

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

**JUNE 29, 2009**

**5:00 P.M. STUDY SESSION**

Mayor Dubois called the meeting to order.

**PLEDGE OF ALLEGIANCE**

Mayor Schubert announced that former Mayor Ed Beggs passed away a few days ago. He provided information concerning the former Mayor. He would like to fly the flag at half staff through the third of July in honor of former-Mayor Beggs.

**MOTION** that the American flag at city offices be flown at half staff thru July 3 in honor of the passing of former Mayor Ed Beggs made by Schubert; second by Dubois. **Carried Unanimously.**

**ROLL CALL**

Council members present: Laura Dubois, Bill Huizinga, Susan Lorenzen, and Walt Schubert.

Erik Erichsen and Paul McHugh are on vacation and Ken Hays was attending another meeting.

City Staff present: Admin. Service Director Karen Goschen, Clerk Karen Kuznek-Reese, Planning Director Dennis Lefevre, Capital Projects Manager Frank Needham, City Attorney Craig Ritchie, Public Works Director Ben Rankin, Police Chief Robert Spinks and Interim City Manager Linda Herzog.

**Citywide Work Program**

Herzog reported the council adopted the work program on April 6, 2009 containing 45 items. Since April 6 a new city hall was added by council; water reuse site projects were consolidated; the police department added a crime survey update; staff added Spruce Street pocket park and a connection was made to the budget process. Most projects are on schedule. Tonight we will focus on those items that are not according to schedule. She provided an update concerning the status of Sequim Speaks. Membership has not yet been established due to an inadequate number of applicants. Membership selection is tentatively set for July 13. Sequim Speaks could obtain input on the budget. She suggests early 2010 Sequim Speaks might evaluate its operation and report to council.

Ritchie provided information concerning pre prosecution diversion. The Legislature passed a law requiring every city/county to work together on this issue beginning in July. We are doing that now. Concurrency is moving along. The city's comp plan provides for concurrency. Development cannot take place unless there is adequate infrastructure. However, level of service has not yet been identified for roads. That is being done with consultants at this time. A draft concurrency ordinance will be presented to council in August.

Goschen indicated we are still hoping to obtain agreement from DOE in July. This item will depend on DOE's schedule. She will review reserves in August. We hope to receive their funds in August. If not, we can do an interfund loan. We still have the \$6 million loans/\$2 million grant.

Rose reported that a white paper will be presented on July 13 concerning the technology replacement and reserve fund with a formal presentation on July 27.

Union contracts expire at the end of June. The unions will vote on July 20 whether to extend the contracts for one year.

Spinks reported the police department performed a community crime survey in 2006. The intention was to resurvey every 3 years. There is a new volunteer to the department, Josh Lapp, who has drafted the updated survey that will go out in the utility bills.

Lefevre stated the Battelle project is continuing. An agenda item is scheduled for the November 9 council meeting. This may be a joint county commissioner/city council public hearing to discuss UGA. We will proceed with the annexation process in 2010.

Lefevre provided an update concerning strategic land use updates.

Herzog indicated that Ben Rankin just started with the city. Rankin will reevaluate the Public Works items on the work program. He may decide other items are a higher priority. Schubert hopes the city will make real effort to work with the county on road development/repairs/maintenance.

Herzog reported she has talked with county public works who is willing to work together in sharing resources.

Needham the SERP is described in the comp plan. There is language about this sunseting. This will be discussed during the 2009 Comp Plan. Due to the good working relationship with the county, this is not a real issue at this time. There are text changes in 15 chapters which will be brought forward. There needs to be discussion about Battelle-like projects to develop a research & development zone. A scope of work is being developed for the Sub Area Plan. We will then do RFP/RFQ. On July 13 will be first review of scope of work. The design of reclaimed water distribution system is behind.

The police department remodel is behind. There were issues with Arai Jackson and code requirements. There have also been budget issues.

New city hall has been added to the work program. Several steps needed to be taken. There needs to be budget discussions and we were waiting for the new Public Works Director to arrive. We need to determine possible sites.

Needham addressed questions concerning a larger pond at the reuse site. The ponds are lined in Carrie Blake Park. The pond at the reuse site is lined but was not supposed to be lined. The pond at the reuse site cannot be done because of percolation issues.

Schubert stressed the importance of working with the county on projects.

Needham addressed improvements at the reuse site. The intent of the property was to demonstrate how reuse water could be utilized in a public way. We are waiting to hear from James Center for Performing Arts representatives on how they wish to proceed. This group knows all the concerns and issues. DOH is concerned about using reclaimed water to water the site with Sequim Family Advocates playing soccer on those fields. We are still trying to work things out.

Lefevre provided information concerning developing a pocket park at Spruce Street. The site is being considered for organic garden plots. This will be brought o council in August. This has been presented to the Park Board and they concur. Dubois indicated she had discussions with COGS representatives. They would like to be involved in developing this property in conjunction with COGS. This could be developed with a partnership. Partnerships will be pursued whenever possible. Herzog indicated her discussion with Paul McHugh involved selling this piece of property.

### **Budget Policies**

Goschen reported she has been performing an analysis to determine sustainable revenue. A complex presentation will be made when the full council is in attendance.

#### **Fund Reserve Levels**

This is a work program item for 2010. We need to look at revenue stability and operating capital requirements. Reserve levels need to be discussed with all funds and we may want to establish a contingency fund. When should reserves be used? What is the gap between sustainable revenues and expenses? Can we use reserves until we grow out of the gap between revenues and expenses; we can adjust services to match revenues; consider changes in economic base.

Huizinga feels there should be discussions concerning the City support for United Way agencies, as well as economic development and what we will do to support that.

There was discussion concerning property taxes. New construction carries the city. The 1% cap is a challenge for cities.

### Staffing and Positions

We need to prioritize services and identify target amount of growth. Across the board cuts or a hiring freeze is not the best way. Some departments have required work that cannot be cut. Reduction in hours and/or job share as well as voluntary leave without pay may be discussed.

### Sustainable Income

What revenue is stable and what fluctuates? Property tax is stable. B&O tax is based on gross revenues. The city charges on utilities which is stable. Interfund services are services the General Fund provides to water, sewer and streets. The cost of doing utility billing is under the General Fund. A service charge is provided to the water/sewer fund for utility billing and payroll as well as other services. We are beginning a major review of interfund allocations.

Sales tax is fluctuating revenue. Analysis indicates it has fluctuated up to \$700,000. That does not include construction. Construction related fees fluctuate around \$700,000 in building permits and plan check fees. The largest swing was \$1.2 million in 2006.

### Sustainability policy

Dubois provided an overview in the council packet. She wanted a general statement supporting sustainable policies. She feels it is important that every decision made looks at the environmental costs. Sometimes more money has to be spent up front but we are stewards of the future. The city is establishing a baseline so we can measure what is being done to improve. Needham provided update and information concerning the establishment of a baseline. Next week a 10-question survey will be sent to employees asking how employees use their personal vehicles coming to/from work.

### State Budget & New Laws

Most state operating funds remain intact. There is a significant decrease in local infrastructure funding. The city has received one quarterly payment from the streamlined sales tax. We need to determine if accurate amounts are being received. With the destination based taxing, they are supposed to record the actual sales tax code. DOR website will tell what sales tax code should be used based on the physical delivery address.

Sewer/water latecomer agreements are allowed. If the city fronts costs for water/sewer, we can establish a latecomer agreement. There have been changes to GMA assistance and community revitalization financing.

### Community Revitalization Financing

This is a very complex issue. The additional tax received can be used to make bond payments. The impact must be projected. Some financing options require a letter of intent from a developer. Staff would require assistance in projecting how the sales tax or property tax values would increase. The city must pay upfront costs, issue bonds, the state takes a share of the sales tax revenue; filing deadline is September 1 and the city can only receive up to \$500,000 annually. The legislation is valid for one year. Lobbying the legislature may help. It often works well if electeds contact legislators.

### Multi-Year Budget

The state allows cities to have a two-year budget in odd years. Many city goals take more than one year. There would be good reasons to plan for a two-year budget. It also helps with setting council priorities and saves time in number crunching. We would only be required to submit a revised forecast for that year. We would need to pass a resolution by June 2010 to consider a biennial budget for fiscal years 2011-2012. Staff would be supportive of this concept.

Lorenzen suggested talking to other cities concerning biennial budgets.

### “Boom-Time” Revenue Spending

With “boom-time” revenue we could build the General Fund reserve; establish a contingency fund; fund infrastructure projects; fund special or start up projects. We could use consultants or contract staff as opposed to creating permanent positions.

It was suggested that economic development is a long-term process. We need to continue that effort.

### Affordable Housing Budget Policy

General Facility Charges are high and can be a barrier to affordable housing. There are strategies such as deferring GFCs. The water/sewer funds have to receive funds at the time the services are issued. The General Fund would pay water/sewer funds for the GFC. Payment could be a loan that is reimbursed when the property repays or the General Fund could be used as part of supporting affordable housing. There could be interlocal agreements with other agencies to fund a downpayment.

Huizinga stated there could be options. If an affordable house sells for retail, the city receives the difference on a PUD. If the property is sold for a profit within the first 5 years, the city gets the profit. An affordable housing fund would be established so those monies could be used to fund downpayments.

### Regionalization of Services

Need to identify services that could be shared with other entities and assess associated risks. Streets, roads, economic development and affordable housing are good areas to regionalize services.

### Next Steps

There will be an additional presentation on July 13. This will include development of the 2010 budget. There will be a summary of key items that need decisions. Policies will be identified that need resolution for the 2010 budget. Other policies will be worked into the work program in the future. The next quarterly meeting will be August 31 and include an overview of budget policies. September 14 will provide an additional opportunity for council guidance before receiving budget books in October.

### **NEXT MEETING DATE**

Herzog has extensive material to present at the next meeting. Waldron will also be present to provide names of semifinalist candidates. This meeting will start at 4:00 p.m. with Waldron in executive session and then at 5:00 p.m. with budget policy material.

The sustainability policy was emailed to everyone as part of tonight's meeting. This will be considered a first touch.

Don Hall indicated the Park board said no to the sale of the Spruce Street property.

Ritchie announced the materials for the AWC spring conference are available on the council's website.

**ADJOURNMENT**

**MOTION** to adjourn at 7:25 p.m. made by Lorenzen; second by Schubert. **Carried**  
**Unanimously.**

Respectfully submitted,

  
Karen Kuznek-Reese, CMC  
City Clerk

  
Laura Dubois  
Mayor

Minutes approved at a regular council meeting held on July 13, 2009.