

Oak Harbor City Council
Workshop Meeting Minutes
June 28, 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 Pro Tem Hizon called the meeting to order at 2:00 p.m.

ROLL CALL

City Council Present:

Mayor Robert Severns - absent
Mayor Pro Tem Tara Hizon
Councilmember Beth Munns
Councilmember Jim Woessner
Councilmember Bryan Stucky
Councilmember Shane Hoffmire
Councilmember Eric Marshall
Councilmember Chris Wiegenstein

Staff Present: In-person or Videoconference

Finance Director David Goldman
Public Works Director Steve Schuller
Parks and Recreation Director Brian Smith
Police Chief Kevin Dresker
Fire Chief Ray Merrill
Senior Planner Ray Lindenburg
Harbormaster Chris Sublet
Building Official Ginger Pennington
Finance & Performance Analyst Chas Webster
Communications & IT Manager Sabrina Combs
City Administrator Executive Assistant Macalle Finkle
City Clerk Julie Nester

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

MAYOR

Mayor Pro Tem Hizon called the workshop to order and welcomed those in attendance. She noted she was presiding at the request of Mayor Severns.

PARKS AND RECREATION DEPARTMENT

- a. Marina Rate Study Presentation – Paul Sorenson, BST Associates

Consultant Paul Sorenson provided a detailed review of the marina rate study findings and recommendations. The scope of services for the study included a review of all current rates and revenues at the Oak Harbor Marina, rates charged at other comparable marinas, a comparison of competitive rates, an assessment of rate increase impacts on occupancy, and preparation of a rate schedule for 2023 through 2027 (a five-year plan). The scope of services also included presentations to the Marina Advisory Committee (MAC) and to City Council. Mr. Sorenson briefed the MAC at their April and May meetings on those findings. Committee Chair, Ken Hulett and member J.J. Jones were present to provide input and respond to questions as well.

Mr. Sorenson reported the Marina is not sustainable with the existing rates. He explained that Marina rates did not increase for a period between 2011–2016. This caused rates to fall further behind from competitive rates and the deficit was not made up moving forward. In addition to providing for routine maintenance, rates need to be adjusted to pay for dredging and new breakwater projects, and revenue needs to increase across all sources. Mr. Sorenson reviewed all Marina revenues and expenses and provided recommendations for consideration.

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

b. Marina Rates and Fees Update

Harbormaster Chris Sublet reviewed study results, which compared the current Oak Harbor Marina rates to the average, median, and 90th percentile prices of similar services in the rate study. The study revealed that Oak Harbor Marina rates are:

- 32%-42% less than the median prices
- 41%-53% less than the average prices
- 75%-102% less than the 90th percentile

Based on the location, age of the marina and it being City owned, BST Associates recommends that marina rates be increased to the median price point in their study. They have also recommended a five-year rate schedule. Staff recommended the rates be brought up to the median price point with a three-year rate schedule. The three-year rate schedule is based on the dredge bond being paid off in three years plus the current dredge and reconfiguration efforts that are underway. Dredging cost estimates are \$6.8-8.8 million. The largest rate increases will be in the 40' and up size categories. This would maximize yearly moorage revenue, keep the marina under the average Puget Sound moorage prices, and bring all size categories up to the median Puget Sound moorage prices.

In addition to the April and May presentations, the Marina Advisory Committee (MAC) also discussed the rate study and a rate increase at their June meeting. A motion was made and seconded to recommend that rates be increased as per the Rate Study but failed with a tie vote of two for and two against and one member absent. The MAC also discussed the rate increases at a special meeting on June 14, 2023 and made a recommendation to adopt a proposal submitted by MAC member Ryan Bradley. Harbormaster Sublet provided a comparison between that proposal and the proposal recommended by staff and BST Associates.

Harbormaster Sublet explained staff brought this item for discussion prior to placing it on an upcoming Council agenda for potential action.

Councilmembers Woessner, Hoffmire, and Wiegenstein provided their respective questions and comments.

- c. Action Item: Resolution 23-14: Recreation Conservation Office (RCO) Grant application for Local Parks Maintenance Grant (LPM) for the Marina

Harbormaster Sublet reviewed the new grant application opportunity from the Recreation Conservation Office, which requires a resolution by Council. He explained the LPM is focused on supporting deferred maintenance activities across and organization's service area. "Deferred maintenance" is defined as a backlog of maintenance work the organization deems necessary to bring areas of facilities into good repair and/or into compliance with accessibility standards.

The Washington State Legislature approved one-time funding in the Fiscal Year 2024-2025 Operating Budget to help local parks departments maintain their working facilities to meet the needs of residents. The funding source is general tax dollars. Parks & Recreation wished to apply for a grant of \$100,000 for the Marina Capital Improvement Project, specifically for the Main Walkway Whaler & Rub Board Replacement and the Electrical Junction Box Relocation. The whalers and rub boards are original to the Marina, built in 1974. They hold the floats together and support the water, electrical and fire main utilities. Some have rotted through, are broken and are no longer structurally sound. The electrical junction boxes have become damaged over time by boats. Relocating them will reduce the potential for future accidents and damage.

Councilmember Hoffmire provided his respective questions and comments.

Motion: Councilmember Hoffmire moved to approve Resolution 23-14, authorizing the Mayor to sign a Recreation Conservation Office Grant Application for a Local Parks Maintenance Grant for the Marina. Councilmember Munns seconded the motion, which carried unanimously.

DEVELOPMENT SERVICES

- a. Accessory Dwelling Unit (ADU) Code Revisions

Senior Planner Lindenburg presented this report. He noted over the past several years, City staff has undertaken several revisions to the Accessory Dwelling Unit (ADU) code, as part of a policy lowering barriers to construction of such units introduced by the Affordable Housing Act. Staff reviewed possible revisions to the ADU code in April of this year that would address the difference between ADU's that were attached, or part of, an existing home and those that were constructed in separate buildings. Staff created a new draft ordinance to include a purpose statement, standards for design of units, and permit process wording. The proposed code was designed to provide affordable additional housing units, meeting all relevant code requirements, to benefit the community. While these standards may add cost, the alternative of low-quality, unsafe, or poorly constructed units would not be an asset to the City or to citizens.

Following staff's presentation to the Planning Commission and the City Council, several topics of discussion emerged:

1. Further ensuring safety of tenants of all units, including standards for fire sprinklers
2. How fees and property taxes would be assessed for ADU construction and finished units
3. Whether short term rentals would be restricted for such units
4. Potentially limiting the square footage of ADUs to create more affordable units
5. Ensuring city requirements are drafted to fit the city, rather than receiving mandates from the state.

Senior Planner Lindenburg noted recent passage of House Bills 1110 and 1337 in regard to ADU's

have included additional items for staff to assess. Staff will continue to review the updated requirements in preparation for amendments to the 2025 Comprehensive Plan.

There were no questions or comments from Council.

FINANCE

a. Parks & Recreation Staffing Support – Financial Analysis

Finance Director Goldman provided a financial analysis to accompany the restructuring of the Parks & Recreation Department and staffing needs proposed by Director Smith at the May 24, 2023 Council Workshop.

The Parks & Recreation Department was created in 2022 by combining Marina, Senior Services, and Parks and repurposing the Parks Manager as a Director role overseeing the three areas. In his presentation last month, Director Smith noted there is a need for recreational programming for all ages, a need to renovate and revitalize end of useful life facilities, a need for additional and higher standard of services and amenities, and to create revenue sources for improvements and growth. He presented a structure for the future to support the vision of expanded services and reviewed the changes proposed:

Director Goldman outlined his presentation in three sections and provided a chart of expenses and funding sources:

- The Purpose for the staffing changes
- The three primary Parks & Recreation areas of Recreational Activities Parks Maintenance, and Marina, and to provide further detail the specific proposals for each area with proposed staffing and funding overviews
- Council deliberation and discussion

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

Mayor Pro Tem Hizon called for a brief recess at 4:44 p.m. and reconvened the meeting at 4:50 p.m.

b. 2022 Preliminary Financial Results and Revenue Trends

Finance Director Goldman provided the preliminary (unaudited) 2022 Financial Results and Revenue Trends.

The results were split into two sections, Government Funds and Enterprise Funds.

Government Funds:

- General Fund revenues exceeded expenditures by \$3,925,006 primarily due to the receipt of American Rescue Plan Act (ARPA) funding and transfers in.
- Streets/Arterials Fund revenues exceeded expenditures by \$882,090, primarily due to transfers in.
- Transportation Benefit District Fund revenues exceeded expenditures by \$61,652.
- Creative Arts Fund revenues exceeded expenditures by \$14,174.
- Lodging Tax % Fund revenues exceeded expenditures by \$48,863.
- Senior Services Fund revenues exceeded expenditures by \$277,541 primarily due to

transfers in for projects and ARPA initiatives.

- Other Governmental Funds expenditures exceeded revenues by \$747,296 primarily due to one-time REET transfers to other funds.

Total Governmental Fund revenues exceeded expenditures by \$4,462,029. Director Goldman also reviewed the total breakdown of all Government funds and the funding balance trends.

Enterprise Funds:

- Water Fund operating income was \$754,443. The net position increased by \$2,221,624, primarily due to ARPA transfers for projects.
- Sewer Fund operating income was \$4,483,580. The net position increase by \$3,500,052 primarily due to reductions in SRF Loan balances and ARPA transfers for projects.
- Solid Waste Fund operating income was \$393,673. The net position increased by \$436,643 primarily due to positive net income.
- Storm Drain Fund operating income was \$135,288. The net position increased by \$119,465 primarily due to positive net income.
- Marina Fund operating income was \$112,095. The net position increased by \$1,220,885 primarily due to completed assets being added to the books and reduction in the dredging bond balance.

Total Enterprise Funds operating income was \$5,879,079. The net position increased by \$7,498,669. Director Goldman reviewed the total breakdown of all Enterprise funds and the net position balance trend.

Director Goldman also presented an overview of 2023 Mid-Year Revenues. He noted City financials are stable and he is watching sales tax and development permit/fee trends, as well as look to the State to adopt a permanent fix to transportation funding.

Councilmembers Hoffmire and Stucky provided their respective questions and comments.

PUBLIC WORKS

a. Downtown and Marina Revitalization and Redevelopment Plan

Public Works Director Schuller presented the discussion item. He noted this was the Council's highest priority project for 2023-2024 with it having been a decades long goal. Today's presentation was to review a two-phase, six-step process for moving from ideas to implementation, as follows:

Phase 1 – The City's 2023-2024 Budget has allocated about \$65,000 to complete the first phase, with tasks to be completed in 2023 and early 2024:

- 1) Community Outreach and Engagement
- 2) Stakeholder Task Force and Associated City Council Ordinance

Phase 2 – Schedule and funding to be developed as part of Phase 1:

- 3) Subarea Plan and Zoning Code
- 4) Market Study
- 5) Design Standards
- 6) Programmatic Environmental Impact Statement (EIS)

Director Schuller noted a key element of the process was to assemble an ad hoc Stakeholder Task Force. He requested the Council's initial questions and preliminary feedback about the Task Force, its membership, and how it would correlate with a robust public engagement and outreach program.

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

ADMINISTRATION

- a. Discussion Item: Ordinance No. 1979: Approval of Franchise Agreement with Comcast Cable Communications, LLC

City Attorney Evans noted per state law, this item was required to come before the Council two times in a public forum and would be presented for a public hearing and action at the July 11, 2023 Council meeting.

She reviewed the background and related information, noting the 2004 Franchise Agreement with Comcast expired in 2014. Following discussion, Comcast has requested the City approve a revised agreement. The City has used the City of Mukilteo's new franchise agreement as a template to update the agreement language. Attorney Lisa Marshall with Kenyon Disend, PLLC has led the effort in negotiating the new agreement.

Attorney Evans and Finance Director Goldman noted there should not be a change in the fiscal impact to the City from the updated Gross Revenue section of the agreement. Additionally, Section 9.1 authorizes Comcast to collect \$0.25 per month from each residential customer to support the possible addition of capital equipment to support the City's Access Channel. Under the terms of the Agreement, the \$0.25 amount can increase to no more than \$0.50 per month per residential customer, but only after the City and Comcast meet to make a decision regarding the additional equipment needed.

Councilmembers Woessner, Munns and Mayor Pro Tem Hizon provided their respective questions and comments. A public hearing on this ordinance has been noticed for the July 11th Council agenda.

- b. City Administrator's Report

Finance Director Goldman provided an overview and highlights from City Administrator Oborn's monthly report, as he was on vacation. He noted the Council could contact Administrator Oborn with any questions.

CITY COUNCIL

Mayor Pro Tem Hizon called for any additional comments from the Council.

Councilmembers Hoffmire, Munns and Marshall provided their respective questions and comments.

ADJOURN

Hearing no other discussions, Mayor Pro Tem Hizon declared the workshop meeting adjourned at 6:03 p.m.

Certified by Julie Nester, City Clerk