

## POULSBO CITY COUNCIL MEETING OF FEBRUARY 8, 2017

### MINUTES

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

Staff: Finance Director Booher, City Clerk Fernandez, Planning Director Boughton, Director of Engineering Kasiniak, Public Works Superintendant Lund, Parks & Recreation Director McCluskey, IT Manager Stenstrom.

**ABSENT:** Councilmember Stern

### MAJOR BUSINESS ITEMS

- \* \* \* Approval of January 18, 2017, Council Meeting Minutes
- \* \* \* Payable Disbursements for December 2016
- \* \* \* Special Event Application: Valisblot Bonfire at Winter Rendezvous
- \* \* \* Establish Docket for 2017 Comprehensive Plan Amendments
- \* \* \* Resolution No. 2017-03, Updating Land Use Fee Schedule
- \* \* \* Solid Waste Workshop

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

Mayor Erickson called the meeting to order in the Council Chambers at 6:00pm 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 Nystul reported he attended the Kitsap Regional Coordinating Council meeting and they discussed the biggest issue with annual allocation of highway money coming through PSRC is conditional approval. Over the years, people have not got their work done on time; however, now everyone is spending. There is concern that they

should obligate what money they have for the year. Poulsbo is okay in 2017, but in 2018 with our Noll Road money, there is a greater request than they think is available to fund. They are looking for volunteers to defer to 2019.

Councilmember Lord announced the Bremerton Symphony is performing for the Poulsbo Elementary Schools tomorrow at 11:30am.

Mayor Erickson reported the Suquamish Tribe Fisheries Department is doing a series of outreaches regarding opening up shell fishing in Liberty Bay. They are February 16, 6-7:30pm, and February 25, 2:30-4pm. Liberty Bay is now clean enough to support edible shellfish for commercial distribution. That is a huge milestone for the work the City has done to clean up the water.

Councilmember Musgrove shared that the Hwy 305 bridge will be cleaned February 13-16 and February 21-24. There will be traffic delays.

## 5. **CONSENT AGENDA**

**Motion:** Move to approve Consent Agenda items a through b.

The items listed are:

- a. Approval of January 18, 2017, Council Minutes
- b. Payable Disbursements for December 2016

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

## 6. **BUSINESS AGENDA**

### a. **Special Event Application: Valisblot Bonfire at Winter Rendezvous**

Parks & Recreation Director McCluskey presented the special event application for Historic Downtown Poulsbo Association at Muriel Iverson Williams Waterfront Park fire pit on Saturday, February 11, 4-7pm. They expect 60 attendees plus volunteers. The 'Vikings' procession will light their bonfire and hand out treats as part of the Winter Rendezvous event being hosted by HDP. Council approval is required because the event is 'after hours' at the park. Fire permit is required.

Councilmember Lord said Community Services Committee recommends approval of the application.

**Motion:** Move to approve the special event application for the Valisblot Bonfire at Winter Rendezvous on February 11, 2017 as presented.

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

Motion carried.

**b. Establish Docket for 2017 Comprehensive Plan Amendments**

Planning Director Boughton presented the agenda summary, noting Poulsbo Municipal Code 19.40.050 sets forth the procedure for docketing and reviewing proposed comprehensive plan amendments. The Planning Department prepares a list of proposed amendments to present to City Council. The City Council shall review the list at a public meeting and determine which, if any, of the proposed amendments shall be processed further. Interested citizens, affected property owners, or the City may submit comprehensive plan amendments or suggestions. Due to the 2016 Comprehensive Plan Update, no staff initiated amendments have been submitted; one site specific re-designation/rezone request was received for the 2017 cycle.

Councilmember Lord noted that any kind of underlying ecological conditions on the property will have to be dealt with by whoever builds if it gets changed to commercial or stays the same.

**Motion:** Move to approve the 2017 Comprehensive Plan Docket as set forth in the 2017 Comprehensive Plan Amendment Docket staff memo, and including one site-specific amendment CPA 2017-01.

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

Motion carried.

**c. Resolution No. 2017-03, Updating Land Use Fee Schedule**

Planning Director Boughton presented the agenda summary, noting The Planning Department is recommending updating the Land Use Review Fee Schedule for three primary reasons: 1) to adjust all existing fees for CPI, using CPI-U Seattle, as is City's policy; 2) to reformat the schedule; and 3) to add and clarify fees as appropriate. Additionally, it is recommended to accept credit cards (online and in person) for development review permits (includes planning, engineering and building). In order to accept credit cards, the City utilizes a third-party merchant services, which charges a transaction fee. The City will pass-through this third-party processing fee for those wishing to purchase their land use, engineering or building permit with a credit card. The proposed resolution includes adopting both the updated Land Use Fee Schedule, and establishes that the third-party merchant processing fees will be pass-through to

development review permit purchasers utilizing credit cards. The Economic Development Committee reviewed the proposed land use fee schedule and the pass-through credit card processing fee at its 1/25/17 meeting.

Councilmember McGinty noted the credit card processing fee is 3% or the amount charged by the vendor, whichever is less. In the resolution, it only states 3%, and asked if it should be consistent with the fee schedule language. Planning Director Boughton said she can change the resolution to be consistent with the fee schedule. The Council concurred with changing the resolution to reflect the fee schedule language.

In response to Councilmember Lord, Planning Director Boughton said the third-party merchants understand we must adopt these fees by resolution, so they cannot come back in six months to renegotiate their fee. Finance Director Booher added these are merchant services we are already using for utility billing and Parks & Rec. She said it was capped at 3%, right now the actual charges are to be passed through to the vendor.

Councilmember Nystul would like some of the fees rounded up or down. Mayor Erickson recommended rounding to the nearest five dollar increment. The Council concurred with the Mayor's recommendation.

At 6:24pm, Councilmember Thomas joined the meeting.

Councilmember Musgrove said the Economic Development Committee recommends approval of the resolution.

**Motion:** Move to approve Resolution 2017-03, a resolution of the City of Poulsbo, Washington, amending the fee schedule for land use applications adopted pursuant to PMC 3.12.030 in order to add new fees, and adjust current fees to current CPI; and add credit card processing fee when credit cards are utilized for purchase of land use, building or engineering permit fees.

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

Motion carried.

**d. Solid Waste Workshop**

Mr. Peter Battuello presented the Solid Waste Evaluation. The evaluation comprised of cost and revenue analyses, operations and operational efficiency through 2036, and proposals from industry. Presentation highlights included:

#### STRUCTURE OF THE SOLID WASTE UTILITY

- Organizing the Utility for the Long Term
- Poulsbo Solid Waste Utility 2016
  - Cost, \$1,758,202; Revenue, \$1,622,988; Reserves, \$1,573,907

#### 20 YEAR PLAN – CITY OPERATED UTILITY

- Collections
  - Fleet Management Program (increase depreciation)
  - Increase Staffing (0.5 FTE in 2017; increase to 1.0 FTE 2024)
  - Salvage/Surplus Revenues
- Recycling
  - Remains contracted to private agency. Volume increase based on population projections
- Disposal
  - Tonnage increase based on population projections
- Local Haul
  - City resumes local haul responsibilities
  - New equipment and updated permit
  - 2 hauls per day in 2026 (another 1 FTE)
- Allocation
  - Assume efficiencies help control allocation in long term
  - No overhead reductions or staff adjustments considered
- Long Term Liabilities
  - Budget to address landfill, illegal dumping, dumpster runoff program, outreach
- Capital Investment
  - \$595,000 in new equipment in 2017
  - \$3.06M in new equipment through 2034
- Revenue Projections
  - Revenue escalates based on population projections
  - CPI escalator on garbage rates (assume 1.8%)

#### INDUSTRY PROPOSALS

- Contracting Collections and Disposal
  - Less City revenue to subsidize recycling
  - Lowers capital demand, but also availability of capital for future improvements
  - Most the of Administration costs is distributed to Sewer and Water
  - Transfer station investment goes un-realized
  - Distribution/maintenance of reserves

- Shifts City role to contract management and citizen outreach
- Solid Waste Collection/Disposal Contract Value in 2036
  - Cost Proposal: City of Poulsbo, \$38,369,139; Waste Management, \$40,905,316; Bainbridge Disposal, \$45,098,624
  - City Revenue: City of Poulsbo, \$46,850,000; Waste Management, \$8,200,000; Bainbridge Disposal, \$9,020,000
  - Other SW Costs: City of Poulsbo, \$16,650,000; Waste Management, \$13,210,000; Bainbridge Disposal, \$13,210,000
- Solid Waste Utility Total Cost 2018-2036
  - Total Utility Cost: City of Poulsbo, \$55,035,428; Waste Management, \$54,117,791; Bainbridge Disposal, \$58,311,099
  - Total Utility Revenue: City of Poulsbo, \$46,850,000; Waste Management, \$46,850,000; Bainbridge Disposal, \$46,850,000
  - CITY Net Operating Income (loss): City of Poulsbo, (\$8,190,000); Waste Management, (\$7,270,000); Bainbridge Disposal, (\$11,460,000)

#### CREATING A SUSTAINABLE UTILITY

- Cost Drivers for the City
  - City overhead allocation
    - 2017 – Solid waste projected to contribute 29.3% (\$479K) to City's overhead allocation
    - >\$9.8M over 20 years
  - Capital investments
    - Fleet management - 5 new trucks over 20 years (\$3.06M)
    - PW Facility - Land and facility development costs (\$1.9M)
  - Population Increase - 43% increase in accounts
    - More equipment to cover increasing population
    - Increased labor to provide more drivers
  - Recycle expenses
    - \$3.77M cost over 20 years
- Industry Factors
  - Residual City Costs
    - Allocation coverage, long term liabilities, recycling
  - Absence of Capital Sources
    - Assume no PW yard contributions
  - WM proposes a 24% commercial rate increase in 2018
  - BDI proposes to reduce account options
  - City collects 20% of Utility revenues
- Sustainability for the City
  - Operational Efficiency
  - Look at the Revenues
    - Equity between Residential and Commercial accounts
    - Comparable to other jurisdictions

- Improve the revenue outlook
- Assess Capital Investments
  - Public Works
  - Solid Waste
  - Lost Opportunities
- What a Sustainability Means to the Community
  - Level of Service
  - Customer Satisfaction
  - Long term Liabilities
- Opportunity for Efficiency
  - Fixed Costs
    - Disposal – 31%
    - Recycle – 8%
  - Operation Costs
    - Collections – 33%
    - Local Haul –5%
    - 38% of costs are subject to operational efficiency
  - Future City Costs
    - Allocation – 21%
    - Capital Costs – 2%
    - 23% of current costs are subject to policy direction
  - Missing Costs
    - Long Term Liabilities = 1-2%
  - Sources of Revenue
    - Recycling Fees
    - Incentives for preferred accounts
    - Align monthly collection fees with utility costs over time
    - Equity for commercial and residential accounts
  - Balancing Residential and Commercial
  - Comparable Collection
  - Scenarios for a Sustainable Utility
    - Level of Service Changes
      - Reduce the account choices
      - Every other week residential collection
    - Revenue Changes
      - Adjust Rates
      - Create equity between residential and commercial accounts
      - Service premiums'

- Scenario #1
  - Every other week residential collection
  - No change to current rate structure
  - 13.5% Cost Reduction, 30% lower Collection, 25% lower Admin
- Scenario #2
  - Modify the account choices
  - Create equity between residential and commercial accounts
  - 11% Increase in Revenues
- Scenario #3
  - Modify the account choices
  - Create equity between residential and commercial accounts
  - Stepped increases to residential and commercial accounts
  - 18% Increase in Revenues
- Scenario #4
  - Modify the account choices
  - Create equity between residential and commercial accounts
  - Steady rate increases for 5 years
  - 20% Increase of Revenues

#### FINDINGS

- A City Operated Utility is competitive with Industry proposals for Collection and Disposal
- Creating a sustainable Utility, under any operating model, requires balancing revenue and level of service

#### NEXT STEPS

- Council direction to proceed with implementing changes to the Solid Waste Utility
- Prepare specific efficiency and revenue projections for Council review
- Develop a Comprehensive Solid Waste Utility Plan
- Target Implementation in 2018

#### Discussion highlights:

- The pie chart shows that 2016 was an operating loss for the city without any capital investment.

- The definitions in model cost are from the City's accounting system. They have broken them differently and put some assumptions to extrapolate them into the future.
- Recycling is the cost the City incurs to fund the recycling program for residents and multi-families. It is what we are paying someone to do it now inclusive.
- The City's cost reflects the City's obligation beyond the collection and disposal: contract management, long term liabilities, overhead allocation. There is a residual cost the City should address over the 20-year period.
- Residential accounts are subsidizing commercial accounts.
- The City has 26 different levels of service collection pricing. Need to consolidate the options and not provide custom service.
- A comprehensive solid waste plan can be completed within six months. There is budget to hire services for this work. A lot of the ground work is already established.
- Discussion held on the numbers from Finance for revenue and expense indicating the fund breaks even. The model has a different number, because it assumed we were operating the utility the same way for all of 2016 versus the first half with the old form transfer station beginning in July. Also, some corrections were made charging the correct funds for employees in different funds covering a solid waste employee who was on leave. They also used FTE costs versus casual labor costs.
- Industry proposes 10-year cycling for vehicles. The City's model is 11 years.
- Spent \$50,000 in last year for vehicle maintenance. Want to purchase trucks that have scales on them.
- Recycling does not pay, it is a service because it is an environmentally sustainable thing to do. The City could consider doing it. It is not going to pay, but would give more control of the utility.
- The City asked for a 20% administrative fee in the proposals to help pay the residual costs the City is responsible for. Administrative costs have now been deterred to be at 31%. The indirect allocation would change, and there would be some reductions to the general fund for revenue.
- Need to look at many things, regardless of which direction is taken: equity between commercial/residential, can sizes, commercial needs, biweekly vs. weekly pick up, and free dumpsters.
- The transfer station was not offered in discussions.
- The Olympic View Transfer Station will likely stay. They will find a way to recapitalize it. That resource will always be available.

**Motion:** Move to keep our solid waste in house and go forward with further planning to modify our existing solid waste systems.

**Action:** Approve, **Moved by** Henry, **Seconded by** Thomas.

Councilmember Musgrove said it looks like the Council may be in agreement to move forward with keeping the Solid Waste utility in house; however, the information was just presented tonight, and the Council needs additional time to contemplate and review what was presented. He feels the City should provide an answer to our own RFP. He would like it established that it is true and accurate that the City can operate the utility for less money in house if we fix our system. It must be real numbers that we really can meet.

Councilmember Nystul said the public needs opportunity to respond. He would like to review Peter's spreadsheets.

Councilmember Thomas understands the concept of having an in-house RFP to compare. From what we have seen tonight, we need some sort of a plan saying if we go with the option to keep it in house, this is how we are going to do it.

Councilmember McGinty said we only have control on certain variables. He questioned what the RFP asked for. Mr. Battuello said the RFP compared all the account options that are currently in place. Options like one free dumpster are in the numbers for the "other solid waste line item", because that is what the City of Pousbo would be obligated to for the same level of service. Cost saving measures could be negotiated with industry. Our focus was what would it take to bring a city-operated utility to a sustainable position.

In response to Mayor Erickson, Director of Engineering Kasiniak said the RFPs were issued in June 2016 and received in September 2016. They have been extended.

Mr. Battuello said they have developed the plan with the numbers. There is a whole lot of text that goes along with the numbers presented tonight. He can create a narrative to go along with it. As far as the options, if we employ anything on the revenue side, it changes equally with each proposal. He hears a sense that owning your own utility has value in the long run. It may be that just getting on to quantifying what that \$38MM looks like and describing that for folks so we have story to tell the constituents and looking at tweaks is a path we could embark on sooner or later.

Councilmember Musgrove said when this was first started, he said we needed to be really careful before we cut this loose, because we would never get it back. That is why he wanted a close examination of what our options were. He asked if the

\$38,369,000 include once a week or twice a week. Mr. Battuello said it is the existing level of service. We have options to change the level of service if so desired.

Councilmember Musgrove asked what the numbers would look like with the level of service changes before they reject the other proposals. Peter said the changes would change each proposal equally, unless they want to go back and renegotiate with industry.

Councilmember Lord likes the idea of being in control of our own utility. She believes this doable and called for the question.

No vote was taken for calling the question, discussion was continued.

Councilmember Nystul said there is consensus to move forward with keeping the solid waste utility in-house. He asked if they should be allowed time to look at spreadsheets before making the decision.

**Motion:** Move to amend the motion by inserting "to make a final decision at the next regular meeting giving the opportunity for those who wish to examine spreadsheets in support of the slides received tonight."

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

In response to Councilmember McGinty, Mr. Battuello said staff needs to take Council's direction and go one more time to create specificity to it. They generated a model and feel very comfortable with the way it is put together. They are going to get input from Council to make it better and achieve some level of sustainability with it.

Councilmember Musgrove asked if the motion is not eliminating the option for private contracting, nor are we committing 100% to city services until due diligence is performed? Councilmember Nystul said we are not saying one way or the other about the decision, the intent of the amendment is to recognize that there is general concurrence to go in house, but allow a little time for due diligence to look at the supporting documents. We are not saying anything about the private contractors.

Councilmember Lord's intent is to pursue in-house, not either/or. The next final decision will have Councilmember Stern available to vote.

The motion to amend the original motion carried.

The amended motion carried.

Finance Director Booher said a budget amendment will be needed to fund future studies. They will get the costs of the additional services.

## **7. COUNCIL COMMITTEE REPORTS**

Community Services Committee Meeting: Councilmember Lord reported they covered the Winter Rendezvous and talked about a small revision to the MS Walk that was approved in April; Parks & Rec will have an intern from WWU that will be with her department from March to June. They discussed the revisions to the MOU with Evergreen Mountain Bike Alliance and a couple park updates on Nelson Park.

Public Works Committee: Councilmember Lord reported they received update on Noll Road project and right of way acquisitions. They recommend approval of the central interceptor slip lining with RH2 for \$50,000 and a Comcast right-of-way night work request. They had a preliminary discussion on the 1999 PMC building fire alarm code.

## **8. DEPARTMENT HEAD COMMENTS**

No comments.

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

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

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

Councilmember Thomas announced this Friday he will spend the entire day at Poulsbo Middle School to talk about the US Constitution. On the solid waste proposal, it is something that has been worked on for quite a long time. He is excited to move forward. There will be a lot of change, and the Council will be able to say we took a good look at all of this.

Councilmember Lord agrees with Councilmember Thomas. She is sure there will be plenty of public opportunity during the process of putting together the plan.

Mayor Erickson thanked Public Works for the snow removal and the Police Department whose job gets tough during inclement weather. She complimented Mr. Battuello for

how hard he has worked and the sophistication of his model. He has brought clarity on the changes that need to be made to a broken program.

Councilmember Musgrove said he is disappointed that the Council does not have a greater opportunity to look at the solid waste information and absorb it. He does not appreciate receiving last minute materials on the spot. He feels it is a disservice to the citizens when an answer is needed the same night. He reminded everyone if you are going to present materials, try to get it out ahead of time to allow the Council time to review and ask questions.

## 11. ADJOURNMENT

**Motion:** Move to adjourn at 8:39pm,

**Action:** Approve, **Moved by** McGinty, **Seconded by** Thomas.

Motion carried unanimously.

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Rebecca Erickson, Mayor

ATTEST:

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Rhiannon Fernandez, CMC, City Clerk