

Special Meeting

At 4:00 p.m. Mayor Laurie Gere called to order the advertised special meeting of the Anacortes City Council for the purpose of conducting a site visit regarding CUP-2016-1002: Conditional Use Permit, Variance request and SEPA Environmental Review to permit the construction of two 1.5 million gallon water tanks/reservoirs at Blue Heron Circle, increasing the maximum permitted height of 35 feet to approximately 50 feet above grade for the two new reservoirs. Council convened at the south side of Blue Heron Circle east of Whistle Lake Road, Anacortes. Councilmembers Eric Johnson and Ryan Walters were present. No testimony was received and no action was taken. At approximately 4:05 p.m. the special meeting adjourned.

Regular Meeting

Mayor Laurie Gere called to order the regular Anacortes City Council meeting of February 6, 2017 at 6:00 p.m. Councilmembers Eric Johnson, Ryan Walters, Erica Pickett, Brad Adams, Liz Lovelett and John Archibald were present. Councilmember Matt Miller was absent.

The assembly joined in the Pledge of Allegiance.

Mayor Gere announce that agenda items 4a and 8a would be removed from the evening's agenda and considered at the next regular City Council meeting on February 13, 2017.

Executive Session

Mayor Gere announced that City Council would convene in Executive Session for approximately fifteen minutes to discuss collective bargaining sessions and that no action would be taken in the Executive Session. At approximately 6:16 p.m. Council resumed the regular session.

Announcements and Committee Reports

Tulip Festival Presentation: This presentation was rescheduled to the following week due to adverse weather.

Public Works Committee: Ms. Lovelett reported that the committee meeting scheduled for earlier in the evening did not occur due to committee members attending the mayor's State of the City address.

Ms. Lovelett reported from the Affordable Housing Committee meeting the prior Thursday at which the first draft of the affordable housing strategic plan was presented for feedback.

Mr. Walters and Mayor Gere reported that most of the flashing school zone lights were back in working order.

Mr. Walters reported that the Cascade Natural Gas pipeline replacement project was still underway and that sidewalk restoration would be conducted when the weather improved.

Mr. Walters asked that any public comments on the Guemes ferry shutdown parking plan should be submitted to City Council and the Public Works Department ASAP for consideration before Council enacted a temporary parking ordinance.

Ms. Lovelett announced that she would be absent for the next two regular City Council meetings.

Ms. Pickett moved, seconded by Mr. Archibald, to excuse the absence of Councilmember Miller who was stranded out of town by weather. The motion passed unanimously by voice vote.

Public Comment

Dan O'Donnell, 328 North Third Street, La Conner, spoke regarding Consent Agenda Item 6d, the regional water contract with the Town of La Conner, specifically paragraphs 7.1 and 7.2.3. Mr. O'Donnell argued that the charges should be based not on percentage share of regional usage but on percentage share of system wide usage, which he said was how the charges had always been calculated in the past. He asked that the City look into that. Mr. O'Donnell also asked for a separate contract to address irrigation water that La Conner purchases from Anacortes and then re-sells to agricultural users in its service area, which he said should be charged at the same rate that Anacortes charges to its own agricultural customers.

Finance Director Steve Hoglund responded to Mr. O'Donnell's concerns. He advised that Anacortes and La Conner had previously held discussions regarding alternative means of addressing irrigation water but that no agreement had been enacted thus far. Mr. Hoglund confirmed that the Town of La Conner had already approved and signed the agreement that was before Council for action. Mr. Hoglund also explained that the City of Anacortes was one of the seven regional customers served by the water utility and that the percentage share was in fact calculated as Mr. O'Donnell had requested.

Consent Agenda

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

- a. Minutes of January 23, 2017
- b. Approval of Claims in the amount of: \$690,013.14
- c. Regional Water Contract: City of Oak Harbor
- d. Regional Water Contract: Town of La Conner
- e. Contract Award: 2017 M Avenue Waterline Replacement Project (17-001-WTR-002)
- f. **Resolution 1981**: Authorizing Sole Source Purchase for Actiflo System Microsand
- g. Washington Park Housing Agreement

The following vouchers/checks were approved for payment:
Check numbers: 83567 and 83630 through 83729, total \$327,807.47
EFT numbers: 83568 through 83629, total \$341,597.71
Wire transfer numbers: 211806 through 212822, total \$125,532.82

PUBLIC HEARINGS

Closed Record Public Hearing, CUP-2016-1002

Planning Director Don Measamer presented an application submitted by the City of Anacortes for a Conditional Use Permit, variance request and SEPA environmental review to permit the construction of

two 1.5-million-gallon water tanks/reservoirs on the site of the present 3-million-gallon water tank at 301 Blue Heron Circle in the Public Use zone. Mr. Measamer briefly summarized the tank replacement project proposed by the applicant, the project phasing, and the finished height of the new tanks. Mr. Measamer advised that the Public Works Department had held a neighborhood meeting and performed community outreach. He said all public noticing had been completed per code. Mr. Measamer reported that following the open record public hearing before the Planning Commission on January 4, 2017 and January 11, 2017, the Commission recommended approval of the application with thirteen conditions. He explained the final condition, added by the Planning Commission, calling for construction of 6-foot-wide paved paths across the frontage of the water tower property and north from Blue Heron Circle to the southerly boundary of 4019 Whistle Lake Road. Mr. Measamer said that one public comment had been received and included in the packet materials for the evening and that no appeals of the recommendation had been filed.

Councilmembers discussed at some length Condition 13, its configuration and cost, and whether Council wished to add an additional condition specifying landscaping around the project site. Assistant Public Works Director Matt Reynolds, project lead for the applicant, said that his office had recommended leaving the site fairly open for security reasons.

City Attorney Darcy Swetnam confirmed that parties of record were allowed to comment at the closed record public hearing to the extent they had done so at previous hearings on the matter. Mayor Gere invited parties of record to address the Council.

Carol O'Hearn, 11039 Post Drive, read from prepared comments which were entered into the record. Ms. O'Hearn reiterated her comments presented at the Planning Commission hearing regarding the Shannon & Wilson geotechnical design report (Exhibit 8). Ms. O'Hearn concluded that she was glad to see a report that didn't gloss over potential geological hazards inherent in and part of building in this neighborhood.

No other parties of record were present to address the Council.

Councilmembers continued discussion of an additional condition regarding landscaping and proposed a number of different wordings. Based on the landscaping discussion, Mr. Measamer summarized councilmember intent as follows: "A landscape plan shall be provided to address the aesthetics of the area but not inhibit security along Whistle Lake Road." Councilmembers also discussed how stormwater would be addressed on site.

Mr. Johnson moved, seconded by Mr. Archibald, to approve CUP-2016-1002 subject to the thirteen conditions recommended by the Planning Commission and the fourteenth as stated by MR. Measamer. Vote: Ayes – Walters, Pickett, Adams, Lovelett, Archibald and Johnson. Motion carried.

At 7:00 p.m. Mr. Adams excused himself from the remainder of the meeting due to illness.

OTHER BUSINESS

Daniels Field Turf Installation Update

This agenda item was postponed to the next regular City Council meeting on February 13, 2017.

Request for Qualifications for Hearing Examiner Services

City Attorney Darcy Swetnam introduced a proposed course of action for selecting a hearing examiner following creation of AMC 2.30, Hearing Examiner. Ms. Swetnam advised that staff recommended proceeding without delay because of two pending applications for variances submitted under Title 19. She advised that the draft RFQ and contract were included in the packet materials for the evening and

solicited councilmember input on any suggested revisions. Ms. Swetnam presented a proposed timeline, a summary of submissions that would be required from applicants to evaluate their proposals, and a comparison of hearing examiner rates compiled by MRSC in 2011 for cities with populations similar to Anacortes. She reported that staff proposed a rate of \$125/hour for Anacortes. Ms. Swetnam reminded that the city had not yet adopted a fee schedule so the city would pay out of pocket for hearing examiner fees for the time being.

Ms. Lovelett urged establishing rates that would conform to the adopted budget for 2017. Mr. Walters and Mr. Johnson suggested several specific revisions to the RFQ and contract such as explicitly requiring compliance with AMC 2.30 and stating that an individual rather than a firm would be selected. In response to suggestions from Mr. Walters, Ms. Swetnam recommended that the Planning Commission review the applications and make a recommendation to the mayor who would then appoint the hearing examiner subject to confirmation by at least four councilmembers.

Resolution 1963: Establishing Fees for the Storm Water Utility and Ordinance 2979 Removing Storm Rates from AMC and Defining Impervious Surface Units

Public Works Director Fred Buckenmeyer shared a slide presentation updating Council on storm water utility rates and presenting a recommendation for revisions from the Public Works staff, the Public Works Committee and the mayor. His slide presentation was added to the packet materials for the meeting. Mr. Buckenmeyer thanked staff and councilmembers for their extensive research in this regard. He noted that he had distributed an updated Stormwater Capital Improvement Plan (CIP) that would replace the CIP adopted with the 2017 budget if the recommended rate structure were to be adopted.

Mr. Buckenmeyer summarized the extensive list of infrastructure included in the storm water utility, the maintenance and improvements for which it is responsible, and the increased obligations imposed by the city's NPDES Phase II permit. He then explained the measurement unit for the storm utility, the Equivalent Residential Unit (ERU), the current fee structure based on that unit, and the operating losses incurred in recent years as a result of that fee structure which had not been changed since 2008. Mr. Buckenmeyer advised that the recent operating losses, as well as all capital improvements for the utility, had been funded out of storm utility cash reserves. He then presented a revised calculation of the ERU based on sampling of residential lots in the city and explained how the revised ERU would affect the equivalent unit charges for commercial customers. Mr. Buckenmeyer said that increasing the proposed ERU from 2000 SF to 3600 SF and increasing the storm fee per ERU from \$5 to \$9 would result in no net change to the current bills for commercial customers. Ms. Pickett and Mr. Walters described the proposed revisions as more fair to ratepayers.

Mr. Buckenmeyer then presented a proposed rate schedule for 2017-2021, with a series of modest annual increases that would bring the monthly fee per ERU to \$12.50 by 2021, after which the rates would increase each January by the CPI as with the other Anacortes utilities. He reviewed the revised CIP and said that the proposed rate increases would allow for only the very basic maintenance to meet the requirements of the NPDES Phase II permit and would defer other capital improvements to 2023 and beyond.

Next Mr. Buckenmeyer described the unique rate situation in place in the HM and LM1 zones on March's Point resulting from annexation of that area in 1999 and subsequent rates set by Ordinance 2599 adopted in 2002 that are 20% of the rates charged elsewhere in the city and billed at one ERU per parcel regardless of impervious surface area. Mr. Buckenmeyer proposed a series of rate adjustments for the HM/LM1 zones that would bring their rates equal to the rest of the city by 2029 and adjust each parcel to its actual ERU.

Mr. Buckenmeyer compared Anacortes actual and proposed storm utility rates to those of neighboring cities and noted that Anacortes rates are the lowest in the area. He provided samples of the net impact to the monthly storm utility bill for representative commercial customers under the proposed rate structure, both inside and outside the HM/LM1 zones.

Councilmembers and Mayor Gere discussed the March's Point situation with Mr. Buckenmeyer, including the time period over which it would be appropriate to equalize the rates for those customers, the level of service provided there, and the need for an orderly and predictable rate pattern. Mayor Gere asked Mr. Buckenmeyer to prepare a summary of the storm infrastructure and service provided in the HM/LM1 zone.

Mr. Buckenmeyer said if councilmembers generally concurred with the proposal, staff would prepare a public outreach plan to communicate the pending rate structure changes to customers. Mayor Gere recommended that staff begin public outreach, particularly for the HM/LM1 zone and residential customers. She suggested waiting a few months to a year before implementing any storm rate changes in light of a number of other recent rate changes. The mayor assured Council that necessary storm utility expenditures could be funded out of current revenue and cash reserves for the rest of the year. Mr. Archibald and Mr. Walters both suggested that the HM/LM1 rates should equalize with the rest of the city sooner than proposed, possibly with a smaller increase the first year but a steeper progress towards rate parity. Mr. Walters argued in favor of adopting new rates as soon as possible, even if they were not to be effective until 2018, so commercial customers could plan. He asked Mr. Buckenmeyer to compare the residential vs. commercial shares of storm utility revenue under the proposal with the residential vs. commercial shares of acreage in the city. Ms. Pickett asked if the rates could incentivize reducing impervious surfaces, particularly for large commercial customers, and Mr. Walters asked about considering tiered rates. Mr. Buckenmeyer explained the consultants' recommendation not to do so. Mr. Walters suggested establishing a process by which commercial customers could request adjustment of their ERU to actual conditions over time.

Mayor Gere asked Mr. Buckenmeyer bring back an updated proposal to City Council based on the feedback provided during the evening, including Mr. Walters' suggestion to increase the HM/LM1 rates more quickly, and a communication plan for the new rate structure.

Resolution 1983: Authorizing Execution of Bargaining Agreement by and Between the City of Anacortes and the International Brotherhood of Teamsters Local 231

Administrative Services Director Emily Schuh presented a three-year bargaining agreement with Teamsters Local 231. She explained that the contract expired December 31, 2016, and that following mediation in January the city and the union successfully negotiated a successor bargaining agreement which would be effective January 1, 2017 through December 31, 2019. Ms. Schuh summarized the key features of the agreement including the Letter of Understanding regarding parks maintenance.

Mr. Johnson moved, seconded by Ms. Lovelett, to approve **Resolution 1983** authorizing execution of the collective bargaining agreement between the City of Anacortes and Teamster Local 231 effective 1/1/17-12/31/2019. Vote: Ayes – Pickett, Lovelett, Archibald, Johnson and Walters. Motion carried.

There being no further business, at approximately 8:40 p.m. the Anacortes City Council meeting of February 6, 2017 was adjourned.