

City Council Minutes – June 4, 2018

Special Meeting

From 6:00 to 6:15 p.m. Mayor Gere and City Council conducted a special viewing of the City's recently refurbished ambulance outside City Hall at the corner of 6th Street and Q Avenue. Councilmembers Eric Johnson, Ryan Walters, Brad Adams, Liz Lovelett and Bruce McDougall were present. Councilmembers Anthony Young and Matt Miller were absent. No testimony was received and no action was taken.

Regular Meeting

At 6:15 p.m. Mayor Laurie Gere called to order the regular Anacortes City Council meeting of June 4, 2018. Councilmembers Eric Johnson, Anthony Young, Ryan Walters, Brad Adams, Liz Lovelett and Bruce McDougall were present. Councilmember Matt Miller was absent. The assembly joined in the Pledge of Allegiance.

Announcements and Committee Reports

Public Works Committee: Mr. Adams reported from the committee meeting earlier in the evening. He said the topics discussed included the stormwater management plan which was going very well; the pavement management plan which would be discussed later on the agenda; Phase 3 of the fiber telemetry project which would be discussed later on the agenda; proposals for downtown fiber optic construction; and the roundabout at 32nd Street and D Avenue which was going out to bid the following day and which would be constructed later in the summer if the bidding results were acceptable.

Public Comment

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

Consent Agenda

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

- a. Minutes of May 29, 2018
- b. Approval of Claims in the amount of: \$150,935.17
- c. Interlocal Agreement with Anacortes School District 103: School Resource Officer

The following vouchers/checks were approved for payment:
EFT numbers: 89373 through 89407, total \$75,723.57
Check numbers: 89408 through 89450, total \$45,227.5
Wire transfer numbers: 232823 through 233434, total \$4,547.36

Ms. Lovelett commented that she was pleased that the city was committing to the School Resource Officer and working with the school district to continue that program.

OTHER BUSINESS

Follow Up Discussion on Transportation Benefit District and Pavement Management Funding

City Engineer Eric Shjarback, Finance Director Steve Hognlund and Public Works Director Fred Buckenmeyer continued the discussion of this topic begun at the May 29, 2018 regular City Council meeting and answered questions raised by councilmembers at that meeting. Their slide presentation was added to the packet materials for the meeting.

Mr. Shjarback shared a slide comparing 2013 and 2018 pavement conditions by street category and by condition ranking, showing improvement in condition overall since 2013. He reviewed funding scenarios #2 and #5 discussed at the prior meeting, then introduced new scenario #7 which would invest \$2M/year in pavement management for 10 years and was projected to bring all collectors to a PCI of 85, address nearly all fair and poor street conditions, and begin work on low volume very poor condition residential streets that are of concern to local residents to achieve an average PCI of 70 for residential streets. Mr. McDougall asked the resulting deferred maintenance under scenario #7. Mr. Shjarback illustrated the deferred maintenance each year under scenario #7.

Mr. Hoglund then shared slides addressing Council's financing questions from the prior meeting. He reviewed authorized uses of REET 1 and 2 [real estate excise tax] per RCW 82.46, then presented a graphic illustrating historical collection and expenditure of REET in Anacortes since 2007. Ms. Lovelett expressed surprise at the size of the approximately \$2.9M cash balance in the REET fund at the end of 2017. Mr. Hoglund reviewed aspects of governmental accounting affecting this separate fund, reminded of the restricted uses of this fund, and clarified that accumulated REET is not and cannot be comingled with general fund cash reserves. In response to a question from Mr. McDougall, Mr. Hoglund advised that REET 1 could be used for capital expenditures such as fire stations and streets but could not be used for fiber optic infrastructure except insofar as fiber was integral to another allowed capital project expenditure. Councilmembers discussed the possibility of allocating accumulated REET for a significant one-time increase in roadway funding. Mr. Hoglund observed that the current surplus had accumulated over six or more years of virtually no REET spending following the last economic downturn and cautioned that REET revenues were very responsive to market conditions. Mr. Adams encouraged allocating a portion of REET to other capital projects besides roads. Mr. Hoglund shared a pie chart showing the uses of REET by category since 2014, noting the predominance of overlay, road and streetlight projects. Mr. Johnson asked if the non-road projects could be funded through other means. Mr. Hoglund responded that such an allocation would largely require redirecting general fund expenditures from current programs. Mr. Hoglund concluded with a slide summarizing the collection and spending of solid waste utility tax since 2014 and the results of Mount Vernon's institution of the 0.2% transportation sales tax in 2016.

Mr. Buckenmeyer then addressed funding options for the Pavement Management program, at whatever level was ultimately determined to be appropriate, and specifically asked if Council wanted to pursue a transportation sales tax initiative which would require submitting a signed resolution to Skagit County by August 7, 2018 to put the matter on the November general election ballot. Mr. Buckenmeyer presented three possible funding options and said that staff's revised recommendation was to institute the 0.2% transportation sales tax and retain the current \$20 car tab fee to raise \$2M/year for Pavement Management and fund Mr. Shjarback's scenario #7. Mayor Gere asked for more substantiation for the projected sales tax revenue and asked if the projected \$300K of car tab revenue could be supplied by REET instead. Mr. Buckenmeyer acknowledged that the projected \$928K of transportation sales tax revenue was conservative, based on actual 2016 sales volumes. Several councilmembers expressed interest in contributing REET rather than car tab fees to the funding mix. Mr. Johnson suggested that REET contributions to pavement management could be reduced if REET revenue did not continue at current levels. Councilmembers asked why the general fund property tax contribution to pavement management included in Resolution 1895 was not included in staff's current recommended funding mix. Mr. Hoglund explained that property tax continued to be allocated to Street Maintenance Fund 104, at levels higher than anticipated by Resolution 1895, but that other necessary street maintenance besides overlays had absorbed that funding.

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

Noreen Schmidt, 320 38th Street, spoke about the very poor condition of 37th Street. Ms. Schmidt acknowledged that the concrete street was very old and would require a complete rebuild, not just an asphalt overlay, but said that it needed to be addressed. She reported that 37th Street experienced increased traffic and resulting wear and

tear from Whistle Lake and said that parking on both sides of the street was causing the edges of the roadway to wear away. Ms. Schmidt asked Council to consider working on this street soon.

Dave Groves, 506 38th Street, said over the past 23 years he had watched the condition of 37th Street get worse and worse. He echoed Ms. Schmidt's observation of increased traffic and parking on 37th Street. Mr. Groves said that property taxes, impact fees and sales taxes had all increased and asked where that money was being spent. He recommended that councilmembers all drive 37th Street to experience its deteriorated condition. He suggested limiting the street to residents only to reduce wear until it could be resurfaced.

Mr. Johnson suggested that the Pavement Management program should consider addressing some of the residential streets that are increasingly serving as feeder routes for collectors and arterials. Mr. Adams agreed that 37th Street was in poor shape and noted safety concerns for bikes and pedestrians on the narrow roadway.

Mr. Buckenmeyer asked councilmembers whether staff should pursue developing a resolution in support of a transportation sales tax. Mr. Adams supported pursuing the sales tax option but cautioned against adding the tax without repealing the car tab fees. Mr. Young suggested retaining the car tab fees, or possibly cutting them in half, to provide some funding to begin work on low volume residential streets that were of great interest to the public. He reminded that tab fees could be rescinded at any time but that it would be politically difficult to reinstate that revenue stream if it became necessary. Ms. Lovelett favored placing the sales tax on the ballot to let Anacortes residents decide with their votes. Mr. Young said it was imperative to articulate to the voters the benefit of the sales tax and to ensure that residential streets would begin to be addressed. Mr. McDougall favored removing the car tab fee if voters affirmed the sale tax. Mayor Gere asked if public input would be appropriate at the next City Council meeting. Mr. Buckenmeyer recommended that staff draft a resolution and present that to the public for input. Councilmembers were generally in agreement with that course of action. Mr. Walters elaborated on a number of funding considerations for staff to consider and said it was critical to agree on the proposal that would be presented to the public for comment and to summarize that proposal on a single page. He asked staff to provide a list of the streets that would be addressed or examples of what streets would look like at the different scenario funding levels. Mr. McDougall asked staff to provide an update to Mr. Shjarback's first slide, projecting the same pie chart and condition class spread in 2021 at \$1.7M/year vs. \$2M/year invested in pavement management. Ms. Lovelett suggested expressing the results in terms of how many blocks or LF of very poor condition roadway could be addressed at the different proposed funding levels and suggested alerting the voters to the magnitude of the cost to rebuild K Avenue between 6th and 12th Streets.

Mr. Buckenmeyer concluded that staff would bring the topic back before Council with a draft resolution for public discussion, following review by the Public Works and Finance committees.

IL264: Collection and Distribution of Impact Fees

City Attorney Darcy Swetnam presented an interlocal agreement with Skagit County for collection of impact fees for new development in the city's unincorporated UGA. Her slides were added to the packet materials for the meeting. Ms. Swetnam noted that no impact fees were currently charged by either Anacortes or Skagit County in the UGA. She cited the RCW sections authorizing assessment of impact fees and setting out procedures and rules for collection and use of those funds. Ms. Swetnam elaborated on Skagit County code Section 14.30.030 specifying prerequisites for Skagit County to collect impact fees on behalf of a city, including necessary provisions of an interlocal agreement between Skagit County and the city. She concluded that the proposed interlocal met the requirements so that the county would effectively collect and pass on to the city impact fees on new development in the UGA.

Ms. Swetnam responded to councilmember questions about the process for developers to dispute the impact fees, the fee calculation formulas, and which types of impact fees can be collected. Mr. Walters and Ms. Lovelett emphasized the importance of collecting fire impact fees in the UGA. Mr. Walters said the interlocal agreement as drafted provides for the county to collect all possible impact fees as long as they are included in

the Anacortes fee schedule. Mr. Johnson asked how the transportation impact fee would be calculated in the UGA since the city did not have transportation plan for that area. Mr. Buckenmeyer said that the Anacortes Comprehensive Plan did plan for the very few roads in the UGA. Councilmembers expressed concern that the city might become responsible for maintenance of county roads in the UGA if transportation impact fees were collected by Anacortes. Ms. Lovelett requested asked staff to report back on which elements of the Capital Facilities Plan were impact fee eligible in the context of the proposed interlocal agreement and if all impact fees or only traffic impact fees were included, the order of magnitude of the anticipated funds, and what added responsibility the city would have for road maintenance. Ms. Swetnam reiterated that all types of impact fees were addressed by the interlocal as long as they were included in the city's fee schedule but she said she would do more research and report back to Council at a future meeting as to what if any obligations the city would be taking on for capital facilities and capital facilities planning in the UGA once impact fees were collected.

IL263: Cooperative Purchasing Agreement with NoaNet

Amendment to IL232: Fiber Optics Project Phase 3 Design & Construction Management

Ms. Swetnam reviewed the discussion of IL263 begun at the May 29, 2018 regular City Council meeting and provided additional explanation of the proposed piggybacking arrangement. Her slides were added to the packet materials for the meeting. Ms. Swetnam described the scale of Phase 3 of the fiber optic telemetry project and the resulting procurement process requirements; the bid and resulting contract between NoaNet and RBC for similar work elsewhere; and the value to the city of piggybacking on NoaNet's contract with RBC. She summarized the mechanics of piggybacking per RCW 39.34 and observed that piggybacking is now allowed for public works contracts as well as purchases. Ms. Swetnam illustrated the proposed contractual relationships between Anacortes, NoaNet and RBC. She then summarized the three agreements, two of which were presented to Council for consideration and action at the present meeting while the third was scheduled for presentation to Council at its June 18, 2018 meeting. Mr. Buckenmeyer reviewed which pump stations would be included in Phase 3 and noted that the Skyline water tank and the Marine Drive sewer pump station would require a separate contract in a future budget year.

Ms. Lovelett moved, seconded by Mr. Adams, to approve Interlocal 263, Cooperative Purchasing Agreement with NoaNet, and the amendment to Interlocal 232, Fiber Optic Project Phase 3 Design and Construction Management, as presented. Vote: Ayes – Young, Walters, Adams, Lovelett, McDougall and Johnson. Motion carried.

There being no further business, at approximately 8:07 p.m. the Anacortes City Council meeting of June 4, 2018 was adjourned.