



Minutes of the Arlington City Council Retreat

Council Chambers
110 East Third Street
April 13, 2019

Councilmembers Present: Mike Hopson, Jan Schuette, Marilyn Oertle, Debora Nelson, Sue Weiss, Jesica Stickles and Joshua Roundy.

Council Members Absent: None.

Staff Present: Mayor Barb Tolbert, Paul Ellis, City Attorney Steve Peiffle, Kristin Garcia, Jonathan Ventura, Dave Kraski, Marc Hayes, Jim Kelly, David Ryan, James Trefry, Bryan Terry, and Erin Keator.

Also Known to be Present: None.

Retreat facilitator, Steve Peiffle, called the meeting to order at 9:00 a.m.

Mr. Peiffle began the retreat by asking each councilmember what they wanted to glean from the retreat. Councilmembers responded individually that they were excited for the day, they were looking forward to discussing the capital facilities projects and going through the strategic planning process; they stated that being able to see the vision of the next set of goals was exciting. In addition they expressed their excitement for the collaboration that would occur between the departments and the council.

Mr. Peiffle then asked the department directors what their expectations were for the day. The directors echoed the councilmembers excitement in that they were looking forward to collaborating with the council and being a resource for them. They also stated they were interested in hearing from other city departments in terms of what is going on citywide throughout the departments.

Mr. Peiffle reviewed the ground rules for the day.

CAPITAL FACILITIES

With the use of a PowerPoint presentation, City Administrator Paul Ellis identified three immediate capital facility needs:

- Relocation of fire station 48 into a new building
- A new Police department impound facility
- A new maintenance and operations facility.

Relocating Fire Station 48

Mr. Ellis provided background information on Fire Station 48. There has always been an intent to have it housed at another location, but with the turn of the economy around 2008 the City was unable to make that occur. The current lease will expire for Fire Station 48 in August 2021 and will not be renewed. One of the goals would be to build a new building to house Fire Station 48 and Fire Station 47 (which currently runs only an aid unit). The City has identified several potential properties to house the next station. The preferred location would be the 18000 block of Airport Boulevard as the property is:

- Shovel ready
- Utilities are available in ground
- Fire would have a strong presence in the MIC, Smokey Point and at the Airport
- Emergency response times would balance out,
- It is the most cost-effective site estimated at \$3.3 million.

Councilmember Schuette asked if there would be access from the new station to 43rd Avenue NE. She believes that would be beneficial to the public and to the fire station. There was discussion regarding this request. Mr. Kelly said he would review the request and see what the cost would be for installing that access.

Chief Kraski also stated that the new fire station would provide office space for police officers to utilize when they are patrolling the Smokey Point area. This space would allow them to write reports, take breaks, interview individuals without having to drive all the way back to the main police department thereby saving time and resources.

There was discussion regarding the cost. Although the estimate cost to construct the new station is \$3.3 million there would be savings to the city from the lease money that both Fire Station 48 and 47 pay.

A lengthy discussion followed with Mr. Ellis and Mr. Kraski answering questions.

Police Impound Building Needs

Mr. Ellis gave some information on where the police impound building currently is located and the condition of the current building. He stated that the lease is currently month to month and the property owner is planning to redevelop the site by August 2021. He specified that the impound building only houses vehicles that have been impounded due to potential criminal activity. They do not impound vehicles that are parked illegally on the road, those vehicles go to a private tow yard. Councilmember Weiss asked how large is the current facility? Chief Ventura stated that the current facility is approximately 60 feet by 60 feet and they are looking to increase the size to about 85 feet by 100 feet. Currently they only have enough space for six to eight vehicles but they could have as many as a dozen at a time and as they City continues to grow, their need for space will continue to grow. In addition to being able to house the impounded cars safely, the police department would also like to have an area built in for a training facility. Currently our officers need to drive long distances to obtain the training that could be easily offered at our own facility. Discussion followed with Mr. Ellis and Chief Ventura answering questions.

Maintenance and Operations Facility Needs

Mr. Ellis gave an overview of the Maintenance and Operations facility needs. He explained that existing buildings do not meet current or future needs. The current buildings are in need of repair but the cost to repair exceeds the cost to build a new structure. The current site has the capacity to house both the Maintenance and Operations facility as well as the police impound building. Mr. Ellis reviewed on the PowerPoint slide that the City would remove three buildings on the existing site and construct two new buildings. It was mentioned that the buildings would be two story structures, although there will be parts that aren't actually two story. The cost associated with removing the buildings and constructing two new buildings would include site improvements including security and automated gates. Discussion followed with Mr. Ellis and Chief Ventura answering questions.

A question was asked if staff had a plan for performing our own fire vehicle maintenance since we would be building new facilities. Mr. Ellis explained that it is not cost effective for us to perform our own maintenance on those types of vehicles because of the complexity of the rigs. He stated that in the future there might be consideration given to a joint agreement with the school district for vehicle maintenance.

Councilmember Hopson thinks it would be a good idea for the City to look at housing a community center for the citizens which could be used for many purposes. There was discussion regarding this request.

The group adjourned for a short break from 10:20 to 10:35.

10 YEAR FINANCIAL FORECAST

Upon returning from the break, Finance Director Kristin Garcia using a PowerPoint presentation reviewed the 10 year financial forecast. She stated that it is difficult to project 10 years out which means the forecast will be updated as they move forward to keep with the trends. She explained based on the assumptions presented in the financial model, the 10 year financial forecast meets the following objectives:

- Funding source for a new fire station, police impound facility and M&O facility.
- Continued implementation of the public safety operating plans
- Reserving money for public art and capital facilities needs
- Compliance with one month operating reserve.

There was discussion regarding the process for funding the construction of the fire station. Ms. Garcia explained that it would be a three month process for the bond. Councilmember Roundy asked if REET funds could be used. Ms. Garcia explained that the city does not want to rely on REET and this project doesn't necessarily qualify for REET. Discussion followed with questions being answered by Mr. Ellis and Ms. Garcia. Councilmember Roundy stated that he would like to use available cash first prior to going out to bond.

Ms. Garcia continued to review the types of debt that the City could incur which includes:

- General Obligation Debt secured by full faith and credit of the city (tax revenues) and usually for general government purposes like public safety or city administration buildings.

- Revenue Debt which is guaranteed by the specific revenues generated by the user. Enterprise funds like the airport, water, sewer and storm are examples of funds that would issue revenue debt.
- Special Assessment Debt which are made against those who directly benefit from the project. Utility and street improvements that directly benefit a property owner are examples of projects that might use this type of debt.

Ms. Garcia explained that General Obligation debt would be best for our projects. Discussion followed with Ms. Garcia and Mr. Ellis answering questions.

Ms. Garcia reviewed debt limits. Debt limits

- Authorize how much a city can issue in debt
- Does not indicate ability to pay
- Per RCW 39.36 and city policy the total debt limit is 2.5% of assessed valuation.
 - As of 12/31/2018 Arlington's general debt was 0.6% of assessed valuation
 - With proposed bonds in 2020 Arlington's general debt will be 0.7% of assessed valuation, well below our limit. Discussion followed.

Ms. Garcia explained that the City had a bond rating upgrade in 2018. A higher bond rating means lower interest rates. Councilmembers expressed their pleasure that the bond ratings increased.

Ms. Garcia and Mr. Ellis reviewed the Graafstra property and current debt obligation. Currently the city is paying interest only on the debt and is not allowed to pay on the principal until 2020. Mr. Ellis stated he has tried several times in the past to renegotiate the note to allow for earlier pay off of the principal to no avail. Ms. Garcia stated she would like to consolidate the Graafstra debt and shared the estimated net savings. There was discussion regarding the current debt.

Following the debt discussion there was discussion regarding the property in general. Mr. Ellis gave a brief overview of the property and its usability. Community and Economic Director Marc Hayes and Public Works Director Jim Kelly also contributed information regarding the current property and usability. A lengthy discussion followed. Councilmember Oertle stated she would like to see the property developed so it can be used. Mr. Hayes explained that the land is only usable seasonally and Chief Ventura explained that opening it up and inviting people to walk the property could result in opening up the City to more transient problems which would result in more patrols being needed. More discussion followed.

Staff Recommendation:

Mr. Ellis reviewed the staff recommendation:

- Construct new Fire Station #48 on identified Airport Boulevard property
- Remove three building at Maintenance and Operations
- Construct two new buildings at Maintenance and Operations
 - Police Impound
 - Shop Building

- Complete debt consolidation for Graafstra
- Total Cost \$8.5 million

Mr. Ellis also ran through the preliminary project timeline, bond process as well as the revenue sources and capital facilities estimated cost. He stated that the processes would have to move quickly in order to meet the required construction deadlines of July 2021. Discussion followed with Mr. Ellis answering questions.

Councilmember Nelson, playing devil's advocate, asked what happens if Council doesn't agree with these recommendations. Mr. Ellis ran through a couple of scenarios but stated ultimately staff would need to restart the strategic planning process.

A question was asked regarding the City's utilities. Mr. Kelly reviewed our sewer and water capacity and our agreement with the City of Marysville. It was agreed that the city needs to be laying the groundwork to provide utilities to all Arlington citizens. Discussion followed with Mayor Tolbert and Mr. Kelly answering questions.

Councilmember Stickles asked when the Council could review the full capital facility plans. Marc stated they are already included in the Comp Plan and that the Comp Plan will be updated in 2023.

Councilmember Weiss stated she would like to see parks and recreation be a focus such as public art is for the City. She wants to see funding for parks and recreation as that is what provides for healthy lifestyles for our citizens.

Councilmember Nelson asked if a resolution could be brought before Council at an upcoming meeting for them to approve so the citizens and City staff are aware of the projects and the Council's support of them. Mr. Peiffle stated that was allowable and he would prepare a resolution.

Mr. Peiffle requested that each councilmember indicate their support of the three goals.

Councilmember Roundy: In support. He stated he would like to utilize cash to lower the bond amount, but was otherwise supportive.

Councilmember Hopson: In support. Councilmember Hopson stated although he is supportive, he doesn't want to get locked into these three items being our only capital facility goals. He wants there to be opportunity to add other items such as a community building to the list of items. Mr. Ellis explained that there will be opportunities for discussion in the future of other items but for right now these were the items that are being presented to Council as immediate needs.

Councilmember Oertle: In support.

Councilmember Nelson: In support. Would like to see a formal resolution showing the Council's support.

Councilmember Weiss: In support.

Councilmember Stickles: In support.

Councilmember Schuette: In support.

Mr. Peiffle then asked the Council to show their support by raising their fingers:

- New fire station located anywhere – All councilmembers in support.
- Recommended location of fire station – All councilmembers in support.
- New impound facility - All councilmembers in support.
- Selected location for impound facility - All councilmembers in support.
- New M&O facility at current location – All councilmembers in support.
- Debt consolidation for Graafstra property - All councilmembers in support.

Mr. Peiffle stated that it is clear that Council has given direction for staff to move forward as discussed. He stated that through the process items will be coming before Council at meetings for formal action. There was discussion as to how to get the word out to the citizens and staff as to what was discussed today.

UPDATE TO RESERVE FUND AND FINANCIAL POLICIES

Mandatory Reserve Policy

Ms. Garcia gave an update to the reserve fund and financial policies. She stated the City will drive to maintain a Mandatory General Fund Reserve with a target balance between eight and sixteen percent (8% - 16%) of the total General Fund budgeted taxes and license and permit revenues. Our current reserve level only allows one month of operational expenses. Councilmember Schuette stated she likes the one month reserve and doesn't believe we need to raise the amount. Mayor Tolbert stated that our policy is very low and would like to see the reserve amount increased in case there is an economic downturn again. Having a larger reserve will not necessarily allow the City to retain status quo but would allow time for course correction. Discussion followed with Ms. Garcia, Mr. Ellis and Mayor Tolbert answering questions. Ms. Garcia is making the recommendation to raise the reserve but the Council is ultimately responsible for making the decision to raise it and by how much.

Capital Facility Reserve Policy

Ms. Garcia explained the City will maintain a Capital Facilities/Building Fund to provide funding for future facilities including debt repayment, less proprietary fund projects. Contributions into this fund will be made from available funds as identified in the adopted or amended budget. Additional contributions into his fund may come from construction related sales tax. The amount of the contribution will be determined by the construction sales tax collected during the fiscal year and will be approved annually by the Council through the budget amendment process. Ms. Garcia reviewed that REET funds can be used

for certain projects depending on if REET 1 or REET 2. Discussion followed with Ms. Garcia answering questions.

Revenue and Expenditure Policies

Ms. Garcia explained that the revenue and expenditure policies were reviewed with

- Added language authorizing use of one time revenues for capital projects or equipment. Purchases will be authorized by Council through the budget and or amendment process.
- Consolidated items related to grant revenue to remove duplicate language. No new language proposed.
- Added language clarifying department responsibility for reviewing and coding invoices for payment.

The proposed changes are provided in the Councilmember packets.

Capital Assets

Ms. Garcia stated that changes were made to the Capital Assets policy including:

- Added language to reflect capitalization thresholds and other requirements for assets purchased with federal funds.
- Clarified that “small and attractive assets” do not meet capitalization thresholds but should be tracked and inventoried due to risk or theft.
- Clarified when a public hearing is required for capital assets, assets owned by a public utility or assets with a value of \$50,000 or more.

Purchasing Policy

Ms. Garcia reviewed the changes that were made to the purchasing policy.

- Conflict of interest language was added to meet federal requirements.
- Clarified department delegation of signature authority in absence of director.
- Clarified that a resolution is required for all exceptions to bidding requirements for the purchase of supplies, materials and equipment.
- Clarified that the internal capital outlay form will be used for purchased vehicles, equipment and unbudgeted purchases over \$7,500.
- Clarified language between professional and non-professional services and purchased services.
- Added information to the contract authorization summary chart (i.e. federal procurement requirements, when prevailing wage/bid bonds/contracts are required)

Updates to Arlington Municipal Code

Ms. Garcia reviewed updates to the Arlington Municipal Code.

- AMC 3.90.010 – interfund loans authorized – adding language that all interfund loans are to be authorized by a resolution approved by city council.
- AMC 13.12.210 – Due date for (utility) charges – adding language to address authority to waive fees.

Ms. Garcia answered a few questions following her review.

Ms. Garcia finished with mentioning that the State Legislature may be making some changes to Small Works Roster thresholds. If that occurs updates to the policy will occur later.

Lunch 12:20 to 12:52 p.m.

2019-2020 GOALS AND PRIORITIES

Mr. Ellis recapped Ms. Garcia's presentation and stated that Finance will come back to Council with an ordinance for formal action by the Council.

Moving on to the next topic of the day, Mr. Ellis shared a spreadsheet, Strategic Priorities and Objectives, that has been created that lists the Council's three goals that they have been working towards:

- Public Safety,
- Fiscal Sustainability, and
- Economic Development.

On this spreadsheet under each goal are priorities that support the goal. Directors develop work plans based on the priorities listed under each goal. The priorities listed demonstrate the critical path needed to meet the strategic goals but they are not all inclusive of what each department is working on. The spreadsheet also shows a status bar for each priority so that it is easy for Council and staff to track the status. Councilmember Nelson stated she thinks the spreadsheet is a great tool and only asks to have a percentage listed. Council agreed that this is a great tool and asked that it be included in the monthly report.

2021-22 GOALS AND PRIORITIES

Mr. Peiffle shared with staff that prior to the retreat, councilmembers were asked to complete a 2021-22 Priorities form that would allow each other to know what priorities each member has for the future. Mr. Peiffle asked each councilmember to share their priority.

Mayor Tolbert stated, through a PowerPoint presentation, that her priority is to build a fiber network for civil connectivity and economic development. She wants to prepare Arlington for optimum productivity in the highly evolving technical world by building the backbone to a high speed fiber network that can ensure access to all neighborhoods and business areas. Using a cost effective approach of developing procedures to ensure all newly laid utilities include fiber and all road or utility reconstruction projects also include the addition of fiber. The long term goal is to shift reliance for the spine of a connected community to the municipality rather than the telecommunication companies. Mr. Terry stated that he has been informed that many students will park in front of local businesses that have Wi-Fi in order to complete homework because they do not have accessible internet at home. He also stated that a smart city would allow staff to know of problems within the City prior to citizens calling in the problem. Discussion followed with Mayor Tolbert and Mr. Terry answering questions.

Councilmember Oertle explained that one of her priorities for the future is to focus on utilizing the Graafstra property as a revenue stream. She would like the City to build an access road, market the property for possible venues that attract people to our city. Mr. Hayes suggested that due to the fact that this property is wet for many months, and subject to flooding, that perhaps it would be best to make it an open space. Mayor Tolbert stated that this land is really unusable and suggests the City rethink its original plans for the property and update the vision of the property based on pros and cons. Discussion followed.

Councilmember Schuette explained that one of her priorities was to provide housing to the homeless, one way to do this would be to purchase the hotel at Smokey Point and turn it into Section 8 housing run by the Arlington Community Resource Center. There was a lengthy discussion regarding this proposal. First, it was mentioned that the property is not for sale. Chief Ventura mentioned that there is a lot of liability to the City if we house homeless people, he gave several examples. Mr. Hayes suggested that perhaps the housing authority, if the property was available, could look into making the hotel transitional housing. Overall the Council was not supportive of this proposal and Councilmember Schuette removed it from her priority list.

Councilmember Schuette stated that she had a second priority which is to install 173rd Street stating that we need to provide an alternative route from 172nd before they start widening the road. Not only would it provide a route to Airport Boulevard, but would provide access to the Airport Business Park. It would also provide a route to the Best Western and businesses along the north side of 172nd without having to do a U-turn at the light coming in at 40th. Airport Director David Ryan said they are working on this project. Mr. Kelly stated that there are three phases to this project, each with its own difficulty. Mr. Kelly continued that this is also high on his priority list. Mr. Hayes stated that when they widen 172nd there will still be two lanes usable to through traffic. Discussion followed with Mr. Kelly and Mr. Ryan answering questions.

Councilmember Stickles stated that she would like the City to create a map overlay of the entire city that shows the 20+ year plan for how we would like to see the City re-zoned for residential growth, mixed use areas, MIC, commercial, and recreation areas. She would like it to match the plans from the City Comp Plan, and other projects being worked on and planned for the City in years to come. She said instead of rezoning areas at the request of developers, the City should have a map that leads what kind of rezoning should occur where. Mr. Hayes stated that the Comprehensive Plan has what she's looking for. Councilmember Stickles explained that she is wanting a map. Discussion followed. Mr. Hayes stated he would meet with Councilmember Stickles to confirm his understanding of what she is requesting and determine if it is something the City can provide.

Discussion ensued regarding spot zoning. Mr. Peiffle explained spot zoning and stated if it was desired he could write a memo. Several questions followed which Mr. Peiffle answered.

Several councilmember stated they would like road and development infrastructure to occur at the same time as rezoning. Josh followed up by requesting planning training; specifically

a workshop/study session specific to city planning. Several councilmembers echoed that desire.

Councilmember Nelson stated she would like to have the City consider using a hearing examiner in the rezone process instead of having it go to Council for a vote. She believes this would provide a smoother, less political process for zoning. Mr. Peiffle gave some history on the hearing examiner and stated that there are legal limits to what you can defer to a hearing examiner. He also stated that the hearing examiner can only make recommendations regarding the rezone and it still will have to go before council for a vote. Mr. Hayes shared the pros to having a hearing examiner review zoning information first. Councilmember Nelson reiterated she likes the idea of a hearing examiner making the recommendation since they are trained in this area. She asked what the cost would be for a hearing examiner. Mr. Hayes stated that the cost would be passed on to the applicant. Councilmember Nelson asked what the flow would be; would zoning applications go to the planning commission then hearing examiner than council? Or would it be a different order. Mr. Hayes explained that the hearing examiner is usually in lieu of the planning commission. Mr. Hayes said that the planning commission could review applications first and then choose to send items to the hearing examiner. Mr. Peiffle said he would work with Mr. Hayes to bring something to Council to review for near year's docket.

Break: 3:05 – 3:11 p.m.

Councilmember Hopson stated his priority is to ensure there are housing units for low and moderate income households (the missing middle). He went on to say that Arlington has the need for affordable housing for low income. He reviewed his Mixed Use Property Tax Exemption for Residential Targeted Focus Areas White Paper, reading excerpts from the paper. He reiterated this is not for homeless, but for low income. Mr. Hayes explained that affordable housing is different than low income housing. It was asked how many low incoming housing do we have and how many should we have? Mr. Hayes stated there is no requirement. Councilmember Nelson asked what is our current inventory of low incoming housing. Mayor Tolbert expressed her interest in having a conversation about this. She believes that having low income housing interspersed with other housing would be a benefit. Councilmember Nelson expressed concerns with offering too much low incoming housing, she stated she would want low incoming housing to be balanced with other housing. Discussion followed with Mr. Hayes and Councilmember Hopson answering questions.

Mayor Tolbert explained that her second priority is the extension of runway 16/34. The airport is projecting a steady increase in operations in the next 10 years. Given the proximity of KAWO to the Arlington-Marysville Manufacturing Industrial Center (AMMIC), a significant portion of this increase will be corporate aircraft. These aircraft have a wider wing span and faster approach speeds, requiring a minimum of 6,000 feet of runway to land. Extension of runway 16/34 by 667 feet will accommodate these additional corporate aircraft and increase safety. Discussion followed with Mr. Ryan and Mayor Tolbert answering questions.

Mr. Peiffle ended the session by asking the councilmembers if they got what they expected and needed from the retreat. Councilmembers Hopson, Oertle, Nelson and Weiss were in

agreement that the day was well spent and that they like the conversations that were generated, they realized they need more information for some priorities.

Councilmember Roundy stated it was great and reiterated he would like to see a planning training provided to councilmembers.

Councilmember Stickles also stated she enjoyed the day and the information provided. She took a moment to remind staff that she is wanting budget numbers on every CAB that requires budget funding. She does not want blanks, if an item is not budgeted it should be notated that a budget amendment will be forthcoming. She also told Mr. Ellis she would like an opportunity to see what items are requested by the departments that do not make it into the budget. Councilmember Nelson stated she was uncomfortable with this as the council has entrusted Mr. Ellis with this process. She suggested that perhaps councilmembers review these items directly with Mr. Ellis. Mr. Ellis stated that this is information he can provide to the council; he wants them to be aware that these requests are not projects, just program requests.

Councilmember Schuette said that the information provided on Capital Facilities was great. She stated that if she had been aware that the priority sheet could have been used to request larger projects/priorities she would have taken the time to come up with other priorities.

Mayor Tolbert like the priorities form because all the councilmembers know what each other's priorities are. She stated it was a very productive day and that these conversations can be continued.

Mr. Ellis thanked everyone for their time and stated that staff has enough information to move forward with the Capital Facilities plan and that council should look forward to staff bringing items back to Council for approval.

The retreat was adjourned at 4:16.


Barbara Tolbert, Mayor

