

## POULSBO CITY COUNCIL MEETING OF NOVEMBER 16, 2016

### MINUTES

**PRESENT:** Mayor Erickson; Councilmembers Lord, McGinty, Musgrove, Nystul, Stern, Thomas.

Staff: Finance Director Booher, City Clerk Fernandez, Interim Planning Director Boughton, Director of Engineering Kasiniak, IT Manager Stenstrom.

**ABSENT:** Councilmember Henry

### MAJOR BUSINESS ITEMS

- \* \* \* Disposal of Surplus Goods
- \* \* \* Accept Hostmark Mains Project
- \* \* \* Ordinance No. 2016-\_\_, Concomitant Agreement Release
- \* \* \* Approval of Hearing Examiner Contract
- \* \* \* 2016 Comprehensive Plan – 1<sup>st</sup> Workshop
- \* \* \* Continued Public Hearing on 2017-18 Budget
- \* \* \* Baseline Adjustments and New Program Requests

#### 1. CALL TO ORDER AND PLEDGE OF ALLEGIANCE

Mayor Erickson called the meeting to order in the Council Chambers at 7:00 PM and led the Pledge of Allegiance.

#### 2. AGENDA APPROVAL

**Motion:** Move the approve the agenda as presented.

**Action:** Approve, **Moved by** Lord, **Seconded by** Nystul.

Motion carried.

#### 3. COMMENTS FROM CITIZENS

Mayor Erickson asked for citizen comments; no comments were received.

#### 4. MAYOR'S REPORT AND COUNCIL COMMENTS

Councilmember Musgrove wished everyone a happy Thanksgiving and asked that we take a moment to appreciate what we have.

Councilmember Thomas encouraged folks to give thanks to those in their lives.

Mayor Erickson announced the big tree lighting near the Viking statue on November 25 around 6:30pm and Julefest on December 3

Councilmember Stern reported on the football games over the weekend. Mayor Erickson said she was proud of the NKHS team.

## **5. CONSENT AGENDA**

**Motion:** Move to approve Consent Agenda Item A.

The items listed are:

- a.** Disposal of Surplus Goods

**Action:** Approve, **Moved by** McGinty, **Seconded by** Lord.  
Motion carried.

## **6. BUSINESS AGENDA**

### **a. Accept Hostmark Mains Project**

Director of Engineering Kasiniak presented the Hostmark Mains Project for Council acceptance and contract closure. The final contract amount was \$1,372,852.79. The final paid contract total was \$1,295,879.07. There were two change orders on the project totaling \$33,183 (2.5% of the contract total). Final payment was made to the contractor on 10/19/2016. Retainage has been held on the project in the amount of \$59,608.05 and needs to be released once the project has been accepted.

Councilmember Lord thanked staff for all their hard work on this project and ensuring it was completed before school started.

**Motion:** Move to accept the Hostmark Mains Project as complete and authorize release of the retainage and the contract bond in accordance with state law and contract requirements.

**Action:** Approve, **Moved by** Lord, **Seconded by** McGinty.  
Motion carried.

### **b. Accept Hostmark Pavement Project**

Director of Engineering Kasiniak presented the Hostmark Road Preservation Project (city-wide Pavement Restoration project) for Council acceptance and contract

closure. There were no change orders on the project. The contract amount was \$240,741.75. The final paid total was \$235,195.71. Final payment was made to the contractor on 11/02/2016. A federal grant partially funded the project.

**Motion:** Move to accept the Hostmark Road Preservation Project as complete and authorize release of the contract bond and retainage bond in accordance with state law and contract requirements.

**Action:** Approve, **Moved by** McGinty, **Seconded by** Nystul.  
Motion carried.

**c. Ordinance No. 2016-19, Concomitant Agreement Release**

Interim Planning Director Boughton presented the agenda summary, noting the Poulsbo Planning and Economic Development Department has received an application requesting release of three concomitant agreements - two which are attached to Peninsula Glen Apartments and one that is attached to Woodcreek Apartments. The two developments have recently been acquired are now under one ownership. The new owners wish to release the concomitant agreements so they may pursue future development or redevelopment under the City's current development regulations. Release of concomitant agreements is a Type V permit and requires a public hearing and decision by City Council. The City Council held a public hearing on October 12, 2016 and approved the release of the concomitant agreement with one condition. The City Council now needs to adopt an ordinance approving the concomitant agreement release and adopting findings and conclusions.

**Motion:** Move to approve ordinance 2016-19, an ordinance of the City of Poulsbo, Washington, adopting findings and conclusions; approving the Peninsula Glen and Woodcreek concomitant agreements release, planning file 09-06-16-1; authorizing the Mayor to execute and record an instrument releasing the concomitant agreement; providing for severability and establishing an effective date.

**Action:** Approve, **Moved by** McGinty, **Seconded by** Lord.  
Motion carried.

**d. Approval of Hearing Examiner Contract**

Interim Planning Director Boughton presented the agenda summary, noting on August 23, 2016, the City's Hearing Examiner Stafford Smith submitted his sixty days resignation notice, ending his services with the City on October 24, 2016. On September 16, 2016, the Interim Planning Director issued a Request for Proposals for

Hearing Examiner services. The RFP was issued on the City's website, published in the NK Herald and Daily Journal of Commerce, and circulated to the members of the Hearing Examiner Association of Washington. The deadline to submit proposals was October 14, 2016. A selection committee of planning and engineering departmental staff reviewed and scored the submitted proposals. The highest-ranking proposal was from Gary McLean, who has a depth of Hearing Examiner experience, including with the Cities of Bellevue, North Bend and Richland, and who was chosen unanimously by the selection committee. After contacting references, the offer for Hearing Examiner services was made to Mr. McLean and accepted on October 27, 2016. Attached is the professional services contract for Mr. McLean and scope of work; Planning staff respectfully request the Council authorize the Mayor to sign the contract on behalf of the City.

In response to Councilmember McGinty, Interim Planning Director Boughton said all the Planning Department and three development engineers were on the selection committee.

In response to Councilmember Lord, Interim Planning Director Boughton said they are looking at between two and five cases per year for the Hearing Examiner to review.

In response to Mayor Erickson, Interim Planning Director Boughton said Mr. McLean is a Hearing Examiner with the cities of Bellevue, North Bend, and Richland.

**Motion:** Move to approve the contract between the City of Poulsbo and Gary N. McLean for Hearing Examiner services, and authorize the Mayor to sign the contract on behalf of the City.

**Action:** Approve, **Moved by** Lord, **Seconded by** Stern.

Motion carried.

**e. 2016 Comprehensive Plan – 1<sup>st</sup> Workshop**

Interim Planning Director Boughton gave a presentation on the 2016 Comprehensive Plan Update. Presentation highlights included:

- Periodic review and update of comprehensive plan as required by the Growth Management Act.

- Poulsbo's Comprehensive Plan was significantly updated in 2009 and amended annually since then.
- The 2016 update was initiated with a public "community check-in" which occurred Summer-Fall 2015, and consisted of a community questionnaire and open house.
- The City also began in 2015 updating its functional plans – sewer, storm water, transportation and parks/open space/recreation plans were updated in 2015/2016. The water plan was updated and adopted in early 2015.
- The City Council identified the Economic Development Chapter as an area of the plan to spend time reviewing; a stakeholders group assisted the Economic Development City Council Committee identified priorities for the chapter.
- One site specific amendment was submitted to the City to be reviewed as part of the 2016 update.
- Amendments have been made throughout the comprehensive plan document.
  - Changing the 20-year planning period from 2025 to 2036, and projected growth.
  - Updating information or data from the 2009 Plan.
  - Update parcel base map for all figures in the plan.
  - Updated OFM population numbers.
  - Updated photographs.
  - Updated Urban Forestry policies.
  - Updated Groundwater Protection goals and policies.
  - Updates to Natural Environment Maps as appropriate based on new environmental information.
  - Updates to Economic Development chapter.
  - Updates to the Capital Facilities Plan because of the updated functional plans.
  - Updates to the Land Development Review and Evaluation Section 3 – to incorporate updated data.
  - Inclusion as appendices, updated functional plans
- Review Process
  - Draft September 2016 Comprehensive Plan Update released Sept. 28, 2016.
    - Release and all associated documents posted on City's website; state, regional and local agencies notified; email sent to our comprehensive plan interested parties list.

- The Planning Commission, in its role as primary land use advisory committee, held four workshops on the September 2016 Draft.
  - The City Council Economic Development Committee reviewed the Draft September 2016 Plan in tandem with the PC review due to compressed review timeline, at four of their meetings.
  - Both groups identified minor modifications.
- Proposed modifications
  - Both the Planning Commission and the City Council Economic Development Committee identified minor modifications to the September 2016 Draft Plan.
  - A Draft November 2016 Comprehensive Plan was issued on Oct. 31, 2016. This draft incorporated the modifications identified by both the PC and EDC. The November 2016 Draft was posted to the City's website.
- CPA 2016-01 Site Specific redesignation/rezone request
  - CPA 2016-01 Foraker/Lanzafame, is a request to change the land use designation and zoning for two parcels from the current designation of Residential Low (RL) to Office Commercial Industrial (OCI).
- Notebook
  - November 2016 Draft Comprehensive Plan Sections 1-4 and Appendix A-1.
    - 2016 Comprehensive Plan Periodic Update – Proposed Amendments Summary
    - Functional Plan Updates are available on the Project Poulsville Comprehensive Plan Update webpage.
  - Public Input Received – front cover pocket
    - One comment letter received to date
    - Community Check-in summary
  - CPA 2016- Site Specific Redesignation/Rezone Request – back cover pocket
- Next Steps
  - Special Workshop on November 20, 2016.
    - Will provide memo with modifications to November 2016 Draft identified by Planning Commission at their Nov. 8, 2016 hearing.
    - Memo will include additional input from Economic Development Committee at their Nov. 9, 2016 meeting.

Councilmember Lord complimented the work that all the departments did to get this document ready. This document is so easy to follow along with and read. The proposed changes significantly improved it. She recommends everyone read the summary. She thinks it is a remarkable document.

In response to Councilmember Stern's request to share some of the community survey's sentiments, Interim Planning Director Boughton said they added to the survey the idea of how would we promote or further the idea of a college town for Poulsbo, and related to that was the idea of a night-time economy. They did two different surveys, and received over 300 responses. It was one of the highest survey responses ever received. They also took the economic development piece, and sent that to the Chamber of Commerce and KEDA, who helped distribute it. The idea was that the presence of WWU and OC as campuses is a fundamental piece of our identity now. Other identifiers are our location on Liberty Bay, our shared heritage, and our commitment to our neighbors. The further south you get, you lose that.

Councilmember Lord said the 300 plus people who responded to the survey make this such a living document. She feels we are unusually proactive in bringing in the citizens. This is their document for all of our policies and decisions.

Councilmember Stern commended Interim Planning Director Boughton and her staff for the quality of professionalism they brought to this process and their workload.

The next workshop is on November 30, 2016.

**f. Continued Public Hearing on 2017-18 Budget**

Mayor Erickson continued the public hearing, and receiving no comments, closed the public hearing at 7:48 PM.

In response to Councilmember Lord, Mayor Erickson said they received one public comment via email today from Mr. Broughton asking about traffic control mechanisms in his neighborhood, and it will be forwarded to Finance Director Booher.

**Motion:** Move to close the Public Hearing on the City of Poulsbo's 2017-2018 Budget.

**Action:** Approve, **Moved by** Lord, **Seconded by** Nystul.

Motion carried.

**g. Baseline Adjustments and New Program Requests**

Finance Director Boughton said that the Finance-Administration Committee will continue to work on their review and recommendation of the requests, and a full presentation will be given to the Council on December 7, 2016. An updated sheet of the recommendations will be sent to the Council.

Mayor Erickson commended Finance Director Booher and Senior Budget Accountant Ziemann for all the work they have done on the budget. She said her recommendations are unchanged, but they need to make sure they are presented in a way that can be understood by the Council.

Finance Director Booher said what became clear is a biennial budget forces you to look at how the impacts reach an additional year. We must make sure our revenue projections are not as conservative, but more accurate to what we feel they will be. It takes a little bit longer, but gives a better long range picture.

Councilmember Stern said a biennial budget should reflect two years of projections. They are asking for a slightly different approach to analyzing this, including footnotes of what changes we might anticipate on current trends. The biggest change we'll see is the carry forward in February/March and operating in a deficit and approve accessing reserves to balance the budget in December, and then never touch it. This time we are going to see revenues and expenditures balancing themselves. This is a major change we'll be experiencing as a Council.

Councilmember Nystul said they just need a little more time to look at this. It is an interesting process. He emphasized that sometimes we are waiting in the one year budget to determine the carryover and go in and get it. That is not going to happen. But for example, the second police officer in 2018, if it is a funding issue, we don't want to lose sight of that, so we have come up with identifying in the budget document the things that the Mayor has recommended to be considered once we get into 2018 to see how well our revenue and expenditure projections are doing.

Mayor Erickson said we must start accurately reflecting the increasing revenues and what we are going to spend. We don't want to eat up our beginning balance, we want to spend what we expect to receive in a reasonable fashion.

Councilmember McGinty asked with that in mind, when do you plan to review if another officer can be hired, for example? Is there some date you are going to look at it? Finance Director Booher said if you look at the biennial calendar, there are many processes that still act as an annual budget. We developed the biennial budget, and you are required to have a mid-year amendment. Historically, we have always been so conservative on our revenues. We have had a practice of not setting it higher



than what we received the year before. That builds a budget with zero growth, coupled with increased expenditures (wage, benefit, insurance, and contractual increases).

Councilmember Stern added that now that revenues and expenditures are going to be balanced, we won't wait on carry over. The committee is asking for a number associated with certain projections and assumptions, not in the budget but footnoted, so they can better understand the implication of what they are doing in 2017 and how it might impact 2018.

Councilmember Nystul said because this is a new process that we will be monitoring it more frequently, so we should have an answer sooner. Finance needs time to close the books, come up with a cash balance and go from there. More accurate budgeting and monitoring should be able to provide answers sooner.

Mayor Erickson said if we receive a windfall, we could potentially add additional things into the 2017 budget or roll it into the 2018 budget. The real key is more realistic projections and concise monitoring.

Councilmember Stern said the committee is discussing they would like to receive quarterly reports that track anticipated revenue with variance so we can get an early warning, so we can adjust not just this year's budget, but the assumptions and thoughts about next year's budget. This will be systemic and memorialized to help catch the windfall or shortfall of the biennial budget process.

Councilmember Musgrove asked if this is a fundamental policy change where we will commit, not just make a wish list, but commit to spending on the anticipated revenues. Mayor Erickson said that was correct. Mayor Erickson said we have always said that if we had \$2MM in retail sales tax the previous year, then we budget \$2MM the next year. Then what happened is we end up having more. We left the budget unbalanced. All we are saying is we are not going to hit reserves, we are going to anticipate the revenue, understanding we have reserves if we get it wrong, but we are anticipating revenues, and when we get expenses in, we should have around zero or a little extra left over. The reason we must do that is there is no way to balance the next year. That is what we found out today. If we put zero revenues for two years, we had zero reserves left at the end of two years. The process doesn't work.

Finance Director Booher said we are still conservative with our revenue projections, but we are being more realistic. We became so conservative, because we hit the economic decline. Our conservatism was reflected with the large carry overs. We based the revenues with zero growth, even though we know the last couple of years the revenues were growing. We need to reflect the growth, with the edge of caution, that will have very strong monitoring practices in place. We have a midyear review,

and quarterly reviews for revenues and expenditures, but we are becoming a little more realistic.

Councilmember Musgrove we have always anticipated revenues. The difference is we have always anticipated, but only committed to spending up to the previous year until it was shown to be coming in, and then we would authorize spending so we wouldn't come up short. What we are now talking about is more accurately anticipating, but also approving the spending for the anticipated rise. He is wondering why there is a need now to committing to expenditures we don't get shown.

Finance Director Booher said we did previously commit to using revenues that hadn't come in, because they knowingly went into reserves. They are now building a budget that shows we are not using reserves, and that the revenues will support the expenditures.

Councilmember Lord asked the committee to look at how we would keep track if we had something happen and the economy goes upside down. She feels a lot of the growth is catch up from the time when nothing was happening in the economy.

Finance Director Booher said that was part of her concern as well, that is why they have the monitoring practices for trending revenues and expenditures to make sure they stay within budget. They do it every quarter, it is essential, and they do a good job at that.

Councilmember Lord's concern is with the biennial budget. What happens if something happens in 2017, how do we make the correction in the 2018 budget. What is the mechanism to put the brakes on, and have us relook at everything? Finance Director Booher said a legal requirement of a biennial budget is to do a mid-year review. They will be visiting all the 2018 figures in mid-2017 and addressing them. A public process is required to review the numbers, revenue sources, and to do an amendment to address any of the changes.

Councilmember Thomas gave a metaphor for the new process the City is using for the budget.

Councilmember McGinty said a good budget has a good estimate on revenues and expenditures. If you want to be conservative, you project the revenues and put some of it in savings, but don't consciously underestimate your revenues as a savings account. You should do your best guess, see if it is tracking accurately, and plan not to spend it all.

Councilmember Stern repeated his desire to have systematic reporting that shows when we are going in the wrong direction.

Finance Director Booher said her department systematically sends out every month the cash report and investment report to Council via email. Every quarter they do the variance report. They also send out the sales tax and real estate excise tax report every month. Those are systematic. They send out a lot of information to the Council, and it is also posted on the website. She does not know what more the Council wants, she asked for suggestions. If you go to the cities and see something you like, or go to the web, please bring it back and they will try to incorporate them. They have cross-trained employees on the reporting for continuity.

Councilmember Stern said the Council needs to develop fail-safe alerts that automatically go off so it is not just the numbers. They need alerts built into the reports, almost new policy parameters. They need that thrown right into their face. They need new parameters established on revenue reports and budget expenditures that alert them.

Mayor Erickson said she is sure reports can be developed that clarify these things for the Council. The key thing is that you check in frequently and make sure you are headed in the right direction. If you are not, then you do a course correction.

Councilmember Musgrove said it is not that easy to change course that quickly sometimes. That is why previously we had the policy that we didn't spend the money until we received it. It was automatic breaking. If you don't have the money, you cannot spend it. What is the mechanism besides being diligent to keep us out of trouble if we already have spent and committed towards revenue we don't actually see yet?

Finance Director Booher said that is why we have developed a biennial budget with annual spending limits. As far as the reporting, she will bring the reports that are being sent out and address what more the committee would like to see on them. Maybe it is not clear what is being presented.

Councilmember Lord said we need something that tips us off, something that is concise for the revenue end of it.

Mayor Erickson said they will figure out some ways to explain more easily what is being shown.

## **7. COUNCIL COMMITTEE REPORTS**

Finance-Administration Committee: Councilmember Nystul had nothing more to add after tonight's discussion.

Public Safety/Legal Committee Meeting: Councilmember Stern reported the committee is recommending a commendation for Public Safety Director Delaney. The new police chief begins December 5. Officer Bogues is doing great and Officer Smaaladen is coming back to full-time duty. They reviewed the prosecutor's budget and the transition of the department. The Fire Department reported their new boat will be coming shortly.

Community Services Committee Meeting: Councilmember Thomas reported the group will meet tomorrow at 2pm. January 24 at 3:30 PM will be the dedication ceremony.

## **8. DEPARTMENT HEAD COMMENTS**

None.

## **9. CONTINUED COMMENTS FROM CITIZENS**

Mayor Erickson asked for citizen comments; no comments were received.

## **10. COUNCILMEMBER COMMENTS/BOARD/COMMISSION REPORTS**

Councilmember Nystul reported he attended the school board meeting last week. They started the recruitment process for superintendent. He also noted in today's paper was an article about the Department of Ecology and the State's DOE water quality plan.

Musgrove heard we no longer have to pay for one of our meters going through the sewer treatment plant, but he invited the departments to look into whether the billing for all the various equipment being levied is appropriate. Are we paying our fair 16% on every meter and valve that we should be? He attended the West Sound Technology Association meeting this evening. They plan to attend after the first of the year to see if we can apply some technologies to Poulsbo, and he also invited some consultants to appear with Economic Development committee to talk about financial matters.

Councilmember Lord wished everyone a happy Thanksgiving.

Mayor Erickson talked about her pet turkey, George. She is having trouble eating turkey. Turkeys are interesting animals.

## **11. ADJOURNMENT**

**Motion:** Move to adjourn,

**Action:** Approve, **Moved by** Stern, **Seconded by** Lord.

Motion carried unanimously.

The meeting adjourned at 8:50 PM.

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Rebecca Erickson, Mayor

ATTEST:

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Rhiannon Fernandez, CMC, City Clerk