

City Council Minutes – November 6, 2017

Mayor Laurie Gere called to order the regular Anacortes City Council meeting of November 6, 2017 at 6:00 p.m. Councilmembers Eric Johnson, Ryan Walters, Erica Pickett, Brad Adams, Bruce McDougall and Matt Miller were present. Councilmember Liz Lovelett was absent. The assembly joined in the Pledge of Allegiance.

Mr. Walters moved, seconded by Mr. Johnson, to excuse the absence of Ms. Lovelett who was out of town. The motion carried unanimously by voice vote.

Announcements and Committee Reports

Library Board Appointments: Katherine Hamer and Alethea Fleming: Mayor Gere requested confirmation of her appointment of Katherine Hamer and Alethea Fleming to the Library Board of Trustees, Ms. Hamer for the remainder of a term expiring December 31, 2021 and Ms. Fleming to a 5-year term expiring December 31, 2022. Mr. Johnson moved, seconded by Ms. Pickett, to confirm the appointments. The motion carried unanimously by voice vote.

Planning Committee: No report.

Finance Committee: No report.

Public Works Committee: Mr. Johnson reported from the committee meeting earlier in the evening at which staff reported on progress at the Blue Heron reservoir project, design of the fiber optic network west end extension, the wastewater treatment plant outfall project, and the changing format of the Traffic Safety Committee. Mayor Gere and councilmembers discussed the various functions of the Traffic Safety Committee and suggested that citizens will still want a venue to express concerns about traffic safety topics.

Mr. Miller reported from the Lodging Tax Advisory Committee meeting the prior week at which the committee finalized recommendations for awards that would come to full City Council for consideration and approval soon.

Public Comment

Patti Anderson, 2213 12th Street, and Doug Shepherd, 2206 13th Street, presented a traffic safety concern regarding the alley between 12th and 13th Streets running from C Avenue to D Avenue. Their written materials and photographs were added to the packet materials for the meeting. Ms. Anderson and Mr. Shepherd explained that eastbound ferry traffic frequently attempts, unsuccessfully, to use that closed alley as an alternate route. They expressed strong concern that if the alley were opened ferry traffic would worsen and indicated that Public Works Director Fred Buckenmeyer had suggested they present their concerns directly to City Council. Upon questioning from councilmembers, Mr. Shepherd advised that new construction on 12th Street was going to be required by code to open the alley. City Attorney Darcy Swetnam quoted AMC 15.20.050, which has subsequently been removed from the code but is the code under which the building permit for the subject property was vested, regarding required improvements including the alley. Mr. McDougall asked if the alley could be improved without being opened to through traffic. Ms. Swetnam deferred to the public works department. Mr. Adams suggested referring the matter to the Public Works Committee for further investigation with staff. Mr. Walters observed that City Council cannot waive code requirements on a building permit but could address a traffic safety concern by requiring a barrier to through traffic. Mayor Gere assured Andersons and the Shepherds that staff would look at the matter very closely.

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 October 23, 2017
- b. Approval of Claims in the Amount of: \$419,892.75
- c. Street Fair Application: Lions Club Christmas Parade
- d. Interlocal Agreement 255: City of Port Townsend Cooperative Purchasing Agreement
- e. Interlocal Agreement 254: Automatic Aid with Skagit Fire District 17
- f. Contract Modification: Blue Heron Circle Reservoir Project 16-039-WTR-004

The following vouchers/checks were approved for payment:

EFT numbers: 86879 through 86959, total \$218,750.72

Check numbers: 86960 through 87021, total \$198,333.80

Wire transfer numbers: 221295 through 223696, total \$6,642.78

OTHER BUSINESS

2017/2018 Budget Mid-biennial Review and Modification

Finance Director Steve Hoglund presented a series of slides reviewing the 2017/2018 budget and suggesting modest modifications to the 2018 budget. He noted that revenue projections remain strong and that a final 2017 budget amendment would be addressed separately before year end. Mr. Hoglund then shared details of the utility fund budgets including updated revenue projections, in most cases resulting in a lower dependence on cash reserves. He concluded that staff's recommended mid-biennial modification was essentially housekeeping, following up on the careful work to establish the city's first biennial budget and careful monitoring since that time.

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

Public Meeting: Ordinance 3013 and Resolution 1996: Establishing a Unified Fee Schedule for Utility Fees and Charges

Mr. Hoglund summarized Council's recent series of discussions regarding in city water rates culminating in Council's expressed desire at the October 23, 2017 meeting to add of a new rate classification for multi-family residences, establish rates for that class and adjust the rates for residential and commercial rates accordingly effective January 1, 2018. Mr. Hoglund presented draft Ordinance 3013 to establish the new rate class in city code and draft Resolution 1996 to adopt the rates recommended by FCS Group at its October 2, 2017 presentation to City Council.

Mr. Walters spoke favorably about the definitions presented in draft Ordinance 3013 but said that AMC 13.24.010, Contamination Protection, was not the correct location for them. He suggested incorporating definitions E, F, G and the final sentence in the draft ordinance into the fee schedule pending the complete overhaul of Title 13. Mr. Miller observed that the rate class titles were not consistent between the definitions and the rate schedule. Mr. Hoglund said staff would reconcile that terminology. Mr. Walters suggested using simple labels (A, B, C) rather than descriptive titles for the rate classes.

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

The mayor concluded that staff would revise the definitions and fee schedule terminology per councilmember input and bring the legislation back to Council for action.

Agriculture Irrigation Rates

Mr. Hoglund invited continued discussion of this topic following the October 16, 2017 City Council meeting. Referring to his slides included in the packet materials for the meeting, he summarized the agriculture irrigation water rates charged by Skagit PUD, Town of La Conner and City of Anacortes vs. the cost to the city to treat that water. Mr. Hoglund reported that at its meeting on October 25, 2017 the City Council Finance Committee recommended a 3-year phased implementation to bring the agriculture irrigation rate up to actual cost. He demonstrated the resulting rates for 2018-2020 and the cost impact to fifteen agriculture irrigation customers.

Mayor Gere invited members of the audience to comment on this agenda item.

Jerry Nelson, a Skagit Valley farmer, thanked Mr. Hoglund for his memo to agricultural irrigation customers alerting them to the meeting. Mr. Nelson recalled that he and other farmers had been irrigating with Anacortes water since the water line was constructed between Mount Vernon and Anacortes in 2002/2003. Mr. Nelson said he remembered very well that the water line had to go through miles of farmland and that there was discussion at that time that the City of Anacortes was going to provide water for agricultural use along the route of the pipe. He said that made things much better for the farmers in that area who cannot use well water due to salt intrusion. Mr. Nelson said he does not irrigate fields that can only be watered using water from Town of La Conner because that water is too expensive. He explained which crops are more dependent on irrigation. He said that if water is not affordable it is essentially not available and that a 700% increase in water rates is not affordable. Mr. Nelson said he didn't know if there was ever a written agreement regarding the water rates to be charged to farmers but that such a large price increase would go against the understanding at the time the water line was constructed. He said the farmers made it easier to install the line by allowing access and easements to their property on the understanding that water would be made available to them, rather than initiate expensive litigation. Mr. Nelson suggested that it took 7-8 years to get the land back into cultivation following construction due to soil disruption. He pleaded for consideration to keep water affordable. Mr. Nelson thanked city staff for their excellent customer service to install and service the seasonal meters. He offered to serve on a committee to work on a rate structure and said other farmers would likely do so as well.

Ms. Pickett asked how farmers served by Skagit PUD and La Conner can afford to irrigate. Mr. Nelson said he can't afford to purchase water from La Conner and knows of other farmers in the same position.

Mr. McDougall asked if there was any evidence of a written agreement regarding agriculture irrigation water. Mr. Nelson said he didn't know of any but that there was an understanding at the time the line was constructed. Mr. Miller suggested that staff research that question.

Mr. Johnson confirmed with Mr. Hoglund that the city's cost to produce the water is \$1.54/ccf and that it charges the farmers only \$0.17/ccf.

Mr. Walters observed that agreements must be written to be enforceable. He noted that farmers along the route of the line got an incredible discount on water costs for over 10 years so the dramatic *percentage* increase in rates was required to get rates even up to the actual wholesale rate other customers pay. He said Anacortes ratepayers were now dramatically subsidizing the water sold to a very small group of farmers and that the city cannot do that. Ms. Pickett agreed that the city cannot legally gift public funds. She said the rate charged to farmers needs to have calculations to justify it. Mr. McDougall agreed and

framed the discussion in terms of the huge rate discount offered to a small group of farmers for at least ten years, a discount that now needed to be reduced over the next three to five years until farmers were paying the actual cost to produce the water.

Dan O'Donnell, 328 North 3rd Street, La Conner, shared a series of calculations he had prepared offering an alternative rate to be charged for agriculture irrigation water. Mr. O'Donnell's materials were added to the packet materials for the meeting. He suggested a 3-year phase in to put the new water rates in place. Mr. O'Donnell said the first reference he could find to Anacortes subsidizing water for farmers was a 1967 ordinance and that it was done to support the rich agricultural heritage of the Skagit valley. He said Mayor Dean Maxwell made a policy decision to subsidize the farmers and charged just the variable rate, no fixed costs and no capital charges. Mr. O'Donnell then referred to other pages of his submitted materials including an excerpt from AMC 13.32.035 allowing an agriculture irrigation rate, Ordinance 2909 creating AMC 13.32.035, Mr. O'Donnell's October 2, 2017 letter to Mayor Gere and City Council regarding rate calculations, a sheet calculating the amount Mr. O'Donnell believed to have been overpaid and due to be refunded to farmers for 2015, 2016 and 2017, and a proposed amendment to the City's Water Supply Agreement with the Town of La Conner drafted by Mr. O'Donnell.

Mr. Hoglund explained that La Conner never executed the agreement referenced in Ordinance 2909 so it never went into effect.

Mr. Miller asked staff to report back on whether Anacortes was using best practices to derive its water cost rates for irrigation customers and on how other water utilities calculate irrigation water rates. Mr. Johnson suggested taking time to find out from farmers, once the busy harvest season is concluded, what would be the best way to adjust the rates to achieve the best results for all parties. Mr. Walters pointed out that a very small subset of Skagit Valley farmers purchase irrigation water directly from the City of Anacortes and urged establishing any rate revisions prior to issuing any irrigation meters for 2018. He also observed that if the city's wholesale water rate was not appropriately calculated the other very large wholesale customers would have objected.

Mr. Adams urged focusing on the major issues. He acknowledged that the proposed percentage increase in the agriculture irrigation rate was large but stressed that Anacortes residential customers were paying to subsidize farmers who don't even live or farm inside the city. He also emphasized that other farmers in the valley outside the reach of the City's transmission line were paying the much higher true cost of producing the water. He agreed with Ms. Pickett and Mr. McDougall that farmers should pay the full actual cost of producing the water sold to them. He suggested that if Anacortes residents choose to subsidize farmers, this was not the appropriate means to do so. Mr. Walters concurred.

Becky Jensen, 11797 Hummingbird Lane, said she had no current connection with farmers or water but encouraged seeking input from farmers. She said she grew up in a farming community and was familiar with the economic challenges of that sector. Ms. Jensen said that as a taxpayer she very much enjoyed driving through the farmlands so if there was a way to work it out so it's not too much of a hardship on the farmers, she didn't mind paying a little part on her own water bill to keep the local beauty.

Johnny Chase, 4711 Glasgow Way, a former statistics professor, observed that it seemed unfair that one group was paying so much less than the rest. He asked what percentage of a farmer's total costs irrigation water forms. Mr. Chase pointed out that a very large percentage increase of a very small number is still a small number. He suggested that if farmers would provide information about the actual impact of increased irrigation water rates to their total production costs, the city would be in a better informed position. He said that as a taxpayer he'd have no problem helping out farmers if they were going to go under due to water rate increases but if that's not the risk, the city needs to be fair to everyone else.

Mayor Gere indicated that the discussion of this topic would continue at future meetings.

Resolution 1997: Emergency Declaration and Contract for 41st Street and Fir Crest Sanitary Sewer Repair/Replacement

Public Works Director Fred Buckenmeyer explained two recent instances of side sewer the directional drilling subcontractor on the City's fiber optics installation project and requested that City Council declare an emergency to proceed without solicitation of bids to a contract for construction of the sanitary sewer main repair/replacement with Welch Brothers. In response to councilmember questions, Mr. Buckenmeyer reported that utility locates had been performed but that side service location in the areas in question was more difficult than in well-documented sections of town. Mr. Johnson moved, seconded by Mr. Walters, to approve **Resolution 1997** and award a contract to Welch Brothers Construction, Inc. in the amount of \$35,904.32. Vote: Ayes - Walters, Pickett, Adams, McDougall, Miller and Johnson. Motion carried.

At approximately 7:57 p.m. Mayor Gere announced that City Council, the mayor and the City Attorney would convene in executive session for approximately 10 minutes to discuss potential litigation per RCW 42.30.110(i) and that the meeting would then be adjourned with no further action.

There being no further business, at approximately 8:05 p.m. the Anacortes City Council meeting of November 6, 2017 was adjourned.