

MARYSVILLE CITY COUNCIL SPECIAL MEETING

MAY 20, 1991

7:30 p.m.

Council Chambers

Present: Rita Matheny, Mayor
Councilmembers:
Ken Baxter, Mayor Pro Tem
Dave McGee
Dave Weiser
Donna Pedersen
Donna Wright
Lee Cundiff
Bob Lashua

00433

Administrative Staff:
Carolyn Sanden, City Administrator
Phil Dexter, Finance Director
Bob Kissinger, Utilities Supt.
Grant Weed, City Attorney
Roger Kelley, Community Info. Officer
Wanda Iverson, Recording Secretary

CALL TO ORDER:

Mayor Matheny called the meeting to order at 7:30 p.m. and had 3 Boy Scouts lead the flag salute.

PURPOSE OF THE SPECIAL MEETING:

Finance Director outlined the purpose of the meeting, setting forth the four items listed on the Special Meeting Notice. He noted the meeting has been advertised in accordance with legal requirements.

ROLL CALL:

Finance Director/City Clerk Dexter then called the roll with all Councilmembers and Mayor present. It was noted in the May 13th regular meeting minutes, in the last paragraph on page 4, that "Councilor Baxter moved to continue this public hearing" should read "Councilor Baxter moved to continue this discussion". In other words, tonight's meeting would not be open for public input.

1. CONSIDERING AND ACTING UPON AN ORDINANCE AUTHORIZING ISSUANCE AND SALE OF THE CITY'S \$16,235,000 OF WATER AND SEWER REVENUE AND REFUNDING BONDS, 1991.

City Administrator Sanden explained the raising of the rates is to support the bond issue to finance:

- new Everett water transmission line
- WWTF upgrade
- water pressure upgrade (Sunnyside)
- recalling of old bonds which will be refunded and end up saving the City \$450,000.

She explained that interest rates are so low right now it's an ideal time to reissue the old bonds.

Jeff Connoyer, 9226 62nd Dr. NE, asked for special permission to ask a clarifying question. He noted that in 5 years his water and sewer rates have gone from \$28 to \$45 with a proposal now to even double that, to \$98. He said no one he has spoken with was aware of the meeting tonight. He asked how the projects and developments affect his rates and why he is paying higher rates for the new people coming in, because his water quality and pressure is fine.

City Administrator Sanden explained there has been new state legislation regarding surface water quality and Marysville has been getting its water from sources (Stilly Rainey Well and Edwards Springs) which have surface water in them and therefore are subject to the new state regulations. She noted there are several obstacles connected with these water sources including turbidity and lack of filtration and to bring the water up to state standards, would cost more than having the pipeline built and having water brought in from Everett. The Everett source will supply us

MARYSVILLE CITY COUNCIL SPECIAL MEETING
MAY 20, 1991
Page 2

for a minimum of 20 years, she said. The upgrade of the wastewater treatment facility is to address Marysville's sewer capacity requirements and to meet SEPA regulations, she stated, and the Sunnyside problem has been going on for sometime.

Mr. Connoyer wanted to know what percentage of the new costs could be contributed to the new development in Marysville and it was estimated about 50% of the water and sewer project costs. Mr. Connoyer said he didn't appreciate the total impact because he is basically on a fixed income and already is looking at higher property and school taxes. He suggested the City Council might be able to save some money if they refrained from taking retreats at Rosario and concluded that he feels punished because of the growth that has come to Marysville.

Mayor Matheny pointed out that if he is annexed into City limits his water and sewer rates would be half.

Councilor Baxter noted that this discussion has been going on for at least six years and the decision to go to Everett to bring water in from there was made because it was known before the big development push, that the costs of filtering the Stilly and/or Edwards Springs would be exorbitant.

Mr. Connoyer commented that he has concluded that he moved to Marysville at the wrong time and said he hopes the developers are paying their fair share.

Mary Connoyer, 9226 62nd Dr. NE, addressed Council and stated that according to the Snohomish County Today newspaper, no decision had been made as yet on the water and sewer rate issue.

City Attorney Weed confirmed the City Council did not take final action at last week's public hearing; it will be taken tonight.

Councilor Baxter explained that at last week's meeting, he wanted the discussion continued because he did not want to see a rate increase tonight and then another in a few months.

Coylene Ferucci of Glenwood Mobile Estates addressed Council, stating the main question she has is when the projects are completed and the rates have been doubled to accommodate the projects, will the rates go down once the projects are completed? Or will they continue to be doubled, she asked.

City Administrator Sanden explained the City does have ongoing plans for projects in the future and she would not anticipate the rates going down. She added that the bonds are for 20 years and so we have to continue paying on the bonds. She agreed that annexation will increase the City's tax base but there are ongoing water and sewer projects, also.

Ms. Ferucci asked about some relief for people on fixed incomes and City Administrator Sanden said she didn't know of any provision for them other than for garbage rates after five years.

City Attorney Weed reminded Council that any information that is taken in tonight is not to be considered part of the public hearings that were closed at last week's meeting; no comments can be added at this point, he said.

Steve Gaidos of Security Pacific Securities was then introduced to make his presentation about the bonds. He used overhead projections to show comparison of revenue bonds interest rates and noted that City of Marysville has what's considered a "large" issue and therefore more clout in the bond market. He pointed out that Snohomish County PUD has also picked this point in the market because of the favorable interest rates. He stated that from August 1990 through last week, has shown historically low interest rates, for example, 7.05% will be the rate the City can come in at which is lower than the average low previous to that.

Mr. Gaidos depicted the tremendous savings to the City if it chooses to enter the market June 1 and said the total cost could be as high as \$1.2 million if entered at another time. He also addressed the insurance issue and concluded the City would end up with a net benefit of \$273,000 with insurance on the bonds. He also explained setting aside of funds for the refunding of the old bond issue 7/1/91. He noted that the net underwriting fee would be 1.365% which he said is very attractive in today's market. The \$450,000 savings would be on the old bonds which were financed at 8% and which will be refinanced at 7.05%, he said. This rate however, cannot be guaranteed after June 1, it was noted.

Councilor Lashua asked if the underwriting fee comes off the top and Mr. Gaidos said yes, and it's a one time charge. He added that on Friday afternoon there was an article that talked about how the bond market is starting to move now and interest rates will increase this summer, so this is a good time to buy.

Lee Voorhees of the Bond Council then addressed Councilmembers and reviewed the projects the City wishes to finance with the bonds and the retiring of the old bonds. He talked a bit about the maturity schedule, purchase options and the fact that the proposed issue is scheduled to close 6/3/91.

Councilor Weiser asked if the City could actually use General Funds instead of purchasing the revenue bonds and Mr. Voorhees stated it would be very unusual--they would be counted as debt.

Councilor McGee moved to approve/adopt Ordinance #1839 authorizing issuance and sale of the City's \$16,235,000 of water and sewer revenue and refunding bonds, 1991. Councilor Cundiff seconded and the motion passed unanimously.

2. CONSIDERING AND ACTING UPON AN ORDINANCE ESTABLISHING NEW WATER AND SEWER UTILITY RATES; FOLLOWING A PUBLIC HEARING ON THAT SUBJECT.

Larry Wade, Engineering Consultant, made a presentation first and stated an analysis has been made of the capital improvement charges and sales expenditures. He showed some projections and comparisons on the overhead and stated he has also prepared an analysis on what he would recommend in the way of new connection rates. He stated 1987-90 operating expenses have increased due to increased labor, office expenses, postage, etc. and he calculated an average increase per year of 13.7%. He noted that new customers have helped with the increases in operating costs to a point. One of the concerns at last week's meeting, he noted, was to do with operating and maintenance expenses with regard to the Everett supply. He stated \$1.8 billion has been projected O&M expenses to 1996 but he also noted that Marysville will be paying only slightly less than that to PUD for only 25% as much water, going on the way we are, without the transmission line from the City of Everett. He stated that preliminary analysis shows growth has been picking up new expenses and from the operating and maintenance standpoint, Marysville can probably get away without another rate increase for a couple of years except for some capital improvement costs. He listed some of these capital improvement costs that will coming up over the next ten years (in accordance with the water and sewer comprehensive plans):

- a 3 million gallon reservoir - costing \$1.3 million
- Edwards Springs cover
- Phase II of the Everett pipeline
- a 6 million gallon reservoir
- improvements to WWTF pump stations
- emergency generating equipment - \$1.1 million cost
- telemetering
- sewer trunk upgrades

MARYSVILLE CITY COUNCIL SPECIAL MEETING

MAY 20, 1991

Page 4

Mr. Wade stated that projecting to the year 2002 and taking into consideration all the aforementioned, they would propose a water connection fee of \$397 and a sewer connection fee of \$154 per connection. This is based on 22,000 new water connections and 20,000 new sewer connections over the next 10 years. The proposed connection fee for the WWTF would be \$378 per connection. He said an analysis had been done also on the Everett water supply, taking into consideration reasonable participation of the Tulalip Tribes and PUD, with a connection fee projected of \$137.00 per connection, based on an additional 8,000 connections over the next 10 years. He stated that accumulated interest was not factored into the calculations.

Councilor Weiser asked about the Tulalip Tribes and PUD's participation and Mr. Wade responded that there is no guarantee that they will participate but he stated he took a conservative approach on that and in summary, came up with a draft of some new development fees:

City Water/Residential - \$690/connection
Rural Water/Residential - 905/connection
City Sewer/Residential - 780/connection
Rural Sewer/Residential -1000/connection

He noted that the analysis has not been completed but in the preliminary stages, it is very apparent that Marysville would still be lower than other surrounding cities and towns such as Lake Stevens, Anacortes, Arlington, Brier, Mountlake Terrace, Stanwood. He also noted that other capital costs are not included such as aerators, storm sewer separators, curtains, which need to be taken into consideration. He did note that he rounded off his calculations and there could be some offset there. He also pointed out that the last connection fee rate schedule was established in 1985.

Councilor Cundiff asked if the fund has been depleted from the connection fees and City Administrator Sanden explained the funds have been used for capital improvements.

Mr. Wade pointed out that the City has been able to pay for service and increases because of an excellent budget and having cash on hand. He noted that the projected revenue for water and sewer new connections is \$700,000 which can be used for capital improvement projects.

Councilor Pedersen noted that Marysville has basically had the lowest utility rates and connection fees in the area and Mr. Wade said yes, in fact, in the state. He made some more comparisons of Seattle, Olympus Terrace and Anacortes. He stated he recommended the rate increase to be put into effect soon in order to cover costs.

Councilor Baxter asked Mr. Wade to address the telemetry cost issue for the water system/consumption from Everett.

Mr. Wade explained that Everett's rate is based on peak consumption and one of the ways to get around using water in the peak times is to have a good reservoir system so water can be brought in at times other than peak times, the way they do it in Alderwood. He stated Marysville could save a lot of money doing it this way.

Jeff Connoyer asked how long Marysville has been giving developers such a good deal on the connection fees compared to surrounding areas.

Councilor Pedersen pointed out that the rate payers have also been receiving the good deals.

MAY 20, 1991

Page 4

MARYSVILLE CITY COUNCIL SPECIAL MEETING

MAY 20, 1991

Page 5

Mr. Wade explained that one of the reasons for Marysville's rates remaining low is that surrounding cities have had to go to secondary treatment now, such as Bellingham and Anacortes, and they had to increase their rates a couple of years ago accordingly.

City Administrator Sanden pointed out that now Marysville is also having to go to secondary treatment and is therefore having to charge higher rates.

Mr. Wade concluded and stressed that the 10 year Capital Improvement Plan has to be planned carefully and then followed through.

Bernie Sigler of Everett addressed Council and asked if there is an alternative to financing these projects, other than collecting money in advance, for example increasing from \$400 to \$1470 the connection fees. He pointed out that a lot of people are looking for affordable housing and the high fees may be causing an artificial economy.

City Administrator Sanden pointed out that developer hookup fees are not on the agenda tonight but will be at a later time.

Mr. Wade said as far as alternatives, ULIDs, geo bond issues, are neither fair or practical and collecting upfront would still be necessary.

City Administrator Sanden said she recommends this be advertised for a public hearing at a later date.

Councilor McGee pointed out that it has been the City Council's goal to find an alternative source of water and he said he is in favor of the proposed ordinance but would like connection fees to be on next week's agenda. That was also the consensus.

Councilor Baxter had a question on page 3 of the proposed ordinance, under (g) Reduced Utility Charges in Special Cases. He said he would like to see it spelled out better but City Administrator Sanden said when there is a leak, the calculation is put into play, verified and signed off by her. The customer pays the base rate plus 50% of the additional (disputed) amount and this has been working out well, she said. It was the consensus that there is no need to spell it out further in the ordinance.

Councilor Baxter asked about lawn sprinkling at the schools during the summer and said he felt the schools should go by meter readings versus commercial rates, to be fair.

City Administrator Sanden stated an amendment could be made to the proposed ordinance or else approve it tonight and revisit it at a later date, if this is something the Council agrees should be done.

There was further discussion about automatic sprinkling systems, the fact that water rates are still metered (Councilor Baxter was looking at the sewer rates vs. water rates earlier), payment terms/billing, multifamily units, averaging, billing the owner or property manager of the multifamily units, revisiting the ordinance in order to change the billing and/or meter reading methods.

Councilor Weiser said he would also like to see on the agenda doing away with the overage charges. Finance Director Dexter stated it is staff's desire to base the rates on a daily rate plus a consumption charge which would make no difference when the meters are read. This will take a great deal of analysis and there may be need to develop another program on the computer in order to come up with enough data (several months), he indicated.

Councilor Weiser moved to adopt/approve Ordinance #1840 but to revisit it at a later date. Councilor Wright seconded and the motion passed unanimously.

MAY 20, 1991

Page 5

3. WORKSHOP REGARDING PROPOSED ORDINANCE IMPOSING TEMPORARY RESTRICTIONS ON NEW SEWER CONNECTIONS AND REPEALING ORDINANCE NO. 1795. NO ACTION WILL BE TAKEN ON THIS ITEM.

City Attorney Weed opened with the statement that last week's meeting discussed the Pollution Control Hearing Board's order for the City to hook up 940 guaranteed connections. He noted that Council voiced some concerns and wished to hold this workshop to study the issues further tonight. He restated that this is not a meeting where public testimony will be accepted. Last week's issues raised were:

- whether or not those with vested rights under 1763/95 connections are to be guaranteed indefinitely or else for how long?
- those not vested but with applications in prior to 2/26/90 were allocated 10% and that was a major concern in terms of feasibility
- alternatives for allocating connections
- what consideration should be given to ULIDs.

Councilor McGee asked about the motion at last week's meeting and City Attorney Weed referred to the minutes (page 12) and stated the ordinance was to be rewritten and brought back to City Council 5/28/91, with tonight being a workshop only.

There was some discussion about tonight's workshop purpose, the number of vested lots, in order to come up with an exact number this would require a file search but according to Dave Zabell's calculations in the eight different categories, there would be 350-400 single family vested units and 100-150 industrial/commercial vested hookups. Those with approved sewer plans but still non-vested equals about 303, plus public facilities (two schools vested), plus there is 1230-1250 non-vested connections, with a contingency of 10%, it was pointed out. City Administrator Sanden pointed out that there are some guesstimates included in the area of industrial/commercial hookups.

Councilor Weiser asked about outstanding commitment letters and City Attorney Weed said no, there are none, but there may have been some who received a commitment letter prior to the sewer moratorium.

Councilor Pedersen asked how long it would take for a single family unit to get ready to come on line if they are not vested, with sewer plans approved and City Administrator Sanden said there are some that would be ready right away.

Larry Wade stated that as he understands it, on the 303 non-vested single family units with approved sewer plans, they could easily come on line this year. Preliminary plats and short plats could be before the end of the year also, however, one of the problems is the poor housing market, he noted. As far as the construction season, there are some areas in Marysville which are not appropriate to put in sewers during the winter months, he said.

Councilor Weiser noted there was a concern at last week's meeting regarding short platting and City Attorney Weed stated the City has still retained the variance procedure as well as a 10% condition on other property. As far as reserving connections, as long as it is not done in an arbitrary or capricious manner, it is possible, he said and he added that those who did not get their request in before the ban, for them there is very little the City can do as far as guaranteeing connections.

Councilor Pedersen pointed out that it seems as though 940 connections will allow for a couple of building seasons which will allow the City to get the problem fixed, in the meantime.

Mayor Matheny asked about the timeline for transferring over to Steamboat Slough from Ebey Slough and Mr. Wade said it is slated

MARYSVILLE CITY COUNCIL SPECIAL MEETING
MAY 20, 1991
Page 7

for March 1992 to start construction. He said there is a concern about how many requests will come in, especially looking at the historical 400 applications per year recently and he suggested that a time limit may be an alternative to this.

Utilities Supt. Kissinger stated it should be tied into a building permit first.

Councilor Weiser stated that one of his concerns is the DOE taking so long approving the City's plans for the upgrade on the sewer lagoon and Mr. Wade agreed, noting that it's very difficult to predict what is going to happen.

Councilor Pedersen asked if the City doesn't have the option to come back in with the moratorium and City Attorney Weed said yes, but on a first come, first served basis, you might have the potential of a number of (new) people with the same complaints and problems as we had this time.

There was discussion about risks of doing business, attitude in the development community, City responsibility to the vested rights, time being of the essence, developer cooperation, small builder carrying the burden in the community, very poor market for selling lots and houses, hillside/expensive lots, trying to predict whether or not people/developers will rush out and buy permits for homes not sold, six month clause, commitment letters that weren't honored, 1763/95 ordinance vesting was to give priority status over non-vested property.

City Attorney Weed said one of the underlying issues of the PCHB was so the 940 connections could get financing and he said he would recommend a time limit be consistent with the underlying permit, eg. a short plat/preliminary plat has a maximum of three years. Also, he pointed out that there has been a tolling, i.e., no time has elapsed while the moratorium was on.

City Administrator Sanden pointed out however, that was only in the City and not in the County and was based on the underlying permit even though it's City utilities we are referring to.

Councilor Baxter suggested that in the case of larger developers, they may need to use the 10% within six months in order to retain their vesting and City Attorney Weed said he feels there may be some serious potential problems if the vesting rules are changed mid-stream. Because of the PCHB decision, there has to be some guarantee the 940 connections can be used in order to allow for financing, he reiterated.

Councilor Baxter said it sounds as if they may lose financing ability if they sign up for 300 connections anyway!

Councilor Pedersen asked about alternatives for curbing the "rush" but also noted that she understands that with additional improvements to the WWTF, Marysville could get more connections.

City Attorney Weed said he thinks a good case would be if the City is operating within normal limits even with the 940 connections hooked up--new and significant information that's compelling must come to light, he pointed out.

Councilor Baxter said we are talking about something that can change between now and when the WWTF is improved and said he is really concerned about the delays and that the City can't guarantee the next 3-5-10 years. He said he thinks we are going to have to have an "instant" moratorium availability, live with more stringent controls on the operation of the lagoon and have the City monitor the lagoon on a regular basis as to how many permits can be issued. It's going to have to be on a case by case basis with another industrial/commercial user coming in, for example, he said.

Councilor Pedersen asked about Dave Zabell's calculations and City Attorney Weed said one of the problems is applications submitted to the City and County, preliminary plats, binding site plans, some people with no precise plans as yet, eg. a shopping center with a multitude of tenants, short plats, single lots, conditional use permits, a lot of permitting processes are all at a different stage of approval as far as potential connections. He concluded it's a complex method/calculation.

Councilor Baxter noted that on the fax transmission, Councilmembers only received nine pages out of twelve on the draft 4 of the ordinance.

There was more discussion about prioritizing, possibility of an addendum allowing the non-vested (390) hookups on a first come, first served basis, possibility of a sunset clause, unlimited time frame on the vested property owners, what stage of completion the WWTF is in.

City Attorney Weed said the guarantee on the vested hookups would vary according to the underlying permit to be in compliance with the PCHB decision.

There was more discussion about a one year building permit life to be sure one developer doesn't come in for 400 permits, more research on the various categories, compliance with the PCHB decision, renewal of building permits/preliminary plat approval if it takes longer to complete the WWTF, tolling provision in the ordinance, City having completed its obligation to the vested owners, keeping option open regarding moratorium, City Attorney Weed's recommendation of a ban on anyone who doesn't fall into the vested category if we are out of compliance on the DOE Consent Order.

City Administrator Sanden said her concern is a potential of 2000 connections with some interest (applications have been filed) and Councilor Pedersen asked if an application wouldn't be an advantage for those who have filed them.

City Attorney Weed said some application processes are shorter than others and Councilor Pedersen said she would prefer that an application would have priority. In fact, she said she would like to see 100% of the vested connections guaranteed and allow other requests for hookups up to 940 as a safeguard, but what about free enterprise requests?

There were more comments about a six month cutoff or a 90 day time limit, permits in process having priority, present housing situation, affordable housing, innovative financing/creating "cheap" lots.

Councilor McGee suggested a 60 day sunset clause for vested lots then open it up for non-vested with permits.

Councilor Weiser said he would prefer 90 days.

Larry Wade said he has a concern with an industrial/commercial applicant coming in and using up 300 connections that could have been used for single family. He said another concern is regarding loans in process--if they have a substantial development, they probably will not get any money with no sewer connections guaranteed, so he said he thinks the City is going to only see short plats, residential lots and possibly smaller subdivisions coming in for sewer hookups, realistically, to use up the open market capacity, he said.

Councilor Lashua pointed out that 10% is not adequate for developing property and suggested 20-25-30% might be more realistic.

MARYSVILLE CITY COUNCIL SPECIAL MEETING
MAY 20, 1991
Page 9

Councilor Baxter said he thought there should be no percentage at all and both Councilors McGee and Pedersen agreed. Councilor Lashua reminded them that 20-30% was talked about last week.

City Attorney Weed said one of the things the Council would be doing is taking a greater chance that more requests are going to come in but there are so many factors involved, so really, it is not known how much impact having no percentage would have.

Councilor Weiser then came up with a proposal:

Allow the full 550 vested hookups based on REUs
Allow 2/3 of 300 (200) to those with approved sewer plans
With the balance (150) on a first come, first served basis with a 50% development allowed to tie in with the building permit
Allow up to 40 hookups for others not included above with a maximum of 2 hookups per short plat.
Total = 940 connections

Councilor Pedersen agreed, adding that the City should also have the option of instituting the Consent Order ban if we get out of compliance and Councilor Weiser pointed out that it is a given that some of the 550 vested lots/hookups will not get used this year.

Councilor Pedersen asked if the City is potentially going to have happen the same thing as we were worried about before--someone could come in for 150 connections, she pointed out.

There was further discussion regarding short plats and preliminary plat time limits, retaining some connections for emergencies, Councilor Weiser's proposal having merit, \$1,000 per month fine, the need to be fair and equitable, need for rational relationship between DOE intent and what the City is implementing.

City Attorney Weed agreed that Councilor Weiser's proposed ordinance sounds very fair and would give everyone a chance to develop.

Councilor Baxter asked about the ramifications of more delays on the WWTF upgrade and City Attorney Weed stated the City is pushing forward as fast as we can but we are subject to other agencies' controls and the permitting processes, etc.

Consensus was taken:

Councilor McGee said he would like Councilor Weiser's proposal drafted up and brought back next week.

Councilors Baxter and Pedersen agreed. Councilor Wright agreed with review in 90 days. Councilors Cundiff and Lashua agreed with Councilor Wright.

ADJOURNMENT INTO EXECUTIVE SESSION: 10:30 p.m. (Pending Litigation)

RECONVENE AND ADJOURN: Approx. 11:30 p.m.

Accepted this 28th day of May, 1991.

Kenneth D. Baxter
MAYOR

Phillip E. Dexter
CITY CLERK

Manda A. Iverson
RECORDING SECRETARY