



City of Leavenworth

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City Council
Cheryl K. Farivar - *Mayor*
Elmer Larsen
Carolyn Wilson – *Mayor Pro-Tem*
Mia Bretz
Margaret Neighbors
Sharon Waters
Clint Strand
Jason Lundgren
Joel Walinski – *City Administrator*

LEAVENWORTH CITY COUNCIL AGENDA

Leavenworth City Hall – Council Chambers
March 27, 2018 - 6:30 PM

Call to Order

Flag Salute

Roll Call

Consent Agenda

1. Approval of Agenda
2. Approval of March 13, 2018 Regular Meeting Minutes
3. Approval of March 13, 2018 Study Session Minutes
4. 2018 Claims \$96,567.70

Councilmember and Committee Reports

Mayor/Administration Reports

Comments from the Public on Items Not on the Agenda

Resolutions, Ordinances, Orders and Other Business

1. Action: Ordinance 1561 – Interim Controls Bitcoin High Density Loads
2. Action: Foster Pepper: Bond Counsel Services for Wastewater Treatment Plant Bond Loans
3. Action: Mayor Reappoint Planning Commission Members
4. Action: Bike & Juice Festival – Youth Funding Request
5. Action: Purchase Parks Utility Van / Surplus 1998 Chevy S 10 2600
6. Discussion: Draft Ordinance XXXX – LID 24 Bond Sale

Information Items for Future Consideration

1. Public Disclosure Commission Filing Deadline April 15, 2018

Adjournment

Council Committees -4th Tuesday –

Public Safety 4:00 Finance 5:00

(Next Ordinance is 1562 - Next Resolution is 3-2018)

The City of Leavenworth is committed to providing reasonable accommodations in accordance with the Americans with Disabilities Act. Please contact City Hall at (509) 548-5275 at least 72 hours prior to a scheduled meeting to request an accommodation.

SUPPLEMENTAL COUNCIL AGENDA

1. Ordinance 1561 – Interim Controls Bitcoin High Density Loads

The City Council is being asked to adopt Ordinance No. 1561 and set a Public Hearing for April 24, 2018. Ordinance 1561 is an Interim Zoning Control ordinance regarding “bitcoin” high-density power load uses.

During the regular City Council Study Session of February 13, 2018, Andy Wendell and Chad Rissman with the Chelan County Public Utilities District (PUD) discussed power demands within the area and how those demands are met as growth occurs. The PUD’s locally low rates are very attractive for new businesses that have large power needs. Mr. Wendell reviewed the increase in HDL (High Density Load) requests, such as bitcoin mining, that is expanding the demands exponentially for power. He reviewed how a location or building is leased to setup the computer equipment that draws these large amounts of power to be used as crypto currency mining. Currently there are concerns of safety and reliability issues if the electrical supply equipment is undersized for the power demand, which in turn could create fire concerns.

The main concern is not focused on what the power demands are for, but rather to ensure that the electrical infrastructure bringing the power to locations is sufficient to handle the loads being put upon them. As the power use data is identified, it will lead into identifying factors that need to be considered, such as infrastructure improvements, power demands, and improving technology.

The amount of energy being consumed by a single bitcoin power unit that is equivalent to that of a clothes dryer versus large server type rooms that can pull as much power as 470 residential homes annually. This power overload on the infrastructure has the potential to increase fire hazards to not only start the home/building on fire but to also start wildland fires in our area.

During the regular City Council Study Session on March 13, 2018, the Council discussed potential for interim zoning controls; in cooperation with the Chelan County Public Utility District, it is apparent that without regulatory intervention, cryptocurrency mining, particularly in residential districts, poses a life safety threat to the community due to the risk of fire. In the long-term, this may restrict the ability of the City to implement the comprehensive plan and accommodate the projected population and employment growth.

The proposed interim zoning control provides a framework that prohibits cryptocurrency mining from areas that would not normally be expected to serve High Density Load electricity uses; specifically the residential areas. In the zoning districts where these kinds of electrical loads are expected, such as the Commercial and Light Industrial Districts (zones), it provides a process for the Chelan County PUD to verify that the infrastructure is adequate to serve the proposed use and therefore will not present a safety risk. This will ensure that the electrical capacity of the PUD system is not diminished in such a way as to preclude future commercial and industrial development. In the situations where the infrastructure is not adequate for the proposed use, it provides a framework for the applicant to work with the Chelan County PUD to ensure that the necessary improvements are in place prior to beginning any cryptocurrency mining.

The Development Services Department has modified an example Interim Control to address cryptocurrency mining that draws large amounts of electricity and excludes the related technologies that are not as energy intensive.

If acceptable, a public hearing will be held, and at this hearing, a work plan and findings of fact will be presented to further study the issue and develop permanent standards.

Overview and Summary

Chelan County's extremely low electricity rates have long been known to attract certain land uses that rely on large amounts of electricity. The information age brought unique challenges and rewards for our community and some of our neighbors as our economies diversified to include server farms and other power hungry high tech industries. More recently, cryptocurrency mining has made its way into our region utilizing the low electricity rates. The unique thing about this new high tech endeavor is that it is sometimes pursued at a very small scale, including in people's homes. This creates unique challenges, which will be addressed below.

Cryptocurrency is a type of digital currency, which is created when a particular algorithm is solved by a computer, which then adds to a blockchain. Blockchains are a type of peer-to-peer distributed ledger that utilizes the aforementioned algorithms to regulate their development. As certain cryptocurrencies have gained popularity, and in turn gained value, the incentive to "mine" for these "coins" (such as Bitcoin) has increased. The act of solving the algorithms has become increasingly complex, and in turn, requires even more powerful and specialized computer hardware.

Cryptocurrency mining operations almost exclusively utilize a type of computer, typically an ASIC server, which is not used for any other task. These devices are not very big but draw an incredible amount of electricity. The emergence of cryptocurrency mining at an increased level poses two distinct challenges to the Chelan County PUD and Leavenworth.

First, cryptocurrency mining is often operated in a location where the electrical infrastructure serving it is not rated for the high-energy use and constant demand. This is particularly true in residential areas where, unfortunately, these cryptocurrency operations have been found in some cases only after the electrical infrastructure has been damaged or destroyed and fires started.

Second, if the current trends continue where cryptocurrency mining becomes increasingly prevalent, the Chelan County PUD may not be able to meet the community's electricity consumption needs in a timely manner, and therefore, the community would not be able to accommodate its projected growth without the siting and construction of additional significant electrical infrastructure, including power substations and lines.

The following item is included under **TAB 1:**

- Ordinance No. 1561
 - **MOTION:** *The Leavenworth City Council moves to adopt Ordinance No. 1561 and set a public hearing for April 24, 2018 at 6:45 PM.*

2. Foster Pepper: Bond Counsel Services for Wastewater Treatment Plant Bond Loans

The City Council is being asked to approve the proposed Bond Counsel Agreement with Foster Pepper for the engagement of services to administer bond loan documents with the U.S. Department of Agriculture (USDA) Rural Development Division for the Wastewater Treatment Plant upgrades. The rate identified in the bond counsel agreement is an aggregate total of

\$29,000 for the total loan bond of \$10,670,000; this rate may vary depending on additional work to complete the bond closing documents or an increase in the bonds borrowed.

Last year City Staff with assistance from Varela & Associates developed a Rural Development loan and grant application of \$10,670,000 in loan funds and \$3,270,000 in grant funds. On August 4, 2017, the City received notification and was awarded full funding of the project. The loan terms were for 40 years and would be locked in at an interest rate of 2% or lower. On August 22, 2017, the City Council approved Resolutions 15-2017 and 16-2017 securing \$10,670,000 in Rural Development low interest loans. The Bond Counsel Agreement with Foster Pepper, which the Council is considering this evening, is the first step in securing the financing for the Waste Treatment Plant and Collection System project.

In addition to the Bond Counsel Agreement, the City is also working with Varela & Associates in developing an Engineering Services Agreement for work associated with the design for the improvements at the Waste Treatment Plant and priority improvements for the wastewater collection system. This is the scope of projects whose costs are covered under the Rural Development loan and grant funding awarded to the City. The format of this agreement is a required format by Rural Development.

Located within the packet material is a cover letter from Varela & Associates with an overview of the agreement. A second attachment is a Partial Agreement with Exhibits, which provides more detail of the tasks included in the scope of work and approximate costs. This item is being introduced this evening with a full discussion regarding the agreement and scope of work scheduled for the April Study Session.

History:

The engineering firm of Varela & Associates has had an ongoing relationship with the City of Leavenworth since 1987. They have been involved with many of the City water and wastewater projects over that period. The City Council approved an initial contract pertaining to the required updates to the Waste Treatment Plant in June of 2014. This initial contract was to initiate discussions with the Department of Ecology on the preliminary review of requirements for the new phosphorous regulations. At that time, the Public Works Committee reviewed the qualifications of several firms and recommended moving forward with Varela because of their past relationship with the City, and specifically because Varela had been the design engineers for the existing waste treatment facility, which has been well received by the community. In addition to the review of qualifications, the City selects consultant engineers via the MRSC Small Works Public Works Roster; Varela & Associates have provided their credentials to MRSC.

The Council approved an amendment to the initial contract in April of 2016 for the Wastewater Facility Plan. The facility plan was a requirement by the Department of Ecology (DOE) as one of the first steps in developing a plan to address the new phosphorous requirements. The City was awarded a 50/50 low interest loan and forgivable loan to offset the cost of the development of the Wastewater Facility Plan. In 2017, the Facility Plan was reviewed and accepted by the DOE. The next step in this process is for the development of plans and specifications for the required improvements; the agreement with Varela & Associates being reviewed at this time would cover those next steps.

The following item is included under **TAB 2:**

- Foster Pepper Bond Counsel Services Agreement
- Varela & Associates Letter March 16, 2018 Cover Letter

- Exhibit A, Attachments A-1, A-2, A-3
 - **MOTION:** *The Leavenworth City Council moves to approve and authorizes the Mayor to sign the Agreement for Bond Counsel Services with Foster Pepper for the Wastewater Treatment Plant Loan Funds from the U.S. Department of Agriculture Rural Development Division.*

3. Mayor Reappoint Joel Martinez, Larry Hayes, and Anne Hessburg to the Planning Commission – Expiring April 30, 2018

The Leavenworth City Council is being asked to confirm the Mayoral reappointments of Joel Martinez, Larry Hayes, and Anne Hessburg to the Planning Commission. The Mayor shall appoint all Planning Commission members with confirmation by the City Council. Members of the Leavenworth Planning Commission shall reside within the city limits of Leavenworth, except that up to two members may reside outside the city limits of Leavenworth, provided they reside or own property within the urban growth area as depicted by the Leavenworth Comprehensive Plan.

Joel Martinez was appointed to the Planning Commission in 2016. Joel and his family moved to Leavenworth in 2000 from California. He and his wife have been raising their three kids in town and enjoying everything that Leavenworth has to offer. Joel spent 15 years working at Stevens Pass Mountain Resort and most recently as the Vice President of Operations. Stevens Pass is what brought Joel and his family to Washington and the town of Leavenworth has kept them here. During this time he was involved in long term planning of the resort and many capital projects; this included working with Federal, State and local agencies on many regulatory issues. Joel helped create the only lift accessed downhill mountain bike park in the State of Washington, a 10 year project that included master planning, and many years of environmental assessment. Joel is currently the General Manager of Icicle Brewing Company / Munchen Haus in downtown Leavenworth.

Larry Hayes was appointed to the Planning Commission in 1989. Larry currently works for Pioneer Title Company. He has worked as the Title Officer for Pioneer Title Company since the summer of 1989. As a part of his work, he researches the ownership of property titles, writes title commitments for the sale or refinance of a property, creates litigation guarantees so that court actions or non-judicial foreclosures can take place, and prepares plat certificates so that boundary adjustments, short plats and long plats can be recorded. Away from his job, Larry plays cello in the Wenatchee Valley Symphony since the spring of 1990. Larry and his family have lived in Leavenworth since the summer of 1989.

Anne Hessburg was appointed to the Planning Commission in 2010. Anne currently works for Grette Associates, LLC with a background in environmental permitting, land use planning, and code administration. Her work experience includes natural resource management, Shoreline Management Act permitting, building and land use permitting, comprehensive plan and zoning amendments, and writing, interpretation, administration, and enforcement of county codes. She also has extensive experience working with SEPA, Critical Areas Ordinances, Shoreline Management, and zoning for both rural and urban areas. In addition, Anne has training in stream typing and ordinary high water mark identification from the Washington Departments of Ecology and Natural Resources. She has worked with local, state, and federal agencies in north-central Washington on environmental permitting issues for over seven years. Anne's long range

planning experience includes drafting, editing, and review of policy and regulatory language for the Chelan County Shoreline Master Program update; and drafting and editing language for zoning, development, and critical area regulations. She is a Planning Commissioner for the City of Leavenworth, is a member of the Residential Advisory Committee for Leavenworth, sits on the Board of Directors for the Chelan-Douglas Land Trust with seats on the Lands and Outreach committees, and sits on the Board of Directors for the Leavenworth Film Festival.

There are no items included under **TAB 3**.

- **MOTION:** *The Leavenworth City Council moves to confirm the Mayoral reappointments of Joel Martinez to Planning Commissioner Position No. 1 for a four-year term, Larry Hayes to Planning Commissioner Position No. 6 for a four-year term, and Anne Hessburg to Planning Commissioner Position No. 7 for a four-year term.*

4. Bike & Juice Festival – Youth Funding Request

The City Council is being asked to consider a request from the Bike & Juice Festival for festival insurance coverage that the City has been paying for over the past three years at a cost of just under \$1,000 per year. The General Fund has a youth funding line item totaling \$3,000; however, the Council authorized use of \$2,000 to the Upper Valley Connection Program at the February 13, 2018 Council meeting leaving a balance of \$1,000 in the funding line item. The new request this year from Bike & Juice is for \$1,455; due to the success and growth of the festival, the insurance coverage costs have increased this year. The Council can consider approval of a portion or all of the requested funding; if approval exceeds the budget line item, staff will provide the necessary increase as part of the quarterly budget amendment in April.

The following item is included under **TAB 4**:

- Email Request from Bike & Juice Festival Organizer Jill Mason
- **MOTION:** *The Leavenworth City Council moves to approve supporting the Bike & Juice Festival insurance costs from the General Fund Youth Funding in the amount of \$_____.*

5. Purchase Parks Utility Van / Surplus 1998 Chevy S 10 2600

The City Council is being asked to authorize the expenditure of funds for the purchase of a 2018 Dodge ProMaster City 4WD Cargo Van in the amount of \$23,717 excluding tax and license. The Equipment Rental & Revolving (ER&R) schedule identified the replacement of the 1998 Parks Chevrolet S10 2600 Pick-Up Truck in the 2018 Budget, which includes an estimated replacement cost of \$24,000. Staff, through the Washington State Contract Request System (CARS) has selected the replacement vehicle; therefore, the three (3) bid requirement does not apply. The CARS system has proven to provide extremely competitive quotes from dealers throughout the State. Staff has researched the purchase of similar vehicles through local dealers on previous occasions and were unable to obtain comparable bids. The Parks Department has requested a Dodge Cargo Van to replace the 1998 pick-up because the vehicle will be used by Facility Maintenance Worker Ara Arakelian, and is better suited for the type of work that he provides. The estimated delivery time for the new vehicle is approximately 90 - 120 days.

Approval of purchase and subsequent delivery of the new vehicle will allow for the sale of the 1998 Chevrolet S 10 Pick-Up as a surplus vehicle with a currently estimated value of approximately \$2,500.

The following items are included under **TAB 5**:

- 2018 ProMaster City Cargo Van Quote
- Photo

- **MOTION:** *The Leavenworth City Council moves to approve the purchase of a 2018 Dodge ProMaster City 4WD Cargo Van in the amount of \$23,717 excluding tax and licensing.*

- **MOTION:** *The Leavenworth City Council moves to declare the 1998 Chevrolet S 10 2600 Pick-Up Truck, VIN # 1GCDT14X028149587 as surplus equipment and approves selling the truck on the Public Surplus online auction site.*

6. Discussion: Draft Ordinance XXXX – LID Bond Sale

The City Council is being presented with the draft ordinance for the bond sale related to the Local Improvement District (LID) #24. The Council will be presented with the finalized ordinance for adoption at the April 10, 2018 regular council meeting. The final action in completing the LID is the sale of the bonds for reimbursement to the City for the water and sewer line extension and lift station along the Chumstick Highway.

The City Council entered into a contract with Foster Pepper near the beginning of the project in April of 2014; Foster Pepper is the City's Bond Counsel Attorney to assist in closing the LID for this project and is responsible for the creation of the bond ordinance and other closing documents. In addition to bond counsel services, the City is working with Cashmere Valley Bank as the bank for private sale of the bonds. The City previously sought requests from several banks for private sale and investment firms for public sale to determine the best rate structure; due to the amount and type of bonds, it is most cost effective to proceed with a private sale through a bank. Cashmere Valley Bank continues to offer the lowest rate for a 15-year term with the average amortized rate being presented at approximately 3.15%. The next lowest known average amortized rate is about 3.6%; rates have continued to rise on a weekly basis.

The current schedule for payment of the LID bonds includes an annual payment of principle and interest that will begin with the first payment being due on May 1, 2019 and subsequent payments on May 1st of each year thereafter through 2033. LID bonds have a special requirement to extend the payment of bonds for two additional years (ending in 2035) should the City not receive timely payments from the assessed property owners; this additional two years allows the City to seek further action, up to and including foreclosure of a property due to the lack of payment on the annual assessments. A final requirement for bonding includes a Bond Guaranty Fund that the City creates as security to the issuing bank and is created, funded, and held by the City. Cashmere Valley Bank is requiring 10% of the bond, which equates to \$84,364, that the City will create and hold as security to making the annual debt payments; these funds can be collectively held within the LID Bond Fund and LID Guaranty Fund. These funds are created as

a separate action via an ordinance and budget amendment to transfer water and sewer reserve funds into until final payment/maturity of the bonds in 2033 or 2035 if needed.

The following items are included under **TAB 6**:

- Draft Ordinance
- Cashmere Valley Bank Bond Purchase Agreement
- LID 24 Debt Service Schedule – Principle and Interest