

City Council Minutes – October 10, 2016

Mayor Laurie Gere called to order the regular Anacortes City Council meeting of October 10, 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

Housing Affordability & Community Services Committee: Ms. Lovelett reported that at the committee meeting the prior week the housing group discussed the recent presentation by Sarah Nichols regarding funding for affordable housing and the draft affordable housing strategic plan currently under development.

Planning Committee: Mr. Adams reported from the committee meeting earlier in the evening that members had discussed several topics that would be presented later on the agenda. He said the group also began discussion of fire impact fees, a topic which would come before full Council in the future.

Ms. Pickett reported from the recent Port/City Liaison meeting that the two organizations were communicating and working well together.

Ms. Lovelett reported from the ocean acidification workshop she attended the prior Friday. She mentioned the potential impact of acidification on the shellfish industry and the relationship of acidification to the Low Impact Development presentation later on the agenda.

Mayor's Budget Message: Mayor Gere introduced her proposed 2017/2018 biennial budget and read into the record her budget message which is included in full below.

Public Comment

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

Consent Agenda

Mr. Walters removed Item 5e, Interlocal Agreement with Skagit County for Library Services, from the Consent Agenda. Mr. Johnson removed Item 5c, Contract Award: March Point Road Shoulder Widening, from the Consent Agenda.

Mr. Johnson moved, seconded by Mr. Archibald, to approve the following Consent Agenda items. The motion passed unanimously by voice vote.

- a. Minutes of October 3, 2016
- b. Approval of Claims in the amount of: \$211,532.81
- d. Interlocal Agreement with the Parks Foundation for Daniels Field Turf Replacement

The following vouchers/checks were approved for payment:
Voucher (check) numbers: 82281 through 82350, total \$187,120.19
EFT numbers: 208005 through 208947, total \$10,916.84

- c. Contract Award: March Point Road Shoulder Widening

Mr. Johnson observed that the Agenda Bill for this item indicated no previous Council action but that the project had been included in the Capital Facilities Plan and that a design contract had been approved by Council in 2015. He requested more information about the funding for the project. Public Works Director Fred Buckenmeyer advised that the subject contract was for one small portion of the project contemplated in the CFP, widening the shoulder for a bike lane between the eastern terminus of the Tommy Thompson Trail and the intersection of March Point Road with SR20. He reported that the project was funded by STPR grant funds with a 27% match by the city.

and clarified that Skagit County was not participating in the project, which was located entirely in the city right of way. Mt. Johnson moved, seconded by Ms. Pickett, to approve Consent Agenda Item 5c. The motion passed unanimously by voice vote.

e. Interlocal Agreement with Skagit County for Library Services

Mr. Walters disclosed that as a fixed salary employee of Skagit County, one of the contracting parties, under RCW 42.23.040 he had a remote interest in the agreement and for the city to enter into the agreement his vote could not be counted. Ms. Lovelett moved, seconded by Mr. Johnson, to approve the interlocal cooperative agreement between Skagit County and the City of Anacortes for library services. The motion passed unanimously by voice vote with Mr. Walters abstaining.

PUBLIC HEARINGS

Public Hearing on 2017/2018 Budgeted Revenue Sources, including Proposed Property Tax Increase

Finance Director Steve Hoglund advised that the evening's meeting constituted the statutorily required public hearing on revenue sources. Mr. Hoglund reviewed the packet materials regarding projected revenues, first in the governmental funds, then in the proprietary enterprise funds, noting the instances of proposed spending out of cash reserves. He advised that the budget was predicated on taking the full 1% property tax increase in both 2017 and 2018 and that a resolution of substantial need would be required to do that for 2017. Mr. Hoglund also pointed out that projected proprietary fund revenue depended upon water rate increases already discussed by Council based on recommendations by consultant FCS and also on an increase in storm sewer rates of \$1.35/ISU in 2017. Ms. Pickett asked if storm sewer rates could be tied to the actual impervious surface on a property. Mr. Hoglund reported that Public Works Department staff were investigating feasibility of that option. Mr. Hoglund advised that the 2018 revenue projections also anticipated doubling Transportation Benefit District vehicle tab fees in 2018 to the statutorily authorized \$40. Several councilmembers expressed concern about implementing that increase and inquired about other options for funding the street overlay program. Mr. Hoglund next reviewed general fund operating revenues and expenditures since 2007 and demonstrated that the General Fund had shown at least a minor surplus each year beginning in 2009. He closed with a brief review of the budget document format in comparison to prior years.

At approximately 7:10 p.m. Mayor Gere opened the public hearing on 2017/2018 budgeted revenue sources.

Vernon Lauridsen, 2219 32nd Street, made a pitch for a formal policy on fund balances. He calculated that in 2014 and 2015 the General Fund balance at year end represented approximately 16% of revenues. Mr. Lauridsen observed that during the recession between 2008 and 2012 while residents and businesses were struggling financially, the city was banking cash reserves. He said that would have been the time to use cash reserves to stimulate the economy through infrastructure spending. He urged a policy that contemplated the extent and nature of the need for cash reserves, possibly including triggers for reassessing the policy under different actual conditions.

Ms. Pickett recalled that at the time of the 2008 economic downturn no one knew how long the situation might last. Mr. Johnson reported that the Finance Committee had proposed a reserve policy which was currently being reviewed by staff, recommending 8.5% in the General Fund.

No one else wishing to address the Council on this matter, Mayor Gere closed the public hearing.

OTHER BUSINESS

Contract Award: Professional Services Contract for Assistance on Updates to Geologically Hazardous, Frequently Flooded, Aquifer Recharge Critical Areas Regulations

Planning Manager Libby Grage introduced a proposal for a professional services contract with GeoEngineers that she hoped to bring back to Council for approval on an upcoming Consent Agenda.

Ms. Grage's slide presentation was added to the packet materials for the evening. Ms. Grage reviewed the state's critical areas regulations and advised that the city would have to review and revise its critical areas policy regulations by June 2017. She summarized the schedule for the update through the winter of 2016 into spring and summer of 2017. Ms. Grage then introduced J. Robert Gordon of GeoEngineers to describe the proposed scope of work to be completed by his firm. Mr. Gordon described the statutory requirements for the update and the required qualifications for personnel. He provided background information on the various types of critical areas that would be addressed with best available science. Mr. Gordon responded to councilmember questions about liquefaction, sea level rise and addressing slope setbacks in the development regulations. Mr. Johnson asked about long term planning for sea level rise outside the context of development regulations. Mr. Measamer observed that the critical areas regulations update process would provide current data on projections and best available science that would assist with such an effort.

Mayor Gere invited members of the audience to comment on this topic. No one present wished to address the Council.

Mr. Measamer indicated that staff would prepare a professional services contract based on the scope of work just presented and bring the contract back to Council for adoption on the Consent Agenda.

Code Amendments Establishing New Standards for Stormwater Management

Mr. Buckenmeyer thanked the staff and councilmembers who had worked for months on the proposed code changes. He introduced David Roberts from Kulshan Services whose slide presentation was added to the packet materials for the meeting. Mr. Roberts recalled that he had addressed Council in January regarding low impact development (LID) and the statutory requirements to adopt new standards. He summarized the National Pollution Discharge Elimination System (NPDES) permit requirements and the code changes incorporated in the draft amendments. Mr. Roberts described LID features and methodology and reminded of the December 31, 2016 deadline for adopting the new code. He discussed how the engineering and street standards would also be revised to correlate to the revised code. Councilmembers discussed with staff the public education component of the permit and resources that would be developed to deter illicit discharges. Mr. Roberts discussed infiltration requirements and described the mapping project to identify areas on Fidalgo Island where infiltration is infeasible. Mr. Roberts then summarized the next steps towards the code amendments including public meetings, Council review and adoption, standards and mapping in 2016, then outreach materials and implementation in 2017.

Mr. Miller asked about new criminal and civil penalties for violations of the proposed new code. Mr. Walters described the current and planned penalties for various violations and the NPDES permit requirement for same. Mr. Miller asked to revisit that issue before adoption.

Mayor Gere invited members of the audience to comment on this topic. No one present wished to address the Council.

Tourism Promotion Planning Committee Draft Strategic Plan

Mr. Measamer presented the draft strategic plan developed by the Tourism Promotion Strategic Planning Committee. He thanked the members of the committee for their ongoing efforts. Mr. Measamer said the purpose of the plan was to provide coordinated direction to the Lodging Tax Advisory Committee (LTAC) for allocation of lodging tax dollars and tourism promotion. He also discussed the proposed restructuring of the LTAC to be addressed in the next agenda item, explaining that the restructuring was required by RCW.

LTAC member Mark Lione spoke in favor of the plan which would provide guidelines to the LTAC, change the application process to encourage new events, particularly in the shoulder seasons, and provide for a reserve to enable capital investments promote tourism. He said the plan would also call for better reporting about what the distributed funds were accomplishing.

LTAC member Andy Stewart added that the plan would ensure institutional memory on the committee and also help broaden the range of recipients and increase public input on use of the tourism promotion funds. Tourism Promotion Strategic Planning Committee members Mr. Archibald, Mr. Adams and Mr. Walters as well as Mayor Gere all spoke in favor of the plan.

Mr. Measamer then reviewed the draft plan as presented in the packet materials for the evening and sought Council and public comment on the goals and strategies. Councilmembers discussed ongoing funding for long term events, funding for events that increase public safety costs, funding for capital projects, reporting requirements for internal fund awards, and lodging tax collection from Airbnb and VRBO.

Based on general interest in and support of the draft plan, Mr. Measamer offered to work with Ms. Swetnam to draft a resolution adopting the plan and bring it back to Council for consideration on the Consent Agenda. He invited councilmembers to email him any changes or topics they would like to see addressed.

Draft Resolution 1972: Reorganizing the Lodging Tax Advisory Committee

Following some discussion of this topic in conjunction with the prior agenda item, Mr. Measamer reviewed the terms of the resolution and the proposed new structure of the LTAC membership. Mr. Walters urged adopting the ordinance in time to appoint LTAC members prior to the next grant award cycle. Several councilmembers spoke in favor of removing the requirement that the Council representative on the LTAC also be a member of the Planning Committee. Mr. Measamer advised that all the current members of the LTAC with the exception of Mr. Walters had indicated that they would like to continue to serve on the committee. Mr. Walters asked any of his colleagues who were interested in assuming his position on the LTAC to let him know.

Mr. Johnson moved, seconded by Ms. Lovelett, to approve Resolution 1972 amended to strike the words, "... who serves on the City Council Planning Committee." Vote: Ayes – Walters, Pickett, Adams, Lovelett, Archibald, Miller and Johnson. Motion carried.

There being no further business, at approximately 9:00 p.m. the Anacortes City Council meeting of October 10, 2016 was adjourned.

MAYOR'S BUDGET MESSAGE

October 10, 2016

Honorable City Council and Members of our Community:

I am pleased to present to you the City's 2017/2018 Proposed Biennial Budget, a financial roadmap for the City of Anacortes that totals \$60,914,337 in 2017 and \$60,609,507 in 2018. It is a balanced budget that reflects our commitment to maintain our infrastructure and our intent to provide quality services and amenities to our residents while being conscientious of our financial position and in compliance with RCW 35A.34.

This budget focuses on implementing City Council's goals to include public safety, economic development, and increased infrastructure investments. The budget becomes the mean for how we allocate our resources of the city to a variety of programs necessary to move our community toward its achievement of goals within the constraints of available resources.

Once adopted by the City Council, the budget establishes the direction for all City government programs and services for the coming biennium.

As fiscally responsible leader, I continuously evaluate city revenue and expenditures with a view of maintaining a strong fiscal position while providing quality municipal services. In line with the 2016 Comprehensive Plan, the city seeks to support a dynamic and robust local economy with balanced and sustainable growth that will create jobs and improve the tax basis within the community. The city supports our public safety departments and provides staff with the tools and resources needed. We seek to continuously maintain and improve our public infrastructure and facilities. The budget includes several internal infrastructure improvements including an electronic content management system and a new City website deployment. We are committed to developing and maintaining a professional, highly qualified, and highly trained and service oriented workforce. We employ sound business practices that are efficient, effective, and responsive to the delivery of city services.

The proposed budget works within our means so that we can invest in much needed infrastructure improvements and economic growth. It is important to understand that accounts are organized by fund; each fund has its own assets, liabilities, revenues, and expenditures.

The proposed 2017 budget increases our level of service and requires an increase of \$5.1 million from the current adjusted 2016 budget of \$55,839,256 representing a 9% increase. The cost of health insurance benefits continues to outpace CPI in spite of plan design changes the City has implemented to lower the cost of health insurance. The proposed 2017/2018 budget contains an additional 1 FTE in the Information Systems

budget for support of the increased demand on the department, a .5 FTE in the Legal department for implementation of the electronic content management system, and a .5 FTE in the Library for customer service. These additional positions will allow those departments to achieve the strategic goals of the Mayor and Council.

My proposed budget contains fully funded Equipment Rental and Replacement (ER&R) charges for operations and provides for fully funded replacement charges. This will be accomplished with City Council consent for a one time transfer of \$2.2 million from general fund reserves later this year and prior to adoption of the 2017/2018 biennium budget. This transfer from reserves will replenish the ER&R account without impacting our level of service. This will provide adequate funding for replacement of vehicles and provide consistency and predictability in budgeting. During tougher economic times it is common for municipalities to underfund ER&R accounts to reduce expenditure requirements; however, this approach creates a funding shortage in future years.

The 2018 budget includes one-time purchases for vehicle extrication equipment for the Fire/EMS department and an electronic content management system. These items are included in the 2018 because it is my expectation that the City not rely on reserves for ongoing operational expenses.

The governmental operating fund budget totals \$26,533,425 and receives 64% of its funding from taxes that can only grow in a strong economy. General taxes fund the operation of police, fire, ambulance service, administrative services, municipal court, legal, planning, community and economic development, parks and recreation, library, museum and street maintenance.

This year to date the majority of our revenue streams are outpacing prior year revenues for the same period. Building activity continues to be busy, with year to date revenue increases up 21.5%. Sales tax and utility tax have both seen increases over the prior year, of 5.7% and 5.4% respectively. This is the City's fourth consecutive year of sales tax growth. The increases are being driven primarily from residential construction, hospitality businesses, vehicle sales and marine trades. Midyear 2016, the School District's building projects are beginning to infuse sales tax as part of the multiyear renovation program. The City's revenue projections are conservative. Fortunately, our revenue has exceeded our expenditures allowing us to grow our reserves each year since 2009.

Property taxes are the City's single largest governmental revenue stream. I have worked closely with staff to develop a budget with a high level of service to the community that operates within the parameters of Initiative 747, which limits annual property tax increases to 1%, or the Implicit Price Deflator (IPD), whichever is less. The proposed budget utilizes a 1% property tax increase in revenue projections, however, the IPD published on September 30, 2016, was less than 1%. I will be bringing forward a resolution illustrating substantial need to be adopted by City Council to allow us to increase property taxes by the full 1%. Anacortes remains one of the lowest taxing cities

in Skagit County with a 2016 general millage of \$1.70 per \$1000 of assessed value, generating a 2016 property tax levy of \$4,777,878.

The proposed budget retains cash reserves of \$6 million in the General Fund. This is in addition to the proposed \$2.2 million transfer into the ER&R fund. We have added to our reserve's every year since 2009. The total of General Fund Reserves are projected to be \$8.2 million at year-end if the ER&R transfer is not adopted.

EXECUTIVE/LEGISLATIVE

This budget supports the resources to provide City Council and I the ability to continue to work collaboratively with staff and the community to fully implement the 2016 Comprehensive Plan, to formalize development and design standards, to update the inconsistent municipal and building codes, and to have open transparent communication and training opportunities.

FINANCE

In 2016, the finance department implemented the Tyler Output Processor (TOP) into the accounting system, which allows electronic processing of finance functions, such as payroll, accounts payable, and accounts receivable. We also outsourced utility bill and mailing to a third party vendor, which was a cost neutral shift, but freed up several hours a month of staff time. The upcoming biennium is expected to be a status quo budget period where the recent changes continue to become the norm, and other efficiencies will continue to be reviewed.

Information Technology:

The information technology (IT) department supports the City's computing requirements. We have budgeted for an additional information systems technician to assist with the compounding workload of computers, phones, websites, and security systems.

PUBLIC SAFETY

Police:

The police department budget proposal is a reflection of the department's mission as well as the City Council's goals of:

- Preventing and responding to crime
- Increasing community readiness and resilience
- Maintaining and enhancing publicly-owned assets
- Preventing and responding to emergencies

The police department applied for and received a grant from FEMA for improved radio infrastructure in 2016. The installation of this equipment will be complete in early 2017. The department is entering 2017 fully staffed with 26 commissioned police officers including a school resource officer and a narcotics K9 handler. In 2017, four officers will be assigned to work investigations, three administrative staff, and 17 patrol staff. Five

non-commissioned staff are assigned to records management, one to crime prevention, and one to animal control/code enforcement.

The 2017-2018 budget include the 3/10^{ths} of 1% sales tax pass through to Skagit County for the jail and a significant increase in our Skagit 911 fees. The police department reduced costs from previous years by leasing rather than owning copier machines. The new VoIP phone system is expected to decrease telephone costs and improve service.

The school resource officer (SRO) continues to add a level of safety and provide a resource for students, teachers, and administrators at Anacortes Middle and High Schools. This summer the SRO officer patrolled the City Parks and Forestlands enhancing community safety. The Narcotics Detection K9 team has been very successful in removing controlled substances like heroin, cocaine, oxycodone and other drugs from the community.

Fire/Medic:

The fire/medic budget maintains the current level of service with two fire stations staffed 24 hours per day and one fire station staffed 12 hours per day. Each fire station operates with two firefighters. The 2018 budget includes funds to purchase two sets of extrication cutters and spreaders to replace cutters that are over 15 years old. This purchase will enable firefighters to more effectively remove victims from significantly damaged motor vehicles with extrication equipment constructed of high tensile steel.

Last year the City Council approved Resolution 1946 that provides a plan for increasing the department's level of service over several years. The resolution outlines a six-year plan addressing fire protection, hazardous materials, confined space, rescue, emergency advanced life support ambulance service, and public education/enforcement for the community. Progress in being made based on this road map with the infusion of the ER&R account, the purchase of the extrication equipment, and the funding of the volunteer coordinator.

ADMINISTRATIVE SERVICES

Administrative services consolidates human resources, risk management, public defender's office, municipal court, and potentially senior services.

Human Resources:

The human resources department focuses on prevention and training as a risk management strategy and a way to reduce liability. Anacortes is recognized as a Well City by the Association of Washington Cities. This designation provides a 2% discount on medical premiums, which results in significant savings. The City is implementing the Affordable Care Act and continues to communicate change in health care offerings. We are committed to providing a safe work environment. The safety committee is actively engaged in reducing workplace injuries. Our projected 2017 L&I experience factor is .6985 which is 30% lower than Labor and Industries expects of similarly sized

cities. The City's focus on safety and prevention provides cost savings to the City and employees in premiums, and more importantly, helps reduce injuries.

Contract negotiations are underway for a successor Teamster Local 231 bargaining agreement. The current Teamster contract expires on December 31, 2016. In 2017 we will be entering the 3rd year of a three-year contract with IAFF 1531 and the Fraternal Order of Police (commissioned and noncommissioned) and will begin negotiations with those bargaining units.

In 2017, the Administrative Services Director and IT Director will work together to transition the City's website to a new provider. A contract with CivicPlus has been negotiated and paid for with work beginning in January.

Public Defense:

The City employs a full-time public defender and legal assistant to meet the state-mandated standards for delivery of public defense services. Our public defender attends daily in-custody hearings ensuring prompt public defense for indigent clients. Funding continues to be allocated to determine client's eligibility for public defense.

Municipal Court:

The City contracts with Skagit County District Court for judicial services. In 2016, courtroom improvements and recording system projects will be complete which will improve the sound system and functionality of the courtroom bench with the addition of a witness stand and jury box. Court improvements will continue into 2017 with additional funding to install new closed circuit cameras in the facility. Probation service usage continues to increase as a result a District Court policy that alcohol related offenses are referred to probation for pretrial monitoring and post sentence compliance with treatment requirements. The City recently entered into a 3-year interlocal agreement with Skagit County for provision of these services.

Senior Center:

Negotiations are underway with Skagit County to potentially transition Senior Center services to the City. This would include the transition of the Senior Center Administrator and Nutrition Specialist. The City and County have a long-standing agreement for the payment and administration of services and building use that will need to be accounted for. Staff is hopeful that this transition will be cost neutral for the City and a meeting to explore options is scheduled for the near future.

LEGAL

The city attorney's office provides in-house counsel to City leaders and staff to support the good work they do and ensure the City meets the highest legal standards. The legal budget currently funds a full-time city attorney, a contract city prosecutor, and a legal assistant who supports both and oversees public records and claims.

In addition to continuing to provide quality legal support to all City departments, the legal department has two main goals for the next biennium. The first of these is to accomplish

significant updates to the Anacortes Municipal Code. In 2016, the city attorney, along with planning and public works, began work on a large scale project to reconstitute the City's land use code into a unified development code. This effort will continue into the next biennium. The legal department's budget proposal reflects the funds necessary to codify all ordinance updates and support other departments in transitioning to new code.

The city attorney's office also plans to improve the City's records software over the next biennium to protect the City from the ever-growing liability of public records requests. In 2018, the legal department proposes the implementation of an enterprise content management (ECM) system to efficiently capture, manage, store, preserve, and deliver documents and content. ECM software will help the City respond to public records requests, organize records, archive older documents, and automate key City processes. To optimize ECM implementation and to bring the City's records up to current standards, the 2018 budget includes hiring a .5 FTE legal assistant.

PLANNING, COMMUNITY & ECONOMIC DEVELOPMENT & BUILDING

The planning, community, & economic development department has several projects continuing in 2017 and 2018. Monies were allocated in the 2016 budget for professional services to assist in the preparation of the state-mandated Critical areas update to include Best Available Science. In 2017, staff intends to update the zoning and subdivision code to correspond with the recently adopted 2016 Comprehensive Plan. The building department's budget is relatively unchanged from the last several years; however, permit activity has increased. As of late September 2016, 81 single-family residence permits have been issued, compared to 70 in 2015. Overall permits totaled 473 for 2016 compared to 422 for 2015. The department now scans all files internally rather than outsourcing this service for a savings of approximately \$3,500 per year. In house scanning streamlines the process and provides for better public access to the files.

Single-family alteration, repair, and remodel permits continue strong with 105 in 2016 compared to 115 in 2015. We continue to research various permitting software that would allow for better interaction with the public and includes the ability to track permit progress from your home computer.

Economic Development is core to the city success. It is a daily priority, with partnerships and open dialog in our community. These conversations are creative and utilize new ideas by thinking outside the box. During the biennium we will continue to work on Commercial Avenue enhancements with streetscape improvements, planter boxes, and art murals.

An Economic Development Strategic Plan is underway. As we work with our partners, businesses, landowners, Chamber of Commerce, the Port, and EDASC. We look to the completion of this plan late 2016 with full implementation by late 2017.

PARKS AND RECREATION

Parks and Recreation staff provides over 70 recreational programs and events for community members of all ages throughout the year. Staff maintains 19 parks, including Washington Park, Grand View Cemetery and over 2800 acres of the Anacortes Community Forest Lands. It manages the Depot Arts and Community Center & Plaza, the Anacortes Senior Center and Heart of Anacortes.

The 2017 budget includes funding for several projects that have community support including continued planning for improvements to the day use area at Washington Park, work at Volunteer Park, ongoing improvements to the Depot and planning for improvements at Grand View Cemetery.

The 2017 budget continues support for contracted landscape maintenance at city facilities including the police station, library, museum, fire stations, and other city facilities. In 2018, an additional parks maintenance position is included in the budget to assist with the beautification of City facilities.

LIBRARY

In 2017, the library will focus on more effective outreach, communication, and clearly identifying and promoting its resources. A one-time expense will be incurred to support library rebranding in an effort to provide consistent and concise marketing materials, signage, and an easily identifiable library logo.

Storytime attendance at our library doubled this past year, showing a rising need for early learning community resources. Our library is the first Family Place Library in the State of Washington. The Noon Kiwanis supported the program with a \$12,000 grant to pay for one-time training, consulting, and set-up costs. The 2017 budget includes hiring a .5 FTE Library Assistant I to allow the Youth Services Librarian to focus on the implementation of the First Place Library program.

The library seeks to meet the growing community desire for electronic resources and the budget reflects the increased cost of supporting these resources. The proposed budget includes training funds to ensure our staff have the skills to assist with new service needs. The Anacortes Public Library remains the only library in Skagit County open seven days a week. The community uses the library as a space for people to meet, collaborate, study, and gain access to information.

The library's passport service transitioned to by appointment only in 2016 due to the program's popularity and our staffing requirements. The library passport agents have processed an average of 64 applications per month; a 30% increase from last year. Passport fees are projected to increase in 2017 and this will have a positive effect on passport revenue.

In 2017, we hope to gain input from the community about how to thoughtfully utilize the balance of the library construction fund to modernize the hugely popular library meeting

room, and to find ways to re-vision library space in response to the priorities of citizen interests.

MUSEUM

The Anacortes Museum serves many constituents including visitors, citizens, schools, the Anacortes Historic Preservation Board, council members, city departments, news media, prospective business owners, educators, researchers, State agencies, tribes, the Port of Anacortes, and other museums. It is also caretaker of three major city properties: the 1910 Carnegie Library Building, the W.T. Preston stern-wheel steamboat (both of which are on National Historic Registers) and the Anacortes Maritime Heritage Center.

In May 2017, the museum will open a new exhibit, produced with the Anacortes Historic Preservation Board, on the captivating history of the community's residential architecture.

Waterfront history exhibits continue to be added at the Maritime Heritage Center, and ticket revenues are up at the W.T. Preston. Exhibit panels installed on the exterior of the Heritage Center allows after-hours and off-season visitors to learn about the W.T. Preston.

Online museum resources are extremely popular with researchers, and we continue to add more photos, videos and other resources to our online database and website so that patrons can do much of their research from home. In addition, we plan to continue co-hosting community events such as the annual Plaza Dance.

PUBLIC WORKS

The public works department is responsible for managing construction of streets and sidewalks, water lines, sewer lines and storm sewer lines and the production and distribution of water to the region; maintenance of our streets, sidewalks, street signs, and maintenance of our storm water and sewer system. Purchasing and maintaining the city's vehicle and equipment fleet; maintenance, repair, and construction of city-owned buildings; resource conservation; and managing all activities within the public right-of-way ranging from street vacations to parades.

The proposed 2017/2018 budget includes several capital improvement projects that will improve our aging infrastructure.

Engineering: Work will continue in 2017 and 2018 on the construction of a fiber optic network that will connect all our city buildings and our water and sewer facilities. This network will initially be used as a telemetry system with the ability to use it as a fiber based municipal broadband network in the future. The asset management software purchased in 2016 has allowed our engineering division to better coordinate our capital improvement projects.

Streets: Next year we will be overlaying Commercial Avenue in the downtown area as well as continuing slurry seal road preservation projects. The budget includes funding for sidewalk repair.

Water Treatment, Transmission, and Distribution: The rehabilitation of the 3-million-gallon tank located on Whistle Lake Road will begin construction in 2017 with an estimated construction cost of \$5 million.

Wastewater Treatment, Collection, and Conveyance: Recent changes instituted by the Environmental Protection Agency require that we upgrade the exhaust scrubber system on the incinerator at the wastewater plant in 2017 at the estimated cost for the upgrade is \$1 million.

Storm Drainage: The latest phase of our Department of Ecology National Pollution Discharge Permit is the implementation of Low Impact Development amendments to our storm water codes. Due to an increase in operating costs and requirements of our NPDES permit, staff will recommend an increase in the storm water rates in 2017.

Equipment Rental and Replacement (ERR): The ERR fund maintains the City's fleet and equipment requirements. To fund the ERR department each department is charged for receiving services. These charges are calculated based on the service order costs and the anticipated cost to replace the equipment in the future.

Resource Conservation: The resource conservation manager focuses on overall citywide energy reduction and encouraging downtown commercial customers to recycle. The resource conservation manager is leading our efforts in the Georgetown University Energy Prize. Anacortes is in the top 20 of the remaining 50 cities nationwide selected to participate for a possible \$5 million dollar award. Funding for water conservation measures with a water efficient appliance rebate program is included in the budget proposal.

Facilities: As part of my commitment to maintaining our infrastructure there are multiple projects proposed to enhance our facilities, many which are funded by Real Estate Excise Taxes (REET).

- \$100,000 City Hall seismic improvement study
- \$100,000 ADA Transition improvements including automatic door openers
- \$50,000 City Hall carpet replacement
- \$100,000 City Hall windows
- \$50,000 City Hall elevator upgrade
- \$135,000 Senior Center roof and floor replacement and painting project
- \$100,000 Library carpet replacement
- \$40,000 Public Safety and Court security camera upgrade
- \$65,000 flooring (public safety & fire)
- \$105,000 city facility painting projects (public safety & fire)
- \$25,000 operations garage door

- \$35,000 operations restroom

Conclusion:

Balancing the city's first 2017/2018 biennial budget is a simple equation of our operating expenditures not exceeding our operating revenues. I am committed to living within our means. As presented, my budget continues our commitment to balance fiscal responsibility while meeting City Council and community priorities. It reflects my expectation to maintain and improve our infrastructure. The proposed budget is a financial roadmap for our city and represents our continued commitment to prudent fiscal management, effective service delivery, and quality of life for our residents.

I look forward to your input.

Respectfully,
Laurie Gere
Mayor