

**CITY OF SEQUIM
CITY COUNCIL MINUTES
SEQUIM TRANSIT CENTER
190 WEST CEDAR STREET
SEQUIM, WA**

March 9, 2009

5:00 p.m. Study Session

Present: Dubois, Huizinga, Erichsen, Hays, McHugh and Schubert. Lorenzen arrived late.

Presentation by Bond Counsel Regarding Municipal Financing and Keeler Park Bond Ordinance

Karen Goschen introduced the speaker, Alice Ostdiek of Foster Pepper, the City's bond counsel.

Ostdiek stated it is key to have bond counsel involved early in the financing process. She stated they work with cities on public infrastructure, public-private partnerships and conduit financing. A municipal bond is a loan or promissory note by a local government that it promises to repay. Bond financing spreads the cost of the asset over the life of the people that will repay it.

The role of the bond counsel is to render an unqualified opinion which is firmly convinced that the highest court of the relevant jurisdiction, acting reasonably and properly brief on the issue, would reach the legal conclusions stated in the opinion. Bond counsel will decide whether you are authorized to issue the debt by reviewing state law issues, federal law issues and securities law issues.

She provided a handout to Council entitled "Bond Basics for Washington Local Governments." She briefly reviewed the different types of debt: general obligation bonds; revenue bonds; conditional sale contracts and financing leases and short-term obligations. Counsel looks at the state constitution, statutes and the city charter. There are two types of debt issued: general obligation debt and revenue, special funds. They will help decide which type debt to incur.

Hays asked who oversees the bond counsel. Ostdiek said it is overseen by the National Association of Bond Lawyers and is the accepted standard in practice.

She spoke about how to issue tax exempt bonds. The government thinks of tax exempt bonds as a subsidy. The new stimulus package is pushing to issue government bonds. Government bonds should be used for government purposes and not private use. Arbitrage rules mean you can't issue bonds now and take the proceeds and invest them at 6-8% interest so that you have a bigger return than you are paying out. Once you issue bonds you have a time period in which to spend the proceeds. You cannot re-invest the money in a higher investment. She gave as an example the Puyallup City Hall that contains City offices and commercial offices. There were two series of bonds issued, one taxable and one tax exempt.

The obligations Sequim would have concerning securities laws stem from contractual relationship with the underwriter. You will have to file a disclosure document so the bank knows the City's financial condition.

The public finance lawyer's role includes bond counsel, disclosure counsel, tax counsel, borrower's counsel, underwriter's counsel and bank/credit enhancer's counsel. She stated bond counsel generally charges a flat fee to get the job done.

She outlined the different players and their roles including the local government or "issuer"; bond counsel who prepares legal documents, negotiates with purchaser and renders legal opinion that bonds are valid and interest on the bonds is tax-exempt; financial advisor who analyzes securities market, assists in preparing financing plan and in talking with rating agencies, underwriters and bond insurers; bond purchaser who prepares financing plan and purchases bonds; rating agency who rates the credit of the borrower and the bonds; credit enhancement provider who promises to pay bondholders in event of default by the Issuers; and accountants or verification agents who assures sufficiency of revenues or escrow deposits. The sequence of events starts with the scope of the project and what is the source of repayment of the debt; the plan for election if debt will be voted; determine whether the bonds will be privately placed or publicly sold; third parties are brought in; bond sale occurs on the morning before Council approves terms; legislative actions by Issuer; and after the bond ordinance is approved and published, preparations are made for closing.

McHugh asked in this specific project, if Council wanted to refinance and include improvements, how would that work? Ostdiek said you could add additional capital to what you are borrowing. You could have either voted bonds or non-voted bonds, depending upon your needs. Voted debt has voted tax tied to the debt just to repay that specific debt. Voted bonds have a better interest rate. It would be a property tax assessment.

Dubois asked if there would need to be a public hearing for a voted bond. Ostdiek said there is no state law that requires a public hearing, but you can have one.

Hays asked how you decide whether it is privately placed or public. Ostdiek said if it is less than \$3M it is sometimes better to talk to a bank first. If the amount is too low it won't attract investors.

Dubois asked if we decide to do improvements later, do we get a new bond or extend the existing bond. Ostdiek said if it is non-voted it would probably be a separate bond. If a voted bond it would definitely be a separate bond.

Huizinga said if we decide to fund the improvement do we have rough estimates on what will be funded. Goschen said we have rough improvements. We would look at the restrictions. She said we are structuring the first year to be interest only.

McHugh asked if we do this twice, we would double the costs on the project. What is the range for the first issuance? Ostdiek said we have a fee structure. For this bond issue it is a flat fee of \$5,000. The bank has a higher origination fee but the rate is lower. We determined if we were

to pay the interest on the extra funds for improvement, in about 8 months we would be at a break even point to do it as a separate issue. McHugh asked if these have been structured where the entire amount isn't paid to the City. Ostdiek said you could, but banks now are charging an additional fee for the unused portion, so they get you both ways. Goschen said one other reason to wait on improvements is to use the park impact fees that are coming in slowly. We have also looked at using our REET funds that are lower.

Goschen said she worked with four institutions. Cashmere Valley Bank gave the best rates. There is no prepayment penalty. Instead of just financing the outstanding amount of the debt, we could consider financing the issue cost of bond counsel and origination fee. The payment for the first year is around \$17,000; the annual payment will be around \$80,000. The letter is dated Mach 23 as it won't be signed until then.

Huizinga asked if we worked with local banks. Goschen said she contacted First Federal and US Bank. First Federal's rates were higher than Cashmere. Goschen said if you prefer to work local we can look at that.

Dubois asked how much more interest it was. First Federal's loan origination fee was .5% lower and the interest rate was 4.3%. US Bank indicated different banks have different restrictions and if you could get under 4%, that would be good.

The meeting recessed at 5:50 pm.

6:00 P.M. REGULAR COUNCIL MEETING

Mayor Dubois called the regular meeting to order at 6:00 pm.

PLEDGE OF ALLEGIANCE

ROLL CALL

Deputy Clerk Usselman called roll. Council members present: Laura Dubois, Erik Erichsen, Ken Hays, Bill Huizinga, Susan Lorenzen, Paul McHugh and Walt Schubert.

City Staff present: Admin. Service Director Karen Goschen, Deputy Clerk Bobbie Usselman, Police Chief Bob Spinks, and City Attorney Craig Ritchie.

CEREMONIAL

Mayor Dubois read a proclamation to KSQM FM 91.5. Rick Perry, the board of directors and volunteers were in attendance to receive the proclamation. Rick Perry stated the volunteers do all the work and he applauds them.

REPORTS

COMMITTEE, BOARD AND LIAISON SUMMARY

Affordable Housing Committee

Huizinga said the committee met last week and a white paper will be brought to Council in the near future.

Planning Commission

Schubert stated he attended Planning Commission where Ted Miller moved to Chair and Mike East was voted Vice Chair. There was discussion about the value of the Planning Commission and that they felt they were not being listened to by Council. He feels this should be put as an agenda item.

Boys & Girls Club Annual Report

Schubert reported in February attendance was average of 268, with 3 days over 300. The average attendance on the teen club was 45. We are looking at fundraising and marketing for the teen club and goals for 2009 and 2010. There has been a lot of activity this month. There were several CPS interventions. The Boys & Girls Club fundraising includes renting their building, which is accomplished on most weekends. Rosales has pledged to bring in \$25,000 for the year in building rental, and at this rate will far exceed that.

Sequim Marketing Action Committee

Erichsen stated next Monday is the SMAC meeting here and the public is invited.

Law and Justice

Hays stated there was a meeting and they discussed the Sequim court. Everyone seems to be in agreement for Sequim to have its own court or court held in Sequim, and that there are benefits for the citizens and the police department. He said it may cost more but the benefit is warranted. At the conclusion more investigation needs to be done on the particulars. It is likely District Court will be held here for the next couple years. We need to think carefully about where funds will come from.

Homeless Task Force

Hays said the meeting was cancelled.

Dubois thanks Public Works for snow removal efforts.

PRESIDING OFFICER REPORT

Goschen said the special meeting on April 6 has staff working on its work plan for 2009 and 2010. There are more projects than are doable. This will set priorities. We will need Council input and feedback. All Council indicated they are available on April 6.

CITY MANAGER REPORT

The Interim City Manager was not present but provided a written report on the following topics:

- a. Acquiring private water systems;
- b. Special meeting April 6 on City-wide work program;
- c. Effects on Sequim of WRIA 18 and DRMT deliberations;
- d. Federal economic stimulus dollars;
- e. Contracts with Irrigation and Lavender Festivals;
- f. James Center status;
- g. Interns in the Legal and Planning Departments;
- h. Music/Movies in the Park; and
- i. Inviting citizen comment at Council meetings.

PUBLIC COMMENT

Patricia McCauley, 1252 Three Crabs Road, stated as SMAC contractor she has seen changes in 10 years. She was tasked to increase Hotel/Motel taxes and has increased them by over 180%. She was asked to help work with festivals and events to help them grow. With her guidance, SMAC established the Tourism Enhancement Grants that have benefited 6 festivals, the Open Aire Market and various exhibits at MAC. She has developed partnerships with other tourism groups to promote Sequim. She was founding member of Joint Marketing, now known as the Olympic Peninsula Tourism Commission. She also partnered with CTED and the Washington State Dept. of Tourism, the Olympic Peninsula Visitors and Convention Bureau, the Sequim Chamber of Commerce and the Port Angeles Chamber of Commerce, all to promote events and activities in Sequim. She feels it is in her best interest and that of the City to retire from the position of Sequim marketing contractor effective April 30. This date will give her time to complete work in progress and work with SMAC and Staff to develop a transition plan that continues to grow the tourism industry in Sequim. She is thankful for the wonderful opportunity that allowed her to promote the City and Valley.

Don Hall, 902 E. Oak, stated the mayor by-passed items 1-5 on the agenda.

Agenda items – No Action needed.

1. Cell Tower Contract and Attorney Negotiations

Hays feels he should recuse himself since the proposed contractor is a friend and client.

Ritchie stated this will be back for signing. Gunnerson has asked to do tasks that don't bind the City. He may have garnered a substantial amount of money we didn't know was out there. No motion is necessary tonight.

2. Sequim Open Aire Market Contract

Ritchie stated we have received current vendor market rules. At the next meeting this will be on the consent agenda and adopted. If you have questions or comments, contact Ritchie.

Mark Ozias stated he brought updated copies of the rules. SOAM is looking forward to opening day on May 9. They appreciate the City Attorney's efforts on the contract.

3. Outside Agency Contracts

Ritchie stated we have drafted contracts for SMAC, Boys and Girls Club and the Chamber. We will bring this back to you on March 23.

Erichsen said in light of Pat McCauley's resignation he has enjoyed working with Pat as she is very capable. We need to look at this contract and send out a request for proposal so that we can have someone on board as soon as possible.

Ritchie suggests he bring back a request for proposal on March 23 that we could use in lieu of the contract that will include a scope of work. Erichsen asked if there is some proprietary associated with the website "Visitsun" so it can be transferred from one contractor to another. Ritchie said there are some issues and we will need to see what we can do. He will talk with Pat about that.

Ritchie said there is a new draft of the Boys & Girls Club contract provided tonight. We will probably have some final changes on March 23.

Huizinga stated he is very sorry to hear Pat McCauley won't be working on SMAC. She is a driving force on what she has brought here. He hates to see her leave this committee. He begs her not to leave.

McHugh asked that SMAC be involved in the RFP and where it would be going. He feels they play an important role. Ritchie said he has been developing that anyway as requested by Council in the past. He will run it by SMAC as they have been involved to date.

Schubert seconds what Huizinga said about Pat McCauley. He has known her for more than 10 years and it is amazing what she has done for the community. This is the second person we have lost in the last two weeks.

4. Replacing City Water Meters

Goschen agrees with Dubois that we have had problems with the meters and water billing.

5. United Way Grant Administration Update

Mayor Dubois said they are recommending five agencies, a change from last year, adding SNAP, Special Needs Advocacy Program. Goschen said Jody Moss will make a presentation at the next meeting. If you have questions Goschen will let her know. She attended the session where they debated who to fund and it was harder this year due to the economy.

Schubert asked where do the recommendations come from. Goschen said they come from United Way. They review the applications that come in and they are done jointly with Clallam County, Port Angeles, and with Sequim, so we are looking at the community as a whole.

Erichsen asked why the Sequim Senior Activity Center was by-passed as they serve a big portion of our community. Perhaps their request was high, however, some lower amount might have been considered. Goschen said the recommendations are from United Way based on discussion. Council may have its own sense of needs in the community. The council previously limited awarding to five agencies to provide them a larger amount of money. That criteria can be changed.

Schubert suggested that is a good question for Jody Moss.

Ritchie said a resolution was previously passed that explained the criteria.

Lorenzen said one criteria is a critical need that would otherwise go unmet. Dungeness Valley Health Clinic shows helping with demolition and remodel. She feels the Senior Center would be more important. Goschen said that was a 2008 expense.

McHugh supports the recommendations to fund. He feels using United Way is better able to evaluate the distribution of funds because they have a better idea of who needs these funds than the 7 of us. He would like Jody Moss to comment on that. He suggests Council not pick its pet organizations for funding.

Mayor Dubois said she concurs with McHugh as the process has worked over the years and when we have varied from the process it hasn't worked.

Hays supports what is said but also supports that we meet the criteria fully of the resolution for early childhood development and would like to see that continue for some measure. Goschen said it was discussed at the meeting and that is the difficulty of limiting it to 5. She will ask Jody Moss to speak to that as well.

Lorenzen said there are three dealing with health and none on early childhood development.

Hays said Parenting Matters doesn't just provide service to the kids, but to those parents raising those kids. This is the perfect place to start having people growing up in our community with better living skills. It is a good preventative tool to help those disadvantaged or need help with children's growth.

Huizinga said on page 8 of 8, Parenting Matters Foundation is getting \$5,000; they asked for \$6,000. Goschen said there are three sections in the chart. The detail shows the recommendations for Clallam County, Port Angeles and Sequim. One advantage in having the various government agencies working together is we know where the allocations are relative to other agencies. As a whole if two entities pick the same agencies. Huizinga said we can second guess these for weeks, and we used to do that. Then we decided to get the funding agency familiar with all of the agencies so that we don't have to research every line item.

PUBLIC HEARINGS (Quasi-Judicial)

6. The Foothills (continued from February 9)

Mayor Dubois stated this will be continued to March 23.

CONSENT AGENDA

7. Approve/Acknowledge
 - a. City Council Meeting Minutes -- February 23, 2009;
 - b. Clallam County Economic Development Contract;
 - c. Resolution R-2009-03 Adopting City Council Ground Rules;
 - d. Expiration and request for extension – Subdivisions 17.20, SMC;
 - e. Claim Voucher recap dated March 9, 2009 total payments \$558,357.30.

MOTION to approve the consent agenda made by Hayes; second by Lorenzen. **Carried Unanimously.**

UNFINISHED BUSINESS

NEW BUSINESS

Planning Commission

Schubert said we have good people volunteering to be on our board. They feel Council doesn't listen to them. Schubert stated the Planning Commission members had a discussion at their last meeting about what are we doing here when Council doesn't listen to their recommendations

Lorenzen stated she felt the same way when she was on the Planning Commission as most decisions they made were overturned. It is a good subject to discuss.

Erichsen suggested the Chair speak to the council concerning this issue so we can get the perspective of the Planning Commission and have a broader discussion.

Ted Miller, 830 N. Minstrel Road, said the topic came up and Councilor Schubert reported it fairly. A number of Commissioners feel they are not appreciated and their opinions are never mentioned. There is usually no mention of their minutes by Council. The perception is Council doesn't read the minutes or care what the Planning Commission does. That may be a perception, but from a psychological point of view it is easy to see how that can occur. We don't need to be babysat, we understand the realities. We put in a lot of time and why should we if Council doesn't consider their recommendation.

McHugh said from his perspective, if any of us wonder why this came up this week they should listen to the tape on how Council reacted to our planning staff and the Foothills subdivision. Listen and see if we have a better understanding of the feeling from the Planning Commission. He feels Planning Commission does a great job. He disagrees with Susan. In his years on Council, seldom have they disagreed with the Planning Commission. From time to time there may be minor changes. They perform an important function and we need to listen to them. Council needs to do a better job listening to recommendations and accept them if they are in accordance with the law.

Mayor Dubois said she was the liaison last year for the Planning Commission. They do a lot of detailed work on subdivisions, the code and Comp Plan. They do a lot of behind the scenes work. She does read their minutes and takes into consideration what is said by them.

Hays feels it is unfair to assume we are not reading the minutes. He reads everything in the packets. The final decision rests with Council especially on land use issues. In the past Planning Commission made decisions and the Council was the appeal body, but it was changed. He has felt the Planning Commission should hold the public hearing with the Council as the appealing body. It makes it harder to be heard when you go to court. He does have issues if he feels the application isn't complete.

Lorenzen said she feels Schubert was not only commenting regarding the Planning Commission but also Pat McCauley. Schubert said he feels they are related. Because we have lost two competent, caring people in the last two weeks is troublesome. He believes a lot of that is because they are not appreciated.

EXECUTIVE SESSION

Mayor Dubois announced an executive session for Potential Litigation/Water Rights. Ritchie stated there are some anticipated actions along the lines of sending letters and giving staff direction. He anticipates 30 minutes.

Mayor Dubois stated the next meeting is March 23 with a study session at 5:00 and regular meeting at 6:00 pm.

The meeting recessed at 7:00 pm for executive session for 30 minutes. At 7:30 Ritchie announced they would be another 10 minutes in executive session on the same issue. The

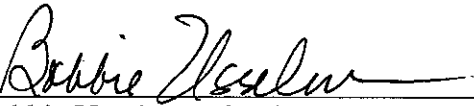
meeting reconvened at 7:40 pm.

MOTION by McHugh that we authorize letters to be sent to DRMT regarding our reuse water and regarding instream flow issues; and also move we authorize the City Manager and/or her designees to mediate our Reuse grant issues with appropriate State government administrative officers in charge of these matters; second by Schubert. **Carried Unanimously.**

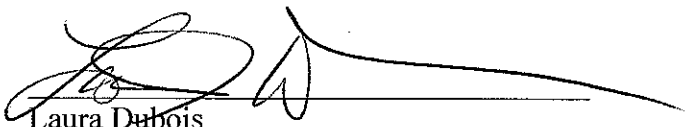
MOTION to adjourn made by Huizinga; second by Lorenzen. **Carried Unanimously.**

Meeting adjourned at 7:43 pm.

Respectfully submitted,



Bobbie Usselman, CMC
Deputy City Clerk



Laura Dubois
Mayor

Minutes approved at a regular Council meeting held on March 23, 2009.