

Anacortes City Council Minutes - October 6, 2025

Call to Order

Chair Anthony Young called to order the October 6, 2025, Anacortes City Council meeting at 6:00 p.m. Councilmembers Ryan Walters, Bruce McDougall, and Amanda Hubik were present. Councilmembers TJ Fantini, Carolyn Moulton, and Christine Cleland-McGrath were absent.

Mr. Walters moved, seconded by Ms. Hubik without objection, to authorize Mr. Young to chair the meeting in the absence of Mayor Miller and Mayor Pro Tempore Moulton.

Pledge of Allegiance

The assembly joined in the Pledge of Allegiance.

Mr. Walters moved, seconded by Mr. Young, to excuse the absence of Mr. Fantini and Ms. Moulton. The motion carried unanimously by voice vote.

Announcements and Committee Reports

Chair Young announced that the Anacortes Fire Department Open House would be between 12:00-3:00pm on October 12th at Fire Station 1 at 1016 13th Street. He then announced that Community Emergency Response Team training would begin on October 13th, with registration available on the [city's website](#), that there will be a Chamber of Commerce candidate forum on October 14th from 5:30-8:00pm after a candidate meet and greet from 5:00-5:30pm in the City Council Chambers for which registration is requested via the [Chamber's website](#), and that the [Downtown Streetscapes Plan Open House](#) will be on October 15th to enhance Commercial Avenue and connecting streets from 5:30-7:00pm in City Council Chambers.

Public Works Committee

Mr. Walters reported that the Public Works Committee did not meet as scheduled due to staff and other committee members being unavailable.

Mr. Walters also announced that there would be a Volunteers of America groundbreaking ceremony for a new housing development on October 16th at 2:30pm.

North Star Housing Task Force

Mr. Walters reported from the North Star Housing Task Force that met earlier in the day. The topics discussed included encouraging local elected officials to show support for housing initiatives in all four participating cities, and that there will be a North Star Housing Task Force housing forum on November 18th from 6-8pm at the Mount Vernon Public Library Commons.

Public Comment

Chair Young invited the public to comment on any item not on the agenda.

Public comment was given as follows:

Xuhua Mu of Anacortes spoke about concerns regarding the draft property tax Ordinance 5005.

Consent Agenda

Bruce McDougall moved, seconded by Amanda Hubik, to approve consent agenda items 5.a - 5.e.

Vote: Ayes - Anthony Young, Ryan Walters, Bruce McDougall, Amanda Hubik. Nays - None. Abstentions - None. Result: Passed

a. Minutes of September 22, 2025

b. Approval of claims in the amount of \$2,958,312.23

The following vouchers/checks were approved for payment:

EFT numbers: 113645 through 113701, total \$2,060,832.22

Check numbers: 113702 through 113721, total \$874,742.71

Wire transfer numbers: 376345 through 376982, total \$22,737.30

c. Contract Award: 34th & T Avenue Deep Anode Well Installation #25-244-WTR-001

d. Contract Award: East Slough Deep Anode Well Installation #25-243-WTR-001

e. Special Event: Turkey Trot

Public Hearings

2026 Budget Revenue Sources, Including an Increase in the Property Tax Levy & Ordinance 5005: Setting the 2026 Property Tax Levy

Finance Director Steve Hoglund and Finance Manager Rhonda Peck presented the projected budget revenues for 2026 that include a 1% increase in the property tax levy as proposed in the draft Ordinance 5005, referring to a slide presentation that was included in the packet materials for the meeting. Mr. Hoglund recommended that Chair Young close the public hearing at this meeting and pointed out that the city accepts public comment at any of its budget discussions regarding any topic related to budget development.

Discussion topics included:

Property Tax

- The city does not control the millage.
- The city gets the same amount of money in taxes every year except for the 1% increase and additional new construction added to the tax rolls.
- When increasing the property tax levy by 1%, the city loses 2% on property tax revenue purchasing power with projected 3% inflation.

Sales Tax

- 2.5% increase is annual growth rate over previous year.
- Projections based on historical data, and a conservative view of future revenue generation.

Utility Tax

- The estimate includes residential and industrial customers, but excludes wholesale customers.
- The ratio of consumption would be 80% industrial customers and 20% residential customers.
- The Council can set the utility tax rate to any level of increase desired.

Real Estate Excise Tax (REET)

- Projects tied to REET will not get accomplished over the next few years.
- Leaving the important projects in the Capital Facilities Plan and moving them further into the future until the revenue outlook improves.
- Efficient use of funds available for projects.

Storm and Sewer Rates

- Estimates include a 3% consumer price index inflation estimate.

- The total rate increase would be 9% for the first year and 3% every year thereafter.

At 6:42 pm, Chair Young opened the public hearing on 2026 budget revenue sources.

Chair Young invited members of the audience to comment on this agenda item.

Public comment was given as follows:

Pat Gardner of Anacortes asked about utility tax revenue and where it goes in the city budget and the proposed increase in storm and sewer rates in Mr. Hoglund's presentation.

Mr. Hoglund responded that the utilities are separate operating entities, and the city taxes each utility. The tax revenues from each utility are then placed into the general fund. General non-tax utility revenues are placed in individual funds for each utility and can only be spent on initiatives for that particular utility. He also explained that the proposed increase in storm and sewer rates would be an approximate \$10 increase per month in the average utility bill.

Xuhua Mu of Anacortes pointed out that the proposed increases to sewer and storm rates would vary per customer based upon individual consumption. She also expressed confusion about the 1% property tax increase, citing that the total property tax levy had increased an average of 8% between 2015-2025.

Mr. Hoglund explained that the Proposition 1 levy lid lift in 2023, which added \$0.36 per 1000 to the millage, or \$3 million for 2024 property taxes to accommodate 13 additional public safety employees including equipment and training accounted for some of that increase. He then pointed out that the city controls only 1% of the property tax increase, though there are other revenue sources that the city does not control that contribute to the overall property tax rate, including property valuation assessments performed by [the Skagit County Assessor](#).

Mr. Walters pointed out that the cumulative inflation rate from 2022-2024 was approximately 20%, which diminishes the purchasing power of tax revenues. He added that the city does not control the property tax rate, but only controls the amount of tax collected, which is limited to the 1% annual increase and additional construction projects added to the tax rolls, and that the property tax rate is more directly tied to the assessed property value. He added that the structural problem of a 1% annual property tax increase that has been consistently outpaced by inflation does not permit the city to provide services at the same level that ratepayers would expect. He suggested that the state government should clarify how the property tax system operates.

Mr. Young pointed out that raising taxes is a difficult choice, but using those revenues more efficiently is also a choice.

At 6:56 pm, Chair Young closed the public hearing on 2026 budget revenue sources.

Other Business

Resolution 3186: Purchasing Policy Update

City Attorney Darcy Swetnam introduced Contracts and Grants Manager Tiffany Matson, who outlined the changes to the city's purchasing policy in proposed Resolution 3186, referring to a slide presentation that was added to the packet materials for the meeting.

Discussion topics included:

- The 5 other scenarios for apprenticeship were recommended by the Municipal Research and Services Center (MRSC).
- Appreciation for the work that contracting and procurement have done to improve processes over the past decade.
- From a paper on state capacity and infrastructure costs — the quality of engineering documents is associated with a 14% reduction in project level costs.
- Attention should be paid to the substantive inputs to the procurement process as well as the process itself.

Ryan Walters moved, seconded by Amanda Hubik, to approve Resolution 3186.

Vote: Ayes - Anthony Young, Ryan Walters, Bruce McDougall, Amanda Hubik. Nays - None. Abstentions - None. Result: Passed

Ordinance 5006: Authorizing an Interfund Loan from Water to Sewer

Mr. Hoglund introduced Ordinance 5006 that would authorize an interfund loan of \$4.5 million from the water fund to the wastewater fund, mentioning that the loan would fund the vital Combined Sewer Overflow Project due to current budgetary challenges.

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

Discussion topics included:

- The project design process is nearly complete.
- \$4.5 million is the engineer's estimate for the Combined Sewer Overflow Project.
- The loan could be authorized once the contract is bid out.
- Project details.
- Project timing.
- Project funding in the Capital Facilities Plan.
- Interest rate is based upon the current 5-year treasury rate. Could vary based on economic factors.
- Possible grant funding opportunities.
- How much money the water fund has and how this loan would affect water projects.

Adjournment

There being no further business, at approximately 7:20 pm the Anacortes City Council meeting of October 6, 2025, was adjourned.