

City Council Minutes – October 16, 2017

Mayor Laurie Gere called to order the regular Anacortes City Council meeting of October 16, 2017 at 6:00 p.m. Councilmembers Eric Johnson, Ryan Walters, Erica Pickett, Brad Adams, Liz Lovelett, Bruce McDougall and Matt Miller were present. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Finance Committee: Mr. Johnson reported that at the committee meeting the prior Wednesday those present discussed topics that would be presented later on the evening's agenda.

Mr. Miller reported from the Law & Justice Council meeting the prior Wednesday at which it was announced that the move of 198 inmates to the new Law & Justice Center was completed successfully on October 7, 2017 without incident.

Ms. Lovelett reported that at its meeting the prior Wednesday the Planning Commission unanimously recommended the Affordable Housing Strategic Plan. She said the plan would come before City Council on November 13, 2017.

Public Works Committee: Mr. Johnson reported from the committee meeting earlier in the evening at which staff reported that all microduct fiber materials from Craley had arrived and that the wastewater treatment plant outfall was back in order. He said those present also discussed adopting a .02% sales tax increase as an alternative to vehicle license tabs to fund the street maintenance program and spread that cost to road users other than strictly Anacortes residents. Mr. Johnson noted that license tabs generated \$317K for the program in 2016 whereas a .02% sales tax increase would have generated \$928K. Ms. Lovelett added that the group also discussed adding responsible bidder language to standard public works contracts.

Public Comment

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

Consent Agenda

Mr. Adams removed Item 5a, Minutes of October 9, 2017, from the Consent Agenda. Mr. Johnson moved, seconded by Ms. Lovelett, to approve the following Consent Agenda items. The motion carried unanimously by voice vote.

- b. Approval of Claims in the amount of: \$932,786.62
- c. Street Fair Application: Christmas Tree Lighting Event
- d. Contract Modification: Storm Sewer Pond & Swale Improvements 16-041-STM-001
- e. Grant Award Approval: Permanent Statewide Bike Counter Installation Program

The following vouchers/checks were approved for payment:
EFT numbers: 86707 through 86754, total \$651,172.72
Check numbers: 86755 through 86794, total \$271,430.24
Wire transfer numbers: 221830 through 222785, total \$4,193.63

a. Minutes of October 9, 2017

Mr. Adams removed this item from the Consent Agenda so he could abstain from voting approval since he had not attended the October 9 meeting. Ms. Lovelett moved, seconded by Mr. Walters, to approve Consent Agenda Item 5a. The motion carried unanimously by voice vote with Mr. Adams abstaining.

OTHER BUSINESS

Contract Award: Ambulance Remount Braun Northwest

Fire Chief Richard Curtis shared a slide presentation explaining the proposed contract to remount an existing ambulance box on a new chassis in contrast to the traditional purchase of an entire new ambulance. Chief Curtis said the remount would save approximately \$50K and result in a total cost of just under \$220K which would be funded by Skagit County. He said the remount would also significantly reduced the lead time to take delivery on the ambulance. Chief Curtis addressed councilmember questions about the proposed purchase, clarifying that 90% payment would be due 30 days after the city took possession of the new rig, and the procurement process under the HGAC joint purchasing agreement. He then provided some background information on the proposed vendor and shared a series of photos illustrating the process of refitting and remounting an existing ambulance box on a new chassis. Ms. Lovelett commented that when this purchase had been discussed at the Public Safety Committee it was noted that the cost savings would allow sufficient funding to include a power gurney on the rig to reduce firemedic injuries. Chief Curtis confirmed Mr. Adams's understanding that the new chassis would provide a much smoother ride for patients. Mr. Miller asked why the purchase had not been included in the 2017/2018 budget. Chief Curtis said the timing of the purchase had not been determined at the time the budget was adopted. Mr. Johnson confirmed that the used chassis would be returned to Skagit County. Mayor Gere confirmed that Skagit County had consented to the remount. Ms. Lovelett moved, seconded by Mr. Johnson, to approve the contract award for the ambulance remount to Braun Northwest. Vote: Ayes – Walters, Pickett, Adams, Lovelett, McDougall, Miller and Johnson. Motion carried.

Agriculture Irrigation Rates

Finance Director Steve Hoglund introduced a discussion of agricultural irrigation rates, referring to his slide presentation in the council packet. He summarized AMC 13.32.035 providing for an agricultural irrigation rate, illustrated the potential agricultural irrigation connections to the transmission lines between the water treatment plant in Mount Vernon and the Swinomish Slough, and reported that the Town of La Conner had asked Anacortes to work towards a resolution of the lack of parity in water rates charged to Skagit Valley agricultural irrigation customers by City of Anacortes, Town of La Conner and Skagit PUD. In response to a question from Mr. Walters, Mr. Hoglund clarified that the mayor and town administrator of La Conner had called and met with City of Anacortes staff requesting action, separate from public comments on the topic that were included in the packet materials for the meeting. Mr. Hoglund displayed the rates charged to agricultural irrigation customers by the three providers. He noted that Anacortes was selling irrigation water at far below the actual cost to treat the water, even with the indexing that was instituted when the unified fee schedule was adopted in 2015. In response to a question from Mr. McDougall, Mr. Hoglund confirmed that the city does not mark up the \$1.54 wholesale rate. Mr. Hoglund then explained the annual reconciliation process which spreads the total actual cost of treating water among the utility's seven wholesale customers including the city's own customers. He noted that agricultural irrigation consumption is added to the city's consumption so City of Anacortes customers have to make up the difference between the cost of treating irrigation water and the revenue collected from the irrigation customers, totaling \$1.37/ccf or \$143,504 in 2016. Mr. Hoglund said that in order to establish parity among neighboring agricultural customers and to provide equity to Anacortes ratepayers, staff recommended indexing the agricultural irrigation rate to the regional customer wholesale cost of treatment which would increase the rate from \$231.8/MG to \$2056.76/MG, an eight fold increase that would still result in a lower rate than that charged by either La Conner or Skagit PUD.

Councilmembers questioned why this adjustment had not been addressed in prior water rate studies. Mr. Hoglund explained that agricultural water customers were billed like other accounts receivable customers separate from the utility billing system due to the seasonal nature of their consumption and their lack of permanent meters. He presented a summary of the 15 agricultural irrigation customers signed up in 2016, their consumption, their actual costs, and their cost at the proposed rate. Several councilmembers suggested that the dramatic rate increases would best be phased in over time to allow the business models of the affected agricultural customers to adapt. Mr. Adams asked if increased agricultural irrigation rates would lower the rates for Anacortes ratepayers. Mr. Hoglund said Anacortes ratepayers could save approximately \$14/ERU/year depending on how much irrigation consumption contracted in response to new rates. Ms. Lovelett suggested that another means of establishing parity for agricultural customers of the various providers would be to lower the agricultural water rate charged to La Conner and Skagit PUD. Ms. Pickett said it was important to recover all the hard costs of treating the water and questioned whether selling water below cost was even legal. Mr. Johnson observed that the 15 irrigation customers who were paying a total of \$143K below cost were essentially each receiving a \$9566 grant from the Anacortes ratepayers.

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

Brandon Roozen, Western Washington Agriculture Association, commented that they had just become aware of the information presented at the meeting and that it was daunting. He asked to continue discussions on the topic with councilmembers and staff.

Ms. Lovelett recalled that the Comprehensive Plan prioritized ensuring that agriculture has adequate access to water. She called supporting agriculture a worthwhile pursuit. Mr. Adams noted that the city had plenty of water and asked if untreated water could be sold to irrigation customers instead. Mr. Johnson urged more input from the farmers purchasing irrigation water from La Conner and Skagit PUD.

Patrick O'Hearn, 11039 Post Drive, asked if the \$1.54/ccf cost was total cost, including variable, fixed and capital costs. Mr. Hoglund responded that it was the entire wholesale rate and that retail rate for Anacortes customers was higher.

Andy Schuh, Schuh Farms, said that his farm has relied on Anacortes water for irrigation for several years. He said irrigation water is more and more critical with climate change and that Schuh Farms irrigates most of its crops now, a change from prior years. Mr. Schuh said their business model is based on current irrigation pricing and that an 800% increase was not something they had anticipated. Mr. Schuh said he realized Anacortes could not subsidize farmers but asked that the increase be phased in as gently as possible. He said this new information had shocked him when he learned of it earlier in the day. Mr. Johnson asked Mr. Schuh to contact staff to discuss phasing that would be more acceptable.

Mayor Gere invited all parties who wished to participate in the rate discussion to contact Mr. Hoglund. She indicated that staff would collect more information and assemble phasing options to bring back to Council at a future meeting.

There being no further business, at approximately 6:45p.m. the Anacortes City Council meeting of October 16, 2017 was adjourned.