CITY OF SHELTON, WASHINGTON - CITY COMMISSION
Business Meeting Minutes - November 4, 2013
Shelton Civic Center - 6:00 p.m.

Presiding: Mayor Cronce, Commissioner Olsen and Commissioner Pannell
Staff Present: Dave O'Leary, Vicki Look, Steve Goins, Cathy Beierle, Mike Michael, Terry James, and Tracy Wilson

Mayor Cronce called the meeting to order at 6:05 p.m.

Commission Reports
One or more Commissioners will attend the following activities this week:
- Association of Washington Cities (AWC) Meeting Wed. in Olympia
- Law Enforcement Officer and Fire Fighters Board Meeting

Public Comment
Ms. Tracy Moore complimented Commission Olsen on taking the initiative to gain an interlocal agreement with Mason County to secure funding for preservation efforts.

Mr. Tom Bourt spoke about poverty, mentioning that there are several organizations with information to help to reduce crime and poverty in the future.

Public Hearing
2014 Preliminary Budget for the City of Shelton - Finance Director Beirele went over the preliminary budget for the year 2014. She stated that there were no changes to the monies, but there were minor clerical changes to the budget documents. The 2014 Preliminary Budget remains the same and totaled $47,466,822 for the whole city. The General Funds Preliminary Budget $12,904,483 includes a regular Property Tax Levy $1,717,000. This is a 1% increase over the base of 2013 and new construction. It also includes $6,681 of taxes that were refunded in 2013 as well as an EMS Property Tax Levy of $205,000. Due to the declining assessed evaluations, there was a reduction in the EMS Property Tax Levy, causing the Levy to bump up against the maximum rate. The Bond Funds Preliminary Budget $515,681 includes a Property Tax Levy of $228,750 which is the amount of debt payment for the refunded Unlimited Tax General Obligation Bonds for the year 2014. The Firemen’s Pension Funds Preliminary Budget of $387,996 includes a Property Tax Levy of $140,000, a 1% increase over the base of 2013 plus new construction and also includes $559 of taxes that were refunded in 2013.

Mayor Cronce asked about the sewer rate increase and the cutting of a police officer position that were discussed at the Oct. 28th meeting. Finance Director Beirele said that they were still working on the preliminary budget, but between now and Dec. 2nd, they would continue to look into those issues. City Administrator O’Leary added that there will be a presentation on the sewer rate increase later in the meeting.

Public Testimony
Ms. Kathy McDowell commented that we cannot afford to lose a police officer for public safety reasons. She also urged the City of Shelton look to outside sources to help with the sewer rates.

Mr. Forest Cooper expressed concerned about the cost of $376,699 to paint the Shelton High School water tower. City Engineer Michael clarified that the cost covers interior that will take a special coating and fully striping the exterior.

Mr. Robert Richmond owns several properties in Shelton and expressed concern about how the sewer rates will affect his tenants, many of whom are on fixed incomes.

Mayor Cronce stated that he was concerned as well, the recession was not expected. Mayor Cronce and CA O’Leary have been to see State Officials several times trying to get financial help.
The Commission agreed to the First Reading of Ordinance 1837-1113 tonight and to place the second reading of the Ordinance and the Levy Certification on the consent agenda for the November 12th Commission Meeting.

Public Hearing
Regulations Regarding Medical Cannabis and Collective Gardens and Recreational Marijuana – CED Goins presented background information and explained the ordinance options for Commission’s consideration. In 2011, Senate legalized collective gardens. Ten qualifying patients can share space and grow up to forty-five cannabis plants for medicinal use. I-502 passed establishing a process to create production, distribution and retail sales of recreational marijuana to anyone over the age of 21. The City of Shelton has had a moratorium since 2011 and will be lifting the moratorium in the coming months. The City will need to have regulations in place before that happens. The State of Washington has already voted on regulations that will go into effect on November 16, 2013. In the State’s regulations there are three entities. Producers would be an individual, or entity, that has a permit to grow and distribute plants to the processors. Processors, will package, label and get the product ready for market and to the retailer. The Retailer would sell the product which might also include marijuana-infused products. The State regulations put a cap on the number of entities throughout the State. Shelton was assigned one licensed retail sales outlet. There are four allowed in all of Mason County, the other three must be located in unincorporated areas. Proprietors must establish an operations plan which must meet requirements that the state will check on annually. Parts of the regulations include unlimited law enforcement access, production facilities must be enclosed, retail facilities must be exclusive and no consumption on the premises. CED Goins showed a map that showed where these facilities would be allowed. There will be no facilities allowed within 1,000 feet of any “sensitive facilities” such as schools, parks, transit stations and daycares.

The first alternative proposal for the City ordinance consists of a similar licensing program for Collective Gardens as the state has in place for retail outlets. Limiting the allowed locations of Collective Gardens to the General Commercial Zoning District and require the setback criteria that is described in I-502.

Proposal number two requires any marijuana business in Shelton to carry a State license. As of right now, there is no licensing process for Collective Gardens. The City would be able to treat any marijuana business that does not have a State license as a public nuisance, subject to abatement under Shelton Municipal Code 8.70. The City would limit locations of all marijuana businesses to the General Commercial Zoning District and limit the marijuana producing and processing business to the Industrial Zoning District.

The Washington State Liquor Board is recommending that marijuana patients no longer be allowed to grow their own at home and all medical marijuana dispensaries comply with the retail regulations under I-502. Seattle recently passed an ordinance requiring all medical dispensaries to be licensed under the recreational marijuana standards or shut down in 2015.

Commissioner Pannell asked for clarification if the City of Shelton passed an ordinance and the then the State passes a different one, which one would take precedence. Staff responded that if the States was different, it would pre-empt the Cities. If the state doesn’t establish a process for collective gardens the applicant would not be able to move forward. The City has been waiting for two years for the State to give more direction.

Commissioner Olsen asked if the boundaries were to change back to 400 or 500 feet, how it would affect the zoning. Staff stated that it would expand the areas that they would be allowed. The Liquor Control Board didn’t feel they had the authority to make that change, so they wanted the legislators to consider, but it was not discussed this last session. The City could continue with the 1,000 foot buffer even if the State decreases it.

Mayor Cronce advises to make it as restricted and as regulated as possible. Goins stated that the City Attorney would be present at a future meeting to discuss this at a greater extent.

Public Testimony
Mr. Tom Davis stated that he is not a proponent of the marijuana; however, it is an income generating business and the City of Shelton needs to think forward and apply for a retail facility. A lot of money could be generated through the taxes, and maybe offset the sewer increase and other tax issues.
Ms. Jerry Eckenrode commented that there is a big competition for the grow operations that can provide for other large metro areas, such as Seattle, that have restrictions and no place for them to grow. Kitsap County is aggressively going after the business. Willapa Bay now has six operations. We need to embrace the change and address the issues associated issues to start turning the economy around.

Mayor Cronce closed Public Hearing. He mentioned that he wanted to continue the moratorium and then make the laws as restrictive as possible. Commissioner Olsen stated that he is for lifting the moratorium and getting an ordinance in place.

**Public Hearing**

Sewer Rate Adjustment – Public Works Director (PWD) Clark presented a summary of the proposed sewer rate increase.

The City received orders from the Department of Ecology (DOE) back in 1998 and again in 2006 due to the City’s issue with the inflow and infiltration. The age of the collection system, the soil conditions and stormwater connections were all problems. The treatment plant exceeded the solids capacity during heavy rainfall and violated our discharge permit.

The City of Shelton then partnered with Washington State Patrol, Department of Corrections, Mason County and Public Utility District #3 to build a Satellite Wastewater Reclamation Plant to produce reclaimed water which can be used for industry. This facility cost $15.6 million but it reduced the discharge into Oakland Bay, enabling the City to promote economic growth in Shelton and the Urban Growth Area.

The resulting action plans associated with the mandates affected almost every basin in the City. Basins 1 and 2 have been completed, Basin 5, a very large basin, will be completed in 2013. Mayor Cronce and CA O’Leary have been trying to find grant funding for Basin 3 as it will be over a $3,000,000 dollar project. DOE and the City have been talking about Basins 4, 6, and 7, and the plan is to have the City crew provide annual maintenance and repairs.

Goldsborough Creek needs a gravity force main removed and we are still working with Department of Fish and Wildlife, Squaxin Island Tribe and the Simpson Timber Company to get that done.

The main wastewater treatment plant is the biggest reason for the sewer rate increase. $32.5 million was spent completing the plant in 2012. This has solved the solids problem while increasing the Bio-Solid treatment capacity by nearly 100%. This gives a 20 year planning horizon for development in Shelton.

Environmental benefits include the water quality in Oakland Bay, including shellfish viability, eliminated the chlorine treatment discharge, and introduced a slack tide discharge holding tank. Bio-solids drying process allows us to produce class-A sludge growth fertilizer (free to the public) while reducing solids in discharge.

Several studies and plans came together adding the urban growth area into the Sewer Comprehensive Plan, allowing the rate structure that was needed to facilitate all the work needing to be done. The projects that will be coming forward in the future are Basin 3, and Trunk line improvement projects, primarily needed for the Shelton Hills Development so the lines will need upsized costing approximately $2,339,000. Additional sewer projects, enhanced model for system deficiencies, record drawing and flow monitoring during wet weather, I&I evaluations study, Front Street Pump Station evaluation, and force main inspection and repair coming to $302,500. Expanding the Satellite plant may have to happen as early as 2019 costing around $21,100,000.

Primary loans and bonds taken out to pay for the Basin 5 project have annual payments of $325,000 to the Public Works Trust Fund, $135,000 to USDA-RD. The Wastewater Treatment Plant construction bond to USDA-RD is $996,000 annually. USDA will not allow any money allocated for Basin 5 to be moved and used on Basin 3. The increase is the only way to pay the loans back for projects completed and to have funds for some of the future critical projects.
The proposed rate increase is as follows:

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The average family consumes 738 cubic feet (cf) of water per month, based on this figure the current monthly bill with the base rate of $31.98 and $.0640 per cf, would be 79.21 (an increase of $13.22 over 2012) The new monthly bill in 2014 would be $39.02 base rate with $.0781 per cf bringing the total to $96.64 (an increase of $17.43 over 2013). In 2013 the City utilized $1,000,000 of the sewer Utility cash reserve to pay its debt service payments. Without this rate increase, the Revenue deficiency for the utility in 2014 will be $624,000 in the red. The new rates would start in February, 2014. A consultant reviewed all the factors and this is the proposal they brought forward.

CA O’Leary spoke about looking at the rates through 2014 through 2020. We need a rate increase but are trying to find a way without doing it all at once. Comfortable with the proposal PWD Clark made, but he’s sensitive to the citizens regarding the amount of the increase. A requirement for financing is accumulating reserves in order to make payments and also to pay for replacement of equipment that goes into the systems. If the money is not accumulated, the City will be out of compliance and it could make it difficult to borrow in the future. Under the financing rules, the City must accumulate $3,018,972 between the years 2014 and 2020. Staff did look at sewer increases in the past and found that between 2004 and 2013 there has been a rate increase in all years except 2011.

An alternative rate increase would borrow $300,000 from the stormwater fund, while yielding the same amount of money in the bank by 2020. This may limit future stormwater projects, but it is the best fund to borrow from.

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Staff presented graph slides, the first showing how not increasing the rates could put the City at -$600,000 at the end of 2014. With a 22% increase, at the end of 2014, the City would end up in the good. With the second option, the City would end up a little better.

Commissioner Pannell stated that the public is not the only ones concerned about sewer rates. However, fourteen years ago the City was looking at a building moratorium due to the lack of sewer capacity, so if the money wasn’t spent, the infrastructure would not be in place to allow growth.

Commissioner Olsen agreed with Commissioner Pannell and added that this was a State mandate, but we are in a place to attract large scale development and he’s betting on the economy to improve and when it does we will be in better shape than a lot of communities in Washington State.

Mayor Cronce asked if it would be prudent to take the $300,000 loan from the strategic reserve rather than borrow it from the stormwater fund. CA O’Leary responded that he would not recommend using money from the general fund for utilities, as that is the where the public safety draws money from. In 2005, money from the general fund went to the storm fund because the rates structure wasn’t supporting the utility. Commissioner Olsen added that the difference between the 22% vs. 15% is only about $5 a month, so questions whether borrowing against the stormwater fund is the best choice. If it is needed later for the storm fund, rates will have to be raised to cover it. Mayor Cronce stated that $5 or $10 may mean a lot for some people and it’s not just one 20% increase, it’s the second increase in 6 months, so he would lean towards the 15% increase.

**Public Testimony**

Ms. Lori Mercier canvased her neighborhood and all are appalled at the increase. She wanted to know why her bill for a family of one was more than her neighbor with a family of four. Would like someone to investigate, and find out why the discrepancies.

Mayor Cronce responded that someone from the City would be happy to sit down with her and go over her bills.
Mr. Forest Cooper was happy to see more members of the community at the meeting. Had a question if developers have to pay for sewer upgrades or is it just rate payers.

CED Goins responded that the City and the developer’s will enter into an agreement with the developer of a large development so they will be paying their fair share of the cost.

Mr. Tom Bourt asked if the Sewer Satellite Project could have the Federal Dept. of Energy fund part of it as a demonstration project as is being done in Olympia.

Ms. Tracy Moore asked if GFC and impact fees are being raised by a large amount and if there is a latecomer’s agreement in general, not just big developments. With expanded service into the GMA, will there be potential for a rate decrease? How does our current and projected sewer rate compare to other cities with the same size and demographic?

CED Goins stated that the consultant’s analysis took into consideration the projected growth. Taking into consideration the customers in the UGA with septic’s that are failing and large developments such as Shelton Hills, and depending on how many new customers and connection fees will be collected, the consultant’s analysis should be reduced. The City’s rates were last compared in March to several jurisdictions in the Puget Sound area and we were in the upper mid-range, this increase will put us into a higher range, but those areas still need to make the improvements we already have made and will then incur a significant rate increases.

Ms. Bonnie Aldrich encouraged keeping the rates low, as many are struggling.

Mr. Tom Davis asked if long term debts had been restructured, and the issuance of additional bonds. He also wanted to know what the terms and interest rates are for the general obligation bond and what the debt to income ratio is for the city.

Mayor Cronce responded that the City just started paying this 40 year loan so we wouldn’t be able to restructure yet. CA O’Leary stated that the loan that put us in this position is for the construction of the WWTP. Some loans were restructured earlier in the year, getting more favorable rates. The loan for the WWTP is the best loan possible through the USDA with a very low interest rate, and we are looking for grants.

Mayor Cronce closed the public hearing.

Commissioner Olsen moved to extend the meeting for an additional 30 minutes pass the 2 hour limit. Commissioner Pannell seconded, voted and the motion passed.

Mayor Cronce asked for clarification if there was a first reading on the sewer rate increase. CA O’Leary stated to go ahead with the first reading and amendments could be made, but needs to know if the commission wants to go with the 15% or the 22% increase.

Commissioner Pannell in favor of the 15% if it is within the rules of the USDA and find a favorable way to borrow from the stormwater fund.

Commissioner Olsen is hesitant to borrow from the stormwater fund. Either way, the same amount of money has to be paid in the next 6 years. More in favor of the 22% the staff recommends.

Mayor Cronce is in favor of the 15%.

CA O’Leary stated that staff will finish and come back with a detailed report in a week for a first and final reading.

**Consent Agenda**

1. Vouchers numbered 82072 through 82142 in the amount of $249,574.78
2. Transfers and Direct Banking Fees/Charges in the amount of $14,764.15

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3. Interlocal Agreement between the City of Shelton and Mason County for sharing Historic Preservation Funds and authorize the Mayor to sign
4. Resolution #1055-1113, A Resolution of the City of Shelton, Washington, Declaring An Intent To Vacate A Portion Of Delaware Street
5. K Street Rehabilitation Project-NOVA Contraction Final Acceptance-Revised
6. Resolution #1056-1113, A Resolution of the City of Shelton, Washington, Approving an Interlocal Agreement With The Association Of Washington Cities Authorizing the City to Participate in the Self-Insured Program and authorize the Mayor to sign the interlocal agreement
7. Department of Ecology Coordinated Prevention Grant Acceptance, authorizing the Mayor to sign
8. Commission Meeting Minutes of:
   September 9, 2013
   September 16, 2013
   September 20, 2013

Commissioner Olsen moved to approve the consent agenda; Commissioner Pannell seconded the motion. A vote was taken and the motion passed.

Old Business - None

New Business
Basin 3 Department of Ecology Funding Contract Amendment, CE Michael discussed the Basin 3 Ecology Funding Amendment, and that the City currently has a Centennial State Revolving Loan to cover the cost. He’s been working through additional environmental documentation requirements for the potential of additional funding sources for the construction. CE Michael asked for extra time to make sure everything is in place and to get the contracts closed out. There is no impact to the consultant’s contract. Dept. Of Ecology is on board, but need an official request from the Mayor. He asked for the item to be placed on the consent agenda for the next meeting and authorize the Mayor to sign the letter requesting a 90 day extension to the Ecology loan.

Commission agreed to place on the consent agenda for November, 12.

Upper Mt. View Pressure Zone USDA and Basin 3 US Dept. of Agriculture– Inflow/Infiltration Reduction Project Funding Applications, CE Michael spoke about the Funding Applications for the Upper Mt. View Pressure Zone with USDA and the Basin 3 with US Dept. of Agriculture. The same funding was used for WWTP and Basin 5, and USDA funding is usually favorable. Michaels asked to place Upper Mt. View Pressure Zone USDA Funding Application on the consent agenda for next week authorizing the Mayor to sign. He stated that this is just an application which does not commit the City to anything until the agreement comes back with conditions, amounts, interest rates etc. wherein the Commission can choose to accept or reject the offer.

Commissioner Pannell asked if this has a possibility of up to 50% forgiveness. CE Michaels replied that one was submitted in September to Dept. of Health, but USDA tends to have some kind of grant/loan split based on our community’s ability to pay which is part of the first phase to help them make that determination.

CA O’Leary mentioned that he and the Mayor met with Congressman Denny Heck to ask if he could find a way to move grant dollars to the City, specifically for Basin 3. Congressman Heck requested a copy of the application to USDA to follow up while in Washington DC.

Commission agreed to place both items on the consent agenda for November 12

Administration Reports - None

General Public Comment
Mr. Tom Bourt wanted to know when the Shelton Hills project breaks ground, if Shelton businesses and residents get work in the construction phase and if there will there be a negotiation for a percentage of minority owned business’s to take part in the construction.
Mayor Cronce responded that we would like that to happen.

**Administrative Final Touches**
PWD Clark stated that a large part of the City shop roof blew off in the wind storm. Staff will be getting three bids for emergency repair, choosing one and getting the work started. Staff will come back at the next meeting to brief the Commission on the status and costs of the repairs.

CED Goins reminded the Commissioners and the community about an open house to discuss the downtown corridor zoning on Wednesday night at 5:30 taking place at the Civic Center.

**Announcement of Next Meeting**
Mayor Cronce announced the next regular Commission meeting of Tuesday, November 12, 2013 at 2:00 p.m.

**Adjournment**
Mayor Cronce adjourned the meeting at 8:17 pm

[Signatures]
Mayor Cronce
City Clerk Look