

CITY OF SHORELINE

**SHORELINE CITY COUNCIL
SUMMARY MINUTES OF STUDY SESSION**

Monday, May 7, 2012
7:00 p.m.

Council Chamber – Shoreline City Hall
17500 Midvale Avenue North

PRESENT: Mayor McGlashan, Deputy Mayor Eggen, Councilmember Hall, Councilmember McConnell, Councilmember Winstead, Councilmember Salomon, and Councilmember Roberts

ABSENT: None

1. CALL TO ORDER

At 7:00 p.m., the meeting was called to order by Mayor McGlashan, who presided.

2. FLAG SALUTE/ROLL CALL

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

(a) Proclamation of "Puget Sound Starts Here" Month

Mayor McGlashan read the proclamation declaring the month of May, 2012 as "Puget Sound Starts Here" Month in the City of Shoreline. Mina Williams accepted the proclamation and thanked the City for the recognition.

3. REPORT OF THE CITY MANAGER

Julie Underwood, City Manager, provided reports and updates on various City meetings, projects, and events.

4. COUNCIL REPORTS

Councilmember McConnell discussed the SeaShore Transportation Forum meeting and reported on the Sound Transit decisions on the draft Environmental Impact Statement (EIS) for the Lynnwood Link light rail stations. She thanked the Council and the staff for advocating for Shoreline's preferences on light rail.

Mayor McGlashan thanked the Council for lobbying the Sound Transit board members and other elected officials.

5. PUBLIC COMMENT

a) Kevin Foley, Kenmore, explained that a sign located adjacent to his business violates the sign code, but the City's code enforcement officer disagrees with him.

b) Sean Osborn, Shoreline, commented that the noise coming from the Mars Hill Church at Aldercrest violates the noise ordinance but there are compliance and enforce issues.

c) Greg Logan, Shoreline, urged the Council to postpone the Seattle Public Utilities (SPU) acquisition until 2013 in order to have an objective and open review of the issues.

d) Diane Pottinger, District Manager of Shoreline Water District, commented on the District's success in acquiring two competitive loan projects in the last legislative session.

e) Dan Thwing, Shoreline, discussed his work on the SPU acquisition steering committee and stated that more information needs to be considered, including the hydraulic model.

Debbie Tarry, Assistant City Manager, responded to issues presented by Mr. Foley and Mr. Osborn. Councilmembers responded with questions and comments regarding A-frame signs.

6. APPROVAL OF THE AGENDA

Upon motion by Councilmember McConnell, seconded by Councilmember Salomon and unanimously carried, the agenda was approved.

7. STUDY ITEMS

(a) Discussion of Seattle Public Utilities Acquisition Due Diligence

Mark Relph, Public Works Director and Debbie Tarry, Assistant City Manager, provided a detailed report of the City's due diligence process regarding the Seattle Public Utilities (SPU) Water System acquisition. Mr. Relph introduced two consultants from EES Consulting, Gail Tibone and Dave Sherman, and explained that the main reason to seek acquisition is taxation without representation. He said owning the utility would allow Shoreline to set the rates, charges, and service standards. Ms. Tarry highlighted that the City is currently charged a 14 percent surcharge because Shoreline isn't within City limits. She explained that the revenues from the surcharge go directly into the City of Seattle General Fund. Mr. Relph noted that the City would have better fire protection, the ability to plan for growth, better customer service, and more operational efficiencies if the utility was owned by Shoreline. He reviewed the SPU acquisition timeline, negotiations, and the due diligence phase. Due diligence includes financial/engineering analysis, and community outreach. He noted that the water main and 23% of the entire system needs replacement. He also identified the need for evaluating and exercising valves/hydrants as well as a flushing program for the water mains.

Mark Bunje, Fire Chief, Shoreline Fire Department, gave a presentation about the challenges of the water system. He explained the differences between flood and drip irrigation and discussed water supplies, hydrants, tanker or tender, and drafting or stored resources. Mr. Bunje noted that the Fire Department needs volume, not pressure, from hydrants. He reviewed the City's water system performance and reliability and said that the fire department tests the fire engines, hoses, and pumps. He expressed concern about the testing of hydrants, street valves, and pressure reducing valves by the water districts. Additionally, he said field flows need to be validated. He noted that there isn't any coordination from the water providers and both water purveyors need to be on the same standard. He noted that the City was unable to invest in infrastructure improvements on the Aurora Corridor and Innis Arden, where the new mains need to be extended. He then highlighted the problems and high risk areas in Shoreline.

Councilmember Hall verified that there are several multifamily and commercial structures that require more than 2,000 gallons per minute. Councilmember Roberts verified that structures, depending on their size, have a different level of fire flow. Mr. Bunje summarized that the fire department requires a well-maintained, reliable water supply to best meet the needs of all Shoreline residents and business owners.

Responding to Councilmember Roberts, Mr. Bunje said SPU has been very supportive of many of the issues. However, he said he is looking at more of the long-range issues that need to be addressed, such as having a bigger infrastructure and hydrant maintenance. He added that some things get resolved over time, but other issues have no simple solution. Noting past discussions with SPU regarding hydrants and fire protection, Mr. Relph stated that SPU said that they would charge the ratepayers for upgrades. That is when the discussion moved to acquisition. He added things may have changed because of the Bonney Lake decision which may have put the City a better position with SPU in terms of the franchise.

Councilmember Salomon confirmed that Chief Bunje isn't giving an opinion on technical feasibility. Councilmember McConnell discussed the steering committee and noted that providing better maintenance to the residents is important to her. Mr. Relph discussed the Chief's presentation and the deficiencies outlined in the staff report, including the 23% replacement need. He added that he is trying to confirm the deficiencies in the hydraulic model.

Deputy Mayor Eggen confirmed that the fire department is no longer testing the hydrants based on the Lane case. Mr. Bunje stated that the fire department tested the hydrants in the past and the Lane case put them in the position that they would have been be financially responsible for the hydrants. Deputy Mayor Eggen asked whether the City of Shoreline or the City of Seattle bears responsibility for supplying water for fire suppression, to which Mr. Bunje replied that the question is currently unresolved. Councilmember Roberts suggested that the City of Seattle is responsible because the franchise agreement includes fire flows and maintenance.

Mayor McGlashan asked how much of the 23% water system replacement involves the fire department issues only and Mr. Relph replied that he couldn't respond based on the current information.

Ms. Tarry discussed the financial model, revenue forecast, and cost forecast. She highlighted the SPU rate increase trend over the past 10 years and the projections through 2014. Ms. Tarry then discussed future water usage estimates.

At 8:37 p.m., Councilmember Winstead left the meeting.

Mr. Relph reviewed initial costs, ongoing operation and maintenance costs, and the ongoing capital improvement costs. Ms. Tarry compared the base case and Case M projections. Mr. Relph discussed next steps and noted that staff is still working through some minor issues with SPU.

Councilmember Salomon inquired about water pressure and noted that Shoreline ratepayers are paying a lot more than other cities. Ms. Tibone replied that generally everyone buys water from Seattle and the differences are in the distribution system. The distribution system, its density, age, management, policies, etc all make a difference in the cost. Ms. Tarry explained that it's hard to compare the retail to the wholesale rates because Seattle's retail rates include their operations and maintenance costs and capital costs. She also noted that over time the staff believes it would cost less if the City operated the utility. Mr. Relph added that the residents would also receive a higher level of maintenance and a higher investment in the Capital Improvement Plan (CIP).

Councilmember Salomon and Ms. Tarry discussed the issue of local control. Councilmember Salomon expressed concern about the 4.6 percent inflation rate and Ms. Tarry replied that the rate was 2.5 percent, but the SPU financial subcommittee felt that the expenses relating to labor and capital expenses may go up, thus a higher rate was preferred. He expressed continued concerns about the financial model, noting that starting point of the revenue seems to be overstated. He inquired about the reliability of SPU's long term plan to only raise rates 0.4 percent above inflation when they haven't adhered to it in the past. Ms. Tarry replied that their plan underestimates what they will do. Councilmember Salomon said he would like to hear from SPU directly about this; Ms. Tibone responded that SPU has their 20-year capital plans on their website.

Mr. Relph confirmed for Councilmember Roberts that the only fixed cost is debt service. Referring to this, he confirmed that as long as the wholesale water, operating expenses, taxes, and labor costs don't rapidly outpace inflation, it doesn't matter what rate is used because it will affect both sides. Mr. Relph also responded to his inquiry about the improvements that were not done as part of the Aurora Corridor Project.

Councilmember Roberts discussed the last SPU District meeting concerning infrastructure improvement charges for properties. He stated that if the City believes growth is going to happen in a certain area, then the benefit for the City to acquire this utility is to be able to do its own enhancements through the annual CIP. Mr. Relph replied that as far as he knows, connection charges are one policy issue that should be discussed when rates are set. He added that the Council must also determine where rates for growth will come from. Additionally, he noted, because 23 percent of the system should be replaced or enhanced, there is an opportunity for growth and proper management through the acquisition.

Councilmember Roberts inquired if the level of service in the City's annual CIP is better than what the City would receive from the City of Seattle. Mr. Relph confirmed that the service would be a higher level of service, even if the mains aren't replaced.

Councilmember Salomon asked about the amount of reinvestment, and Mr. Relph confirmed that the City of Seattle doesn't project any capital improvement work in Shoreline in the next 20 years. Mr. Relph added that the City's current CIP is noticeably better because of the operating capital because it aligns with the City's suggested maintenance program, which is dedicated to the flushing of the mains, maintaining the hydrants, and the valves.

Councilmember Roberts noted that if the City exceeds the PRSC annual growth rates, the City is okay; if not, the model is narrowed. Ms. Tibone noted that the two things that affect growth are: 1) population growth, and 2) use per customer. She said right now use per single family home is declining. She said currently the City of Seattle has major programs to get customers to conserve because usage cannot continue at this present rate.

Deputy Mayor Eggen confirmed that there is an SPU hydraulic model for Shoreline and Mr. Relph noted that CH2MHill will critique it. Mr. Relph added that once the City acquires SPU the City would purchase its own model and input all the analyzed information to create a City of Shoreline model. Mr. Relph further explained that the projects recommended by EES Consulting are based on work SPU has previously done. He noted that water and fire have to work directly together to have a successful model that meets community needs.

Councilmember Hall discussed the growth rates and said PRSC is forecasting a 1% total regional growth and the City rates were done prior to the Town Center plan and station area policies. Therefore, he feels comfortable that these rates are on target. Councilmember Roberts agreed, but stated that if there isn't any growth there will be concerns. He also said he would like to have a better idea about the ballot language and cost of the bond.

8. ADJOURNMENT

At 9:38 p.m., Mayor McGlashan declared the meeting adjourned.

Scott Passey, City Clerk