FIFE CITY COUNCIL
SPECIAL MEETING
STUDY SESSION
MINUTES

Fife City Hall
Council Chambers

Date: November 17, 2009
Time: 7:00 p.m.

EXECUTIVE SESSION

Mayor Johnson convened an executive session at 6:00 p.m. for the purpose of Real Estate RCW for approximately 33 minutes.

ADJOURNMENT

Mayor Johnson adjourned the meeting at 6:33 p.m.

CALL TO ORDER AND ROLL CALL

Mayor Johnson called the study session of the Fife City Council to order at 7:00 p.m. with the following Councilmembers present: Richard Godwin, Glenn Hull, Barry Johnson, Rob Cerqui, Nancy de Booy, and Kim Roscoe.

Excused absence: Councilmember Butch Brooks.

Staff present: City Manager Steve Worthington, Finance Director Steve Marcotte, City Attorney Loren Combs, Police Chief Brad Blackburn, Public Works Director Russ Blount, Senior Planner Beverly Boyle, Administrative Assistant Andrea Richards, Financial Analyst Dave DeGroot, and Recording Secretary William Gow II.

PLEDGE OF ALLEGIANCE

Councilmember de Booy led the pledge of allegiance.

CHANGES TO AGENDA

The agenda was accepted as published.

STUDY SESSION

Water Rate Study

Director Blount referred to the water rates study addressing both monthly fees and general facility charges. He referred to a variety of informational materials on rates. Some of the information includes the City of Fife's rate history over the last decade with a future projection of rates over the next decade. The City of Fife sells City of Tacoma water, which is distributed to businesses and residents through the City's system. City staff reads meters, maintains water infrastructure within City limits, issues billings, and collects revenues. The City purchases wholesale water and sells the water at retail rates. In the future, that method will no longer be sustainable. Over the last several years, the City made a decision as it completed its sewer Local Improvement District (LID) and as the Council adopted a series of rate increases for sewer increases, to maintain water rates without any major rate increases. There have been some minor water rate increases over the last several years. However, the City can no longer maintain the same profit margin.

In the absence of a rate increase, the amount to purchase water from Tacoma will equal or exceed the retail rate the City receives from ratepayers. Tacoma has increased water rates steadily over the years while Fife has typically

maintained costs or increased water rates minimally.

Although the water utility is solvent and has a positive ending cash balance, the cash balance is being utilized and it's anticipated that next year there will be some kind of rate increase. The budget does not reflect an increase, but does reflect a lower cash balance well below what staff believes is prudent for the end of the year.

Mayor Johnson said the issue will return to the Council in another study session with more detail on January 19, 2010, followed by a public hearing on January 26, 2010.

Councilmember de Booy asked about the timing of the last water rate increase. Director Blount reported the last increase was in 2007/2008 with a 5% increase while Tacoma increased rates substantially more during the same period. At this point, it's not sustainable to maintain a zero rate increase. The City of Tacoma adopted a 10.9% increase effective January 1, 2010. The City of Tacoma has increased its water rate above the level of inflation yearly over the last decade. The City's forecast indicates that there will be further Tacoma increases.

Director Blount reported that during the latter days of the Clinton Administration, there was a reduction in the allowable level of natural occurring arsenic in water. The geology of Washington State leads to deep wells often having levels of arsenic that are above the low threshold established in 2000. A number of water utilities, including Tacoma, had costs to improve water quality and remove arsenic. The City of Fife had a well that was removed off line because of the new arsenic standard, which increased Fife's costs because it could no longer pump from the well. Arsenic is naturally occurring in the state's soils.

Councilmember Hull inquired about the level of the potential rate increase. Director Blount referred to information in the agenda packet. Today, the average household's monthly water bill is approximately $25. The increase for a typical month would increase to $33.15 in 2010 to $46.74 in 2015. There is additional work that will be completed on the model by the January meeting. There will be some slight changes and the information will reflect whether the City can finance some front-end costs of the well and how it will impact rates.

Director Blount referred to a graph of City of Fife historic water rates compared to Tacoma Water wholesale rates over the last 12 years. Over the last 12 years, the City has had 10 years of no increases and two years of 5% increases whereas Tacoma only had one year without an increase and 11 years of increases averaging above 7%.

In the long-term, water supplied by the City of Fife will reduce costs.

However, there are real risks associated with the City providing water. The decision to pursue wells is a change in the Council's direction. The previous City Manager had come from a jurisdiction that invested heavily in wells and was negatively impacted by the stringent arsenic requirements. The previous City Manager recommended the Council obtain water from Tacoma, which is part of the reason for some of the funds that accumulated to buy down rates. That was a policy decision made approximately eight years ago. Two years ago, that policy was reversed as it was recognized that water from Tacoma put the City at a disadvantage of having to pay Tacoma rates. The current Council directed staff to explore some well development. The proposal is to purchase approximately 50% of the City's supply from Tacoma. There is a real advantage in having a buffer with respect to the City being subjected to the City of Tacoma's decisions regarding the cost of water.

Councilmember Godwin noted that the chart reflects that the City of Tacoma is forcing an increase in water rates of over 86% in the next five years. Tacoma will continue to increase rates. He supported the City beginning the permitting process for bringing wells on line to ensure the City is not totally dependent upon the City of Tacoma for its source of water.

LID 2008-01 Valley Avenue Water/Sewer Review

Director Blount reported the Local Improvement District (LID) is to fund the water and sewer extension along Valley Avenue between 70th Avenue East and Freeman Road East. The LID was formed two years ago to encompass the non-tribal trust properties fronting Valley Avenue. The properties fronting Freeman Road were excluded at that time. The tribal trust properties were excluded because the properties are not subject to a lien and are only subject to general facility charges. By code, that is a separate way to pay for water service. A detailed special benefit study was completed for the property, which was deemed to be justified based on the cost and the assessment estimated to be $1.25 a square foot. Since then, as the project moved forward in conjunction with the major roadway construction, the contract has been let. The City received competitive bids. Staff anticipates completing the LID for over $1.3 million below the estimate used to form the LID. Staff anticipates moving forward with completion of the construction and a special benefit update and ultimately final assessments in 2011 after construction is completed.

Mayor Johnson asked whether the costs associated with the private pump station installation and maintenance costs are outside the LID. Director Blount affirmed that it's separate. One of the ways for reducing the costs was installing a force main system that is shallower and less costly to build. However, property owners will need to purchase, install, and maintain grinder pumps. The area is zoned commercial with very few residents in the district that will likely be redeveloped for commercial use. The tribal land is commercial with some residences. It was deemed reasonable for commercial property to maintain a grinder pump as several already do so along 70th Avenue. Consequently, the design change was implemented. It's a cost that

is not included in the LID nor financed through the City or the process.

LID 2008-02 48th Street Water/Sewer/Street Review

Director Blount reviewed the status of LID 08-02 to fund extension of sewers along 70th Avenue East to 48th Street East and extension of sewers, water mains, and a storm drainage system along 48th Street East towards Freeman Road East. The district was formed by petition. A street project is not tied to the LID. The LID is an independent formation to extend sewer lines to some properties, water, and sewer to other properties, and sewer, water, and drainage improvements to other areas.

KPG prepared a status report on the project. The project is ready for right-of-way acquisition. The design has been completed with the project slated to be on budget as initially forecasted. Staff is prepared to contact property owners to acquire easements and right-of-way for some of the lines off existing streets.

Mayor Johnson asked about the City's share of costs. Director Blount reported the City's share is approximately $4 million, which includes an investment in some property owned by the City. The uncertainty of water and sewer costs led to some issues in selling the property to potential developers. If the property is sold, the City's assessment would be transferred to the new owner. The City's share will financed through the LID and payable as an assessment and transferred when the property is sold.

Councilmember Cerqui asked about acquiring a north/south easement. Director Blount said it is a low point on 48th Street and drainage will occur north of the area. There will be a drainage easement. The LID is responsible for acquiring the easement with all expenses to be charged against the LID. The City is the benefitting property for that purpose, but it's financed as an LID rather than a direct obligation of the City.

Councilmember Godwin referred to information within the staff report concerning storm sewer construction and the estimates involving a pond. He asked if the information is related to the American Fast Freight agreement. Director Blount affirmed that it's related, which is why the estimate is zero. The original estimate included a different number. However, the current estimate for the cost of excavating a pond is zero because the Council negotiated an agreement with American Fast Freight. Councilmember Godwin said it appears the City is paying for the large diameter pipe connecting the ponds. He asked if that includes the right-of-way that is required. Director Blount said the right-of-way is required regardless of the pipe diameter. One of the issues between the two agreements is the increase in the pipe diameter.

Mayor Johnson asked about the timing requirement for City funds. Director Blount said it will involve a bond anticipation note and an LID bond in 2012 with payments beginning in 2013. Funds will be paid by the City upfront for

the right-of-way acquisition and repaid through the LID. City Manager Worthington said the City's reserves are sufficient to handle the acquisition costs. Acquiring the property will cost less than half a million dollars.

Councilmember Godwin asked about the City's LID payment. Director Marcotte said the total cost will be approximately $4 million over a 20-year period. The funds are from the General Fund.

Councilmember Godwin expressed some caution in terms of the General Fund and the economy. The financial situation of the City was not anticipated at the time the City agreed to participate in the LID. He asked for a regular update on how the City will find the funds to pay for the LID.

City Manager Worthington pointed out that the City intends to sell the property. Councilmember Godwin countered that the market for the size of the property is weak. Adding another $4 million to the price of the property because of the addition of sewer and water will increase the price substantially. City Manager Worthington said when the City acquired the property it did have a specific purpose for the property, which has since changed.

The Council agreed to move forward on LID 2008-02.

LID 2008-03 Freeman Road Water/Sewer/Street Review

Director Blount introduced Matt Weber, Civil Engineer, AHBL. Mr. Weber said the update is a check-in on the costs to determine the total benefit of the total LID area compared to project costs to see if the project can be funded through the LID. The LID was formed in February 2009. Thirty-five parcels were included in the LID with the addition of three parcels added for analysis purposes because the City received a development application from a property owner with access from Valley Avenue. The parcel was added for analysis purposes.

The LID improves Freeman Road by widening, reconstruction, and related improvements to Freeman Road East between 20th Street East and Valley Avenue East.

Mr. Weber summarized the scope of work:

- Determination of existing right-of-way
- Conducted a topographic survey
- Conducted geotechnical conditions study
- Critical Areas and Environmental Concerns
- Drainage
- Power/Telephone/Cable Conversion to underground
- 15-inch Water Mains
- Completion of 30% design plans – proposed right-of-way

- Special Benefits & Project Funding Estimate
- Cost Estimate
- Value Engineering

The project design parameters included meeting the City of Fife Collector Green Street Road standards. The design speed is 40 miles per hour.

Mr. Weber reviewed the standards for a Collector Green Street, which includes 44-foot pavement width with 5-foot bike lanes on both sides, an 8-foot sidewalk on one side and a 5-foot sidewalk on the other side with a bioretention area that provides treatment for the roadway contained within the right-of-way located for the most part on the Fife side of the roadway. There are some exceptions involving the Edgewood side because of some horizontal curves and elevations.

Mr. Weber outlined the location of existing right-of-way and the area of acquisition for right-of-way. There was preliminary discussion pertaining to the retention of a sequoia tree. However, the tree is located within the middle of a travel lane and will need to be removed. Because a portion of the roadway is located within a floodplain, some compensatory storage is required, which has been included within the design. The design costs include numerous driveways. Several houses are located on the Coldwater Creek site, which will be removed as part of the development plans for Coldwater Creek, which will not be a cost assumed by the LID. The project is located in two different drainage basins involving Wapato Creek Watershed on the south portion and Hylebos Watershed on the north portion.

Mr. Weber referred to the curve of the roadway near Fife Sand and Gravel, which will not meet the design requirements for a posted 35 miles per hour roadway. That area will need to be realigned, which involves the Kelley property. Negotiations are underway with Mike Kelley. On the east side of the right-of-way there is seepage from the slopes that will be part of the cost to develop the road. In the area further north in the area of the Benaroya and Fife Sand & Gravel entrance, several retaining walls are required.

Mr. Weber described some property impacts in the area of 26th Street East involving jurisdictional ditches, farm ditches, and wetlands, as well as the jurisdictions of Edgewood and Milton. A determination was made to move the centerline of the road toward the west. The current design impacts approximately one acre of critical area, which requires two acres of wetland creation. In the cost estimate, a total mitigation area of three acres is included.

Mr. Weber reviewed costs versus special benefits. The costs were divided into five major elements:

1. Administrative and Financing	$1,266,000
2. Environmental Permitting and Design	$2,031,000
3. Right-of-Way Acquisition	$3,381,000
4. Project Construction	$10,590,000
5. Construction Administration	$250,000
Estimated Total Project Cost	$17,518,000
Estimated Special Benefit ($1.41 per SF)	$11,793,000
Funding Gap	-$5,725,000

Mr. Weber outlined options to reduce the funding gap:

- Eliminate sidewalk along the east side of Freeman Road
- Eliminate bioretention swale where possible to reduce critical area impacts
- Remove the center turn lane except where warranted by a Traffic Analysis
- Apply Traffic Impact Fees
- Include Edgewood and Milton parcels that currently front Freeman Road in the LID
    - Revise the water jurisdictional boundary to include the Edgewood properties that access from Freeman Road
    - Add sewer service to Freeman Road

Staff met with the cities of Milton and Edgewood, but the preliminary meeting did not result in any agreement to join the LID, which would require Council action by each jurisdiction.

Mr. Weber reviewed the costs saved for each of the mitigation actions. Applying Traffic Impact Fees for Benaroya and Coldwater Creek would total $3,786,000. Elimination of the Edgewood sidewalk, reduction of bioretention swale, reducing center turn lane, and joint development of mitigation site would save approximately $2,000,000. The revised total project cost totals $11,732,000 with the estimated special benefit at $11,793,000. The special benefit remains the same even though value engineering is included.

Councilmember Godwin asked about the possibility of eliminating bike lanes on both sides since the roadway is primarily for truck traffic. Director Blount said it would require a comprehensive plan amendment. City Manager Worthington said it is a local decision that is within the Council's control. Councilmember Godwin said it doesn't make sense to include bike lanes on a road designed primarily for truck traffic. The payment of traffic impact fees is troublesome. The traffic analysis in the Phase II Environmental Impact Study estimated 3,900 daily traffic trips. That amount of traffic will have some impacts on other intersections and utilizing all impact fees will leave no funds for those intersections affected by the traffic. He suggested exploring

the option of eliminating the bike lanes.

Director Blount provided a rough estimate of $500,000 in savings for right-of-way required for bike lanes. He suggested the consultants and staff could develop a menu of options, which might include the elimination of bike lanes. However, he cautioned the Council about eliminating bike lanes based on connectivity issues and potential federal classification of the roadway, which provides future eligibility to apply for federal funds, such as emergency repair funds. Eliminating bike lanes would eliminate the federal classification option.

Councilmember Hull asked about dollar values used in the estimate. Mr. Weber said the team considered the value using present day dollars. Director Blount said it's unlikely that right-of-way could be completed in time for 2010 construction. The earliest date for construction is 2011 or possibly longer.

Councilmember Godwin indicated he's uncomfortable closing the funding gap with impact fees. The number of intersections affected in Fife will be substantial. He disagreed with the option of reducing the speed limit to 25 miles per hour. The reason for the project is to construct a roadway to move trucks. Lowering the speed limit will not achieve any cost savings.

City Manager Worthington referred to the options to reduce costs. Another option is overhead conversion of utility lines. Director Blount said conversion is approximately $1 million to $2 million.

City Manager Worthington asked the team about any other options that could be considered to reduce costs. Mr. Weber referred to the green standards that could be evaluated for reducing costs.

Mayor Johnson agreed with exploring possible savings through elimination of undergrounding of utilities.

Councilmember de Booy inquired about the different size in widths of the sidewalks. Director Blount responded that the Council adopted the Green Street Section standard with a wider sidewalk abutting the curb and a narrower sidewalk on the side with the bioswale because the bioswale provides a buffer from the roadway for the pedestrian. The bike lane also serves the same purpose. Councilmember de Booy said she could agree with a compromise concerning the bike lane because of the potential conflicts between bikes and trucks.

Council and staff discussed options involving the elimination of bioswales and any savings as storm ponds would be required in lieu of bioswales. Director Blount advised that the development agreement the Council authorized with Benaroya was negotiated before the Council adopted the

Green Street Standard. However, the green street standard was in effect prior to the beginning of the street design. Benaroya's commitment to share in the cost of storm ponds would cover a standard street.

Councilmember Cerqui referred to the three parcels from Coldwater Creek for the Valley Avenue LID and the Freeman LID. He asked if that changes the percentage of the cost benefit on the other LID. Director Blount said the other LID is for water and sewer. This LID pertains to access whereas the Valley Avenue LID pertains to water and sewer. Councilmember Cerqui asked whether it's possible for the developer to complete frontage improvements with deferral of the City's improvements. Director Blount reported the SEPA process hasn't been completed. It's difficult to assess the costs and issues associated with such an option. Councilmember Cerqui said he'd prefer to retain the Green Street Standard if possible.

Councilmember Godwin asked about the assumption of costs associated with reburying telephone lines. Director Blount said generally, a City project that requires a relocation of a facility within the right-of-way is generally at the utility's expense. Councilmember Godwin asked whether there is a need to upgrade power to buildings under development. Director Blount said Puget Sound Energy has been asked, but hasn't replied based on ongoing analysis by the utility.

EXECUTIVE SESSION

Mayor Johnson recessed the meeting to an executive session at 8:30 p.m. to discuss potential litigation for 10 minutes.

City Manager Worthington extended the executive session at 8:40 p.m. for an additional 13 minutes.

RECONVENE:

Mayor Johnson reconvened the meeting at 8:53 p.m. with no action taken.

Street Construction Fund

Director Blount provided the Council with a list summarizing agenda packet documents. He reviewed Valley Avenue funds available and the status of ongoing construction. The budget for 2010 for Valley Avenue is $16,750,000. The current estimate anticipates completion of the project in 2010 for $12,271,649. A major portion of the savings accrues to property owners in the cost of the LID for water and sewer on Valley Avenue, which came in substantially lower. Pipe costs are running half the cost. Approximately $1.1 million will be to property owners rather than to the City. The net savings is $3.3 million, which will be used for other projects.

To secure the necessary right-of-way for the 70th Avenue project, the City was lacking approximately $1.3 million. Based on previous study sessions, staff wants to confirm that the savings from the Valley Avenue project can be used to close the $1.3 million gap for right-of-way for the 70th Avenue project leaving approximately $2 million to help close the construction funding gap

for the 70th Avenue project.

Based on estimates for construction of the 70th Avenue project, the cost will be $10,850,000 for Phase 2 construction. Director Blount outlined the source and amount of funding for the project:

- Remaining amount from Phase 1 - $2,000,000
- FMISB - $500,000
- Pierce County (beyond that already budgeted) -$304,000
- FHWA STP - $476,000
- Anticipated/likely funding from Congressional Earmark - $1,500,000

The ending funding gap is $6,070,000. Additional funding could be secured from the Transportation Improvement Program, some local funds, or local transportation impact fees. However, none of those funds closes the $6 million funding gap.

Councilmember Godwin asked about the length of the project. Director Blount indicated the project is approximately 4,000 feet. The cost per foot is substantially higher than the Valley Avenue project. However, lanes are added in each direction on 20th. The budget estimate is conservative, but it's not the final cost. Even if the estimate is high, a substantial funding gap remains. The estimate is based on conceptual design only. Undergrounding will cost over $2 million because power is located on both sides of the roadway.

Director Blount reviewed other projects with funds allocated at various stages. The 34th Avenue/Port of Tacoma IJT project is one hundred percent federally funded. The UPRR pedestrian crossing at 54th is developer-funded at $100,000 by the Radiance development. The Valley Avenue, 54th to Brookville roundabout is on hold. Street preservation is funded at $392,000 with local funds. Right-of-way acquisition citywide is not funded. The 54th Underpass of UPRR, Pacific Highway Illumination, and the 62nd Avenue Illumination projects are not funded. The 62nd Avenue sidewalk project is funded at $550,000.

Councilmember Godwin asked about the status of the 59th Street project. Director Blount reported the project is a 100% developer-funded project. City Manager Worthington advised that the City is working on an agreement with the developer to ensure reimbursement for right-of-way acquisition. Director Blount described the amount of right-of-way required.

REVIEW OF UPCOMING COUNCIL AGENDAS

City Manager Worthington reported that at the request of Councilmember Godwin, a discussion on SEPA thresholds has been added to the January 19, 2010 meeting agenda. The Council will conduct a Council Voucher Committee meeting on December 22, 2009 with no study session on December 22, 2009 and no regular meeting on December 29, 2009 planned at

this time.

ADJOURNMENT

With there being no further business, Mayor Johnson adjourned the meeting at 9:10 p.m.

Barry Johnson, Mayor

Steve Marcotte, City Clerk/Finance Director

Prepared by Valerie Gow, Recording Secretary/President
Puget Sound Meeting Services