CITY OF SHELTON, WASHINGTON - CITY COMMISSION
Study Session Minutes – December 22, 2014
Shelton Civic Center - 2:00 p.m.

Presiding: Mayor Cronce, Commissioner Olsen and Commissioner Moore
Staff Present: Dave O’Leary, Vicki Look, Steve Goins, Greg Clark and Lesleann Kangas

Mayor Cronce called the meeting to order at 2:00 p.m.

Commission Reports

- Mason County Forest Festival Annual Report – Mr. Mick Sprouffkse President of the Mason County Forest Festival Association presented his annual report. Mr. Sprouffske said the event was a huge success and the Forest Festival Court and float participated in parades in Sequim, Seattle, Port Orchard and Olympia. He thanked all of the volunteers and the Hotel/Motel Tax Commission for their continued support. Next year’s Forest Festival will be held May 28-31, 2015.

One or more Commissioners will attend the following activities this week:
- Economic Development Council

Public Comment - None

Consent Agenda

1. Commission Meeting Minutes from:
   - Retreat Minutes of November 25, 2014
   - Business Meeting Minutes of December 1, 2014
   - Study Session Minutes of December 8, 2014
2. Transfer and Banking Fees in the amount of $8,584.63
3. Resolution No. 1075-1214 – A Resolution of the City of Shelton, Washington, Adopting a Public Participation Plan for the 2015-2016 Update of the City Comprehensive Plan and Development Regulations
4. Interlocal Agreement with City of Forks for Prisoner Confinement Services – Authorize the Mayor to sign

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

Old Business

1. Ordinance No. 1864-1214 – Second Reading - An Ordinance of the City of Shelton, Washington Amending Chapter 8.70 to the Shelton Municipal Code, Relating to Public Nuisances – Mayor Cronce announced this item to be pulled from agenda – will be brought back in two weeks.

2. Ordinance No 1863-1214 – Second Reading – An Ordinance of the City of Shelton, Washington, Relating to Solid Waste Service and Rates: Amending Shelton Municipal Code Sections 8.08.010 through 8.08.130 and Adding a New Section 8.08.132 – Public Works Director Clark reported that this has been presented in detail at the previous week’s meeting. The ordinance includes fees that will allow the match with Department of Ecology for the “C” Street dump study, a new garbage truck in 2016 and roll-off containers. The increase will be 7.2 percent in three steps being 83 cents, 86 cents and 96 cents. DH requested a Second Reading and adoption of Ordinance No. 1863-1214.

Commissioner Olsen asked about the overfull garbage can and if there is a charge for this. DH Clark said if it is a continuous problem they are charged an extra pickup fee.

Mayor Cronce asked about the 7.2 increases. DH Clark responded that the first increase will be the service in February to be billed in March, second one is service in July to be billed in August and service in January 2016 to be billed in February 2016. Mayor Cronce said he wanted it to be clear that this is a 21.6 percent increase within a 12 month period. Public Comment
Mayor Cronce recognized Mr. Forrest Cooper who said Jason Dose explained some of the things that can help with the garbage pickup such as keeping your cans three feet apart.

Mayor Cronce recognized Ms. Jerry Ekenrode who spoke to the increase in solid waste. She asked if the Commission’s job is to manage the City or to manage the garbage operation and if we are the best resources to manage a separate business such as solid waste. Ms. Ekenrode said we should look at the general ledger and look at what it costs to manage people and equipment. She encouraged looking at this segment of our business.

**Mayor Cronce requested a Second Reading of Ordinance No. 1863-1214 as follows:**

*Ordinance No 1863-1214 — Second Reading – An Ordinance of the City of Shelton, Washington, Relating to Solid Waste Service and Rates; Amending Shelton Municipal Code Sections 8.08.010 through 8.08.010 through 8.08.130 and Adding a New Section 8.08.132*

Commissioner Moore moved to approve Ordinance No. 1863-1214 the Solid Waste Rate Ordinance, Commissioner Olsen seconded the motion.

In further discussion, Mayor Cronce said he opposes this ordinance saying that in this economic time he could not go along with an increase in rates for a new garbage truck.

A vote was taken with Commissioner Moore and Olsen in favor, Mayor Cronce opposed. The motion passed with a majority vote in favor.

**New Business**

1. **Basin 5 Sewer Rehabilitation Project – Final Project Completion Amendment** – Public Works Director Clark said this project replaced and/or rehabilitated of approx. 40,800 LF of existing sewer main, including associated laterals, manholes, and appurtenances along with surface and road restoration. The bid opening for the Basin 5 Sewer Rehabilitation Project was held on April 26, 2011. The Basin 5 Sewer Rehabilitation Project was awarded to Buno Construction, LLC on May 16, 2011, in the amount of $9,620,838.97. Sixteen Change Orders were executed over the duration of this contract totaling $1,568,024.50 (16.2%). Funding was secured from Public Works Trust Fund and USDA-RD. The purpose of this amendment is to acknowledge that the project has been certified complete by the City and the Public Works Board, and confirm the final loan amount, interest rate, and local share on Public Works Trust Fund Loan Agreement/Contract Number PC08-951-040. Funding was secured from Public Works Trust Fund and USDA-RD. The final amount of the loan shall be $5,732,903.75. The interest rate shall be 0.50% per annum on the outstanding balance. Staff requests the Commission place this item on the Consent Agenda for December 29, 2014 and at that time approve the Project Completion Amendment as submitted by the Public Works Board/Dept of Commerce, for the Basin 5 Sewer Rehabilitation Project contract. Thereby allowing staff to submit the final report(s) to State and close this Basin 5 Project.

The Commission concurred to place the Basin 5 Sewer Rehabilitation Project – Final Project Completion Amendment on the consent agenda for December 29, 2014.

2. **7th & Railroad sidewalk and curb repair - Budget Modification** – Public Works Director Clark said a damaged tree removal at 7th and Railroad went from a small crew project to a major one. The tree roots were uplifting the sidewalk and curbs causing trip hazards. When the crew began work at the site, they also found that the roots were wrapped around the power wires for the traffic light signal. Besides removing the tree, the crew removed and replaced two (2) handicap ramps, existing sidewalk, and the curbs at the intersection. The total expense of the project including materials, labor, equipment, and indirect cost totals $11,433.00. With the replacement of the sidewalk, handicap ramps, and the curbs, this project has become a capital project and staff is requesting to move funds from operations to capital within the Street budget. The total expense of the project including materials, labor, equipment, and indirect cost totals $11,433.00. DH Clark requested the Commission authorize the transfer of funds from Street Operations to Street Capital and authorize the City Administrator to make any necessary budget modifications by placing on the consent agenda for December 29, 2014.

Commissioner Olsen asked Director Clark to explain indirect costs. DH Clark said the indirect costs are the overhead it takes to do the work such as Finance, Administration and Public Works staff.
City Administrator O’Leary added that, in order to facilitate a contract, there is obvious administrative overhead such as payroll, billing and purchasing which are general fund costs activities supporting non general fund activities.

The Commission concurred to place the 7th & Railroad sidewalk and curb repair - Budget Modification on the consent agenda for December 29, 2014.

3. Resolution #1076-1214 – A Resolution of the City of Shelton, Washington Declaring City Vehicles Surplus to the Needs of the City, and Disposing of such Vehicles for the Common Benefit – Public Works Department

Vehicles – Public Works Director Clark reported that the Public Works Department is requesting the surplus of three vehicles. The vehicles are two garbage trucks; a 1998 and 2000 Peterbuilt owned by the Solid Waste Utility and a 1984 International owned by the EM&R Utility. The proceeds from the surplus will go back to the related utility. DH Clark requested Resolution #1076-1214 be place on the consent agenda for December 29, 2014 for approval.

The Commission concurred to place Resolution #1076-1214 on the consent agenda for December 29, 2014.

4. Wastewater Treatment Plant HVAC Final Acceptance – Public Works Director Clark reported that USDA-RD approved various items of additional work for inclusion in the WWTP Improvements Project. One element of the work included the HVAC Corrections and Upgrade work at the Wastewater Treatment Plant located at 1701 Fairmont Avenue. Remodeling and upgrades to the HVAC system upgraded at the plant main control building were not fully completed and did not fully comply with current mechanical codes. This project provided for correcting known code issues, inspection for any missed code or system deficiency issues, and complete system installation in conformance with all applicable codes. This project was advertised as a formal bidding opportunity, which closed to bids on September 12, 2013. No proposals were received during the bidding window. The scope was rewritten, and with USDA-Rural Development approval, a Small Works Roster was utilized to target the appropriate contractors. The second effort resulted in a single bid, from Sunset Air, Inc., of $55,554.33 including sales tax. This included a 10% allowance for the time & materials contingency included in the Contractor’s proposal that increases the total not-to-exceed contract amount to $61,125. The original Engineer’s Estimate for this project was $100,000. This work has been identified by USDA-RD as eligible under the current grant funding provided by them. DH Clark requested the Commission place this item on the Consent Agenda for December 29, 2014, and at that time approve Final Acceptance of the work done by Sunset Air, Inc., under the Wastewater Treatment System Rehabilitation – HVAC Correction and Upgrade Work Project contract.

The Commission concurred to place the Wastewater Treatment Plant HVAC Final Acceptance on the consent agenda for December 29, 2014.

5. Green Diamond Sludge Land Use Permit – Amendment #1 – Public Works Director Clark said Green Diamond Resource Company has been allowing the City to apply sludge from its wastewater treatment plant to Green Diamond property for several years. Application of sludge to the property benefits commercial forest land and benefits the City by allowing local disposal of the sludge at no cost to the City. The City and Green Diamond entered into a Land Use Permit on Jan 1, 2011 for a one year term, with automatic renewal each additional year through December 31, 2015. In anticipation of the Permit termination in 2015, and to leverage existing relations with Green Diamond Resources, Public Works staff desires to renew the Permit, thereby extending the Agreement through December 31, 2020. DH Clark requested that Amendment#1 to the Green Diamond Sludge Land Use Permit be put on the consent Agenda for the Dec 29, 2014 Commission meeting and authorize the Mayor to sign on behalf of the Commission. City Administrator O’Leary thanked Public Works staff in being proactive with this contract.

The Commission concurred to place the Green Diamond Sludge Land Use Permit – Amendment #1 on the consent agenda for December 29, 2014.

6. Sewer Funding Coalition - Lobbyist Contract – City Administrator O’Leary said in recent years, our city has been obliged to borrow $56 million to help fund a series of sewer-system-related rehabilitation projects. These projects were mostly to replace aging systems that no longer operated as originally intended, let alone well enough to meet current standards. We received additional incentive because the state ordered us to complete these projects. Had we not gone ahead as ordered, the state would most likely have placed us in a building moratorium until we did the work. CA O’Leary said through 2014 residential sewer rates have been raised to an average $92 per month. To meet
cash flow demands, the Commission has authorized future rate increases, resulting in the average residential rates shown below. Current cash flow is negative. We are using sewer utility reserves to ease rates up to a sustainable level.

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Residential Sewer Bill</th>
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<tbody>
<tr>
<td>2015</td>
<td>$101</td>
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<tr>
<td>2016</td>
<td>$111</td>
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<tr>
<td>2017</td>
<td>$117</td>
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<td>2019</td>
<td>$129</td>
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<tr>
<td>2020</td>
<td>$135</td>
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Shelton is a low income community. CA O’Leary said our citizens have very limited discretionary income. If they must shift their money into higher sewer rates, they will have less available to purchase goods from local stores. This is a threat to their quality of life and to local economic recovery. We have at least one more project to complete and construction cost estimates are $6.5 million. We have secured an approximate $1.9 million grant and we must still borrow about $4.6 million to build the project. This will oblige rates to rise even higher. We have discussed this with local legislators. They are very sympathetic. However, they say they are unable to secure a capital appropriation of $4.6 million. They have advised us to form a coalition of sewer service providers that will put pressure on Legislators throughout the state to find grant money for our project and others like it. He said we have spent most of 2014 building a coalition of stakeholders who have expressed an interest in securing grant dollars for small community sewer systems. Associated accomplishments include:

- Identifying a state program through which grant dollars could flow to the benefit of Shelton and its stakeholder partners. This is the Centennial Clean Water Fund.
- Securing support from AWC for support of additional funding for the Centennial Clean Water Fund (a program that awards grants to sewer utilities with low income populations under 25,000)
- Spoke directly to 73 utility representatives from throughout Washington requesting support.
- Mailed 170 letters about the Sewer Funding Coalition (SFC) to Washington cities with a population under 25,000.
- Conducted 73 conference calls to Mayors, City Managers, City Administrators, and sometimes Public Works Directors from around Washington.
- Raised $17,368 from 23 stakeholders (to date) toward the cost of hiring a lobbyist to advocate for us in the 2015 Legislature. This is in the form of $13,413 in cash and $3,955 in the form of pledges from city councils, who will pay us out of their 2015 budget. It also includes $2,000 from the City of Shelton, which was contributed by Mayor Cronce.
- Met with the Washington Environmental Council at AWC to discuss SFC.
- Presented the SFC at the Financial Assistance Council meeting organized by the Department of Ecology.
- Attended a Public Works Board Academy in Bremerton that discussed infrastructure funding.
- Met with a variety of other interested parties including builders, realtors and economic development groups.
- We have been invited to make a presentation for the Public Works Board.
- Identified a lobbying firm who is qualified to represent Shelton and its stakeholders in the 2015 Legislature, giving us the best chance for a successful outcome.
- Identifying supporters / strategies for the 2014 Legislature.

Goals include:

- Increasing the funding available in the Centennial Clean Water Fund from $50 million per 2-year budget cycle to $200 million.
- Increasing the maximum grant award from the Centennial Clean Water Fund from $5 million to $10 million.
- Expanding the program to include some growth related projects that include compliance with the Growth Management Act.

CA O’Leary said we are currently working with a key Legislator to prepare a bill. Some members and potential partners have suggested we expand the Sewer Funding Coalition mission to include other infrastructure funding. We have scheduled a stakeholders meeting at the 2015 AWC City Action Days in Olympia to seek feedback on this proposal. We need a partner to sign an Interlocal Agreement before we can spend the money we have collected. We had previously asked the Commission to approve an Interlocal Agreement (ILA) with the City of Port Angeles. Unfortunately, Port Angeles decided to postpone their consideration until the results of our meeting in February. We have since sent the ILA to several other pending stakeholders to secure a foundation ILA that we can use to authorize expenditures from all contributors. The partner is likely to be Mason County, whose Commission is voting whether to join the coalition on December 23, 2014. Staff will bring at least one more ILA to the Commission in order to facilitate coalition
expenditures. Per the contract, the cost for lobbying expenses is $3,500 per month. This should be a difficult budget year for the state. In 2013, the Legislative session lasted until the end of June. Staff expects similar challenges in the 2015 Legislature. We should plan for a session lasting 6 months. The lobbying bill will likely be near $21,000 (allowing for brief breaks while the Governor calls the Legislature back for one or more special sessions). There is a provision in the contract that provides for additional payment for 20 days following a special session, “which is the time the Governor’s office may take to make decisions about whether to sign or veto legislative measures.” If the full 6 months is used, the Governor will be obliged to sign the budget right after adjournment, or the state government will have to shut down. If the session ends before, then this clause would be effective, at least through the 6 month period. At this writing, we have raised $17,368. Decisions to join the coalition should be pending in 18 city councils and two county commissions. We are likely to raise our goal, but it is not guaranteed. Earlier this year, the City Commission authorized us to hire an intern to provide support for the coalition. This decision was very helpful in achieving the above accomplishments. The Commission authorized $24,000 to cover the associated expenses. The intern (whose position was subsequently re-titled “Management Fellow”) was hired for 6 months. At the end of her time, she accepted a position with another organization and is no longer working for us. Total expenses through 2014 for this project were $15,720.34. Staff would like to use unspent funding that remains from that earlier authorization to cover lobbying costs - should we not raise the full $21,000 before the end of the 2015 Legislative session. CA O’Leary requested that the commission approve the contract with Arbaugh and Associates for lobbying expenses associated with securing sewer grant funding in the 2015 Legislature, and authorize the City Administrator to make the necessary budget adjustments.

Commissioner Moore said she has no objection to using the unspent funds from the “Management Fellow” to cover the lobbying costs.

Commissioner Olsen said the coalition has not raised the funds that they said they were going to. He referenced Fortera and the City requiring the money first before going forward, so going forward with the coalition next year he said he would be real hesitant, but he is in favor of hiring a lobbyist.

City Administrator O’Leary recommended moving forward. He said we need to fulfill the commitment and leadership that was started with the coalition.

Mayor Crone said he agrees with Commissioner Olsen and next year the City of Shelton will not be the main in the coalition.

Commissioner Moore moved to approve the contract with Arbaugh & Associates and authorize the City Administration to make necessary budget adjustments; Commissioner Olsen seconded the motion.

In further discussion Commissioner Olsen said he would vote for it but he does protest the part that full funding has not been raised and not playing by the rules we have set for others.

A vote was taken with Mayor Crone and Commissioner Moore in favor, Commissioner Olsen opposed. The motion passed with a majority vote in favor.

Administration Reports

• Abatement Update Plan—Community and Economic Development Director Goins presented a PowerPoint regarding the 2014 Abatement Strategy. He presented pictures of the “Top Ten.” DH Goins said in summary of activities to date in the abatement of the “Top Ten” six have been demolished, one is poised for demolition, one is pending Trustee’s Sale, two with little progress to date; staff will focus efforts to these sites in 2015. Other 2014 activities included: five other sites demolished, at least ten additional “serious sites” have been abated and dozens of other sites are in the process of abatement of rehabilitation.

The Commission thanked DH Goins for the update.

• Legislative Update Plan—Community and Economic Development Director Goins reported on staff’s coordinated agenda with legislators prior to going into session describing what the City would like to work on. In the past this was coupled with a thank you for past efforts that have been successful. The types of activities are a couple of transportation projects that have come forward such as Lake Blvd. / Pioneer Way and Railroad Avenue rehabilitation. Some capital projects are Basin 3, “C” Street cleanup, and the pending Intertie project.
DH Goins presented a flyer that the Association of Washington Cities listed as topics of cities’ priorities to partner with the Legislature and Governor to find ways to fund items such as: shared revenue, transportation, revenue authorities, infrastructure, and sharing marijuana revenues.

Mayor Cronce said he hoped the Intertie monies could go to another project.

CA O’Leary said that a meeting with the Legislators will be in a couple weeks where all this can be discussed. The Intertie $1.5 million can’t be spent in two years so a strategy to reallocate the funds needs to be discussed.

DH Clark said he wanted to keep the Railroad Avenue rehabilitation in mind. He said this has all the potential for being a great entrance to the City.

Commissioner Moore added that there is some interest coming from Mason Transit to take over the Park n Ride so the Railroad Avenue project would extend out that far.

DH Goins said in addition to the Railroad Avenue rehabilitation the topics are: Basin 3 funding for the entire project, Department of Ecology support for “C” street, requesting re-appropriation of the Intertie project, funding for Basin 7 I&I project and further describing the coalition agenda.

DH Goins said he will work on a draft handout for review with the possible date of January 8, 2015 to meet with legislators.

**General Public Comment**
Mayor Cronce recognized Mr. Forrest Cooper who congratulated DH Goins on the abatements that have happened. He said the “bowling alley” may have some historic value and instead of demolition of the building he encouraged the owner to fix the façade.

**Administrative Final Touches**
- DH Clark – Water Ordinance changes Fire Line
- CA O’Leary – Interlocal Agreement Sewer Funding Coalition

**Announcement of Next Meeting**
Mayor Cronce announced the next regular meeting Monday, December 29, 2014 at 2:00 p.m.

**Adjournment**
Mayor Cronce adjourned the meeting at 3:58 p.m.