

**LEAVENWORTH CITY COUNCIL STUDY SESSION MINUTES**  
**October 8, 2019**

Mayor Cheryl Kelley Farivar called the October 8, 2019 Study Session to order at 8:30 AM.

Council Present: Mayor Cheryl K. Farivar, Carolyn Wilson, Mia Bretz, Margaret Neighbors, Sharon Waters, and Jason Lundgren.

Staff Present: Joel Walinski, Chantell Steiner, Herb Amick, and Lilith Vespier.

Mayor Farivar excused Councilmember Clint Strand and noted that Councilmember Jason Lundgren would need to leave today at 9:15.

**1. Chamber Report**

Chamber Director Nancy Smith updated the Council on the Chamber's activities including Oktoberfest assistance for visitors, attending conferences to gain better insight into the tourism industry, the success of the Der Wordbook contest that has generated nearly 2,000 responses, and a recap of the Leavenworth Area Promotions annual retreat. She reviewed the goal of one conference in Georgia, which targets a higher age group, with the desire to promote Leavenworth visits during weekdays and slow season times. She announced the release of the LTAC (Lodging Tax Advisory Council) annual grant application process with Chelan County and the deadline for submission is October 31; she noted her ability to assist the City in applying for the new capital funding program. Chelan County is providing up to \$250,000 for promotional grants and \$500,000 for capital related tourism projects. Director Smith updated the Council on the ongoing progress as preparations continue for Christmas Lighting; they are working on bus permit fees, awaiting light deliveries, and coordinating vendor locations to ensure open access to roads and businesses. She noted that Spirit Life is a potential vendor that the City might also consider reaching out to for food options at the Festhalle this year. She said that the Association of Washington Businesses was in town yesterday and they toured the Icicle Brewery facility. She announced the upcoming Chamber Board elections, which includes seven open seats each year, and current discussions related to the upcoming Chamber Contract with the City in 2020; she requested feedback on any items that the Council would like to see addressed in the new contract. Councilmember Lundgren stated that he would like to see a future presentation at an evening Council meeting regarding the use and limitations of use of lodging taxes for the Leavenworth Area Promotions; he feels this would be beneficial for many citizens who do not understand the current processes. There was a brief discussion on a new web-based application developer in town that is looking to do an App for Leavenworth.

**2. 2017-2018 Audit Exit Interview with State Auditor's Office**

Audit Lead Josiah Milner and Assistant Audit Manager Morgan Erickson with the Washington State Auditor's Office introduced themselves and provided handouts of the audit reports and exit conference information. Auditor Milner discussed the vision and mission of State Auditor Pat McCarthy. He then reviewed the purpose of the exit conference regarding publication of the audit reports, recommendations, known as a Management Letter that are referenced but not

included in the audit report, and Exit Items that are recommendations which are not included in the audit reports. He identified when and how a Finding is included and available for public review; he noted that Leavenworth's audit for 2017 and 2018 does not include a Finding. He discussed the purpose of the accountability report and financial report audits, which includes looking at the internal controls over financial reporting and ensuring that there are no deficiencies in reporting. Auditor Milner proceeded to review the results of the accountability report where no deficiencies were identified; this report includes the scope of examination conducted. He then reviewed the financial report noting that the statements present fairly in all aspects without deficiencies in internal controls, no material weaknesses, and compliance with Government Auditing Standards. He then reviewed the responsibilities of the City Staff, responsibility of the Auditor's, and the unmodified opinion on the regulatory basis of accounting, due to reporting under cash basis versus GAAP (Generally Accepted Accounting Principles) basis that is acceptable for the cities to use in Washington State. In conclusion, the audit opinion is that information is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Auditor Milner reviewed the Management Letter items related to the use of lodging taxes that included several items to consider in future allocations. He noted that these were elevated from Exit level items to the Management Letter level due to the dollar thresholds meeting \$25,000. The first item included \$20,000 to a local non-profit that that did not meet the proper non-profit 501c(3) or 501c(6) level as they were a 501c(4) and the second item was providing \$5,000 to the Chelan County Port to support expanded flights to the region. Three additional items were minor in nature. Auditor Erickson reviewed the Exit Recommendations, which included recommendations regarding credit card purchases and policy compliance, temporary interfund loans, and administration of the City's Cost Allocation Plan for salaries and wages. Auditor Milner reviewed two uncorrected misstatements within the annual report for 2018 that included a reversed decision for reporting revenues and expenditures for the Upper Valley Park & Recreation Services Area funds and reporting of a forgiven loan by the Washington Station Department of Ecology. He noted that neither of these misstatements are material in nature, nor do they affect the fair presentation of the financial statements. In closing, the auditors reviewed contact information, costs of the audit, an audit survey of the auditors, the audit support team and their training opportunities provided by The Center for Government Innovation.

### **3. Lodging Tax Funding Program Forms Review**

City Administrator Joel Walinski updated the Council on the past discussions at the April Council Retreat and subsequent meetings that provided the basis for further discussion within the Council Economic Development Committee on how to proceed in the future for allocation funding of Lodging Tax dollars. He reviewed the current program process of festival/event funding that includes a \$10,000 annual allocation and the recommendation to expand this into two separate programs; one for Festival/Events with an annual allocation of \$15,000 each year and one for a new Tourism Hospitality and Special Projects Program with an annual allocation of \$30,000. The Council reviewed some examples of tourism hospitality and special project requests that were not funded in 2019, as there was no structured program for this type of funding. It was noted that these types of requests will now qualify through the second program and will still be required to meet the state laws for expanding or enhancing tourist driven results.

Administrator Walinski proceeded to review the two separate application and scoring forms for each of the programs. He stated that the scoring is up for further amendment by the Council and asked that any suggestions be provided. Council suggested ensuring that the specific 501c/501c(6) status is noted in the application materials that is allowable per state law. Council discussed the concept of requiring a short presentation by each requestor and having the entire Council be part of the review process versus a designated Committee. Council members discussed the significant increase in time to review and approve the applications through this process noting that the original intent was to streamline the process and reduce concern with no scoring criteria.

Mayor Farivar stated that a third program for lodging tax dollars includes partnerships with other entities such as the current annually funded groups, which currently includes the Chamber of Commerce, Museum, Festhalle, Autumn Leaf Festival, Leavenworth Winter Sports Club, and the Golf Club. Administrator Walinski stated that the Economic Development Committee has not yet identified a set of criteria for this program; however, that will be the next area to consider. Some ideas of criteria might include, 501c status, charging for events, years of being in operation, and area of support and amount of support.

Administrator Walinski outlined the desired process for announcing the new programs that will begin in the fall with allocations being made prior to January of each year; this will be incorporated for the 2021 allocations that will be reviewed in the fall of 2020. For this year, staff is anticipating a November announcement of the programs with reviews completed by January 2020 for awards occurring in February 2020. Councilmembers recognized the potential for additional changes with the upcoming turnover of the Mayor and several Councilmember seats.

#### **4. Water System Capital Improvement Update**

Administrator Walinski reviewed the major Water Capital Improvements that have been discussed over the past year that includes the water meter replacement, fish passage and intake screen replacement, water plant upgrades, and the water transmission line replacements. He updated the Council on the progress occurring with each of the projects and identified the various partnerships with the Icicle Work Group, Trout Unlimited and the Washington Department of Fish and Wildlife. These partnerships are occurring for the fish passage / screen intake and the water meter replacement. He reviewed the requirements and processes involved with the fish passage / screen intake project and how this project has been incorporated within the Icicle Work Group discussions. Administrator Walinski reviewed the evening agenda request to support the fish passage / screen intake with the requested amount of \$240,000 that will be contingent upon the City receiving a commitment of a similar amount towards the water meter replacement project. He then noted that the staff continues to work on the water plant upgrades. He noted that the City has received final notice on the requested water rights; those permits have been issued by the DOE and are currently in an appeal period through the end of October. He did not anticipate an appeal being filed regarding water rights; he stated that the previous open period with the draft permit documents did not receive any comments or appeals. He reviewed the past moratorium on water connections in 2007 to the current status today of having enough water rights for a 50-year planning horizon.

Administrator Walinski reviewed the Six-Year Utility Rate Study projects list and discussed how funding for the various projects have been built into the rate structure for those projects to begin. He identified the funding sources for the projects noting the \$500,000 that will be included from the Real Estate Excise Tax (REET) Fund. He then reviewed the current debt schedule of the Water Fund that identifies the years of current debt payments and the timing of when current debts are being paid off to allow for the addition of new debt to be added without further increases to the rate structure for the users.

## **5. Wastewater Treatment Plant Update**

Public Works Director Herb Amick updated the Council noting that the plans are currently at 95% design. He stated that a current review is underway with the Department of Ecology and Rural Development. He said that we are currently behind schedule and will not be meeting the original intent of going out to bid in December but is anticipated for January. This will push the construction portion of the project back as well; however, it is anticipated that the Department of Ecology will be acceptable with an extension as long as the project is progressively moving forward.

## **6. Review of Rates & Fees for 2020**

Development Services Manager Lilith Vespier reviewed the development related changes and identified that the fees are based on the 1997 Uniform Building Code. She explained the individual changes that the development staff is recommending for the building, fire, land use and legislative permit fees, which are identified in the materials as amended, removed or new additions. She noted that several of the recommendations are designed to streamline the process for staff and the applicant in several cases. She then reviewed changes to the Pre-Application Meeting Fees noting consolidation of the language with no fees being incorporated and one minor change to the Design Review Fees. She noted that the Council can also consider future changes to update the fee schedule based on the 2018 Uniform Building Codes; these changes are likely to increase certain fees but would require further analysis of the full impact to the current fee structure. She stated that the fees are designed to cover the staff time involved in reviewing and approving permits and the upgraded fee structure might be more accurate. Council discussed the current fee structures based on the 1997 Uniform Building Code and to consider the timing of implementing the 2018 Uniform Building Code; based on current growth demands, the suggested timing would be to consider this sooner rather than later.

Finance Director Chantell Steiner reviewed the planned increases for Water, Sewer and Stormwater that are based on the Utility Rate Study that was conducted in 2017. She stated that no changes are incorporated for system development charges and that the increases are included for the monthly fees. She noted that residential garbage has been removed and asked Council for input on the monthly late fee. Councilmembers reviewed the late fee and suggested moving that to a flat fee of \$15 per month.

Public Works Director Herb Amick reviewed changes to the water connection fees to remove fees for larger meters that are typically purchased by the developer and clarify services covered

for service connections. He stated that an additional fee is being incorporated to address a customer request to relocate a meter that was not previously included.

Council briefly discussed the difference in commercial versus residential rates for base fees and usage fees. Director Steiner noted that commercial rates have a lower base rate; however, they have a higher usage rate which balances out the distribution. She stated that this was specifically looked at during the rate study to create better equity. It was noted that 75% of the customers are residential while nearly 60% of the revenues are generated by the commercial customers.

Administrator Walinski reviewed some of the sections that are not incorporating fee changes at this time which includes the Cemetery and Parking fees. He noted that the Cemetery is now mapped out and staff can start to analyze what those fees should be to address a healthy fund balance prior to full capacity. He stated that the Parking fees will also need to be considered as other lots are currently charging more than the City is for violations.

## **7. Quarterly Update Future Council Agenda Items / Project Tracking**

Administrator Walinski stated that this time allows for questions on the status of projects that the staff is administering. Staff provided additional updates to the Council on various projects as requested. Council had a brief discussion regarding the burn permit for the apple maggot quarantine and the need to continue working on finding viable and affordable solutions in the future; at this time permitting is occurring and agencies are looking at the option of purchasing an air current burner. Staff updated the Council on issues that have arisen at the Dryden Transfer Station that has limited the City from dumping on Saturday; staff is seeking a resolution to this with Chelan County.

## **8. Quarterly City Newsletter Recommendations – Distribution in November**

Mayor Farivar stated that she is planning to do a final write-up on the Council and to recognize those that are outgoing; Administrator Walinski will assist in providing information on the incoming members. Council requested an update be included on the Ice Rink for current and upcoming projects.

## **9. Council Open Discussion**

Mayor Farivar asked the Council how they would like to proceed in regard to the request to add a mobile unit from Columbia Valley Community Health (CVCH); she stated that it appears to be a duplication of service already provided by Cascade Medical Center (CMC). She added that she would like to include a proclamation or resolution recognizing the support and services that are being provided by Cascade Medical Center. Councilmembers concurred that there does not appear to be a shortfall of services and that the mobile unit is not a necessary addition at this time; adding unneeded services could jeopardize the current services already being provided. Administrator Walinski noted that CVCH was tasked with doing additional research through contacting Upper Valley MEND and CMC on the services already provided and that Council will await any further contact from CVCH.

Councilmember Neighbors questioned what is the City doing in regard to resident Richard Brinkman's letter with concerns of cars speeding along Pine and Cone Street. The Council discussed the option of adding an additional crosswalk mid-block where Cone Street crosses to a trail access that students are utilizing. It was noted that signage is already in place within this area. Based on the location of this area, it is not necessarily a speeding issue but might be more of a congestion issue that occurs for approximately 15 minutes before and after school is in session. Discussion included considering how to address any issues and to have the Public Safety Committee review this further and consider further discussion with the School District.

Study Session adjourned at 11:51 AM.

**APPROVED**



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**Cheryl K. Farivar**  
Mayor

**ATTEST**



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**Chantell Steiner**  
Finance Director/City Clerk