

CITY MANAGER WEEKLY UPDATE REPORT ~ KENT MYERS

July 30, 2010

Thank you for your participation in the Budget Town Meeting held this week. Although we were somewhat disappointed with the turnout for this meeting, a number of comments were received that will be useful as the 2011 Budget is developed over the next several months.

One of the comments made at the Town Meeting was the possible reduction in the number of vehicles owned and maintained by the City. As part of the 2011 Budget process, there will be a full review of the city-owned vehicles and a report and recommendations will be provided to the Council.

Another issue mentioned during this meeting was the Niichel property and it has been about a year since the last update was provided to the Council on this property. Therefore, Yvonne has prepared the attached report on the current status of the property and this will be an item that will be discussed at the Real Estate Committee meeting this coming Monday. One of the challenges related to this property recognized by the Real Estate Committee last year is that the fact that the current real estate market has decreased over the past several years. Therefore, any sale would likely not provide a positive return on the investment that City has made in the property.

As you know, HarborWorks and Rayonier have not been able to come to terms on the acquisition of the Rayonier property although we still hold out hope that they will reach some agreement in the coming weeks. One of the major stumbling blocks to these negotiations is the availability of the State funding commitment from the Model Toxics Control Act (MTCA) to help support clean-up of the site. Next Tuesday, Mayor Di Guilio and I have been invited to a meeting with Jay Manning in the Governor's Office to discuss whether the State will fulfill their previous commitment to provide this funding. On Thursday, I will also be meeting with representatives of the Department of Ecology to see if they will meet this funding commitment. I will provide the Council with a full report on these meetings later next week.

The next City Council agenda includes a number of important items so this is starting to be a busy time of year and we will likely get even busier as we start developing the proposed budget. Please let me know on Monday or Tuesday if you have any questions about any topic on the agenda that we might be able to address prior to the meeting. By the way, we have two additional work session items already scheduled for the August 17 Council meeting including a discussion on the establishment of a Transportation Benefit District and review and discussion on the draft Economic Development Action Plan.

As a final update, Bill Bloor has completed a review of our current sign regulations as they apply to political signs. Based upon Court rulings, it is his recommendation that we not take any enforcement action against political signs in our rights of way (at least to the extent that the action would be based solely on the fact that the sign is a political sign) and that our current sign regulations be amended to better reflect Court rulings. I have suggested that we not address this issue during the current political season but that we bring a proposed amendment to the sign regulations for your consideration following the November elections. In the meantime, we will not be taking any enforcement action against any signs in City rights of way.

- Kent Myers



FINANCE DEPARTMENT

DATE: JULY 28, 2010

TO: KENT MYERS, CITY MANAGER

FROM: YVONNE ZIOMKOWSKI, FINANCE DIRECTOR

SUBJECT: NIICHEL PROPERTY PURCHASE

Following is a history of events related to the Niichel property acquisition. This property purchase is accounted for in Fund 215 - 2006 LTGO Bond Fund.

In 2006, the City entered into an agreement with Mr. & Mrs. Niichel to purchase property located West of the newly constructed Multi-Modal Gateway Transportation Center. The City issued a \$1,200,000 limited tax general obligation bond. Amortization of the first \$200,000 in principle will be over the life of the bond to the year 2021, at which time a final \$1,000,000 balloon payment will be due.

To prepare for the balloon payment, we transferred:

\$ 500,000	from the General Fund
100,000	from the Contingency Fund
<u>150,000</u>	from the Property Management Fund
\$750,000	Total

The assumption was that funding for the balloon payment would come from these transfers, interest earned on the investments, and/or sale of the property. The annual debt payment is almost \$87,000 and it is supposed to be funded by interest earned on reserves and parking revenue.

The 2010 original budget included \$60,000 in revenue from the parking agreement with Heckman and approximately \$15,000 in interest. Unfortunately, the interest rate dropped substantially, lowering the amount of interest being earned from the previous high level of \$52,000 in 2007. For these reasons, we had to use funds designated for the balloon payments to meet the annual debt obligation. As of December 31, 2010, the fund balance is estimated at \$736,309.

To be proactive, we need to take a look at rebuilding the fund balance over the next 11 years or actively market this property.

Let me know if you need to discuss this issue further.