

CITY OF SHORELINE

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

Monday, June 11, 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, and Councilmember Roberts

ABSENT: Councilmember Salomon

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 with the exception of Councilmember Salomon. **Upon motion by Councilmember Hall, seconded by Councilmember McConnell and carried 6-0, Councilmember Salomon was excused.**

(a) Proclamation of World Refugee Day

Mayor McGlashan read the proclamation declaring June 20, 2012 as World Refugee Day in the City of Shoreline. Mr. Oleg Mortam 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

Deputy Mayor Eggen provided a status report on the Municipal Solid Waste Interlocal Agreement. Mayor McGlashan reported on a meeting he attended regarding transportation infrastructure in California.

5. PUBLIC COMMENT

a) Allen Hendricks, Edmonds, attorney for Olympic View Water and Sewer District, presented a letter from Lynn Danielson, General Manager of Olympic View Water and Sewer

District. He noted that Olympic View Water and Sewer District and the City of Edmonds have legal concerns about the City of Shoreline proceeding with the taking over SPU and requested the Council delay action on this issue.

b) Greg Logan, Shoreline, advised taking a cautious approach with the SPU acquisition because there are many uncertainties and most people still don't understand it.

c) Wendy DiPeso, Shoreline, expressed concern about aspects of the SPU acquisition, concluding that it is unfair to asking people to support something that is uncertain.

d) Debbie Kellogg, Shoreline, noted that local control mean nothing if citizens must sue the City to protect their land use rights, as has happened in the case of Debora Buck and the CRSITA Master Plan.

e) Tom Jaimeson, Shoreline, opposed the SPU acquisition due to deficiencies in the information as well as the steering committee, adding that the Shoreline Water District and Point Wells have received little attention in the matter.

Ian Sievers, City Attorney, explained the issues surrounding the legal challenge to the CRISTA master plan.

6. APPROVAL OF THE AGENDA

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

7. CONSENT CALENDAR

Upon motion by Councilmember Roberts, seconded by Councilmember Winstead and unanimously carried, the following Consent Calendar items were approved:

- (a) **Minutes of Special Meeting of May 7, 2012**
Minutes of Study Session of May 7, 2012
Minutes of Workshop Dinner Meeting of May 14, 2012
Minutes of Business Meeting of May 14, 2012
Minutes of Workshop Dinner Meeting of May 29, 2012

(b) **Approval of expenses and payroll as of June 1, 2012 in the amount of \$760,395.07 as specified in the following detail:**

***Payroll and Benefits:**

Payroll Period	Payment Date	EFT Numbers (EF)	Payroll Checks (PR)	Benefit Checks (AP)	Amount Paid
4/29/12-5/12/12	5/18/2012	45109-	11695-11726	50324-50332	\$539,970.05

45302

\$539,970.05

***Wire Transfers:**

Expense Register Dated	Wire Transfer Number	Amount Paid
5/29/2012	1052	\$2,076.03
		<u><u>\$2,076.03</u></u>

***Accounts Payable Claims:**

Expense Register Dated	Check Number (Begin)	Check Number (End)	Amount Paid
5/22/2012	50263	50279	\$50,391.08
5/24/2012	50280	50289	\$21,344.45
5/24/2012	50290	50300	\$46,739.93
5/24/2012	50301	50315	\$45,945.42
5/24/2012	50316	50323	\$483.29
5/29/2012	50333	50333	\$75.00
5/30/2012	50334	50343	\$16,775.25
5/30/2012	50344	50350	\$12,015.25
5/30/2012	50351	50364	\$23,846.48
5/30/2012	50365	50370	\$732.84
			<u><u>\$218,348.99</u></u>

(c) Motion to Authorize the City Manager to Approve the Purchase of a Single-Axle Truck and Additional Equipment for the Street Operations Division; and Adoption of Ordinance No. 639 Increasing the Appropriations in the 2012 Budget

8. STUDY ITEMS

(a) Seattle Public Utilities Acquisition Due Diligence Update

Mark Relph, Public Works Director, and Debbie Tarry, Assistant City Manager, provided an update of the due diligence of the SPU acquisition process. She highlighted the water district boundaries.

Andrew Tebow, Principal, EMC Research, provided the results of a poll that was conducted in Shoreline during the second week of May. He provided the methodology and key findings and noted that residents are concerned about an increase in the SPU rate and taxes from the proposed acquisition. He noted that the results from this survey are notably more positive than the results of other jurisdictions in the vicinity.

Mr. Relph discussed the revised financial and engineering reports. He noted that the steering committee is still working and reviewed the administrative overhead recalculation. He explained the cost of a second wholesale connection and the Dayton Pump Station controls. He noted that the Shoreline Fire Department’s operational challenges have been included in the engineering

report. He stated that the separation costs have increased, which are related to the Foy Standpipe. He noted that CH2MHill critiqued the engineering costs and hydraulic model and concluded that they system will operate without any fatal flaws. He stated that CH2MHill concluded the package was reasonable, but continued modeling is essential in the future.

Ms. Tarry discussed the rates and communicated that SPU updated their rates for 2012 – 2014 which would mean that the City's revenues in 2020 would be down from \$15.2 million as identified in the draft report to \$14.9. She noted that the purchase price has been adjusted to \$26.6 million and the purchase price plus the initial capital improvements would be \$40.8 million, which increases the debt service from \$2.8 million to \$3.06 million. She summarized that the City would need to fund the water main replacement at 111 percent for the first 20 years.

Mr. Relph discussed the draft Business Plan, which is a "living document" to guide the City in the final steps of creating the utility from 2012-2021. He stated that the City is anticipating the draft SPU acquisition agreement this fall, as well as a proposed City of Seattle Resolution. He mentioned the ballot question and noted that the Council will review and set the appropriate language on August 6. Mr. Relph summarized and outlined the timeframe of this proposal.

Mr. Relph commented on the Olympic View Water and Sewer District (OVWSD) concerns, adding that he fully expects to accept the terms of their agreement between SPU and OVWSD.

Councilmember Roberts asked questions and commented on the up-front costs, unforeseen costs, new water mains, cost of separation, planning, logistics, contingencies, and risk. Mr. Relph noted that there is always some risk, but because the City is being conservative in this acquisition, the risks are being managed fairly well. He said the analysis suggests the City would clearly be able to manage the utility and meet the Council objectives to keep it in the current SPU rate structure or less.

Councilmember Roberts highlighted that cities are responsible for fire protection. He discussed the City's 6 percent tax rate and confirmed with Ms. Tarry that the cost of fire flow and hydrant maintenance is included in the financial analysis. Councilmember Roberts pointed out that SPU raised their utility tax rate 4 percent to maintain the fire system and inquired if the City would adjust the tax rate in the same manner. Mr. Relph noted that it would be a policy decision by the City Council.

Deputy Mayor Eggen discussed how much information the public would have before the vote as well as what decisions would be made after the vote. He also wondered about the risk of any significant hidden costs. Mr. Relph replied that the engineering and financial reports are instruments to manage risk over time. He stated that the City has identified the significant issues and that the sensitivity analysis looks at what would happen if certain factors were to change. He expressed confidence that the City has a strong utility if the City moves forward. Deputy Mayor Eggen stated that he wants assurance that the Council will have something specific in the final agreement with Seattle and that it is known to Shoreline taxpayers. He highlighted the asking price of \$26.6 million and that the proposed resolution states that the City of Shoreline would be obligated to pay all separation costs. Deputy Mayor Eggen asked if the separation costs would be identified prior to the November vote and if they will increase. Mr. Relph replied that he doesn't

see the separation costs changing much at all, and the Council will get much more information before the election. He stated that the City staff has identified any exposure for separation costs. He replied to an additional inquiry from Deputy Mayor Eggen concerning wholesale and emergency “intertie” and said this involves the Department of Health. Mr. Relph added that cost estimates are conservative and they include additional storage with a pump system on the CRISTA tank.

Mr. Relph surmised that the creation of the comprehensive plan for this utility would take two years and it is noted in the financial planning. He explained to Deputy Mayor Eggen that the money for the comprehensive plan would be acquired through a loan and repaid through bonds. Mr. Relph further explained that it wouldn’t make sense for the City to invest and create all of this comprehensive planning to create a utility prior to a vote. Mr. Relph pointed out that a positive vote by the residents doesn’t commit the City to contract with SPU to acquire the utility. Deputy Mayor Eggen pointed out that once funds are spent for short term loans for engineering and separation, the City should consider itself obligated, to which Mr. Relph agreed.

Deputy Mayor Eggen discussed contracting the operations and maintenance of the system and whether it requires a bid process. Mr. Sievers responded that the purchasing ordinance states that the City should conduct a request for proposals (RFP) process for large service contracts; therefore, this would require a bid. Deputy Mayor Eggen inquired if the City could enter into an interlocal agreement with an entity like the Shoreline Water District. Mr. Sievers replied that if this is a standard service that could be provided by other vendors in the private sector, then it is likely to fall under the City’s RFP policy. Mr. Relph said his recommendation is that the City execute a competitive bidding process, like the garbage collection contract.

Deputy Mayor Eggen noted that the City didn’t include provisions for Olympic View Water and Sewer District's wheeling agreement. Mr. Relph noted that he is more than happy to discuss this issue with them.

At 8:33 p.m., Councilmember Roberts left the meeting.

Councilmember McConnell discussed the polling by the research firm, the steering committee, and the fact that the Council wants to answer to its citizens. She noted that citizens wanted more control of the utilities and stop their taxes from going to Seattle. She added that the survey highlights that residents don't want to pay more and some don't want change.

Mayor McGlashan said he has questions about the second connection and inquired if it has to be either or an emergency intertie or a wholesale connection. Mr. Relph explained the difference between the two and confirmed that the connection has to be one or the other. He explained the wholesale water costs.

Responding to an inquiry from Mayor McGlashan, Gail Tibone, EES Consulting explained wholesale water cost trends and rate projections.

9. ADJOURNMENT

June 11, 2012 Council Business Meeting

DRAFT

At 9:00 p.m., Mayor McGlashan declared the meeting adjourned.

Scott Passey, City Clerk