

REGULAR MEETING DES MOINES CITY COUNCIL

MINUTES

September 4, 2008

The regular study session of the Des Moines City Council was called to order at 7:30 p.m. by Mayor Sheckler in the Council Chambers, 21630 11th Avenue South, #B.

PLEDGE OF ALLEGIANCE to the Flag was led by Mayor Pro Tem Sherman.

ROLL CALL - Present: Mayor Bob Sheckler, Mayor Pro Tem Dan Sherman, Councilmembers Dave Kaplan, Ed Pina, Carmen Scott, Scott Thomasson and Susan White. Also in attendance were City Manager Tony Piasecki, City Attorney Pat Bosmans, Finance Director Paula Henderson, Harbormaster Joe Dusenbury, Planning, Building and Public Works Director Grant Fredricks and City Clerk Denis Staab.

DISCUSSION ITEMS

2nd Quarter 2008 Financial Report

Finance Director Henderson proceeded with a power point presentation of the second quarter financial report of the general and street funds with highlights and discussion as follows:

Item	General Fund	Street Fund	Total	Adopted Budget	% of Budget
2 nd Qtr YTD Revenues	\$ 8,451,562	\$ 466,034	\$ 8,917,595	\$17,956,786	49.7%
2 nd Qtr YTD Expenditures	\$ 8,335,521	\$ 498,439	\$ 8,833,960	\$17,807,543	49.6%

PROPERTY TAXES:

Item	General & Street Funds	Levy Lid Lift	Total
Property Taxes	\$ 1,5125,274	\$ 778,300	\$ 2,293,574
Adopted Budget	\$ 2,844,448	\$ 1,483,400	\$ 4,327,848
Percentage of Budget	53.3%	52.5%	53.0%

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SALES TAXES:

Item	Base	One-Time	Total
Sales Taxes	\$ 984,948	\$ 170,730	\$ 1,155,678
Adopted Budget	\$ 2,259,000	\$ 528,660	\$ 2,787,660
Percentage of Budget	43.6%	32.3%	41.5%

Finance Director Henderson continued by reviewing other taxes as follows:

CRIMINAL JUSTICE SALES TAXES:

Received: \$345,682
 Adopted Budget: \$700,000
 % of Budget: 49.4%

BUSINESS & OCCUPATION TAXES:

Received: \$406,369
 Adopted Budget: \$550,000
 % of Budget: 73.9%

FRANCHISE FEES:

Received Cable TV: \$178,356	Adopted Budget: \$346,500	% Budget: 51.5%
Received Solid Waste: \$191,407	Adopted Budget: \$410,600	% Budget: 46.6%

UTILITY TAXES:

Received Electric: \$605,350	Adopted Budget: \$930,000	% Budget: 65.1%
Received Natural Gas: \$322,430	Adopted Budget: \$475,000	% Budget: 67.9%
Received Solid Waste: \$106,899	Adopted Budget: \$245,000	% Budget: 43.6%
Received Cable TV: \$214,028	Adopted Budget: \$412,000	% Budget: 51.9%
Received Telephone: \$481,990	Adopted Budget: \$900,000	% Budget: 53.6%

OTHER TAXES:

Received Leasehold: \$(7,003)	Adopted Budget: \$ 88,000	% Budget: -8.0%
Received Gambling: \$11,775	Adopted Budget: \$ 10,000	% Budget: 117.8%
Received Parking: \$ 4,075	Adopted Budget: \$ 13,000	% Budget: 31.3%

LICENSES & PERMITS (including one-time Bldg. permits):

Revenue: \$ 591,014
Budgeted: \$1,749,146
% of Budget: 33.8%

Finance Director Henderson also reviewed the Intergovernmental Revenues and Charges for Services and concluded by noting the total for salaries and wages, personnel benefits, supplies, other services, intergovernmental, capital outlay, interfund payments and operating transfers-out though June is \$8,833,960 for a percentage of the total budgeted at 49.6%. Also the total for the following departments Legislative, Executive, Judicial, Finance, Legal, Law Enforcement, Planning-Building & Public Works, Parks and Recreational Services and Operating Transfers-out is \$8,833,960 for a percentage of the total budgeted at 49.6%.

Sale of Bonds Necessary to Finance All Projects Identified in the 1st, 2nd and 3rd Phases of the Marina Master Plan

Harbormaster Dusenbury reviewed the projects that the Bonds will pay for which include the following:

- Fire Alarm system for covered moorage
- Add more security cameras
- Piling replacement
- Demolish restaurant structure
- Rebuilding D Dock
- Fire Stand Pipes for covered moorage
- Dredging Marina entrance and selected areas within the basin
- Water main re-location
- Relocation of the 12.5 power lines serving the north end of the Marina
- Construction of the south loop of the 12.5 kV power system including a new transformer and switch gear near J Dock
- Bulkhead replacement
- Reconfigure Boat Yard and demolish some dry sheds
- Rebuild South tenant restroom
- Remodeling Marina office
- Reconfigure parking lot, including storm water improvements

Upon questioning, Harbormaster Dusenbury noted the reconfiguring of the north parking lot is mostly re-striping, but we will relocate the middle light standards and redo the traffic islands so

it will be set up for single vehicle parking. There will be no repaving as sometime in the future (2014) some of the wall repairs will involve taking up some of the pavement.

Councilmember Thomasson questioned whether this is the right time and do we really have a financial plan and scheduling, to do the full Marina package. He wondered if the City can really afford the Bond issue as he does not have a full picture of how we finish the whole project, therefore he cannot support a bond issue at this time.

Harbormaster Dusenbury noted the projects listed in the packet need to be done before the Boatyard can expand, plus that section is the most vulnerable, seismically speaking. After complete review of the financial analysis, it was felt this was the best method so if the Boatyard wants to expand, and we have a commercial use interested, we would be ready to move forward.

Mayor Pro Tem Sherman noted one of the solutions to cover the costs, and Council had agreed, that certain amenities aimed at the public would be paid for out of General Fund monies and that would have included the sidewalks. He questioned how staff will account for that.

Finance Director Henderson noted we can do a Capital Contribution in later years to pay back the Marina for their portion of the sidewalks.

Mayor Pro Tem Sherman advised his expectation would be that the General Fund will be making yearly payments for its portion, should he approve this Bond issue.

City Manager Piasecki advised that the Marina will be able to pay for the Bonds on its own. He noted that along the bulkhead there should always be some sort of walking area in a width of about 6 feet and it would be appropriate for the Marina to pay for it. However, anything wider, then you could say that is providing a benefit to the non-boating public. Also when you get out towards the north and west bulkheads that are not fronting the boating area, then a contribution from the General Fund to help pay for the expanded part could be authorized.

Mayor Pro Tem Sherman felt this should be a policy decision by the Council. He questioned how other Councilmembers feel, should the Bond be paid entirely by Marina revenues, or with some additional funds to pay for the sidewalk portion.

Harbormaster Dusenbury advised that our Marina was originally constructed for recreational boating purposes, with very little thought to other public uses. However, over the years the use has changed with just about the same usage by boat owners as non-boaters.

Councilmember White commented that the Marina is probably the City's best asset and it is important to make it first class, if we do not do it now, when will we? She noted costs will just keep going up. She feels we have a good Master Plan and the sooner we get started the better. She also noted we need to explore other funding options that may be available.

Councilmember Scott stated with planned improvements to the Beach Park (potential commercial restaurant, musical events and the completion of the Auditorium), there will be impacts that have not been calculated concerning Marina parking. She also questioned potential Marina impacts should we get a passenger only ferry.

Harbormaster Dusenbury noted that for demonstration route purposes of a passenger ferry there would not be much impact because they will use small boats. However if the passenger ferries become a reality in Des Moines, it would most likely mean we would have to reconstruct at least a section of the fishing pier to accommodate such a vessel.

Councilmember Scott noted the studies she has seen so far, passenger ferry's would be coming from Bainbridge to Des Moines to get to the airport or the valley. She felt people flying to the east coast or other business areas would need to leave around 4 a.m., and she does not feel it worth giving up that much use and space at the Marina to accommodate people who will only be passing through at a time of day where nothing is opened, therefore it will not benefit the City.

Councilmember Pina questioned why Des Moines cannot just raise our rates to pay for the improvement costs.

Harbormaster Dusenbury reminded Council the City did a rate study and we are now in the 2nd year of that 3 year plan. He also noted we have always planned on expanding the Marina's revenue base. He advised we do not have enough slips to spread the cost over all of them and still stay in the market place. By making the bulkhead improvements it will set us up to demolish the dry sheds as vacancy rises and enhance our revenues from the Boatyard. By getting rid of the sling launcher which is costing us money, we will have another site that hopefully we can find a commercial use for.

City Manager Piasecki advised with the rate increases and estimated revenues staff believes there will be enough to make the debt service payments on this Bond.

Upon questioning, Finance Director Henderson noted we will be using Seattle Northwest Securities for our Underwriter.

Councilmember Thomasson felt the motion should list the specific projects we will be using the Bond for. He also questioned which projects are we ready to move forward on.

Harbormaster Dusenbury stated the Contract for dredging is ready, the water main relocation is at 30% and the bond is needed for final design.

Finance Director Henderson stated it is not prudent to be explicit as to what we are using the bonds proceeds for, but only general as "Marina Projects".

City Manager Piasecki advised Council that we can be very explicit in the CIP as to which projects will be done and in what order, for the Bond Proceeds.

Councilmember Thomasson stated he would prefer to have a specific list of items, with the understanding it can be spent on other items if there is money left over. In regards to general fund spending, he felt that should pay for things over and above what is needed at the Marina. This would include a sidewalk wider than 6 feet, benches and other amenities for the general public and this should be listed also.

MOTION was made by Mayor Pro Tem Sherman, seconded by Councilmember White, that the City Council authorize the issuance of \$6,225,000 2008 Limited Tax General Obligation Bonds to provide financing for part of the marina projects identified in Phase One, Two and Three and

to direct staff to begin the process for preparing the ordinance. [ED NOTE: See FRIENDLY AMENDMENT]

Mayor Pro Tem Sherman advised he expects staff to bring a draft ordinance back to Council before the Bonds are sold. Also staff needs to be specific as to what projects the General Fund will pay for.

Councilmember Pina suggested the MOTION should read: That the City Council of the City of Des Moines directs staff to begin the process for preparing an ordinance for the issuance of \$6,225,000 2008 Limited Tax General Obligation Bonds to provide financing for part of the Marina projects identified in Phase One, Two and Three. This was accepted as a **FRIENDLY AMENDMENT** by the maker and seconder of the Motion.

Councilmember Kaplan agreed with participation of the General Fund for general public amenities and there should be a line item within the CIP for those particular projects that identifies the percentage. He felt it would be important to get the bulkhead done in one fell swoop as that would guarantee we are ready for any upland improvements that would help the Marina finances. He stressed it is time to get these projects done and he would like to see a list of the projects for Council's use.

VOTE ON MOTION: Motion passed unanimously.

9:10 p.m. Mayor Sheckler announced that Council will take a 10 minute break, followed by a 10 minute Executive Session. City Manager noted the executive session will be to discuss Real Estate Issues and Potential Litigation.

Executive Session

Mayor Sheckler called the Executive Session to order at 9:20 p.m. in the City Hall Conference Room.

Present: Mayor Bob Sheckler, Mayor Pro Tem Dan Sherman, Councilmembers Dave Kaplan, Ed Pina, Carmen Scott, Scott Thomasson and Susan White. Also in attendance were City Manager Tony Piasecki, City Attorney Pat Bosmans, Assistant City Manager Lorri Ericson and Harbormaster Joe Dusenbury.

No formal action was taken

Adjournment - The Executive Session adjourned at 9:27 p.m.

CONTINUED DISCUSSION ITEMS

Sale of Bonds Necessary to Finance Transportation Projects

Finance Director Henderson pointed out the request for transportation funding is slightly less than \$2 million. She advised that the true interest cost is 4.94% and noted the average Annual debt services for the combined Marina and Transportation Bond Issues would total \$675,549. She further stated that for the first five years she shows reduced principal payments to keep the debt service comparable for the Marina to what it has been for the last few years, and then ramps up in 2014. As a result of that the City will pay additional interest over the life of the Bond of about \$594,000. She stated this will allow the Marina to build up some cash reserves so by the

outlying years they can afford their combined debt service of around \$909,000. She advised Council that the interest rates range from 2.75% up to 5.3% in the year 2028.

Councilmember Thomasson stated that the Marina Bond issue was not a surprise since it has been listed in the CIP, however he does not remember seeing any reference in the Transportation portion where it was noted we would sell bonds to do the projects identified. He felt the issue we are dealing with is the absence of one-time monies for land within the Business Park. He noted last week it was decided to do internal borrowing to help pay for a piece of the financing for that, and apparently this is the other piece of financing. He questioned why we should do a 20 year bond sale as opposed to a line of credit for 2 or 3 years. He advised he does not want to borrow money for 20 years if we only need it for 2.

City Manager Piasecki explained there are two answers. First one is from a policy standpoint to help fund the deficit that occurred for the approved CIP, plus some of the projects that occurred that we did not plan for. Staff came up with a plan that included some internal borrowing and some outside borrowing. He noted Council was asked "do you want to do a bond, or do you want to do a line of credit". He advised that Council did not accept a line of credit as the option, because it did not provide enough flexibility over the next three years, and therefore choose to look for the \$2 million through a 20 year bond. He noted the other reason why is because some of the money that is being requested, as noted in the Agenda Item, is to provide our match for some grants we are applying for right now, such as the seismic retrofit of the North Twin Bridge. He also noted in the Public Safety and Transportation Committee (PS&T) meeting held earlier this evening, they identified the possibility that another half a million dollars of borrowing might be needed if we are not able to get a Public Works Trust Fund Loan to start the planning process for the South 216th improvements.

Councilmember Kaplan advised that the PS&T decision was a consensus, but not unanimous.

Councilmember Thomasson voiced the opinion that it would have been very helpful to have an amended CIP in front of Council tonight, in order to fully comprehend which projects are to be included. He also expressed concern that the packet talks about certain bond issues that are reaching maturity and will be paid off, which frees up money to be applied to this bond, since we are working under the issues of a deficit budget process. He further noted he would expect this funding to be repaid out of the CIP as opposed to the General Fund.

Councilmember Kaplan pointed out that there are several projects in the near future, where we will need to have money for matching funds. Some projects mentioned were the North Twin Bridge repairs, rights-of-way and other improvements on S 216th Street and a Safe Route to Schools project on North Hill.

MOTION was made by Councilmember Kaplan, seconded by Councilmember Pina, to direct staff to begin the process for preparing an ordinance for authorizing the issuance of up to \$2,500,000 2008 Limited Tax General Obligation Bonds to provide financing for transportation projects to be issued December 1, 2008, concurrently with the 2008 Marina bond issue.

Councilmember Thomasson requested Council receive an amended CIP report that shows all of the changed transportation projects. He also wants to see details on how the Bond will be repaid.

Mayor Pro Tem Sherman advised that he cannot approve borrowing money. He noted we have become dependent on one-time monies to pay for a general operating budget. He felt the City's priorities are wrong and he cannot see going into more debt as he cannot see a way out.

Councilmember Pina noted several of the projects, such as the S 216th Improvement Projects and the North Twin Bridge, are critical to the City's financial health and safety of the citizens.

Councilmember Kaplan acknowledged the City has dug itself in the hole, however the North Twin Bridge and the Safe Route School project represent huge safety issues, and the S 216th Projects are directly related to bringing in on-going revenues to the City.

Councilmember Thomasson expressed agreement that the North Twin Bridge needs to be fixed. However, he has a problem with the South 216th projects dealing with the impacts that the Port, in his opinion, needs to mitigate. While yes, the S 216th projects will help the Business Park project along, he feels the City is subsidizing the project, when Council has not had the discussion regarding the revised EIS that needs to be issued to put the commercial element in and what the mitigations of the development are. He felt that if they need to build the street, they should pay for the right-of-way as part of a private development project. He concluded by stating we should stop putting things in the CIP where the local match is to be determined, because right now we are having to borrow for it instead of planning for it. He hopes that in the future Council will not budget whimsical projects that we cannot afford.

Upon questioning, Planning, Building and Public Works Director Fredricks stated in the future we believe the Furney and Ono properties will redevelop and that will include frontage improvements and traffic impacts on 24th and 216th. Also at some point the residential properties on the south side of 216th will most likely develop into business park uses that have traffic impacts and trigger improvements. He advised that staff is trying to be ahead in the process and understand what the total impacts of development along this corridor will be and try to make provisions so we are prepared to have conversations with the developers. He informed Council that the Port of Seattle and Majestic Reality will speak to Council at the October 2nd meeting to update Council on their plans, their conversations with the Federal Aviation Agency, and what effect the national economy is having.

Councilmember Thomasson acknowledged that the Business Park will most likely drive the need for 5 lanes on S 216th, however he pointed out this is not in the City's adopted street plan. He felt we should not be asking to sell Bonds for something that is not in an adopted plan. He felt the Bond Counsel may very well question this. In regards to the internal borrowing from the Equipment Rental and Revenue Stabilization Funds, he questioned why we are not including in the Bond Sale the money to pay back those interfund loans.

Councilmember Kaplan stated a pay back to the interfund loans is not included because it is cheaper to borrow from ourselves. The repayment of the \$600,000 is scheduled to be paid back by December 31, 2009, and this will be reflected in the CIP update.

Councilmember Kaplan stressed independent of the Business Park development, S 216th is a major roadway and he is not opposed to improving it as it serves the whole community.

City Manager Piasecki advised that the direction the motion is providing is to start the process, there will be a check-in point in mid October to provide Council with the big picture to see how

it all fits together, and then Council will have the opportunity to say no we do not want to do this, or make any changes that may be needed.

VOTE ON MOTION: Motion passed 5 to 2, with Councilmember Thomasson and Mayor Pro Tem Sherman opposed.

Storefront Studio Policy

Due to the lateness of the hour, it was Council's consensus this item will need to be moved to another Agenda.

Councilmember Thomasson questioned staff as to what is the purpose of this discussion item.

Planning, Building and Public Works Director Fredricks informed Council that staff would like Council to prioritize potential projects to determine whether staff should prepare a specific work program and identify any budget requirements.

City Manager Piasecki noted he will create time on next week's agenda for this discussion item.

NEXT MEETING DATE

Mayor Sheckler advised that since he will be out of town next week therefore Mayor Pro Tem Sherman will preside over the next regular meeting scheduled for September 11, 2008.

ADJOURNMENT

At 10:22 p.m. **MOTION** was made by Councilmember Kaplan, seconded by Councilmember Pina and passed unanimously, to adjourn.

Respectfully submitted,

Denis Staab
City Clerk