

GIG HARBOR CITY COUNCIL MEETING OF JULY 24, 2006

PRESENT: Councilmembers Young, Franich, Conan, Dick, Payne, Kadzik and Mayor Hunter. Councilmembers Ekberg and Payne were absent.

CALL TO ORDER: 7:03 p.m.

PLEDGE OF ALLEGIANCE:

CONSENT AGENDA:

These consent agenda items are considered routine and may be adopted with one motion as per Gig Harbor Ordinance No. 799.

1. Approval of the Minutes of the City Council Meeting of July 10, 2006.
2. Correspondence: Letter from the Gig Harbor Peninsula Historical Society.
3. Resolution No. 681 – Surplus Property.
4. 2006 Summer Sounds at Skansie – Contract.
5. Authorizing of New Street Names – Dwelling Company Subdivision.
6. Digital Orthophotography Subscription Agreement with Pierce County.
7. Eddon Boatyard Property Remediation Clean-up Action Plan – Amended Consultant Services Contract.
8. Harbor Hill Water Tank Bill of Sale, Waterline Easement Agreement and Powerline Easement.
9. Ratification of Resolution No. 679 Authorizing the Construction Agreement with FHS.
10. Liquor License Assumption: Olympic Drive Mart Inc.
11. Liquor License Renewal: Gig Harbor Yacht Club.
12. Payment of Bills for July 24, 2006.
Checks #50901 through #51063 in the amount of \$473,290.00.

MOTION: Move to approve the Consent Agenda as presented.
Franich / Conan – unanimously approved.

OLD BUSINESS:

1. Second Reading of Ordinance – Ordering the Formation of a Hospital Benefit Zone. David Rodenbach, Finance Director, described the changes to the ordinance since the first reading. He introduced Cynthia Weed, Bond Counsel from Preston Gates and Ellis, to answer any questions.

Councilmember Dick asked for clarification on the rate of state participation. Mr. Rodenbach explained that \$60,000,000 is the total amount that the state can participate in any hospital benefit zone. If this goes through, the city will be locking up the state's participation under the House Bill for thirty years. He clarified that this is the only hospital benefit zone of which he is aware.

Councilmember Dick then asked about cooperating with Pierce County to include additional property in the zone. Mark Hoppen, City Administrator, explained that there

would no difference in expense, only in the revenue generating capacity. He added that we are cooperating with the County, but the reason that this is being passed tonight is to lock up the capacity with the state by October. There will be another ordinance that amends the boundary to include the UGA and possibly more. He added that Terry Lee, County Councilmember, has shared that Pat Kenney, Pierce County Finance Director, understands the ramifications of this ordinance and that the county is supportive of a joint effort.

Mayor Hunter opened the public hearing on this ordinance at 7:10 p.m.

Laurie Nichols – 8223 Silverbow Road, Lakebay, Washington. Ms. Nichols, Senior Vice President Franciscan Health Systems, said that she is here to lend strong support to the establishment of a hospital benefit zone. She explained that this comes from the passage of Senate Bill 2670 and allows up to two million per year of incremental sales tax generated from this area to be used to fix infrastructure problems without raising sales taxes for the residents of this area. She stressed that none of the sales tax goes to St. Anthony's Hospital, but it was labeled a "hospital benefit zone" due to the future traffic problems in Gig Harbor North. She thanked Representatives Kilmer and Lantz, Senator Bob Oke, the Gig Harbor Chamber of Commerce, Pierce County, Olympic Property Group, and the residents of this area for this funding plan. She said that the city must submit this ordinance by August 1st in order to take advantage of the opportunity and encourage Council to take this important step towards funding long-term improvements to the Gig Harbor North area.

Derek Kilmer – 7617 40th St. Ct. NW. Representative Kilmer gave a brief history of this hospital benefit zone idea. He explained that this is not a new idea and 45 other states use this tool. Growth can pay for growth without adding new taxes but by designating new tax revenues to pay for infrastructure improvements. This bill has the potential outflow from the state of \$60,000,000 over the next thirty years. Representative Kilmer said that he hopes that Council will move forward with this.

Joyce Taylor – 156 Raft Island. Ms. Taylor, Chair of the Gig Harbor Chamber of Commerce Public Policy Subcommittee, and two-time past-president. She explained that the Chamber is on record strongly supporting the Franciscan Project and the TIP Legislation that includes the hospital benefit zone. She added that transportation solutions are high on their five year strategic goal plan and they look forward to resolving transportation issues.

Terry Lee – Pierce County Councilmember. Councilmember Lee spoke in favor of the ordinance, saying that he brings to the table the support of Unincorporated Pierce County. He said that the benefit district boundaries are likely to be amended and that he has tentative approval to work cooperatively with the city. He stressed that Pierce County understand the role that residents of the unincorporated county plays in road congestion, and agrees that they should be part of the solution; whether this be the use of the good faith and credit of Pierce County with regards to bonding strength or whether it is working with the city to expand the benefit district and how that might play

into the ability to successfully sell bonds for transportation improvements. He pledged his support to the city and said that he looks forward to the city's support in passing the ordinance.

Councilmember Young thanked Councilmember Lee and asked him to convince the other County Councilmembers to support this effort.

William Palmer – 2112 Point Fosdick Drive. Mr. Palmer offered his support for the hospital benefit district. He said that for years he has thought that there needed to be creative ways to finance improvements rather than impact fees. He said that as a land-use planning consultant, he is opposed to those fees. He recommended that the ordinance be adopted, adding that he expects the boundaries to expand.

There were no further comments and the Mayor closed the public hearing at 7:20 p.m.

MOTION: Move to adopt Ordinance No. 1052 with the proposed changes as read by David Rodenbach, Finance Director.
Young / Kadzik –

Councilmember Franich said that although it is very nice to be receiving a portion of the state's sales tax, he sees this as a shell game. He said that if the city could get the proper funding from the state in a timely manner, these types of mechanisms would not be necessary. He said that the potential peril will come in the future when projects are chosen to use this mechanism for funding. He said we will have to trust the future officials and leaders to carefully look for pitfalls. He voiced concern over fluctuating revenues and the effect that this may have on the city's bond rating. He said he was also concerned with the pressure to zone more property as commercial to take advantage of this mechanism. He asked for clarification of language in the house bill summary that discusses new taxes.

Cynthia Weed, Bond Counsel, explained that her firm assisted in preparation of this ordinance. She also said that they did not draft the legislation; however, they have worked with it in conjunction with the Department of Revenue on it. The reason that the tax is referred to as a "new and incremental tax" is so that they can separate out the sales tax that is authorized by the city to be returned as a credit. The net tax will be the same.

Councilmember Young further explained that this funding mechanism was copied from ones used in other states. He said that it is described as a new tax because they didn't want a bond company to hold them liable in case of a default. They want it clear that the state is not pledging any faith or credit nor are they giving money from the general fund. He agreed that it is confusing. Councilmember Franich commented that a better word to have used is "replacement" rather than "new."

Ms. Weed stressed that it is not a new tax but a realignment of where the dollars come from and where they are going to. It does not enact any new taxes.

Councilmember Dick asked Ms. Weed if the city was pledging our credit and if there are any risks. Ms. Weed responded that this is a pilot project, and the state wanted to make it clear that they are not liable to pay the debt service. If the bonds are issued by the City of Gig Harbor, the expectation is that the bonds will be paid solely from the proceeds from these excise taxes. She compared it to a public facilities district used to construct convention centers or performing art centers.

Councilmember Young added that the bond company may ask the city or county to pledge its credit in the future, but the legislation specifically states that this is a revenue bond and doesn't include the local jurisdiction's credit as part of the indebtedness. Ms. Weed added that it is not anticipated, but what happens is the amount that you are allowed to borrow is less than what is needed to accomplish the improvements, and so other jurisdictions have asked for more money using their guarantee.

Councilmember Dick asked if there is any history from the other states that have used this type of financing mechanism. Ms. Weed said that this varies from state to state and in a strong economy they work out well. Councilmember Franich commented that there have been disasters in Ohio.

RESTATED MOTION: Move to adopt Ordinance No. 1052 with the proposed changes as read by David Rodenbach, Finance Director.
Young / Kadzik – unanimously approved.

The Mayor thanked Representative Kilmer for his effort everyone who had worked on this effort. Councilmember Dick thanked Councilmember Terry Lee for stepping forward with the county's support.

2. Second Reading of Ordinance – Revisions to Chapter 12.18 – Right of Way Use for Telecommunications and Cable Television Service. Mark Hoppen, City Administrator, presented this second reading on an ordinance that controls the granting of franchises and master use permits. When a telecommunication vendor wants to provide services and use the city rights of way, they must have a business license, a franchise and a master use permit. If the telecommunications utility is going to pass transmission lines through town without providing service, they would only require a master use permit.

Councilmember Franich commented that he trusts that staff did a good job of reviewing this information due to the complicated federal regulations and oversight.

MOTION: Move to adopt Ordinance No. 1053 – Amending Chapter 12.18 for Right of Way Use for Telecommunications and Cable Television Service.
Franich / Conan – unanimously approved.

3. Second Reading of Ordinance – Accepting Proposed Franchise Agreement with Comcast. Mark Hoppen presented this ordinance that accepts a Franchise Agreement with Comcast for a five-year period.

MOTION: Move to adopt Ordinance No. 1054 – Accepting the proposed Franchise Agreement with Comcast.
Young / Franich – unanimously approved.

NEW BUSINESS:

1. Burnham / Borgen / SR-16 Corridor Improvement Project – Consultant Services Contract. Mayor Hunter explained that the adopted the Comp Plan Amendment for transportation issues requires design work and construction on the interchange for the interim and long-range fix. He said that this contract is to hire a consultant to develop a RFQ to hire a project manager to oversee this work.

Councilmembers asked for clarification on why the RFQ could not be developed in-house.

Emily Appleton, Associate Engineer, explained that due to the current workload and the deadline to get the preliminary design finished, it is necessary to hire someone to assist in the development the RFQ. The consultant will also advertise the RFQ and find interested parties to respond. She said that it takes significant man hours in order to develop a RFQ of this technical nature. She added that the funding for this comes from the escrow account deposited by Franciscan Health Systems and becomes part of the preliminary design.

MOTION: Move to authorize this consultant services contract with Inspectus, Inc. for the amount not to exceed Three Thousand Four Hundred Thirty-Seven Dollars and Zero Cents (\$3,437.00).
Kadzik / Conan – five voted in favor. Councilmember Franich voted no.

2. Recreation Program Interlocal. Mark Hoppen explained that from 2002-2005, the city participated in the Peninsula Recreation Program with other jurisdictions. When PenMet Parks District was formed, the County was no longer a primary provider on the peninsula, and so we lost the impetus for the program. This interlocal agreement reestablishes a reasonable relationship with PenMet Parks District so that we can continue recreational programming.

Councilmember Dick asked for clarification for how much additional that this will cost. Mark responded that it would be \$5,000 over the \$20,000 per year that the city has given in the past. Councilmember Dick then voiced concern that Pierce County no longer contributes to a parks program on the peninsula. Mark explained that from the County's point of view, the money that they utilize to foster the program out here was absorbed by PenMet Parks. The revenue base that drove their participation was no longer available and they terminated the interlocal, leaving the city to figure out another way to provide similar services.

Councilmember Young commented that Zoo Trek tax dollars that used to be used out here now goes to the Metro Park District. Councilmember Dick said that before the Zoo Trek dollars came about, there were other funds that Pierce County spent on parks. The idea that the County has decided to no longer participate in funding parks out here is short-sighted and inappropriate.

Mr. Hoppen explained that previously, the county participated at a ratio of 4:1 over the city's portion. Because this interlocal results in the same level of programming for only an additional \$5000 per year, it is a positive move.

Councilmember Franich said that the formation of the PenMet Parks District should have taken care of the funding. Mark explained that PenMet Parks doesn't provide services to the city; only the rural district. This creates a collaborative effort that helps provide information and makes activities available to the city residents and also provides a mechanism to develop further activities. The city doesn't offer recreational programming to its citizens. This will allow us to obtain professional services without the formation of our own parks district.

Councilmember Franich said that \$25,000 is a lot of money. He said that PenMet Parks is going to become another bureaucracy and sooner or later it is going to cost us more money.

Councilmember Young pointed out that it doesn't cost us anything, because Gig Harbor isn't part of the district. He stressed that the citizens are the ones who vote the bond. He added that although he is disappointed that it is slightly higher than what we paid out before, it is still a bargain. He asked if this amount had been budgeted. Mark responded that it had been anticipated and was in the budget.

Councilmember Dick said that he is favorable of parks programs and this is a good deal as it is less than hiring the FTEs to run such a professional program. He said that his angst is not the interlocal with PenMet Parks, but the feeling that Pierce County needs to also participate.

MOTION: Move to approve the attached Resolution No. 682 authorizing the Recreation Program Interlocal with PenMet Parks.
Dick / Conan - five voted in favor. Councilmember Franich voted no.

3. Harbor Hill Water Tank Quit Claim Deed. Emily Appleton explained that as part of the completion of the Harbor Hill Development, Olympic Property Group constructed a water tank. This Quit Claim Deed conveys the parcel that the tank sits on to the city. OPG would like Council to consider the possible use of the water tank to install communications facilities on or around that water tank. Ms. Appleton said that Carol Morris, City Attorney, has recommended that this not be allowed due to safety concerns and the lack of control of personnel who may have access to the area.

Councilmember Young explained that he has conversed with representatives of OPG in regards to this agenda item, and they would like additional time to do further research. He added that he also has concerns with the issue of gifting of public funds that needs further consideration. He made the following motion.

MOTION: Move to table this agenda item until the next meeting.
Young / Dick – unanimously approved.

STAFF REPORT:

David Rodenbach, Finance Director – Quarterly Finance Report. Mr. Rodenbach offered to answer questions regarding the report.

PUBLIC COMMENT; No one signed up to speak.

COUNCIL COMMENTS / MAYOR’S REPORT:

Councilmember Franich commented that he likes the work that has been done on the Wollochet Interchange. He said that the repairs are long overdue and will save a lot of money on front-end repairs. He asked if the grade would be repaired when the light is installed. Mr. Hoppen responded that the grade will not change substantially. Later on, the grade will change consequent to regarding the whole access to the highway.

Mayor’s Report - Eddon Boat Yard Restoration Project. Mayor Hunter gave a brief overview of the information included in the packet regarding the Eddon Boat Yard Restoration. He added that tomorrow an eleven person panel will be recommending funding levels for the projects and suggested that anyone who is interested could attend.

Mayor Hunter then announced that the presentation by the Historical Society has been postponed until the meeting of August 14th. He asked the Operations Committee to meet and discuss this issue with the Historical Society before the meeting of August 14th.

ANNOUNCEMENT OF OTHER MEETINGS; None announced.

EXECUTIVE SESSION: For the purpose of discussing potential litigation per RCW 42.30.110(1)(i).


MOTION: Move to go into Executive Session at 8:04 p.m. for the purpose of discussing potential litigation for approximately 30 minutes.
Franich / Kadzik – unanimously approved.

MOTION: Move to return to regular session at 8:28 p.m.
Franich / Conan – unanimously approved.


ADJOURN:

MOTION: Move to adjourn at 8:28 p.m.
Franich / Young – unanimously approved.

CD recorder utilized:
Disk #1 Tracks 1- 29



Charles L. Hunter, Mayor



Molly M. Towslee, City Clerk