

CITY OF SHORELINE
SHORELINE CITY COUNCIL
SUMMARY MINUTES OF REGULAR MEETING

Monday, November 5, 2018
7:00 p.m.

Council Chambers - Shoreline City Hall
17500 Midvale Avenue North

PRESENT: Mayor Hall, Deputy Mayor Salomon, Councilmembers McGlashan, Scully, McConnell, Chang, and Roberts

ABSENT: None.

1. CALL TO ORDER

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

2. FLAG SALUTE/ROLL CALL

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

(a) Proclamation of Veterans Appreciation Day

Mayor Hall read a proclamation recognizing the contributions and sacrifices that the loyal and courageous veterans of our community, state, and country have made for the cause of freedom and peace. The proclamation was accepted by Major General Raymond Coffey, Shoreline Veterans Association; Commander Larry Fisher, Shoreline American Legion; and additional representatives of both organizations. Major General Coffey, on behalf of all Veterans organizations, thanked the City for the continued support of Veterans and Veterans programs. He invited everyone to the Veteran's Day Program at City Hall on Monday, November 12. Commander Fisher echoed Major General Coffey's gratitude for Shoreline's support, mentioning the addition of the Memorial Plaza, and said it was an honor for the members of the Shoreline Legion to participate in receiving the Proclamation. He extended an invitation to all veterans to join their Post for regular meetings.

3. REPORT OF CITY MANAGER

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

4. COUNCIL REPORTS

Councilmember McGlashan reported that he and Councilmember McConnell attended the SeaShore Transportation Forum. He said the topic was a presentation on the planned addition of

Metro lines. Councilmember McConnell shared that SeaShore authorized a letter to be written to Sound Transit in support of the impact of the refinements to the Sound Transit plans for the 145th Corridor.

5. PUBLIC COMMENT

Bruce Amundson, Shoreline resident, spoke to the Arts portion of the budget. He stated that the minimal funding for public arts is preventing the installation of a significant piece of artwork selected by a committee led by David Francis, Public Art Coordinator. He stated that the purchase was halted due to City concerns over the Public Art Budget. The Public Art Program is overly dependent on the revenue from the 1% for the arts program and he requested an additional \$50,000 from the General Fund to be allocated to the Public Art Program in 2019.

Nancy Morris, Shoreline resident, stated that it is important that people follow the money of who makes donations to whom and encouraged Council and the City of Shoreline to devote the time to research where funding comes from, since it affects the community.

Laethan Wane, Shoreline resident, said the sidewalks on 175th and Meridian are narrow and requested the City perform a safety study of the intersection.

6. APPROVAL OF THE AGENDA

The agenda was approved by unanimous consent.

7. CONSENT CALENDAR

Upon motion by Councilmember McGlashan and seconded by Councilmember Chang and unanimously carried, 7-0, the following Consent Calendar items were approved:

- (a) Approving Minutes of Workshop Dinner Meeting of October 8, 2018**
- (b) Authorizing the City Manager to Enter Into a Transportation Mitigation Agreement with Shoreline Community College**
- (c) Authorizing the City Manager to Execute a Contract with the Johnston Group for Federal Government Relations Services in the amount of \$320,000 for a Period of Up to Five Years**
- (d) Authorizing the City Manager to Execute a Contract with Capitol Strategies for State Government Relations Services in the Amount of \$175,000 for a Period of Up to Five Years**

8. ACTION ITEMS

- (a) Public Hearing on Ordinance No. 842 – 2019-2020 Property Tax and Revenue Sources**

Sara Lane, Administrative Services Director, displayed the budget schedule for the remainder of the review period and shared information on ways for the public to view the complete Biennium Budget.

Ms. Lane delivered the presentation. She explained that the \$175 Million biennial budget comes from a variety of sources and gave descriptions. She listed the revenue sources and said the City's General Fund is predominantly funded by General Operating Revenue. She elaborated that Proposed Ordinance No. 842, the 2019 Property Tax Levy, is predicted to generate \$13.3 Million in revenue, which will reduce the Levy rate to \$1.25 in 2019. She listed the allocations for the 2018 Property Tax Levy and explained how property tax is determined in Washington. She said the Sales Tax income that Shoreline receives makes up 21% of the City's Operating Revenue. Ms. Lane described the income provided by Franchise Fees, Utility Contract Fees, Utility Taxes, and the restricted funding from Criminal Justice Funding and the Liquor Excise Tax/Liquor Profits/Marijuana Excise Tax. She explained that the income from Fees/Licenses/Permits changes annually based on the Consumer Price Index and incorporates the City's Cost Recovery objectives. She said the Street Fund is predominantly funded by the Fuel Tax. Ms. Lane stated that the revenue supporting the General Obligation Bond Fund is the Property Tax Excess Levy, which will be retired in 2021. She explained that the Surface Water Utility Fund is primarily funded by Surface Water Fees and she displayed the proposed rate increases. Ms. Lane reported that the Wastewater Utility Fund is budgeted at \$4.9 Million for operation and maintenance of the sewer utility and she reminded Council that the Ronald Wastewater District Board of Commissioners retains all revenues and holds responsibility for the Wastewater CIP and rate setting. She said Capital Fund Revenues include the Vehicle License Fee (restricted to transportation usage), the Real Estate Excise Tax (restricted to projects within the City's Comprehensive Plan, specific public works projects, and debt service), and Grants.

Mayor Hall opened the public hearing and there was no public testimony. He recognized the earlier general comments regarding the budget.

(b) Public Hearing on Ordinance No. 841 - Proposed 2019-2020 Biennium Budget and the 2019-2020 Capital Improvement Plan

Rick Kirkwood, Senior Budget Analyst, presented the information for the public hearing on the Proposed Biennial Budget and Capital Improvement Plan. He shared a graph displaying the resource allocations and elaborated on the major budget appropriations by fund and the operating budget expenditures by function. Mr. Kirkwood explained that the Proposed Capital Improvement Plan primarily supports delivering transportation projects but also includes facilities and parks projects. He said that half of the \$19.1 Million Surface Water Utility Budget supports operations, one third is dedicated to capital projects, and the remainder of the budget supports Debt Service and City Maintenance Facility Rental.

Mayor Hall opened the public hearing and there was no public testimony. He recognized the comments submitted via email and in person regarding the budget.

- (c) Adopting Ordinance No. 847 – Authorizing Acquisition of Real Property for the Purpose of Provision of Sewer Service Utility and Uses Related Thereto by Negotiated Voluntary Purchase, Under Threat of Condemnation, or by Condemnation

Margaret King, City Attorney, presented the Staff Report on Ordinance No. 847 and told Council that Council Rule 3.5 would need to be waived if they take action tonight. She reminded Council that Chapters 35.67 and 35.92 of the Revised Code of Washington (RCW) grant the City the authority to maintain a sewer system and that RCW 8.12 grants the City authority to condemn property for public uses. She reviewed Ordinance No. 844, which authorizes acquisition of property underlying a current pump station. After the passage of this Ordinance, it was determined that it was necessary to acquire a small portion of adjacent land, currently used as a driveway owned by a single owner, to service the sewer system infrastructure. She said the City provided notice of adoption of the Condemnation Ordinance to the owner and their legal counsel. Ms. King stated the retention and acquisition of the interests of the additional property is necessary to protect continued operations of the District's Sewer System. Ms. King offered that, based on the title report, there is some ongoing investigation as to whether all the property in question is owned by the noticed owner. She said that if additional property acquisition was needed, it would include part of a county road, not a private property.

Mayor Hall opened the floor for public comment and there was none.

Councilmember Scully moved to waive Rule 3.5 and adopt Ordinance No. 847 as presented. The motion was seconded by Councilmember McConnell.

Councilmember Scully said this is a ministerial change, which is necessary to ensure continued access to the pump station. He clarified that if there is private ownership, the owner would be compensated and provided an easement for property access.

Councilmember Roberts asked if proper noticing was done, since a letter received in public comment stated it was not, and what the consequences would be if noticing was not properly handled. Ms. King explained that the portion of the county road mentioned in public comment would not be part of the condemnation.

The motion carried unanimously, 7-0.

- (d) Adopting Ordinance No. 843 – Extending the Expiration Period For the Transportation Impact Fee Exemption For Certain Business Categories

Tricia Juhnke, City Engineer; and Nate Daum, Economic Program Manager; provided the staff presentation. Ms. Juhnke shared the timeline and reminded Council that the Ordinance extends the business exemption to the same list of businesses for five years and has a check-in six months prior to the sunset date of December 31, 2023.

Deputy Mayor Salomon moved to adopt Ordinance No. 843. The motion was seconded by Councilmember McConnell.

Deputy Mayor Salomon reminded Council that the original goal of this exemption had been to find ways to encourage small business development by exempting them from potentially prohibitive Transportation Impact Fees. He stated that Council was unable to find a way to separate small/independent businesses from larger ones in the same category, which is why the exemption includes some businesses who may not need the incentive. He said he feels the policy has been successful and should be continued.

Councilmember Chang said that this decision preceded her time on Council and therefore she has spent time reading up on the process to understand it better. She asked if an applicant came in today for a new construction permit for retail space, whether retail be the entire space or just the bottom floor, would they fit the category of 'general retail' and qualify for the exemption. Mr. Daum replied that they would. Councilmember Chang said she feels smaller businesses are more likely to move into existing spaces, and businesses able to afford new construction are likely to be able to afford to pay the impact fees. She said she wonders if our incentive is competitive with those of neighboring areas and questioned if the City was leaving the revenue on the table with the current model. She asked if the City had considered offering the exemption to all retail businesses except those building new, or if that would negatively impact Shoreline's competitiveness. Mr. Daum replied that that model had not been explored, but it is an idea that could be analyzed if Council was interested.

Councilmember Scully said he agreed that Councilmember Chang has a valid concern and for new construction it might make sense to remove the exemption, since only financially stable businesses would be building new facilities. He said he does not think the data available on how competitive Shoreline is in comparison to neighboring cities would be very reliable and that removing the incentive would hamper business growth. He said he is for the exemption because it supports growth of private development and referred to the abundance of vacant lots and businesses on Aurora Avenue and in North City.

Mayor Hall stated that he would be voting against the Ordinance. He elaborated that his preference is to discontinue the exemption because the City's transportation system is chronically underfunded and these exemptions result in a revenue loss of several hundred thousand dollars. He asked if our commercial vacancy rate was high, and Mr. Daum said it was not. Mayor Hall agreed it would be best if all vacant commercial spaces are filled with businesses but said it is not a factor that would influence his vote.

Deputy Mayor Salomon said he thinks it is already clear that Shoreline is not competitive compared to Lynnwood and Seattle because economic development has continued to be a top goal for many years. He cited the absence of shopping, dining, and entertainment options in the area and said he did not think another study was necessary.

Councilmember Roberts said he supports the Ordinance because it is not about vacancy rates, but more about supporting converted usage, which incurs some of the same costs as new construction. He added that he thinks a developer would pass on any charges for new mixed-use construction to the initial property owner, which would raise the price and potentially preclude purchase by a small-business owner.

Councilmember McGlashan asked if the existing exemption applies when a new building replaces a similar type of business. Ms. Juhnke replied that there was a slight difference depending on the business type. Councilmember McGlashan confirmed with Ms. Juhnke that Council has discretion to reassess efficacy at any time, and Ms. Juhnke said the annual report on Transportation Impact Fees would be shared with Council. Councilmember McGlashan said he supports the Ordinance and believes it removes barriers for small businesses.

Councilmember McConnell said she would appreciate the opportunity to review the annual report and said she sees it as a good reminder to keep the discussion open. She mentioned the low vacancy rate for existing spaces for small businesses and said Shoreline loses revenue opportunities to Lynnwood and Seattle. She stated that while she supports the Ordinance, she is not motivated to renew it again in five years without focused reassessment.

Councilmember Chang shared that while she supports the concept of the exemption and recognizes the deterrent the fees can be for small businesses as they launch, she expressed her concern over the potential for lost revenue with the development anticipated for next year.

The motion carried by a vote of 5-2, with Mayor Hall and Councilmember Chang voting no.

9. STUDY ITEMS

(a) Discussing Ordinance No. 842 – 2019-2020 Property Tax and Revenue Sources

Sara Lane, Administrative Services Director; and Rick Kirkwood, Budget Supervisor; reviewed the earlier presented information on Ordinance No. 842. Ms. Lane reminded Council that the 2019 Levy is projected to be \$13.3 Million, bringing the levy rate down to \$1.25 per \$1,000 valuation.

Ms. Lane referred to Ordinance No. 848, which was not an agenda item but was included in the packet. She explained that it goes along with the Fee Schedule and involves changes attached to the Consumer Price Index or incorporating the cost recovery objectives. She said it makes the application of Engineering News Record Construction Cost Index to Impact Fees consistent.

She displayed information on the Surface Water Utility Fee Assumptions and said the single-family home rate would increase by 15 percent.

(b) Discussing Ordinance No. 841 - Proposed 2019-2020 Biennium Budget and the 2019-2020 Capital Improvement Plan

Ms. Lane displayed the list of expenditure appropriations associated with the Funds covered in the Ordinance. She reminded the Council that the City is projecting strong reserves for 2020.

Ms. Lane introduced Mayor Hall's proposed amendment to the Ordinance, which would reduce General Fund appropriations by \$5,000 and eliminate the Greater Seattle Partners 2019 & 2020

Investment contribution. She reminded Council that any additional amendments were due by November 7, 2018.

Councilmember Roberts expressed concern with how large the City's reserves are. Ms. Juhnke confirmed that the reserves are in excess of the required amount and added that this practice is interpreted very well by bond rating agencies. Councilmember Roberts suggested that where that balance lies should be a topic for future, broader discussion. He said that since the City is asking residents for more and more financially, there should be a guiding policy behind reserve levels. He added that he is likely to submit amendments for small, one-time funding for pedestrian improvements. He said he feels small projects for betterment of the community show residents the City is being a good steward of tax dollars. He shared he intends to submit questions about the Public Art Fund, now that he is aware the reserves could potentially support the delayed installation project. While he understands the importance of maintaining reserves, he would like to discuss how large they should be and how they should be used.

Deputy Mayor Salomon said he believes maintaining high reserves is prudent and fiscally responsible and protects the City in times of financial downturn. He advised caution in using reserves for pet projects and mentioned that the Federal Reserve is raising interest rates, which may slow the economy.

Councilmember Scully asked what the existing City reserve policies are and suggested a robust review of them. He noted King County's reserve policy supports the County for 90 days in all programs. He recognized the validity of Deputy Mayor Salomon's comments but suggested it is important to define what 'high' reserves are. He said he agreed that it is tempting to start spending in boom times, but such decisions would need to be carefully monitored. Ms. Juhnke directed them to the section of the budget book that outlines the City's reserve policies.

Councilmember McConnell said she believes it is always better to be fiscally conservative with reserves. She reflected that the discussion has always centered around the ability to ride out a recession, and the focus has been on building up the reserves. She agreed that it would be imprudent for Councilmembers to reallocate reserves to specific projects, and said she would prefer any reallocations to be part of the budget process. She asked what a bond rating of AA+ means.

Councilmember Chang commented that she is happy to have a conversation about reserve levels. She observed that since the 10-Year Financial Sustainability Plan indicates a point in the future when the City's potential expenditures exceed the forecasted income, it seems having a large reserve forestalls the day of reckoning for a bit longer.

Councilmember McGlashan agreed that a conversation about the policy for reserve levels would be a good idea, although not imperative for this budget cycle. Having been on Council during the recession and seeing City layoffs and services cut back, he said he understands the importance of healthy reserves but also recognizes the need to find a balance that protects a strong bond rating. He suggested that Council look at the CIP to determine projects that may benefit from more funding if the decision is made to reduce the reserve levels.

Mayor Hall reminded Council that there is more than one reason for reserves. He said the liquidity/cash flow reserves are set aside to protect the City in case of a recession, but reserves are also the place the City saves money to do big, sometimes deferred, projects. He recounted that several years ago the City planned to build a new Public Works Utility Yard and was saving money for the project. He said that while land was acquired, the construction did not happen. When it comes time to complete the project, the reserves will be a good resource. He noted that the City has a good bond rating, but there is room for improvement. He recalled a recent meeting the City held with representatives from Standard and Poor's to demonstrate how the City's financial discipline, excellent quality of staff, and clean audits and budgets are good enough to justify an increase in the rating. He said an improvement in the credit rating would save taxpayers a lot of money on projects that require bonds. He concluded that while Council should always look at the reserve policy, he feels that if Council is contemplating significant bond measures for constructing sidewalks, acquiring park land, and building an Community & Aquatics Center, it is an important time to keep money in the reserves. He agreed that increasing funding for programs should be done as policy decisions and not by Councilmembers picking specific projects for funding. He counseled that changing policy would not be appropriate as part of budget approval and should instead be a study item.

Councilmember Roberts offered that since the reserve policy is in the budget itself, the timing and forum was appropriate for the discussion. He said that while the conversation could happen at any point, Council is discussing the budget right now and it is the correct time for revisions. Ms. Lane confirmed that financial policies are adopted with every budget adoption. She suggested that the reserve policy discussion could be brought back for reevaluation as part of the mid-biennium discussion.

Mayor Hall pointed out that the amendment he introduced on discontinuing funding for membership in the Greater Seattle Partners is because he is disappointed in their focus on attracting large corporations to locate here rather than growing local businesses. He said that he is not sure this model is helping the community, in part since Washington State's Higher Education system does not graduate enough engineers and technical professionals to fill the jobs being created in these industries. He elaborated that instead we are creating jobs for people moving here from other states. He mentioned that last year Washington State's population grew by 84,000 because of migration, and by 33,000 from natural population growth. He said that this style of economic development is what is driving the population growth that is creating housing, traffic, and environmental challenges. The rapid rate of the State's human growth is effectively disrupting the ecosystem and displacing orca whales. He concluded that he would rather the City's economic development funding be invested in growing local businesses, working on partnerships with education, creating a sense of place, growing prosperity, and supporting our community.

Councilmember McGlashan said he agreed that the project is not bringing large corporations to Shoreline, but he does not think we have the capacity for businesses of that magnitude. He added that he does see some benefit to the relationship. He believes that as multifamily housing options increase and with Light Rail coming to Shoreline, the City will become more and more attractive as a slightly more affordable option to Seattle, bringing new residents and potentially new small

businesses to Shoreline. He added that he would rely on the City Manager to research the goals of the project and make a recommendation on this budget allocation.

Councilmember Scully commented that he agrees with Mayor Hall's comments. He explained that he is not interested in building a commuter suburb for employees of large businesses in Seattle, and that he is uncertain whether bringing large businesses here has proven or will prove to benefit all citizens, at all economic levels. He said for that reason he supports removing the \$5,000 allocation from the budget.

Councilmember Roberts offered that the discussion is important because Council needs to think about the vision they have for the City and how that fits in with the greater region. He said there was a recent article in the Seattle Times indicating that if the T-Mobile/Sprint merger goes through, T-Mobile is considering moving a portion of business to other locations, as Amazon is doing. He said Council should constantly be thinking about how the region is prospering, and he reminded Council that when headquarters leave a region, some philanthropy leaves too, which decreases the quality of life. For this reason, he feels it is important to preserve the funding in the budget and keep the City's seat at the table but suggested it would be valuable to communicate Shoreline's priorities to the organization and partner with cities with similar philosophies. He concluded saying that giving up membership means losing the opportunity to have a voice that represents our City.

Mayor Hall said he had hoped the partnership would work the way Councilmember Roberts had verbalized. When Council met with Mr. Drewel of the Greater Seattle Partners, Council had been assured that Greater Seattle Partners would be paying attention to those concerns, but as time has passed it has been increasingly difficult to be heard by the organization. He said he believes pulling the money out is the best way to be heard.

Councilmember Roberts said he invited the new Regional Director to come visit Shoreline, and it would be wise to wait a bit and give him a chance. He recognized that Greater Seattle Partners is a new organization and time should be allotted for them to get settled before making any decisions.

Councilmember Chang asked if Councilmember Roberts could describe what the group had been doing in the past six months. Mayor Hall replied that they are just getting off the ground, so the focus has been on building the organization. He mentioned their published materials have a large organization focus on key market sector strategy.

Mayor Hall reflected that, when thinking about the impact of recessions and the City's reserve levels, there has been an amazing boom of economic expansion since 2009. He said that despite the decade of outstanding success with economic development, it is not making the difference in the community that it should and he encouraged continued conversations around it.

Deputy Mayor Salomon said he agrees with the Mayor, and added that growth affects everyone, and there are a lot of people who are not benefitting from the economic growth.

Councilmember McConnell asked for a short staff presentation on the pros and cons of this amendment.

Mayor Hall reiterated the upcoming deadline for getting budget amendments to Staff.

(c) Discussing Ordinance No. 846 – Final 2018 Budget Amendment

Rick Kirkwood provided the staff presentation. He explained the budget amendment request for increasing the appropriations in the City Facility Major Maintenance Fund by \$28,529.00 and indicated that the amendment is scheduled for adoption on November 26, 2018. Council has no questions and agreed to see this amendment on consent at that time.

10. ADJOURNMENT

At 8:37 p.m., Mayor Hall declared the meeting adjourned.

Jessica Simulcik Smith, City Clerk