City Council Minutes – July 16, 2018

At 6:00 p.m. Mayor Laurie Gere called to order the regular Anacortes City Council meeting of July 16, 2018. Councilmembers Eric Johnson, Anthony Young, Ryan Walters, Brad Adams, Liz Lovelett, Bruce McDougall and Matt Miller were present. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Mayor Gere reported that the prior Friday she had welcomed a group of 23 exchange students and their families from KaoHsiung, Taiwan. She described the group's appreciation for relationships with Anacortes and America. The mayor shared the gifts the students presented on behalf of their City Council to the Anacortes City Council.

Mayor Gere reported that earlier in the day she and Skagit County Mayors Sexton, Boudreau and Johnson had signed a letter in support of the Skagit County EMS Director's suggestion to the County Commissioners that emergency medical services countywide transition to a fire-based model, which is what Anacortes has always had and which was recognized as the most efficient model. The mayor explained that if the commissioners were to adopt that recommendation, Central Valley Ambulance Authority would close and its staff would transition to other agencies in the county. Mr. Johnson confirmed with Mayor Gere that officials did not expect the recommendation to affect the upcoming EMS levy.

Mayor Gere reminded the public that Shipwreck Days would take place in downtown Anacortes on Saturday.

Finance Committee: Mr. Walters reported from the committee meeting the prior Wednesday. He described proposed changes to the purchasing policy that had been reviewed by the committee and which could come forward to the entire Council at a future meeting. Mr. Walters also described the group's work on an upcoming ordinance to clarify the mayor's contract authority.

Mr. Walters and Mr. McDougall reported from the fiber committee meeting the prior Friday. They described the group's ongoing work to evaluate financial models and potential structures for operations and service. Mr. Walters added that the committee would also be addressing the best use of the remainder of the County fiber grant funding.

Skagit County Law & Justice Council: Mr. Miller reported that the SCL&J Council meeting the prior week featured a presentation from Compass Health crisis prevention and intervention teams, which provide services to law enforcement agencies around the county.

Public Works Committee: Ms. Lovelett reported that the committee meeting regularly scheduled for earlier in the evening had been cancelled.

Ms. Lovelett reported from the Association of Washington Cities conference that she had attended. She commented on Anacortes's recognized strengths in the areas of fiber and affordable housing. She reported on presentations regarding the LEAD (law enforcement assisted diversion) program in Seattle to offer help to those with extreme mental and behavioral health issues. She also reported on a transitional housing model in place in various locations in Washington and Oregon featuring Conestoga Huts to create a safe sleep space. She indicated that the HACS Committee would further consider that model. Ms. Lovelett concluded by reporting the one of the best ways to engage the private sector in achieving affordable housing is simply to stimulate more market rate housing, to free up the lowest cost housing for those most in need.

Mr. Johnson announced that Skagit Co-Housing would be presenting at the Noon Kiwanis Club on August 30 and possibly at the HACS committee after that.

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

Consent Agenda
Mr. Johnson moved, seconded by Ms. Lovelett, to approve the following Consent Agenda items. The motion carried unanimously by voice vote.

a. Minutes of July 9, 2018
b. Approval of Claims in the amount of: $662,173.94
c. Contract Modification: 2018 Waterline Replacement Project 18-004-WTR-001
d. Contract Modification: Ship Harbor & SR20 Spur Intersection Design 16-025-TRN-001
e. Street Fair Application: Anacortes Community Energy Fair

The following vouchers/checks were approved for payment:
EFT numbers: 89853 through 89896, total $392,776.93
Check numbers: 89897 through 89970, total $229,744.71
Wire transfer numbers: 234855 through 235146, total $2,843.88

PUBLIC HEARINGS

Closed Record Decision Hearing: Port of Anacortes "A" Dock Replacement & Reconfiguration, SDP-2018-0002
Mayor Gere advised that at a recent Port/City Liaison Committee meeting the Port Executive Director had inadvertently brought up the subject application in the presence of several councilmembers. The mayor stated that the project was not discussed at that meeting but that in recognition of the Appearance of Fairness Doctrine the public would have an opportunity to express any objections. Mayor Gere asked the councilmembers to state if they had any interest in the subject property or the application, if they owned property within 300 feet of the subject property, if they stood to gain or lose any financial benefit as a result of the outcome of the hearing, if they could hear and consider the application in a fair and objective manner, and whether they had engaged in any *ex parte* communication with either a proponent or opponent of the application. No councilmembers had anything to disclose. Mayor Gere asked if anyone in the audience wished to raise any objections to all seven councilmembers deliberating on the application. No one present challenged any councilmember's participation.

Associate Planner Kevin Cricchio presented an application from the Port of Anacortes for a Shoreline Substantial Development Permit (SSDP) to replace the entire A-Dock float system and piles, reconfigure moorage to respond to market demands with increased beam widths and berth lengths, and upgrade on-dock and shoreline access and utilities. Mr. Cricchio's slide presentation was added to the packet materials for the meeting. He described the nature of the work, proposed mitigation, the existing land use, the underlying zoning districts, the surrounding zoning and land uses, the shoreline environment designations, the application chronology, notice of application and hearing in compliance with state and local regulations, critical area review, SEPA environmental review and the MDNS issued November 28, 2017, compliance with the Shoreline Management Act and the city's Shoreline Master Program, and compliance with city zoning permitted uses. Mr. Cricchio displayed an overhead view of the project site and selected site plans from the record. He reported that following its Pre-Decision Open Record Public Hearing on April 25, 2018, the Anacortes Planning Commission had voted 7-0 in favor of recommending approval to City Council. Mr. Cricchio recommended approval of the permit subject to staff's suggested conditions of approval.

Mr. Johnson inquired if the woody debris mitigation would conflict with small boat launching. Jenkins Dossen, Port of Anacortes Project Manager, explained that the existing ramp would remain to provide access for kayak launching and would not be blocked by woody debris. Ms. Lovelett praised the project but expressed concern about its duration, specifically the pile driving. Mr. Dossen explained that construction would begin after the

summer boating season and was scheduled to complete in early spring with pile driving, between the hours of 7 a.m. to 5 p.m. only, expected to take only 2-3 weeks. Mr. Dossen responded to councilmember questions about the reduction in number of slips, explaining that larger boats would now be accommodated, and confirmed that temporary arrangements had been made for all current A Dock tenants during construction. Mr. Walters confirmed that the MDNS conditions were incorporated by reference in recommended condition of approval 7. Mayor Gere asked for more detail about conditions imposed by the U.S. Army Corps of Engineers. Brenda Treadwell, Port of Anacortes Director of Planning, Properties and Environmental, explained the two federal permits required and the progress towards agreement on the Section 408 permit. Planning Director Don Measamer confirmed that condition of approval 3 required the Port to obtain all applicable permits before construction could begin and that if the Corps were to require any substantive changes to the project it would be re-evaluated to determine if additional public process was required by code.

Ms. Lovelett moved, seconded by Mr. Miller, to approve the subject Shoreline Substantial Development Permit (SSDP) subject to staff's recommended conditions of approval. Mr. Walters confirmed with Mr. Measamer that the permit was subject to AMC Title 19 procedural provisions including 19.28.010 regarding revisions. Vote: Ayes – Young, Walters, Adams, Lovelett, McDougall, Miller and Johnson. Motion carried.

OTHER BUSINESS

Ordinance 3025: Adopting a Speed Limit Reduction on L Avenue for the Bicycle Boulevard/Greenway

Public Works Director Fred Buckenmeyer reintroduced Ordinance 3025 and recalled that at its prior consideration of the ordinance at the July 2, 2018 regular meeting, City Council had elected to postpone action for two weeks to provide additional time for public comment. Mr. Buckenmeyer advised that reader boards in the vicinity would alert the public to the upcoming speed limit reduction. Mayor Gere confirmed with Mr. Buckenmeyer that traffic engineering staff recommended the speed limit reduction. Mr. Buckenmeyer added that his staff had applied for grant funding for this and related bicycle and pedestrian infrastructure improvements. Councilmembers reiterated suggestions that the speed limit signs and neighborhood greenway signs be co-located where possible to provide a rationale for the 20 MPH speed limit. Mr. Adams asked if stop sign patterns would be altered to provide continuous passage along the greenway. Mr. Johnson indicated that staff intended to effect those changes.

Mr. Johnson moved, seconded by Mr. McDougall, to approve Ordinance 3025 reducing the speed limit on L Avenue between 22nd Street and 5th Street to 20 miles per hour.

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

Vote: Ayes – Walters, Adams, Lovelett, McDougall, Miller, Johnson and Young. Motion carried.

Second Quarter Finance Update

Finance Director Steve Hoglund presented a series of charts summarizing the city's financial picture at the end of the second quarter. He reviewed tax revenue by type, sales tax by month (22% over prior year, 8.4% over budget, some of that increase due to the high school construction project but still 7% over prior year excluding that project), REET (13% over prior year), impact fees (83% over prior year), and lodging tax (9.5% over prior year). Mr. Hoglund then reviewed revenues and expenditures by fund compared to budget and reported no troubling discrepancies, noting funds for which year end fund transfers were pending. He concluded that the city's overall financial position was healthy.

Ms. Lovelett asked if Washington Park revenues could be applied to long needed capital projects at the park. Mr. Hoglund advised that Washington Park revenues covered the park's operating expenses and that capital projects had traditionally been funded by REET. Mr. Walters encouraged identifying those capital projects in

the CFP and the Parks & Recreation Comprehensive Plan including funding sources. Mr. Hoglund indicated that ambulance revenues were slightly below projections in Fund 110. Ms. Lovelett asked Mr. Hoglund to follow up with more information following his investigation of that pattern.

Mr. Hoglund then presented a chart summarizing the city's investment portfolio. He responded to councilmember questions about allocation of interest earnings among the various funds. Councilmembers questioned Mr. Hoglund at some length about the provenance of the approximately $58M invested. Mr. Hoglund explained that governmental accounting requires each fund to carry its own cash balance and that most funds had relatively low cash reserves other than Water Fund 401, which was accruing accelerated capital payments from the refineries. Mr. Miller observed that much of the $58M invested was obligated or restricted and reminded that Council had adopted a fund balance policy via Ordinance 2995 in 2016. Mayor Gere and Mr. Walters asked Mr. Hoglund to indicate in his future quarterly update materials the portion of the invested funds in each of the fund balance classifications, per the fund balance policy.

Mr. Hoglund then shared a slide summarizing the projected citywide debt balance through 2022. He noted that the public safety building and library bonds would both be paid off by 2019. Mr. Hoglund explained that in December 2020 the city would call the second ten years of the refinery debt in the water fund so the total debt load would drop to $26M and would drop to $13.5M by the end of 2022. Mr. McDougall observed that the water utility's regional customers would share that $13.5M obligation and that the city ratepayer portion would only be about $4M of that. Mr. Johnson noted the share of the portfolio invested in home mortgages and asked how those investments had fared during the last recession. Mr. Hoglund advised that the city had avoided those investments for several years after 2008 because of the headline risk but that those GSEs had the highest rate of return among the instruments the city was eligible to invest in.

Mr. Johnson suggested a refresher on the fund balance policy prior to the upcoming budget season. Mr. Walters requested a review of the budget calendar. Mr. Hoglund agreed to revisit that topic at the July 23, 2018 regular meeting. Mr. Walters asked that the Finance Committee address the budget process and present a proposal to the Council. Mayor Gere advised that she would be circulating the established budget goals and priorities to councilmembers in preparation for the budget categories discussion on July 23. Mr. Hoglund explained that his presentation on July 23 would address how the city funds different areas of the budget, noting that some funding is mandatory, some is required by statute or contract, and some is discretionary. He suggested that when the economy stops growing, the city would do well to have a framework in place to address shrinking revenues.

Ordinance 3026: Amending the 2017/2018 Budget

Mr. Hoglund presented Ordinance 3026 amending the 2017/2018 budget. He reviewed each line item, referring to the draft ordinance included in the packet materials for the meeting. Mr. Hoglund indicated which items were funded by reserves. He explained that a number of the items simply rolled forward funding budgeted but not spent in a prior period.

Councilmembers inquired about the new position in the building department. Mr. Hoglund reminded that building permit revenues can only be spent on specific direct costs in the building department. Mr. Walters asked when that position had been authorized by City Council. Ms. Lovelett recalled that Mr. Measamer had addressed Council on that need.

Mr. Walters moved, seconded by Ms. Lovelett, to approve Ordinance 3026 as presented.

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

Vote: Ayes – Adams, Lovelett, McDougall, Miller, Johnson, Young and Walters. Motion carried.

Resolution 2017: Transportation Benefit District 0.2% Sales Tax (for public vote in November)

City Attorney Darcy Swetnam revisited this item from the July 9, 2018 regular City Council meeting. Ms. Swetnam briefly reviewed her slide presentation from that meeting. She advised that the resolution would need to be submitted to Skagit County by August 2 in order to get on the ballot for the November general election if Council were inclined to move forward. Ms. Swetnam then shared new slides responding to councilmember questions from the July 9 meeting regarding allowed activities in support or opposition of ballot measures. Councilmembers discussed MRSC guidance tools on this issue. Mr. Walters asked that the City Attorney review any materials related to the ballot measure before they appeared in official city publications.

Ms. Swetnam presented revised language for the ballot measure that would incorporate Mr. Johnson's suggestion on July 9 that the measure reflect Council's intent to remove the $20 Transportation Benefit District vehicle license tab fee if the sales tax measure were adopted. Mr. Johnson endorsed the new language. Mr. Walters suggested changing "car" to "vehicle" and spelling out Transportation Benefit District:

> The Anacortes City Council adopted Resolution 2017 concerning a sales and use tax, intended to replace the current Anacortes Transportation Benefit District vehicle tab fee, to fund transportation improvements in the District.

Ms. Swetnam suggested that staff rewrite the concise ballot description to convey Council's intent within the allowed number of words and bring the revised Resolution 2017 back for approval on the Consent Agenda at the July 23, 2018 City Council meeting. Mr. Miller suggested also adding a whereas clause stating Council's intent to remove the vehicle tab fee if the transportation sales and use tax were approved by the voters. Ms. Swetnam agreed to add a recital to the resolution.

Resolution 2018: Transportation Benefit District Description and Funding Source Breakdown

Mr. Hoglund presented revised Resolution 2018 addressing councilmember requests form the July 9, 2018 meeting following review and revision by the Finance Committee. He summarized the revisions as presented in the packet materials for the meeting. Mr. Hoglund explained that Dept. of Revenue lead time would prevent implementation of the additional .2% sales tax until April 1 if the sales tax measure was approved by the voters on November 6. Mr. Walters suggested specifying in the resolution that the start of the sales tax and end of the vehicle license fee would take place on April 1, 2019. Councilmembers acknowledged that a partial year of sales tax revenue might not generate the amount planned from that revenue stream and might have to be made up with other general fund revenues for the first year. Mr. Johnson questioned repealing Resolution 1895 before the sales tax measure had been approved by the voters. Mr. Walters observed that Resolution 1895 was non-binding in any case. Ms. Lovelett asked what would fund an additional engineering staff position if that were required to manage the increased pavement management budget. Mr. Hoglund indicated that would require an additional general fund contribution. Mr. Miller reiterated his request to Mr. Buckenmeyer to advise at what point additional engineering staff would be requested. Mr. Johnson asked Mr. Hoglund to find out the cost to the city of running the sales tax ballot measure. Councilmembers discussed various means of revising Item 2 on page 2 of the resolution to clarify Council's intent that $1.8M be spent annually on actual contracted design and construction. Mr. Walters suggested changing the first sentence as follows:

> The City Council adopts a target expenditure amount of $1.8 million annually for pavement management projects, to be spent exclusively on professional services, *i.e.,* ~~for~~ overlays, similar pavement management work, and other work necessary to implement pavement management projects.

Ms. Lovelett moved, seconded by Mr. Young, to adopt Resolution 2018 as presented with the one change to Item 2 quoted above. Vote: Ayes – Lovelett, McDougall, Miller, Johnson, Young, Walters and Adams. Motion carried.

There being no further business, at approximately 8:05 p.m. the Anacortes City Council meeting of July 16, 2018 was adjourned.