

Town of La Conner
Town Council Meeting
April 14, 2009 – 6:00 p.m.
Upper Maple Center

The regular meeting of the La Conner Town Council was called to order at 6:00 p.m.

Present: Mayor Hayes, Councilmembers Brunisholz, Hubbard, O'Donnell, Johnson, and Wright.
Also Present: Administrator/Planner Doyle, Public Works Director Lease, Finance Director Taylor, Kelly Wynn, Fire Chief Taylor, and Sergeant Wise.

Mayor Hayes reported that there were two Interlocal Agreements with Skagit County under New Business.

Approval of Agenda:

Councilmember O'Donnell moved to revisit setting the sewer rate for the tribe. Moved failed due to lack of a second.

Councilmember Johnson moved to approve the agenda as amended. Seconded by Councilmember Wright. Carried 5-0.

Approval of Minutes:

Councilmember Wright moved to approve the minutes of the March 24, 2009 Town Council meeting as amended. Seconded by Councilmember Hubbard. Carried 5-0.

Approval of Accounts Payable:

Councilmember Johnson moved to approve checks 7244 through 7331 dated April 14, 2009 in the amount of \$107,228.87 as presented. Seconded by Councilmember Hubbard. Carried 5-0.

Approval of Payroll:

Councilmember Hubbard moved to approve payroll checks 1570 through 1583 and direct deposits for the payroll period of March 16 through March 31, 2009 in the amount of \$37,629.67 as presented. Seconded by Councilmember Brunisholz. Carried 5-0.

Community Comments: Cindy Verge, 3500 Apache Drive, Mount Vernon, Executive Director of the Skagit Valley Tulip Festival, presented the official 2009 Tulip Festival poster to the Town. She thanked the Town for its on-going support through Hotel Motel Taxes.

Corinne Hajek, 703 S 4th Street, La Conner, proposed a celebration of the 4th of July as an annual event and requested a waiver of permitting fees for the bicycle parade and for Pioneer Park.

Councilmember Hubbard moved to approve the request for the waiver of fees for the 4th of July celebration. Seconded by Councilmember Johnson. Carried 5-0.

Rod Freed, owner of the Calico Cupboard, stated that he has 30 employees and has concerns for parking during tulip time. He requested additional parking passes in addition to the two he received with his business license.

Chamber Report: Marci Plank stated that the Tulip Parade was a huge success and expressed appreciation to the Town for coordinating with Mr. Jolley regarding Kenmore Air. She stated that the Chamber is moving forward and will soon pick the featured artist for the Art's Alive poster. Ms. Plank reported they are starting the membership drive and will be holding the Annual Meeting on May 20, 2009.

Department Head Reports:

- **Revenue/Expenditure Report March 2009:** Ms. Taylor presented the quarterly report on revenue & expenditures. She stated that the Town was on target with a few exceptions, such as bond payments, REET monies, and budgeted transfers. Councilmember O'Donnell inquired about the fund balance of Fund 206, and it was agreed to address the issue at the next budget amendment. Discussion followed on Hotel Motel Funds being lower than previous years.
- **Finance Report:** Ms. Taylor reported that Horizon Bank has declined to renew the CD that is maturing on April 15th, and Council agreed to a 6 month CD at Charter Bank at 2%. She stated that a Request for Proposal for Municipal Software has been published and we have received several inquiries. Council agreed to have the Town Attorney, Brad Furlong, review the Springbrook Agreement to determine if we can recover some of our costs.
- **Administrator:** Administrator Doyle reported that recycling and garbage services are a monopoly and La Conner is in a service area of the county. He stated that individual entities can petition for a separate contract, but it is a one year minimum notice.

Councilmember Brunisholz moved to allow the Town Administrator to pursue discussions for a new contract between La Conner and Waste Management. Seconded by Councilmember Hubbard. Carried 5-0.

Administrator Doyle stated that the stimulus money for the Maple Avenue project is coming through WSDOT and a companion grant from Skagit County. He stated the grant is on a strict timeline – from application to bid is only 120 days, and the target date for going out to bid is mid-June. At the next council meeting, a resolution will be brought forth for adopting an agreement with WSDOT.

Mr. Doyle stated that volunteers at the Garden Club have requested parking passes also.

Mr. Doyle state that he met with the company that makes the Norwegian Water Wall to obtain information for flood control. Mount Vernon has one and La Conner would use it for a gap filler.

Councilmember O'Donnell moved to authorize parking passes for businesses that request them and for the volunteers at the Garden Club. Seconded by Councilmember Hubbard. Carried 3-2. Councilmembers Brunisholz and Wright opposed.

- **Public Works:** Councilmember Hubbard inquired if the Town owned the parking meter. PW Director Lease stated that we did, but a maintenance agreement is needed for the software. Councilmember Brunisholz inquired about removing the yellow center lines in the streets. Mr. Lease stated that he did not recommend it, but each street would need to be reviewed for its classification.
- **Water Wastewater:** Kelly Wynn presented a scope of work from Terre-Source, LLC to prepare a Compost Efficiency Study that was budgeted for in 2009.

Councilmember Hubbard moved to approve the contract with Terre-Source for a Comprehensive Compost Study not to exceed \$15,000. Seconded by Councilmember O'Donnell. Carried 5-0.

- Fire Department: Mayor Hayes commented on the wonderful Easter Egg Hunt put on by the Fire Department.
- Sheriff's Department: There were no comments on the Sheriff's report.

Mayor's Report: Mayor Hayes stated he met with Jerry Kauffman, Port Commissioner, regarding an elevated road from La Conner Whitney Road out to the Port. He stated that it would increase economic development, provide flood protection and increase water pressure flow. Mayor Hayes has encouraged the Port to put the project on the TIB Plan, and he will need to meet with all the commissioners.

Mayor Hayes stated that he attended a exit conference meeting with the State Auditor's Office for the year 2007. He stated that they determined there was a significant deficiency in internal controls and will be issuing a finding. This is due to the adoption of SAS 112 for reporting purposes. Mayor Hayes stated that the guidelines are too general and are not specific in their expectations for public entities.

Mayor Hayes referred to a letter Councilmember O'Donnell wrote to Senator Haugen on February 10th. The Mayor spoke with someone in her office and the letter was too late to be considered because they adopted the FCAAP budget on February 2, 2009.

Councilmember Wright inquired why the State of Washington does not recommend financial software that meets the requirements of the State Auditor's Office, because Springbrook obviously does not.

Council Committee Reports:

Councilmember Hubbard: stated that the Parks Commission decided to leave the renaming of the Benton Street End Park to the Town Council. They recommended renaming it to Swinomish Park.

Councilmember Hubbard moved to rename the Benton Street End Park to Swinomish Park. Seconded by Councilmember Brunisholz. Carried 5-0.

Discussion followed on the progress of the skate board park. Mayor Hayes stated he met with Tim Bruce and discussed the feasibility of leasing property from the school for a larger skate park. He will follow up on the issue and look into the liability for the Town.

Mayor Hayes called a five minute break at 7:10 p.m. and opened the Public Hearing at 7:19 p.m.

PUBLIC HEARING - Water & Sewer Rate Study:

Rich Cushing, 611 Tillinghast Drive, La Conner, recommended that a cap be placed on sewer for summer months when consumption for water increases.

Donna Blades, 128 S First Street, La Conner, stated that she did not recommend raising water and sewer rates in this negative economy.

At 7:25 p.m. Mayor Hayes closed the public hearing and resumed the regular council meeting.

Town Engineer, Evan Henke, stated there are two parts to developing the rate:

- Cost of the system – medical and health benefits, fuel costs, and level of staffing and service which are determined during the budget process.
- Allocating the cost across the base – the water and sewer utilities are a non-profit operation, and the model looks out 6 years and tries to determine how to prioritize the projects the Town wants to accomplish.

Water Projects - currently the Town has seven water capital projects on the capital plan that need funding. Three of the projects will be funded by rates and capital reserves, and four will be funded by 20 year PWTF loans. The Town needs to replace and complete the 10" line from the far end of Town down to Caledonia.

Sewer Projects – the Town plans to replace sewer equipment in 2009 that was funded last year, but carried forward. This equipment was purchased in 1998-1999. In the future there will be a need for more equipment repairs and upgrades. The model sets aside approximately \$30,000 per year into reserves and projects out two years. At budget time the Town will need to review revenues and determine if they are meeting projections or if the model needs adjusting.

Mr. Henke reiterated that the model only looks out to 2010. When the City of Anacortes sets its new rates in 2011, the Town will need to review the model and the rates.

Councilmember O'Donnell commented about the proposed water and sewer rates:

As a "Pitfall to be Avoided", the consultant claimed that the "Other Program" was not sustainable because it uses Cumulative Reserve to fund debt service. Councilmember O'Donnell stated that this is not true, that, in fact, his programs increased Cumulative Reserve each year. He noted that the consultant keeps water reserve at a constant \$83,482 balance and does not even address reserves for sewer.

The consultant used cost growth rates as high as seven percent per year. Councilmember O'Donnell commented that such growth is not believable and is the cause of the large increases in rates. He noted that the rate study committee had agreed on five percent.

Councilmember O'Donnell asserted that the whole approach was wrong: that, instead of adding to the existing base fee and volume rates, the consultant should have created new rates based on agreed allocations of fixed and variable costs.

Based on guidance from the Town Council, the rate study committee had agreed that the Shelter Bay base rate would reflect pro rata pass through of the Anacortes fixed and capital charges, but the consultant did not follow this guidance.

The study committee had agreed that oversize meter allowances would be eliminated, but the consultant unilaterally chose to phase-in reduced allowances over a period of years.

The consultant had promised rate sheets that would permit the Town to produce wholesale and retail rates without the need for a consultant. Those sheets had not been presented.

Discussion followed on setting benchmarks for revenues, the fact that water consumption is down, using reserves to fund debt payment, and the Shelter Bay contract.

Councilmember Brunisholz moved to adopt the water sewer rate study at 80% of the rate increase. Motion failed due to lack of a second.

Councilmember Hubbard moved to approve the water sewer rate study as presented for 2009 and 2010, and keep the CPI increase as a back up. Seconded by Councilmember Johnson. Carried 3-2. Councilmembers Brunisholz and O'Donnell opposed.

Interlocal Agreement – Port of Skagit & La Conner:

Councilmember O'Donnell moved to authorize the Mayor to sign the Interlocal Agreement between the Town of La Conner and the Port of Skagit to produce a television commercial promoting tourism in La Conner. Seconded by Councilmember Hubbard. Carried 5-0.

Interlocal Agreement – Skagit County & La Conner for 2009 Maple Avenue Resurfacing:

Councilmember Hubbard moved to authorize the Mayor to sign the Interlocal Agreement to establish Skagit County as the Certifying Agency on the Maple Avenue Resurfacing. Seconded by Councilmember Wright. Carried 5-0.

Interlocal Cooperative Agreement – Skagit County & La Conner:

Councilmember Hubbard moved to authorize the Mayor to sign the Interlocal Cooperative Agreement to formalize a commitment whereby the County agrees to grant \$128,809 towards the Maple Avenue Resurfacing Project. Seconded by Councilmember Wright. Carried 5-0.

Marina Lift Station – Project Acceptance:

Councilmember Hubbard moved to accept the Notice of Construction Completion and Recommendation for Project Acceptance for the Marina Lift Station Rehabilitation. Seconded by Councilmember Brunisholz. Carried 5-0.

Miscellaneous: Mayor Hayes stated that he has received a request for rental fees to be waived for the Quilt Museum and MONA to use the Garden Club September 10-13, 2009. It was the consensus of the council that they needed more information.

Councilmember Wright moved to table the request until the Council has more information. Seconded by Councilmember Hubbard. Carried 5-0.

Administrator Doyle stated that the Class Act Gallery has declared bankruptcy and is delinquent in paying its 2009 Business License. He requested the council's guidance on whether to waive the fee or take it to collection. Councilmember Brunisholz stated the council should be consistent in their decisions and not be arbitrary and capricious.

Councilmember Wright moved to send the fees owed by the Class Act Gallery to collection. Seconded by Councilmember Johnson. Carried 5-0.

Councilmember O'Donnell inquired about the sewer customers that had been overcharged. Administrator Doyle stated that two were still outstanding, but they would be credited on the next billing.

There being no further business the meeting was adjourned at 8:55 p.m.

Lorraine Taylor, Town Clerk

Ramon Hayes, Mayor