that in combination with the interruptible power schedule the total electricity cost would decrease in the first year, with the potential for offset credit savings in the future depending on the energy market. Mr. Walters and Mr. Archibald supported the idea. Ms. Mulligan advised that other city facilities could sign up for Green Direct. Ms. Lovelett asked about including the Wastewater Treatment Plant in the program. Mayor Gere inquired if there was general support for proceeding with the application and concluded that staff would proceed with the application for both the Water and Wastewater treatment plants. Mr. Buckenmeyer said he would proceed accordingly and recommended applying for the 20-year term. Mr. Miller confirmed that the actual agreement would come back to Council for approval.

There being no further business, at approximately 8:40 p.m. the Anacortes City Council meeting of November 14, 2016 was adjourned.