

City Council Minutes – July 25, 2016

Mayor Laurie Gere called to order the regular Anacortes City Council meeting of July 25, 2016 at 6:00 p.m. Councilmembers Eric Johnson, Erica Pickett, Brad Adams and Matt Miller were present. Councilmembers Ryan Walters, Liz Lovelett and John Archibald were absent. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Mayor's Award of Merit to Brandon Krause: Mayor Gere read a statement awarding the Mayor's Award of Merit to Facilities Maintenance Technician Brandon Krause for outstanding service. The mayor presented Mr. Krause with a certificate in honor of the award and announced that his name would be added to the Award of Merit plaque on display at City Hall.

Planning Committee: There was no report.

Public Comment

Merrilee Huffman, 806 Commercial Avenue, addressed Council regarding a February 1, 2016 email between members of the Anacortes Housing Authority Board of Commissioners that Ms. Huffman received in response to a public records request to that agency. Ms. Huffman acknowledged that City Council has no direct authority over the Anacortes Housing Authority but asked Mayor Gere what the original Board of Commissioners guidelines were and if the mayor thought the email was proper. Mayor Gere advised that she was only made aware of the document that evening and would need more background information to comment. The mayor clarified that the city's only role in relation to the Anacortes Housing Authority was for the mayor to appoint board members.

Gayle Kersten, representing Skagit County Coalition Against Human Trafficking, invited the public to attend a program on August 23, 2016 at 9:30 a.m. at the Anacortes Public Library regarding the Nordic Model adopted by King County to protect victims of prostitution. Ms. Kersten asked for support from Council, local law enforcement and prosecutors.

Consent Agenda

Mr. Adams removed Item 5c, Contract Award: 2016-2017 Landscape Maintenance, from the Consent Agenda.

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

- a. Minutes of July 18, 2016
- b. Approval of Claims in the amount of: \$523,810.35
- d. Contract Award: M Avenue Sanitary Sewer I&I Reduction

The following vouchers/checks were approved for payment:

Voucher (check) numbers: 81348 through 81433, total \$501,630.46
EFT numbers: 205478 through 206292, total \$27,410.88

- c. Contract Award: 2016-2017 Landscape Maintenance

Mr. Adams said he had disagreed with the majority of the Council when it directed contracting this work instead of hiring a 75% parks position during the 2016 budget hearings. He said it did not appear that the \$60K annual contract would save the city any money particularly once staff oversight of the contract was considered. Mr. Adams asked Parks Department staff to comment. Mayor Gere confirmed that the

contract was pursued in response to Council direction in the 2016 budget. Mr. Miller argued that contracting the work would in fact save the city money when benefit costs and the flexibility to control ongoing costs were considered. Ms. Pickett said she had agreed with Mr. Adams during the budget hearings but now felt that a 75% staff position could not handle the extensive scope of work in the contract. Parks Operations and Forestlands Manager Jonn Lunsford responded to Mr. Adams, noting the extensive scope of work and the contract flexibility to adjust that scope. Mr. Lunsford advised that the cost effectiveness of the contract would depend on how much administrative time was required to refine expectations with the contractor during the first year using the new outsourcing model. Mr. Adams moved to deny the contract and pursue an in house position instead. The motion died for lack for a second. Mr. Miller moved, seconded by Mr. Johnson, to approve Consent Agenda Item 5c, Contract Award: 2016-2017 Landscape Maintenance. Vote: Ayes – Miller, Johnson and Pickett. Nays – Adams. Motion carried.

PUBLIC HEARINGS

Public Hearing: Ordinance 2979/Resolution 1963: Stormwater Utility Monthly User Fee Rate and Code Update

Assistant Public Works Director Matt Reynolds shared a slide presentation recommending adoption of Ordinance 2979 to update City code related to stormwater utilities and Resolution 1963 to increase stormwater utility rates. His presentation was made part of the packet materials for the evening. Mr. Reynolds summarized the extent of the utility's components and customers. He reported that rates were last adjusted effective 2008 and that current revenue was \$702K per year. Mr. Reynolds displayed net operating revenue for the utility for 2013-2016, noting that the utility had run at a deficit for 2015 and 2016 and that a rate increase was necessary to support capital expenditures required to maintain the system in compliance with the city's NPDES permit. He recommended a rate increase of \$5/month/ERU. Mr. Reynold displayed and explained the Stormwater Capital Improvement Plan for 2017-2036. He summarized the financial impact of the proposed rates to a typical residential customer and to the top 15 commercial accounts.

Ms. Pickett observed that the rate structure was not very business friendly. Mayor Gere asked if there had been any discussion about different rates for commercial customers. Mr. Miller said he was more concerned about the residential customers and asked if the Public Works Committee had considered a rate offset for implementing Low Impact Development (LID) improvements. Mr. Johnson said no but that the committee did discuss General Facilities Charges. Mr. Johnson offered a comparison of utility rates in Anacortes and Bremerton and noted that Anacortes rates for every utility were significantly lower. Ms. Pickett was not concerned with the proposed doubling of residential rates but said she was stunned that business customers would face double rates. Mr. Reynolds explained that the stormwater rates had always been based on impervious surface area. Mr. Miller asked what accounted for the net operating revenue change between 2014 and 2015. Finance Director Steve Hoglund explained that in 2015 the utility began making up deferred equipment replacement reserve funding and that it had been using cash reserves to cover the deficit in net operating revenue.

Mr. Johnson called AMC 13.10.020(D) almost too business friendly by charging only 20% of the standard rate to customers in the HM and LM1 zones. He asked to continue discussion on that issue. Mr. Hoglund explained that section of the code was based on a phased implementation of the stormwater utility rates after annexation of the SR20 corridor and agreed that it bore further discussion. Ms. Pickett asked that "ISU" be spelled out in the ordinance. Mr. Reynolds said that Impervious Surface Unit was defined elsewhere in the code. Mr. Miller suggested sending the ordinance and resolution back to the Public Works Committee to consider the discount language in 13.10.020(D) and said basing rates on ISUs was the most equitable way to structure stormwater rates. Ms. Pickett wondered if the commercial rate increase could be phased in. Mr. Adams observed that the residential rate was already proposed to step up in two phases and urged more discussion of the commercial rates. Mr. Miller again suggested that steps taken to reduce stormwater runoff on a property should offer a rate savings. Mayor Gere observed that some residential properties have more far impervious surface than others and that the flat residential rate is not based on ISU. Mr. Reynolds summarized that staff would bring back more information about the SR20 corridor rates and the potential for rate incentives to reduce impervious surface area.

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

OTHER BUSINESS

Washington State Parks Clean Vessel Program Presentation

Planning Director Don Measamer reported that staff had been working with the Port of Anacortes and Washington State Parks to explore provision of free pumpout boat service in the San Juan Islands that would deliver sanitary sewage to the Anacortes Wastewater Treatment Plant among other locations. Mr. Measamer introduced Alan Wolslegel from Washington State Parks to describe the program.

Mr. Wolslegel shared a slide presentation which was included in the packet materials for the evening. He traced the history of the Clean Vessel Act program and its nationwide operation and funding sources. Mr. Wolslegel explained that federal grants can fund 75% of construction, renovation, operation and maintenance of pump out stations for recreational boaters and educational programs to inform boaters of the importance of the proper disposal of sewage. He said the San Juan Islands was identified as the #1 target for the 2016 coastal grant, then described the proposed free service for pumping boats at remote locations that would bring sewage back to Anacortes for offload and treatment at the sewage treatment plant. He shared pumping statistics for the region. Mr. Wolslegel reported on the discussions held to date with regional players in preparation for grant applications and implementation. He said that having offload locations at a reasonable distance was a critical element of the program and estimated 100,000 gallons coming to Anacortes for processing annually. He added that the program would increase the chance of the San Juan Islands being included in a No Discharge Zone (NDZ). Mr. Wolslegel closed by asking Council to consider allowing the program to use the Anacortes Wastewater Treatment Plant as an offload location.

Mayor Gere confirmed that staff had assured her that the WWTP had plenty of capacity to accommodate that request. She asked Mr. Wolslegel to address the financial implications of the program for the city. Mr. Wolslegel said the program would pay the city 75% of its cost based on metered sewage offload and that the 25% absorbed by the city could qualify as part of the 25% match for the federal grant.

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

Mr. Measamer displayed an aerial photo annotated by the Port of Anacortes to show a potential location for the offload facility. He said if Council was agreeable, staff would continue working with the Port to draft an agreement to bring back to Council for consideration. Mayor Gere confirmed that councilmembers concurred with that course of action.

Ordinance 2985: Medical Marijuana Moratorium Extension

City Attorney Darcy Swetnam presented draft Ordinance 2985 to extend the moratorium on medical marijuana cooperatives established by Ordinance 2964 on December 7, 2015. Ms. Swetnam reported from the stakeholders meeting on held on May 10, 2016 at which attorneys from the Washington State Department of Health and Washington State Liquor and Cannabis Board advised that the state rulemaking process was still underway. Ms. Swetnam added that as of that date no communities in the state had yet adopted final regulations on cooperatives, pending finalization of the state rulemaking process. Ms. Swetnam recommended waiting another six months to re-evaluate the issues. Mr. Johnson observed that the work plan adopted by Council on February 1, 2016 by Resolution 1944 called for adoption of regulations by November 2016 and asked if the ordinance could be extended to May 2017 rather than "six (6) months from the date of enactment unless duly extended." Ms. Swetnam concurred.

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

Mr. Johnson moved, seconded by Ms. Pickett, to adopt **Ordinance 2985** extending the moratorium on medical marijuana cooperatives to May 2017. Vote: Ayes – Adams, Miller, Johnson and Pickett. Motion carried.

Finance Update

Finance Director Steve Hoglund presented an update on the city's financial position after the first half of 2016. His presentation was included in the packet materials for the evening. Mr. Hoglund reported that tax revenue was right on target, license and permit revenue was significantly ahead of budget, and that all revenue streams were healthy. Mr. Hoglund reviewed General Fund expenditures by department, explaining the apparent anomalies due to expenditures incurred disproportionately early rather than spread evenly across the year. He reviewed sales tax, real estate excise tax and Transportation Benefit District revenues in some detail and observed that all three were trending at or ahead of budget. Mr. Hoglund then reviewed revenues and expenditures in all other funds and concluded that all were on target pending grant funding and year end budgeted cash transfers.

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

Ordinance 2983: Amending 2015-2016 CFP

Mr. Hoglund introduced draft Ordinance 2983 to amend the 2015-2020 Capital Facilities Plan to include re-roofing the Operations Shop building as discussed at the July 18, 2016 City Council meeting. Mr. Hoglund advised that Anacortes School District #103 owns 40% of the building and that the city's agreement with ASD 103 in 1985 established that the District would pay 40% of contracted maintenance including specifically roofing. He explained that the CFP amendment was necessary to allow the city to use REET to fund the project. Mr. Adams requested a written agreement with the District confirming the payment terms but supported amending the CFP to allow use of REET. Ms. Pickett agreed but pointed out that REET should only be used for the city's portion of the expense. Mr. Miller suggested bringing the ordinance back after confirmation that the District was expecting the expenditure. Mayor Gere asked Mr. Hoglund to proceed accordingly.

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

Ordinance 2984: Amending 2016 Budget

Mr. Hoglund presented draft Ordinance 2984 to amend the 2016 budget and reviewed the line items listed in the budget amendment. Councilmembers agreed that the revised ordinance would come back for action after the Operations Shop roof funding was resolved. Mr. Hoglund confirmed that councilmembers were generally supportive of pursuing the VOIP project.

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

Mayor Gere confirmed that Mr. Hoglund would bring revised versions of both Ordinances 2983 and 2984 back to Council for consideration at a future meeting.

Ms. Pickett thanked the Anacortes Police Department for working with very difficult case over the weekend and said she was very proud of the department. Mayor Gere thanked Public Defender Rob Jones for his on site assistance in the same matter.

There being no further business, at approximately 7:45 p.m. the Anacortes City Council meeting of July 25, 2016 was adjourned.