Mayor Laurie Gere called to order the regular Anacortes City Council meeting of July 24, 2017 at 6:00 p.m. Councilmembers Eric Johnson, Erica Pickett, Brad Adams, Bruce McDougall and Matt Miller were present. Councilmembers Ryan Walters and Liz Lovelett were absent. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Oath of Office for new Police Officer Tim Dills and Records Support Staff Kimberly McDermott: Police Chief John Small introduced new Police Officer Timothy R. Dills, a native of Sedro-Woolley and a graduate of the University of Washington, who graduated the prior week from the police academy. Mayor Gere administered the oath of office to Officer Dills.

Chief Small introduced Police Records Support Specialist Kimberly A. McDermott who joined the department in March 2017. Mayor Gere administered the oath of office to Ms. McDermott.

Update on CDBG 2017/2018 Funding Allocation: Planning Director Don Measamer reported that the city's Community Development Block Grant (CDBG) appropriation notice had finally been received on June 23, 2017 in the amount of $95,113, somewhat more than anticipated. Mr. Measamer reminded that Council had previously approved awards to three agencies and called Council's attention to the revised amounts for each awardee consistent with the final appropriation as listed in the packet materials for the meeting.

Planning Committee: Mr. Adams announced that the Planning Committee meeting scheduled for earlier in the evening had been cancelled.

Ms. Pickett moved, seconded by Mr. Johnson, to excuse the absence of Ms. Lovelett on medical grounds. The motion carried unanimously by voice vote.

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

Consent Agenda
Mr. McDougall removed Item 5b from the Consent Agenda. Mr. Johnson moved, seconded by Mr. Adams, to approve the following Consent Agenda items. The motion carried unanimously by voice vote.

a. Minutes of July 17, 2017
c. Contract Modification 02: Heart Lake Road Cape Seal (17-006-TRN-001)

The following vouchers/checks were approved for payment:
EFT numbers: 85759 through 85802, total $38,575.84
Check numbers: 85803 through 85860, total $281,683.68
Wire transfer numbers: 218034 through 219200, total $19,561.48

b. Approval of Claims in the amount of: $454,479.04

Mr. McDougall inquired about Dell laptops for the police department which had appeared on several recent voucher lists. Mr. Hoglund indicated he would research the matter and provide more information.

Mr. McDougall moved, seconded by Mr. Miller, to approve Consent Agenda Item 5b, approval of claims in the amount of $454,479.04. The motion carried unanimously by voice vote.

OTHER BUSINESS

Ordinance 3005: Wave Franchise Agreement
Mayor Gere removed this item from the agenda to allow the applicant additional time to prepare.

Finance Update
Finance Director Steve Hoglund reported that because the state legislature did not pass a capital budget, the previously awarded Drinking Water State Revolving Fund loan for the Blue Heron reservoirs project was not currently available. He advised that he would monitor project spending over the rest of the year to determine if alternative funding would need to be arranged to allow the project to proceed and if an interfund bridge loan could fund the project until a capital budget was approved. Mr. Hoglund shared comparative calculations for the cost of the original loan versus a bond issue; his calculations were added to the packet materials for the meeting. Mr. Miller asked Mr. Hoglund to keep Council informed of the timeline for taking action to secure alternative funding if required. Councilmembers discussed the current bond market, the payback period for interfund loans, and whether current water rates could support the project if it had to be bonded.

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

Mr. Hoglund provided an update on the city's financial picture through June 2017. He reviewed a series of charts and tables from the meeting packet materials reporting on tax revenue, sales tax, real estate excise tax (REET), impact fees and lodging tax. Mr. McDougall asked for more information about the increase in lodging tax receipts. Mr. Hoglund then reviewed the revenues and expenditures by fund compared to projections for first half of the year and explained the transaction timing accounting for the few apparent anomalies. He briefly reviewed the budget to actual report for capital projects, then highlighted the report on the city's investment diversification as of May 31, 2017. Mr. Hoglund closed with a summary of the top 30 industries contributing to the city's sales tax revenue.

Mr. Johnson noted the current upward trend in revenue and observed that future revenue might also be affected by the development regulation changes under way, then asked about an updated 20-year revenue projection analysis. Mayor Gere suggested that project might be timely in 2018 when the development regulations are complete.

Ambulance Rate Update
Mr. Hoglund reported that Skagit County Commissioners had recently set new rates for emergency ambulance service in Skagit County effective July 1, 2017. He referenced the new rates which were included in the packet materials for the meeting. Mr. Adams inquired what portion of the billed fees were collected. Mr. Hoglund replied approximately 50% due to Medicare and Medicaid payer caps.

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

Ordinance 3009: Amending the 2017/2018 Budget
Mr. Hoglund presented Ordinance 3009 to amend the 2017 budget for two parks capital projects that rolled over from the 2016 budget and for the rebate-funded LED lighting upgrade project.

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

Mr. Johnson moved, seconded by Ms. Pickett, to adopt **Ordinance 3009**, authorizing the second quarter amendment to the 2017/2018 biennial budget. Vote: Ayes - Pickett, Adams, McDougall, Miller and Johnson. Motion carried.

Resolution 1991: Authorizing Refund of 2020 Library Bond Payment

Mr. Hoglund presented a resolution to authorize early payment of the last year of the 2005 library bond. He summarized the history of the bond including prior Council action by Resolution 1624 to rebate the excess proceeds from the bond back to the taxpayers over 20 years. Mr. Hoglund explained that due to higher than expected earnings on the remaining bond funds, the debt service fund had sufficient cash to call the final year (2020) of the bond and extinguish the debt a year early in 2019 while putting over $500,000 back into the local economy in the form of lower property taxes in 2020. Mr. Hoglund's calculations indicating 2020 property tax savings of over $65 for a $400K home were added to the packet materials for the meeting.

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

Mr. Johnson moved, seconded by Ms. Pickett, to adopt **Resolution 1991** authorizing the redemption of the 2020 maturity of the 2005 UTGO library bond. Vote: Ayes - Adams, McDougall, Miller, Johnson and Pickett. Motion carried.

Resolution 1993: Emergency Declaration and Contract for West 2nd St and Hartford Avenue Sanitary Sewer Repair/Replacement

Assistant Public Works Director Matt Reynolds presented a resolution declaring an emergency for a sanitary sewer repair and a contract for the work to Construction Unlimited in the amount of $96,689.78. Mr. Reynolds explained the nature and location of the failed sewer pipe and the work proposed to install a permanent repair.

Mr. Adams moved, seconded by Mr. Miller, to approve Resolution 1993 and award a contract to Construction Unlimited for the referenced work.

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

Mr. Reynolds responded to councilmember questions regarding the nature of the temporary repair and prioritization for sewer pipe rehabilitation prior to failure.

Vote: Ayes - McDougall, Miller, Johnson, Pickett and Adams. Motion carried.

Contract Award: WWTP Outfall Line Repair (13-020-SEW-009)

Mr. Reynolds requested Council authorization to award a contract to Culbertson Marine Construction Inc. in the amount of $1,524,079.00 for repair of the Wastewater Treatment Plant (WWTP) outfall. Mr. Reynolds recalled the description of the work from prior City Council meetings and reminded that Council had previously approved sole source contracting for the project. His slide presentation was added to the packet materials for the meeting. Mr. Reynolds noted the tight schedule for the work due to a Port of Anacortes project scheduled to begin October 1 and the COE permit expiration in mid-October; he said the contractor would begin work the following week if Council approved the contract. Mr. Miller confirmed with Mr. Reynolds that the proposed schedule was acceptable to the Dept. of Ecology and clarified that the $1.5M contract would form a sizable portion of the total $2.9M budgeted for sewer fund capital projects for 2017. Mr. Adams asked how the city ensured value outside the competitive bidding process. Mr. Reynolds said the contractor's price was in line with the engineer's estimate prepared by the city's consultant, Skillings Connolly.

Mr. Johnson moved, seconded by Mr. Adams, to consent to award a contract in the amount of $1,524,079.00 to Culbertson Marine Construction Inc. for the repair of the Wastewater Treatment Plant outfall. Vote: Ayes - Miller, Johnson, Pickett, Adams and McDougall. Motion carried.

There being no further business, at approximately 7:02 p.m. the Anacortes City Council meeting of July 24, 2017 was adjourned.