

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF BUSINESS MEETING

Monday, July 27, 2015
7:00 p.m.

Council Chambers - Shoreline City Hall
17500 Midvale Avenue North

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

ABSENT: None

1. CALL TO ORDER

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

2. FLAG SALUTE/ROLL CALL

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

(a) Proclamation of National Night Out Against Crime

Mayor Winstead read a proclamation declaring August 4, 2015 as National Night Out (NNO) in the City of Shoreline. Sargent Don Ellis, Shoreline Police, and Jeanne Monger, Echo Lake Neighborhood Association, accepted the proclamation. Ms. Monger thanked the City for participating in NNO and encouraged residents' participation and to use it as an opportunity to discuss crime prevention and emergency planning. Mayor Winstead acknowledged Ms. Monger 18 years of service as neighborhood watch block captain.

REPORT OF CITY MANAGER

Debby Tarry, City Manager, provided reports and updates on various City meetings, projects and events.

4. COUNCIL REPORTS

Mayor Winstead reported that Councilmembers toured Capital Improvement Projects and stated she was pleased to observe Shoreline citizens' tax dollars performing great work throughout the City.

5. PUBLIC COMMENT

Tom McCormick, Shoreline resident, commented on the 2015 State Legislative Outcomes and the \$16 Billion Transportation Package. He mentioned new legislation now allows the Transportation Benefit District to increase vehicle license fees without a vote of the citizens and suggested that there are other ways to raise money. He said tolling Richmond Beach Road would raise more funds, place the financial burden on those who damage the road, and should be considered before doubling the license fee. He talked about the Point Well Draft EIS and commented on the anticipated increase in usage of the road by tanker trucks and recommended tolling those operations as they expand. He pointed out that there is a financial impact study regarding the annexation of Point Wells and said the same study should be done that considers the impact of tolling.

Mike Thyng and John Sweeney, Shoreline Elks, invited Council to the grand opening of their Lodge on Saturday October 10, 2015. Mr. Thyng stated hours of operations are noon - 11:00 p.m. and said there will be music, dancing, and food.

Tom Jaimeson, Shoreline resident, commented on the issuance of a revenue bond to fund the Surface Water Management (SWM) Utility. He expressed concern over the authorization to combine sewer, garbage, and SWM utilities, and Ronald Wastewater financially carrying the City. He talked about the \$3.5 million general obligation bond issued in 2013 to fund an Operation Maintenance Facility in anticipation of the purchase of Seattle Public Utilities. He commented that SWM rate payers are repaying the bond and loaning money to other tenants of the Facility. He commented that Ronald Wastewater has no debt and recalled previous Council discussions about combining sewer, garbage and stormwater utilities, and using Ronald Wastewater funds as collateral. He talked about Council's recommendation to write off casino debt, questioned their judgment on that matter and on a combined utility system.

Debbie Tarry, City Manager, thanked Elks Lodgemembers for attending the meeting and said she will schedule their grand opening on the City's calendar. She explained that the Bond Counsel and Financial Advisor will address public comment regarding the language in the Bond Ordinance and commented that a combined utility will allow the City to acquire lower interest rates. She clarified that at no time will funds from one utility be used to pay for another. She added that the Operation Maintenance Facility will serve surface water, sewer, streets and potentially the Parks division, and that multiple funding sources will be used for bond repayment.

6. APPROVAL OF THE AGENDA

The agenda was approved by unanimous consent.

7. CONSENT CALENDAR

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

(a) Minutes of Special Minutes of June 22, 2015**(b) Approval of expenses and payroll as of July 10, 2015 in the amount of \$5,275,217.45*****Payroll and Benefits:**

Payroll Period	Payment Date	EFT Numbers (EF)	Payroll Checks (PR)	Benefit Checks (AP)	Amount Paid
6/7/15-6/20/15	6/26/2015	61499-61712	13871-13916	60394-60401	\$589,186.66
					<u>\$589,186.66</u>

Accounts Payable Claims:

Expense Register Dated	Check Number (Begin)	Check Number (End)	Amount Paid
7/1/2015	60402	60409	\$65,071.51
7/1/2015	60410	60421	\$5,889.26
7/1/2015	60422	60438	\$90,352.57
7/6/2015	60439	60439	\$2,440.00
7/8/2015	60440	60447	\$26,857.06
7/8/2015	60448	60474	\$4,322,845.72
7/8/2015	60475	60506	\$172,574.67
			<u>\$4,686,030.79</u>

8. ACTIONS ITEMS**(a) Motion to Authorize the City Manager to Write Off Debt**

Patti Rader, Finance Manager, recalled previous Council discussions on the City's Debt Policy and explained the process to determine when debt is no longer collectible. She identified Parkers Casino/Slam Dunk Entertainment and Echo Lake Tavern/Gloria Kalitovic as two outstanding debts deemed uncollectible resulting from unpaid gambling taxes, and requested Council's authorization to write off these debts.

Councilmember McGlashan moved to authorize the City Manager to Write of Debt in the amounts of \$149,528 owed by Slam Dunk Entertainment and \$11,629 owed by Gloria Kalitovic. The motion was seconded by Councilmember McConnell.

Councilmember McGlashan said these debts have been problematic for some time and asked about the status of other casinos. Ms. Rader responded that Shays Restaurant entered into a promissory note with the City for outstanding taxes and stated that the Gambling Commission discovered they were under reporting revenue. She said Shays has made payments but she anticipates they will go into delinquency and advised Councilmembers that they are being monitored. She stated that all other operations are current.

Deputy Mayor Eggen asked if any lessons have been learned with these operators or if anything could have been done earlier to collect the debt. Ms. Rader responded that the amount of debt equated to one quarterly tax payment, explained the immediate action taken by the City Attorney's Office to address the debt, and shared the lessons learned. She shared the City was previously working under an incorrect assumption that a lien could be placed on a property and explained the City now pursues a promissory note. Ms. Tarry concurred with Ms. Rader and added that it is a challenge to collect debt when you do not have collateral to attach the debt to.

The motion passed unanimously.

9. STUDY ITEMS

(a) Discussion of Surface Water Revenue Bond Issuance

Sara Lane, Administrative Services Director, introduced Bond Council Hugh Spitzer of Foster Pepper, PLLC and Financial Advisor Fred Eoff, Public Financial Management, Inc. She provided background on Council's authorization of the use of debt to fund surface water maintenance improvements in the 2015-2020 Surface Water Utility Capital Improvement Plan. She updated Council on the bid for the storm water pipe replacement request for proposals and informed them that no bids were received for the project.

Mr. Eoff explained that the 2015 Utility Revenue Bonds are being issued to fund the following improvements:

- Stormwater pipe and culvert repair
- NE 25th flood reduction project
- Hidden Lake Dam removal
- Infrastructure improvements
- Surface water planning and other capital projects described in the CIP

Mr. Eoff reviewed the competitive solicitation financing proposal and timeline. Mr. Spitzer reviewed the proposed Bond Ordinance and shared that this is the City's first revenue bond ordinance. He explained what a revenue bond is and then reviewed the proposed Bond Ordinance, delegation methodology, and issue parameters. He summarized bondholder security provisions, and explained pledge net revenues, rate covenants, additional bond tests, and debt service reserve accounts.

Mr. Spitzer advised that combining utilities for bonding purposes has been around since the 1960's. He explained that a combined utility system enables cities to join their water, sewer, stormwater and solid waste utilities for purposes of borrowing, increases the rate base and security to investors, and reduces interest rates. Mr. Eoff commented that most combined utilities are managed separately, and have control revenues and operations costs for each individual utility. He added that investors are looking for greater revenue diversity to offset risks and they perceive a combined system to be a better credit. Mr. Spitzer explained the language in the proposed Ordinance does not mandate a combined utility system but provides an option to combine utilities in the future. He then reviewed bond provisions and covenants.

Mr. Eoff provided an overview of the financial plan, identified sources and use of funds to issue \$2.2 million in debt, and summarized the Utility Operations. He stated the Utility's net income easily covers the annual \$177,520 proposed series debt.

Councilmembers discussed combining utilities for the purpose of debt services, requested language written in the Ordinance prohibiting utility subsidies, and recommended referring the discussion to the Ronald Wastewater Committee of Elected Officials. They asked if a combined utility system will attract more investors and impact interest rates. They stated that they want to ensure the public is aware that this Ordinance does not promote subsidizing utilities and that revenue from one utility cannot be used to pay for the operation costs of another. Mr. Eoff responded that the language in the proposed Ordinance notifies investors that the City is reserving the option to create a combined utility system in the future and clarified that Interfund loans can be used for utility subsidies. He explained that a combined system is more likely to attract investors and stated that it does not impact interest rates. Mr. Spitzer added that the State would not look favorably on a long term subsidy. He advised that the proposed Ordinance does not prevent a subsidy but stated Council could embed policy in the Ordinance to address combined utilities, or they could address the issue when there is a proposal to combined utilities.

Councilmembers asked about the legality of transferring money between utilities and the consequences of defaulting on repayments. Mr. Spitzer explained that it is a legal requirement that a utility rate is developed to accurately reflect the cost of servicing customers. He reiterated that the proposed Ordinance is restricted to combining utilities for bond purposes only, and recommended crafting detailed language regarding subsidy parameters in a combined utilities ordinance.

Margaret King, City Attorney, clarified that the Ronald Wastewater Assumption has nothing to do with the bond issuance and combining utilities, and that Council will have to take separate action to combine a utility. She explained that bond issuance for a combined system requires the allocation of a portion of the bond to the various utilities in order to extrapolate individual utility rates to determine each utility's operational cost as required by the State Auditor.

Ms. Tarry confirmed that the proposed Ordinance will come back, as drafted, for adoption on August 17, 2015.

At 8:21 p.m., Mayor Winstead called for a 5 minute recess and at 8:26 p.m. she reconvened the meeting.

(b) Discussion and Update of the 2015 State Legislative Outcomes

Scott MacColl, Intergovernmental Program Manager, announced that the 2015 Legislature passed a \$38 Billion State Budget, Marijuana Regulations, a Transportation Package, and shared that the net result was good for cities and Shoreline. He stated that \$1.3 Billion was added for basic education but said it is likely not enough to fully fund education as mandated by the Supreme Court. He said Initiative I-1351 (Class Size Initiative) was suspended, and higher education tuition was reduced by 20%. He explained the consolidation of medical and

recreational marijuana regulations and stated the collective garden system will be phased out by July 1, 2016. He shared that the \$16 Billion Transportation Package is being funded from an increase in gas tax; authorizes the Transportation Benefit District (TBD) to increase vehicle license fees; allows the TBD to be absorbed into the City Council; and secures \$25 million for 145th Street Corridor Project. He stated that a portion of liquor revenue sharing is being reinstated to cities along with a small portion of marijuana revenue. He summarized that water sewer statutes remain relatively unchanged; marijuana statutes were clarified; and that statewide human services funding remain relatively unchanged.

Councilmembers acknowledged Mr. MacColl's hard work and asked about the status of funding for Ronald Commons. They commented on the Governor's action on the carbon fuel tax and asked if it would affect funds secured for the 145th Street Corridor Project. Mr. MacColl responded that he will find out how much funding Ronald Commons received and report back to Council. He explained the Transportation Package amendment would convert bike-pedestrian multi-modal projects to funding for roads, if the Governor implements carbon fuel standards. He said the amendment is currently being evaluated by the Governor, and that it would not affect funding secured for the 145th Street Corridor Project.

Councilmembers asked how the Legislature would respond if the Court rules that education is not sufficiently funded and how long the classroom limit mandate can be suspended. Mr. MacColl responded that he is not sure of the Court's authority, it could potentially result in individual legislators being fined, or the Court could possibly take over the budget. He shared that everyone is hopeful that education will be fully funded by 2018, and said the classroom limit mandate can be suspended for two years.

Councilmembers discussed merging the TBD and the Council, questioned its governance, and shared that a merger of the two entities makes sense. Ms. King responded that the Council, by resolution or ordinance, would agree to assume the TBD, and take on the duties, responsibilities, and liabilities of the TBD.

Councilmembers asked where the State found money to support a \$38 billion budget. Mr. MacColl explained the State emptied the Public Works Trust Fund, used dollars from other programs, discontinued tax breaks, and commented that the most recent fiscal forecasts allowed them to shape the current budget.

Deputy Mayor Eggen pointed out that School Board Members have noted they have not noticed their share of funds. Mr. MacColl responded that it takes a while for education funding to be noticed and that the first flow of funds will go to underfunded schools.

10. ADJOURNMENT

At 8:51 p.m., Mayor Winstead declared the meeting adjourned.

Jessica Simulcik Smith, City Clerk