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CITY OF SHORELINE

**SHORELINE CITY COUNCIL
SUMMARY MINUTES OF SPECIAL MEETING**

Tuesday, February 21, 2006
6:30 p.m.

Shoreline Conference Center
Mt. Rainier Room

PRESENT: Mayor Ransom, Deputy Mayor Fimia, and Councilmembers Gustafson, Hansen, McGlashan, Ryu, and Way

ABSENT: none

1. CALL TO ORDER

The meeting was called to order at 6:34 p.m. by Mayor Ransom, who presided.

2. FLAG SALUTE/ROLL CALL

Mayor Ransom led the flag salute. Upon roll call by the City Clerk, all Councilmembers were present.

3. CITY MANAGER'S REPORT

Bob Olander, Interim City Manager, reported on the following items:

- Improved traffic enforcement measures, including newly-labeled patrol cars and revised work schedules to cover peak traffic hours.
- Upgraded facilities at the Spartan Gym, which allows for hosting of larger events. The Gym is experiencing increased revenues from new rooms and recreation programs.
- The King County Hidden Lake Pump Station/Boeing Creek Trunk Sewer Project is likely to commence in May or June, 2006.

4. COUNCIL REPORTS

Councilmember Ryu noted that she, Mayor Ransom, and Joyce Nichols attended the SeaShore Transportation Forum meeting.

Councilmember Way reported on her participation in the "Ivy Out" project at South Woods.

Mayor Ransom noted his attendance at the Regional Transportation Committee meeting and reported that bus fare rates and bus shelters were topics of discussion.

Councilmember Way requested Council consensus for her to speak on behalf of the City Council in favor of Substitute House Bill 2799, relating to tax exemptions for solar hot water systems and on the legislative priorities to the state legislature.

Councilmember Gustafson said it looked like a positive thing but he hasn't looked at the pros and cons of the legislation. He was reluctant but asked for time to review it and preferred she represented herself as an individual.

Mr. Olander said this was consistent with City policy and there is not much financial impact in Councilmember Way attending it.

Councilmember Hansen objected to Councilmember Way speaking on behalf of the Council.

Councilmember Ryu appreciated incentives for energy conservation and supported Councilmember Way's request.

Deputy Mayor Fimia said the legislation is consistent with what the Council has approved and not contrary with existing policies. The Comprehensive Plan, she stated, has passed the House of Representatives by a vote of 95-1. She added that the Council could vote on this at the end of the meeting.

Mr. Olander pointed out that things happen quickly in legislature and that legislative priorities give blanket authorization for councilmembers and staff permission to lobby for timely bills.

Mayor Ransom agreed with Mr. Olander and stated the Council has to move quickly and consistently with goals. However, he was willing to wait until the end of the meeting for the vote.

Councilmember Gustafson reiterated that he was reluctant to vote when he has not had the chance to read and review the information, however, he said if staff is comfortable with going forward with it then he would support it.

Councilmember Way said she emailed the information to the Council over the weekend and apologized for it being last minute. She noted that hot water is second highest energy use appliance in homes.

There was Council consensus, with Councilmember Hansen dissenting, to allow Councilmember Way to represent the City in speaking on favor of SHB 2799.

Mayor Ransom announced that the Council needed to form committees to screen applicants for the Planning Commission and Library Board. He appointed himself and Councilmembers Gustafson and Way to a subcommittee to review Planning Commission

applications and Deputy Mayor Fimia, and Councilmembers McGlashan and Ryu to a subcommittee to review applications for Library Board.

Deputy Mayor Fimia announced that the City would hold a grant-writing workshop for non-profit organizations and based on the effectiveness of this workshop the City can hold more workshops in the future.

Mayor Ransom opened the meeting to public comment.

5. PUBLIC COMMENT

(a) Rick Stephens, Shoreline, on behalf of the Shoreline Chamber of Commerce said the Chamber voted to support the business license as long as the cost of the fee doesn't exceed \$50.00. He felt it would be useful to know who the business neighbors and partners are in Shoreline. However, the Chamber doesn't support a revenue-generating system. He said the registration process tends to scare people and there are a lot of good home businesses that the City should know about.

(b) Larry Wheaton, Shoreline, agreed with the previous speaker concerning business licenses. He said last year Goldie's paid \$700,000 to Shoreline in taxes and showed no profit. He thanked the City for lowering taxes but business is off 30% due to Aurora, he commented. He added that the smoking ban also is causing a reduction in profits. He asked the Council for some temporary relief or employees will be laid off and management at Goldie's will suffer pay cuts soon. He commented that the raised median on Aurora Avenue is also affecting his business because it limits patron access.

(c) Larry Owens, Shoreline, on behalf of the Shoreline Solar Project and Solar Washington said the State of Washington has taken the lead in promoting renewable energy. Washington retailers offer no sales tax on the sale, maintenance, installation, or labor of solar electric equipment, fuel cells, wind, landfill gas, and biomass. That same solar sales tax exemption does not exist for solar hot water systems even though they are the most efficient at converting the sun's energy into heat. Substitute House Bill 2799, he said, would extend same sales tax benefits that other sources enjoy.

(d) Henk Kunnen, Shoreline, said drivers speed in front of his business on 15th Avenue NE. He commented that Kirkland has a flashing traffic speed sign that is effective and the City should look into getting one. He felt the 170th and 15th intersection is unsafe for pedestrians and said there should be traffic enforcement at the 7-11.

(e) Dan Mann, Shoreline, urged that the business licensing proceeds go to the Economic Development Program to allow merchants input on legislation. The first mile of Aurora Avenue has decreased his business revenues by 35-40%; it is impact hitting everyone. He said the blue "Business Access" signs are helping customers, and the latest accident data from 2000-2004 show most accidents happen at intersections. He said the use of more medians will increase the accident rate and drive traffic into neighborhoods. He urged the City to review the data and improve the first mile design.

(f) Bronston Kenney, Shoreline, thanked the Council for rejecting cottage housing.

Councilmember Way said she would like a copy of the data Mr. Mann spoke about.

Mr. Olander responded that he would get it to the Council and also look at the gambling tax issue, the flashing signal in Kirkland, and accident data. He said he would also look into the concerns that Les Nelson had in a prior meeting has regarding pedestrian access around 155th Avenue NE.

Councilmember Gustafson would like more information on solar heating system costs.

Mr. Owens stated that the fiscal note statewide was \$7,000 per year per home. He added that the cost depends on the size of the home, but in general for a household of four it costs \$3,000-\$5,000 depending on the architecture and roofing. Residential customers receive a 30% federal tax credit on their purchase and business owner receive a fabulous deal for converting their businesses.

Deputy Mayor Fimia thanked Mr. Olander and the City staff doing a great job and being responsive to the residents.

6. ACTION ITEM

- (a) Ordinance No. 409, submitting to the qualified electors of the City of Shoreline at an election to be held on May 16, 2006 a proposition authorizing the City to issue its general obligation bonds in the principal amount of \$18,795,000 for the purchase and improvement of parks and open space facilities

Mr. Olander stated this item was brought back per Council direction.

Councilmember Gustafson moved to adopt Ordinance No. 409, submitting to the qualified electors of the City of Shoreline at an election to be held on May 16, 2006 a proposition authorizing the City to issue its general obligation bonds in the principal amount of \$18,795,000 for the purchase and improvement of parks and open space facilities. Councilmember Hansen seconded the motion.

Councilmember McGlashan inquired if the amount of this bond is “out of the realm for passage” by the voters. He inquired why the Bond Advisory Committee (BAC) wanted to avoid raising the bond package to \$19 million.

Mr. Olander replied that City staff and the BAC concurs with the amount and feels comfortable submitting it to the voters as-is.

Mayor Ransom enthusiastically supported the bond. He said it is the first real major addition of parks and open space since incorporation and absorbing the King County park system. He added it is a great blessing to the City to refer this to the voters after three years of work.

Councilmember Gustafson agreed with the Mayor and said the bond gives voters a chance to vote on a project. Many people have spent lots of time on this and it is good package that represents the entire City. He said he is excited to see it move forward.

A vote was taken on the motion to adopt Ordinance No. 409, which passed 7-0.

7. WORKSHOP ITEMS

(a) Business License/Registration Program

Debbie Tarry, Finance Director, provided the staff report on this item and explained the reasons that cities establish business licensing programs. Some of these reasons include: 1) to provide a master list of businesses and types of businesses; 2) to provide a record of the owners and other contact information; 3) to have a list to reconcile against sales tax records; 4) to help insure compliance (i.e., zoning, fire and life safety, etc.); and 5) to generate revenue. Shoreline currently requires massage businesses, public dance events, pawnbrokers, secondhand dealers, solicitors, and adult entertainment to obtain a regulatory license. She explained that the revenue from business licenses can be for general municipal operations or allocated for specific purpose by Council policy. She pointed out that regulatory non-revenue generating business license programs are easier to implement, and do not have as many reporting requirements. Currently, there are over 180 cities in Washington that have a business license program with 19 cities either comparable or in close proximity to Shoreline. Eleven of these cities, she conveyed, have a regulatory business license program and five of these cities also have a business and occupation tax. She added that the business license fee ranges from \$10 - \$80 per year with two cities have one-time fees and seven cities have a fee of \$50 or more per year.

Continuing, Ms. Tarry noted that eight of the cities have revenue generating business license programs and the highest fee is \$83.25 per employee. 50% of businesses in Shoreline have only one employee, and of remaining businesses the median is five with the average being 14. Shoreline's largest employer has 349 employees. She noted that the Economic Development Task Force recommended implementation of a revenue generating business license program with the revenue being allocated for economic development. She said the Task Force noted that the pertinent business information must be correct and the City must charge a reasonable fee which may be formulated on a sliding scale (i.e., per employee or businesses grouped by number of employees). Furthermore, the Task Force said the administrative cost for implementation and operation must be low for the program to succeed. Ms. Tarry reviewed the next steps for the Council, which include directing staff to create an outreach program for the business community and determining if Shoreline can partner with the State of Washington Master License Services (MLS). She concluded by describing the policy issues involved with

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implementing a City business license program.

Mayor Ransom called for public comment.

1) LaNita Wacker, Shoreline, noted the Council should consider independent contractors to establish and run the business licensing program instead of City employees. Furthermore, she inquired how Shoreline Community College, Fircrest, and the School District would be classified.

2) Dan Mann, Shoreline, said he is the former president of the Shoreline Chamber of Commerce and was involved in the Economic Development Program process. He felt if the business license program is presented to the business owners as a tax it would not work. The program, he outlined, needs to have long-term benefits and can be a good tool if done in a correct, fair, and reasonable way. He added that all proceeds from the business licensing program should be reinvested in the Economic Development Program to have a compounding effect on Shoreline economics and to give local businesses meaningful input into proposed legislation or policies.

Councilmember Way inquired how a business license program would benefit businesses.

Tom Boydell, Economic Development Program Coordinator, said that it would provide an “extended outreach” for businesses that want to partner and respond to legislation that impacts them. There has been a process created which asks business to prioritize their ideas and put up some funds. Items that have resulted from this process have been the “business access” signage, the business directory, ads, and small business assistance programs. He pointed out that this was the pilot only, so more comprehensive programs would be forthcoming with a more stable commitment to the budget.

Councilmember Way suggested that local businesses are experiencing difficulties, delays, and revenue problems. She said she would like to structure a program to assist those affected businesses.

Mr. Boydell noted that another program that the businesses have been asking for is a marketing and promotion effort. One appropriate use of funds derived from the business licensing program would be to implement such a program.

Mr. Olander reminded the Council that the fee structure they approve for the business licensing program will dictate the level of benefit that can be provided to businesses. The higher the business licensing fee, the more benefit the local businesses will derive.

Councilmember Ryu felt Shoreline should be a “business-friendly” City. She said existing businesses in Shoreline are already paying their fair share of taxes. She felt that having a master list of businesses is beneficial, specifically having a regulatory business license. However, having a revenue-generating business license is unnecessary, she said. She urged the Council to be cognizant of small businesses and their expenses.

Mr. Boydell announced that there is an end-of-pilot report being generated for the Council. The report will note what will be created under a larger program. For example, he noted there have been thousands of dollars saved in energy costs at a number of businesses. Additionally, there has been the creation of a \$500,000 loan fund. The pilot efforts have also allowed them to respond to businesses wanting to relocate to Shoreline.

Mr. Boydell responded to Councilmember Ryu and stated that the pilot program does not duplicate the Shoreline Community College program; it compliments it.

Councilmember Gustafson favored the regulatory program and partnering with the Washington State Master Licensing Services (MLS) program and would like to verify the \$30,000 cost for partnering with them.

Ms. Tarry responded that that cost is an estimate based on other cities that have utilized MLS, including some technology costs.

Councilmember Gustafson felt the City should be considerate to local businesses, but a master list is important to the City. He felt a rate of \$50 to \$60 for commercial businesses and a rate of \$25 to \$30 for home businesses would be appropriate.

Councilmember McGlashan supported a business license program but felt it should be a revenue-generating license. He felt if the program wasn't revenue-generating the City would not get a complete master list. He said it needs to be revenue-generating in order to get the most out of the program and for it to be effective.

Deputy Mayor Fimia felt the program should start out being a regulatory program with the main goal to get an inventory of the businesses in the City. She felt then the City could develop a revenue-generating program based on net income rather than location.

Mayor Ransom said he has supported a Shoreline business licensing program for 10 years. He reported there being 300 businesses on the Aurora Corridor, and another 300 businesses in the Chamber of Commerce. He said there have been studies that say there are anywhere from 1,200 to 1,500 businesses in Shoreline, with an additional 1,200 to 1,500 home-based businesses in the City. He noted that the Chamber recommended a \$50 license fee for businesses with an exemption for those businesses that net less than \$12,000 per year as the MLS does.

Councilmember Way inquired how the City would enforce this and compile the appropriate information.

Ms. Tarry stated that the MLS licensing would require all Shoreline businesses with State licenses to have Shoreline business licenses. The State does some of the enforcement but that would need to be coordinated with the City's Planning & Development Services Department. Additionally, sales tax records provide some cross checks to include word-of-mouth reporting from residents.

Mr. Boydell stated the enforcement could be used as a way to help businesses understand the benefits and programs that would be available to them if they were licensed.

Councilmember Way agreed that showing businesses the benefits of having a City business license is important to the success of the program.

Councilmember Hansen stated he is opposed to a City business licensing program. He felt that honest businesses would register, but those that were struggling or were dishonest would not.

Councilmember McGlashan said there should be a fair, tiered business licensing system established based on the gross sales of each business.

Mayor Ransom said there appears to be Council consensus in support of a regulatory business license and no apparent objection to the MLS system.

Ms. Tarry said the tiered system offers flexibility and there is no real threshold with the State.

Mr. Olander noted that home occupations are impacting neighborhoods and suggested that the system not have too many tiers.

Deputy Mayor Fimia said the City would need to advertise whether or not the system would be a State MLS system or one developed by the City. She felt the threshold needed to be lower in order to make sure every business signs up, maybe even without a fee for entities with gross revenue of less than \$6,000. She said that at a later date the City should consider a revenue-generating business license once the City can demonstrate the benefits to the licensed businesses. Access to information on other businesses and sending out surveys to City businesses would make the program more comprehensive. She supported having an exemption of \$6,000 per year in gross receipts for businesses who apply for a City business license.

Councilmember McGlashan felt that rather than having exemptions, the City should set one rate for regular businesses and one for non-profit organizations.

Councilmember Way favored having an exemption for start-up businesses. She inquired if there was an educational benefit for high school students who were interested in business. She added that businesses that are affected by City projects should get a reduction on their business license.

Mayor Ransom felt strongly that a \$12,000 exemption is reasonable. He pointed out that some non-profits are doing \$6 million in sales per year and should be included but they would be exempt if they are doing less than \$12,000 per year. He also felt there should be a category for government and educational institutions.

Ms. Tarry said she has enough information from the Council to draft an ordinance and said it could be brought back in late March, but no later than early April. She felt it is imperative to work with the Chamber of Commerce. She commented that MLS said that the easier the City makes the program, the easier it would be to implement it.

Mayor Ransom noted that there was Council consensus for an annual renewal business license process.

Deputy Mayor Fimia summarized that the threshold level and the pros and cons of exemptions were items for staff to bring back to the Council for discussion.

Ms. Tarry stated that a threshold level based on net income can be complicated because all of them utilize gross income for comparisons. There are different taxes placed on different types of businesses, so utilizing net income for comparisons would not be feasible, she said. She added that there will be discussion with the City Attorney on the legal aspects and MLS before bringing the item back to the Council.

Mr. Olander commented there is a strong advantage to having an up-to-date system with an inventory of businesses, especially for emergency response reasons.

Councilmember Gustafson thanked the Economic Development Task Force and the Chamber of Commerce for their comments and input on this item.

RECESS

At 8:40 p.m., Mayor Ransom called for a recess. The meeting reconvened at 8:50 p.m.

(b) Performance Management Program

Ms. Tarry provided a PowerPoint presentation of the City's performance measurement program. She highlighted that the program measures goals and objectives that tie into a statement of mission or purpose. She explained the process that the City utilizes to maintain and improve the program and where the City goes for professional guidance. She highlighted that the performance management program is a strategy for continuous improvement and a means to evaluate whether staff and the Council are accomplishing the City's strategic plan and program goals to achieve the City's vision.

Councilmember Gustafson inquired if Initiative 900 ties in with the City's performance management program.

Ms. Tarry stated there is some connection because Initiative 900 has nine requirements of performance audits. The City and the Association of Washington Cities (AWC) has encouraged the State to utilize some of the models that have been established by the International City/County Management Association (ICMA). She felt the Council can

access what the State is going to propose by looking at the City's current performance measures.

Mr. Olander said the performance measures are also used to analyze deficiencies at a departmental level and to make decisions. The staff is constantly reevaluating the most cost effective means of providing services which are management decisions that may not be seen at the Council level.

Ms. Tarry noted that a local consortium has been formed by ICMA which includes nine local municipalities; Bellevue, Kirkland, Lynnwood, Mercer Island, Renton, Sammamish, University Place, Vancouver, and Shoreline. The goal of the consortium is to make the performance measures that these cities use through ICMA more useful to each City in order to make more regional comparisons. It is estimated that it would take the consortium a couple years to deliver any real performance measurement development data.

Councilmember Way asked why these nine specific cities were a part of the consortium.

Ms. Tarry identified that any ICMA-represented city can join the consortium and these first nine cities were just the first to join. She said the consortium has started establishing targets and baselines and identifying areas where the cities are meeting community needs and where improvements can be made. She summarized that the City's performance management program has been in place for four years and will continue to evolve as a decision-making tool. She said City staff continues to validate the program with the Council and the community to ensure improvement occurs.

Assistant City Manager Julie Modrzejewski commented that she served in an advisory role and has previous performance management program experience with other municipalities. She stated she is an advocate for identifying goals and targets collaboratively.

Mr. Olander stated that this is a "bottom-up" briefing and the Council, as the policy makers, must set and revisit the goals, vision, and critical success factors. He felt this would be a very important task that the Council will address at the April retreat. When the Council returns from the retreat with changes or modifications, then, he said, the staff can revisit the performance measures based on the Council input.

Mayor Ransom outlined that there is mid-year data that the Council received from the Police Department that should be included in the performance measures.

Councilmember Way asked how the critical success factors were determined.

Ms. Tarry responded that they were formulated from surveys and documentation received from residents.

Mr. Olander said the City staff creates scientifically valid surveys that result in viable data that is applied to the performance management program.

Ms. Modrzejewski responded to Mayor Ransom's inquiry and explained that the Customer Response Team (CRT) increase of efficiency is based on CRT adding the abandon vehicle enforcement program to their duties. This addition, without adding more personnel to the department, increased their efficiency rating, she explained.

Mr. Olander explained that this change freed up more officer time in the traffic enforcement division. He said some of the data will naturally evoke the type of questions that Mayor Ransom asked.

Mayor Ransom questioned if the City's data is comparable to that of other cities.

Ms. Tarry responded that in some cases the data is comparable, but that is based on whether or not the same survey questions are utilized.

Mr. Olander stated that it is important to determine what should be measured in a performance management program; otherwise, an organization can spend lots of staff resources trying to measure everything.

Responding to Mayor Ransom, Ms. Modrzejewski noted that the ICMA has not developed performance management templates for planning and development services because it is very difficult to apply measures for all planning departments across the nation. However, this is another section the Puget Sound consortium is working on to formulate an "apples-to-apples" comparison between local cities.

Ms. Tarry added that the City has developed measures that are meaningful to Shoreline residents.

Deputy Mayor Fimia expressed concern about the validity of the statistics, since there are not many cities participating in the ICMA program.

Mr. Olander reported that the data that the City has been receiving is the best there is nationally. However, he stated, as the program grows, so will the amount of data that gets reported in Washington.

Mayor Ransom responded to Councilmember Way that the auditing program under Initiative 900 would not be available to municipalities for about two to three years.

Mr. Olander described the performance measurement program as an important way to work with citizens and let them know if the City is meeting their expectations.

MEETING EXTENSION

Councilmember Ryu moved to extend the meeting until 10:15 p.m. Councilmember Ryu seconded the motion, which carried 6-1, with Councilmember Hansen dissenting.

Mr. Olander summarized that it is important for the Council to deliberate and decide at their April retreat what the Council vision, mission, and goals are. After the retreat, the staff can work with the residents, the citizen groups, and the Council to develop measures that accurately measure the City's performance.

Responding to Councilmember McGlashan, Ms. Tarry stated that the City is more interested in looking at the data it receives first rather than the averages at this time.

Mayor Ransom called attention to the fact that the AWC conducts workshops on performance management.

Mr. Olander added that the City has a depth of expertise on performance management in Ms. Tarry and Ms. Modrzejewski, who both have attended several ICMA training sessions on the topic.

Mayor Ransom said he didn't see any analysis done to determine how the numbers have changed over the past years.

Ms. Tarry noted that some of that data can be viewed in the pavement surfacing program. Costs have gone down in terms of cost per mile due to cost efficiencies identified by public works staff. Based on their analysis, they determined they could use slurry seal with the overlay to make the project more cost effective. She added that departments are doing that work in the background and the Council may not see the analysis, only the results through the performance measures and the recommendations from the department.

Mr. Olander noted that the City did this for the City's street sweeping program as well. The cost benefit analysis was not revealed to the Council, only the "before and after" numbers, he said.

Councilmember Gustafson thanked the staff for the answers to the questions he submitted. He noted that the key piece is the goal-setting that will occur during the April retreat. He agreed that a lot more data is needed to move forward.

Councilmember Ryu wondered whether Washington Cities Insurance Authority is able to provide data on risk management.

Deputy Mayor Fimia appreciated all the work and effort that has been put into the program. She said this is a tremendous job and the City must build on what has been done thus far. She advocated taking this information to the public since the performance measures should be derived from public input. City staff and the Council should know what the residents want, what they value, and what their goals are. Most citizens, she said, want to know what the general performance measures are and how those goals tie

into the budget. She added that she would like “customers” referred to as “constituents,” as they also have responsibility in reducing the need to provide City services, such as cleaning the area in front of their own homes. She concluded that citizen involvement needs to be the first step in getting the performance management program going in Shoreline.

8. ADJOURNMENT

At 10:16 p.m., Mayor Ransom declared the meeting adjourned.

Scott Passey, City Clerk

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