7:00 p.m. Call to Order

Mayor Matthes called the meeting to order at 7:00 p.m. Mayor Pro-Tem Cindy Lucarelli and Councilmembers Jeff Cartwright, Bek Ashby, Rob Putaansuu, John Clauson, Fred Chang and Jerry Childs were present. Community Development Director Nick Bond, City Treasurer Allan Martin, City Attorney Greg Jacoby and Office Assistant II Jenine Floyd were also present.

Mayor Matthes led the audience and Council in the Pledge of Allegiance.

1. Discussion: Cascade Natural Gas Franchise Agreement/Utility Tax

City Treasurer Martin reported the 50 year franchise agreement with Cascade Natural Gas is set to expire in May, and briefly discussed the excise tax amounts. There have been discussions of increasing the excise tax from 2% to 6% in a two-step process, from 2015 to 2016.

City Attorney Jacoby noted he has been in touch with a rep from Cascade Natural Gas, and they sent him a draft franchise agreement. Cascade does not have an issue with the City having a 2, 4, or 6 percent tax.

In response to Councilmember Putaansuu, City Attorney Jacoby said as long as both the City and Cascade agree, the excise tax may be changed after the contract if finalized.

City Attorney Jacoby stated this will always be a non-exclusive franchise agreement and the term on the draft agreement is proposed as a 10 year term, and auto renewing every 5 years, unless either party gives notice.

Councilmember Childs said he does not know if he is for raising the utility tax, but if he were to vote for it, he would like it to be earmarked for something like public safety services.

Councilmember Putaansuu noted past practices are to do things on the cheap. We only funded the bare minimum for our storm water, and are barely getting our projects done. It makes it more difficult to accomplish things. If we are going to raise the tax, he would like to point at something which the money would be used for.

Councilmember Lucarelli said there was just an 18.16 percent increase in November by Cascade Gas. On top of that, the City would be raising it again. The City does not really gain anything by increasing the tax. If we do increase, she would like to agree on a guarantee that the money would be spent on something the City would ask the citizens to pay for.
City Treasurer Martin pointed out the utility bill has to be approved by the utility commission in order to be raised. Cascade Natural Gas had to make its case to the State.

In response to Councilmember Ashby, City Treasurer Martin said we would receive the tax payment monthly.

Councilmember Clauson agrees with allocating the funds to streets. Also, when you look at the high 6% rate increase, it would only cost him personally only about three of four more dollars a month.

Councilmember Chang said when someone has a fixed income and their bills are going up, it would nice to see some sort of tangible evidence of the increase.

Council and staff continued to discuss the tax increase and where the money could go.

Council Direction: Council directed the draft agreement with Cascade Natural Gas be brought to the Utilities Committee for further review.

2. Discussion: Greenbelt Zoning

Development Director Bond reported Gil Michael applied for a greenbelt amendment in 2012 and 2013. When they met with Mr. Michael, he agreed to withdraw his amendment, but asked the Council to look at the issue and alternatives for moving forward on changes to the Blackjack Creek Greenbelt in 2014.

Development Director Bond gave a brief history of the land use protections along Blackjack Creek. He asks if the zoning destination should be revisited because some property owners are adversely affected by the regulations. He provided four alternatives for proceeding with changes should Council pursue. 1) The city could do nothing, allowing the existing regulations to remain in place and invite property owners to file individual comp plan amendment applications. The fee for this action could be charged $1,350 per application, or the Council would waive the fee, provided the applicants provide sufficient detail about their amendment. 2) The City could pursue a grant to fund the creation of an update, which would include a comp land use analysis. 3) The City could fund a more limited study of the greenbelt area and map those areas which are targeted for protection of the Blackjack Creek Management Plan. 4) The City could initiate a comprehensive plan amendment to repeal the previous adoption of the management plan and propose new buffers which correspond to the shoreline buffers for the creek.

In response to Councilmember Putaansuu, Development Director Bond stated he believes they would only get a couple applications if they proceed with the first option. He also noted if the Council waives the fee, should this be done for all applications?
Councilmember Ashby said the comp plan will need to be revisited in 2015 with a deadline date in June, 2016. She would like the individual property owners to be notified so the City could do what needs to be done by the next comp plan update.

Development Director Bond noted since this is a sensitive issue, he does not want to tie these amendments to the overall comp plan amendment. He would recommend opening the window through June and send out notices to the property owners between now and June.

**Council Direction:** No direction was given to staff.

**3. Discussion: Recreational Marijuana Regulations**

Development Director Bond reported the Attorney General wrote a recent opinion on dealing with recreational marijuana regulations. The Planning Commission at its last meeting made a recommendation to adopt the interim regulations on a permanent basis. This was voted on as opposed to banning recreational marijuana uses within the City. From a risk perspective, we can defer to the Attorney General’s opinion.

In response to Councilmember Cartwright, City Attorney Jacoby noted as of January 23, the City has received two applications for the producer license, none for the processor license, and ten for the retail license. Seven of those ten have already applied for a City business license. He also stated the City will not have all ten of the retail stores. Also, back in November, City Council took a lower risk option that offered the least legal risk; however, relative risks of the various options have changed. The Council’s ability to change the rules after the State has issued a license will be problematic. Currently, there is nothing in the Port Orchard Municipal Code which states they cannot receive a license.

Councilmember Cartwright stated if we change the direction now, we are inviting a lawsuit.

City Attorney Jacoby noted three options for addressing recreational uses within Port Orchard; let the interim regulations expire and take no further action; adopt the interim regulations on a permanent basis; or adopt a new ordinance prohibiting marijuana uses within City limits.

Mayor Matthes said he was at AWC in Olympia with about 250 mayors, and this was one of the subjects they discussed. The small town Mayors are upset the State is talking about a 75% tax, which would not go to the cities.

Councilmember Ashby would like to stay the course with what they are doing, and with what Mayor Matthes has just mentioned, we should have our lobbyist work for us so a part of the taxes do come back to us. In addition, she noted she has spoken to the City’s Police Chief who said since marijuana has been legalized, his cost in the department has gone down. She had hoped there would be more producers so we could have more living wage jobs within the City.
City Attorney Jacoby noted there is a bill in the Senate which is primarily focused on combining the recreational and medical marijuana systems, and also to provide local communities with up to 10 percent of the marijuana excise tax.

Council and staff briefly discussed medical/recreational marijuana, and possibly finding out if there are any law enforcement issues with other jurisdictions who currently have marijuana facilities.

**Council Direction:** No direction was given to staff.

4. **Discussion: DCD/Building/Public Works Fees**

Development Director Bond reported department fees have not been adjusted since 2006. We are the cheapest community in the area in terms of fees.

Currently we are about fifty three and fifty four percent revenue supported in terms of the permit and plan review revenue. Kitsap and Pierce Counties have adopted policies which state the departments have to be 100% fee supported. In the 2014 budget, the proposed revenue was a ten dollar surcharge on all permits to help pay for the upcoming permitting software upgrade in 2015. Building permit fees are based on valuation from 2006. It has been proposed to match Bremerton’s permit fees, which have been in place since 2010.

In response to Councilmember Childs, Development Director Bond said he provided notice last week to the Home Builders Association, notifying them there will be a hearing on March 11th.

Development Director Bond also noted that all the cities in the County, except Port Orchard, are going to be on the same permitting software. This would allow people to apply for permits online, and there is an interactive map where you can find out what permits are going on nearby.

**Council Direction:** No direction was given to staff.

5. **Discussion: RCO Grant Opportunity**

Development Director Bond reported every two years, the Washington Recreation Conservation Office (RCO) accepts grants from cities who are applying for funding. Generally, RCO awards at a 50% match. The City needs to match the other 50%, and this can be done by cash, donations, or volunteer labor. If the City is going to apply for funding, it must be submitted for certification by March 3, 2014, as well as the City Council must certify its matching funds by May 1, 2014. This was brought before the Public Property for discussion, and they have identified three projects which would be
eligible; McCormick Park Phase 1 and 2; Paul Powers Park; and the Bay Street Pedestrian Path.

Council and staff briefly discussed the projects, and agreed to proceed with all three.

**Council Direction:** Council directed staff to proceed with the three applications and bring forward the certifications of match for Council approval.

6. **Discussion: Kitsap County Health District Sharp Containers**

Mayor Matthes reported Kitsap County Health District, on behalf of Mayor Erickson of the City of Poulsbo, are mandating to put sharp containers throughout the City's parks, restrooms, City Hall, and other areas. They were told there was a big problem with needles in Poulsbo; however, Port Orchard does not have the same problem. The Health Department only had one complaint of a needle found in Port Orchard.

If the sharp containers are needed, this should be an elective decision. This should not be mandated. There would be a charge to install and empty the containers, of which the City would be partially charged, but the amount is unknown.

Council agreed they need more information from the Health Department before making any decision to put these throughout the City; however, they are not in favor at this time.

**Council Direction:** No direction was given to staff.

At 8:32 p.m., Mayor Matthes adjourned the meeting.

[Signatures]

Brandy Rinearson, CMC, City Clerk

Timothy C. Matthes, Mayor