

Oak Harbor City Council
Workshop Meeting Minutes
January 25, 2023

This was both a physical meeting location and a virtual meeting The meeting was viewable via YouTube www.youtube.com/cityofoakharbor and Facebook or could be viewed on Channel 10/HD 1090 following the meeting. Public Comments are not normally taken or included for Council Workshops, although the Council may allow or request participation.

CALL TO ORDER

Mayor Severns called the meeting to order at 2:00 p.m.

ROLL CALL

City Council Present:

Mayor Robert Severns
Mayor Pro Tem Tara Hizon
Councilmember Beth Munns
Councilmember Jim Woessner
Councilmember Bryan Stucky
Councilmember Dan Evans
Councilmember Shane Hoffmire
Councilmember Eric Marshall

Staff Present: Videoconference

City Administrator Blaine Oborn
Finance Director David Goldman
Public Works Director Steve Schuller
Development Services Director David Kuhl
Parks & Recreation Director Brian Smith
City Engineer Alex Warner
Archaeologist Gideon Cauffman
Police Chief Kevin Dresker
Fire Chief Ray Merrill
Harbormaster Chris Sublet
Central Services Supervisor Sandra Place
Accountant Heidi Childs
Communications & IT Manager Sabrina Combs
City Administrator Executive Assistant Macalle Finkle
City Clerk Julie Nester

Also in attendance: City Attorney
Hillary J. Evans of Kenyon Disend, PLLC

MAYOR

Mayor Severns called the workshop to order and welcomed those in attendance.

PARKS & RECREATION

Motion: Councilmember Munns moved to allow public comment from the Marina Advisory Committee following the presentation. Councilmember Hoffmire seconded the motion, which carried unanimously.

a. Marina Trends and Financial Analysis – BST Associates

Mayor Severns introduced Paul Sorensen, founder of BST Associates. BST focuses on waterfront development, including marina market and financial analysis and business planning. He noted Mr. Sorensen currently serves as vice-chair of the Northwest Marine Trade Association, which promotes boating through the Seattle Boat Show, the Marina/Boatyard Conference and lobbying on issues relevant to the recreational boating industry.

Mayor Severns also introduced Harbormaster Chris Sublet, who reviewed the agenda item. The Marina has contracted with BST Associates to write a Business Plan for the Marina as a “best practice” as well as to satisfy a condition of the current DNR lease. It is unknown when the last Business Plan was written for the Marina however, some aspects of a Business Plan were included in the 2007 Marina Redevelopment Plan study. The BST Associates Oak Harbor Marina Business Plan effort was led by Mr. Paul Sorenson, who has recently written a business plan or provided economic studies for the Des Moines, Everett, La Conner and Cap Sante Marinas. Mr. Sorenson briefed the Marina Advisory Committee at the October, November, December and January meetings on his findings. Harbormaster Sublet noted that The Chairman of the Marina Advisory Committee, Mr. Ken Hulett and member Byron Skubi, were also present to help answer any questions.

Mr. Sorenson presented the Oak Harbor Marina Business Plan findings and recommendations. He reviewed the Scope of Work for the Business Plan:

- Existing conditions
- Conducted outreach
- Reviewed marina operations
- Evaluated financial performance
- Developed options to consider
- Recommend next steps

Mr. Sorenson outlined the needs of the Marina, including dredging, dock realignments, improvements and repairs and improvements to power. He provided cost estimates for a rebuild component as follows:

- Dredging basin \$4.5 million
- Dredging channel \$5 million
- Redeveloped marina (assume 200-300 slips) \$16 million to \$24 million
- New Breakwater (900 feet) \$5 million
- Range of cost \$30 million - \$40 million

He noted these estimates should be refined to help guide future decisions. Dredging and replacing the breakwater do not generate revenue but account for around 38% to 50% of estimated costs. Mr. Sorensen explained the cost to rebuild the marina should also be compared with the cost to remove the marina.

Required net revenue for debt service:

Estimated \$1.5 million to \$2.0 million. This assumes 4%, on a 30-year bond. The net revenue averaged \$188,000. Rate increases and cost savings are needed but are not sufficient to meet required funding. Mr. Sorensen noted the current rate strategy is not working and resulting in far less 80% goal. Financing will likely require City participation and grants, although there are few direct grants for recreational marinas but there may be other grants that could be obtained.

In closing, Mr. Sorensen reviewed options and recommendations for Oak Harbor:

Larger community harbor plan -
New vision for the harbor.

Access to grant funding for trails, infrastructure, economic development.

Dedicate lease revenue from adjacent upland development to marina and related improvements at:
Harbormaster building/parking lot, Mariner's Haven

Public/private partnership -
Marina operator/developer, condo,
Shifts capital spending and O&M costs to private party.

Develop a new vision of the marina -
As a part of the dredging plan:
Prepare harbor reconfiguration plan,
Redefine the size/shape of the DNR lease area.
Refine demand, cost estimates, phasing.

Financial plan -
Increase moorage revenues.
Reduce operating costs.
Lease opportunities (Mariners Haven, other uplands)
Explore all grant options (USACE, other sources)
Evaluate rebuild option with remove option

Mayor Severns thanked Mr. Sorensen for his analysis, marina comparisons utilized, and potential options. He noted the City had recently closed on the purchase of property between SE Pioneer Way and Bayshore Drive. The City owns the tidelands adjacent to Bayshore, but not the tidelands under the Marina.

Councilmembers Woessner, Evans, Munns, Hoffmire and Mayor Pro Tem Hizon provided their respective questions and comments.

Marina Advisory Committee Chair Byron Hulett and member Byron Skubi provided additional comments and stressed the need for immediate dredging.

Parks and Recreation Director Smith reviewed next steps including a meeting with the firm of Moffatt & Nichol to discuss options for redesign and redevelopment, as well as ties to downtown. Staff will bring this information, including a financial analysis and a fee study item to the Council at a later date.

FINANCE

a. City Grants Quarterly Update-

Mayor Severns introduced Grants Administrator Wendy Horn who provided an overview of any recent grant activity, as well as a presentation on how and when to decide to accept grant funding.

The City received both of the transportation grants applied for in August:

TIB UAP-\$837,185 Awarded – NE 7th Ave - Offset Streets Fund total of \$2,119,943.

TIB APP-\$485,297 Awarded – West Whidbey Ave - Offset Transportation Improvement District Funds. The City utilized \$1 million of 2022 ARPA funding with an inflow and infiltration project cost of \$1.95 million.

Administrator Horn reviewed considerations examined in pursuing a grant, including Scope versus Funding, Match Requirements, Time Extensions, Capacity, and Reporting Commitments

Councilmembers Munns and Hoffmire provided their respective questions and comments.

LEGAL DEPARTMENT

a. Discussion: Considering Adoption of Council Code of Ethics and Conduct

City Attorney Evans explained many city councils have developed a Code of Ethics and Conduct to assure that all elected and appointed officials conduct themselves in a manner that will instill public confidence and trust in the fair operation and integrity of city government. They also serve to provide the basis for education and training for City officials both elected and appointed, to ensure that the highest standards and best practices with regard to ethics will be followed. These rules can go beyond what's already imposed by state law. Often these apply to city board members and commissioners, as well. This can be either a stand-alone policy or incorporated into the Oak Harbor Municipal Code.

Attorney Evans provided examples from two other cities to illustrate topics such as: Conflicts of interest and/or personal interests in legislation, Gifts. Respect for the process, Conduct at meetings, Harassment, Use of city resources, Nepotism, Advocacy, an Ethics Officer and/or complaint process, Admonition, censure and/or penalties, and Conduct after leaving city office.

Councilmembers Hoffmire, Munns, Woessner, Stucky, Marshall and Mayor Pro Tem Hizon provided their respective questions and comments. The consensus of the Council comments was to draft an addendum to Council Rules of Procedure for Council consideration at a later date and to work with staff to provide training for Councilmember recusal. The Council also favored having these guidelines created for Boards and Commissions. City Attorney Evans will work with staff on the creation of bylaws, as well as meeting formats, agendas and forms for Boards and Commissions.

BREAK

Mayor Severns called for a short break at 3:33 p.m. At 3:40 p.m. he called the meeting back to order.

FIRE DEPARTMENT

a. Fire Engine and Quint Acquisition

Fire Chief Merrill was joined by Central Services Supervisor Place to discuss the procurement options for replacing two (2) 1997 Seagrave engines with one (1) E-ONE engine utilizing levy funds and purchasing one (1) quint engine using bond funds for the westside fire station. Staff is proposing to use the City's cooperative purchasing agreement with Sourcewell, which will fulfill the bidding obligations as required by City ordinance and saves costs by allowing Sourcewell to perform the bidding process. Chief Merrill noted the Council already approved this purchase and the passing by voters of the bond levy for funding. He reviewed the expected costs for purchase and the Sourcewell contract pricing. Staff brought the purchase forward at this time due to the long delays, between 720 days and 2 years, to obtain the quint and engine. Central Services Supervisor Place reviewed payment options.

Councilmembers Marshall and Evans provided their respective questions and comments.

Staff will bring the item for purchase to the Council at a future meeting.

CITY COUNCIL

a. Creative Arts Utility Tax Revenue Discussion

Motion: Councilmember Hoffmire moved to accept public comment following the presentation. The motion was seconded by Councilmember Munns and carried unanimously.

City Administrator Oborn noted this item was placed on the agenda at the request of City Council. He was joined by Finance Director David Goldman, and Archaeologist / Staff Arts Commission Liaison Gideon Cauffman in reviewing the item for Council. Input was also provided by Parks and Recreation Director Smith.

Director Goldman noted at the City Council meeting of November 15, 2022, following the Public Hearing for 2023-2024 Preliminary Budget Adoption - Budget Overview, and Council discussion, Councilmember Evans moved to place a conversation of funding for the creative arts fund on a future agenda, seconded by Councilmember Munns. The vote on the motion passed 6-1 with Councilmember Hoffmire opposed. Per section 3.71.130 of the Oak Harbor Municipal Code (OHMC), the City allocates 0.25% of the utility tax collected on each supplier of water, sewer, and solid waste services to the Creative Arts Fund to promote the following goals (OHMC 3.26):

1. Foster arts and cultural programs for the enrichment of the city and its citizens.
2. Foster the development of a local arts community.
3. Coordinate and strengthen new and existing art organizations and develop cooperation with regional entities.
4. Develop a program for public art.
5. Further the vision of Oak Harbor as a vibrant and progressive community.

Director Goldman confirmed there is no state requirement for arts funding and shared the history of the creative arts funding by the City. Staff did find the following relative to art and cultural programs:

- RCW 43.17.200 requires state agencies (not cities) to allocate 0.5 percent of the construction costs of any public building for the acquisition of works of art.
- RCW 84.52.821 permits any city to adopt, via voter approval, an additional property tax levy for up to seven consecutive years to benefit or expand access to nonprofit cultural organizations (details of cultural arts programs can be found in RCW 36.160.110).
- RCW 84.14.525 permits any city to adopt, via voter approval, an additional sales tax up to 0.1% for up to seven years to benefit or expand access to nonprofit cultural organizations (details of cultural arts programs can be found in RCW 36.160.110).

Residential Customer Fiscal Impact:

The cost of the 0.25% utility tax for creative arts averages \$0.57 per month or \$6.84 annually for the City's residential utility customers.

Utility Taxes Legal Maximum:

There are no restrictions on the tax rates for water, sewer, solid waste, and stormwater utilities.

Fund Balance from the adopted budget and Art Projects:

The 2022 year-end fund balance is estimated at \$277,264 (2022 has not been finalized). It expected to grow by about \$40,000 per year before expenditures for specific City Council approved art projects are deducted. The \$40,000 fund balance growth per year is calculated by taking the appx. \$60,000 annual revenue and subtracting the appx. \$20,000 budgeted annual operating expenditures (see attached excerpt from 2023-24 Biennial Budget).

Suggested Options Include:

Option 1: No Change.

Option 2: Reallocate 0.25% utility taxes to General Fund and conduct transfers from General Fund to Creative Arts Fund as needed following Council approvals.

Option 3: Reduce water, sewer, and solid waste services utility tax by 0.25% to 6%.

Option 4: Other options

Archaeologist Cauffman reviewed the outstanding art projects consisting of the following sculptures:

- The Acorn. \$8,000 remaining of Council allocation for shelter design and interpretation. Additional funds will be needed for engineering, fabrication, and installation.
- Temple Blue. \$25,000 Council allotment for installation and design of interpretation of the park. Anticipated to be installed this year. Additional \$10,000 needed for signage related to interpretation of the park work.
- Meditation. Appx. \$12,000 Remaining Council allotment. Coordinating with the contractors on details and costs.
- Gate of Inspiration – Proposed for Flintstone Park and not yet reviewed by the Park Board and City Council.
- 3 Totems. No Council allocation at this time. Need approximately \$1,380 for repairs. Minimum known additional need = \$13,880+
- Angel of Creativity. Additional expenditures likely. Gate of Inspiration. No Council allocation at this time. Need approximately \$2,500 for repairs.

Archaeologist Cauffman and City Administrator Oborn reviewed the current Creative Arts Fund budget.

Arts Commission Chair Cynthia Mason addressed the Council. She noted she had been on the Arts Commission since 2019 and wanted to state how passionate the committee volunteers were. She expressed appreciation for Councilmember Marshall joining the Arts Commission meetings and that the Commission was looking forward to a relationship with the Parks and Recreation Department. She noted art's place in economic development and did not want to see funding cut.

Councilmembers Woessner, Evans, Stucky, Hoffmire, Marshall, Munns and Mayor Pro Tem Hizon provided their respective questions and comments.

Arts Commission member Mary Hines introduced herself as a writer and the newest member of the Arts Commission. She expressed the need for creative outlets for area children and young people in the community and encouraged the Council not to cut Arts Commission funding.

Mayor Severns thanked the Arts Commission, Council and staff for the discussion.

ADMINISTRATION

a. City Administrator's Report

City Administrator Oborn provided highlights of his monthly report to Council:

- Coordination meetings with the Oak Harbor School District for athletic fields and transportation facility discussions. Two Councilmembers will participate.
- The City's November All-Hands meeting theme was "Bright Ideas" and many great ideas were shared and will be integrated.

- The City purchased 1081 and 1091 SE Pioneer Way. The City will seek grants to perform environmental investigation and clean-up at the properties, and for a redevelopment plan. In the short-term the City plans to make the space available for special events.
- New Economic Development Coordinator Steve McCaslin is now on board and will be providing quarterly reports
- The Mayor and members of the City Council and staff participated in an audit exit conference with the State Auditor's Office online earlier today. This was a financial audit, and all reports were positive.
- Human Resources is advertising for several positions. City Administrator Oborn provided a list. See the City's website.
- January 19th 30,000 baby salmon were delivered to pens at the Oak Harbor Marina.
- New software is being installed at the Marina.
- The new Portland Loos installation at Flintstone Park is nearly complete.

Councilmembers Woessner and Hoffmire provided comments regarding a desire to potentially preserve the art deco styled former gas station at 1091 SE Pioneer Way, one of two buildings located at 1081 and 1091 SE Pioneer Way. City Administrator Oborn noted this would be considered. A brownfield grant may stipulate clean-up requirements for the property. Staff will return with more information to City Council as it becomes available.

ADJOURN

Hearing no other discussions. Mayor Severns adjourned the workshop at 4:52 p.m.

Certified by Julie Nester, City Clerk