

City Council Minutes – March 19, 2018

At 6:00 p.m. Mayor Laurie Gere called to order the regular Anacortes City Council meeting of March 19, 2018. Councilmembers Eric Johnson, Anthony Young, Ryan Walters, Brad Adams, Liz Lovelett, Bruce McDougall and Matt Miller were present. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Confirmation of Appointment of Library Director Ruth Barefoot: Mayor Gere requested confirmation of her appointment of Ruth Barefoot as Library Director. Ms. Barefoot's application and qualifications were included in the packet materials for the meeting. Mr. Johnson moved, seconded by Mr. Young, to confirm the appointment of Ruth Barefoot as Library Director. Vote: Ayes – Young, Walters, Adams, Lovelett, McDougall, Miller and Johnson. Motion carried. Ms. Barefoot thanked Council for the opportunity to serve the city and expressed her enthusiasm for taking on the role of director.

Mayor's Award of Excellence for Community Service: Mayor Gere recognized Sue Monahan for initiating the Simple Gesture program. The mayor summarized Ms. Monahan's history as a teacher, mother and volunteer and her organization of the program in 2015 to serve those in need with the support of 750 local families. Mayor Gere honored Ms. Monahan with the Mayor's Award of Excellence for Community Service. Ms. Monahan thanked the community for its strong support.

Public Safety Committee: Mr. Miller reported from the committee meeting the prior Tuesday. He said commissioned police contract negotiations were ongoing and that the School Resource Officer contract with the school district was being reviewed for renewal in June. Mr. Miller said that Fire Chief Richard Curtis would likely request a study on restructuring fire impact fees. He also reported that the County Commissioners would have a presentation on the 2018 EMS levy on April 9, 2018 at 10 a.m. Mr. Miller noted that achieving 24/7 staffing at all three Anacortes fire stations would require additional support from that levy. Ms. Lovelett noted that the School Resource Officer is the first line of defense against gun violence in schools and urged that he receive all the training and resources needed to be effective. Mr. Miller confirmed that the committee members had conveyed that message to Police Chief John Small and said that recent drills had allowed best practices to be incorporated into the district facilities.

Finance Committee: Mr. Johnson reported from the committee meeting the prior Wednesday. He said that the group discussed agriculture irrigation water, which would be addressed later on the agenda, as well as the purchasing policy and public works small works roster. Mr. Johnson indicated that a proposal would be forthcoming to increase the threshold for requiring quotes to be more in line with neighboring jurisdictions.

Skagit County Law & Justice Council: Mr. Miller had nothing to report.

Public Works Committee: Mr. Adams reported from the committee meeting earlier in the evening. He said that the group discussed wet industrial General Facilities Charges, which would be addressed later on the agenda, as well as the pavement management plan and updated PCI which would be presented at a regular City Council meeting in the near future. Mr. Adams indicated that the pavement ratings appeared to be stabilizing and that Council would be asked to consider whether it wanted to adjust the amount and/or funding options for the \$1.1M currently allocated annually to pavement management.

Mr. Walters reported that the prior Thursday he and Mr. Young had attended an EDASC presentation at the County Commissioners meeting regarding the proposed Skagit Tourism Promotion Area. He indicated that the presentation by the Seattle Southside Regional Tourism Authority destination marketing organization discussed how regional marketing was more effective than marketing specific communities. Mr. Walters shared statistics

cited by the presenter. Mr. Young shared additional statistics and noted that small cities within a region often compete for the same tourist dollars so that marketing regionally serves all the communities better.

Ms. Lovelett reiterated a prior suggestion that EDASC be invited to report on the new EDASC organization, especially in light of the new fee structure being charged to Anacortes. Mayor Gere said staff had met with EDASC Executive Director John Sternlicht and that a report would be forthcoming.

Mr. Johnson reported that representatives from the Housing Affordability and Community Services Committee had met with Joann Stewart and Planning Director Don Measamer regarding CDBG funding. He said Anacortes should know its 2018 funding allocation by the end of the week and that the 2018-2022 Consolidated Plan would come before City Council for action on April 2, 2018. He described the three project applications received thus far and noted that if one of those projects was not able to qualify for CDBG funding that portion could perhaps be earmarked for early leveraging money on the Olson Building. Mr. Johnson also reminded that the 20% of the CDBG allocation historically dedicated to administrative staff costs could be redirected to capital projects, leaving the general fund to cover the staff costs, or general funds could be dedicated to fund an economic development position. He suggested revisiting that topic during the upcoming budget discussions.

Mr. McDougall reported that he had attended the recent Port Commission meeting regarding the Olson Building and that there had been very strong public attendance and considerable public comment. Mr. McDougall reported universal support among those testifying for finding a way to keep and preserve the building.

Public Comment

Arlene French, 1411 8th Street, and Patty Young, 2219 32nd Street, recalled their comments at the February 5, 2018 City Council meeting expressing concern about constructing the Guemes Channel Trail (GCT) in the SHIP wetland buffer. Ms. French said they had followed up with email to Mayor and Council asking the city to take a step back to re-evaluate placing a paved 16-foot wide in that critical area. They now asked that the city halt all work on the GCT and commit to a formal public planning process. Ms. French said that would allow more voices to be heard and result in a plan that City Council could approve. She urged taking this action at the present meeting, saying many issues remained to be acknowledged, considered and resolved before continuing the GCT.

Carol O’Hearn, 11039 Post Drive, agreed with Ms. French and Ms. Young. She read from prepared remarks which were added to the packet materials for the meeting.

Mayor Gere responded that it was reasonable to request a public process but reassured the speakers that the map they were concerned about was always a conceptual map, not a done deal. She said a full environmental review of the SHIP area was underway and that staff was looking at options with private property nearby. She said no decisions had been made. Mayor Gere invited the speakers to meet with her to talk about a process going forward and assured that nothing was happening out of the public view.

Mr. Young reported that he had walked the trail a number of times with different members of the public and city staff and found that experience an eye opener. He echoed Mayor Gere, saying nothing is etched in stone at this point and that public voices are being heard.

Ms. Young stated that the conceptual alignment map was accompanied by very, very specific schematic drawings that show individual trees and retaining walls. Ms. Young stated that the Parks Department had spent a huge amount of money on this. She stated that the document presented at the November 13, 2017 City Council meeting was extremely biased and asked City Attorney Darcy Swetnam to review it again. She said it made assumptions based on prior decisions. Ms. Young said she was sorry that none of the electeds had attended “a very informative session that we had at the library” that was very factual and thoroughly researched. Ms. Young reported that the audience at the library event was amazed at the lack of transparency. She said she didn’t

believe nothing was written in stone. She said the November 13, 2017 document was the second modification to the consultant's contract and that staff had said the modification was to get the project "shovel ready". Ms. Young said she was very concerned what state that was at. She said the voucher list approved at the February 26, 2018 City Council meeting included another payment of over \$3,000 to Widener & Associates. She said money kept flowing into the project according to a very flawed non-plan.

Mayor Gere reiterated that the route was not set in stone, that the city was not moving forward at this point, and that staff was very aware that there were major concerns. The mayor said she had not been invited to the library meeting Ms. Young referred to and was only told about it the following day. Ms. Young said the meeting had been well advertised in the paper and in public media. Mayor Gere assured that the city was going to do this right and was not going to jeopardize the environment. She again invited members of the public to meet with her and discuss a plan moving forward. She urged the public not to lose faith.

Mr. Walters agreed that the city did need a plan for the GCT, regarding environmental issues and interactions with neighborhoods and the nature and purpose of the trail, that could be endorsed by the elected officials. He expressed concern that environmental review was already underway because environmental review implies a defined project to review and he did not feel Council had yet defined the project.

Mayor Gere said that she and Ms. Swetnam would review all the documents mentioned by the speakers. Ms. Young expressed concern that the Parks Foundation, while well intentioned, has huge amounts of money at its disposal.

Consent Agenda

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

- a. Minutes of March 12, 2018
- b. Approval of Claims in the amount of: \$597,887.79
- c. Street Fair Application: Waterfront Festival & Car Show

The following vouchers/checks were approved for payment:
EFT numbers: 88452 through 88502, total \$217,939.30
Check numbers: 88451 and 88503 through 88558, total \$374,318.82
Wire transfer numbers: 228759 through 229884, total \$4,173.32

OTHER BUSINESS

Ordinance 3023: Amending AMC Subsection 13.08.020, Wet Industrial GFC Calculation

Assistant Public Works Director Matt Reynolds presented draft Ordinance 3023 to redefine one of the variables used in the calculation of the General Facility Charge (GFC) for connections to the City's sewer system for the classification of building type or use referred to as "Wet Industrial Building" in order to achieve a more equitable GFC determination for this classification of connection. His slide presentation was added to the packet materials for the meeting. Mr. Reynolds clarified that GFC did not affect monthly rates, only the one-time charge levied when a facility connected to the sewer system or expanded its use. He defined "wet industrial buildings." Mr. Reynolds explained how waste strength is measured and then reviewed the current calculation of the GFC based on anticipated discharge volume and a tiered waste strength factor. He said the proposed change to the formula would use an actual calculated waste strength factor rather than the current tiered factors, resulting in a more accurate and more equitable GFC reflecting actual volume and waste strength.

Mr. Miller asked if the businesses that would be affected had been alerted. Mr. Reynolds confirmed that staff had communicated with at least two of those businesses and that the new calculation method would significantly reduce their GFCs. Mr. Adams observed that the new method would make the system more fair.

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

Mr. Walters confirmed with Mr. Reynolds that Ordinance 3023 was a temporary fix and that the entire title was due to be rewritten.

Mr. Johnson moved, seconded by Mr. Adams, to adopt Ordinance 3023 modifying the GFC calculation methodology for connection to the City's sewer system for the classification "wet industrial buildings". Vote: Ayes – Walters, Adams, Lovelett, McDougall, Miller, Johnson and Young. Motion carried.

Contract Award: Telemetry Upgrades Phase C, 14-009-IDS-005

Public Works Director Fred Buckenmeyer requested Council approval issue a contract to Quality Controls Corporation in the amount of \$275,549.79 to implement the third phase of the project to replace an aging off-site radio telemetry system for the sanitary sewer system with narrow bandwidth as required by the FCC using cellular technology, as well as putting equipment in place for future fiber hookup. Mr. Buckenmeyer's slide presentation was added to the packet materials for the meeting. He recapped the history of the project and the scope of work for the Phase C contract which includes telemetry and control upgrades to the last seven of the 23 sewer pump stations (1, 2, 4, 18, 20, 21, and 23) and cutting over the first and second phase pump stations, as well as a water pump station and tank, to the fiber optic network. Mr. Buckenmeyer explained that a separate contract later in the year to extend the fiber optic network to the west end of town would eventually connect the Phase C sewer pump stations to the fiber telemetry network.

Mr. Miller asked if the cellular telemetry network and associated cellular phone charges would need to be maintained once the pump station telemetry was switched over to fiber. Mr. McDougall inquired about the monthly cellular connections charges. Mr. Buckenmeyer explained the need to maintain redundant alternative connections for this critical information flow in case of damage to the fiber and added that the modest monthly cellular charges would be discontinued for normal operations and only reconnected if and when needed. Mr. Buckenmeyer clarified that this contract was part of the pump station controls upgrade budget line item, not the fiber telemetry line item, and was necessary regardless of whether a fiber telemetry network were available to connect the pump stations. Mr. Adams asked how, in the absence of competitive bidding, the project manager determined that the proposed fees were "fair and reasonable." Mr. Buckenmeyer responded that staff considers bids received on similar projects elsewhere to determine current industry norms; he added that the city had established a strong working relationship with QCC who had proven to be very responsive.

Mr. Walters moved, seconded by Mr. Johnson, to approve the contract as presented. Vote: Ayes – Adams, Lovelett, McDougall, Miller, Johnson, Young and Walters. Motion carried.

Contract Award: Alum Treatment of Heart Lake

Parks and Forestlands Manager Jonn Lunsford requested City Council consent to award a contract in the amount of \$112,354.00 to HAB Aquatic Solutions to perform the alum treatment to address algae growth in Heart Lake. Mr. Lunsford's slide presentation was added to the packet materials for the meeting.

He summarized the history of prior City Council funding allocation, grant award, and milfoil treatment of the lake in 2017. Mr. Lunsford reported the results of the Request for Proposals for alum treatment of the lake in 2018 beginning the week of April 2. He recommended awarding the contract to HAB. Mr. Lunsford discussed the alum treatment plan in some detail, indicating that the application would be spread over two days to protect wildlife including rough skinned newts, during which time the lake would be closed to the public, staffed by the

contractor around the clock, and monitored for potential adjustments to the resultant pH level of the lake with additional buffering agents. He added that consultant Herrera Environmental would make a public presentation and answer questions at a public meeting at the Senior Activity Center at 6:30 p.m. on March 20, 2018.

Mr. Johnson asked about the selection criteria for purchased service contracts and expressed surprise that the lowest price was not necessarily selected. Finance Director Steve Hoglund explained the different procurement rules applicable to purchased service contracts compared to public works contracts. Mr. Lunsford displayed and explained the selection criteria, criteria weighting and scoring results for this project and noted that HAB's proposed price of \$112,354 was very close to the \$107,686.25 price proposed by the second respondent to the RFP. Mr. Johnson thanked Mr. Lunsford for sharing the selection criteria and suggested that similar information be included in agenda bills for similar contracts. Ms. Lovelett reminded that the alum treatments would need to be repeated in the future, at estimated 10 year intervals, to keep the lake clear of algae and urged that the cost for such treatment be included in the Parks Department capital facility planning. She noted that quarry funds might not be the appropriate source of funding in the future. Mr. Adams asked if the alum treatment schedule would affect the annual stocking of the lake with fish. Mr. Lunsford said the State planned to stock the lake approximately two weeks after the alum treatment the week of April 2 and that opening day of fishing season was the last full weekend of April. Ms. Lovelett asked for confirmation that fish caught from the lake subsequent to the alum treatment would be safe to eat. Mr. Lunsford said he had never heard of alum adversely affecting fish but that he would confirm that with the Herrera scientist at the public presentation the following evening.

Mr. Walters moved, seconded by Mr. Miller, to approve contract as presented by voice vote. Vote: Ayes – Lovelett, McDougall, Miller, Johnson, Young, Walters and Adams. Motion carried.

Agricultural Irrigation Water

City Attorney Darcy Swetnam and Finance Director Steve Hoglund continued the discussion of agricultural irrigation water begun at the October 16, 2017 and November 6, 2017 City Council meetings. They referred to their slide presentation which was included in the packet materials for the meeting. They summarized the history of irrigation water provision and pricing by Anacortes and noted that agricultural irrigation customers now pay less than it costs the city to treat the water that they purchase. Ms. Swetnam explained the regional vs. retail water systems served by the city's water utility, demonstrating that irrigation customers are part of the retail system that serves Anacortes residents and businesses. She displayed a slide showing the points along the utility's Skagit valley transmission lines that were potential connection points for irrigation customers, then demonstrated that the area in question is outside the Anacortes water utility's service area as identified in the 2000 Coordinated Water System Plan. She summarized the legal issues involved and confirmed that Anacortes did not have written concurrence from the Town of La Conner or Skagit PUD to sell water to their customers, but noted that neither utility had its own infrastructure in place to provide water to customers in those locations. Ms. Swetnam reminded that AMC 13.32.035 did allow City Council to establish special rates for agriculture irrigation water.

Mr. Hoglund then reviewed the previously published slide summarizing agriculture irrigation rates charged by Anacortes, Skagit PUD and La Conner at the end of 2017, demonstrating that the Anacortes rates were dramatically lower than the other utilities and also lower than the actual cost to treat the water being sold. He then displayed staff's proposed rate adjustments to bring the irrigation water rate equal to the wholesale water rate through phased increases over three years beginning April 1, 2019, to allow agricultural customers time to adjust their business plans for 2019 and subsequent years.

Ms. Lovelett asked how much irrigation water was sold each season. Mr. Hoglund said approximately 117 MG in 2017. Ms. Lovelett observed that the total proposed increase of \$2168.15/MG would be a significant total bill for customers who use many MG of irrigation water in a season. Mr. Miller noted that rate adjustments would not address the service area issue raised by Ms. Swetnam. Mr. Young inquired what the cost impact was to the

city each year that the current rates remained in effect, to help determine how soon rate adjustments should be pursued if Council elected to do that. Mr. McDougall roughly calculated the subsidy to equal \$240K per year. Ms. Lovelett cautioned her colleagues about using the term “subsidy” and noted that the irrigation customers had not asked for a special rate but had simply paid the rate offered and charged to them. She reminded that Council had voted to phase in rate corrections for March Point water customers over ten years and warned that a rapid increase in agricultural irrigation rates could drive some of those customers out of business. Mr. Young voiced his support for farmers but observed that the financial impact of the current rates had been substantial over the years.

Ms. Swetnam summarized the challenges presented by the status quo: Irrigation customers are being subsidized by city residents (not by the entire regional water system), those customers are outside the City’s service area, the effective subsidy has raised equity concerns for irrigation customers paying significantly higher rates charged by La Conner, and significant increases in the Anacortes rates would impact the currently subsidized farmers. Ms. Lovelett asked if increasing the agriculture irrigation rate would result in a decrease in the retail water rate. Mr. Hoglund said an irrigation rate increase would more likely reduce the amount of future water rate increases for retail customers. He estimated the net increased revenue to the water utility from the proposed irrigation rate increase would equate to approximately \$20/year per retail water account. Ms. Lovelett observed that the subsidy was not noticeably affecting the average retail customer’s water bill so the rate adjustment could be phased in over a longer period. Mr. Walters supported using the increased revenue from increased irrigation rates to fund needed capital projects rather than reducing retail rates and emphasized the need to establish an adjustment schedule, even if phased in, because the current subsidy was illegal.

Mr. Johnson noted that there would be no revenue at all if Anacortes were not able to sell irrigation water outside its service area. Ms. Swetnam confirmed that Anacortes should not sell water outside its service area without completing an agreement with the purveyors in that service area. Mr. Hoglund discussed past conversations with La Conner officials who expressed a desire for Anacortes to increase its irrigation rates to something closer to what La Conner was charging for irrigation water but confirmed that no written agreement had been executed. Ms. Swetnam reminded that interlocal agreements require City Council approval and requested direction from Council whether and how staff should proceed. She reviewed the slide summarizing staff’s recommendations to limit irrigation meters to agricultural customers, increase the irrigation meter rate to equal the regional customer wholesale rate (which equals the cost to treat the water), phase in the rate increase over three years starting April 1, 2019, and consider interlocal agreements with Skagit PUD and La Conner to explicitly allow Anacortes to install irrigation meters in their service areas. Councilmembers generally supported pursuing agreements with Skagit PUD and La Conner, increasing the irrigation rates to the level purposed over some period of years, and initiating the rate increase in 2019 but establishing it in 2018 to allow irrigation customers to adjust their plans for the 2019 crop season. However, Mr. Young did observe that the city could choose to deliberately continue to subsidize farmers, knowing the cost, for a benefit that may not be monetary and Mr. Adams did emphasize that not only are city retail water customers subsidizing agriculture irrigation customers, those farmers that are located within reach of Anacortes meters are receiving an unfair advantage over other Skagit valley farmers who have to pay the much higher rates charged by PUD and La Conner. Mr. Johnson noted that the prior fall Mr. Hoglund had requested feedback from Anacortes irrigation customers on a proposed rate increase but had received very little response.

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

Steve Schuh, who owns Schuh Farms with his wife Susan, said they could handle the rate increase if it were not implemented so fast. He said in 2017 they paid \$1800 for 4-5 MG of irrigation water but indicated they would not be able to afford that quantity at the new target rate. Mr. Schuh said if he is able to plan ahead, he can change what he grows. He noted that the need for irrigation in the region has fluctuated over the years but has steadily risen in recent years. He suggested phasing in the increase over six years or so.

Patrick Gallagher, 1406 Portalis Court, asked what percentage of the water pipe capacity was being used by the agricultural customers. He wondered if the pipe had been sized originally to serve agriculture as well as the rest of the regional system, noting that the demand in the city was increasing. Mr. Hoglund said that in rough numbers the water utility sold over 6 billion gallons in 2017 and only 117 MG of that was through agricultural meters so there was adequate capacity to serve them.

Dan O'Donnell, 328 North 3rd Street, La Conner, said AMC 13.32.035 allowed Anacortes to sell irrigation water to La Conner at a reduced rate. He urged Anacortes to either do that or rewrite its code and said he requested that action from Council in his letter dated October 2, 2017 but never received an answer. Mr. O'Donnell also asked that Ordinance 2909 be cancelled. Mr. O'Donnell referred to Ms. Swetnam's slide regarding challenges of the status quo which said that La Conner leaders had repeatedly requested that Anacortes address the rate disparity. He said Anacortes had last spoken with Mayor Hayes about this over a year prior. Mr. O'Donnell said La Conner city administrator John Doyle had not brought this up with the La Conner Town Council, on which Mr. O'Donnell had served, and was not authorized to speak on La Conner's behalf. Mr. O'Donnell said farmers he had spoken with had said not to rock the boat and not to change the rates. Mr. O'Donnell said the claimed wholesale cost to treat water had not been substantiated. He provided an alternative calculation showing a cost of \$1.45 per 100 cf, not \$1.80. He listed costs that he felt should be deducted from the calculation.

No other members of the audience expressed a desire to address the Council on this issue.

Mr. Walters asked that staff 1) draft an ordinance to immediately implement the first staff recommendation, 2) draft an amendment to the unified fee schedule that would increase agriculture irrigation rates to the wholesale rate (offering several options for phasing duration), and 3) seek preliminary feedback from La Conner and Skagit PUD as to whether they would entertain an interlocal agreement for Anacortes to provide agriculture irrigation water at that rate. Mr. Miller added that options for a April 1, 2019 start date or some other start date should also be presented with the draft fee schedule update. Mr. Johnson asked that the background materials for the proposed legislation acknowledge that the low irrigation rate had originally been established to compensate adjacent customers for disruption to their fields during installation of the water infrastructure.

There being no further business, at approximately 8:26 p.m. the Anacortes City Council meeting of March 19, 2018 was adjourned.