



CITY COUNCIL MEETING MINUTES

Vancouver City Hall – Council Chambers – 415 W. 6th Street
PO Box 1995 – Vancouver, Washington 98668-1995

www.cityofvancouver.us

Timothy D. Leavitt, Mayor

Jack Burkman · Bart Hansen · Bill Turlay · Anne McEnery-Ogle · Alishia Topper · Ty Stober

November 7, 2016

WORKSHOPS (City Council Chambers)

4:30-5:00 p.m. CLARK COUNTY ANIMAL CONTROL UPDATE

Council met with Paul Scarpelli, Clark County Animal Protection and Control Manager.

Summary

Clark County Animal Control staff presented Council with the 2015 annual report and proposed updates to the City's Animal Code ordinance. (Paul Scarpelli, 397-2375 ext. 4705)

5:00-6:00 p.m. 2016 ANNUAL REVIEW OF COMPREHENSIVE PLAN AND ZONING MAP CHANGES

Council met with Bryan Snodgrass, Principal Planner.

Summary

Staff provided Council with an overview of the proposed updates to the Comprehensive Plan and Zoning Map Changes. (Bryan Snodgrass, 487-7946)

COUNCIL DINNER/ADMINISTRATIVE UPDATES

6:00-7:00 p.m.

COUNCIL REGULAR MEETING (City Council Chambers)

PLEDGE OF ALLEGIANCE

CALL TO ORDER AND ROLL CALL

The regular meeting of the Vancouver City Council was called to order at 7 p.m. by Mayor Timothy Leavitt in the Council Chambers of City Hall, 415 W. 6th Street, Vancouver, Washington.

Present: Councilmembers Stober, Topper, McEnery-Ogle, Burkman, Mayor Leavitt

Absent: Councilmembers Turlay, Hansen

Motion by Councilmember McEnery-Ogle, seconded by Councilmember Topper, and carried unanimously to excuse Councilmembers Turlay and Hansen.

APPROVAL OF MINUTES OF OCTOBER 17, 2016

Motion by Councilmember Stober, seconded by Councilmember McEnery-Ogle, and carried unanimously to approve the meeting minutes of October 17, 2016.

APPROVAL OF MINUTES OF OCTOBER 24, 2016

Motion by Councilmember Stober, seconded by Councilmember Topper, and carried unanimously to approve the meeting minutes of October 24, 2016.

PROCLAMATION: VETERANS DAY

Mayor Leavitt read and presented a proclamation to Larry Smith and Jim Erixson, representing the Community Military Appreciation Committee, proclaiming November 11, 2016, as Veterans Day in Vancouver.

CITIZEN COMMUNICATION (ITEMS 1-7)

Mayor Leavitt opened Citizen Communication and, receiving no testimony, closed Citizen Communication.

CONSENT AGENDA (ITEMS 1-7)

Council requested Item 4 be pulled from the Consent Agenda for separate consideration.

Motion by Councilmember McEnery-Ogle, seconded by Councilmember Stober, and carried unanimously to approve Items 1-3 and 5-7 of the Consent Agenda.

1. 2016 RESURFACING PROJECT, CONSTRUCTION ACCEPTANCE AND RELEASE OF RETAINAGE BOND
(Staff Report 148-16)

Summary

The project resurfaced streets within the City including portions of E Mill Plain Boulevard, E 39th Street, NE 15th Avenue, W 26th Street, SE Evergreen Hwy and NE 155th Avenue.

The original construction contract bid amount was \$2,077,027.00. Field adjustments during construction decreased the contract amount \$173,224.66, or 8.3 percent. The majority of the decrease was caused by reducing work on Evergreen Boulevard and eliminating other small items of work at other locations. The planned reinforcement test section work on Evergreen Boulevard was reduced to one lane of travel, including concrete panel repairs replaced by asphalt for pavement repair.

The work was completed satisfactorily in accordance with the plans and specifications.

Motion accepted the 2016 Resurfacing Project as constructed by Lakeside Industries Inc. of Vancouver, Washington, and authorized release of retainage bond in the amount of \$103,851.35 subject to receipt of all documentation required by law. (*Jennifer Cline, Civil Engineer, 487-7763*)

2. AWARD OF CONTRACT FOR FIRE DEPARTMENT WATER TENDER REFURBISHMENTS, PER RFP #31-16
(Staff Report 149-16)

Summary

On October 19, 2016, the City received one (1) proposal in response to the City Fire Department's Request for Proposal for the refurbishment and delivery of three (3) water tenders, RFP #31-16. The Request for Proposal was advertised on September 19, providing 30 days for responses. In addition, several vendors were sent the opportunity directly to ensure the qualified vendors were reached.

The City's proposal evaluation team reviewed and scored the only proposal received from US Fire LLC of Sumner, WA, based on the evaluation criteria and weights namely: Project Approach and Understanding (30%), Proposer Capabilities and Qualifications (30%), Cost Proposal (30%), and References and Past Performances (10%). The proposal received was deemed responsive and the evaluation team felt confident after the review process that the City is offered a very good price in the amount of \$443,306.00 including tax. The estimated cost of this project is \$612,000. US Fire LLC scored high in all of the other criteria.

The Fire Department would like to accept the proposal received from US Fire Equipment, LLC in the amount of \$443,306 including tax.

This pricing will allow the City to refurbish Water Tenders at this price for two (2) years from the agreement effective date, with an option to extend for one (1) more additional two (2) year period.

Motion authorized the City Manager or designee to accept the proposal from US Fire Equipment, LLC of Sumner, WA, and awarded the contract for the water tender refurbishments per the City's RFP #31-16, which will allow the department to proceed with the purchase. (*Barbara Basnett, Equipment Services Superintendent, 487-8205*)

3. EXTENSION OF PUBLIC DEFENSE SERVICES CONTRACT WITH VANCOUVER DEFENDERS
(Staff Report 150-16)

Summary

The City is constitutionally mandated to provide public defense counsel to indigent persons entitled to representation as authorized by law. The City currently provides these services through contracts with private attorneys. Since 2007, the City's primary contract for legal and other professional public defense services has been with Jeffrey D. Barrar (dba Vancouver Defenders). The first term of the City's current contract with Vancouver Defenders expires December 31, 2016, but has two, 1-year contract extensions available. The Council is being asked to approve the first contract extension.

On July 13, 2011, the Washington State Supreme Court adopted new standards for public defense services. The standards include a mandatory caseload limit of 400 cases per attorney per year, which went into effect on January 1, 2015. Prior to the caseload standards, the City was funding six attorney positions at Vancouver Defenders. In order to meet the new standards, the City is now funding twelve attorney positions plus an investigator. One attorney position is partially funded by a grant from the Washington State Office of Public Defense.

Motion authorized the City Manager or his designee to sign a contract extension with Jeffrey D. Barrar to provide public defense services to indigent clients in the City of Vancouver. *(Jan Bader, Program and Policy Development Manager, 487-8606)*

4. APPROVAL OF CONTRACT WITH HEALTHSMART FOR THIRD-PARTY ADMINISTRATION OF CITY HEALTH INSURANCE COVERAGE

(Staff Report 151-16)

Debby Watts, Human Resources Benefits Analyst, Debra Quinn, Assistant City Attorney, and Eric Davis, senior sales executive for Wells Fargo, were available to address Council comments.

Summary

Council authorized the creation of the Joint Self Insurance Health Care Benefit Program (City of Vancouver and Vancouver Housing Authority) effective January 1, 2015, in an effort to address rising health care costs. The Joint Self Insurance Health Care Benefit Program ("Program") in conjunction with the City's Health Insurance Broker conducted a request for proposals to solicit bids from vendors for Administrative Services Only (ASO)/Third Party Administration (TPA), Case Management and Utilization Review.

The Program evaluated each response and interviewed five applicants (HealthSmart, Providence, Regence, First Choice and Cigna.) Following discussion and evaluation, the Program is recommending HealthSmart to be the Program's TPA effective 1/1/2017. Covered employees and their qualified dependents will see no change in rates or plan structure in 2017; however, Aetna will replace Regence as the healthcare network provider.

Councilmember McEnery-Ogle expressed concerns that employees will not have received very much notice regarding the change in health insurance carrier. She asked whether there will be many health care providers who currently accept the City's Regence plan that would not be accepting Aetna. She was particularly concerned about employees currently seeing specialists who may not accept insurance coverage from Aetna, the proposed new carrier.

Eric Davis from Wells Fargo explained that they had analyzed potential disruption of providers for the employees currently enrolled in the Regence plan and they found that there was a small percentage, about 4 percent, for potential disruption and that it would mostly affect specialty providers, such as chiropractors or acupuncturists. Generally primary care providers will accept the new insurance plan. He stated that in cases where an employee was seeing a provider for an acute condition and that

provider is not in the network and there is no alternative provider, the City can work with the provider and could ultimately make an exception for that employee's coverage.

Councilmember Stober asked what role Wells Fargo has in the City's decisions about its health insurance providers, and expressed concerns about the company's involvement given recent news about Wells Fargo. Ms. Quinn explained that the City contracted with Wells Fargo to assist with the City's benefits process, including health insurance.

Motion by Councilmember McEnery-Ogle, seconded by Councilmember Burkman, and carried unanimously authorized the City Manager or his designee to sign the contract with HealthSmart for third-party administration of the program's health insurance coverage, and also authorized the City Manager, or his designee, to approve amendments to the contract including changes to the budget for an amount not to exceed 10% of the original contract amount. *(Debra Quinn, Assistant City Attorney, 487-8500)*

5. AMENDMENTS TO THE CITY OF VANCOUVER FINANCIAL POLICIES
(Staff Report 152-16)

A RESOLUTION adopting and modifying certain City of Vancouver Financial Policies.

Summary

In addition to following all laws related to budgeting as outlined by RCW 35, the City has internal Financial Management Policies that are adopted by City Council and reviewed every two years during the budget development process. The Financial Management Policies are a compendium of all City policies that shape the Budget. Financial Policies change periodically to incorporate changes in the economic environment and to follow best practices.

Several substantive changes to the financial policies are proposed:

- 1. Add a new policy to ensure that the City commitment to direct all the new revenues raised as a result of the Street Funding Initiative to fund operating and capital expenditures associated with the program. The policy also outlines the public process to be followed if any changes to the revenue dedication are proposed in the future.*
- 2. The base amount of funding of the Pavement Management program that was in existence prior to the new Street Initiative Funding is set at that established in the 2015-2016 Adopted Budget.*
- 3. A City commitment to redirect to the Street Funding program expiring debt service budget from pre-2015 debt issues for Transportation projects is confirmed via a new Financial Policy.*
- 4. An updated policy clarifies that Full Time Equivalent positions at the City are controlled at the city-wide level. This policy further adds an authority for positions to be borrowed between funds and adds an overfill policy. In accordance with the proposed policy, positions may be overfilled with permission by the City Manager or designee for a limited time period in situations where necessary, within the constraints of the existing appropriation.*
- 5. Add a policy to clarify the City's objective to fully fund the "pay-as-you-go" approach to utility investment through incremental rate adjustments.*

Motion adopted Resolution M-3909 approving additions and modifications to the City of Vancouver Financial Policies. (*Lloyd Tyler, Chief Financial Officer, 487-8469; Natasha Ramras, Deputy Finance Director, 487-8484*)

6. APPOINTMENT TO VANCOUVER PLANNING COMMISSION

Motion appointed Marjorie Ledell to the Vancouver Planning Commission, with a term beginning Jan. 1, 2017, and expiring Dec. 31, 2020.

7. APPROVAL OF CLAIM VOUCHERS

Motion approved claim vouchers for November 7, 2016, in the amount of \$11,449,722.15.

PUBLIC HEARINGS (ITEMS 8-13)

Julie Hannon, Parks and Recreation Director, and Monica Tubberville, Parks Planner, provided staff comments for Items 8 and 9.

8. PARK IMPACT FEE (PIF) TECHNICAL DOCUMENT UPDATE AND AMENDMENTS TO VMC TITLE 20.915 (Staff Report 143-16)

A RESOLUTION relating to the adoption of a City of Vancouver Park Impact Fee Technical Document; the merging of park impact fee acquisition and development accounts; and providing for effective dates.

Mayor Leavitt read the title of the ordinance into the record.

AN ORDINANCE relating to park impact fees, amending VMC 20.915.030, VMC 20.915.050 and VMC 20.915.100 to accurately refer to and be consistent with the Park Impact Fee Technical Document and establishing an effective date.

Summary

The current PIF Technical Document was adopted in 2009, prior to the 2013 termination of interlocal agreement that governed a joint City-County Parks and Recreation Department and associated. The PIF Technical Document needs to be updated to reflect that it is only applicable to development occurring within city limits.

The proposed action would amend the technical document to:

- Reflect the dissolution of the Parks Interlocal Agreement and update the document to be applicable only within the Vancouver city limits;*
- Realign park district boundaries from ten districts to three larger districts to improve flexibility, program management and concurrency compliance, and facilitate future annexation areas;*
- Revise the fee schedule to represent merged districts (no update to PIF formula values);*
- Merge park acquisition and development funds by park district to provide greater flexibility.*

Additional housekeeping amendments are proposed to the section of the Vancouver Municipal Code (VMC) regulating impact fees for consistency with the PIF Technical Document. A SEPA review for non-project action was completed and duly published with no public comments submitted during the comment period. Information was provided to the Building Industry Association and Clark County Association of Realtors with no follow-up comments or requests.

Ms. Hannon and Ms. Tubberville provided an overview of items 8 and 9.

Mayor Leavitt opened the public hearing and received the following testimony:

- Bobbi Hite, the principal at Crestline Elementary School, spoke in support of Item 9, stating extension of the PIF concurrency timeline for Districts 4 and 5 will allow the City to revitalize parks that need it.
- Chris Roper, Chairman of the Parks and Recreation Advisory Commission, spoke in favor of Item 9, stating that the PRAC has vetted the issue and done thorough research. He noted that the PRAC unanimously voted to recommend this action to the City Council.

There being no further testimony, Mayor Leavitt closed the public hearing.

Motion by Councilmember Topper, seconded by Councilmember Topper, and carried unanimously adopted Resolution M-3910, approving the 2016 Park Impact Fee Technical Document and merging the PIF Acquisition and Development Accounts; and approved Ordinance M-4181 related to the new Park Impact Fee Technical Document. *(Julie Hannon, Parks and Recreation Director, 487-8309; Monica Tubberville, Park Planner, 487-8353)*

9. ADOPTION OF FINDINGS FOR EXTRAORDINARY AND COMPELLING REASONS TO HOLD PARK IMPACT FEES FUNDS IN DISTRICTS 4 AND 5 LONGER THAN TEN YEARS
(Staff Report 153-16)

A RESOLUTION extending the period of time in which to expend or encumber park impact fees (“PIFs”) within park impact fee districts 4 and 5 upon a finding of extraordinary and compelling circumstances.

Summary

As reviewed in detail at the October 17 City Council workshop the City is faced with a concurrency issue with certain PIF funds. At this time the City holds \$1,431,901 in park impact fee (PIF) funds eligible for reimbursement to current property owners in PIF District 4. RCW 82.02.070 requires that impact fees be spent or encumbered within 10 years unless the Council finds that there is an “extraordinary and compelling” reason to hold the fees for a longer period of time. This period of time is referred to as the “concurrency period”. As outlined below, there is sufficient justification for Council to adopt such findings to extend the time period to hold these funds and provide a reasonable period to commit them to eligible park system acquisition and development projects for community benefit.

Extraordinary and Compelling Circumstances: With an already challenging situation of limited suitable sites being available for future parks and natural areas in both park districts 4 and 5, the following conditions and circumstances made spending PIFs within the concurrency period extraordinarily difficult:

- *Real Estate Boom – During the national real estate bubble that occurred approximately between 2001 and 2007 land prices and residential development soared, with PIF funds collected by the City accumulating rapidly. One would expect this to be a great time for park acquisition, but during this period acquisition efforts were competing with private developers who, unlike the City, were free to make competitive offers well over appraised values. Because land acquisitions for park properties are typically established by appraised value, this scenario resulted in losing two laborious land acquisition projects in District 4; one land owner choosing to hold out for a potential commercial rezone by a competing developer offering a higher price, and in the other case, the City was out-bid by a multi-family developer. Even more projects were likely being pursued during this period but they preceded the involvement and knowledge of current staff.*
- *Economic Recession – The Great Recession occurred from 2007 to 2009 leading to a depressed real estate market. Property values in Clark County declined 30% from the 2007 peak until late 2012 when they bottomed out. Although a time of reduced land prices would be the ideal time to purchase land for park purposes, multiple factors limited the City’s ability to pursue projects and commit PIF dollars during this period:*

Appraised vs. Assessed Land Values – Property assessments are based upon actual sales from 12 to 18 months prior, therefore, county land assessments lagged well behind the sudden market drop. Property owners were reluctant to consider selling at lower appraised market values when assessments still reflected higher values. In addition, with so few land sales occurring, property appraisals had limited comparable sales available to guide their value estimates and their validity was frequently challenged. Typically, property owners are reluctant to sell during a depressed real estate market (i.e., a ‘buyer’s market’) if they do not have to. This reluctance contributed to the inability to acquire park property.

As a result, park land purchase negotiations were repeatedly unsuccessful. Fourteen specific land acquisition proposals were pursued in District 4 without success between 2008 and 2013. One of those potential acquisitions lingered for several more years until it was determined ineligible following the Dissolution of the Parks Interlocal. Some of these projects were rejected by the City due to unreasonable seller conditions, such as compensation for design and permitting losses due to the market decline, foreclosure processes that stalled out with banking institutions, and the inclusion of guaranteed maintenance costs in the purchase price. Likewise, eight projects were pursued in District 5, a shared city-county district, all of which fell through for similar reasons.

Staff Reductions - The Parks Department in particular faced crippling staff layoffs during the recession with an effective freeze on park acquisition and development projects city-wide. The Parks Department staffing level (maintenance staff is excluded as they are Public Works employees) was cut by over 50% beginning in 2008 through 2013. The acquisition and development team went from a staff of 5 planners and 9 landscape architects at the height of activity, to 1 planner and 1 landscape architect/project manager, as of 2013. In addition, reductions were made in park maintenance standards and capital

repairs were put on hold for existing park facilities to relieve already limited resources for essential public services.

- *Inconsistency in Role of Directors – Within the same six-year period the department had six different directors, three of whom were at the helm on an interim basis with additional “acting directors” in between. This lack of consistent leadership and inadequate institutional knowledge significantly hindered the ability of remaining staff to champion core projects. This constant change in department leadership resulted in a continued lack of a long-term PIF acquisition and development strategy that substantially impacted the concurrency issue.*
- *Dissolution of Parks Interlocal Agreement - Another significant factor adding further delay to the successful implementation of the PIF program was the slow and contentious unraveling of the Parks Interlocal Agreement that had deeply entwined the two jurisdictions over the seventeen years since its formation in 1997. The reality of the dissolution began to take form in 2012, just about the time the real estate market was recovering. After numerous attempts to renegotiate the agreement, the interlocal and Vancouver-Clark Parks and Recreation dissolved effective December 31, 2013. The dissolution process demanded extensive negotiations and approval through both jurisdictions, PIFs held by the City on behalf of Clark County (pursuant to the interlocal) had to be returned to the county, twenty-four park properties had to change hands both functionally and legally, and grant agreements had to be realigned. This process was disruptive at best for the many City staff involved with implementation spillover well into 2014-15, which trumped active pursuit of park acquisition and development projects. This process was followed by another wave of staff losses including those with experience and knowledge of the PIF program in multiple departments.*

Present Situation: With the combined impact of these factors related to this period of economic and programmatic instability, the City of Vancouver has \$1,431,901 in PIF funds in District 4 paid between October 2004 and December 2009 that are eligible for reimbursement. In PIF District 5, \$513,931 of PIF fees paid between June 2007 and December 2009 begin to expire in May of 2017 if planned design and development contracts cannot be secured within an ideal time frame.

The intent of the park impact fee program is to provide parks and natural areas to serve the future residents and neighborhoods of our community. We believe it to be in the best long-term interest of the community to honor the intent of this obligation and the integrity of the PIF program by extending the timeframe for holding these funds until they can be successfully committed to eligible projects as soon as reasonably possible.

Projects eligible for funding through the Park Impact Fee program include the acquisition and development of neighborhood and community parks and urban natural areas. Projects must also be identified on the Capital Facilities Plan (CFP) of the Vancouver Comprehensive Parks, Recreation and Natural Areas Plan.

If Council approves the proposed merger of acquisition and development accounts, development projects and identified acquisition projects can be put into play in Districts 4 and 5, as well as all other districts. Amendments to the Parks CFP will be required for some of the projects needed, with review and approval

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by the Parks and Recreation Advisory Commission, Planning Commission and Council for amendments to the Parks Plan accordingly. With the limited staff and the demands of the Waterfront project, staff realistically estimates the time needed to progressively complete the multiple projects anticipated to spend impact fees subject to potential refund to be approximately five years.

The Parks and Recreation Advisory Committee was briefed on these concurrency details at a public meeting on October 5, 2016, and in the best interest of the community, voted unanimously to support the Extraordinary and Compelling findings and recommended forwarding this to City Council for their approval.

Recommendation: Based on the findings noted above, staff recommends Council approve a resolution finding extraordinary and compelling reasons to extend the time for the expenditure or commitment of PIF funds collected between October 2004 and December 2009 in Park Impact Fee District 4 (\$1,431,901), and PIF funds collected between June 2007 and December 2009 in Park Impact Fee District 5 (\$513,931) to no later than December 31, 2021.

This recommendation provides the best estimate of the timeline needed to pursue the necessary steps to encumber and appropriate these funds, execute eligible projects, and bring the accounts into a stable concurrency position.

With renewed flexibility through the merged PIF districts and acquisition and development accounts, and consistent and strategic department leadership, the following PIF eligible projects have been identified for execution during the five-year extension to bring the accounts into a stable concurrency status:

Proposed Projects

| LOCATION / TYPE | DESCRIPTION | SCHEDULE | BUDGET ESTIMATE |
|---------------------------------------|--|------------------|---|
| DISTRICT 4 | | | |
| <i>Heritage Neighborhood Park</i> | <i>Play equip. and site capacity expansion</i> | <i>2017</i> | <i>\$280,000</i> |
| <i>Clearmeadows Neighborhood Park</i> | <i>Play equip. and site capacity expansion</i> | <i>2017</i> | <i>\$300,000</i> |
| <i>Hambleton Neighborhood Park</i> | <i>Master Plan</i> | <i>2017</i> | <i>\$50,000</i> |
| <i>Hambleton Neighborhood Park</i> | <i>Level III Development</i> | <i>2019</i> | <i>\$500,000</i> |
| <i>Park Acquisition(s)</i> | <i>Four potential sites identified</i> | <i>2017-2020</i> | <i>\$1,000,000 - \$2,000,000</i> |
| <i>District 4 Total</i> | | <i>2021</i> | <i>\$2,130,000 - \$3,130,000</i> |
| DISTRICT 5 | | | |
| <i>North Image Neighborhood Park</i> | <i>Full site development</i> | <i>2018</i> | <i>\$850,000</i> |
| <i>Park Acquisition(s)</i> | <i>Three potential sites identified</i> | <i>2017-2019</i> | <i>\$1,000,000</i> |

| | | | |
|-------------------------|--|-------------|--------------------|
| <i>District 5 Total</i> | | <i>2021</i> | <i>\$1,850,000</i> |
|-------------------------|--|-------------|--------------------|

Staff will return to Council for amendments to the CFP as needed and/or authorization of projects identified for completion as soon as reasonably possible.

Motion by Councilmember Burkman, seconded by Councilmember McEnery-Ogle, and carried unanimously adopted Resolution M-3911 finding extraordinary and compelling reasons to extend the time for the encumbrance or expenditure of PIF funds collected between October 2004 and December 2009 in Park Impact Fee District 4 (\$1,431,901), and PIF funds collected between June 2007 and December 2009 in Park Impact Fee District 5 (\$513,931) to no later than December 31, 2021. *(Julie Hannon, Parks and Recreation Director, 487-8309; Monica Tubberville, Park Planner, 487-8353)*

10. AD VALOREM PROPERTY TAX
(Staff Report 144-16)

Natasha Ramras, Deputy Finance Director, and Lloyd Tyler, Chief Financial Officer, provided staff comments for Items 10-13, relating to the adoption of the 2017-2018 Biennial Budget.

Mayor Leavitt read the title of the ordinance into the record.

AN ORDINANCE fixing and levying the amount of ad valorem taxes necessary to balance estimated revenue with estimated expenditures for the 2017/2018 Budget for the City of Vancouver; providing for an effective date.

Summary

Pursuant to RCW 35.33.135, Council must approve an ordinance to fix and authorize the Clark County Assessor's Office to levy ad valorem taxes necessary to fund the City of Vancouver's 2017-2018 Biennial Budget.

An ad valorem tax (Latin for "according to value") is defined as a tax based on the value of real estate or personal property. An ad valorem tax is typically imposed at the time of a transaction(s) (a sales tax or value-added tax (VAT)), but it may be imposed on an annual basis (real or personal property tax) or in connection with another significant event (i.e. inheritance tax).

Staff currently estimates the 2017 real and personal property tax levy as \$46.6 million, which includes a preliminary estimate of \$722,000 in property tax revenue from new construction. The estimate of property tax from new construction will be updated based on the final new construction valuation provided by the Assessor's Office. The estimate of property tax revenue does not include the change in value of state-assessed utility property. Both of these amounts will not be final until December 2016. City staff recommends that Council approve ad valorem taxes in the amount of \$46.6 million, which is needed to fund the City's 2017-2018 biennial budget. Approving ad valorem taxes of \$46.6 million allows the County Assessor's Office to levy real and personal property taxes to the full extent allowed under Washington State law. Staff anticipates that the final certified levy will be between \$46.0 million and

\$46.2 million in 2017. If Council authorizes the ad valorem tax amount too low, the County Assessor's Office will only be allowed to levy up to the amount authorized by Council.

Staff recommends that City Council approve ad valorem taxes in the amount of \$46.6 million for the 2017 real and personal property tax levy within the city limits of Vancouver. This estimated revenue source is necessary to fund the 2017-2018 Biennial Budget for the City of Vancouver.

Mayor Leavitt opened the public hearing and, receiving no testimony, closed the public hearing.

Motion by Councilmember McEnerny-Ogle, seconded by Councilmember Burkman, and carried unanimously to approve Ordinance M-4182. (*Carrie Lewellen, City Treasurer, 487-8482*)

4. PROPERTY TAX LEVY FOR 2017

(Staff Report 145-16)

Mayor Leavitt read the title of the ordinance into the record.

AN ORDINANCE relating to the annual property tax levy; authorizing an increase of 0.953% in the City's regular levy from the amount levied the previous year; and providing for an effective date.

Summary

On November 6, 2001, Washington voters approved Initiative 747 (I-747), which limits the allowable increase in the property tax levy to 1.0%, or the rate of inflation, whichever is less. The intent of the Initiative was reaffirmed by the Legislature in November 2007. The measure of inflation used under this law is the Implicit Price Deflator (IPD). The IPD inflation rate for 2017 levy calculations is 0.953%.

Staff recommends that City Council approve a 0.953% increase in the property tax levy.¹ Because the inflation rate is less than the 1.0% limit, this is the maximum increase allowed. Based on last year's levy of \$44,861,498.06, the increase will be \$427,530.08. Authorization of this increase requires a simple majority vote of City Council.

Staff estimates that the City's property tax levy rate in 2017 will range between \$2.40 per \$1,000 of assessed value to \$2.50 per \$1,000 of assessed value, compared to the actual 2016 property tax levy rate of \$2.666 per \$1,000. The decrease in the property tax levy rate is attributed to assessed values in the City increasing by approximately 10.4% compared to the prior year. Because of the limit on property tax increases, as discussed above, the property tax levy rate declines as assessed value increases. The statutory cap for the City's levy rate is \$3.325 per \$1,000 of assessed value.

Example calculation of City Property Tax:

¹ Under RCW 84.55.0101, Council may increase the levy up to 1.0% but this would require a finding of substantial need and would require a majority plus one vote for passage (five votes if all seven members vote).

| | | |
|--|---|--|
| Assessed Value 2016 \$250,000 | Levy Rate 2016 \$2.666 (per \$1,000 assessed value) | 2016 City Property Tax = \$666.50 |
| Assessed Value 2017 \$276,000 (assumes assessed value increases 10.4%) | Estimated Levy Rate 2017 \$2.45 (per \$1,000 assessed value) | 2017 City Property Tax (hypothetical) = \$676.20 |
| AV increases 10.4% | Levy Rate declines | Annual tax increase \$9.70 for this example taxpayer* |

**If the assessed value of the resident's property as a percentage increased by less than 10.4%, the resident's annual taxes would be equal to or slightly less than the taxes paid to the city in 2016. If the assessed value of the resident's property increased by more than 10.4% from the previous year, the increase in the annual taxes would be slightly higher.*

Some citizens may qualify for tax relief, or qualify for a deferral program. To find out more information about this, residents should contact the Clark County Assessor's Office at 360-397-2391 or visit their website at <http://www.clark.wa.gov/assessor/taxrelief/index.html>.

In addition to the base levy, the City collects new property tax revenue based on the value of new construction added to the assessment rolls during the prior year. The revenue to the City is calculated using the assessed value of new construction multiplied by the prior year's levy rate. The value of new construction is still being finalized by the County Assessor's Office and includes the value of utility new construction provided to the County Assessor by the State. The most recent estimate from the County Assessor's Office indicates more than \$270 million of new construction, which translates into \$722,000 of additional City property tax revenue, which is slightly more than the \$550,000 received for new construction values for 2016 taxes. The City's ordinance states the percentage and dollar amount increase in the City's base property tax levy as required by RCW 84.55.120. The County Assessor will determine the levy amount for new construction based on their final calculations.

Mayor Leavitt opened the public hearing and, receiving no testimony, closed the public hearing.

Motion by Councilmember Burkman, seconded by Councilmember Topper, and carried unanimously to approve Ordinance M-4183. *(Carrie Lewellen, City Treasurer, 487-8482)*

5. WATER, SEWER, SURFACE WATER 2017-2020 UTILITY RATES
 (Staff Report 146-16)

Mayor Leavitt read the title of the ordinance into the record.

AN ORDINANCE related to the water, sewer, and storm/surface water management utilities utility user rates, amending Vancouver Municipal Code Sections 14.04.090, 14.04.210, 14.04.230, and 14.09.060 and adding a new section 14.04.242; providing for a savings clause, and providing for an effective date.

Summary

This year, the Public Works Department carefully analyzed the operating and capital needs and worked with a financial consultant to update the City's utility rate model used for forecasting. Multiple analyses

were conducted to arrive at an approach to meet inflation and new capital and system reinvestment needs consistent with adopted financial policies. Per City Council adopted financial and budget policies, to keep pace with increasing operational costs and in order to provide funding for the continued implementation of a long-term capital improvement and system reinvestment program without incurring future debt, the following utility rate increases are recommended for implementation in 2017-2020:

Water: an annual 5% increase each year 2017-2020. (A 5.5% increase is recommended for 2017.)

Sewer: an annual 3% increase each year 2017-2020.

Surface Water: an annual 5% increase each year 2017-2020.

Water and Surface Water's 5% rate increase consists of an inflationary component equal to 2% and a capital/system reinvestment component equal to 3%. Sewer's 3% rate increase consists of an inflationary component of 2% and a capital/system reinvestment component of 1%. Sewer's capital/system reinvestment needs are being substantially met by a scheduled reduction in debt service payments with the majority of the debt paid off by 2020.

An additional one-time 0.5% additional rate increase is being assessed in water. The city's finance and law departments have concluded that the City's utility tax needs to be applied to certain revenue elements that have historically not been taxed. This increase is a pass-through of this additional tax being applied to the utility revenue.

In addition to the rate increases, certain fees for meter and service installations and relocations are being updated to reflect cost of service analyses performed by the financial consultant or inflation.

Finally, ordinance language which assesses a fee to cover recording costs associated with either water or sewer system development charges has been revised to be more generic to cover any documents that require recording and has been updated in response recording fee increases at Clark County.

Mayor Leavitt opened the public hearing and, receiving no testimony, closed the public hearing.

Motion by Councilmember McEnery-Ogle, seconded by Councilmember Burkman, and carried unanimously to approve Ordinance M-4184. *(Brian Carlson, Public Works Director, 487-7131)*

6. ADOPTION OF 2017-2018 CITY OF VANCOUVER BIENNIAL OPERATING AND CAPITAL BUDGET
(Staff Report 147-16)

Mayor Leavitt read the title of the ordinance into the record.

AN ORDINANCE relating to and adopting the budget for the City of Vancouver for the 2017-2018 fiscal biennium; providing for ratification and for an effective date.

Summary

The City of Vancouver 2017-2018 Biennial Budget has been prepared for approval. The Recommended Budget was presented to Council in a workshop on October 17.

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The 2017-2018 Biennial Budget appropriates \$1.004 billion for Operating and Capital Budgets. A total of \$787.5 million is appropriated for all City operating funds. There are 33.2 net new full time equivalent (FTE) positions added in the 2017-2018 Budget. The budget also incorporates funding for 44.25 additional FTEs added during 2016. Several of those positions (including 6 Police Officer FTEs), are converted in the 2017-2018 budget from limited term to regular.

The 2017-2018 Biennial Budget does not contain any material changes from the 2017-2018 City Manager's Recommended Budget as presented to Council on October 17. The budget is balanced within the on-going revenues and available cash resources at hand. The budget relies on new revenue generated by a 1% property tax revenue increase, and approximately new to the General fund revenue from the utility rate increase of approximately 3% in each year of the biennium.

A total of \$399.8 million is appropriated in the General, Street, and Fire operating funds. A total of \$387.7 million is appropriated in other operating funds. All appropriations are consistent with the following budget framework.

The period of relative fiscal stability experienced by the City in 2013-2016 allowed the City to reexamine the highest needs of the community and respond by improving the level of service in a few key areas in the 2017-2018 biennium, including police, fire inspections, parks greening and maintenance, administrative services and utilities. The City continues to make progress in funding deferred maintenance and replacement of City assets on a pay-as-you-go basis and invest in efficiencies through business model changes.

Mayor Leavitt opened the public hearing and, receiving no testimony, closed the public hearing.

Motion by Councilmember Stober, seconded by Councilmember Burkman, and carried unanimously to approve Ordinance M-4185. (Natasha Ramras, Deputy Finance Director, 487-8484)

COMMUNICATIONS

- A. From the Council
- B. From the Mayor
- C. From the City Manager

ADJOURNMENT

8:10 P.M.

Timothy D. Leavitt, Mayor

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Attest:

R. Lloyd Tyler, City Clerk
By: Carrie Lewellen, Deputy City Clerk

Meetings of the Vancouver City Council are electronically recorded on audio and videotapes. The audio tapes are kept on file in the office of the City Clerk for a period of six years.

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City Manager's Office
(360) 487-8600 | WA Relay: 711
Amanda.Delapena@cityofvancouver.us

