

City Council Minutes – December 3, 2018

At 6:00 p.m. Mayor Laurie Gere called to order the regular Anacortes City Council meeting of December 3, 2018. Councilmembers Eric Johnson, Ryan Walters, Anthony Young, Brad Adams, Liz Lovelett and Matt Miller were present. Councilmember Bruce McDougall participated in the meeting via telephone.

The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Public Works Committee: Mr. Walters reported from the committee meeting earlier in the evening. He reported on the upcoming sanitary sewer storage study to address infiltration of stormwater into the sanitary sewer system, advising that staff planned to address that topic at the regular City Council meeting the following week. Mr. Walters also reported on the ongoing evaluation of the South Fidalgo water system run by Skagit PUD and the potential for the Anacortes water utility to acquire and operate that system. Mr. Walters confirmed that staff and committee members were not interested in taking on a system encumbered by significant capital spending needs. Mr. Walters also reported on the status of the school zone beacons and their impact on enforcement of vehicle speed limits in the zones. He said committee members tasked public works staff with repairing the equipment.

Public Comment

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

Mr. Young thanked staff for supporting Anacortes businesses.

Consent Agenda

Mr. Walters removed Item 5c, Contract Award: Retrofit Commercial Avenue Lighting with LED 18-063-IDS-003/004, from the Consent Agenda. Mr. Adams moved, seconded by Mr. Johnson, to approve the following Consent Agenda items. The motion carried unanimously by voice vote.

- a. Minutes of November 19, 2018 and November 26, 2018
- b. Approval of Claims in the amount of: \$187,548.20

The following vouchers/checks were approved for payment:
EFT numbers: 91421 through 91444, total \$36,763.04
Check numbers: 91445 through 91477, total \$75,853.71
Wire transfer numbers: 241144 through 241286, total \$623.28

- c. Contract Award: Retrofit Commercial Avenue Lighting with LED 18-063-IDS-003 & 18-063-IDS-004

Mr. Walters expressed three concerns about the proposed contracts: the relatively long 15-year payback time, the use of REET which could be used for other purposes, and the fact that the fixtures were not dark sky compliant. Mr. Walters said he supported prior LED conversion projects which paid for themselves in reduced energy costs in four years but he cautioned that lighting technology was likely to change substantially during the 15 year payback period for the subject fixtures. Conservation Manager Russ Pittis explained the city's goal to convert all street lights in the city to LED bulbs in order to save energy, noting that the LED bulbs use half the energy of the current bulbs. He said that PSE would continue to own the poles and the lights, and to replace bulbs that burn out at no cost to the city as it does now, but that PSE would not convert existing functional bulbs to LEDs due to the substantial cost. Mr. Johnson asked if dark sky compliant fixtures were available for the lights involved in the subject contract. Mr. Pittis said yes but that the contract cost would approximately double

if the fixtures were also changed. Ms. Lovelett asked staff to bring back a cost estimate for that option. Mr. Walters asked if the \$85K could be spent on other projects in the city that would achieve greater energy savings. Mr. Pittis said the shoebox lights on Q Avenue remain to be changed to LED. Mr. Adams said he could move to approve the contract and see how the vote goes. Mr. Miller seconded the motion to approve the contract. He again asked to know why PSE would not convert the lights to LED at its own expense as each bulb burns out over time.

Ms. Lovelett moved, seconded by Mr. Young, to postpone consideration for one week so staff could report back on whether PSE would retrofit the bulbs to LED over time and if there were any other energy efficiency programs to which the \$85K could be better directed. The motion carried unanimously by voice vote.

PUBLIC HEARINGS

Continued Public Hearing: Ordinance 3032: Adopting the 2019/2020 Biennial Budget

Finance Director Steve Hoglund presented Ordinance 3032 to adopt the 2019/2020 Biennial Budget which had been updated to incorporate councilmember feedback from the November 19, 2018 meeting. Mr. Hoglund summarized the changes, referring to his slide presentation included in the packet materials for the meeting, then displayed the total proposed budget figures for 2019 and 2020. Mr. Miller reiterated his written comments submitted in his absence at the November 19, 2018 meeting, objecting to adding the HR Manager position to the budget and suggesting that the four new positions budgeted for the fiber project were sufficient to motivate the success of that project without requiring the Administrative Services Director to oversee it. Mr. Miller expressed support for the added police officer position. He emphasized that long term fiscal stability is driven by labor costs and said he wanted to see more written justification and time studies for any new staff positions proposed, including the HR Manager. Several councilmembers commented on the productive, detailed budget discussion over a number of weeks. Ms. Lovelett looked forward to a more structured, standard format for assessing proposed new staff positions for future budgets. Mr. Miller reminded staff that the budget authorizes but does not obligate spending. Mr. Johnson spoke in support of adding the HR Manager position and having the Administrative Services Director oversee the fiber project. Mayor Gere acknowledged Mr. Miller's comments about the HR Manager position, disagreed that the Administrative Services Director position was moving towards a city manager position, and said she felt Administrative Services oversight of the fiber project was needed to make that project successful. The mayor took ultimate responsibility for the success of the fiber project.

Mayor Gere invited members of the audience to comment on this agenda item. No one present wished to address the Council. At approximately 6:41 p.m. the mayor closed the public hearing.

Ms. Lovelett moved, seconded by Mr. Young, to approve Ordinance 3032 adopting the 2019/2020 biennial budget. Vote: Ayes – Young, Walters, Adams, Lovelett, McDougall and Johnson. Nays – Miller. Motion carried.

OTHER BUSINESS

Waste Management Anacortes Recycling Presentation and Rate Relief Request

Public Works Director Fred Buckenmeyer introduced Michelle Metzler, Waste Management Public Sector Manager, to address changes in international recycling markets and their effect on local recycling efforts.

Ms. Metzler provided an overview of worldwide recycling markets, referring to her slide presentation included in the packet materials for the meeting. She summarized the impacts of China's Operation Blue Sky on the economics of recycling and specifically on increased quality standards. She explained China's domination of the global market and the benefit to the west coast of the United States which has had relatively low shipping costs to China. Ms. Metzler said that Waste Management's revenue from selling recyclables used to cover its cost of

collection and processing but no longer does. She assured Council that as the largest recycler in the country Waste Management had so far been able to find other markets for collected recyclable materials but that the prices were much lower, in some cases negative, particularly for waste paper and plastics. Ms. Lovelett asked if waste paper could be composted rather than recycled. Ms. Metzler agreed that was possible but said it was not the highest and best use of that resource stream and also contaminated the resulting compost with ink. Ms. Metzler said that changes in the industry were needed to keep recycling viable and indicated that the Washington State legislature was addressing that issue. Councilmembers discussed recycling policy and market forces with Ms. Metzler. She acknowledged that commodity markets do go up and down but said the current change was unprecedented, breaking all the models both businesses and government agencies have used to develop pricing. She said the bottom line is that recycling will be more expensive for the long term.

Ms. Metzler discussed Waste Management's customer education and outreach efforts to reduce contamination of collected materials. She then requested an increase in the rate Waste Management would charge Anacortes to collect recycling, amounting to \$0.95 per 95 gallons over and above the currently contracted rate after annual CPI increases. She explained how the cost was calculated and said the rate had been approved by the WUTC for Waste Management to pass along to its customers in unincorporated areas. Ms. Metzler also asked to amend the contract to change what will be collected curbside, excluding specific items that are currently accepted as part of the mixed paper, plastic and metal recycling streams.

Councilmembers objected both the rate calculation and to the notion of reopening pricing negotiations in the middle of a 10-year contract, noting that Waste Management is a huge and highly profitable corporation with plenty of experience in global commodities markets to have anticipated potential shifts and sufficient financial health to weather economic cycles. Ms. Metzler responded that the current global market conditions were unprecedented and that Waste Management does not normally ask for changes in the term of a contract but that these changes were necessary to keep recycling sustainable. Councilmembers requested more information on the specific materials Waste Management wanted to exclude from collection and on the rate calculations. Ms. Metzler said she had previously shared the rate calculations with staff and could make more information available to councilmembers. Councilmembers indicated that any discussion of a rate amendment would need to include a guarantee of no further rate increases during the contract term and an option to reduce the rates if market conditions changed favorably.

Mr. Walters suggested also considering going to every other week collection to reduce the cost to subscribers. Ms. Metzler indicated that Waste Management was always willing to entertain conversation and open up the contract for mutually acceptable amendments. She mentioned that both Portland and Renton had instituted every other week trash collection and weekly recycling collection without experiencing increased contamination in the recycling stream. Mr. Walters asked to see the waste characterization study of the Anacortes recycling waste stream. Mr. Young asked which of Waste Management's other recycling customers had agreed to or had denied the rate increase. Ms. Metzler said all Skagit and Snohomish county customers were being asked for comparable increases and that so far only Darrington had agreed and none had yet conclusively denied the requested increase. Mr. Johnson said he would be more comfortable supporting a rate adjustment if he knew that Waste Management was advocating substantive changes to the country's recycling system. Ms. Metzler advised that Waste Management was actively working at the state and national levels to affect policy. She said that the landscape has changed and that customers who are committed to recycling will need to pay more for it and be honest about what is actually recyclable. Mr. Walters reminded that waste reduction is preferable to recycling. He referred his colleagues to the September/October issue of the AWC magazine focusing on recycling and reporting more stringent rules product stewardship regulations in other states. He indicated he would be willing to consider Waste Management's request further after receiving the additional information councilmembers had requested during the meeting and after staff had an opportunity to explore service frequency changes with Waste Management. Mr. Young emphasized the important role of customer education to reduce contamination which was the root of the increased costs. Mayor Gere concluded that discussion of this topic would continue in the future.

Resolution 2027: 2019 Lodging Tax Funding Awards

Planning Director Don Measamer presented Resolution 2027 authorizing Tourism Promotion Fund contracts for 21 projects per the recommendation of the Lodging Tax Advisory Committee (LTAC). Referring to the agenda bill included in the packet materials for the meeting, Mr. Measamer summarized the authority for the lodging tax awards and summarized the extensive review of the current round of applications by the LTAC. Mr. Measamer said only one application was denied, the Art Dash run sponsored by the Anacortes Parks Department. LTAC chairman Mr. Miller explained that the Art Dash occurs during Arts Festival weekend when all inns in Anacortes are already at capacity, hence that event cannot meet the criteria of attracting additional visitors to spend the night in Anacortes. Mr. Measamer described the one new event funded in the current cycle, the Cascadia Poetry Festival scheduled for May 2019. Mr. Walters suggested that future resolutions authorizing lodging tax expenditures cite the RCW specifying that Council cannot award to anyone not recommended by the LTAC. Mr. Miller concurred. Ms. Lovelett referred to the capital grant to the Chamber of Commerce for the hanging baskets and asked that the baskets be suspended at an elevation that does not impede visibility of street signs including those indicating speed limits and parking regulations. Mr. Measamer said staff would investigate to see if the hanger position could be adjusted on the poles.

Mr. Walters moved, seconded by Mr. Johnson, to approve Resolution 2027 authorizing the lodging tax expenditures and the proposed contracts.

Mr. Adams asked that the Chamber of Commerce be invited to report to Council on their new marketing strategy. He also observed that runners are more likely to choose to attend races that are co-located with larger events, such as the Art Dash.

Mayor Gere thanked Mr. Miller for his extensive work chairing the LTAC. She 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.

There being no further business, at approximately 7:50 p.m. the Anacortes City Council meeting of December 3, 2018 was adjourned.