

**City of Kenmore
City Council Regular Meeting
Minutes
November 13, 2018**

CALL TO ORDER – Deputy Mayor Herbig called the meeting to order at 6:00 p.m.

RECESS TO EXECUTIVE SESSION
(Confidential Session of the Council per RCW 42.30)

The meeting recessed to executive session at 6:00 p.m. to discuss potential litigation per RCW 42.30.110 (1)(i).

RECONVENE TO REGULAR SESSION
The meeting reconvened to regular session at 7:00 p.m.

ROLL CALL
Mayor David Baker (Absent)
Deputy Mayor Nigel Herbig
Councilmember Joe Marshall
Councilmember Milton Curtis
Councilmember Debra Srebnik
Councilmember Stacey Denuski
Councilmember Brent Smith

FLAG SALUTE

AGENDA APPROVAL

MOTION: Councilmember Denuski made a motion to remove item B on the business agenda (2017-2018 Biennial Budget Amendments) to the next meeting, Deputy Mayor Herbig seconded the motion. The motion passed unanimously.

This item will come back to Council at the next meeting.

CITIZEN COMMENTS
Alanna Kraff
18015 68th Avenue NE
Kenmore, Washington 98028

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Ms. Kraff introduced herself from Hopelink. She thanked the City for their support of Hopelink.

Carl Michelman
18023 62nd Avenue NE
Kenmore, Washington 98028

Mr. Michelman spoke about the health plans and benefits for employees. He stated he feels everyone has to contribute to their healthcare costs.

Kathie Colwell
15432 62nd Place NE
Kenmore, Washington 98028

Ms. Colwell asked a question related to the costs of improvements at Rhododendron Park.

Peter Lance
6501 NE 151st
Kenmore, Washington 98028

Mr. Lance spoke about Lakepointe. He stated that the City needs to look at the best use for that location.

CONSENT AGENDA

MOTION: Councilmember Denuski made a motion to approve the consent agenda, Deputy Mayor Herbig seconded the motion. The motion passed unanimously.

The consent agenda included the following:

The following checks and electronic payments are approved for payment:

Total Checks 40989 through 41080 in the amount of \$861,001.41.

Payroll Check #10109 in the amount of \$3,579.70.

Total Payroll/Taxes/Flexible Spending/Retirement & Health Savings Account Electronic

Deposits Dated: 10/26/18 in the amount of \$121,989.26.

Regular City Council Meeting Minutes of September 24, 2018 and October 8, 2018

Authorize the City Manager to Execute an Interlocal Agreement with the Northshore Utility District to Construct the District's Water Main Replacement Project for the West Sammamish River Bridge Replacement Project

Authorize the City Manager to Execute an Amendment to Contract 16-C1625 with HDR in an Amount not to Exceed \$435,000 for Juanita Drive Project Design and Right-of-Way Services

Authorize the City Manager to Execute a Snow Removal Interlocal Agreement with Northshore Utility District - Rob Karlinsey, City Manager

PUBLIC HEARING

Allow "Construction and Trade" as Temporary Use for One Year at 6532 NE Bothell Way for an Interim Public Works Shop - Samantha Loyuk, Associate Planner

Planner Loyuk explained that the City of Kenmore (Kenmore) has contracted with the City of Lake Forest for public works services since incorporation. Starting on January 1, 2019, Kenmore will be providing in-house public works services. Kenmore has not been able to find a permanent location for a Public Works Shop, which is considered a "Construction and Trade" use, per the zoning code (KMC 18.20.590). A city-owned property located at 6532 NE Bothell Way ("subject property") has been identified as a temporary location for the Public Works shop. The subject property is zoned Downtown Commercial (DC) and does not contain any environmentally critical areas or buffers. Per KMC 18.25.020, Construction and Trade uses are prohibited use in the DC zone. However, the use is allowed on a temporary basis through Temporary Use Permit (KMC 18.100.100).

Temporary Use Permits are a mechanism by which the City may permit a use otherwise not permitted in the zone. Temporary Use Permits that exceed 90-days require a public hearing and City Council approval.

In accordance with KMC 18.100.125, a Temporary Use Permit shall demonstrate that:

- A. The proposed temporary use will not be materially detrimental to the public welfare;
- B. The proposed temporary use is compatible with existing land uses in the immediate vicinity in terms of noise and hours of operation; and
- C. Adequate public off-street and traffic control for the exclusive use of the proposed temporary use can be provided in a safe manner.

Staff reviewed the application for compliance with the approval criteria described in KMC 18.100.125 and determined the temporary use complies.

Development Services staff recommends the temporary use be allowed for one year, starting January 1, 2019.

Deputy Mayor Herbig opened the public hearing at 7:30 p.m.

Steve Colwell
15432 62nd Place NE

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Kenmore, Washington 98028

Mr. Colwell urged the Council to vote against the temporary use permit. He does not want to see a temporary public works shop in the downtown.

Deputy Mayor Herbig closed the public hearing.

Extend Multifamily Tax Exemption in the Transit Oriented Development District Overlay -
Bryan Hampson, Development Services Director

Director Hampson explained that to help further encourage multi-family development and redevelopment in our transit-oriented development (TOD) district overlay, City staff recommends City Council increases the incentives available in the TOD area by designating the TOD as a residential targeted area, to be eligible to take advantage of the Multifamily Tax Exemption (MFTE) as allowed by the codified Ordinance, Chapter 3.65 KMC.

Reference the October 29, 2018 Memo Analyzing Multi-Family Property Tax Exemption in the Transit Oriented Development District and Exhibits. It provides history and demonstrates different possible property tax and housing unit scenarios, including affordable units, and one-time revenues to the City if there is no redevelopment, a townhome development, or a TOD product with or without an MFTE.

Ordinance No. 18-0471 amends Section 3.65.030 in the Kenmore Municipal Code to expand the MFTE area to the TOD and modifies the level of affordability. This Ordinance provides Council the opportunity to change the level of affordability if so chooses to. Currently, with regards to MFTE, low or moderate income is equal to or less than 85%. Council needs to provide direction on the level of affordability during the deliberation and insert into adopting motion.

Deputy Mayor Herbig opened the public hearing at 7:54 p.m.

Jenkins Chan
720 Lakeside Avenue South #204
Seattle, Washington

Mr. Chan stated that he wants to work with the City. He stated that even with the multifamily tax exemption, the project he is working on is close. Without the exemption, it's not viable.

Council engaged in a discussion. The Council concurred that there was no hurry on this Ordinance and that more discussion needed to take place. This item will come back to the Council after the first of the year.

2019-2020 Proposed Biennial Budget - Joanne Gregory, Finance and Administration
Director

Passage of a biennial budget by year-end is required by State law. A public hearing on the 2019 tax levy was held on November 5, 2018.

City Council reviews of department and fund budgets were held throughout October and the adoption of the 2019-2020 Biennial Budget is scheduled for November 19. The public has been invited and encouraged to attend public sessions and offer public comment.

Finance Director Gregory explained that the City wide 2019-2020 Proposed Budget expenditures are \$102,859,413 and budgeted revenues are \$106,958,161. These balances include \$18,243,972 of interfund transfers, primarily due to transfers of capital resources to capital projects. The General Fund is balanced in that budgeted expenditures do not exceed budgeted revenues and the projected ending fund balance at 12/31/2020 is \$3,823,626.

The Preliminary Budget expenditures are 22% more than the amended 2017-2018 budget and 25% more than the 2017-2018 projections, primarily due to increased capital project expenditures and use of capital project funding sources such as bond funds, grants, real estate excise taxes and impact fees. Most significantly this includes the West Sammamish River Bridge project and the Walkways and Waterways park and transportation projects.

Several of the more significant assumptions and new requests included in the 2019-2020 Proposed Preliminary Budgets for the operational funds such as General Fund, Street Fund and Surface Water Management include:

- A 3% increase in the tax levy in 2019 and 2020 utilizing banked tax levy capacity. This generates revenue of \$294,963 over the biennium and provides a compounding benefit in future years.
- Up to \$250,000 in reimbursements for costs related to the Lakepointe development project.
- A temporary Capital Project Engineer to manage the West Sammamish Bridge project which would be 90% funded by the project.
- An increase in salaries and wages of 3.6% effective January 1, 2019 (Proposed Salary Plan will be provided).
- An increase in medical insurance premiums of 4.5%.
- An increase in dental insurance premiums of 4.0%.
- Elimination of the Kenmore Village Fund and all activities and accounts rolled up to the General Fund as of 2019.
- Transfer of the Kenmore Business Incubator activities and accounts to the General Fund.
- \$100,000 to support the need for GIS services; likely through a contractual arrangement.
- \$35,000 for a new telephone system.

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- An increase of \$60,000 in the contribution to ARCH.
- A 5% increase in the Police Services contract with \$58,000 additionally set aside for a possible retroactive pay increase back to 2017, pending settlement of the collective bargaining agreement with the Police Guild.
- \$40,000 for website improvements.
- Increases in landscape maintenance contract costs due to a 110% increase in the Labor and Industries prescribed prevailing wage for landscape workers.
- A new fund for development of a Public Works Shop plus salaries, benefits and other operational costs associated with park, facility, streets and surface water maintenance.
- One additional position in Surface Water Management funded by SWM fees.
- A 15% increase in Surface Water Management service charges for 2019 and 2020 was approved by the City Council on October 30, 2018. The 2019-2020 Proposed Budget will be updated to reflect this change.
- A General Facilities Charge as a new revenue source to support Surface Water Capital projects was discussed by the City Council on October 30, 2018 and has been included in the Surface Water Capital program pending approval.

The City Council is also requested to consider the following salaries and benefits for 2019:

1. An update to the Salary Plan pay ranges is requested. The CPI-W as of June was 3.6%. This is the index typically used by the City for wage adjustments. The pay ranges would be updated and increased by 3.6% which would allow for a wage increase of this percentage for all employees on January 1, 2019. Several staff positions are at the top of their pay range and will not be eligible for a merit increase during 2019. In addition, several positions in the Salary Plan were adjusted due to market data and internal organizational changes. The wage adjustment and cost of benefits have been included in the 2019-2020 Proposed Budget.

2. Council approval is requested to continue the HRA VEBA contributions that were first offered to employees in 2018 as follows:

HRA VEBA

Employee	450
Employee + 1 Dependent	900
Employee + 2 or more Dependents	1,350

3. Council approval is requested to continue the Health Savings Account contributions that were first offered to employees in 2015 for those that chose the High Deductible Health Plans (HDHP). The HDHPs carry monthly premiums that are up to 30% less than the premiums of the Healthfirst 250 Plans. In 2018, the City's annual contribution schedule was as follows:

High Deductible Health Plans with Health Savings Accounts

	Health Savings Account	Premium Savings to City
Employee	2,000	2,628
Employee + Spouse	4,500	5,258
Employee + Child	3,000	3,871
Employee + 2 Children	3,000	4,934
Employee + Spouse + Child	4,500	6,499
Full Family	4,500	7,550

4. Council approval is requested to add Affordable Health Network (AHN) 250 Plans as an additional option for employees. These new AHN Plans offer premiums that are 5% less than the Healthfirst 250 plans. Since there is a 5% savings to the City for each employee that enrolls in an AHN and to provide an incentive to employees, Council is requested to consider sharing the premium savings on a 50/50 basis with the employee. The employee's share would be contributed to their HRA VEBA.

Deputy Mayor Herbig opened the hearing for public comments at 8:35 p.m.

Stan Isenhath
16328 Inglewood Road NE
Kenmore, Washington 98028

Mr. Isenhath thanked the Council for their work on the budget. He stated that he is a realtor of a large real estate company. He read the Council several questions to consider as it relates to businesses and taxes. He asked the Council to look at more reductions before they raise taxes.

Steve Colwell
15432 62nd Place
Kenmore, Washington 98028

Mr. Colwell spoke about the proposed 3% property tax increase. He stated that its too much. He also spoke about a recent ribbon cutting in the City that the Council should have attended.

Deputy Mayor Herbig closed the public hearing at 8:43 p.m.

Director Gregory continued discussions with the Council regarding the salary plan, the property tax, the proposed budget and employee benefits.

MOTION: Councilmember Smith made a motion to only change the Communications Specialist and Volunteer and Events Coordinator positions by the cola of 3.6%, Councilmember Marshall seconded the

motion. The motion failed 2-3-0 with Councilmember Smith and Councilmember Marshall voting yes.

MOTION: Councilmember Smith made a motion to reduce the HRA VEBA contribution by 50% in 2019 and eliminate it completely in 2020, Councilmember Curtis seconded the motion. The motion failed 2-3-0 with Councilmember Smith and Councilmember Curtis voting yes.

MOTION: Councilmember Curtis made a motion to keep the high deductible plans at the same level (or as is), Councilmember Denuski seconded the motion. The motion passed unanimously.

MOTION: Councilmember Curtis made a motion to increase the property tax levy 3% for 2019 and 2020, Councilmember Denuski seconded the motion. The motion passed 3-2-0 with Councilmember Marshall and Councilmember Smith opposed.

BUSINESS AGENDA

Receive and File September 2018 Financial Report for the City of Kenmore, Washington - Joanne Gregory, Finance and Administration Director

The budget was adopted on December 12, 2016 and amended July 24, 2017 and November 27, 2017. This review also provides an opportunity to identify any additional potential variances or fluctuations from the budget which may require a future budget amendment.

September is the 21st month of the 2017-2018 biennium. As of September, revenues for the biennium exceeded expenditures in the General Fund by \$382,553. Also, revenues were 85.6% of the biennial budget and expenditures were 84% which included an interfund transfer of \$425,505 from the General Fund water and sewer franchise fees to the Street Fund. The second half of real property taxes are due to the County by October 31; therefore the October financial report should reflect these revenues coming in to the City.

With no objections, the Council received and filed the September 2018 Financial Report for the City.

This item is postponed to the next meeting:

2017-2018 Biennial Budget Amendments - Joanne Gregory, Finance and Administration Director

"Construction and Trade" as a Temporary Use for One Year at 6532 NE Bothell Way for an Interim Public Works Shop - Samantha Loyuk, Associate Planner

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MOTION: Councilmember Denuski made a motion to approve the Temporary Use for One Year at 6532 NE Bothell Way for an Interim Public Works Shop, Councilmember Smith seconded the motion. The motion passed unanimously.

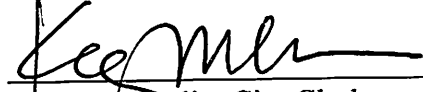
This item is postponed to the next meeting:

Ordinance 18-0471 Designating the Transit Oriented Development District Overlay as a Residential Targeted Area; Amending Sections 3.65.030, 3.65.020, and 3.65.110 of the Kenmore Municipal Code - Bryan Hampson, Development Services Director

ADJOURNMENT

The meeting adjourned at 9:47 p.m.

ATTEST:



Kelly M. Chelin, City Clerk



David Baker, Mayor