



CITY COUNCIL MEETING AGENDA
Council Chambers, 1000 Laurel Street

August 11, 2014
Monday

Study Session
7:00 p.m.

- 1. Call to Order**
- 2. Roll Call of Council Members**
- 3. Study Items**
 - a. Meet with Staff – Building Official**
 - b. Electrical System Plan Update**
 - c. Marijuana Regulations Discussion**
 - d. Council Report Protocol**
- 4. Adjournment**

Note: Public comment is generally not taken at Study Sessions. However, on some occasions, public comments may be allowed at the discretion of the Chair and Council. The public may also submit written communications, via letters or emails to dperry@cityofmilton.net. Any item received by noon on the day of the meeting will be distributed to Council.

If you need ADA accommodations, please contact City Hall at (253) 517-2705 prior to the meeting. Thank you.

PENDING COUNCIL AGENDA CALENDAR (Dates are Subject to Change) FOR PLANNING PURPOSES ONLY

August 2014			
Mon 8/11	7:00 pm	Study Session	A. 7:00-7:30 Meet w/ staff: Building Official B. 7:30-8:15/8:30 Electrical System Plan Update C. 8:15/8:30-9:00/9:15 Marijuana Regulations Discussion D. 9:15 Council Report Protocol
September 2014			
TUESDAY 9/02	7:00 pm	Regular Meeting	A. National Recovery Month – <i>Proclamation – Consent</i> B. Surplus Seized Vehicles – <i>Consent</i> C. Surplus Vehicle, Vactor Truck - <i>Consent</i> D. Marijuana Regulations – <i>Public Hearing</i> E. Amending Access Tract Code – <i>Ordinance</i> F. ADA Bathrooms
Mon 9/08	7:00 pm	Study Session	A. Street Standards B. Fire Hydrants information C. Fire Marshal information D. Police Vehicle Purchase Plan
Mon 9/15	7:00 pm	Regular Meeting	A. 2015 Revenue Estimates & Fee Schedule Changes B. Amendments to Building/Fire Codes
October 2014			
Mon 10/06	7:00 pm	Regular Meeting	A. 3rd Qtr Financial Report B. Budget Review – General Fund by Department
Mon 10/13	7:00 pm	Special Meeting Study Session	A. Revenue Estimates – <i>Public Hearing</i> B. Tax Levies for 2015 – <i>Adoption</i> C. Utility Collections – Amending code language to match state law
Mon 10/20	7:00 pm	Regular Meeting	A. 2015 Proposed Budget – <i>Public Hearing (#1)</i>
Mon 10/27	7:00 pm	<i>Tentative Study Session</i>	A. 2015 Budget
November 2014			
Mon 11/03	7:00 pm	Regular Meeting	A. Budget Review – Other Funds
Mon 11/10	7:00 pm	Special Meeting Study Session	A. 2015 Proposed Budget – <i>Public Hearing (#2)</i> B. Meet with Staff
Mon 11/17	7:00 pm	Regular Meeting	A. 2015 Budget – <i>Final Public Hearing</i> B. 2015 Budget – <i>Adoption</i> C. Marijuana Regulations – <i>Action</i> D. Planning Commission 2015 Work Plan
December 2014			
Mon 12/01	7:00 pm	Regular Meeting	
Mon 12/08	7:00 pm	Study Session	
Mon 12/15	7:00 pm	Regular Meeting	

Agenda Item #: 3A

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To: Mayor Perry and City Councilmembers

From: Public Works Director Neal

Date: August 11, 2014 Study Session

Re: Meeting with Staff – Building Official

ATTACHMENTS: N/A

TYPE OF ACTION:

Information Only

Discussion

Action

Expenditure Required:

Recommendation/Action: N/A

Fiscal Impact/Source of Funds: N/A

Previous Council Review: N/A

Issue: Per the Mayor's request, this is one of several periodic informal meetings with staff for Council to hear directly from employees regarding their jobs and responsibilities.

Discussion: Dana Herron (Building Official) will be giving a brief talk about the roles and responsibilities of the Building Department, development in the City of Milton, and his daily work load.



To: Mayor Perry and City Councilmembers
From: Public Works Director Neal
Date: August 11, 2014 Study Session
Re: **Electric System Plan**

ATTACHMENTS: A. Electric System Plan Update

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required:

Recommendation/Action:

No formal action is necessary at this time. Staff is looking for general direction from Council.

Fiscal Impact/Source of Funds: All funds for this task are allocated in the Electric Utility Fund's approved 2014 budget.

Previous Council Review: Council discussed at the August 5, 2013 Study Session, and again at the February 8, 2014 Council Retreat. On February 18, 2014, Council approved a contract with EES to update the Electric Utility's System Plan and to provide a Cost of Service Analysis.

Issue: An update of the City's Electric Utility System Plan has been completed.

Background: Utility system plans typically provide a planning strategy for both a short term (6 year) and long term (20 year) period. Plans can include capital improvement programs, rate studies, overall system reviews, review of staffing levels, long term forecasting, and any other analysis that is deemed necessary and prudent at the time.

The City of Milton's Electric Utility has historically been stable, reliable, and consistent. However, in the last decade, there have been significant changes in federal policy and energy generation/purchasing concerns. The City is faced with difficult decisions in the future – decisions that are not quick to implement and can be expensive to pursue.

Staff worked with the firm EES Consulting to develop a scope of work to update the City's Electric Utility System Plan. EES is the consulting firm affiliated with the Western Public Agencies Group (WPAG) efforts, and is the most familiar with Bonneville Power Administration (BPA) costs and load forecasting.

Discussion: The first phase of EES' contract work, development of the Electric Utility System Plan Update, is complete and includes:

- A new Capital Improvement Plan
- A recommendation for fund reserve levels
- Consideration for interconnects with other power providers
- Predictions for Tier 2 power purchase
- Analysis of purchasing the BPA substation
- Discussion of consequences of selling the utility
- Recommendations

Next Steps: The System Plan Update looks at different scenarios and determines the revenue requirements for each – this includes consideration of operations and maintenance costs, debt service, capital improvements, etc. The output of the System Plan is a budget number, which is then utilized in developing the Cost of Service Analysis (COSA). The COSA breaks down the budget number with a determination of what portion of the revenue requirement each customer class will pay and what the rate structure looks like.

Staff is looking for Council direction as to which scenario to pursue, and will utilize that scenario's analysis in developing the COSA.

City of Milton

Electric Utility Strategic Plan July 2014

Prepared by:



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July 21, 2014

Ms. Letticia Neal
City of Milton
1000 Laurel Street
Milton, WA 98354

SUBJECT: Electric Utility Strategic Planning Study

Dear Ms. Neal:

Please find attached EES Consulting, Inc.'s (EES) Final Electric Utility Strategic Planning Study. This report represents the work product of EES in evaluating the City's electric system, developing a 10 year capital improvement plan, evaluating the relative merits of the City of Milton (City) purchasing the BPA substation, and developing a strategic plan that incorporates the capital plan, forecast revenue requirement, future Tier 2 power supply options, staffing needs and alternative operating scenarios.

We would like to thank you and your staff for your assistance in preparing this study. It has been a pleasure to work with you on this project.

Please contact me directly if there are questions or if we may be of any further assistance in this regard.

Very truly yours,

A handwritten signature in blue ink that reads "Gary S. Saleba".

Gary Saleba
President

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Section 1 – Introduction

The City of Milton (City) is located in both King and Pierce County, Washington. The population of the City is approximately 8,000. Currently, electric customers within the City are served by the City with power purchased from the Bonneville Power Administration (BPA).

The City owns and operates a 15-kV electric distribution system that serves load primarily within the City limits. The City's electric system delivered 60,532 MWh to approximately 5,275 residential, commercial, apartment, and municipal customers during 2013.

The City is served from a single power supply source: the Bonneville Power Administration (BPA) Surprise Lake substation. BPA's assets at the substation consists of a radial tap off of a 115-kV transmission line, fused disconnects, a 12 MVA power transformer without voltage control, a 15-kV recloser serving as a main disconnect, and metering. The City takes delivery at 12.5-kV at the metering point, and owns assets including three distribution circuit breakers, relaying, and cables to exit the substation.

The City asked EES Consulting, Inc. (EES) to perform a long-term strategic electric system plan, including a ten-year capital improvement plan. EES was also asked to evaluate the cost effectiveness of purchasing the BPA substation and review the different option to provide electric service to the City's residents. With the completion of the strategic plan, EES will perform a cost of service study using the City-selected planning scenario to develop the revenue requirement.

Organization of Report

This report first provides detail on the basic assumptions for the analysis including power supply forecast, capital plan, and recommended level of reserves. Section 3 outlines the Business as Usual (BAU) scenario. Section 4 reviews the cost effectiveness of the City's purchase of BPA substation. Finally, Section 5 addresses the potential sale of the utility.

Analysis Overview

For this study, EES looked at three utility operation scenarios and compared several metrics across these results. The three scenarios include the Business as Usual scenario under two different financing strategies, the purchase of the BPA substation and the potential sale of the utility. For each scenario, a revenue requirement was developed over the 11 year period of 2014 through 2024.

Simply stated, a revenue requirement analysis compares the overall revenues of the utility to its expenses and determines the overall adjustment to rate levels that is required annually. The convention used by most public utilities to determine their revenue requirement is called the "cash basis" of cost accounting. As the name implies, a public utility aggregates its cash

expenditures to determine its total revenue requirement for a specified period of time. This methodology conforms nicely to most public utility budgetary processes, and is a very straightforward and easily understood calculation.

Under the “cash basis” approach, there are four component costs. They are operation and maintenance expenses, taxes, debt service, and capital improvements funded from rates. Capital costs under the cash basis approach are calculated by adding debt service to capital improvements financed with rate revenues. It should further be noted that the two portions of the capital expense component are necessary under the cash basis approach because utilities often cannot finance all capital facilities with long-term debt.

Revenues and expenses for the 11 year period from 2014 through 2024 were projected. In order to compare scenarios using a single metric, the net present value (NPV) was used. The NPV adjusts a future stream of costs into today’s dollars adjusting for inflation. In other words, the NPV is what it would cost the utility today to operate for the next 11 years.

Annual rate adjustments were projected with the goal of meeting annual expenses using both retail electric rates and the Electric Fund. The Electric Fund served as a rate stabilization account as long as the minimum required reserves level of \$2.5 million was maintained. The 2024 year end Electric Fund balance target is \$4 million.

Next Steps

Once the utility operating and capital funding scenario has been determined, a cost of service study can be performed. The cost of service analysis takes the results of the revenue requirement analysis and attempts to equitably allocate those costs to the various customer classes of service (e.g., residential, commercial, etc.) based on how each customer uses the utility system. This analysis provides a determination of the level of revenue responsibility of each class of service and the adjustments required to meet the cost of service.

Section 2 – Base Assumptions

This section of the study outlines the Base Scenario assumptions for the strategic planning study. EES Consulting staff corresponded with the City and BPA to acquire all pertinent data on utility operations and costs.

EES reviewed the following data in preparing this report:

- Paper distribution system maps, dated 2005
- R W Beck Electric system plan, dated 2005, with completed projects identified
- Surprise lake substation transformer data from BPA
- Surprise lake substation single line diagram
- BPA load forecast through 2024
- Field visit notes
- 2012, 2013 and 2014 budgets
- Customer billing data

Revenue Requirement Methodology

In order to determine the impact of alternative scenarios, it is necessary to develop a revenue requirement or budget for the electric utility. In summary form, The City’s components to its revenue requirement include the elements shown in Table 1.

Table 1
Elements of a Cash Basis Revenue Requirement

+ Operation and Maintenance Expenses (O&M)
✓ Power Supply Expense
✓ Transmission Expense
✓ Operation and Maintenance
+ Capital Improvements Financed with Operating Revenues
+ Debt Service (Principle & Interest)
+ Taxes
<hr/>
= Total Revenue Requirement

Each of the components to the revenue requirement is discussed below.

Development of the Projected Load Forecast and Forecast Revenues

The load forecast for Calendar Year (CY) 2014 through CY 2024 was calculated based on BPA load forecast growth. Forecast revenues at present rates were calculated for the analysis period using current retail rate schedules and forecasted loads.

Power Supply & Transmission

This section of the study outlines the projected power costs.

Assumptions

The power cost model developed by EES Consulting for the City includes the following assumptions:

- Forecast monthly peak and energy loads were provided by BPA's load forecasting department for the period January 2014 through December 2024. BPA's load forecast includes a load growth rate of 7.2 percent in 2015 and 2.2 percent in 2016. The average annual load growth rate included in BPA's load forecast in 2017 through 2024 is 0.6 percent. Loads were assumed to increase at 0.6 percent in 2025 through 2033. Based on BPA's load forecast the average monthly load factor for the City is 68.7 percent. The heavy and light load hour energy split was provided by BPA's FY14-15 rate case model.
- Monthly Contract Demand Quantities were provided by BPA's FY14-15 rate case model.
- FY14-15 BPA power and transmission rates, monthly customer refunds and billing determinants, including the FY14-15 Rate Period High Water Mark (RHWM) of 7.468 aMW, were provided by the BPA FY14-15 general rate schedule provisions.
- BPA power and transmission rates are assumed to escalate by 6 percent each rate period with the exception of the utility delivery charge which is assumed to escalate by 25 percent during the next two rate periods (FY16-17 and FY18-19) and 6 percent in each subsequent rate period.
- It was assumed that the City's total system load is subject to the utility delivery charge.
- Based on BPA rate case models it was assumed that the City's monthly system peaks are 92 percent coincident with BPA's transmission system monthly peaks.
- It was assumed that new BPA power and transmission contracts begin in October 2028 with the same rate structures and billing determinants as the current contracts.

Load and Tier 2 Projections

Figure 1 below shows the City’s projected loads through 2033. The City’s RHWMs are assumed to be equal to its Contract HWM of 7.548 aMW beginning in 2016.

Figure 1
Projected Loads and RHWMs (aMW)

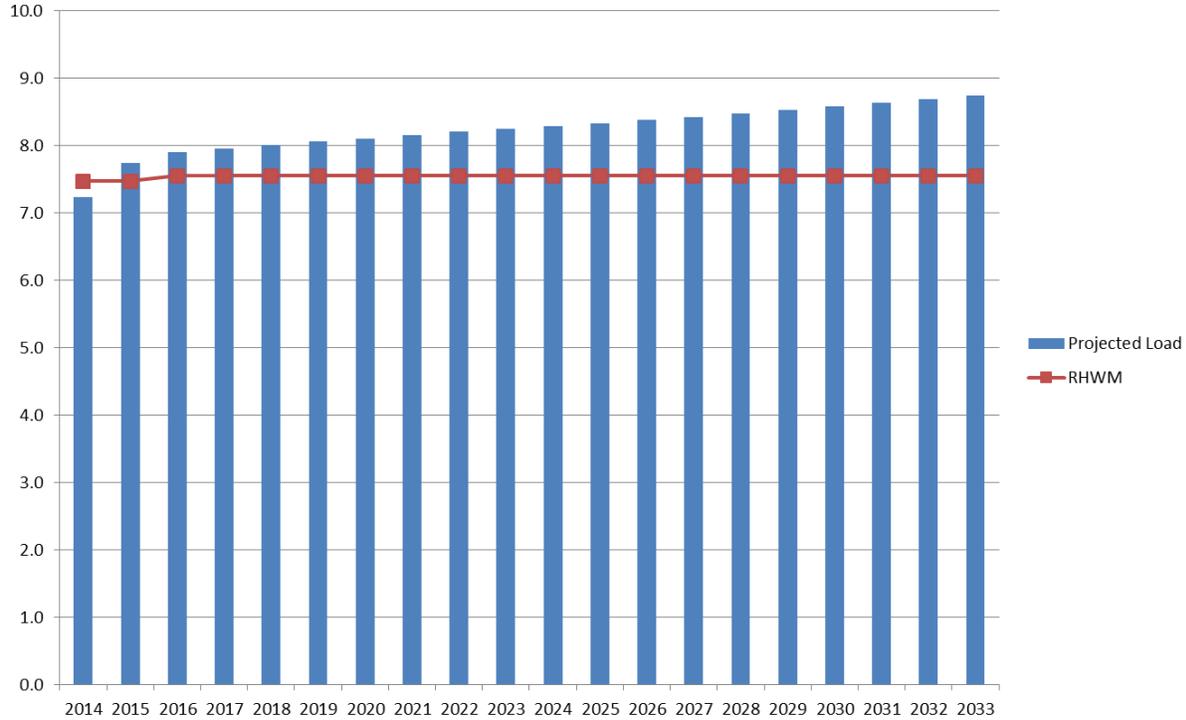


Figure 1 shows that the City does not have more than 1 aMW of above-HWM load 2014 through 2029. Based on the load forecast provided by BPA, above-HWM loads are 0.33 aMW in 2016, 0.50 aMW in 2019, 0.76 aMW in 2025 and 0.96 aMW in 2029.

BPA requires utilities that have at least 1 aMW of above-HWM load to purchase Tier 2 products or non-federal purchases to serve above-HWM loads. Loads in excess of the RHWMs are served by BPA’s load shaping product until above-HWM loads exceed 1 aMW. Above-HWM loads are 1.01 aMW in 2030, 1.06 aMW in 2031, 1.12 aMW in 2032 and 1.17 aMW in 2033.

The City signed up for BPA’s load growth Tier 2 product to serve above-HWM load. If no action was taken the City’s above-HWM loads in 2030 through 2033 would be served by BPA’s load growth product. However, the City can notify BPA that it would like to purchase either a different BPA Tier 2 product or power from a non-federal resource to serve above-HWM load. Such notification must be provided to BPA by October 31st of the year preceding a rate case year. For example, notice would have to be given by October 31, 2014 in order to opt out of

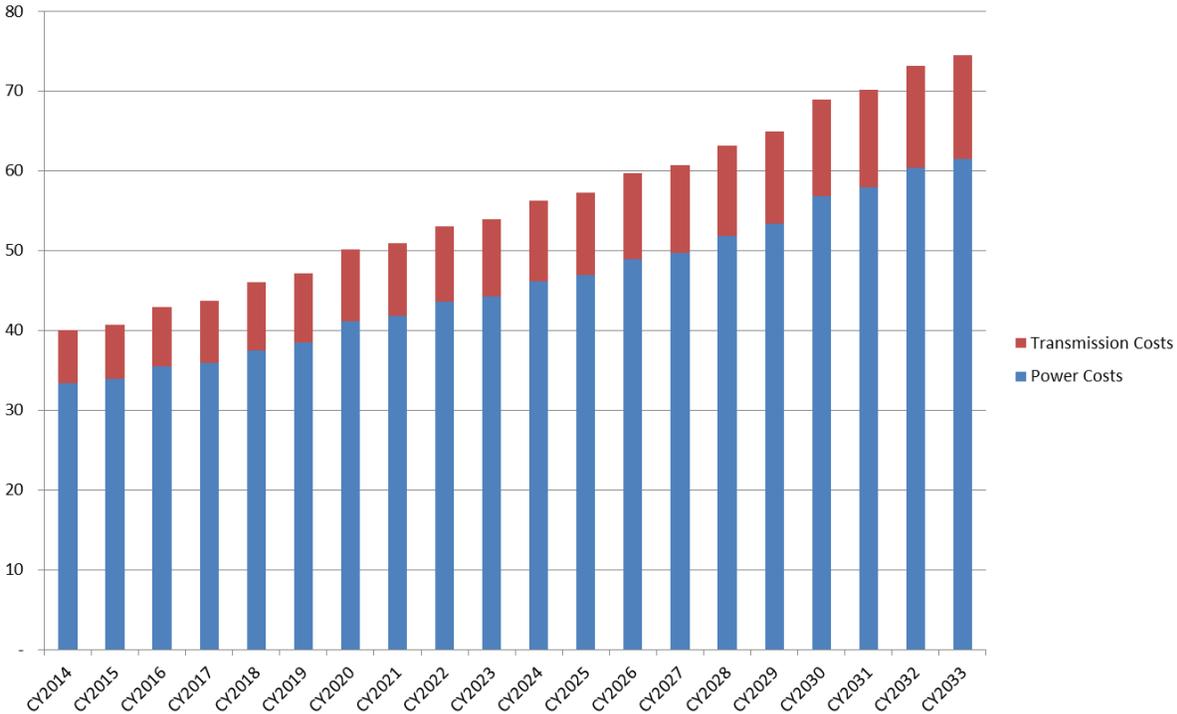
the load growth product for the rate period FY16-17. Utilities that opt out of the load growth product could be assessed charges if BPA has stranded power costs associated with purchases it has made to serve projected above-HWM loads. Milton is not projected to have above-HWM load greater than 1 aMW under the base case load forecast through the contract term (1 aMW is the minimum requirement). If conditions changed and Milton was projected to have greater than 1 aMW of above-HWM it could notify BPA that it wanted to opt out of the load growth product and be obligated to purchase no power at the load growth rate. Milton would be required to notify BPA of its decision to opt out prior to October 31st of the year prior to the commencement of the upcoming rate period (as noted above). At that point Milton could serve above-HWM load with a different BPA Tier 2 product, most likely the short-term Tier 2 product, or a non-federal resource.

The City should consider its options for serving above-HWM load in the years prior to its projected above-HWM loads exceeding 1 aMW. If BPA's assumed load growth rate of 0.6 percent turns out to be too high, that will be later than 2030. If BPA's assumed load growth rate of 0.6 percent turns out to be too low that will be before 2030. Above-HWM load projections could increase if the loads of any of Milton's customer classes grew at a more rapid rate than anticipated. For example, if a few new residential subdivisions came to town or some large commercial loads, then Milton's above-HWM load would increase above current projections. It should also be noted that the current BPA contracts expire in 2028.

Power Cost Projections

Figure 2 below shows projected power and transmission costs through 2033. The 2030 through 2033 power costs shown below assume the City purchases BPA's Tier 2 load growth product to serve above-HWM load.

Figure 2
Projected Power and Transmission Costs (\$/MWh)



Given the assumptions noted above, the City’s power supply costs are projected to increase by an average of 3.3 percent per year over the 20-year study period. The City’s projected total power supply costs increase from \$2.53 million in 2014 to \$5.70 million in 2033.

Conclusion

Based on the analysis of the City’s load forecast and power supply needs, it is premature to perform further Tier 2 modeling.

Operations & Maintenance

The O&M expenditures were based on historical data and 2014 budget received from the City. The base scenario assumes the following:

- Staffing levels assumed to remain at 2014 level over 10 year planning period
- Other revenues, including interfund transfers in, assumed to remain constant over 10 year planning period
- O&M based on City 2014 budget, 2013 projected and 2010 – 2012 actual expenses
 - Salaries and wages escalated 3.0 percent per year beyond 2014
 - Benefits escalated 5.0 percent per year beyond 2014

- All other O&M escalated 3.0 percent per year excluding capital lease, LOCAL financing, and interfund transfers.
- Utility tax = 6.0 percent of gross retail sales
- Excise tax = 3.8734 percent of gross retail sales plus 1.8 percent of penalties

Capital Plan

This section of the report reviews the distribution system and determines a 10 year capital plan for the City to consider.

Condition and Age

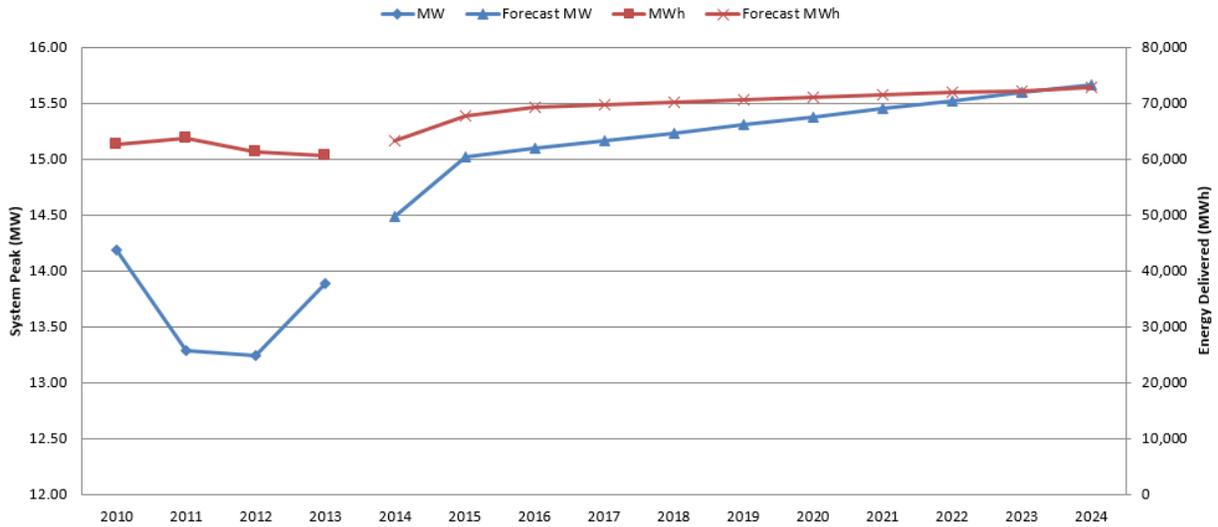
The average age of the distribution system was estimated to be 24 years (average installation date of 1990) based on data from the 2005 system planning study, City staff and EES engineering staff opinion.

Based on a site visit by an EES Engineer, the City's electric distribution system appears to be in overall good condition. The capital improvement projects recommended in the 2005 R W Beck system plan have largely been implemented, which provides various and numerous benefits to the overall distribution system.

Load Growth

There are three distribution feeders served by the Surprise Lake substation, and the system peak demand is approximately 13.2 MW as of January 2014. Peak loads have historically been decreasing; however BPA forecasts a projected increase to 15.67 MW by 2024. System peak loads occur during the winter months. Figure 3 below shows historical and forecast peak demand and energy estimates prepared by BPA.

Figure 3
Surprise Lake Substation Demand/Energy



Substation equipment is by convention rated in mega volt-amperes (MVA) rather than megawatts (MW) of capacity. For simplicity in this report, assume MVA and MW are equivalent.

The Surprise Lake substation has a single transformer rated for 12/16/20 MVA with 13.4/17.9/22 MVA limits at 65-degrees Celsius rise. However, upon inspection only one bank of fans was installed on the transformer, therefore the top forced-air rating should not be used. Further, due to the age of the transformer, loading should be restricted to below 85% of the first forced-air rating (17.9MVA), or 15.2 MVA. The BPA load forecast indicates peak loading will reach 15.2 MVA in the year 2018. The substation should be rebuilt before this occurs, as it will be unable to safely and reliably meet the forecast demand MVA beyond the year 2018.

Existing System Review

A computerized distribution system engineering analysis model was not developed or used during this planning study. As such, individual circuit and conductor loading were not reviewed.

The overall system power factor, measured at the BPA meter, is excellent. It ranges between 99% and 100% across peak and light loading levels.

Recommended Capital Projects

Because the City takes delivery of power at a single substation, a contingency switching scenario must be developed for situations where the Surprise Lake substation is out of service for either planned or unplanned maintenance.

Two locations have been identified where the City could create metered distribution switching points to interconnect with Tacoma Public Utilities/Tacoma Power (TPU) and one location has been identified on the Puget Sound Energy (PSE) system. EES envisions that a contractual

arrangement should be set up, permitting the City connect to TPU and/or PSE during contingency situations to receive power at one or more switching points until repairs are complete. EES did not contact TPU or PSE as part of this review to determine if this is feasible. However, City staff has indicated distribution interties have been created with TPU's system in the past, on a temporary basis.

EES identified and recommends two switching points be constructed, to permit sharing of City load between two TPU substations. TPU may not have the capacity available at a single substation to serve the entire City. In addition or as an alternate, a third location with PSE may be constructed.

As an additional action item, a storm recovery plan should be developed and agreed upon between the City and TPU/PSE. This would formalize the process for activating the distribution interconnection point(s) and allow the parties to understand the scope of their responsibilities and risks. The City would be subject to an additional wheeling charge for the use of TPU and PSE's facilities. These charges are not included in this planning study as the use of these facilities is considered backup and loading estimates have not been developed.

EES recommends the City pursue the following capital projects during the next ten-year planning period.

2015-2024 Annually

Asset Replacement – In addition, a reserve account should be established for replacement of plant items nearing the end of their service life, such as poles, service transformers, etc. Typically this is funded with annual contributions in the amount of the total distribution plant value divided by the expected service life of 40 years.

Equipment replacement such as trucks and machinery are included in the annual operating budget and not the capital work plan.

2015 Construction Work Plan

Tacoma Public Utilities Interconnection #1 (20th Avenue) – The first switching point is located at 20th Ave and Milton Way. This location currently has TPU and City feeders separated by an air break switch. EES proposes the site be upgraded to use a NOVA recloser with electronic controls, bypass switching, and revenue metering. These upgrades will provide better billing data for the agreement, as well as offering protection to TPU in the event that a fault occurs on a City feeder tied to the TPU substation. EES anticipates that TPU will want the City to provide some level of fault protection in the contractual agreement.

EES estimates the cost of constructing this first switching point to be approximately \$110,000.

Feeder Cable Installation on Milton Way – City electric staff indicated that a project is planned for the section of feeder between approximately 1700 Milton Way, continuing along Milton

Way to approximately the intersection with 23rd Ave. The existing overhead feeder will be replaced with underground cable, continuing the underground circuit along Milton Way.

City staff has estimated the project cost to be \$465,000.

EES agrees that this project would be valuable to the City, and should be completed.

2016 Construction Work Plan

Substation Cable Replacement – The 15-kV cable in the substation is nearing the end of its useful life and should be replaced before a failure occurs. Cable is used between the 15-kV bus structure and the 15-kV switchgear and also between the 15-kV switchgear and the feeder riser poles.

This project will require a substation outage for several days while the cable is replaced. EES recommends this be completed following the negotiation and construction of the distribution interconnection points discussed earlier. Further, this work should be done when electric demand is off-peak to minimize the impact to the interconnected neighboring utility.

EES estimates this work will include replacing several hundred feed of cable, 18 cable terminations, and testing. EES also recommends that the jumpers between the exposed 15-kV bus and the cable terminations at the bus be evaluated for ampacity and upgraded if necessary. Larger jumpers could alleviate a potential bottleneck and reduce losses during heavy loading.

EES estimates the cost of this work to be approximately \$150,000 not including any contractual payments for energy to neighboring utilities. Energy payments will be governed by the duration of the outage and the system load at the time the outage is taken.

If the Surprise Lake substation is acquired by the City, and is subsequently rebuilt, this project will not be necessary in 2016 as it will be included in the scope of the rebuild.

Tacoma Public Utilities Interconnection #2 (Porter Way) – The second switching point is located at Porter Way and Pacific Highway East. A City feeder stops about 100 feet from an existing TPU line. EES proposes the installation of the necessary conductor to connect the two feeders, as well as a NOVA recloser with electronic controls, bypass switching, and revenue metering. This equipment would be similar to the other TPU switching point, with the addition of the single slack-span of new conductor.

EES estimates the cost of constructing this second switching point to be approximately \$110,000

2017 Construction Work Plan

Puget Sound Energy Interconnection – In addition or as an alternate to one of the TPU distribution interconnection points, a location on the East end of the City has been identified as a candidate for a distribution tie point with PSE.

The third switching point is located at approximately 28th Ave S and Milton Way. There is an existing PSE overhead line that dead-ends near an existing overhead City feeder. EES proposes that following an acceptable interconnection agreement, PSE would install a NOVA recloser with electronic controls, bypass switching, and revenue metering on its dead-end pole. The PSE pole was selected because the nearest City-owned pole does not currently have sufficient available space for the proposed equipment. Next, the City would install a new span between the PSE line and the existing City line. The equipment may need to be located on the PSE pole due to the arrangement of the City feeder. There would likely be a use of facilities charge associated with installing City equipment on a PSE pole. The new span would connect the PSE line to the cable in the riser on the City's pole, creating a three-phase interconnection point. Alternatively, it may be possible to install a riser on the PSE pole and connect to the feeder cable in the adjacent City owned electric vault.

EES estimates the cost of constructing this third switching point to be approximately \$130,000 not including any ongoing use of facilities charges for locating City equipment on PSE poles. EES included \$20,000 in this amount as an order-of-magnitude estimate of PSE's charge to initially install the City-owned equipment on PSE-owned poles. Note that this charge is difficult to estimate and may be substantially different. EES recommends getting an estimate from PSE once the project has been designed. Other design alternatives such as a pad-mounted recloser or building a line or cable extension that would permit the City to install the equipment in its own service territory should also be considered.

2018 Construction Work Plan

Feeder Cable Replacement at Surprise Lake Apartments – City electric staff indicated that a cable replacement project is planned for the section of feeder cable passing through the Surprise Lake Apartments.

City staff has estimated the project cost to be \$200,000.

Based on the age of the cable, EES agrees that this project should be scheduled and completed within the next five to ten years.

Other Projects

The following projects should be considered for implementation in the next planning period, 2024-2034.

Second Transmission Source – EES recommends that the City study the benefits of adding a second substation to improve reliability of service and provide contingency switching in the event that the City's peak demand load grows to the point where the distribution interconnection points are no longer able to carry it. It would be prudent to conduct this study prior to building the distribution interconnection points.

Underground cable at 8th Ave and Oak Street – Investigate the potential for installation of an underground feeder cable through the gulley at 8th Ave and Oak Street to replace a difficult to maintain overhead span. City electric staff indicated that this location is difficult to maintain especially in poor weather. An underground cable would reduce the risk of weather-related outages.

Table 2 outlines the complete list of recommended capital improvement projects to be completed over the 10 year planning period.

Table 2 Estimated Capital Project Costs (\$ 2014)							
Project	2015	2016	2017	2018	2019	2020 to 2024	10 Year Total
Tacoma Public Utilities Interconnection #1 (20th Avenue)	\$ 110,000						\$110,000
Tacoma Public Utilities Interconnection #2 (Porter Way)		\$110,000					\$110,000
Puget Sound Energy Interconnection			\$130,000				\$130,000
Substation Cable Replacement*		\$150,000					\$150,000
Feeder Cable Replacement at Surprise Lake Apartments				\$200,000			\$200,000
Feeder Cable Installation on Milton Way	\$465,000						\$465,000
Asset Replacement	\$175,000	\$175,000	\$175,000	\$175,000	\$175,000	\$875,000	\$1,750,000
TOTAL	\$740,000	\$435,000	\$305,000	\$375,000	\$175,000	\$875,000	\$2,905,000

*Project to be included with substation rebuild if Surprise Lake Substation is purchased by the City from BPA.

Debt Service

At this time, the City’s electric utility does not have any debt. Because the initial capital outlay related to the purchase and rebuild of the Surprise Lake substation is very large, the analysis assumed the City would use 100 percent debt financing for the Substation purchase and rebuild. The debt financing assumptions are the following:

- Borrowing rate = 5.0 percent
- Borrowing term = 10 years
- 100% debt financing of major Capital Improvements

Recommended Level of Financial Reserves

Minimum reserves were determined to be \$2.5 million (see the appendix for this analysis). For purposes of this report, the reserve account target is set at \$4 million based on past precedence. This allows Milton to invest in the proposed CIP projects and ensures sufficient reserves in case the substation is purchased. The assumption used for the analysis related to the reserve account balances – restricted and unrestricted are:

- Ending reserve account balance by 2024 is \$4 million.
- Reserve account balance will not be less than \$2.5 million in any one year

Summary

Once all of the expense accounts have been forecast, the parts can be summed to equal the total revenue requirement. This information is used in the scenarios developed in the remainder of the report.

Section 3 – Business as Usual (BAU)

This section of the study outlines the Business as Usual scenario for the strategic planning study. This scenario assumes that the City continues operating the utility and does not purchase the substation.

The BAU scenario assumes the following:

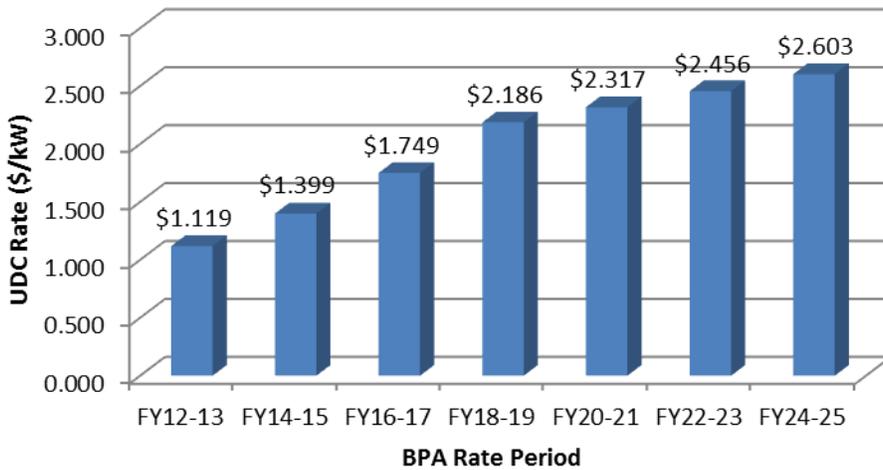
- City maintains ownership of the electric utility
- City does not purchase the BPA substation
- City continues to pay BPA’s delivery charge
- City does not establish interconnection points to TPA or PSE
- Capital project include:
 - Annual repair and replacement
 - Feeder cable installation on Milton Way (2015)
 - Feeder cable replacement at Surprise Lake apartments (2018)

Utility Delivery Charge – Status Quo

The City incurs a Utility Delivery Charge (UDC) on BPA power that is delivered over non-BPA low-voltage transmission facilities, such as the Surprise Lake Substation. Low-voltage facilities are those operated below 34.5 kV. The UDC increased significantly (25 percent) in the BP-14 rate case and is expected to continue to increase dramatically in subsequent rate periods. For this study, a 25 percent increase per rate period was assumed through FY18-19. An additional 6 percent per rate period increase was assumed beginning in FY 20-21 through the remainder of the study period. This assumption is based on the current plan, however, it is expected that the UDC rates will continue to be addressed in future BPA rate cases.

Figure 4 illustrates the assumed UTC over the 10 year planning period.

Figure 4
Estimated BPA Utility Delivery Charge

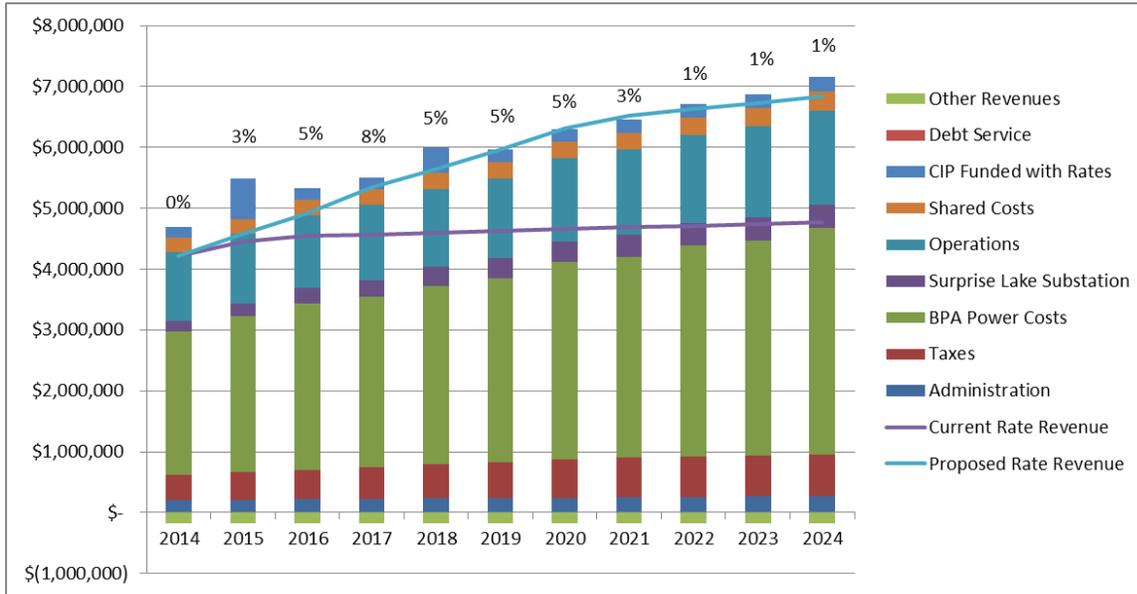


The City will pay the delivery charge on all power delivered over the Surprise Lake substation as long as it is owned by BPA. Based on the rates in Figure 4, the City's payment will range from \$177,500 in 2014 up to \$371,000 in 2024.

Analysis

The base scenario results show the significant impact the projected increase in the UDC and needed capital improvements have on the City's needed rate increases. Figure 5 shows that under the BAU scenario, rates have to increase between 1 percent and 8 percent during the next 10 years to meet the electric utility's revenue requirement and maintain the Electric Fund balance.

**Figure 5
Business As Usual Revenues and Expenses**



It should be noted that using current rates, revenues do not meet expenses in 2014 and beyond. Given the level of rate increases needed, the reserve levels dip to \$3.5 million in 2018, but ends at \$4 million by 2024 as can be seen in Figure 6.

**Figure 6
Utility Fund Ending Balance**

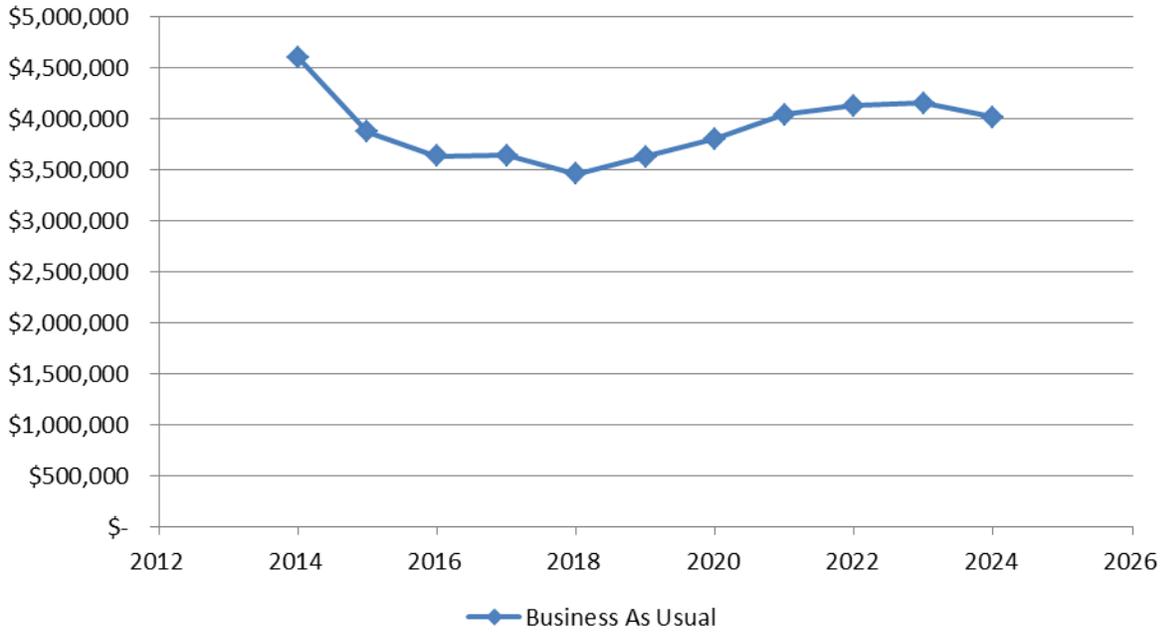


Table 4 shows that the overall NPV of the 11-year revenue requirement for the BAU scenario is \$47.9 million, while the revenue to the City is estimated at \$5.5 million over the same period. Finally, this scenario has the monthly residential bill increasing from \$51.60 to \$74.04.

Table 4 Business as Usual (2014 Dollars)				
CY	Revenue Requirement	Proposed Rate Adjustment	Revenues to the City from Electric Utility	Residential Estimated Monthly Bill
2014	\$ 4,518,472	0.0%	\$ 544,830	\$ 51.60
2015	\$ 5,316,293	3.0%	\$ 570,090	\$ 53.15
2016	\$ 5,156,233	5.0%	\$ 598,492	\$ 55.81
2017	\$ 5,329,395	8.0%	\$ 632,275	\$ 60.27
2018	\$ 5,828,672	5.0%	\$ 659,280	\$ 63.28
2019	\$ 5,793,020	5.0%	\$ 687,550	\$ 66.45
2020	\$ 6,131,981	5.0%	\$ 717,692	\$ 69.77
2021	\$ 6,289,479	3.0%	\$ 740,532	\$ 71.86
2022	\$ 6,541,589	1.0%	\$ 756,807	\$ 72.58
2023	\$ 6,703,962	1.0%	\$ 773,473	\$ 73.31
2024	\$ 6,982,902	1.0%	\$ 791,126	\$ 74.04
NPV	\$47,883,780		\$5,539,289	

Considerations

The BAU scenario is the scenario that all other options should be compared. It is important to note that this scenario assumes no financing of capital projects and also assumes no new interconnection points with TPU or PSE.

The results of this scenario can be seen in the table below:

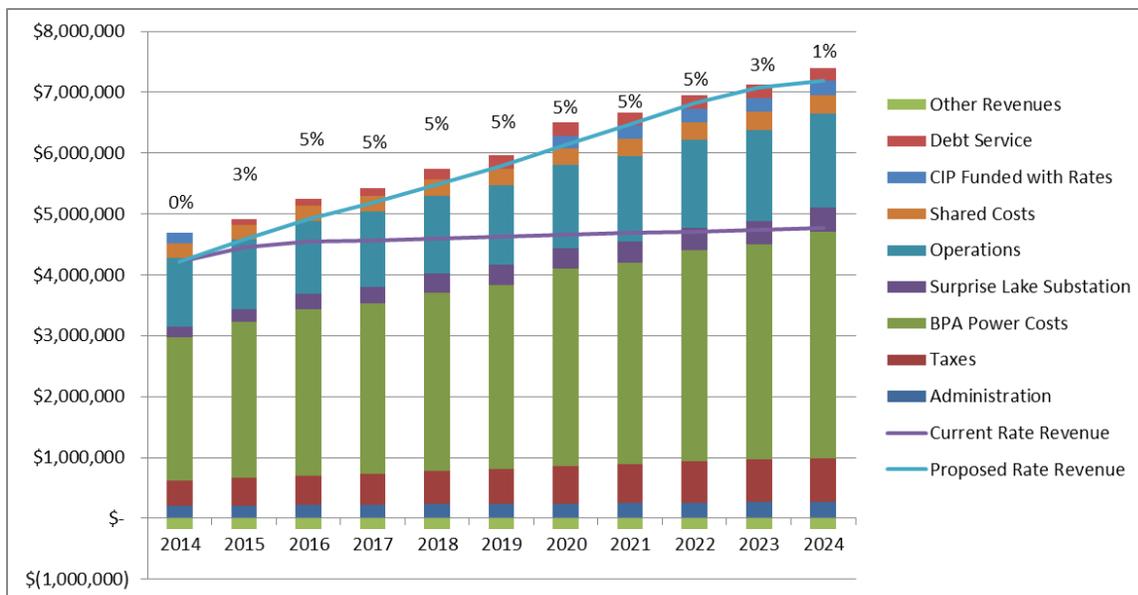
Table 5
Business as Usual Metric for 2014 - 2024
(2014 Dollars)

	BAU
Revenue Requirement (NPV)	\$47,883,780
Avg. Annual Rate Adjustment	3.5%
Payments to City (NPV)	\$5,539,289

Alternative Financing

In order to minimize rate adjustments in the near term, it was assumed the electric utility would borrow all capital spending from 2015 to 2019. However, this pushes costs out requiring larger rate adjustments at the end of the study period.

Figure 7
BAU with Financed CIP Revenues and Expenses



The results of this alternative financing of the BAU scenario can be seen in the table below:

Table 6
BAU with Financed CIP Metric for 2014 - 2024
(2014 Dollars)

	BAU-Financed CIP
Revenue Requirement (NPV)	\$47,772,856
Avg. Annual Rate Adjustment	4.0%
Payments to City (NPV)	\$5,539,899

Section 4 – BPA Substation Purchase

EES was asked to evaluate the cost effectiveness of purchasing the Surprise Lake Substation currently owned and operated by BPA.

This scenario assumes the following:

- City maintains ownership of the electric utility
- City purchase the BPA substation in 2015
- 5 years after purchase, the City rebuilds the substation
- 100 percent financing of the substation cost and rebuild
- City does not pay BPA’s UDC after substation is purchased
- Power supply losses decrease 2 percent
- Additional capital project include:
 - Annual repair and replacement
 - Feeder cable installation on Milton Way (2015)
 - Establish new interconnection points to TPA (2015, 2016)
 - Establish new interconnection points to PSE (2017)
 - Feeder cable replacement at Surprise Lake apartments (2018)

Substation Valuation

EES estimates the portion of the substation owned by BPA has a Replacement Cost New (RCN) value of \$1,972,000. The value of the land at the substation site was assumed to be \$150,000. Because of the age of the assets, the substation is fully depreciated, however, for this analysis it was assumed the substation has a remaining life of five (5) years. In estimating the value of the substation, assets already owned by the City were not included in the total. This figure is meant to reflect the estimated reconstruction cost of the portion of the substation owned by BPA. The Original Cost, as reported in the BP-14 Transmission Segmentation Study, is \$760,077.

Based on the above data, a Market value of \$500,000 was determined based on general knowledge about BPA substation sales, the life left and the condition of the plant.

Substation Rebuild

The substation is nearing the end of its useful life, and should be rebuilt within the next five to ten years, if purchased by the City. EES estimates that the rebuild would include new steel structures and foundations, a 115-kV circuit switcher, a 15/20/25 MVA transformer with oil containment, a voltage regulator bank, a new 15-kV main and transfer bus structure, and three new NOVA reclosers with electronic controls and metering. This would refresh the age of the

substation components as well as provide updated functionality and improved safety at the site. EES estimates the cost of rebuilding the Surprise Lake Substation to be \$3,573,000.

Substation Purchase Results

In order to evaluate the purchase of the Surprise Lake substation, it was assumed the City would rebuild the substation in the next five years. Therefore, the resulting capital investment is summarized in Table 7 below in 2014 dollars.

Table 7 Substation Purchase (2014 Dollars)			
Cost Approach	Valuation	Substation Rebuild	Total Capital
Market Value Estimate	\$500,000	\$3,573,000	\$4,073,000

It is important to note that the cost of the substation does not take into account the possibility of any liabilities associated with the substation, such as responsibility for any prior polychlorinated biphenyl (PCB) contamination, soil contamination due to oil leaks, etc. These and other liabilities should be reviewed (and investigated further if warranted) before a purchase agreement is reached.

Substation Operations and Maintenance

Operations and maintenance (O&M) for the entire substation would become the responsibility of the City. This work would likely need to be contracted, at least in the short term. The City electric staff is currently not trained or equipped to work with transmission voltages (115-kV), or substation control and protection equipment. Although the City does have a highly knowledgeable distribution line crew, the skills necessary to maintain a substation are different than a distribution system, albeit with some overlap of basic electrical concepts. The City electric staff could be trained to perform O&M on some substation components; however there is time and money involved in training, and it must be weighed against contracting the O&M work. If the City plans to sell the utility in the near term, contracting the work may make more sense.

Some substation O&M procedures require an outage in order to be completed. The alternate source provided by the distribution interconnection projects discussed above could be used during such outages. The BP-14 Transmission Segmentation Study estimates annual O&M for the Surprise Lake substation to be \$58,734 in 2010 dollars.

It would be prudent to develop a small spare parts inventory for substation components. Note that some of the required spare parts will likely change once station is rebuilt due to changes in technology since the original installation.

For this study, EES developed a high, medium and low O&M estimate that includes O&M expenses. The low range assumes existing crews can perform the substation testing after minimal training and no major repairs are required prior to the rebuilding the substation. The medium scenario assumes the City will perform the maintenance with existing crews and the substation is rebuilt within 5 years. Finally the high scenario assumes the City will contract the O&M. In addition, a fourth scenario is included using the BP-14 segmentation study estimate of \$58,734 escalated by inflation. The resulting 2014 estimates are in Table 8, below.

Table 8 Substation O&M Scenarios	
	Annual O&M (2014 \$)
Low	\$5,000
Medium	\$15,000
High	\$35,000
BP-14 Segmentation Study	\$66,106

For this study the medium scenario was used to establish the additional O&M cost due to the purchase of the substation.

Summary and Conclusions

Given the following assumptions, the results are summarized in Table 8:

- Substation purchased in 2015 using 100 percent debt financing for \$500,000
- Substation rebuild to occur in 2017 and 2018, 100 percent debt financed
- Borrowing/discount rate = 5.0 percent
- Borrowing term = 10 years
- Annual O&M based on Medium scenario
- Power Supply purchases reduced by 2.0 percent for loss savings

Table 9 compares the total costs associated with the substation under BAU and the Substation purchase scenarios. The BAU scenario includes the UDC costs and the needed substation cable replacement, while the Substation Purchase includes the cost of purchasing, the cost to rebuild, the interconnection additions and the reduction in power costs due to reduced losses.

Table 9 Substation Purchase Cost Effectiveness (2014 Dollars)		
Scenario	11 Year NPV	Annual Levelized Cost
Business As Usual (no new interconnection)	\$2,497,790	\$300,706
Substation Purchase	\$4,084,425	\$491,719

Figure 8 provides the needed rate impacts for the Substation purchase scenario.

Figure 8
Substation Purchase Revenues and Expenses

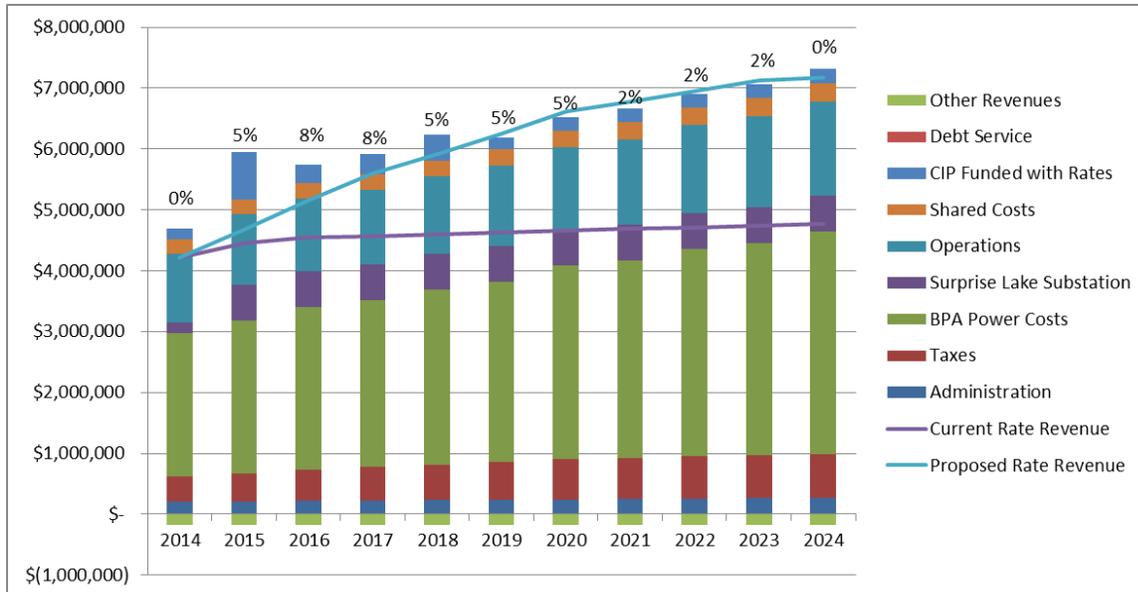


Figure 9 provides the resulting reserve balance for the two scenarios.

Figure 9
Utility Fund Ending Balance

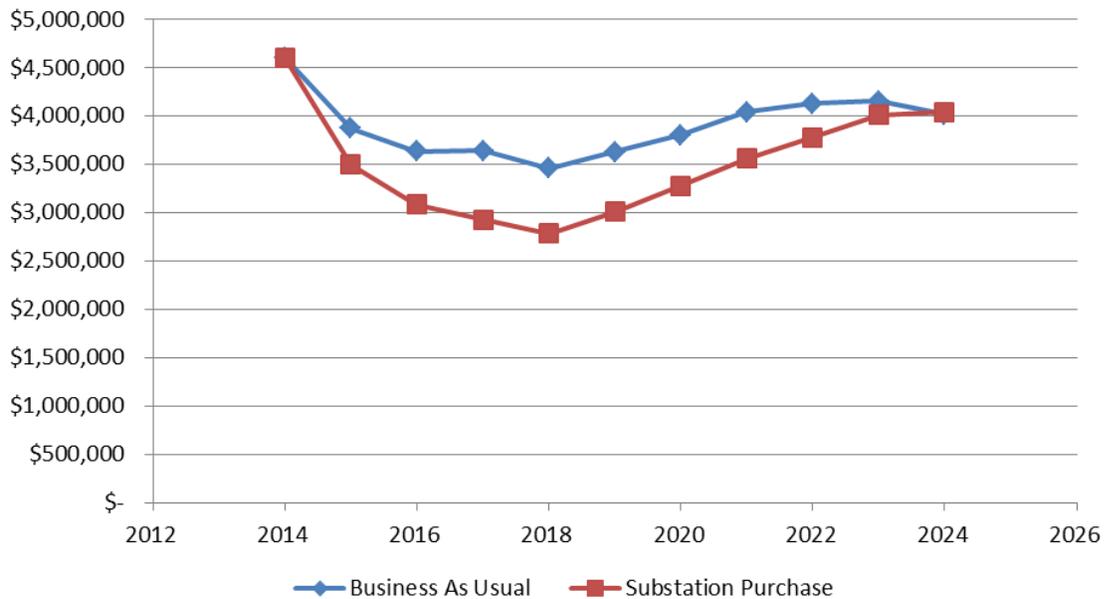


Table 10 shows that the overall NPV of the 11-year revenue requirement for the Substation Purchase scenario is \$50.0 million, while the revenue to the City is estimated at \$5.7 million

over the same period. Finally, this scenario has the monthly residential bill increasing from \$51.60 to \$77.63.

Table 10
Substation Purchase

CY	Revenue Requirement	Proposed Rate Adjustment	Revenues to the City from Electric Utility	Residential Estimated Monthly Bill
2014	\$ 4,518,472	0.0%	\$544,830	\$51.60
2015	\$ 5,775,439	5.0%	\$575,428	\$54.18
2016	\$ 5,572,772	8.0%	\$612,817	\$58.51
2017	\$ 5,754,205	8.0%	\$647,829	\$63.20
2018	\$ 6,066,638	5.0%	\$675,719	\$66.36
2019	\$ 6,024,682	5.0%	\$704,919	\$69.67
2020	\$ 6,347,122	5.0%	\$736,066	\$73.16
2021	\$ 6,491,374	2.0%	\$755,554	\$74.62
2022	\$ 6,732,831	2.0%	\$776,153	\$76.11
2023	\$ 6,894,200	2.0%	\$797,311	\$77.63
2024	\$ 7,147,558	0.0%	\$811,057	\$77.63
NPV	\$49,994,761		\$5,657,126	

Considerations

Based on the results in Table 10, the purchase of the substation, assuming the purchase price is \$500,000, would be slightly higher than the cost of continuing to pay the UDC to BPA under the BAU scenario which has an 11-year NPV of \$47.9 million. In addition, the City must consider the associated risks and City goals. Some of these considerations are listed below:

Additional Expenses Beyond Substation Purchase Price

If the substation is purchased, several improvements should be made as soon as practical.

- Distribution interconnection points with TPU and PSE, as well as storm recovery plan and contracts in place (included in analysis)
- Complete substation rebuild (included in analysis)

Transformer Age/Failure Mode

Based on data provided by BPA, transformer number T01447 was manufactured by Standard Transformer Company in 1965, and was acquired by BPA in 1974 for use at Brush College substation. The transformer was installed at Surprise Lake substation in 1981.

Transformer T01447 is rated for 12/16/20 MVA with 13.4/17.9/22 MVA limits at 65-degrees Celsius rise. However, upon inspection only one bank of fans was installed on the transformer, therefore the top forced-air rating should not be used. Further, due to the age of the

transformer, loading should be restricted to below 85% of the first forced-air rating (17.9MVA), or 15.2 MVA.

The expected useful life for substation assets is 40 years from the date of manufacture. As age increases, the risk of failure increases.

In contrast to the relatively short duration of a transmission line outage, such a transformer failure would most likely create a long duration substation outage (multiple days or even weeks) while replacement equipment is being procured, delivered, and energized. In the case of the transformer, a failure would likely mean total loss of the substation. In other cases, it may mean the inability to serve load or operate safely. With only a single substation, the City would not have its own contingency source to provide power in the event of a substation outage. Contracts with neighboring utilities should be in place prior to the substation being acquired. This is discussed in further detail below.

Due to its age, the City should plan to rebuild the substation within the next five to ten years, as soon as practical. Following a rebuild, the risk of failure is drastically lower.

Oil Leaks, Contamination, Liability

If the City acquired the balance of the substation assets, it may also assume additional risk. For example, if the substation transformer were to leak a large amount of oil, the City would be responsible for containment, cleanup, and any associated penalties. The substation does not have an oil containment structure surrounding the transformer, and a massive leak would likely contaminate the soil. Further, the transformer was observed to be leaking a small amount of oil during the site visit by EES in March 2014. The leak is being managed with absorbent pads, replaced at regular intervals. A leak of this magnitude is not unusual for a transformer of this vintage; however, it should be monitored regularly.

When a distribution line experiences a fault, the substation transformer is subject to current levels much higher than typical, known as fault current. Exposure to fault current can cause internal damage to transformer winding insulation due to the electromagnetic forces involved. Due to its age, the likeliness of the Surprise Lake substation transformer having an internal fault due to insulation failure is higher than average. The transformer oil should be tested at regular intervals to monitor insulation condition changes. This will become the City's responsibility upon taking ownership.

The transformer is protected by fuses, which may allow the transformer to carry the full fault current for up to several seconds, increasing the likeliness of insulation damage. Fuses on a transformer of this size and installation year are common practice. However, coupled with its age, the risk of a total loss of the transformer in the event of a substation fault is high. A replacement substation transformer for similar to the Surprise Lake unit typically costs around \$500,000 and has a lead time between 8 and 16 months. Finally, transformer failures are quite often spectacular, resulting in a large oil fire and the loss of the entire substation and possibly surrounding properties.

In the interim period following a transformer failure, a mobile substation could be leased; however, this will be expensive and will take a few days to deliver and energize.

This level of risk must be weighed in the decision to acquire the Surprise Lake substation.

Mitigating Risk

Although it is not possible to know exactly when a transformer or other equipment will fail, regular testing of transformer oil and other substation equipment can reveal a downward trend in equipment condition. Presently, BPA is responsible for transformer oil testing. If the City purchases the substation, EES recommends an aggressive testing schedule due to the age of the substation equipment. Further, the complete substation rebuild should be completed as soon as practical.

Summary

The Substation Purchase scenario is slightly higher than the BAU scenario under the 10 year analysis horizon. However, this assumes that the City purchases the substation for \$500,000 and borrows 100 percent of the purchase and rebuild costs. In addition, the City will have to consider intangible issues, such as training staff to maintain substation, additional risk associated with owning a substation and unknown liabilities.

Table 11
Substation Purchase Comparison Metric for 2014 - 2024
(2014 Dollars)

	BAU	Substation Purchase
Revenue Requirement (NPV)	\$48,883,780	\$49,994,769
Avg. Rate Adjustment	3.5%	4.0%
Payments to City (NPV)	\$5,539,289	\$5,657,126

Section 5 – Utility Ownership Scenario

The City may consider the sale of the Electric Utility to another utility, such as TPU or PSE, or a newly formed electric cooperative. In this scenario, the impact to the City can be quantified through the gains and losses outlined below:

This scenario assumes the following:

- City sells the electric utility as is
- City does not purchase the BPA substation

If the City plans to sell the electric utility in the near future, acquisition of the substation brings additional risk to both parties in the sale. The City (seller) would assume risk of equipment failure until a suitable buyer can be found and it may not bring much additional asset value to the deal as it is already fully depreciated. Further, the buyer may not want to assume the liability and would prefer that BPA had kept the substation. It was therefore assumed that in the scenario, the City would not purchase the substation.

Sales Price

The estimated value of the Electric Utility assets is between \$3.5 million and \$4.725 million based on the methodologies described in Table 12 below. This is consistent with valuations seen for other Northwest utilities.

Table 12 Electric Utility Estimated Value	
	Estimated Net Plant
Market Value – 0% Premium Over Book	\$3,500,000
Market Value – 35% Premium Over Book	\$4,725,000

Costs and Revenues Associated with the Sale of the Utility

In addition to receiving the sales price for the utility, the City would charge the new utility owner a franchise fee for operating the utility within City limits. The City can charge a 6 percent of gross operating revenues franchise fee. However, this franchise fee is a direct offset to the 6 percent gross operating revenue utility tax resulting in no net impact.

If the City sells the utility, the City will lose revenues in the form of a 6 percent of gross operating revenues utility tax, shared costs, and a share of the administrative salaries and wages. In addition to the monetary losses, the Electric Utility employs 6.1 full time equivalent employees for operations alone. These employees would no longer be required following the sale.

The utility tax is budgeted to be \$257,506 in 2014. The electric utility also pays for 1.27 FTE's in shared staff and 0.45 FTE's in administrative staff. Assuming these employees would transfer to other areas within the City, the loss associated with administrative wages and benefits currently charged to the utility is \$51,000. The shared costs assigned to the electric utility total \$236,337 in 2014. Therefore, the total annual lost revenues to the City from a sale of the utility are approximately \$540,000.

Considerations

Based on a 10 year analysis, Table 13 shows that the City will gain approximately \$1.7 million when comparing revenues from operating the utilities with revenues from the sale of the utility assuming a \$3.5 million purchase price.

Table 13 Impact to City Revenues Utility Sale at \$3.5 Million					
CY	BAU Lost Revenues to the City <i>a</i>	Franchise Fee with TPU Sale ¹ <i>b</i>	Annuity with Sale Proceeds <i>c</i>	Utility Sale Revenues <i>d = b + c</i>	Net Gain/(Loss) to City <i>e = d - a</i>
2014	\$544,830	\$0	\$0	\$544,830	\$0
2015	\$562,084	\$344,750	\$431,518	\$776,268	\$214,184
2016	\$576,254	\$364,124	\$431,518	\$795,642	\$219,388
2017	\$586,184	\$378,148	\$431,518	\$809,666	\$223,482
2018	\$596,762	\$393,184	\$431,518	\$824,703	\$227,940
2019	\$607,601	\$408,713	\$431,518	\$840,231	\$232,631
2020	\$619,119	\$425,367	\$431,518	\$856,885	\$237,766
2021	\$630,123	\$441,324	\$431,518	\$872,843	\$242,719
2022	\$641,841	\$458,447	\$431,518	\$889,965	\$248,124
2023	\$653,885	\$476,140	\$431,518	\$907,659	\$253,773
2024	\$666,678	\$495,125	\$431,518	\$926,644	\$259,966
NPV	\$5,001,184			\$6,722,012	\$1,720,828

1. This assumes a sale to Tacoma Public Utilities

Based on a 10 year analysis, Table 14 shows that the City will gain approximately \$2.8 million when comparing revenues from operating the utilities with revenues from the sale of the utility assuming a \$4.725 million purchase price.

Table 14
Impact to City Revenues
Utility Sale at \$4.725 Million

CY	BAU Lost Revenues to the City <i>a</i>	Franchise Fee with TPU Sale ¹ <i>b</i>	Annuity with Sale Proceeds <i>c</i>	Utility Sale Revenues <i>d = b + c</i>	Net Gain/(Loss) to City <i>e = d - a</i>
2014	\$544,830	\$0	\$0	\$544,830	\$0
2015	\$562,084	\$344,750	\$582,550	\$927,299	\$365,215
2016	\$576,254	\$364,124	\$582,550	\$946,674	\$370,420
2017	\$586,184	\$378,148	\$582,550	\$960,698	\$374,513
2018	\$596,762	\$393,184	\$582,550	\$975,734	\$378,972
2019	\$607,601	\$408,713	\$582,550	\$991,263	\$383,662
2020	\$619,119	\$425,367	\$582,550	\$1,007,916	\$388,797
2021	\$630,123	\$441,324	\$582,550	\$1,023,874	\$393,751
2022	\$641,841	\$458,447	\$582,550	\$1,040,996	\$399,155
2023	\$653,885	\$476,140	\$582,550	\$1,058,690	\$404,805
2024	\$666,678	\$495,125	\$582,550	\$1,077,675	\$410,997
NPV	\$5,001,184			\$7,832,702	\$2,831,518

1. This assumes a sale to Tacoma Public Utilities

There are several non-economic impacts that are part of the consideration in selling the utility.

Potential Rate impact

The sale of the utility would result in customers being charged based on the new owner’s rate schedule. As a comparison, The City’s residential average electric bill is compared to average residential bill paid by TPU and PSE customers under current rates.

Table 15
Monthly Bill Comparison

2014 Rates	Residential (750 kWh/mo)	Impact to Customer
Milton Current Rates	\$51.60	--
Tacoma Power ¹	\$66.97	30%
Puget Sound Energy ¹	\$78.93	53%

1. Includes 6% City franchise fee.

This comparison shows that TPU residential rates are approximately 30 percent higher than the City’s, while PSE’s rates are 53 percent higher than the City’s currently. Once the sale has occurred, the City will no longer have any control over rates or rate increases.

Loss of Employees

One consideration in the sale of the utility is the loss of jobs due to the sale. The Electric Utility employs 6.1 full time equivalent employees for operations alone. These employees would no longer be required following the sale.

Response Time

The City's electric utility has an excellent customer service reputation. Even in the worst storm, the outages are short and crews are on site immediately addressing any issues. If the City sells the utility, the service area will become part of a larger service area and crews will have to travel further to respond to outages or issues. As such, it is highly likely that the service level for the residents of the City will decline.

Summary

While it is clear that selling the utility would gain the City significant revenues assuming the sales price is between \$3.5 – 4.725 million, the resulting rate impact to customers is significant. The first year, rates are likely to increase by 30% if the utility is sold to TPU and 53% if the utility is sold to PSE. In addition, the average annual rate increases below are calculating assuming PSE and TPU's rates going forward grow at the same rate as BPA's rates. This assumption is very conservative.

Table 16
Sale of Utility Comparison Metric for 2014 - 2024
(2014 Dollars)

	BAU	Substation Purchase	Utility Sale¹ TPU	Utility Sale¹ PSE
Revenue Requirement (NPV)	\$47,883,780	\$49,994,761	n/a	n/a
Avg. Rate Adjustment	3.5%	4.0%	5.5%	7.2%
Payments to City (NPV)	\$5,539,289	\$5,657,126	\$6,722,012	\$7,245,828

1. Assumes sale price of \$3.5 million

Section 6 – Summary

The City asked EES Consulting, Inc. (EES) to perform a long-term strategic electric system plan, including a ten-year capital improvement plan. EES was also asked to evaluate the cost effectiveness of purchasing the BPA substation and a potential sale of the utility. Finally, EES was asked to discuss Tier 2 purchases from BPA.

Tier 2 Purchases

BPA requires utilities that have at least 1 aMW of above-HWM load to purchase Tier 2 products or non-federal purchases to serve above-HWM loads. Loads in excess of the RHWM are served by BPA's load shaping product until above-HWM loads exceed 1 aMW. Above-HWM loads are 1.01 aMW in 2030, 1.06 aMW in 2031, 1.12 aMW in 2032 and 1.17 aMW in 2033.

The City should consider its options for serving above-HWM load in the years prior to its projected above-HWM loads exceeding 1 aMW. If BPA's assumed load growth rate of 0.6 percent turns out to be too high, that will be later than 2030. If BPA's assumed load growth rate of 0.6 percent turns out to be too low that will be before 2030. It should also be noted that the current BPA contracts expire in 2028.

Business As Usual Scenario

The Business as Usual scenario for the strategic planning study assumes that the City continues operating the utility and does not purchase the substation. In addition, this scenario assumes that new interconnection points are not built.

The BAU scenario assumes the following:

- City maintains ownership of the electric utility
- City does not purchase the BPA substation
- City continues to pay BPA's delivery charge
- City does not establish interconnection points to TPA or PSE

This scenario was the scenario that all other options were compared to.

Purchase of Substation Scenario

EES was asked to evaluate the cost effectiveness of purchasing the Surprise Lake Substation currently owned and operated by BPA. This scenario assumes the following:

- City maintains ownership of the electric utility
- City purchase the BPA substation in 2015 for \$500,000
- Establish new interconnection points to TPA and PSE

- 5 years after purchase, the City rebuilds the substation
- 100 percent financing of the substation cost and rebuild
- City does not pay BPA’s UDC after substation is purchased
- Power supply losses decrease 2 percent

The Substation Purchase scenario is more expensive than the BAU scenario. This assumes that the City borrows 100 percent of the purchase and rebuild costs and repays the costs over 10 years. In addition to the cost impacts, the City will have to consider intangible issues, such as training staff to maintain substation, additional risk associated with owning a substation and unknown liabilities associated with the substation.

Sale of Utility Scenario

The City may consider the sale of the Electric Utility to another utility, such as TPU or PSE, or a newly formed electric cooperative. In this scenario, the impact to the City can be quantified through the gains and losses outlined below:

This scenario assumes the following:

- City sells the electric utility as is
- City does not purchase the BPA substation

While the City would receive between 1.7 and 2.8 million in additional revenues from a sale, there are numerous non-economic benefits that are part of the consideration in selling the utility. Based on a current residential bill comparison, if the City sold to TPU, residential rates would on average increase by 30 percent, while a sale to PSE would result in 53 percent higher residential bills. Other considerations are the loss of control of the utility operations, loss of employees and likelihood that the service level for the residents of the City will decline.

Table 17 provides the summary results for all three scenarios.

Table 17 Sale of Utility Comparison Metric for 2014 - 2024 (2014 Dollars)				
	BAU	Substation Purchase	Utility Sale ¹ TPU	Utility Sale ¹ PSE
Revenue Requirement (NPV)	\$47,883,780	\$49,994,761	n/a	n/a
Avg. Annual Rate Adjustment	3.5%	4.0%	5.5%	7.2%
Payments to City (NPV)	\$5,539,289	\$5,657,126	\$6,722,012	\$7,245,828

1. Assumes sale price of \$3.5 million

Appendix

Recommended Level of Financial Reserves

There are three basic reasons for collecting reserves for utilities: liquidity, pre-funded Capital Improvement Plan (CIP) and emergency or risk-management reserves. The appropriate reserve level is often utility specific. It depends on the range of costs that the utility may be facing, and it also depends on the financial options available to the utility.

At a minimum, utilities keep working capital on hand for liquidity. This level of reserves handles short-term fluctuations due to monthly, bimonthly or seasonal variation in revenues and expenses. The reserve target is typically set based on a “numbers of days”, such as 30, 60 or 90 days of operation and maintenance (O&M) costs. We often use 1/12th of power supply costs (equivalent to 30 days) plus 1/8th of O&M costs (equivalent to 45 days) on hand as a minimum to provide liquidity.

In addition to working capital, utilities maintain emergency reserves in order to handle unexpected costs, such as a power supply cost increase or a failure of major equipment. Some of the options available to offset the level of emergency reserves on-hand include a bank line of credit, insurance, and automatic rate mechanisms, such as Power Cost Adjustments. The reserve target for emergency reserves due to equipment failure is often either a percentage of total gross utility assets or the cost of a major repair or replacement. The reserve target for emergency reserves due to increased costs or reduced revenues is usually expressed as a percent of operating expenses.

Finally, utilities collect reserves to pre-fund Capital Improvements Projects (CIP). These capital improvements can be separated into repair and replacement and expansion costs. Utilities, at a minimum, should collect sufficient reserves to fund repair and replacement equal to its annual depreciation expense. Depending on the age of the utility system, additional reserves may be needed. Reserves for pre-funding CIP can be offset by debt financing or rate increases as CIP funding is needed.

To summarize, the types of reserves and the standard targets include the following:

Liquidity: Based on number of days (minimum 30 days of power supply costs and 45 days of O&M costs)

Emergency Reserves – Operating contingency: As a percentage of O&M costs (target: 0 – 10% of total O&M)

Emergency Reserves – Equipment Failure: As a percentage of plant or cost of major repair or replacement (Target: 1% - 2% of utility gross plant)

CIP (New) Reserves: Based on Utility CIP financing plan and program.

CIP (Repair & Replacement) Reserves: CIP reserves should at a minimum equal depreciation. The City is currently budgeting \$300,000 in restricted reserve for equipment replacement.

Milton’s Minimum Reserves Level Estimate

Currently, the electric utility keeps approximately \$4 million in reserves both restricted and unrestricted. As part of the \$4 million in reserves, the City requires 25% of previous year’s operating costs (or approximately \$1 million) to be held by the Electric utility in restricted reserves.

Based on the guidelines above, the proposed minimum level of reserves is described in Table A-1 below:

Table A-1 Proposed Minimum Reserve Levels	
Liquidity: Based on 1 Month Power Supply Costs and 1/8 th of O&M	\$500,000
City Restricted Reserve Requirement: 25% of Operating Costs	\$1,200,000
Emergency Reserves – Operating contingency: 10% of O&M Expenses	500,000
Emergency Reserves – Equipment Failure: 2% of Gross Plant	\$140,000
CIP (New) Reserves: Based on Projected Need for New CIP	TBD
	<u>\$175,000</u>
CIP (R & R) Reserves: Based on Annual Depreciation (Restricted)	
Minimum Reserves Total	\$2,515,000

The above reserve level is the minimum reserves needed prior to considering any potential for new capital improvement projects. If Milton does not plan to rely on lines of credit or borrowing, these minimum reserve levels will have to be increased to ensure the utility does not experience a shortfall in funds.

For purposes of this report, the reserve account target is set at \$4 million based on past precedence. This allows Milton to invest in the proposed CIP projects and ensures sufficient reserves in case the substation is purchased. The assumption used for the analysis related to the reserve account balances – restricted and unrestricted are:

- Ending reserve account balance by 2024 is \$4 million.
- Reserve account balance will not be less than \$2.5 million in any one year

City of Milton

Business As Usual, 100% Debt Financed Major Capital

Revenues/Expenses	Actual	Actual	Actual	Projected	BUDGET	Forecast -->									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proposed Rate Adjustments					0.0%	3.0%	5.0%	8.0%	5.0%	5.0%	5.0%	3.0%	1.0%	1.0%	1.0%
Revenues															
Retail Rate Revenues	\$ 4,109,175	\$ 4,116,094	\$ 4,049,875	\$ 4,187,616	\$ 4,208,554	\$ 4,447,818	\$ 4,547,700	\$ 4,571,978	\$ 4,601,912	\$ 4,630,845	\$ 4,665,570	\$ 4,685,965	\$ 4,712,263	\$ 4,737,786	\$ 4,769,306
Proposed Additional Rate Revenues					-	133,435	370,638	768,184	1,041,969	1,332,489	1,642,883	1,840,146	1,916,100	1,993,121	2,074,138
Other Revenues	220,399	260,257	162,269	186,033	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071
Total Revenues	\$ 4,329,574	\$ 4,376,351	\$ 4,212,144	\$ 4,373,649	\$ 4,377,625	\$ 4,750,323	\$ 5,087,409	\$ 5,509,233	\$ 5,812,952	\$ 6,132,405	\$ 6,477,524	\$ 6,695,181	\$ 6,797,434	\$ 6,899,979	\$ 7,012,515
Expenses															
Administration															
Administration	94,091	111,844	236,930	126,490	204,257	210,462	216,865	223,474	230,294	237,334	244,601	252,101	259,844	267,836	276,087
Utility Tax	249,751	253,582	249,553	259,902	257,506	274,875	295,100	320,410	338,633	357,800	378,507	391,567	397,702	403,854	410,607
Excise Tax	166,573	156,419	148,281	162,129	164,512	178,948	192,005	208,344	220,108	232,482	245,850	254,280	258,241	262,213	266,572
Subtotal Administration	510,415	521,845	634,764	548,521	626,275	664,285	703,970	752,227	789,035	827,616	868,958	897,948	915,787	933,904	953,265
Operations															
Operations	741,211	840,176	934,775	993,181	1,119,872	1,155,901	1,193,203	1,231,827	1,271,823	1,313,241	1,356,137	1,400,566	1,446,586	1,494,258	1,543,645
BPA-Electricity for Resale	1,910,318	2,123,696	2,250,102	2,249,693	\$2,111,420	2,299,407	2,455,809	2,505,025	2,632,517	2,715,538	2,928,367	2,984,296	3,127,855	3,194,254	3,356,542
BPA-Transmission	-	-	-	-	241,105	261,347	276,978	283,317	296,477	303,275	317,347	324,517	339,465	347,237	363,373
BPA-Substation Delivery Charge	-	-	-	-	177,534	202,777	240,300	258,899	303,087	309,767	324,209	331,357	346,807	354,446	370,941
BPA Conserv Credit/Prof Svcs	-	17,723	-	-	-	-	-	-	-	-	-	-	-	-	-
BPA Conserv Credit	-	88,614	-	-	-	-	-	-	-	-	-	-	-	-	-
Substation O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Operations	2,651,529	3,070,209	3,184,877	3,242,874	3,649,931	3,919,432	4,166,291	4,279,068	4,503,904	4,641,822	4,926,060	5,040,736	5,260,713	5,390,195	5,634,501
Shared Costs															
Shared Costs	340,770	351,561	204,317	229,979	236,337	242,447	248,777	255,335	262,129	269,170	276,467	284,029	291,867	299,991	308,413
Subtotal Shared Costs	340,770	351,561	204,317	229,979	236,337	242,447	248,777	255,335	262,129	269,170	276,467	284,029	291,867	299,991	308,413
Capital Projects Funded in Rates															
Capital Improvements	\$27,061	\$182,747	\$52,241	-	175,000	659,200	185,658	191,227	422,066	202,873	208,959	215,228	221,685	228,335	235,185
Substation Purchase/Rebuild Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service															
Capital Project Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substation Purchase/Rebuild Debt Service	-	-	-	-	-	-	20,609	20,609	20,609	20,609	20,609	20,609	20,609	20,609	20,609
Total Expenses	\$ 3,529,775	\$ 4,126,362	\$ 4,076,199	\$ 4,021,374	\$ 4,687,543	\$ 5,485,364	\$ 5,325,304	\$ 5,498,466	\$ 5,997,743	\$ 5,962,091	\$ 6,301,052	\$ 6,458,550	\$ 6,710,660	\$ 6,873,033	\$ 7,151,973
Net Revenues	\$ 799,799	\$ 249,989	\$ 135,945	\$ 352,275	\$ (309,918)	\$ (735,041)	\$ (237,895)	\$ 10,767	\$ (184,791)	\$ 170,314	\$ 176,472	\$ 236,631	\$ 86,775	\$ 26,946	\$ (139,458)
Fund Balance	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Balance	\$3,378,461	\$4,178,260	\$4,428,249	\$4,564,194	\$4,916,469	\$4,606,551	\$3,871,510	\$3,633,615	\$3,644,382	\$3,459,591	\$3,629,906	\$3,806,378	\$4,043,009	\$4,129,784	\$4,156,729
Additions/(Reductions)	\$799,799	\$249,989	\$135,945	\$352,275	-\$309,918	-\$735,041	-\$237,895	\$10,767	-\$184,791	\$170,314	\$176,472	\$236,631	\$86,775	\$26,946	-\$139,458
Ending Balance	\$4,178,260	\$4,428,249	\$4,564,194	\$4,916,469	\$4,606,551	\$3,871,510	\$3,633,615	\$3,644,382	\$3,459,591	\$3,629,906	\$3,806,378	\$4,043,009	\$4,129,784	\$4,156,729	\$4,017,271

City of Milton

Business As Usual, Financed CIP, 100% Debt Financed Major Capital

Revenues/Expenses	Actual	Actual	Actual	Projected	BUDGET	Forecast -->									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proposed Rate Adjustments					0.0%	3.0%	5.0%	3.0%	1.0%						
Revenues															
Retail Rate Revenues	\$ 4,109,175	\$ 4,116,094	\$ 4,049,875	\$ 4,187,616	\$ 4,208,554	\$ 4,447,818	\$ 4,547,700	\$ 4,571,978	\$ 4,601,912	\$ 4,630,845	\$ 4,665,570	\$ 4,685,965	\$ 4,712,263	\$ 4,737,786	\$ 4,769,306
Proposed Additional Rate Revenues					-	133,435	370,638	619,846	885,195	1,166,841	1,467,648	1,782,065	2,117,283	2,334,747	2,421,476
Other Revenues	220,399	260,257	162,269	186,033	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071
Total Revenues	\$ 4,329,574	\$ 4,376,351	\$ 4,212,144	\$ 4,373,649	\$ 4,377,625	\$ 4,750,323	\$ 5,087,409	\$ 5,360,895	\$ 5,656,178	\$ 5,966,757	\$ 6,302,290	\$ 6,637,101	\$ 6,998,617	\$ 7,241,605	\$ 7,359,853
Expenses															
Administration															
Administration	94,091	111,844	236,930	126,490	204,257	210,462	216,865	223,474	230,294	237,334	244,601	252,101	259,844	267,836	276,087
Utility Tax	249,751	253,582	249,553	259,902	257,506	274,875	295,100	311,509	329,226	347,861	367,993	388,082	409,773	424,352	431,447
Excise Tax	166,573	156,419	148,281	162,129	164,512	178,948	192,005	202,598	214,036	226,065	239,062	252,031	266,034	275,445	280,026
Subtotal Administration	510,415	521,845	634,764	548,521	626,275	664,285	703,970	737,581	773,556	811,261	851,656	892,214	935,650	967,634	987,559
Operations															
Operations	741,211	840,176	934,775	993,181	1,119,872	1,155,901	1,193,203	1,231,827	1,271,823	1,313,241	1,356,137	1,400,566	1,446,586	1,494,258	1,543,645
BPA-Electricity for Resale	1,910,318	2,123,696	2,250,102	2,249,693	\$2,111,420	2,299,407	2,455,809	2,505,025	2,632,517	2,715,538	2,928,367	2,984,296	3,127,855	3,194,254	3,356,542
BPA-Transmission	-	-	-	-	241,105	261,347	276,978	283,317	296,477	303,275	317,347	324,517	339,465	347,237	363,373
BPA-Substation Delivery Charge	-	-	-	-	177,534	202,777	240,300	258,899	303,087	309,767	324,209	331,357	346,807	354,446	370,941
BPA Conserv Credit/Prof Svcs	-	17,723	-	-	-	-	-	-	-	-	-	-	-	-	-
BPA Conserv Credit	-	88,614	-	-	-	-	-	-	-	-	-	-	-	-	-
Substation O&M	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Operations	2,651,529	3,070,209	3,184,877	3,242,874	3,649,931	3,919,432	4,166,291	4,279,068	4,503,904	4,641,822	4,926,060	5,040,736	5,260,713	5,390,195	5,634,501
Shared Costs															
Shared Costs	340,770	351,561	204,317	229,979	236,337	242,447	248,777	255,335	262,129	269,170	276,467	284,029	291,867	299,991	308,413
Subtotal Shared Costs	340,770	351,561	204,317	229,979	236,337	242,447	248,777	255,335	262,129	269,170	276,467	284,029	291,867	299,991	308,413
Capital Projects Funded in Rates															
Capital Improvements	\$27,061	\$182,747	\$52,241	-	175,000	-	-	-	-	-	208,959	215,228	221,685	228,335	235,185
Substation Purchase/Rebuild Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service															
Capital Project Debt Service	-	-	-	-	-	85,369	109,413	134,178	188,837	215,110	215,110	215,110	215,110	215,110	215,110
Substation Purchase/Rebuild Debt Service	-	-	-	-	-	-	20,609	20,609	20,609	20,609	20,609	20,609	20,609	20,609	20,609
Total Expenses	\$ 3,529,775	\$ 4,126,362	\$ 4,076,199	\$ 4,021,374	\$ 4,687,543	\$ 4,911,533	\$ 5,249,059	\$ 5,426,770	\$ 5,749,035	\$ 5,957,973	\$ 6,498,861	\$ 6,667,926	\$ 6,945,633	\$ 7,121,873	\$ 7,401,377
Net Revenues	\$ 799,799	\$ 249,989	\$ 135,945	\$ 352,275	\$ (309,918)	\$ (161,210)	\$ (161,651)	\$ (65,875)	\$ (92,858)	\$ 8,784	\$ (196,571)	\$ (30,825)	\$ 52,984	\$ 119,731	\$ (41,524)
Fund Balance	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Balance	\$3,378,461	\$4,178,260	\$4,428,249	\$4,564,194	\$4,916,469	\$4,606,551	\$4,445,341	\$4,283,690	\$4,217,815	\$4,124,957	\$4,133,741	\$3,937,170	\$3,906,346	\$3,959,329	\$4,079,061
Additions/(Reductions)	\$799,799	\$249,989	\$135,945	\$352,275	-\$309,918	-\$161,210	-\$161,651	-\$65,875	-\$92,858	\$8,784	-\$196,571	-\$30,825	\$52,984	\$119,731	-\$41,524
Ending Balance	\$4,178,260	\$4,428,249	\$4,564,194	\$4,916,469	\$4,606,551	\$4,445,341	\$4,283,690	\$4,217,815	\$4,124,957	\$4,133,741	\$3,937,170	\$3,906,346	\$3,959,329	\$4,079,061	\$4,037,536

City of Milton

Substation Purchase, 100% Debt Financed Major Capital

Revenues/Expenses	Actual	Actual	Actual	Projected	BUDGET	Forecast -->									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Proposed Rate Adjustments					0.0%	5.0%	8.0%	8.0%	5.0%	5.0%	5.0%	2.0%	2.0%	2.0%	0.0%
Revenues															
Retail Rate Revenues	\$ 4,109,175	\$ 4,116,094	\$ 4,049,875	\$ 4,187,616	\$ 4,208,554	\$ 4,447,818	\$ 4,547,700	\$ 4,571,978	\$ 4,601,912	\$ 4,630,845	\$ 4,665,570	\$ 4,685,965	\$ 4,712,263	\$ 4,737,786	\$ 4,769,306
Proposed Additional Rate Revenues					-	222,391	609,392	1,027,415	1,315,944	1,621,971	1,949,119	2,090,511	2,238,534	2,390,427	2,406,330
Other Revenues	220,399	260,257	162,269	186,033	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071	169,071
Total Revenues	\$ 4,329,574	\$ 4,376,351	\$ 4,212,144	\$ 4,373,649	\$ 4,377,625	\$ 4,839,280	\$ 5,326,163	\$ 5,768,464	\$ 6,086,927	\$ 6,421,887	\$ 6,783,760	\$ 6,945,547	\$ 7,119,868	\$ 7,297,285	\$ 7,344,707
Expenses															
Administration															
Administration	94,091	111,844	236,930	126,490	204,257	210,462	216,865	223,474	230,294	237,334	244,601	252,101	259,844	267,836	276,087
Utility Tax	249,751	253,582	249,553	259,902	257,506	280,213	309,426	335,964	355,071	375,169	396,881	406,589	417,048	427,693	430,538
Excise Tax	166,573	156,419	148,281	162,129	164,512	182,394	201,253	218,385	230,720	243,694	257,711	263,978	270,730	277,602	279,439
Subtotal Administration	510,415	521,845	634,764	548,521	626,275	673,068	727,543	777,822	816,086	856,198	899,194	922,668	947,622	973,131	986,064
Operations															
Operations	741,211	840,176	934,775	993,181	1,119,872	1,155,901	1,193,203	1,231,827	1,271,823	1,313,241	1,356,137	1,400,566	1,446,586	1,494,258	1,543,645
BPA-Electricity for Resale	1,910,318	2,123,696	2,250,102	2,249,693	\$2,111,420	2,253,419	2,406,693	2,454,924	2,579,867	2,661,228	2,869,800	2,924,610	3,065,298	3,130,369	3,289,411
BPA-Transmission	-	-	-	-	241,105	261,347	276,978	283,317	296,477	303,275	317,347	324,517	339,465	347,237	363,373
BPA-Substation Delivery Charge	-	-	-	-	177,534	-	-	-	-	-	-	-	-	-	-
BPA Conserv Credit/Prof Svcs	-	17,723	-	-	-	-	-	-	-	-	-	-	-	-	-
BPA Conserv Credit	-	88,614	-	-	-	-	-	-	-	-	-	-	-	-	-
Substation O&M	-	-	-	-	-	15,450	15,914	16,391	16,883	17,389	17,911	18,448	19,002	19,572	20,159
Subtotal Operations	2,651,529	3,070,209	3,184,877	3,242,874	3,649,931	3,686,117	3,892,788	3,986,459	4,165,049	4,295,133	4,561,195	4,668,141	4,870,351	4,991,435	5,216,588
Shared Costs															
Shared Costs	340,770	351,561	204,317	229,979	236,337	242,447	248,777	255,335	262,129	269,170	276,467	284,029	291,867	299,991	308,413
Subtotal Shared Costs	340,770	351,561	204,317	229,979	236,337	242,447	248,777	255,335	262,129	269,170	276,467	284,029	291,867	299,991	308,413
Capital Projects Funded in Rates															
Capital Improvements	\$27,061	\$182,747	\$52,241	-	175,000	772,500	302,357	333,282	422,066	202,873	208,959	215,228	221,685	228,335	235,185
Substation Purchase/Rebuild Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debt Service															
Capital Project Debt Service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Substation Purchase/Rebuild Debt Service	-	-	-	-	-	570,379	570,379	570,379	570,379	570,379	570,379	570,379	570,379	570,379	570,379
Total Expenses	\$ 3,529,775	\$ 4,126,362	\$ 4,076,199	\$ 4,021,374	\$ 4,687,543	\$ 5,944,510	\$ 5,741,843	\$ 5,923,276	\$ 6,235,709	\$ 6,193,753	\$ 6,516,193	\$ 6,660,445	\$ 6,901,902	\$ 7,063,271	\$ 7,316,629
Net Revenues	\$ 799,799	\$ 249,989	\$ 135,945	\$ 352,275	\$ (309,918)	#####	\$ (415,680)	\$ (154,812)	\$ (148,782)	\$ 228,134	\$ 267,567	\$ 285,102	\$ 217,965	\$ 234,013	\$ 28,078
Fund Balance	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Beginning Balance	\$3,378,461	\$4,178,260	\$4,428,249	\$4,564,194	\$4,916,469	\$4,606,551	\$3,501,320	\$3,085,640	\$2,930,828	\$2,782,046	\$3,010,179	\$3,277,746	\$3,562,848	\$3,780,814	\$4,014,827
Additions/(Reductions)	\$799,799	\$249,989	\$135,945	\$352,275	-\$309,918	-\$1,105,231	-\$415,680	-\$154,812	-\$148,782	\$228,134	\$267,567	\$285,102	\$217,965	\$234,013	\$28,078
Ending Balance	\$4,178,260	\$4,428,249	\$4,564,194	\$4,916,469	\$4,606,551	\$3,501,320	\$3,085,640	\$2,930,828	\$2,782,046	\$3,010,179	\$3,277,746	\$3,562,848	\$3,780,814	\$4,014,827	\$4,042,905



To: Mayor Perry and City Council Members
From: City Administrator Langford
Date: August 11, 2014
Re: **Marijuana Regulations**

ATTACHMENTS:

- A. Current Background**
 - a. Minutes from July 7, 2014 Council Meeting
 - b. Minutes from January 21, 2014 Council Meeting
 - B. Previous Background**
 - a. March 11, 2013
 - i. Agenda Bill
 - ii. Ordinance 1819 adopting regulations
 - iii. Council Minutes
 - b. February 19, 2013
 - i. Council Minutes – Public Hearing
 - c. February 4, 2013
 - i. Council Minutes – Study Session
 - d. January 23, 2013
 - i. Planning Commission Minutes – Recommendation
 - ii. Staff Report
 - C. Conflicts with Federal Law**
 - a. Oath of Office
 - b. I-502 Fact Sheet – WA State Criminal Justice Training Commission
 - c. Bonneville Power Association letters
 - D. Tax Revenue**
 - E. News Article – Odor Issues**
 - F. News Articles – Liquor Privatization Consequences**
-

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required:

Previous Council Review: Council adopted a six-month moratorium ordinance on marijuana-related businesses on January 21, 2014; the moratorium was extended for six months on July 7, 2014.

Issue: On January 16, 2014 the State Attorney General issued a formal opinion stating that local governments may ban marijuana businesses or impose stricter regulations than those of I-502. The six month moratorium will expire on January 7, 2015.

State law requires a public hearing within 60 days regarding the moratorium extension; that is currently scheduled for the September 2, 2014 Council meeting.

Discussion: City Attorney Scott Snyder will present on this topic and provide answers to Council questions.



Regular Meeting
Monday – July 7, 2014
7:00 p.m.

CALL TO ORDER

Mayor Perry called the meeting to order at 6:32 p.m. and recessed to Executive Session for approximately 30 minutes for the purpose of discussing potential litigation issues related to marijuana regulations as per RCW 42.30.110.

Mayor Perry called the regular meeting back to order at 7:25 p.m. and led the flag salute.

ROLL CALL

Present: Mayor Perry, Mayor Pro Tem Taylor, Councilmember Jones, Ott, Morton, Manley and Zaroudny

Absent Councilmember Whalen – **MOTION** to excuse (Morton/Taylor) – **Passed 6/0.**

STAFF PRESENT

City Administrator Langford, City Attorney Park, Public Works Director Neal, Finance Director Tylor, and City Clerk Bolam

ADDITIONS / DELETIONS

None.

CITIZEN PARTICIPATION

Speaker	Address	Comments
Cheryl Creed	6766 Radiance Blvd E, Fife	Regarding a home business, Haas Heating operating at 405 13 th Ave – she came to Council in August 2013, and problems persist – company is storing construction debris, and since last year she has noticed that employees are gathering there to go to work – it has become a burden on the neighborhood –

		she was asked to represent her mother who lives nearby and other neighbors – she presented photos from last year and last week.
Laura Butterfeld	FME Chamber of Commerce	Introduced herself as the new chamber executive director, from most recent position in the Bonney Lake Chamber.

PRESENTATIONS AND PROCLAMATIONS

A. Introduction of New Staff Member

Director Neal introduced Scott Amell, recently hired full time as Maintenance Worker I after working several weeks as a seasonal employee. He has been a Milton resident his whole life. Scott addressed Council, saying it's a privilege to live and work in Milton. His background includes owning his own roofing company after working for his father's business.

B. Status of Pierce County Library – Presentation by Neel Parikh

Provided a slideshow presentation of an update of the Pierce County library system.

C. The Genesis Project – Proclamation

Interim City Administrator Langford introduced The Genesis Project, and the proclamation was read into the record.

D. Grant Acceptance – Presentations

Interim City Administrator Langford spoke about the grants and presentations the City has received. Officer Takaguchi gave a presentation of the new LIDAR equipment.

E. Police Foundation – Proclamation

Interim City Administrator Langford introduced Police Foundation chair Katrina Asay, who introduced three fellow Foundation members Mary Tompkins, Jason Clayton, and Paula Gherke, and explained the role of the Foundation. Jason Clayton gave a review of the fundraising plans being considered for the immediate future. The proclamation was read into the record and presented to Chair Asay

Mayor Perry called a 5-minute recess at 8:12 pm; the meeting was called back to order at 8:17 pm.

CONSENT AGENDA

Approval of:

- A. Minutes
 - a. June 16, 2014 Regular Meeting
- B. Voucher and Payroll Approval
 - a. Checks/vouchers 55306-55387 for \$607,508.03.
 - b. Payroll of 6/20/14 for \$123,802.76.
- C. Additional Water Source – Test Well Drilling Project Acceptance

Mayor Pro Tem Taylor asked for clarification on an item; Director Tylor will follow up.

COUNCILMEMBER JONES MOVED, seconded by Mayor Pro Tem Taylor, to approve the Consent Agenda – **Passed 6/0**.

REGULAR AGENDA

A. Annexation Clarification from 2004 – Approval

Director Neal explained that Pierce County discovered an error in a 2004 annexation related to the Interurban Trail; this approval will correct that error.

MAYOR PRO TEM TAYLOR MOVED, seconded by Councilmember Morton, to approve the attached ordinance, amending the legal description for the previously adopted Interurban Trail annexation, to remove parcels that were already located within the City prior to the annexation – **Passed 6/0**.

B. Marijuana Moratorium – Ordinance

Interim City Administrator Langford introduced this item, explaining that the current moratorium is set to expire on July 21.

COUNCILMEMBER ZAROUDNY MOVED, seconded by Councilmember Manley, to table this item. (City attorney Park explained the legal result of this action is that the item does not return.)

Speaker	Address	Comments
Jacquelyn Whalen	1605 13 th Ave	As a citizen, she is stunned by this motion and alarmed, because it seems as though Council is allowing the moratorium to expire, which will allow marijuana businesses to open up in Milton. Believes citizens were counting on the 60-day public hearing happening. It would be helpful to hear more explanation on the record for this action.
Jackie Straighter	1809 13 th Ave	Planned to comment and thank Council for the extension of the moratorium – now, major questions are in play – she has to report to neighbors to expect electric rates to skyrocket.

Council expressed agreement that the moratorium is temporary and a permanent action is needed in the future.

Mayor Perry reminded everyone that a motion has been made but has not been voted on.

COUNCILMEMBER ZAROUDNY requested to withdraw the motion, with agreement by Councilmember Manley.

MAYOR PRO TEM TAYLOR MOVED, seconded by Councilmember Morton, to approve the ordinance adopting a six-month moratorium on the establishment of marijuana businesses.

Copies of the proposed ordinance were distributed.

Mayor Pro Tem Taylor explained the need to review the final impacts of council action on this item, and to remand back to the Planning Commission for input, as well as hold a public hearing. A decision is needed, without rushing into the wrong decision.

Councilmember Zaroudny said that the Planning Commission has reviewed this in the past, prior to the last moratorium, although it's good and appropriate for them to see it again. Requests a study session dedicated to this topic.

Speaker	Address	Comments
Jacquelyn Whalen	1605 13 th Ave	As a citizen, thanked Council for dealing with the complexity of this item – appreciates giving the opportunity to work on it longer. As Planning Commission chair, requested legal guidance at the Commission level.

Mayor Perry will work with staff to map out study sessions and legal resources for the work to come.

Motion passed 4/2.

Back to Agenda

C. 2nd Quarter Financial Report

Bill

Director Tylor presented operating results for first half of 2014, and handed out information and explained overall status followed by details. Some discussion ensued.

Mayor Perry called a 2-minute recess at 9:08 pm; called back to order at 9:11 pm

D. Updating Grant Acceptance by Mayor – Resolution

Director Tylor explained this item, saying the intent is to relieve staff and Council from administering the small grant amounts, eliminating a formal step.

COUNCILMEMBER OTT MOVED, seconded by Councilmember Jones, to approve Resolution 14-1849 authorizing the Mayor and/or City Administrator to apply for and accept grants, donations, and other financial assistance to assist in implementing city projects and programs.

Councilmembers asked about a limit – Director Tylor said her intent is a \$5,000 ceiling.

Attorney Park explained that code language allows that donations up to \$2,000 can be received administratively, which in line with state statute. Regarding grants, it's a sort of quid pro quo – money in exchange for specific work.

Council expressed concern about some things not being reported and the lack of a number threshold attached.

COUNCILMEMBER MORTON MOVED, seconded by Councilmember Manley, to amend the motion adding “to include the words “up to \$2,500” in Section 2 of the Resolution”. – **Passed 6/0**.

Amended main motion passed 6/0.

DIRECTOR'S REPORTS

Director Tylor – next Finance committee meeting will be preparation for state audit.

CITY ADMINISTRATOR REPORT

- Regarding the Fourth of July – a few things went well, a few improvements need to be made. There were 26 complaints called in to Fife dispatch up to the 4th, plus 62 on the 4th. There was augmented staffing for the day. Recommendations are being made for better coordination for next year.
- AWC Spokane was very informative – attended several sessions regarding marijuana regulations.

COUNCIL REPORTS

- Councilmember Jones
 - Nice to see new park employee tonight, and kudos to park department for how good the park looks.
- Councilmember Zaroundny
 - Complimented how nice the park looks.
 - 4th of July – she was one of the complainants, and she called a second time due to the huge booms – concerned that perhaps the Police Department doesn't have enough tools. Glad to hear there were four officers on duty.
- Councilmember Manley
 - Astounded by the big booming fireworks watched in another city – disappointed that Milton doesn't celebrate as well.
 - Suggested improvements could be made to save paper through electronic means.
 - Real estate report.
- Councilmember Morton
 - Requested statistics from the 4th of fines handed out and any illegal fireworks seized. Noticed more firework activity than past years.
- Councilmember Ott
 - Requested financial information regarding SS911.

- Attended the AWC Conference – sessions regarding utility rates, the affordable care act, and the state pensions.
- Mayor Pro Tem Taylor
 - Noticed the Well City signs that have been installed in town – congratulations to employees for the work accomplished on this.

MAYOR'S REPORT

- Police Chief process – received 19 very good applicants. Conducting phone interviews to narrow down the pool.
- Judy Veitenheimer, the finance utility billing clerk, is retiring, with her last day sometime in August.
- The church rental has begun on Sundays at the Activity Center.
- This Wednesday, Sound Cities is meeting in Kirkland, with Scott Snyder speaking on marijuana issues; also the Clean Air Agency is reporting, and small cities are working to get a seat on the board.
- Regarding the Fourth of July – the City did put an ad in the Signal last month; EPFD put an ad in 2 weeks ago; it was on the readerboard for a week right before the 4th, plus off-and-on before that. Noticed that Federal Way has permanent signage all year about fireworks.
- The park has looked great consistently for a month – she sent an email to Glen Baker telling him how good it looked – staff is taking a different approach, and it's working.
- Attended the AWC Conference and enjoyed the information. Castlerock received an award for their bicycle park, using recycled materials. Maybe Milton can design a similar venture.

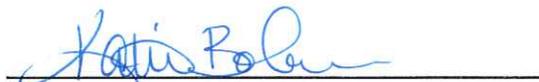
ADJOURNMENT

Adjourned at 10:05 p.m.



Debra Perry, Mayor

ATTEST:



Katie Bolam, City Clerk



CITY COUNCIL MINUTES

Special Meeting
Tuesday – January 21, 2014
7:00 p.m.

CALL TO ORDER

Mayor Perry called the meeting to order at 6:30 p.m. and recessed to Executive Session.

Recess 7:35 – 7:45 p.m.

Mayor Perry reconvened the special meeting at 7:45 p.m. and led the pledge of allegiance.

ROLL CALL

Present: Mayor Perry, Mayor Pro Tem Taylor, Councilmembers Whalen, Jones, Ott, Morton, Manley, and Zaroudny

STAFF PRESENT

City Administrator Mukerjee, Public Works Director Neal, Finance Director Tylor, Chief Langford, and City Attorney Park

ADDITIONS / DELETIONS

City Administrator Mukerjee requested the addition of Ordinance 1835-14, adopting a six-month moratorium on the establishment of marijuana businesses, as the 1st item of business, and to move Item 6C, Grant Acceptance and Design Contract for Milton Way Overlay Project, to the 2nd item of business.

CITIZEN PARTICIPATION

None.

CONSENT AGENDA

Approval of:

- A. Minutes of January 6, 2014 Special Meeting
- B. January 13, 2014 Regular Meeting

COUNCILMEMBER WHALEN MOVED, seconded by Councilmember Jones, to approve the Consent Agenda as presented. **Passed 7/0.**

REGULAR AGENDA

A. Ordinance 1835-14 Adopting a Six-Month Moratorium on the establishment of marijuana businesses

City Administrator Mukerjee explained the latest opinion from the attorney general last week announcing that local governments can ban marijuana businesses or impose stricter regulations than those contained in State Initiative 502. All the surrounding cities and Pierce County currently have bans or moratoriums in place which could result in a disproportionate number of marijuana establishments locating in Milton. The proposed ordinance would enact a six-month moratorium until the legal issues get sorted out, and set a public hearing on the matter for March 10. Five affirmative votes are needed for passage.

COUNCILMEMBER OTT MOVED, seconded by Councilmember Morton, to approve the attached ordinance adopting a six-month moratorium on the establishment of marijuana businesses, declaring an emergency and providing for a public hearing on March 10, 2014.

Councilmembers stated that this is an important move to allow the city time to review this new ruling, and six months is an appropriate amount of time.

The motion was voted on and passed 7/0.

Back to
Agenda
Bill

B. Grant Acceptance and Design Contract for Milton Way Overlay Project – 23rd to Juniper

City Administrator Mukerjee explained that two actions are needed – one to accept the grant money and one to authorize a contract with KPG, Inc.

Director Neal explained the background, current status, and the conditions of the grant.

COUNCILMEMBER JONES MOVED, seconded by Councilmember Whalen, to accept the Transportation Improvement Board grant for the Milton Way Overlay Project, Juniper Street to 23rd Avenue, in the amount of \$316,000 and authorized the Mayor to sign all necessary documents.

Director Neal explained this will not include pedestrian improvements, the timeline will be written for completion by Milton Days, and an attempt will be made to limit the simultaneous blocking of both Taylor Way and Milton Way during construction.

Speaker	Address	Comments
Richard Cosner	Chair, Events Committee	Confirmed dates of 8/16-8/17 for Milton Days.

The motion was voted on and passed 7/0.

COUNCILMEMBER JONES MOVED, seconded by Councilmember Whalen, to authorize the Mayor to enter into a contract with the consulting firm of KPG for engineering design for the Milton Way Overlay Project for a cost not to exceed \$56,142.51. **Passed 7/0.**

C. Review of Commercial parking tax code

Finance Director Tylor explained what is known of the history of this code. There is no evidence of commercial parking charges at the businesses in question; an investigation would need to occur into the suspicion. Alternatively, Council could repeal or revise the code.

Councilmember discussion ensued, with direction for code enforcement staff to investigate and report back to Council soon.

Speaker	Address	Comments
Richard Cosner	507 7 th Ave	According to this code, the City should be charging for more than just trucks, such as apartment buildings, storage places, parking garages, etc who charge for parking.

D. Accounting Supervisor Position

Finance Director Tylor explained the background of this position and reiterated the need for it to be filled.

Mayor Perry and Councilmembers expressed their appreciation for and confidence in the work of the Finance Director and their support for this position to be filled.

COUNCILMEMBER MANLEY MOVED, seconded by Councilmember Whalen, to approve the attached job description and salary range of Accounting Supervisor, and direct staff to move forward with the posting and hiring process.

Councilmember Zaroudny requested (perhaps at retreat) to receive a brief run-down of the current responsibilities of directors and staff.

Mayor Perry explained that, while it wasn't ideal that this position went unfilled for several years, it was necessary during economic downturn.

The motion was voted on and passed 7/0.

Chief Langford – Report

- Wednesday, January 15, Milton Police arrested a fugitive on the State's most wanted list, and his passenger was arrested on possession charges.

- Concern regarding two reported mail thefts from apartment complex mail box banks.
- Regarding previously reported concerns:
 - mattress dumping is being cleaned up
 - working on the potential code violations on Milton Way property near the skate park
 - investigated the possible grow operation in a house – foil over the windows was to help mitigate heat in the summer – no grow operation evident
 - will assign tonight's concern on commercial parking
- Police Foundation banquet – February 12 at Dave's – 5:30 cocktails/6:30 dinner

CITY ADMINISTRATOR REPORT

- Captain Hamry is leaving the Police Department in February.
- Pierce County Councilmember Joyce McDonald is scheduled to attend the February 10 City Council meeting to share County information and hear from City Council regarding county/city issues.

COUNCIL REPORTS

- Councilmember Whalen:
 - Good to see and talk to two groups of workers for Gray & Osbourne.
 - Need to address the city's sign code – will bring up at retreat.
 - Attended the Ad Hoc committee meeting and received requested CC&Rs – the apparent disagreements between some property owners shouldn't deter the City from taking any needed action.
 - New stop signs in city are much more effective.
- Councilmember Jones
 - Noticed beaver dams causing flooding on lower part of Interurban Trail and reported to Fife.
 - Unable to attend meetings of February 3 and 18 due to family issues.
- Councilmember Ott
 - Sparked discussion regarding political signs related to the upcoming school levy – Mayor requested staff to look into and report back via email.
 - Noticed mailbox advertising (federal offense); City Administrator Mukerjee said enforcement is through the post office, and staff will report to them.
 - Utility billing is missing consumption charts. Director Tylor will check into.
 - Confirmed that all new water meters are installed throughout the city. (Answer – yes, and electric meters, too.)
 - Congrats to Police Department for the fugitive capture.
 - The Ad Hoc Committee is doing a tremendous job of helping Milton through the visioning process.
- Councilmember Morton
 - Will be absent from the February 3 meeting due to business travel.
 - Reminded fellow Councilmembers that the February 18 meeting is a Tuesday.
 - Mr. Sudsy improvements will be great.
 - Pink bags are getting worse again.

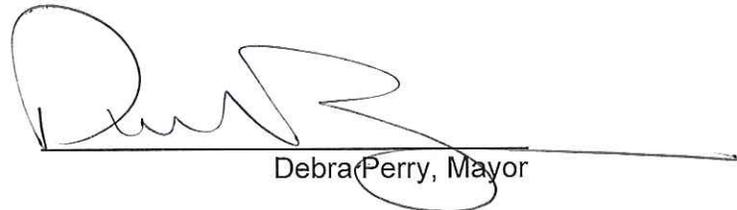
- Happy to see progress on Meridian
- Councilmember Manley
 - Reminded fellow Councilmembers that, as wonderful as the grant funds are for various city projects, it's not "free money" – those are still citizen's tax dollars.
- Councilmember Zaroudny
 - As an observer of the Ad Hoc meeting, appreciated the variety of input from consultants and property owners.
- Mayor Pro Tem Taylor
 - Pink bags are getting bad again; has received citizen complaint.
 - Noticing how much cleaner the city is looking – buildings and garbage are getting cleaned up – kudos to code enforcement.
 - Noticing more police presence lately.
 - Pierce County Regional Council general assembly is February 20 at the Puyallup Pavilion.
 - A citizen has requested a welcoming packet (similar to what's been done in the past) for new businesses.
 - Attending AWC Conference next week.

MAYOR'S REPORT

- Welcome to Derek, Kate's replacement from the Tacoma Weekly newspaper.
- Had a good meeting with Fife Schools Superintendent John McCrossin – looking forward to good communication with school – shared ideas for police interaction with youth.
- Attended Ad Hoc meeting – the panel of experts gave amazing information. Would like to schedule another one.
- Reminded Councilmembers to email top discussion priorities for retreat – detail discussion regarding retreat scheduling.
- Met with the Park Board last week – they are working on a Work Plan to bring to Council, and are looking into the bylaws and assessing the parks – still need to fill two park board positions
- Fife's Council has elected Glenn Hull as the new Mayor, and Edgewood elected Daryl Eiding as their Mayor.

ADJOURNMENT

MOTION (Whalen/Jones) TO ADJOURN; Adjourned at 9:40 p.m.



Debra Perry, Mayor

ATTEST:

Lisa M Tylor
 Lisa Tylor, City Clerk



To: Mayor Perry & City Council Members
From: City Administrator Mukerjee
Date: March 11, 2013, Regular Meeting
Re: **Ordinance Adopting Marijuana Regulations**

ATTACHMENTS: A. Ordinance

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required:

Recommendation/Action: Move to approve the attached ordinance adopting regulations on marijuana related uses.

Issue: At the February 19th council meeting, City Council held a public hearing on the proposed ordinance. Also at that meeting, City Attorney Snyder gave a brief history and explanation of the federal and state positions on this item, provided information on steps taken by some other cities, and explained the legal advice behind adopting the proposed ordinance in lieu of extending the moratorium. Since only four Council members were present, the matter was tabled until the entire council could act on it. Previously, Council held a study session on February 4th.

The proposed ordinance is carefully crafted to try and comply with conflicting State laws on medical and recreational marijuana, recognizing that marijuana use still remains illegal under Federal Law.

The current moratorium on the location, establishment, licensing, and permitting of medical marijuana collective gardens was recently extended for an additional six months, until August, 2013. The moratorium ordinances will be repealed and replaced when new regulations are adopted.

Background:

In November 2012, Initiative 502 passed, and legalized recreational marijuana use, production, distribution, and sales, subject to state licensing. However, it had no impact on the previous state law (E2SSB 5073) on medical marijuana collective gardens.

Initiative 502 decriminalized the possession of less than one ounce of marijuana by an adult, and set up a system of establishing a state distribution system to be administered by the state Liquor Control Board (LCB) through the issuance of licenses. The licensing requirements will be developed by the LCB by December 1, 2013.

Previously, in 2011 the WA state legislature passed a bill E2SSB 5073, sections of which were vetoed by the Governor. The bill authorized "collective gardens" which allowed qualifying patients the ability to produce, grow, transport and deliver marijuana/cannabis for medical use, and further authorized cities to adopt and enforce zoning requirements regarding production and processing of medical marijuana/cannabis. The Governor vetoed the portions of E2SSB 5073 that would have

provided the legal basis for legalizing and licensing medical marijuana or cannabis dispensaries, processing facilities and production facilities. Therefore, medical marijuana dispensaries are currently illegal under both state and federal laws.

Discussion:

The proposed ordinance would:

- a. Prohibit medical marijuana collective gardens from all zones in the city, and**
- b. Pursuant to obtaining a state license, allow**
 - (i) Production and Processing facilities in the Manufacturing (M-1) zone, and**
 - (ii) Retailing facilities in Manufacturing (M-1) and Business (B) zones.**

Medical Marijuana - Collective Gardens:

Medical marijuana collective gardens are allowed by state law, but not regulated by the state. Local governments can prohibit collective gardens altogether. Several cities have taken this approach, because these gardens are not subject to state licensing requirements. Also, due to the uncertainty of the federal response, this is a more prudent path to take for local governments. The King County Superior Court has upheld a ban on collective gardens by the City of Kent.

Recreational Marijuana – Growers, Distributors and Retailers:

Initiative 502, gives cities the option to zone recreation marijuana establishments based on state licensing provisions. It requires the State Liquor Control Board (LCB) to develop rules and regulations by December, 2013 and determine the number of producers, processors and distributors by County. It also prohibits issuance of licenses for distribution facilities within a thousand feet of schools, parks, libraries, transit centers, and other public facilities.

Planning Commission Recommendation

The Planning Commission held a public hearing on January 23, 2013, and unanimously recommended approval of the attached ordinance.

Approaches Taken To Date by Area Cities:

Edgewood adopted interim regulations (Ord. 13-0392) which prohibits medical marijuana collective gardens from all zoning districts and allowing, subject to a state license, marijuana producers, processors and retailers in Commercial (C) zone. This ordinance was adopted on January 8, 2013 and is effective for six months.

Fife adopted a moratorium on medical collective gardens and will be working on regulations soon.

Sumner adopted regulations that prohibit all marijuana uses, city-wide (Ord. 2411).

Puyallup did not adopt a moratorium, but sought injunctive relief on a medical marijuana dispensary through a court order on the basis that dispensaries were not allowed under State law. The city prevailed, but the business then located about 200 yards outside the city limits. With regards to recreational marijuana, they are waiting to see what regulations are adopted by the state liquor control board.

Federal Way has not adopted any regulations at this time, and is in a waiting mode.

ORDINANCE NO. 1819-13

AN ORDINANCE OF THE CITY OF MILTON, WASHINGTON, ADOPTING ZONING REGULATIONS PURSUANT TO RCW 35A.63220 AND RCW 36.70A.390; ADOPTING REGULATIONS ON MARIJUANA RELATED USES, PROHIBITING MEDICAL CANNABIS COLLECTIVE GARDENS IN ALL ZONING DISTRICTS OF THE CITY; PERMITTING THE PRODUCTION, PROCESSING AND/OR RETAILING OF MARIJUANA AS REGULATED PURSUANT TO WASHINGTON STATE INITIATIVE NO. 502 ZONING DISTRICTS, AND ONLY AT FACILITIES THAT HAVE OBTAINED A VALID LICENSE ISSUED BY THE WASHINGTON STATE LIQUOR CONTROL BOARD; REPEALING ORDINANCE NO. 1787-12; ENTERING LEGISLATIVE FINDINGS; PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, recent amendments to Chapter 69.51A RCW, relating to the medical use of cannabis, have expanded the scope of certain activities involving the use of cannabis for medical purposes that are permitted under state law, and

WHEREAS, Section 69.51A.085 RCW allows “qualifying patients” to create and participate in “collective gardens” for the purpose of producing, processing, transporting, and delivering cannabis for medical use, subject to certain conditions, and

WHEREAS, Section 69.51A.140 RCW delegates authority to cities and towns to adopt and enforce zoning requirements, business licensing requirements, health and safety requirements, and business taxes as exercises of the City’s police powers, and

WHEREAS, the City Council understands that approved medical uses of cannabis may provide relief to patients suffering from debilitating or terminal conditions, but potential secondary impacts from the establishment of facilities for the growth, production, and processing of medical cannabis are not appropriate for any zoning designation within the City, and

WHEREAS, the City Council further understands that while the medical benefits of cannabis have been recognized by the state legislature, cannabis remains a Schedule I controlled substance under the federal Controlled Substances Act (CSA), and possession and use of cannabis is still a violation of federal law. The City Council wishes to exercise the authority granted pursuant to state law in order to clarify that the establishment of a collective garden will be deemed to be a violation of city zoning ordinances, but the City Council expressly disclaims any intent to exercise authority over collective gardens in a manner that would directly conflict with the CSA, and

WHEREAS, Initiative 502 directs the State Liquor Control Board to develop rules and regulations to:

1. Determine the number of producers, processors and retailers of marijuana by county;
2. Develop licensing and other regulatory measures;
3. Issue licenses to producers, processors, and retailers at locations which comply with the Initiative’s distancing requirements prohibiting such uses within one thousand feet of schools and other designated public facilities; and

4. Establish a process for the City to comment prior to the issuance of such licenses, and

WHEREAS, while the production, processing, and retailing of marijuana remains in violation of the federal CSA, the City Council wishes to acknowledge the will of the Washington voters and the authority exercised by the state of Washington and the State Liquor Control Board to license such facilities, leaving all issues relating to the legality, licensing, siting and permitting of such facilities to be determined by the federal and state governments in the exercise of their lawful authority, as finally determined by a court of appropriate jurisdiction, and

WHEREAS, the Planning Commission has held a public hearing on January 23, 2013 and has recommended adoption of the regulations set forth below; and

WHEREAS, the City completed SEPA review on the proposed regulations, and issued a DNS on December 20, 2012; and

WHEREAS, the 60-day Dept. of Commerce review has been completed, and

WHEREAS, the City Council held a public hearing on February 18, 2013, and

WHEREAS, nothing in this Ordinance is intended nor shall be construed to authorize or approve of any violation of federal or state law; NOW THEREFORE,

THE CITY COUNCIL OF THE CITY OF MILTON, WASHINGTON, DO ORDAIN AS FOLLOWS:

Section 1. Findings. The recitals set forth above are hereby adopted as the Milton City Council's findings in support of the zoning regulations imposed by this ordinance.

Section 2. Ordinance No. 1787-12, extended by Ordinance Nos. 1793-12 and 1813-13 extending the moratorium on the location, establishment, licensing and permitting of medical marijuana or cannabis collective gardens is hereby repealed.

Section 3. Chapter 17.08 of the Milton Municipal Code is amended to add a new Section 17.08.136 to read as follows:

17.08.136 Cannabis Related Uses: See 17.08.556: Marijuana Related Uses and 17.08.557 State licensed marijuana facilities.

Section 4. Chapter 17.08 of the Milton Municipal Code is amended to add a new Section 17.08.556 to read as follows:

17.08.556 Marijuana Related Uses:

Collective garden" means the growing, production, processing, transportation, and delivery of cannabis, by qualifying patients for medical use, as set forth in Chapter 69.51A RCW, and subject to the following conditions:

- A. A collective garden may contain no more than fifteen plants per patient up to a total of forty-five plants;

B. A collective garden may contain no more than twenty-four ounces of usable cannabis per patient up to a total of seventy-two ounces of usable cannabis;

C. A copy of each qualifying patient's valid documentation, including a copy of the patient's proof of identity, must be available at all times on the premises of the collective garden;

D. No usable cannabis from the collective garden is delivered to anyone other than one of the qualifying patients participating in the collective garden;

E. A collective garden may contain separate areas for growing, processing, and delivering to its qualified patients, provided that these separate areas must be physically part of the same premises, and located on the same parcel or lot. A location utilized solely for the purpose of distributing cannabis shall not be considered a collective garden; and

F. No more than one collective garden may be established on a single tax parcel.

Section 5. Chapter 17.08 of the Milton Municipal Code is amended to add a new Section 17.08.557 to read as follows:

Section 17.08.557 State-licensed marijuana facilities

A. Unless the context clearly indicates otherwise, all terms used in this section and in MMC 17.44.110 shall have the meanings established pursuant to RCW 69.50.101.

B. "Marijuana" means all parts of the plant cannabis, whether growing or not, with a THC concentration greater than zero point three percent (0.3%) on a dry weight basis; the seeds thereof; the resin extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds or resin. The term does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plants, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seeds of the plant which is incapable of germination.

C. "Marijuana processor" means a person licensed by the State Liquor Control Board to process marijuana into usable marijuana and marijuana infused products, package and label usable marijuana and marijuana infused products for sale in retail outlets, and sell usable marijuana and marijuana infused products at wholesale to marijuana retailers.

D. "Marijuana producer" means a person licensed by the State Liquor Control Board to produce and sell marijuana at wholesale to marijuana processors and other marijuana producers.

E. "Marijuana infused products" means products that contain marijuana or marijuana extracts and are intended for human use. The term "marijuana infused products" does not include usable marijuana.

F. "Marijuana retailer" means a person licensed by the State Liquor Control Board to sell usable marijuana and marijuana infused products in a retail outlet.

G. "Usable marijuana" means dried marijuana flowers. The term "usable marijuana" does not include marijuana infused products.

Section 6. Chapter 17.14.010 Table of Uses of the Milton Municipal Code is hereby amended to read as follows:

17.14.010 Table of uses.

Description of Use	RS	RM	RMD	MX	B	M-1	CF	OS
Residential Use Category								
Accessory apartment	acc ¹	acc	acc	acc				
Accessory structure larger than principal building	cup							
Adult day care facility	cup	au	au	au				
Adult family home	au	au	au	au				
Adult retirement community		au	au	au				
Apartment		au	cup	au				
Assisted living facility		cup	cup	cup				
Carport	acc	acc	acc	acc				
Dwelling, multifamily		au	cup	au				
Dwelling, single-family	au	au	au	au				
Dwelling, two-family	au ²	au	au	au				
Garage, private	acc	acc	acc	acc	acc	acc		
Group homes	cup	au	cup	au				
Mobile home park	cup	cup	cup					
Parking area, private	acc	acc	acc	acc	acc	acc		
Swimming pool, private	acc	acc	acc	acc				
Commercial Use Category								

Adult entertainment business					cup			
Ambulance service				au	au	au		
Amusement parks				su2	su2	su2	su2	su2
Animal hospital					au	au		
Auction house/barn (no vehicle or livestock)					au	au		
Automobile service station				cup	au	au		
Automobile wash					au	au		
Automobile, repair					au	au		
Automobile, sales					au	au		
Banks, savings and loan association				au	au			
Beauty/barber shop			cup	au	au			
Bed and breakfast	cup	au	cup	au				
Billiard hall and pool hall				au	au	au		
Child day care, commercial	cup	cup	cup	au	au	cup	cup	
Child day care, family	au	au	au	au				
Commercial recreation < 2 ac.		cup		cup	au		au	au
Commercial recreation > 2 ac.					cup		cup	
Confectionery stores (see Retail sales)				au	au			
Convenience store				au	au			
Crematories and mausoleums					su1	su1	su1	su1
Department stores (see Retail sales)					au			
Drug stores (see Personal services)				au	au			
Dry cleaners (see Personal services)				au	au			
Electric vehicle infrastructure ⁵	acc	acc	acc	au	au	au	acc	acc
Espresso stands				au	au	au		
Flea market						cup		
Food markets and grocery stores				au	au			
Golf and athletic facilities				su1	su1	su1	su1	su1
Greenhouses, private and noncommercial	au	au	au	cup	cup			
Hardware stores < 10,000 sf				au	au	au		
Hardware stores > 10,000 sf					au	au		
Health club		acc		au	au	acc		
Home occupation	au ⁴							
Horticultural nursery, wholesale and retail					au	au		
Hotel				cup	au			
Inn		cup		au	au			
Liquor stores				au	au	au		

Church	cup	au	cup	au	au	cup		
Club or lodge, private				cup	cup			
Fairgrounds					su1	su1	su1	su1
Garage, public						au		
Heliports					su2	su2	su2	su2
Hospitals and sanitariums					cup	cup		
Libraries				au	au		au	
Open-air theaters				su1	su1	su1	su1	su1
Parking area, public		acc		acc	acc	acc	acc	acc
Post office, branch or contract station				au	au			
Post office, distribution center or terminal						cup		
Public parks	cup	cup	cup	cup	cup	cup	au	au
Schools, elementary or secondary	cup	cup	cup	cup	cup		au	
Swimming pool, public	cup	cup	cup	cup	cup			
Transit facilities, bus barns, park-and-ride lots, transit stations				su1	su1	su1	su1	su1
Vocational schools/colleges				cup	cup	cup	cup	
Utilities Use Category								
Electric transmission substation	cup	cup	cup	cup	cup	au	cup	cup
Fuel storage tanks (underground, < 500 gal.)	acc	acc	acc	au	au	au		
Fuel storage tanks (underground, > 500 gal.)		cup	cup	cup	au	au		
Fuel storage tanks, above ground				au	au	au		
Public utility facilities (services)	cup	cup	cup	cup	au	au	au	
Public utility service yard						au	au	
Radio, cellular phone, microwave, and/or television transmission facilities or towers	cup							
Sewage treatment plants							cup	
Transfer station solid waste facility						cup	cup	
Industrial Use Category								
Blueprinting and photostating				au	au	au		
Buy-back recycling center						cup		
Cabinet shops (see Industry, light)					cup	au		
Cargo storage containers					acc	acc	acc	
Carpenter shops (see Industry, light)					cup	au		
Composting facilities					su2	su2	su2	su2
Contractor yards					au	au		
Distributing plants (see Industry, light)						au		

Electric/neon sign assembly, servicing repair						au		
Freight terminal, truck						cup		
Furniture repair (see Industry, light)					cup	au		
Industry, light						au		
Machine shops, punch press up to five tons (see Industry, light)						au		
Motor vehicle impound yard in enclosed building (see Industry, light)						au		
Nonautomotive, motor vehicle and related equipment sales, rental, repair and service					au	au		
Outdoor storage					cup	au		
Paint shop (see Industry, light)						au		
Parcel service delivery (see Industry, light)						au		
Pesticide application service (see Industry, light)						au		
Plumbing shop (see Industry, light)						au		
Plumbing supply yards (see Industry, light)						au		
Printing establishments					au	au		
Recycling processing centers					su2	su2	su2	su2
Storage for transit and transportation equipment						cup		
Tool sales and rental				cup	au	au		
Trailer-mix concrete plant						cup		
Upholstering					au	au		
Warehousing						au		
Welding shops and sheets metal shops						cup		
Office/Business Use Category								
Medical-dental clinic			cup	au	au			
Professional offices			cup	au	au	au		
Resource Use Category								
Agricultural buildings	acc					acc	acc	acc
Agricultural crops; orchards	au	cup	au			acc	acc	au
Livestock	au ³							
Pasture	au							
Stable, private arena	au ³							
Surface mining					su2	su2	su2	su2
acc: Accessory Use au: Authorized or Permitted Use cup: Conditionally Permitted Use su1: Type I Special Use su2: Type II Special Use								

¹Minimum lot size 9,600 square feet.

²Minimum lot size 12,000 square feet.

³Maximum one animal/acre.

⁴Subject to the limitations of MMC [17.44.090](#).

⁵Battery exchange stations and rapid charging stations are only allowed in the MX, B, and M-1 zones.

⁶Subject to limitations of MMC 17.44.120.(Ord. 1775 § 5, 2011; Ord. 1769 § 3, 2011; Ord. 1586 § 1, 2003; Ord. 1579 § 4, 2003; Ord. 1578 § 2, 2003; Ord. 1405 § 2, 1999).

Section 7. Chapter 17.44 is hereby amended to add Section 17.44.120 Marijuana Related Uses to read as follows:

Section 17.44.120 Marijuana related uses.

A. The production, processing and retailing of marijuana is and remains illegal under federal law. Nothing herein or as provided elsewhere in the ordinances of the City of Milton is an authorization to circumvent federal law or provide permission to any person or entity to violate federal law. Only state-licensed marijuana producers, marijuana processors, and marijuana retailers may locate in the City of Milton and then only pursuant to a license issued by the State of Washington. The purposes of these provisions is solely to acknowledge the enactment by Washington voters of Initiative 502 and a state licensing procedure and to permit to, but only to, the extent required by state law marijuana producers, marijuana processors, and marijuana retailers to operate in designated zones of the City.

B. Marijuana producing or processing facilities may be located only in the Light Manufacturing (M-1) zone of the City. Such facilities and uses may be located only at designated sites licensed by the state of Washington and fully conforming to state law.

C. Marijuana retailers may locate only in the Light Manufacturing (M-1) and Business (B) zones, at designated sites licensed by the state of Washington and fully conforming to state law.

D. Any violation of this section is declared to be a public nuisance per se, and, in addition to any other remedy provided by law or equity, may be abated by the City Attorney under the applicable provisions of this code or state law.

Section 8. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such

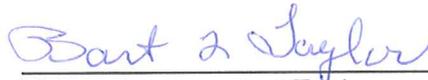
invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 9. Publication. This ordinance shall be published by an approved summary consisting of the title.

Section 10. Effective Date. This ordinance shall become effective and be in full force five (5) days after passage, approval, and publication as provided by law.

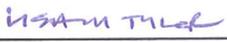
PASSED by the Council and approved by the Mayor of the City of Milton, this 11th day of March, 2013.

CITY OF MILTON



Mayor Pro Tem Bart Taylor

ATTEST/AUTHENTICATED:



Lisa Tylor, City Clerk

APPROVED AS TO FORM:



W. Scott Snyder, City Attorney

Back to
Agenda Bill

Published:
Effective Date:



Regular Meeting
 Tuesday – March 11, 2013
 7:00 p.m.

CALL TO ORDER

Mayor Perry called the regular meeting to order at 7:01 p.m. and led the Pledge of Allegiance.

ROLL CALL

Present were Mayor Pro Tem Taylor, and Council Members Jones, Manley, Morton, Ott, Whalen, and Zaroudny.

STAFF PRESENT

City Administrator Mukerjee, Public Works Director Neal, Finance Director Tylor, Police Chief Rhoads, and Senior Administrative Assistant Bolam

ADDITIONS / DELETIONS

None.

CITIZEN PARTICIPATION

Speaker	Address	Comments
Richard Cosner	507 7 th Ave	Event Committee – Mark calendars for Milton Days 2013, August 17-18. Citizen – Suggests assigning councilmembers to represent designated areas of the City.
Leonard Sanderson	1201 24 th Ave Ct	The Activity Center’s Senior Group raised and paid almost \$1,000 to refinish the vinyl floors, and they turned out great.
City of Fife Mayor Pro Tem Glenn Hull	City of Fife, 5411 23 rd St E, Fife	Speaking as representative of Pierce Transit: Reported on meeting held earlier in the day, where the board took action on two items, both related to Vanpool service. Explained and answered questions regarding proposed changes to Milton’s services.

Speaker	Address	Comments
Jacquelyn Whalen	1605 13 th Ave	Announced vacancies on the Citizen Advisory Board of the Pierce County Conservation Futures Program, and encouraged people to apply.

PROCLAMATION – Retirement of Janice Ljunggren

Councilmember Jones commended Ms. Ljunggren on her 16 years of service to the City, saying she was always smiling and did an outstanding job.

Mayor Perry read Resolution 13-1832 aloud.

Ms. Ljunggren said she is looking forward to traveling and spending time with family.

Mr. Mukerjee congratulated her on behalf of all staff, saying she was the driving force behind the Wellness Program and will be missed.

7:30 – Mayor Perry called a recess.

7:40 – Meeting called back to order by Mayor Pro Tem Taylor; Mayor Perry departed.

CONSENT AGENDA

Approval of:

- Minutes:
 - February 19, 2013 Special Meeting
 - March 4, 2013 Council Retreat
- Payroll and Claims:
 - The 2/20/13 and 3/5/13 payroll direct deposits, checks, and benefits, in the amount of \$ 314,937.39.
 - Checks/vouchers numbers 53620-53653 in the amount of \$ 764,487.81.
- Appointment to Civil Service Commission
- Cancellation of 8/19/2013 Council Meeting
- Contract with Robinson & Noble – Well Drilling Project

Councilmember Whalen pulled the Appointment to Civil Service Commission – assigned to precede Item 7A on the agenda.

COUNCILMEMBER WHALEN MOVED, seconded by Councilmember Jones, to approve the Consent Agenda as amended. **The motion was voted on and carried 7/0.**

REGULAR AGENDA

Item 7A-1 – Appointment to the Civil Service Commission

Chief Rhoads explained that, after including this item in the packet, it was determined that it is an administrative appointment by the Mayor, so no need for Council review.

Item 7B – Purchase of Stormwater Vector Truck

City Administrator Mukerjee explained the background, budget information, and funding options for this item; he said that staff’s recommendation is to purchase the item outright or finance for no more than three years.

COUNCILMEMBER WHALEN MOVED, seconded by Councilmember Jones, to approve the purchase of a Vector Truck off of the state contract for a quoted priced of \$372,806.00 plus tax, and authorize utilizing Payment Option 2, 36-month financing.

Councilmember Whalen said this has been needed for many years and is a necessary move that will benefit rate-payers.

Councilmember Jones appreciates the research that went into this.

Discussion ensued regarding the benefits of continuing to rent equipment vs. spending the money to purchase.

Speaker	Address	Comments
Leonard Sanderson	1201 24 th Ave Ct	<ul style="list-style-type: none"> • Milton can’t rely on other cities to fulfill a budgeted rental amount. • Milton doesn’t have a sewer system so this equipment wouldn’t see enough use. • Thinks it’s better to continue renting.

ROLL CALL VOTE: Passed 4/3 (Ott, Morton, Zaroudny)

Item 7C – Ordinance No. 1819-13 – Adopting Marijuana Regulations

City Administrator Mukerjee provided background and the two main reasons to adopt this ordinance: 1) the moratoriums are not intended to continue indefinitely; and 2) Initiative 502 requires compliance with the State’s licensing requirements.

He then explained the need for a motion to reconsider, based on this item failing last meeting.

COUNCILMEMBER ZAROUNDY MOVED, seconded by Councilmember Ott, to reconsider this item.

Councilmember Zaroudny said this was voted on by the people of Washington State; it doesn’t make sense to not take action.

VOTE – Passed 7/0.

COUNCILMEMBER WHALEN MOVED, seconded by Councilmember Zaroudny, to approve the attached ordinance adopting regulations on marijuana related uses.

Speaker	Address	Comments
City of Fife Mayor Pro Tem Glenn Hull	City of Fife, 5411 23 rd St E, Fife	Commended the Council for taking action on this; important to let the State know there's jurisdictions that support it
Richard Cosner	507 7 th Ave	Expressed concern for increase in crime

VOTE – Passed 7/0.

Back to Agenda Bill

CITY ADMINISTRATOR REPORT

- Referred to handout, pointing to two public meetings scheduled in Milton, plus others, for the fire annexation measure.
- Pointed out the Council-requested revised agenda verbiage on citizen participation.

COUNCIL REPORTS

Councilmember Zaroudny:

- None

Councilmember Manley:

- Requests study item on how to raise revenues.

Councilmember Morton:

- Appreciates improvement seen in garbage clean-up at several local businesses.
- Likes the new verbiage on citizen participation.

Councilmember Ott:

- Expressed displeasure with the Milton-opposed Pierce County Flood Control District.
- Reminded that State Representative Linda Kochmar will be at the Activity Center on March 23 for a Town Hall meeting.

Councilmember Jones:

- Echoed the request for a study item on how to raise revenues.
- Appreciated Milton's representation at past Fife Councilmember Dick Godwin's memorial service.

Mayor Pro Tem Taylor:

- Reported, with help from Event Committee Chair Richard Cosner, about the upcoming "Spaghetti Wars" fundraiser for the Police Station.

Councilmember Whalen:

- Requests clean-up and repair to various items throughout Milton:
 - water towers

- mail boxes (need to contact USPS)
- fire hydrants (need to contact East Pierce)
- railing on Milton Way across from Bud's

ADJOURNMENT

COUNCILMEMBER WHALEN MOVED, seconded by Councilmember Jones, to adjourn the meeting at 8:35 p.m. **The motion was voted on and passed 7/0.**



Debra Perry, Mayor

ATTEST:



Lisa Tylor, City Clerk



Regular Meeting
Tuesday – February 19, 2013
7:00 p.m.

CALL TO ORDER

Mayor Perry called the regular meeting to order at 7:02 p.m. and led the Pledge of Allegiance.

ROLL CALL

Council Members present were Whalen, Mayor Pro Tem Taylor, Ott and Zaroudny. Councilmembers Jones and Morton were excused by Council at the February 4, 2013 meeting. Councilmember Manley was absent.

STAFF PRESENT

City Administrator Mukerjee, City Attorney Scott Snyder, Public Works Director Neal, Finance Director Tylor, Police Chief Rhoads, and Senior Administrative Assistant Bolam were present.

ADDITIONS / DELETIONS

Mayor Perry announced the sad news that Fife Councilmember Richard Godwin had passed away on February 19.

CITIZEN PARTICIPATION

Speaker	Address	Comments
Rudolph Johnson	302 23 rd Ave	Regarding the Olofsson Estate – provided history on the bequeathment of this property – explained it is now a tax burden to the family and asks Council to consider receiving the property now for open space purposes. Provided a handout of the plat.
Leonard Sanderson	1201 24 th Ave Ct	Regarding the Olofsson Estate – explained that this amounts to accelerating the trust that’s currently set to mature in 2030; urged Council to process in time for this year’s Comprehensive Plan Process.

CONSENT AGENDA

Approval of:

- Minutes from the February 11, 2013 Regular Meeting

Councilmember Zaroudny asked for a correction to her statement, “she would like to see a lower speed limit on Kent Street...”; it should say “Porter Way”.

- Ordinance No. 1816-13 – Amending Petty Cash

MAYOR PRO TEM TAYLOR MOVED, seconded by Councilmember Whalen, to approve the Consent Agenda as amended. **The motion was voted on and carried 4/0.**

PUBLIC HEARING

Item 6a – Ordinance No. 1818-13 – Adoption of Marijuana Regulations

The Mayor opened the Public Hearing at 7:20 p.m.

City Administrator Mukerjee provided an overview.

Speaker	Address	Comments
Leonard Sanderson	1201 24 th Ave Ct	Strongly urges City to keep as far removed as possible from this until other jurisdictions work it out.

The Mayor closed the Public Hearing at 7:24 p.m.

Mr. Snyder gave a brief history and explanation of the federal and state positions on this item, provided information on steps taken by some other cities, and explained the legal advice behind the proposed ordinance in lieu of extending the moratorium.

COUNCILMEMBER OTT MOVED, seconded by Councilmember Zaroudny, to adopt the attached ordinance, 1818-13, regarding regulations on marijuana related uses.

Councilmember Ott said he’s thankful to have a knowledgeable attorney and that Milton is well represented.

Councilmember Zaroudny said Milton can’t just opt out, that this gives a good structure for protection.

Councilmember Whalen expressed disappointment in the absence of three councilmembers and said he would prefer to see this voted on by the full Council.

COUNCILMEMBER WHALEN MOVED, seconded by Mayor Pro Tem Taylor, to table this item to March 11. **The motion was voted on and failed 2 to 2.** (Ott, Zaroudny)

The main motion was voted on and failed 3/1. (Whalen)

Mayor Pro Tem Taylor requested that staff bring this item back before Council at the March 11, 2013 meeting.

Mayor Perry asked that a full-year meeting calendar be provided to Council, highlighting when holidays will cause a reschedule in regular meeting nights.

Councilmember Ott announced he will be absent from the March 11 meeting due to a work commitment.

Mayor Perry called for a recess at 8:15.
The meeting was reconvened at 8:25.

Administrative Assistant Bolam explained that the earlier vote that failed with a 2/2 tie would not have been altered by the Mayor casting a tie-breaking vote, as an affirmative vote to a motion to table requires a majority of the full Council, or 4 votes.

REGULAR AGENDA

Back to Agenda Bill

Item 7A – 2012 4th Quarter Report

Director Tylor provided an overview, explaining the projections vs. actuals for 4th Quarter, 2012.

General Fund revenues finished slightly ahead of projections, at positive \$62,000. Expenditures ended at 98% of the overall budgeted amount. Utility funds are all stable.

Discussion included liquor excise taxes, sales taxes, and REET funds, which may be impacted by state budget cuts.

Council expressed appreciation for the budget format and presentation, saying it is clear and concise.

Item 7B – Ordinance 1817-13 – Amend 2013 Budget / Beginning Fund Balances

MAYOR PRO TEM TAYLOR MOVED, seconded by Councilmember Whalen, to adopt the attached budget ordinance 1817-13 amending the 2013 budget.

The motion was voted on and passed 4/0.

Item 7C – Veteran's Memorial Lighting

City Administrator Mukerjee explained that, while this was originally presented at the last meeting in the form of an ordinance, it has since been determined that an ordinance is not needed.

COUNCILMEMBER ZAROUDNY MOVED, seconded by Councilmember Whalen, to approve lighting of the Veterans Memorial and its components.

Councilmember Zaroudny said she's very happy to see this so simply resolved.

The motion was voted on and passed 4/0.

Item 7D – BPA Incentives for LED Traffic Signals

City Administrator Mukerjee and Director Neal explained that this is a late-breaking and time-sensitive opportunity to receive a substantial savings from BPA to switch over the City's remaining incandescent traffic lights to LED technology. The funding necessary to cover what BPA doesn't will pay for itself in a relatively short period of time through labor, bulb replacement, and energy savings.

COUNCILMEMBER ZAROUDNY MOVED, seconded by Councilmember Whalen, to authorize the traffic signal LED conversion effort at an estimated total cost of \$17,409 and approve a budget adjustment to cover the expense from the General Fund ending fund balance.

The motion was voted on and passed 4/0.

CITY ADMINISTRATOR REPORT

- There will be more information regarding state-shared revenues with regard to liquor sales.
- Reminded Council of retreat on March 2.

COUNCIL REPORTS

Mayor Pro Tem Taylor:

- Attended AWC conference, which was very interesting and well done.
- Requested clarification regarding the state's property purchases near Pacific Hwy E and what sales tax impact that may have. City Administrator Mukerjee will report back.

Councilmember Whalen:

- Appreciates Mr. Johnson speaking tonight and would like to see what can be done to accelerate the Olofsson matter.

Councilmember Zaroudny:

- Shared that Google maps allows a visual for the entire Interurban trail.

Councilmember Ott:

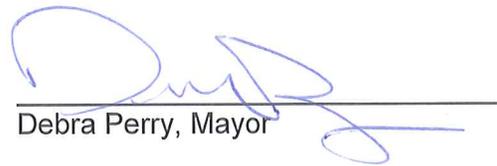
- Clarified what items Council should bring to the retreat. City Administrator Mukerjee said it is a general retreat, not a budget retreat – Council need not bring their budget books.

MAYOR'S REPORT

- The AWC conference was very good. She expressed concern that Milton's priorities are not being addressed; she is working hard to keep Milton's concerns in front of the Capital Committee.
- Attended the South Sound Chamber of Commerce meeting; impressed with Auburn's demonstrated ability to raise the level of income for Auburn residents.

ADJOURNMENT

COUNCILMEMBER WHALEN MOVED, seconded by Mayor Pro Tem Taylor, to adjourn the meeting at 9:25 p.m. **The motion was voted on and passed 4/0.**


Debra Perry, Mayor

ATTEST:



Lisa Tylor, City Clerk



Study Session
Monday – February 4, 2013
7:00 p.m.

1. CALL TO ORDER

Mayor Perry called the regularly scheduled study session to order at 7:00 p.m.

2. ROLL CALL

Council Members present were Jones, Manley, Morton, Ott, Whalen, Zaroudny and Mayor Pro-Tem Taylor.

STAFF PRESENT

City Administrator Mukerjee, Public Works Director Neal and Police Chief Rhoads.

City Administrator Mukerjee noted that the agenda item numbers on the agenda bills did not match the numbers on the agenda.

3. STUDY ITEMS

a. Marijuana Regulations

City Administrator Mukerjee reviewed the proposed ordinance which has been recommended by the Planning Commission. It had been carefully drafted by the City Attorney recognizing that marijuana use was not allowed under Federal Law, and that there were different requirements for medical marijuana and recreational marijuana under State Law.

Council discussion centered around the potential legal ramifications of adopting an ordinance, which would be in violation of Federal Law, the differences in State Law between medical marijuana and recreational marijuana, etc. Council requested that, due to the legal nature of this subject, the City Attorney should be present to address Council's concerns when the ordinance was brought back for public hearing and action on February 19th.

Back to Agenda Bill

b. Additional Water Bond Project

City Administrator Mukerjee and Public Works Director Neal explained that, after completion of all of the seven water bond funded projects, there would be an estimated \$200,000 available to fund another project.

Staff had identified three projects from the water systems plan, namely: (1) Additional Exploratory Well Drilling, (2) Milton Way & 13th Avenue Pipe Replacement, and (3) 19th

Avenue Pipe Replacement. Staff was recommending the well drilling project because it would be a strategic investment for the city's future.

Council discussions included project priorities, water demand projections, timelines for well development, water pipe conditions, etc. After discussion, Council agreed to consider the well drilling project as the additional project to be funded by the remaining water bond funds.

c. Visioning Phase II

City Administrator Mukerjee and Public Works Director Neal explained that this was a start to the discussion on how to proceed with the next steps of the visioning process. Previously, Council had adopted the initial recommendations of the visioning process as a basis for the city's comprehensive plan amendments.

Staff explained that the State's deadline for amendments to Milton's comprehensive plan was June 30, 2015, which meant that the work would need to be done in 2013 and 2014. The amendment process would have a "technical" component, which would include a review of the city's population targets, land use and other elements of the plan. Since, through the visioning process, there was a consensus that most of Milton would not change, the technical portion of the update could be limited in nature.

The follow-up work on six districts identified in the initial visioning recommendations could be addressed either all together or in a prioritized manner – for example, doing the work on the Milton Way/Meridian and Pacific Hwy areas first. Discussions with the respective property owners would be a key component, as well as a market feasibility study, most likely to be done in collaboration with the private property owners.

The scope of work, both in terms of how many areas to consider as well as how fast the city would want to proceed, would determine the amount of resources needed. Outside consultant help for developing a form-based plan and code, as well as the mapping/GIS analysis for the technical update, would require funding which is currently not budgeted.

Council discussion included discussion of priorities, the need for market analyses, and involvement of property owners. Staff will bring back additional information on options for the comprehensive plan update during the Council's retreat scheduled for March.

Other Business:

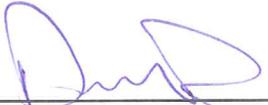
Council Office: Mayor Perry briefed the Council on the status of creating a Council office. Rather than using the judge's old office, a better option would be to use one of the offices in the current Police Department, once the police relocate to the library space. This would provide an exterior door which could be accessed by councilmembers at all hours. Councilmembers were agreeable to this arrangement.

SCA Membership: Mayor Perry also asked the Council to reinstate membership to SCA at \$250 per year. This was deleted from the budget, but SCA has requested that Milton remain a member so that they could represent all the cities in the county. Since the 2012 year-end balance was expected to be better than anticipated, this could be financially doable. Council agreed to reinstate the membership because of the improved anticipated year-end balance for 2012.

Mayor Dais: City Administrator Mukerjee informed the Council that staff was looking into the Council's desire to lower the Mayor dais to the same level as the Councilmembers' desks. There are some challenges with electrical and sound system wirings that will need to be rerouted, which could require the services of an electrician.

4. **ADJOURNMENT**

The Study Session adjourned at 8:55 p.m.



Mayor Debra Perry

ATTEST:



Lisa Tylor, City Clerk



PLANNING COMMISSION MINUTES

January 23, 2013
Wednesday, 7:00 p.m.

Council Chambers
1000 Laurel Street

1. **CALL TO ORDER** Chair Wilson called the meeting to order at 7:02 pm; the flag salute was conducted.

2. **ROLL CALL** Present were Chair Wilson and Commissioners Larson, Anderson, Kleine, Whalen and Reeves.

 Commissioner Boyle was absent.

- STAFF** Associate Planner Larson, City Administrator Mukerjee, Senior Administrative Assistant Bolam

- PUBLIC** Leonard Sanderson, 1201 24th Ave Ct, Milton

3. **CITIZEN COMMENT PERIOD**

Mr. Sanderson addressed the Commission regarding the Oloffson Property on 23rd, a 2.3 acre parcel set aside for open space until 2030, when it will automatically transfer to the City. He would like to gain access to initiate a zoning change so the City will benefit with a park. He would also like to see a community garden go in.

Some discussion among the Commission ensued.

4. **ADDITIONS/DELETIONS TO THE AGENDA**

Commissioner Whalen asked that the agenda Item 10 be corrected to read "Election of Officers" rather than "Appointment". Chair Wilson so corrected.

5. **PLANNING COMMISSIONER'S COMMENTS**

Commissioners Larson, Anderson and Kleine made no comment.

Commissioner Whalen:

- City Council passed the landscape ordinance at its January 22 meeting.
- Requested a new Milton Municipal Code book.

Commissioner Reeves introduced herself, saying she has been a citizen here since the mid- 90s, she works with schools and on social issues, she has a degree in GIS (Geographical Informational Services), and has a big heart for Milton.

Chair Wilson said he was sorry to have been unable to attend the visioning meetings in the fall, as he was dealing with a family illness.

6. APPROVAL OF MINUTES

a. September 26, 2012

Commissioner Whalen moved, seconded by Commissioner Anderson, to approve the minutes of September 26, 2012.

Commissioner Whalen moved, seconded by Commissioner Anderson, to amend the minutes to reflect the title of City Administrator Mukerjee in the final paragraph of the document.

Passed 6/0.

7. PUBLIC HEARING

a. Marijuana Regulations

Chair Wilson opened the Public Hearing at 7:17 p.m.

Mr. Sanderson addressed the Commission to state how unfortunate he finds it for Milton to be caught in the conflict between state and federal government legislation, and he urged the City to stay out of the middle of it.

Chair Wilson closed the Public Hearing at 7:19 p.m.

8. ACTION ITEM

a. Marijuana Regulations

City Administrator Mukerjee introduced this item, explaining the legal advice the City has been given to carefully craft legislation that meets state requirements without adding anything specific for Milton. This approach will leave interpretations with the state level and keep Milton in the most advantageous position regarding the conflict at the federal level.

Planner Larson further explained the two branches being regulated:

1. Medical Use – the City's proposed ordinance defines collective gardens and then prohibits them in all zones within Milton.
2. Recreational Use as mandated by the recently passed Initiative 50) – this legislation requires that cities provide for marijuana producers, processors, and retailers somewhere in the city's zoning. The proposed ordinance allows for producers and processors in the M1 (industrial) zone, and retailers in B (Business) and M1 zones.

Discussion ensued regarding tax revenue, distance measurements from and definition of public facilities, reasoning for not extending the moratorium again, and conditional vs. authorized uses.

Commissioner Anderson moved, seconded by Commissioner Kleine, to recommend approval of the attached ordinance regarding regulations of marijuana related uses.

Passed 6/0.

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9. DISCUSSION ITEM

a. 2013 Work Plan

Planner Larson presented the proposed Work Plan matrix for 2013.

City Administrator Mukerjee explained this is scheduled to go to City Council in March. The Mayor would like to know if Commissioners have any additions or changes they'd like to suggest, and she will be attending the February meeting of the Planning Commission to hear from them.

Commissioner Whalen made the following suggestions:

- Infill development is the important issue for residential development – the City needs to determine how to handle density, saying there are ways to craft regulations for sensitivity to all parties.
- She would like the Planning Commission to have a tour of the City as part of the Work Plan, with advance discussion to make it efficient and profitable.

10. ELECTION OF OFFICERS

Chair: Commissioner Whalen nominated Commissioner Wilson to continue as Chair for 2013. No other nominations were made. Passed 6/0.

Vice Chair: Commissioner Whalen nominated Commissioner Anderson to serve as Vice Chair, who turned down the nomination.

Commissioner Larson nominated Commissioner Whalen to continue serving as Vice Chair. Passed 6/0.

11. ADJOURNMENT Chair Wilson adjourned the meeting at 8:10 p.m.

Chair, Jason Wilson Date

Recording Secretary, Katie Bolam Date



To: City of Milton Planning Commission
From: Chris Larson, Planner
Date: ~~January 22nd, 2012~~ January 23, 2013
Re: Marijuana Regulations

**ATTACHMENTS: Exhibit A – Proposed Ordinance
Exhibit B – SEPA Determination**

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required:

Issue: The current moratorium on the location, establishment, licensing, and permitting of medical marijuana collective gardens will expire in March, 2013. Also, in November 2012, Initiative 502 passed, which legalized recreational marijuana use, production, distribution, and sales, subject to state licensing.

Background:

Medical Marijuana:

The City adopted interim regulations, but since another citizens' initiative was being contemplated, it adopted a moratorium on March 5, 2012 and then extended the moratorium on August 16th, 2012, for an additional 6 months, until the outcome of the initiative was determined. This moratorium expires in March 2013, and so permanent regulations need to be adopted.

Recreational Marijuana:

In November, 2012, the voters approved Initiative 502 which decriminalized the possession of less than one ounce of marijuana by an adult, and set up a system of establishing a state distribution system to be administered by the state Liquor Control Board (LCB) through the issuance of licenses. The licensing requirements will be developed by the LCB by December 1, 2013. Initiative 502 has no impact on the previous state law (E2SSB 5073) on medical marijuana collective gardens.

Federal Law:

Also possession and use of marijuana for any purpose, including medical use, remain illegal under Federal Law. It is still unclear, how the federal government would respond to the state local governments who issue permits in compliance with state law.

Also, in addition to the conflicting laws, there are several law suits pending, which would eventually impact regulations related to marijuana production, distribution, sales and use.

Discussion:

Medical Marijuana - Collective Gardens:

The City currently has a moratorium on medical marijuana collective gardens, which expires in March, 2013. Local governments can prohibit collective gardens altogether. Several cities have taken this approach, because these gardens are not subject to state licensing requirements. Also, due to the uncertainty of the federal response, this is a more prudent path to take for local governments. The King County Superior Court has upheld a ban on collective gardens by the City of Kent.

As an alternative, the city could enact regulations to allow collective gardens with separation requirements from any existing collective garden, residential zoning district, park, community center, elementary or secondary school (public and private), commercial child care business or youth oriented facility. Permit applicants could be required to submit a vicinity map, which would need to be certified by a licensed surveyor.

Staff recommends prohibiting medical marijuana collective gardens from all zones in the city.

Recreational Marijuana – Growers, Distributors and Retailers:

Initiative 502, gives cities the option to zone these recreation marijuana establishments based on state licensing provisions. If the city chooses not to zone these locations, they would be allowed in any commercial zone, subject to state licensing.

If the city chooses to adopt zoning regulations, then subject to obtaining a state license, production and processing facilities could be permitted in manufacturing zones, while distribution facilities could be licensed in business zones.

Initiative 502 also prohibits issuance of licenses for distribution facilities within a thousand feet of schools, parks, libraries, transit centers, and other public facilities. The state licensing requirements are expected to be enacted by December 2013.

Recommendation: Staff recommends the Planning Commission hold a public hearing and make an affirmative recommendation as reflected in the recommended motion below.

Recommended Motion: I move to recommend approval of the attached ordinance regarding regulations of marijuana related uses.

Back to Agenda Bill

STATE OF WASHINGTON



WASHINGTON STATE CRIMINAL JUSTICE TRAINING COMMISSION
CRIMINAL JUSTICE TRAINING CENTER – 19010 1ST AVE S. – BURIEN, WASHINGTON 98148 (206) 835-7300
MEMORANDUM

INITIATIVE 502 FACT SHEET

- Possession of one ounce or less of marijuana will no longer be a crime for persons over 21 years of age.
- Possession of sixteen ounces of marijuana-infused product in solid form or seventy-two ounces of marijuana-infused product in liquid form or an ounce or less of marijuana will no longer be a crime. The law does not permit the separate types of products to be possessed at the same time.
- Possession of between 28.3 grams and 40 grams of marijuana still will be a misdemeanor.
- Possession of more than 40 grams of marijuana still will be a class C felony.
- Possession of any amount of marijuana by a person under 21 years of age will still be a crime.
- Manufacture and/or Delivery of marijuana will still be a crime.
- The Washington State Liquor Control Board has until December 1, 2013 to develop regulations regulating and licensing producers, processors, and retailers. Even once those license provisions are in effect, manufacture and delivery by a person who is not licensed still will be a crime.
- Possession, use, and sale of marijuana-related drug paraphernalia will no longer be a crime or civil infraction.
- Displaying or consuming marijuana or a marijuana-infused product in view of the general public will be a class 3 civil infraction.
- DUI: Under 21 years – zero tolerance; over 0.00 nanograms presumed intoxicated
- 21 and over – 5.00 nanograms presumed intoxicated
- **Federal laws regarding the possession, use or sale of marijuana HAVE NOT CHANGED.**

All medical marijuana laws remain in place. Qualifying patients with valid documentation will have an affirmative defense for possession over an ounce, but within the limits specified in chapter 69.51A RCW. Qualifying patients and designated providers may also have an affirmative defense to charges of manufacturing or delivering marijuana.

Marsh Mundorf Pratt Sullivan + McKenzie
A Professional Service Corporation

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Ryan S. Neale

Douglas B. Marsh (1942-2007)

May 28, 2014

Mary K. Jensen
Acting General Counsel
Bonneville Power Administration
P.O. Box 3621
Portland, OR 97208

Re: Supplying Power at Retail to a Marijuana Grow Operation

Dear Ms. Jensen,

I am writing to you on behalf of the Benton Rural Electric Association (“Benton”), a wholesale power customer of the Bonneville Power Administration (“Bonneville”). Although Benton has a power supply agreement with Powerex under which it currently purchases 2.581 megawatts/hour for service to its Tier 2 loads, the vast majority of the power needed to serve Benton’s retail customers is supplied by Bonneville. Further, the power from Bonneville and Powerex are intermingled, meaning that operationally no customer can be served exclusively with either power from either Powerex or Bonneville.

As you are no doubt aware, the cultivation, possession and sale of marijuana was recently decriminalized in Washington. However, the cultivation, possession and sale of marijuana remain criminal offenses under applicable Federal law. Benton recently received a request for electrical service by a marijuana grow operation to be located in Benton’s service area in Washington. To date, no electric service has been provided to this proposed marijuana grow operation by Benton.

We understand that the Bureau of Reclamation recently determined that irrigation water supplied from Federal projects cannot be sold to, or used by, marijuana grow operations due to their criminal status under Federal law. Benton is concerned that electric power supplied to it by Bonneville from Federal projects may be subject to the same rule, and as a consequence cannot be sold to, or used by, marijuana grow operations.

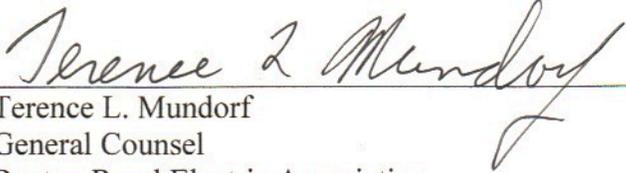
Benton is caught between conflicting Washington State and Federal laws regarding the cultivation, possession and sale of marijuana. Further, Benton does not want to take any action which might inadvertently threaten its Federal power supply from Bonneville due to this conflict in laws. Given that Bonneville is the power marketing agency that supplies Federal power to Benton, Bonneville is in the best position to determine whether Federal power can be used in Washington to provide retail service to a marijuana grow operation.

Benton requests that Bonneville respond at its earliest convenience to the following questions:

1. Can the Federal power provided to Benton by Bonneville be used to serve a retail marijuana grow operation in Washington without any adverse consequence to Benton's power supply from Bonneville?
2. If the answer to Question 1 above is no, what are all of the adverse consequences to Benton of such use of Federal power provided by Bonneville?

Since a request for service is currently pending, and Benton does not wish to proceed without guidance on this matter from Bonneville, your prompt response would be appreciated. Please feel free to contact me directly should you have any questions or need any clarification regarding this request.

MARSH MUNDORF PRATT SULLIVAN & McKENZIE



Terence L. Mundorf
General Counsel
Benton Rural Electric Association

Enclosures



Department of Energy
Bonneville Power Administration
P.O. Box 3621
Portland, Oregon 97208-3621

RECEIVED
JUN 11 2014
MARSH MUNDORF PRATT
SULLIVAN & MCKENZIE

GENERAL COUNSEL

June 4, 2014

In reply refer to: L-7

Mr. Terence L Mundorf
General Counsel
Benton Rural Electric Association
4220 132nd Street SE, Suite 201
Mill Creek, WA 98012



Re: Letter of May 28, 2014

Dear Mr. Mundorf:

I am writing in response to your letter of the above date in which you make inquiries regarding the potential use of federal power sold by the Bonneville Power Administration (BPA) to Benton Rural Electric Association (Benton) in the state of Washington. You express concern over the possibility that BPA power sold to Benton may face restriction or other limits due to the possible use of federal power for marijuana grow operations within the Benton service area on its distribution system.

BPA understands the issue that arises given Washington's recent legislation which legalizes and regulates under state law the growth, distribution, and sale of marijuana. Marijuana, however, remains a controlled substance under federal law. As your letter notes, statements made by the U. S. Bureau of Reclamation on the use of water from federal projects poses a similar issue. In context of the use of federal power, BPA has been exploring a policy to address the various circumstances when federal power may become an issue under BPA power sales contracts.

We are still developing BPA's policy response to the issues posed by Washington law and will respond more fully when we conclude our discussions. At this time, BPA can only state that it will follow federal law in its actions under its contracts with its customers. As to your question whether federal power sold by BPA to Benton can be used to supply a marijuana growing operation, the short answer is federal power cannot be used for an illegal activity or purpose. However, the details of both the BPA-Benton contract and the power supply options of Benton do not make the answer so simple. Therefore, BPA does not have, at this time, a more detailed answer to your questions on this issue. We are hoping to be able to provide a more detailed response in the near future.

Sincerely,

A handwritten signature in blue ink that reads "Mary K. Jensen".

Mary K. Jensen
Acting General Counsel

Resolution No. 2693

A RESOLUTION of the Board of Commissioners adopting the modified terms, as presented on this date, of Customer Service Policy No. CS-2 originally issued on November 8, 2005.

WHEREAS, the Public Utility District No. 1 of Cowlitz County ("District") is a Preference Customer of the Bonneville Power Administration ("BPA") receiving federal wholesale power at the most competitive rates in the country, whose relationship with BPA is contractual and governed by federal law; and,

WHEREAS, the protection of the BPA federal power resource for the benefit of all District customers is of paramount concern of the Board of Commissioners ("Board"); and,

WHEREAS, the citizens of the state of Washington voted to legalize the cultivation, distribution and use of marijuana in a well regulated manner in accordance with Initiative 502 which has since become law and codified in RCW 69.50; and,

WHEREAS, while the state legalized marijuana to some extent, the United States Department of Justice (DOJ) has stated that the cultivation, distribution and sale of marijuana authorized under state law remains unlawful under federal law; and, that the District's knowing service of electricity to a customer engaged in violating federal drug law could result in prosecution of the federal Uniform Controlled Substance Act, 21 U.S.C. Section 846; but, that the likelihood of prosecution of state and local officials is ameliorated when operating pursuant to a well regulated framework within a state which has legalized the drug related activities at issue; and,

WHEREAS, the District's General Counsel attempted to receive further guidance from the local federal prosecutor and was informed the federal government would not offer any assurances that prosecution would not be initiated, and stated a BPA policy speaking to the issue would be a significant factor in DOJ's determination whether to prosecute; and,

WHEREAS, District staff held a teleconference with BPA representatives who indicated the BPA power sales contract with the District did not prevent the sale of electricity to those who may act contrary to the federal Uniform Controlled Substance Act, Title 21 U.S.C.; and,

WHEREAS, District officials conferred with BPA and its assigned attorneys from the DOJ on May 21, 2014 at the BPA offices in Vancouver, Washington to determine whether BPA or the DOJ intended to develop policies or offer guidance regarding the conflicting law, and were told significant developments concerning the conflicting laws

were imminently forthcoming, however to date, no policy or further guidance has been afforded by BPA or the DOJ; and,

WHEREAS, to date there are no perfected applications for service to a marijuana grow operation on file with the District, but it is prudent to provide predictability to customers by establishing reasonable conditions in advance of such application; and,

WHEREAS, the District's contractual right to BPA power is limited by a Contract High Water Mark (CHWM). The District's current net requirements load on BPA exceeds such CHWM, and as a result the District cannot access additional BPA power to serve load growth. Hence, on a forward planning basis the District intends to serve load growth with non-Federal resources.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of the Public Utility District No. 1 of Cowlitz County, Washington, herewith

1. Makes the following findings:
 - a. It is in the best interest of all its customers to impose conditions contained in the attached policy modification, in order to ensure that federal power resources are not curtailed in the future through the District's knowing and unconditional service to those customers violating federal law; and,
 - b. Federal law and state law are in conflict concerning the cultivation, distribution and sale of marijuana; and, it is the intent of this Resolution to comply with both its duty to serve customers to the extent such duty exists under state law, and federal law in accordance with guidance from the United States Department of Justice; and,
 - c. It is prudent to adopt reasonable conditions of service pursuant to the preference outlined by the DOJ in the Cole Memorandum of August 2013 in order to reduce, if not eliminate, the risk of federal prosecution; and,
 - d. The District, its officials, employees, agents and assigns do not intentionally participate, aid or abet, nor endorse, any particular conduct of its customers and no such inference shall be taken from this Resolution.
2. Adopts the modifications to the District's Electric Service Conditions Policy, entitled "CS-2" and attached hereto, which are denoted in redline; directs staff to publish a clean copy of such policy in the normal course of business; and fully adopts the CS-2 policy together with the modifications, by reference, herein.

This Resolution and attached policy shall not be construed to impose a duty on District officials, employees, agents and assigns to inspect the conduct of District customers to determine the purpose of customers' use of electricity served by the District.

3. Staff is directed to plan the delivery of non-federal resources to serve the load of customers intending to use such resources in marijuana grow operations in violation of federal law, but which may be lawful under Washington state law. Provided, however, that staff has actual knowledge of any such customer's intention to violate federal law, while operating under color of the laws of the state of Washington.
4. In adopting the modification to the attached policy, the Board reasonably relies on guidance from the federal government contained on both the Cole Memorandum of August 29, 2013 together with the representations of federal officials concerning the service of electricity to those customers acting contrary to the federal Uniform Controlled Substance Act, Title 21 U.S.C.; and,
5. Directs General Manager and his delegates to fully implement and administer the attached policy.

ADOPTED by the Commission of Public Utility District No. 1 of Cowlitz County, Washington at a regular meeting thereof this 24th day of June, 2014.

President

Vice-President

ATTEST:

Secretary

PUBLIC UTILITY DISTRICT NO. 1
OF COWLITZ COUNTY, WASHINGTON

ELECTRIC SERVICE CONDITIONS POLICY

No.: CS-2
Issued: November 8, 2005
Revised: ~~May 13~~ ~~June 10~~ ~~July 24~~, 2014 (~~Staff Recommendation No Resolution-17/5/13 2693~~)
Effective: ~~May 13~~ ~~June 10~~ ~~June 24~~, 2014
Page: 1 of ~~67~~

SECTION 1 - OBJECTIVES:

To detail the responsibilities of the District ~~to provide~~ in providing electric service and the responsibility of customers receiving electric service, ~~to meet in order to ensure compliance with local, state and federal law,~~ governing electrical codes, standards, ~~rules~~ and District service requirements; and, to facilitate electric service delivery in a safe, efficient, and lawful manner. To inform the customer of potential charges associated in certain situations as summarized on the CS-1 & CS-2 Policies Fee Schedule.

SECTION 2 - CONFLICT:

In case of conflict among provisions of this Electric Service Conditions Policy and the provisions of any District Rate Schedule or Special Contract, the provisions of the Rate Schedule or Special Contract shall apply.

SECTION 3 – GENERAL CONDITIONS OF SERVICE

In addition to those customer obligations and conditions set forth in District policy or law elsewhere, the District may condition service to any customer based on the terms of this section. The District may deny or discontinue service if: 1. A request by any federal, state or local agency is made to cease electric service to a District customer whose use violates applicable law. 2. A court order directs the District to discontinue electric service to a customer. 3. A written request, demand, threat of criminal prosecution or actual criminal prosecution is made or initiated against the District, its officials, employees, agents or assigns for delivery of electric service to a customer whose use of the electric service violates the law. 4. The customer fails to maintain possession of a valid and lawfully issued license by the state of Washington required for the customer to engage in any activity which may be lawful under state law, but constitutes a violation of federal law. 5. In the event of a change in law or express pre-emption of federal law occupying the field of regulation which requires termination of service.

The District shall have no duty to defend against a lawsuit brought to enjoin electricity service to a customer and shall comply with any such court order.

~~In the event the provisions of this Electric Service Conditions Policy conflict with the requirements under local, state, or federal law, such requirements shall supersede this Policy.~~

SECTION 3-4 - CUSTOMER RESPONSIBILITY FOR DISTRICT PROPERTY:

A. The customer will exercise care and take precautions to prevent damage to any District property located on the customer's premises, including meters, instruments, transformers, services, and any other equipment installed and owned by the District. All such equipment

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shall remain the property of the District and may be removed at the discretion of the District. In the event District property is damaged because of customer negligence, the customer will pay the cost of repairs or replacement. No unauthorized person will make any connections to the District's circuits for the purpose of securing electric energy and any such act shall be subject to prosecution under the law. According to state law (RCW 70.54.090), it is unlawful to attach to any District poles, advertising signs, posters, or similar objects which obstruct access or present a hazard to electrical workers.

- B. The District will seek prosecution for theft of power, destruction of District property and other violations of law affecting delivery of its services and will pursue collection for its losses, damages and costs related to such action to the fullest extent provided by law.
- C. Unless otherwise described by easement, the customer shall grant the District all rights of way for District facilities placed on the customer's property solely to serve the customer. As such the customer will not cause conflict with the District's ability to operate these facilities or the ability to safely and efficiently provide service.
- D. The customer shall not plant trees or other vegetation, nor construct or locate any permanent structure that will interfere with the operation and maintenance of the District's facilities. The District maintains line/vegetation clearance within a ten (10) foot lateral distance from District poles. From that ten (10) foot lateral distance customers are responsible for maintaining tree and vegetation clearance near the overhead service line on their property to the service entrance of the home, building or structure. Customers are not allowed to be within or use tools within ten (10) feet of energized conductors. Therefore, the District will disconnect the service line while such work is being performed to facilitate the work at no charge. Customers must give forty-eight (48) hours notice during normal business hours for the service line to be disconnected.
- E. The customer shall not engage in any activity, either grading or filling, which significantly increases or decreases the depth below the surface of any underground District facilities or the clearance above the surface to overhead District facilities. The customer may be required to remove any obstruction without undue delay or to pay the District's cost of relocating the electric facilities. Failure to comply with these requirements may result in termination of electric service to the customer.
- F. If any such planting, construction or grading over or under District facilities should occur without the District's expressed written consent, the customer assumes all liability and responsibility for any damage or injury which may occur as a result.
- G. Pursuant to state law (RCW 19.122), a customer is required to provide forty-eight (48) hours notice to the District via the Northwest Utility Notification Center (1-800-424-5555) prior to any excavation in excess of twelve (12) inches.

SECTION 4-5 - CUSTOMER WIRING AND EQUIPMENT:

- A. The District has the right, but is not required, to inspect any customer's electrical installation before service is supplied or at any later time. The District will not make permanent connection to any service which has not been approved for connection by State, County or City electrical inspection agencies. These agencies assure compliance with applicable codes and accepted standards of construction. In addition, the District will not connect services that do not conform to this policy or other applicable District policies, or which, in the opinion of the District, is unsafe.

- B. It is the customer's responsibility to operate service equipment by qualified and authorized personnel, and to adequately maintain their equipment to assure proper working order. The District is not liable or responsible for any loss, injury or damage resulting from any failures in the customer's installation or equipment or from accidents which may occur on the customer's premises.
- C. During routine maintenance activities, the District may disconnect service to facilitate safe and efficient system work. To the extent practical, such outages will be scheduled and customers will be notified in advance. During these outage times, customers are expected to protect their electrical equipment, if necessary, from possible damage. In the event that any such damage occurs, the District will not be liable for any costs of replacement or repair.
- D. The District strives to provide reliable and consistent electrical service. However, it is recognized that, from time to time, conditions beyond the control of the District may cause electric service interruptions or voltage, current or frequency deviations to occur. It is the customer's responsibility to provide adequate protection for their connected equipment, process or product to prevent damage or loss in the event of interruptions or irregularities. In such instances, the District is not liable for damages or losses that may occur. The District offers information to customers on vendors who provide protection devices.
- E. It is the customer's responsibility to notify the District, in advance, of added electrical load or change in operation. Significant damage may result to District equipment from unanticipated added load. The cost of any such damage will be the responsibility of the customer.
- F. Electrical equipment on the customer's premises shall be installed and operated in a manner that does not interfere with the District's delivery system or affect the quality of electric service to other customers. When such conditions occur, the customer causing the condition shall be responsible for providing and installing corrective equipment as determined by the District. The District, at its discretion, may take corrective measures at the expense of the customer or may terminate service.

SECTION 5-6 - METERS AND METERING:

- A. The District installs AMI (Automated Metering Infrastructure) meters that are capable of remote reading, remote disconnect, and other advanced load management functions. These meters will be used for all electric customers of the District.
- B. The District will install, own and maintain all meters and other equipment necessary for measuring the electric demand and energy used by the customer under the District's applicable rate schedules. The customer is responsible to furnish, install and maintain metering enclosures where required by the District.
- C. Demand meters may be installed on any service when the nature of the customer's equipment and operation indicates that a demand meter is required for correct application of the District's Rate Schedules.
- D. The installation of additional meters, beyond or in addition to the District's meter(s), are generally provided, installed, owned and maintained by the customer.

- E. The builder or owner of a multiple unit complex must permanently and accurately number and maintain the markings of meter bases or panel covers and the corresponding building units. Until there is full compliance, the accounts will remain in the builder's/owner's name. The owner must notify the District, in writing and in advance, of any change in unit numbering. Any billing discrepancy due to inaccurate numbering of meter bases or panels and corresponding building units will be the responsibility of the builder/owner.
- F. When more than one building or unit is served by a single meter, the service account will remain in the owner's name.
- G. Residential Customers who desire not to have a remote reading AMI meter may Opt-Out. To Opt-Out, the customer must complete the AMI Opt-Out form. Since the Opt-Out meters must be read in the field and processed manually, the customer participating in this program will be charged a one-time meter change fee and a monthly fee as listed in the attached schedule. This option will not be available for commercial meters and residential meters that are inaccessible to manual reading.
- H. The District will deploy AMI meters capable of remotely operated disconnection and reconnection to certain services as guided by procedures developed for such installation. These devices will be applied to new or existing accounts on a non-discriminatory basis to support programmatic service offerings, and to support operational efficiencies and revenue protection related to the routine disconnection and reconnection of services.

SECTION 6-7 - METER LOCATION:

- A. The customer will provide an approved meter base, installed on the exterior surface of the building or service structure according to current District Standards.
- B. Failure to provide access to electric meters may result in the disconnection of electric service. If it is necessary to relocate metering facilities in order to provide access, the customer may be required to pay the District's estimated cost.

SECTION 7-8 - METER TESTS:

The District will make necessary tests and inspections on its meters to ensure a high standard of accuracy. Additional tests may be requested by the customer. The cost for additional testing is provided on the CS-1 & CS-2 Policies Fee Schedule. The results of the additional meter testing are handled according to District procedures.

SECTION 8-9 - CHARACTER OF SERVICE:

- A. Generally, electricity delivered by the District is provided at alternating current, 60 hertz, single or three-phase, at one of the following nominal voltages (+/- 5%):

Secondary Voltages:
 Single-phase, 120/240 volts, 3-wire, grounded
 Single-phase, 120/208 volts, 3-wire (some locations)
 Single-phase, 240/480 volts, 3-wire, grounded
 Three-phase, 208/120 volts, 4-wire, grounded wye
 Three-phase, 240/120 volts, 4-wire, grounded delta
 Three-phase, 480/277 volts, 4-wire, grounded wye
 Three-phase, 480/240 volts, 4-wire, grounded delta

Primary Voltage:

Three-phase, 12,470/7,200 volts, 4-wire, grounded

- B. If the customer requests types of service other than those available, the customer will provide any special transformers, equipment and space for mounting such equipment.

SECTION 9-10 - PHASE BALANCE:

The District will require the customer's electric current load to be reasonably balanced between phases of a three-phase service.

SECTION 10-11 - POWER FACTOR:

- A. The customer shall be responsible for assuring their use of electrical energy is made in accordance with accepted practices and, in doing so, their usage does not adversely affect reliable energy supply. The District will not be obligated to deliver electric energy to a customer at any time the Power Factor of the customer's load is below seventy-five percent (75%) lagging or leading.
- B. Subject to the provisions of Special Contracts, when the monthly average Power Factor of the customer's load is less than ninety-seven percent (97%) lagging or leading, as indicated by test or the installation of a meter to determine Power Factor, the Maximum Demand for billing purposes for that month shall be increased by multiplying the Maximum Demand by the ratio determined by dividing .97 by the Power Factor.

SECTION 11-12 - INTERRUPTION OF SERVICE:

- A. The District will exercise reasonable care and effort to provide adequate and uninterrupted service, but will not be liable for personal injuries, property damages or any other loss or damage resulting from interruptions of service due to causes reasonably beyond its control or normal operations. Such interruptions will not constitute a breach of agreement for service.
- B. The District will make reasonable effort to notify customers of a planned power outage, but reserves the right without penalty to temporarily suspend service when necessary.

SECTION 12-13 - CUSTOMER EQUIPMENT FAILURE AND RESTORATION:

If an electric service outage occurs because of failure of the customer's equipment, and such failure is determined to be resulting from negligence of the customer, a reconnection fee may be charged by the District in an amount appropriate in the circumstances and reflecting the applicable costs to the District. An inspection of the customer's facilities by the appropriate electrical inspecting authority will be required prior to restoration of service.

SECTION 13-14 - UNSAFE CONDITIONS:

If the District finds an unsafe condition of the Customers electrical equipment, which could result in injury or damage to a person or property, the District, without prior notice, may disconnect the service until corrections are made and approved by the appropriate electrical inspecting authority.

SECTION 14-15 - SERVICE TERMINATION BY GOVERNING AUTHORITY AND RESTORATION:

Where service is terminated at the direction of any State, County, City, Fire, or Police authority, an inspection of the customer's facilities by the appropriate electrical inspecting authority will be required prior to restoration of service.

SECTION 45-16 - RIGHT OF ACCESS:

Authorized employees of the District have the right of access to customer's private property as reasonably required for the purpose of reading meters, testing, repairing, inspection, removing, or replacing any District equipment and facilities located on the customer's private property. If any such equipment is located within a locked area or enclosure, the District will be furnished with a means of access. It is the customer's responsibility to restrain his or her pets to allow District personnel access to District equipment. Customer refusal to cooperate in allowing District personnel access may result in termination of electric service.

SECTION 46-17 - COMMERCIAL USE OF A PORTION OF A BUILDING:

If a building is jointly used for residential and commercial purposes by the same customer, all energy use may be considered residential provided that the total connected commercial load does not exceed twenty-five percent (25%) of the total connected load of the entire building. If more than one (1) residential dwelling is served through a single meter, the General Service Rate Schedule shall be applied.

SECTION 47-18 - COMMERCIAL FARM USE:

Electric energy used on farm premises supplied through a single Point of Delivery and a single Point of Metering shall be served from the District's Residential Rate Schedule. Electric energy used on farm premises in connection with processing for sale of raw materials not produced there will not qualify for the District's Residential Rate Schedule. Non-residential use meters shall be served at the District's General Service Rate Schedule.

SECTION 48-19 - TRAVEL TRAILER COURTS, RV PARKS AND RECREATIONAL FACILITIES:

The District will render electric service to travel trailer courts, RV parks and other short-term use recreational facility through a single Point of Delivery and single Point of Metering. The General Service Rate Schedule will apply. For customer facilities with more than one Point of Delivery, Point of Metering or other considerations, a Special Contract may be required.

SECTION 49-20 – SINGLE METER DOMESTIC WELLS:

When a single metered connection is dedicated to a domestic well service providing water for one or two connection single-family residences, individual apartments or small farms, service shall be supplied under the applicable Residential Rate Schedule. Single meter domestic wells serving more than two connections shall be supplied under the applicable General Service Rate Schedule. This section applies to billings issued after September 30, 2012 and shall not be applied retroactively.

SECTION 20-21 - LIABILITY FOR VIOLATING PROVISIONS OF THIS POLICY:

Any person violating any of the provisions of this Policy may be prosecuted in accordance with the law and, in addition to the penalty determined by the Court, the electric service of any persons found guilty of violating the provisions of this Policy may be disconnected and the person violating shall be liable for all damage and expenses incurred by the District.

SECTION 24-22 - VALIDITY:

If any portion of this Policy is for any reason held to be unlawful, unconstitutional, or void, such invalidity shall not affect the validity of the remaining portion of this Policy.

SECTION 223 – CONDITIONAL DUTY TO SERVE

The District shall have no duty to serve any customer in the event of a violation of said customer's obligations outlined in this Policy, or other reasonable conditions of service imposed

~~by the District, nor shall such duty exist in the event a customer makes application for electric service which furthers a violation of local, state or federal law.~~

Supersede: This policy supersedes any previous policy or resolution or District action that is contrary to or otherwise conflicts with the provision of this Policy.

EFFECTIVE: ~~May 13~~ ~~June 10~~ June 24, 2014

ADOPTED this ~~13th~~ ~~10th~~ day of ~~May~~ June, 2014 by the Board of Commissioners of Public Utility District No. 1 of Cowlitz County, Washington.

Merritt H. Ketcham, President

Edward M. Piper, Vice President

Kurt Anagnostou, Secretary

Back to Agenda Bill



FAQ on the Marijuana Initiative, I-502

The following are a collection of questions that have been raised as cities evaluate how best to respond to the approval of I-502. Cities should revisit their policies and procedures with their legal counsel to ensure that their actions are in compliance with the new law.

Law enforcement impacts

Law enforcement agencies should revisit their policies and procedures with their legal advisors to ensure that their actions are in compliance with the new law.

Who can have marijuana, and how much?

According to the initiative, on December 6, adults over the age of 21 are allowed to carry any combination of the following: up to 1 ounce of usable marijuana, 16 ounces of marijuana-infused product in solid form, 72 ounces of marijuana-infused product in liquid form.

What are the consequences of possession over an ounce?

For a person 21 years and older, possession in the range above one ounce to 40 grams (about 1.5 ounces) results in a misdemeanor. Possession of more than 40 grams is a Class C Felony.

Where can you legally buy marijuana?

The Washington State Liquor Control Board has until December 1, 2013, to establish guidelines and regulations for the sale and distribution of marijuana. Until then, it is illegal to purchase marijuana from an unlicensed provider. It is also illegal to grow or sell marijuana. Collective gardens used by medical marijuana patients are not affected by the language of this initiative.

What constitutes an infraction for marijuana?

Law enforcement officers have probable cause to cite for the infraction based upon seeing someone with the product or smelling it, and the person is within public view. This person would be charged with a Class 3 civil infraction under RCW 7.80. Though the fine is not directly specified in the initiative, some have predicted the citation will likely result in a \$103 fine.

Can law enforcement seize marijuana and paraphernalia?

Unless they can articulate some other behavior that suggests a criminally illegal behavior or activity, further searches of the person are not lawful. Different agencies' policy will dictate seizure of any marijuana or paraphernalia. At this time, it is unclear whether the marijuana and paraphernalia will be seized or not.

If a law enforcement officer witnesses a person smoking what appears to be marijuana, can they then search that person? The officer who witnesses the infraction can contact the person and issue the citation. Officers can initiate a search only if there is suspicion or indication that the person receiving the citation may be armed, or if that person gives the presiding officer indication they have criminal possession on their person.

Must law enforcement officers have warrants for blood tests?

If officers believe someone is driving under the influence and impaired, they will conduct a field sobriety test. If officers establish probable cause, they will ask for permission to draw blood, or they can obtain a warrant from a judge. In the case of a collision, blood draws are mandatory. The provisions and policies of a blood draw are not a new practice and were not changed by the initiative.

How does law enforcement obtain blood?

Officers must follow their agency's policy. Many take the person to the nearest hospital facility for the blood draw.

Personnel & policy

Can employers continue to test for marijuana?

Similar to alcohol, employers may require testing, discipline for policy violations, and regulate use or impact in the workplace. Employers should make sure that their personnel policies are up to date and include legalized marijuana, and consult with their city or agency legal representative.

Is there a difference between the 5ng (nanogram) threshold and the 15ml (milliliter) threshold that urine tests from Department of Licensing (DOL) use?

Yes. 5ng is the limit set forth by the initiative as the per se level of impairment for someone under the influence of marijuana. This is measured by a blood test designed to detect "active metabolites." Studies indicate that active metabolite levels fall to approximately 2ng within 4-6 hours of use. Commercial Driver License (CDL) holders are regulated by DOL, which follows federal regulations and uses the 15ml threshold. This level is measured by a urine test.

What about off-duty marijuana consumption?

Washington public employers have a strong legal basis to discipline or discharge employees who test positive for marijuana if this action is consistent with the respective contracts, policies and past disciplinary action. However, further legislation and litigation will likely determine whether discharge for off-duty marijuana use violates public policy.

Land use & zoning

Can jurisdictions implement policies to limit producers, processors and retailers licenses and locations?

Growing marijuana (unless it is a collective garden) remains illegal until the Liquor Control Board (LCB) establishes a process for licensing and regulation. The LCB will also regulate permissions for marijuana cultivation, processing, distribution, and retail facilities. The LCB is taking public comments until Feb. 10 about the rules and restrictions needed for a marijuana-grower license.

The initiative specifies that only state-licensed production, processing and sale of marijuana are permitted. The initiative intended that the licensing process be similar to that for alcohol. Cities will have the ability to object to the LCB regarding a proposed license. Presumably, local land use and zoning regulations will apply to the siting of growing, processing and retail outlets. The initiative specifies that such facilities must be at least 1,000 feet from elementary and secondary schools, playgrounds, recreation centers, day cares, parks, transit centers, libraries and arcades.

Medical marijuana collective gardens and not affected by this initiative.

Taxes & revenue

Will cities get any revenue from the sale of marijuana? The initiative does not provide for any direct funding to cities. Cities will receive their share of local sales tax revenues and any locally imposed B&O taxes. The Washington State Office of Financial Management (OFM) estimates that locals could receive as much as \$120 million in these taxes over five years. However, there has been some concern that OFM overestimated how much marijuana will actually be consumed from these state-licensed stores. Cities will not see any revenue from marijuana sales until at least December 2013.

What about all of the expected new revenue from legal marijuana sales?

The initiative created a specific new taxing scheme. The initiative provides for a 25% excise tax at each transaction point (producer to processor, processor to retailer, and retailer to consumer). The taxes will be placed in a dedicated marijuana fund. After quarterly distributions of \$1.25 million for LCB administration and \$180,000 to other specific programs, the taxes will be distributed as follows:

- 50% to the state's Basic Health Plan
- 19.07% to the state general fund
- 15% to the Department of Social & Health Services for behavioral health & recovery
- 10% to the Department of Health for marijuana education & public health
- 5% to Community Health Centers
- 1% to the UW and WSU for research on the short- and long-term effects of marijuana use
- 0.03% to the Building Bridges Programs

Taxing Recreational Marijuana

Contents

- [Introduction](#)
- [Frequently Asked Questions](#)
- [Additional References](#)

Introduction

Revenues from the excise tax on marijuana will be distributed primarily to the state's Basic Health Plan, the state general fund, and health-related programs. B&O and local retail sales taxes apply.

For further information on other topics related to the implementation of Initiative 502, see MRSC's main [Recreational Marijuana: A Guide for Local Governments](#) page.

Frequently Asked Questions

Will cities get any revenue from the sale of marijuana?

The initiative does not provide for any direct funding to cities. Cities will receive their share of local sales tax revenues and any locally imposed B&O taxes. Cities will not see any revenue from marijuana sales until at least April 2014.

How much tax revenue will I-502 generate?

Estimates range anywhere between \$0 and \$2 billion dollars during the first five years. Without knowing what the market will look like or what the federal reaction will be, it is not presently possible to accurately gauge the total amount of revenue produced.

How is marijuana going to be taxed under I-502?

The initiative applies a 25% excise tax on each level of the system: producer to a processor, processor to a retailer, and retailer to the customer. In addition, B&O taxes on the production and local retail sales taxes apply.

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Will we just have to live with the smell of growing marijuana?

Posted on September 30, 2013 | By Jake Ellison

PRINT 0



Screen grab from a video on how the Nasal Ranger works for determining the strength of an odor. The sniffing tool is used in Denver to determine if the smell of growing marijuana is too strong.

Flowering marijuana plants put off a strong, sweet odor that may smell a lot like money to some. But even to those who use pot, the constant odor from the plants can become a bit much. That's prompted air quality officials in Denver to trot out the [Nasal Ranger](#). According to a TV news station in Denver, marijuana accounts for one out of every eight odor complaints there. "For the odor check, we will use this Nasal Ranger," Ben Siller, an investigator for the Denver Department of Environmental Health, [told 7News](#). Siller's folks will talk with the marijuana growers, but if the odor coming from their operations is too strong they could face a fine of up to \$2,000.

As the legal recreational markets take off here and in Colorado, this strong odor could become one of those unforeseen issues someone somewhere will have to take control of.

What about Seattle?

In Seattle and the Puget Sound region, the one agency designated to specifically handle odors doesn't have the rules on its books or permitting leverage to do anything about the smell of growing marijuana.

The Puget Sound Clean Air Agency has had a "handful of complaints" about marijuana odors, said Mario Pedroza, the agency's supervising inspector. And the agency has discussed the issue internally, ... but there's nothing they can do.

"We took a look at the regulations and talked it over, but this isn't a place where we could do any good, from our perspective," he said.

Simply, the agency isn't involved in issuing permits for any part of a marijuana grow operation and the smell isn't coming from a process they have any control over, such as smoke from a

chimney. So, he tells people complaining about the smell of pot that they need to track down whatever agency issued the business or building permit for the operation and file the complaint with them.

"This is a brave new world and some people are wondering who is going take care of my interest in this, and I don't have all the answers," Pedroza said.

Update 10-01:

"The smell of marijuana is not harmful. (And) we don't have any regulations for odors that are not considered harmful," Bryan Stevens, spokesperson for Seattle's Department of Planning and Development.

For the department to take action on an odor, it would have to be from the type of business that creates an odor or fume that can be harmful to your health. But in that case, the city would have already worked with the Puget Sound Clean Air Agency.

Oh, and the agency doesn't use the Nasal Ranger or anything like it when investigating smells.

Back to Agenda Bill

"We use our very own noses," Pedroza said.

Jake Ellison can be reached at 206-448-8334 or jakeellison@seattlepi.com. Follow Jake on Twitter at twitter.com/Jake_News. Also, swing by and *LIKE* his page on Facebook.

Categories: [Uncategorized](#)

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Liquor privatization in Washington bad for youths, new study says



Expanding sales of liquor to grocery stores in Washington has led to problems of theft, emergency room visits and looser attitudes about booze among youths, a new study shows. (*The Oregonian/File*)



By [Harry Esteve | hesteve@oregonian.com](mailto:hesteve@oregonian.com)

on February 20, 2014 at 5:17 PM, updated February 21, 2014 at 10:14 AM

A new study suggests Washington's move to private liquor sales has had a bad effect on young people, from looser attitudes about drinking to more alcohol-related emergency room visits.

The study, which is ongoing and paid for by a private foundation, could be read as a cautionary tale for efforts to expand or privatize liquor sales in Oregon.

Among the findings:

- Emergency room visits for alcohol-related problems went up "significantly," especially among minors and adults over 40. King County alone reported 5,500 "excess" emergency room visits in the 16 months after privatization.
- Stores saw a dramatic increase" in liquor theft, particularly by youths. Stores reported nearly \$250,000 in thefts through September. In Oregon, the amount of theft for all of 2012 was just over \$11,000.
- Youths showed increased acceptance of drinking. Fewer eighth-graders and high school girls said alcohol use is "very wrong," when surveyed. More 12th-graders said alcohol is "easy to get."

The study found no increase in drinking among young people five months after privatization. However, it found that among youths who already drink, the number of "drinking days" increased.

"We're definitely seeing some bad things happen," said Julia Dillely, a research scientist who helped compile the study's findings. "Folks need to be aware of that."

Dillely, who works for both the Multnomah County and state health agencies, teamed up with Linda Becker, prevention research manager for the Washington Department of Human Services. Funding for the study came from the Robert Wood Johnson Foundation.

Dillely and Becker gave a [PowerPoint presentation on their findings](#) Wednesday to a Washington legislative committee. Until now, Dillely said, much of the focus has been on price and revenue. "This gave them a different picture," she said.

Research consisted mainly of scouring results for studies and surveys already completed or under way in Washington.

The results paint an unflattering picture of the effect of Washington's liquor privatization on youths. It could give ammunition to opponents of privatization in Oregon.

"They're flying blind in Washington," said Rob Patridge, chairman of the [Oregon Liquor Control Commission](#). Patridge is spearheading an effort to expand liquor sales to Oregon grocery stores but keep the state as the controlling agent.

A coalition of big grocery store chains, meanwhile, [is working on an initiative campaign](#) to privatize sales in Oregon in a system similar to Washington's.

Patridge said the study doesn't make him think twice about what he calls a "hybrid" liquor sales model, in which people could buy booze at grocery outlets or in neighborhood liquor stores.

"It frankly encourages me about the hybrid model and the need for controls as you change the system," he said. "What happened in Washington is they let the Northwest Grocers move forward on their own with no accountability."

A spokesman for the initiative effort said the coalition is taking the Washington experience into consideration.

"The initiative takes the state out of the business of marketing and selling liquor," said Pat McCormick, spokesman for Oregonians for Competition, the group backing the privatization initiative. It goes further by increasing fines and penalties for selling to minors, he said.

-- Harry Esteve

Fear and Loathing of Liquor Privatization Leads to Cherry Picked Data

By Donald Rieck, March 4, 2014

In June of 2012, Washington State privatized its government-run liquor system, allowing the sale of distilled spirits in licensed private stores. The decision was part of a growing movement among states to undo legislation first crafted on the heels of the repeal of Prohibition in 1933 that sought to control and restrict alcohol sales as much as possible.

As such, Washington State has become a test case for other states debating privatization, namely Virginia, Pennsylvania, and neighboring Oregon. One focus is on whether privatization has had positive, negative, or no effect at all on such indicators of social welfare as youth consumption, drunk driving, and alcohol related emergency room visits.

So what has happened? According to a new “study” reported by the Oregonian, privatization has been disastrous for Oregon’s Pacific Northwest neighbor.

Emergency room visits in Washington went up “significantly,” thefts from liquor stores saw a “dramatic increase” (especially by youths), drinking not only was seen as more acceptable among kids high school age and younger but more 12th graders said, in a survey, that alcohol was easier to get.

The study authors allege that Washington State has turned into a veritable gin lane, a wasted state. The implication: Why would any reasonable person want the same fate for Oregon?

But, as it turns out, the *study* was less a study—as in something published in a peer review journal— than a PowerPoint presentation of preliminary data by long-term opponents of privatization and members of organizations that have a vested interest in preventing privatization, such as the National Alcohol Beverage Control Association and the Washington Liquor Control Board.

And some of that preliminary data seem to show the heavy hand of their bias. The authors argue, for example, that privatization has increased access to alcohol, yet seem unaware that almost all of the private outlets (grocery stores primarily) that started to sell spirits after privatization were previously selling beer and wine, which of course are alcohol products.

Furthermore, the authors note that 18 percent of state/contract stores (which used to have the monopoly on selling liquor), went out of business. So while the number of outlets that sold *liquor increased* overall (by stocking liquor next to its brethren adult-beverages wine and beer), the overall number of outlets selling *alcohol beverages of any kind decreased*.

The most troubling aspect of the “study” is the Washington Health Youth Survey data the authors use to claim that there were significant increases in “pro-alcohol” attitudes and an increase in alcohol access among youth. The data the study cited sounded like a canary in the coal mine—an early warning about the negative effect of privatization. But the authors were highly selective in highlighting the survey’s findings. Consider that the [Washington Health Youth Survey](#) also found that:

- Past month drinking is at **historic lows** from Grade 8, 10, 12 (pg 51-53)
- Binge drinking is at **historic lows** for Grade 8,10, 12 (pg 51-53)
- The levels of heavy drinking, problem drinking and experimental drinking among 8, 10, 12 graders **declined in 2012**.
- The percentage of those who said they *don’t drink at all* increased in all age groups. (pg 63)
- Despite their claims that alcohol is “easy to get,” the survey shows the percentage of students in grades 6, 8, 10 ,12 who say it would be **very hard to get alcohol** continues to increase (page 64)
- Despite their claims that fewer students say alcohol use is “very wrong,” the survey shows there continues to be an increase in the perception of great risk of drinking alcohol every day among 8, 10, and 12th graders. **The only decline was among 6th graders.**

In other words, the preponderance of data on the effects of privatization on Washington State suggests the exact opposite of the meaning conveyed by the Oregonian. In fact, one could—using the same logic as the paper—conclude that privatization had driven down all forms of teenage drinking and that critical attitudes toward alcohol continued to grow among teens even as availability of liquor increased. Of course, we should be careful of making these kinds of correlations in either direction.

Another negative social indicator— fatal crashes involving drivers that were drinking—has, according to Washington Traffic Safety commission, continued to trend downward and is at a historic low—having gone from 184 in the quarter prior to privatization to 145, 18 months later (the third quarter of 2013).

The cherry picking on these issues also raises questions over how significantly emergency room visits went up after privatization and it is impossible to check the validity of the data the authors cite from the reference given in their PowerPoint.

But the larger issue is if privatization was disastrous for Washington State, how do you explain away all this inconvenient data? The Oregonian’s anxieties about alcohol are a reminder that the topic of alcohol availability has the ability to cloud journalistic minds, even when there is an abundance of clear, accessible fact.

Donald Rieck is Executive Director and Managing Editor of the [Statistical Assessment Service \(STATS\)](#) at George Mason University and its [EconoSTATS](#) project.

Originally published June 28, 2014 at 5:44 PM | Page modified June 30, 2014 at 7:06 AM

In aftermath of liquor privatization, spirits everywhere, not cheap

Many expected liquor sales privatization to benefit businesses, the state and the public by creating a modern market that would make spirits cheap and ubiquitous. Now liquor is ubiquitous but remains expensive, and some businesses still struggle for a place in the new environment.

By Ángel González

Seattle Times business reporter



George Alberts voted in favor of forcing the state to release its Prohibition-era grip on spirit sales. But the world conjured by the new law fails to live up to his expectations.

“It’s a disappointment. Prices have gone up for all spirits,” said the 64-year-old retiree during a recent visit to Costco Wholesale, the warehouse club that drove the privatization initiative, in which he bought 12 large bottles of Bacardi rum.

Nevertheless, Alberts said some good had come out of it — mainly convenience. “I’d do it again,” he said about voting in favor.

That lingering ambivalence underscores how Washington residents and businesses are still adapting to the state’s pullout from the liquor business two years ago.

Many saw privatization as a win for business, government and the public. Retailers and distributors would inherit a lucrative niche. The state would get more revenue from newly imposed fees. And consumers would get cheaper, more widely available booze.

Well, most of that happened: A nearly \$1 billion business is in private hands, the state has enjoyed a short-term revenue windfall, and liquor is ubiquitous. But on average it’s not cheaper, and certainly not perceived as such.

The dust hasn’t settled after the disruption created by ballot Initiative 1183, which took effect in June 2012. It left plenty of grievances in its wake, from small entrepreneurs who bought the rights to run state-owned stores to retailers arguing over fees, including Costco, which ended up with 10 percent of the state’s spirits markets, according to its executives.

Proponents of a limited role for state government say privatization has been only a qualified success because it has come at the expense of liquor buyers. “Clearly, the taxation element is one that still leaves a bad taste in consumers’ mouths,” said Leonard Gilroy, director of government reform for the Reason Foundation, a libertarian think tank.

Gilroy added that from a national perspective, the state's move to get out of the liquor business "was pretty significant," as it was the first state to do so since Prohibition ended. The effort has been closely watched by the other 17 states that are still engaged in the booze business, including Oregon, where a ballot initiative similar to Washington's was dropped this month by its proponents.

More outlets, more money, higher prices

Privatization scattered sales of spirits, which had been previously concentrated in 329 stores owned or contracted by the state, to more than 1,400 outlets, from sprawling warehouse clubs to grocery stores and pharmacies. New entrants like California-based spirits and wine retailer BevMo! and Total Wine & More have captured a chunk of the market.

That doesn't mean sales of liquor have increased dramatically: they rose 6 percent in the first year, a bit less than state forecasters had expected, and far less than what critics feared. And the most recent data point to volumes being relatively flat from last year.

Market research firm Scarborough says that of people who buy liquor, about a third bought it at their grocery store, about 24 percent at a liquor store, and 16 percent at warehouse clubs.

Restaurants are also reaping the benefits of flexibility. Before, they had to go to an assigned liquor store to stock up. Now they can have it delivered by competing distributors, which offer discounts and more variety.

"Everything is there and more," says celebrity restaurateur Tom Douglas, who backed the privatization initiative. He thinks it's worked out fine. "Some prices are higher, some prices are a little lower."

The number of distributing licenses certainly has exploded — to 103, although many are held by the same distributor and most of the market is controlled by two companies, California-based Young's Market and Southern Wine & Spirits out of Miami.

Meanwhile, state government has enjoyed a bounty despite giving up the business.

According to the state Office of Financial Management (OFM), revenue from spirits reached \$521 million in the fiscal year ended in June 2013, about \$73 million more than in the same period two years prior, which was the last full year under the state system. But that windfall is past its peak, as the figure for fiscal 2013 included a one-time \$105 million fee paid by distributors.

For the current fiscal year, which ends Monday, the state had as of May collected nearly \$369 million in revenue. State forecasters had predicted before the initiative passed that combined state general fund and local revenues would raise an additional \$402 million to \$480 million over six years. OFM director David Schumacher said in a statement that "it's too soon to say how well those initial financial-impact projections will pan out."

What's certain is that many consumers are feeling pinched. The average price per liter, after tax, from June 2013 to April 2014 was \$24.39, about 11 percent higher than in the same period two years prior, before privatization.

The culprit: fees created by the privatization initiative to make the state whole after giving up its monopoly. Those include a 10 percent fee paid by distributors, which will drop by half this year for many, and a 17 percent fee paid by retailers.

Data posted by the Tax Foundation, a Washington, D.C.-based think tank, indicates that Washington residents pay about \$35.22 per gallon in spirits taxes, about \$8.52 more than before privatization, even though Washington already was the state that taxed liquor the most.

Oregon is a distant second, at \$22.73 per gallon. The gap has been prompting some to load up south of the border. Sales at 12 border stores in Oregon from July to October 2013 were 30 percent higher than in the same period two years prior, that state's liquor control commission reported.

Some people have also blamed distributors, but John Guadnola, a spokesman for Washington spirits

distributors, points the finger at the state.

“To me, it’s not rocket science,” Guadnola said. By guaranteeing the same amount of money to the state and adding private-sector profits, “there should have been no reason to think that prices going into the system would be lower,” he said, unless distributors were somehow to buy liquor at a cheaper price than the state monopoly was able to, and that won’t happen because they have less purchasing clout.

Costco executives, who pushed hard to get the initiative passed, disagree. They say that at least part of the general price increase may be due to the fact that stores have shifted to higher-end products. Moreover, they say that at Costco, most liquor prices are lower than at state-owned stores under the old regime.

A recent visit to the Kirkland warehouse backed up their price claims — provided you pay for a membership and are fond of very large bottles.

A 1.75 liter of Johnnie Walker Black Label scotch retailed for \$69.25. At a state store in May 2012 it would have cost \$81.95. At a downtown Seattle liquor store formerly owned by the state, it retailed for \$109.99.

Costco executive John McKay said the company expects prices to come down as liquor manufacturers continue to jostle for sales and the free market works its magic.

“We’ve seen some of that, but not all of that,” McKay said.

The short stick

The free market, though, is crushing the former state stores auctioned off on the eve of privatization. Of 61 state stores in King County before the change, 34 remained open as of April, according to the liquor board.

Many entrepreneurs thought the stores would fill a unique niche in the new landscape — small neighborhood locations with established clients and no competition from other small businesses because the new law would allow spirits sales only in stores larger than 10,000 square feet, with few exceptions. In April 2012 they bid \$30.75 million for the stores.

But restaurants began buying from more convenient, and cheaper, distributors. Some owners were crowded out by neighboring grocery stores, which have more wiggle room for liquor prices because they make their profit on other items.

Many were saddled with leases for more space than they needed as a big part of their sales disappeared, said David Cho, a former hedge-fund manager who left New York to run a liquor store in Tacoma, dubbed Liquor & Liquor, in which he had invested.

Cho says it had seemed to be a good location, far away from big shopping centers. Now sales are down 70 percent from the \$4 million they amounted to annually before privatization; to survive he’s had to diversify into beer, tobacco and wine, but so far the store is still bleeding money.

“I haven’t paid myself in two years,” he said. “It’s the worst decision I’ve ever made.” Store owners didn’t get “what was promised” from the state, he added.

Brian Smith, a spokesman for the liquor board, says in response that it’s the fault of the invisible hand. “The market went from a controlled one where costs were equal to a free-market system where they are unequal,” giving larger players an edge.

Some local distillers are also feeling pinched, both by higher fees, which prompt consumers to buy less or to prefer cheaper products, and by competition from big liquor manufacturers that can better afford discounts.

Those factors have hurt the sales of Sound Spirits, a Capitol Hill craft distillery. “We had to go outside

of Washington and find markets,” owner Steven Stone said.

But not all about privatization was bad: Private distributors offered better customer service to manufacturers than the state monopoly. Also, some distillers can themselves distribute to clients if they can't find a distributor. “You get to skip the middleman,” Stone said.

Researcher Gene Balk contributed to this story.

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Agenda Item #: 3D

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To: Mayor Perry and City Councilmembers
From: Interim City Administrator Mark Langford
Date: August 11, 2014 Study Session
Re: **Council Reports Protocol**

ATTACHMENTS: Council minutes from June 2, 2014

TYPE OF ACTION:

Information Only Discussion Action Expenditure Required:

Previous Council Review: At the June 2, 2014 City Council meeting, Mayor Pro Tem Taylor requested a study session to review the protocol for Council reports during City Council meetings; Councilmember Jones seconded the request.

Background: It is a regular agenda item for Councilmembers to provide individual statements at the end of regular council meetings.

Discussion: Determine the Council's intent for individual statements during Council meetings.



CITY COUNCIL MINUTES

Regular Meeting
Monday – June 2, 2014
7:00 p.m.

CALL TO ORDER

Mayor Pro Tem Taylor called the regularly-scheduled meeting to order at 7:00 p.m. and led the Pledge of Allegiance.

ROLL CALL

Present: Mayor Pro Tem Taylor, Councilmembers Whalen, Jones, Morton, Manley, and Zaroudny

Absent: Councilmember Ott – **MOTION** to excuse – **passed 6/0**

STAFF PRESENT

City Administrator Langford, City Attorney Park, Public Works Director Neal, Finance Director Tylor, and City Clerk Bolam

ADDITIONS / DELETIONS

None.

CITIZEN PARTICIPATION

None.

CONSENT AGENDA

Approval of:

- A. Minutes
 - a. May 19 Regular Meeting
- B. Claims Approval
 - a. Payroll disbursement for 5/20/14 in the amount of \$131,542.27.

COUNCILMEMBER MORTON MOVED, seconded by Councilmember Whalen, to approve the consent agenda. **Passed 6/0.**

PUBLIC HEARING

A. Adoption of Water Utility Capital Improvement Plan & Associated Budget Amendment

Mayor Pro Tem Taylor opened the public hearing at 7:02 pm.

Director Neal provided a brief presentation of this item.

Mayor Pro Tem Taylor closed the public hearing at 7:04 pm.

REGULAR AGENDA

A. Water Utility Capital Improvement Plan a. Adoption of Water Utility CIP – Ordinance b. Adoption of Budget Amendment – Ordinance

Council asked for and received clarification on some of the projects. Limited discussion ensued on the possibility of a rate study.

COUNCILMEMBER ZAROUDNY MOVED, seconded by Councilmember Whalen, to approve the attached Ordinance adopting the proposed Water Utility 6-Year Capital Improvement Plan. **Passed 6/0.**

COUNCILMEMBER WHALEN MOVED, seconded by Councilmember Morton, to approve the attached Ordinance adopting a budget amendment for the Water Utility 6-Year Capital Improvement Plan. **Passed 6/0.**

B. Police Department – Agreement for use of Harrison Range

Interim City Administrator Langford presented this item.

COUNCILMEMBER JONES MOVED, seconded by Councilmember Morton, to approve the Release of All Claims/Hold Harmless Agreement with the City of Tacoma for the Police Department use of and training at Harrison Range in Tacoma. **Passed 6/0.**

DIRECTOR'S REPORTS

Director Neal:

- Alder Street stormwater project nearing completion.
- Water main leaks are being repaired. Vegetation control underway. Summer capital projects beginning.
- Hoped to bring forward an agreement tonight for roof of senior center – bid came back high. Going out for formal bid process in hopes of lower cost. Expects project to be complete by end of summer.

Director Tylor:

- Addition of Accounting Supervisor, Betty Garrison, is a great addition to our staff. Very knowledgeable and positive.
- Finance Tech/Utility Clerk Judy Veitenheimer is retiring the end of July, so the position is now posted.
- The city is working with various entities for options for long-term IT needs.

CITY ADMINISTRATOR REPORT

- Announcement for Police Chief was posted last week – he will send out to Council a copy of that flyer. Application process closes June 20, with panels planned for mid-late July.
- Progress on old police headquarters remodel – some items not included in the original bid will result in a change in costs, to be presented to council at a later meeting for approval.

COUNCIL REPORTS

- Councilmember Zaroudny
 - Milton featured on Yahoo regarding attempted robbery at a residence. Happy that the roof will be accomplished this summer, but so embarrassed to that ugly roof during the Chief's TV interview.
- Councilmember Manley
 - Confirmed that the mansard is part of the roof repair.
 - In favor of seeing the water rate study brought to Council – seconded by Mayor Pro Tem Taylor.
- Councilmember Morton
 - Commend city staff for work improving the grass along Milton Way.
 - One morning the sprinklers were watering the street extensively. Director Neal will follow up.
 - Not familiar with the news item that Councilmember Zaroudny referred to.
 - Congratulations to Director Neal for winning the Poker Walk.
- Councilmember Whalen
 - More soliciting is occurring with the nicer weather. Solicitors should be registering with city hall.
 - T-Ball benches bring organization to the games – nice to see.
 - Compliments on Milton Way grass improvements.
 - Looking forward to removal of construction cones along Meridian!
 - Neighbor's comment – 11th Ave apartments have steep driveway, requiring constant brush cutting for clear site view.
- Councilmember Jones
 - Saw crews on 23rd cleaning the planter strips – looking great.
 - Milton was well-represented at the schools for PW Week.
 - Packet on Surprise Lake was very informative and interesting.
- Mayor Pro Tem Taylor
 - Requests study session for protocols for what Council reports are used for – seconded by Councilmember Jones.

ADJOURNMENT

Adjourned at 7:36 p.m.


Debra Perry, Mayor

ATTEST:


Katie Bolam, City Clerk

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