

Covington: Unmatched quality of life
CITY OF COVINGTON
CITY COUNCIL SPECIAL & REGULAR MEETING AGENDA
www.covingtonwa.gov



Tuesday, July 9, 2013
7:00 p.m.

City Council Chambers
16720 SE 271st Street, Suite 100, Covington

Council will interview Economic Development Council applicants beginning at 6:00 p.m.

CALL CITY COUNCIL REGULAR MEETING TO ORDER – approximately 7:00 p.m.

ROLL CALL/PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC COMMUNICATION

- 2013 Citizen of the Year Proclamation
- 2013 Honorary Citizen of the Year Proclamation

RECEPTION FOR CITIZEN AND HONORARY CITIZEN OF THE YEAR

PUBLIC COMMENT Speakers will state their name, address, and organization. Comments are directed to the City Council, not the audience or staff. Comments are not intended for conversation or debate and are limited to no more than four minutes per speaker. Speakers may request additional time on a future agenda as time allows.*

APPROVE CONSENT AGENDA

- C-1. Minutes: June 25, 2013 City Council Regular Meeting Minutes (Scott)
- C-2. Vouchers (Hendrickson)

NEW BUSINESS

1. Consider Appointments to Covington Economic Development Council (Council)
2. Briefing on Competitive Bidding (Hendrickson)
3. Briefing on Utility Tax Effective Rate (Hendrickson)
4. Discuss Northern Notch Advocacy (Hart)
5. Discuss Commission Exit Interviews (Matheson)

COUNCIL/STAFF COMMENTS - Future Agenda Topics

PUBLIC COMMENT *See Guidelines on Public Comments above in First Public Comment Section

EXECUTIVE SESSION

ADJOURN

For disability accommodation contact the City of Covington at 253-480-2400 a minimum of 24 hours in advance. For TDD relay service, dial (800) 833-6384 and ask the operator to dial 253-480-2400.

Consent Agenda Item C-1

Covington City Council Meeting

Date: July 9, 2013

SUBJECT: APPROVAL OF MINUTES: JUNE 25, 2013 CITY COUNCIL REGULAR MEETING MINUTES

RECOMMENDED BY: Sharon G. Scott, City Clerk

ATTACHMENT(S): Proposed Minutes

PREPARED BY: Joan Michaud, Senior Deputy City Clerk

EXPLANATION:

ALTERNATIVES:

FISCAL IMPACT:

CITY COUNCIL ACTION: _____ Ordinance _____ Resolution X Motion _____ Other

Councilmember _____ moves, Councilmember _____ seconds, to approve the June 25, 2013 City Council Regular Meeting Minutes.

**City of Covington
Regular City Council Meeting Minutes
Tuesday, June 25, 2013**

(This meeting was recorded and will be retained for a period of six years from the date of the meeting).

The Regular Meeting of the City Council of the City of Covington was called to order in the City Council Chambers, 16720 SE 271st Street, Suite 100, Covington, Washington, Tuesday, June 25, 2013, at 7:05 p.m., with Mayor Harto presiding.

COUNCILMEMBERS PRESENT:

Margaret Harto, Mark Lanza, Marlla Mhoon, and Wayne Snoey.

COUNCILMEMBERS ABSENT:

David Lucavish, Jim Scott, and Jeff Wagner.

Council Action: Councilmember Snoey moved and Councilmember Mhoon seconded to excuse Councilmembers Lucavish (out of town) and Scott (family commitment) and Mayor Pro Tem Wagner (AWC Conference).

STAFF PRESENT:

Derek Matheson, City Manager; Noreen Beaufriere, Personnel Manager; Richard Hart, Community Development Director; Rob Hendrickson, Finance Director; Kevin Klason, Covington Police Chief; Karla Slate, Community Relations Coordinator; Sara Springer, City Attorney; Scott Thomas, Parks & Recreation Director; Don Vondran, Interim Public Works Director; and Sharon Scott, City Clerk/Executive Assistant.

Mayor Harto opened the meeting with the Pledge of Allegiance.

APPROVAL OF AGENDA:

Council Action: Councilmember Mhoon moved and Councilmember Snoey seconded to approve the Agenda as amended to postpone the Executive Session one month. Vote: 4-0. Motion carried.

PUBLIC COMMENT:

Mayor Harto called for public comments.

There being no comments, Mayor Harto closed the public comment period.

APPROVE CONSENT AGENDA:

C-1. Minutes: May 22, 2013 City Council Joint Meeting with Black Diamond and Maple Valley Meeting; June 11, 2013 City Council Joint Meeting with Parks & Recreation Commission Minutes; and June 11, 2013 City Council Regular Meeting Minutes.

C-2. Vouchers: Vouchers #29554-29619, in the Amount of \$1,705,811.03, Dated June 11, 2013; and Paylocity Payroll Checks #1001340464-1001340480 and Paylocity Payroll Checks #1001340580-101340580 Inclusive, Plus Employee Direct Deposits in the Amount of \$160,105.62, Dated June 21 2013.

Council Action: Councilmember Mhoon moved and Councilmember Snoey seconded to approve the Consent Agenda. Vote: 4-0. Motion carried.

REPORTS OF COMMISSIONS:

Human Services Commission – Vice Chair Fran McGregor-Hollums reported on the June 13 site visit to Crisis Clinic in Seattle.

Arts Commission – Secretary Gini Cook reported on the June 13 meeting.

Planning Commission – Chair Daniel Key reported on the June 6 and June 20 meetings.

Parks & Recreation Commission – No report.

Economic Development Council – No report; June and July meetings canceled; next meeting August 22.

CONTINUED BUSINESS:

1. Consider Resolution Adopting 2014-2019 Transportation Improvement Program.

Interim Public Works Director Don Vondran gave the staff report on this item.

RESOLUTION NO. 13-04

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COVINGTON, WASHINGTON, ADOPTING A SIX-YEAR (2014 – 2019) TRANSPORTATION IMPROVEMENT PROGRAM AND DIRECTING THE SAME TO BE FILED WITH THE STATE SECRETARY OF TRANSPORTATION AND TRANSPORTATION IMPROVEMENT BOARD.

Council Action: Councilmember Lanza moved and Councilmember Snoey seconded to pass Resolution No. 13-04 adopting the City of Covington Six-Year (2014 – 2019) Transportation Improvement Program (TIP). Vote: 4-0. Motion carried.

NEW BUSINESS:

2. Discuss Selection of Citizen and Honorary Citizen of the Year.

Community Relations Coordinator Karla Slate gave the staff report on this item.

Councilmember Mhoon nominated Mike and Ronda Denbo for Citizen of the Year. Councilmember Lanza nominated Bryan Higgins. Councilmember Mhoon decided to support

the nomination of Bryan Higgins. Councilmember Snoey also supported the nomination of Bryan Higgins.

Council Action: There was Council consensus to name Bryan Higgins as Covington's Citizen of the Year for 2013.

Councilmember Snoey nominated Kollin Higgins as Honorary Citizen of the Year. Councilmember Mhoon supported the nomination of Kollin Higgins. Councilmember Lanza nominated Krista Bates. Mayor Harto nominated Julie Stein. Councilmembers discussed the nominations.

Council Action: There was Council consensus to name Julie Stein as Covington's Honorary Citizen of the Year for 2013.

3. Update on Surface Water Management Programs.

Interim Public Works Director Don Vondran introduced Engineering Technician II Ben Parrish who gave a PowerPoint presentation.

Councilmembers provided comments and asked questions, and Mr. Parrish provided responses.

4. Briefing on Competitive Bidding.

5. Briefing on Utility Tax Effective Rate.

Council Action: There was Council consensus to postpone Agenda Items No. 4 and No. 5 to a future meeting when more councilmembers are able to be present.

6. Discuss Council Requested Decision Cards.

City Manager Derek Matheson gave the staff report on this item.

Council Action: There was Council consensus that no additional items were being requested other than those already discussed at previous meetings and workshops.

COUNCIL/STAFF COMMENTS:

Councilmembers and staff discussed Future Agenda Topics and made comments.

Councilmember Snoey informed the Council he would be unable to attend the July 9 meeting.

PUBLIC COMMENTS:

Mayor Harto called for public comments.

Leroy Stevenson, 26828 166th Place SE, Covington resident, advised he had been looking forward to the utility tax report that was postponed and disturbed by the surface water management presentation to the extent he felt it negatively impacted private lives and property.

Mr. Stevenson also commented that due to the national government being in debt, in his opinion all levels of government need to stop relying on grants and create small sustainable budgets from local revenue.

There being no further comments, Mayor Harto closed the public comment period.

ADJOURNMENT:

There being no further business, the meeting was adjourned at 8:30 p.m.

Prepared by:

Submitted by:

Joan Michaud
Senior Deputy City Clerk

Sharon Scott
City Clerk

Consent Agenda Item C-2

Covington City Council Meeting

Date: July 9, 2013

SUBJECT: APROVAL OF VOUCHERS.

RECOMMENDED BY: Rob Hendrickson, Finance Director

ATTACHMENT(S): Vouchers #29620—29681, in the Amount of \$254,444.78, Dated June 24, 2013; and Paylocity Payroll Checks #1001373908-1001373922 and Paylocity Payroll Checks #1001374009-101374009 Inclusive, Plus Employee Direct Deposits in the Amount of \$159,858.30, Dated July 5, 2013.

PREPARED BY: Joan Michaud, Senior Deputy City Clerk

EXPLANATION: Not applicable.

ALTERNATIVES: Not applicable.

FISCAL IMPACT: Not applicable.

CITY COUNCIL ACTION: _____ Ordinance _____ Resolution X Motion _____ Other

Councilmember _____ moves, Councilmember _____ seconds, to approve for payment Vouchers #29620—29681, in the Amount of \$254,444.78, Dated June 24, 2013; and Paylocity Payroll Checks #1001373908-1001373922 and Paylocity Payroll Checks #1001374009-101374009 Inclusive, Plus Employee Direct Deposits in the Amount of \$159,858.30, Dated July 5, 2013.

June 24, 2013

City of Covington

City of Covington

City of Covington
Voucher/Check Register

Check # 29620 Through Check # 29681

In the Amount of \$254,444.78

We, the undersigned, do hereby certify under penalty of perjury that the materials have been furnished, the services rendered or the labor performed as described herein and that the claims are just, due and unpaid obligations against the City of Covington, Washington, County of King, and that we are authorized to authenticate and certify said claims per the attached register.

Cassandra Parker
Accountant

Mark Lanza
City Councilmember

Wayne Snoey
City Councilmember

Marlla Mhoon
City Councilmember

Council Meeting Date Approved _____

Accounts Payable

Checks by Date - Detail By Check Date

User: scles
 Printed: 6/27/2013 - 1:40 PM



			Check Amount
Check No:	29620	Check Date: 06/24/2013	
Vendor:	0019	AWC Employee Benefits Trust	
100315L0720130		Medical Insurance Premiums, July	8,814.59
100315L0720130		Medical Insurance Premiums, July	6,371.77
100315L0720130		Medical Insurance Premiums, July	2,150.92
100315L0720130		Medical Insurance Premiums, July	2,093.71
100315L0720130		Medical Insurance Premiums, July	2,143.01
100315L0720130		Medical Insurance Premiums, July	6,178.40
100315L0720130		Medical Insurance Premiums, July	1,681.19
100315L0720130		Medical Insurance Premiums, July	2,747.93
100315L0720130		Medical Insurance Premiums, July	721.44
100315L0720130		Medical Insurance Premiums, July	838.16
100315L0720130		Medical Insurance Premiums, July	5,564.14
100315L0720130		Medical Insurance Premiums, July	8,942.70
			48,247.96
Check No:	29621	Check Date: 06/24/2013	
Vendor:	1306	Bank of America	
035356090040075		Safe deposit box rental; 7/13/13-7/12/14	77.00
			77.00
Check No:	29622	Check Date: 06/24/2013	
Vendor:	2368	Best Parking Lot Cleaning Inc.	
124142		MV; parade route street cleaning, 6/6/13	712.42
			712.42
Check No:	29623	Check Date: 06/24/2013	
Vendor:	2657	BlasTech	
2657-6		#2707; Media blasted deicer frame	273.75
			273.75
Check No:	29624	Check Date: 06/24/2013	
Vendor:	1997	Capital One Commercial	
021635		Citizen Academy graduation; bbq supplies	70.83
021903		Citizen Academy graduation; cake	17.99
			88.82
Check No:	29625	Check Date: 06/24/2013	
Vendor:	2270	CenturyLink	
6317966698B-6		City hall; telephone, 6/13-7/13/13	48.46
			48.46
Check No:	29626	Check Date: 06/24/2013	
Vendor:	2366	CenturyLink Business Services	
1262321224		Aquatics; internet/loop, May	360.00
			360.00

Check No:	29627	Check Date:	06/24/2013	
Vendor:	0366	City of Covington		
0366-6		Summer Events; temporary sign permit		136.00
0366-6-1		Summer Events; temporary sign permit		136.00
0366-6-2		Covington Days; parade right of way permit		176.00
0366-6-3		Covington Days; event business permit		181.00
0366-6-4		Covington Days; fire permit		244.00
				<hr/>
				873.00
Check No:	29628	Check Date:	06/24/2013	
Vendor:	2382	Close Call Plumbing		
DOYL-12C-12		Minor housing repair; #DOYL-12C-12		580.68
				<hr/>
				580.68
Check No:	29629	Check Date:	06/24/2013	
Vendor:	1170	Coastwide Laboratories		
W2562974		Aquatics; cleaning supplies		522.91
W2562974-1		Aquatics; cleaning supplies		120.09
				<hr/>
				643.00
Check No:	29630	Check Date:	06/24/2013	
Vendor:	1952	Covington Copy It...Mail It		
3458		GIS package; postage		1.47
3458		GIS package; postage		2.45
3458		GIS package; postage		1.95
3458		GIS package; postage		1.95
3458		GIS package; postage		1.95
				<hr/>
				9.77
Check No:	29631	Check Date:	06/24/2013	
Vendor:	0706	Covington Retail Associates		
4049		1st floor; building lease		25,089.75
4049		1st floor; operating expenses		10,040.02
4050		2nd floor; building lease		3,200.83
4050		2nd floor; operating expenses		1,509.81
				<hr/>
				39,840.41
Check No:	29632	Check Date:	06/24/2013	
Vendor:	2137	Missy Cox		
2137-6		M. Cox; water exercise certification; mileage		116.62
				<hr/>
				116.62
Check No:	29633	Check Date:	06/24/2013	
Vendor:	1983	De Lage Landen Financial Svcs		
18430083		Copier; lease, 6/15-7/14/13		120.08
				<hr/>
				120.08
Check No:	29634	Check Date:	06/24/2013	
Vendor:	2660	Deere & Company		
112917124		#3424; John Deere Gator		8,867.30
				<hr/>
				8,867.30
Check No:	29635	Check Date:	06/24/2013	
Vendor:	2467	Department of Enterprise Services		
18-1-60772		State Co-op Membership fee; I/10-6/13		3,500.00
				<hr/>
				3,500.00

Check No:	29636	Check Date:	06/24/2013	
Vendor:	2661	Emergency Medical Training Associates		
6859		Patterson/Martinsons; First Aid/CPR		100.00
6859		Throm; First Aid/CPR		50.00
6859		Maple Valley Staff; First Aid/CPR		200.00
6859		Slate; First Aid/CPR		50.00
6859		Ogren/Thompson/Lyons; First Aid/CPR		127.50
6859		Thompson/Lyons; First Aid/CPR		17.50
6859		Ogren; First Aid/CPR		5.00
6859		Public Works; First Aid/CPR		375.00
6859		Public Works; First Aid/CPR		165.00
6859		Public Works; First Aid/CPR		60.00
				<hr/>
				1,150.00
Check No:	29637	Check Date:	06/24/2013	
Vendor:	2658	Fabulous Face Painting		
2013_7_20-21		Covington Days; Kid Zone, face painting deposi		100.00
				<hr/>
				100.00
Check No:	29638	Check Date:	06/24/2013	
Vendor:	1996	Facility Maintenance Contractors		
SALES01465 130615		Maint shop; janitorial service, June		105.60
SALES01465 130615		Maint shop; janitorial service, June		52.80
SALES01465 130615		Maint shop; janitorial service, June		105.60
				<hr/>
				264.00
Check No:	29639	Check Date:	06/24/2013	
Vendor:	1875	FirstChoice		
549710		Coffee service		70.13
				<hr/>
				70.13
Check No:	29640	Check Date:	06/24/2013	
Vendor:	2534	Goodfellow Bros., Inc.		
9		CIP 1010; construction to 5/31/13		11,170.00
9		CIP 1010; retainage		-558.50
				<hr/>
				10,611.50
Check No:	29641	Check Date:	06/24/2013	
Vendor:	1770	Richard Hart		
1770-6		Hart; Economic development directors meeting,		7.70
1770-6		Hart; Economic development directors meeting,		3.30
				<hr/>
				11.00
Check No:	29642	Check Date:	06/24/2013	
Vendor:	1722	Honey Bucket		
1-676993		Skate park; portable toilet, 6/5-7/4/13		204.75
				<hr/>
				204.75
Check No:	29643	Check Date:	06/24/2013	
Vendor:	0083	ICMA		
168758		ICMA membership dues; 7/1/13-6/30/14		1,400.00
				<hr/>
				1,400.00
Check No:	29644	Check Date:	06/24/2013	
Vendor:	1342	Integra Telecom		
10984871		City hall; telephone, 6/8-7/7/13		1,238.49
10984871		Maint shop; telephone, 6/8-7/7/13		177.23

			Check Amount
10984871	Maint shop; telephone, 6/8-7/7/13		177.23
10984871	Maint shop; telephone, 6/8-7/7/13		88.61
10984871	Aquatics; telephone, 6/8-7/7/13		90.19
			1,771.75
Check No:	29645	Check Date: 06/24/2013	
Vendor:	1803	Iron Mountain	
HBG1540		Document storage; 6/1-6/30/13	410.31
			410.31
Check No:	29646	Check Date: 06/24/2013	
Vendor:	2234	Issaquah Honda Kubota	
22827		#3371/3370; safety switches	28.58
22827		#3371/3370; safety switches	57.17
22827		#3371/3370; safety switches	57.17
			142.92
Check No:	29647	Check Date: 06/24/2013	
Vendor:	0143	King County Finance	
18968		CCP; disposal fees, May	37.98
23843-23852		Street services; May	5,795.01
24021-24021		CIP 1028; overlay, May	92.69
			5,925.68
Check No:	29648	Check Date: 06/24/2013	
Vendor:	2662	Kitsap County Dept of Information Svcs	
5161-13066		HP t510 2 GB Ram	162.90
			162.90
Check No:	29649	Check Date: 06/24/2013	
Vendor:	1405	Lakeside Industries	
12036203MB		EZ street asphalt	302.75
			302.75
Check No:	29650	Check Date: 06/24/2013	
Vendor:	2367	Magnum Print Solutions	
114620		Toner cartridges	161.71
114709		Toner cartridge	141.13
			302.84
Check No:	29651	Check Date: 06/24/2013	
Vendor:	2523	Maple Valley Truck & Equipment	
4654		#3390; winch repair	364.72
			364.72
Check No:	29652	Check Date: 06/24/2013	
Vendor:	1768	McGraw Hill Construction	
000011165818		ENR; subscription renewal	87.00
			87.00
Check No:	29653	Check Date: 06/24/2013	
Vendor:	0668	Merry Makers, Inc.	
214093		Covington Days; Kid Zone entertainment, depos	1,500.00
			1,500.00
Check No:	29654	Check Date: 06/24/2013	
Vendor:	0252	Microflex	

			Check Amount
21310	Tax audit program; October 2012 - March 2013		134.13
			<hr/>
Check No:	29655	Check Date: 06/24/2013	134.13
Vendor:	1901	Modern Building Systems, Inc.	
0054609		Maint shop; building lease, 7/1-8/1/13	569.06
0054609		Maint shop; building lease, 7/1-8/1/13	284.54
0054609		Maint shop; building lease, 7/1-8/1/13	569.06
			<hr/>
Check No:	29656	Check Date: 06/24/2013	1,422.66
Vendor:	2663	MuniServices, LLC	
0000030972		Franchise tax; audit fees	13,312.95
			<hr/>
Check No:	29657	Check Date: 06/24/2013	13,312.95
Vendor:	0682	Nextel Communications	
550142028-133		Cellular service, 6/8-7/7/13	40.33
550142028-133		Cellular service, 6/8-7/7/13	21.51
550142028-133		Cellular service, 6/8-7/7/13	10.76
550142028-133		Cellular service, 6/8-7/7/13	61.82
550142028-133		Cellular equipment charges	13.90
550142028-133		Cellular equipment refund	-1.07
550142028-133		Cellular equipment charges	3.92
			<hr/>
Check No:	29658	Check Date: 06/24/2013	151.17
Vendor:	0708	NRPA	
2062513-1		NRPA premiere membership package	125.00
2062513-1		NRPA premiere membership package	125.00
2062513-1		NRPA premiere membership package	125.00
2062513-1		NRPA premiere membership package	125.00
			<hr/>
Check No:	29659	Check Date: 06/24/2013	500.00
Vendor:	2555	NuCO2 LLC	
38352056		Aquatics; CO2 lease	59.73
			<hr/>
Check No:	29660	Check Date: 06/24/2013	59.73
Vendor:	0004	Office Depot	
1583972050		Aquatics; file tote	15.19
660737759001		Aquatics; mailbox storage unit	20.16
660737759001		Office supplies	191.03
660737759002		Pens	3.81
660737845001		Pens	3.81
663019017001		Office supplies	8.92
663019578001		Office supplies	82.44
663019578001		Dish soap	5.00
			<hr/>
Check No:	29661	Check Date: 06/24/2013	330.36
Vendor:	1432	Pacific Topsoils, Inc.	
8196		Dump brush; disposal fees	109.00
8198		Dump brush; disposal fees	109.00
8204		Dump brush; disposal fees	109.00

Check No:	29662	Check Date:	06/24/2013	327.00
Vendor:	1407	Parametrix, Inc.		
20-20049		Plan review services; 4/28-5/25/13		43.10
20-20049		Soos Creek Lift Station #46; plan review, 4/28-5.		1,334.07
				<hr/>
				1,377.17
Check No:	29663	Check Date:	06/24/2013	
Vendor:	0164	Pitney Bowes		
2004515-JN13		Postage meter; lease, 3/30-6/30/13		716.76
				<hr/>
				716.76
Check No:	29664	Check Date:	06/24/2013	
Vendor:	0161	Puget Sound Energy		
300000001788		Streets; electricity, 5/2-5/30/13		51.42
300000001788		Streets; electricity, 5/2-5/30/13		7,801.73
300000007744		Aquatics; electricity, 5/1-5/29/13		1,906.84
300000007744		Aquatics; natural gas, 5/1-5/29/13		2,045.53
				<hr/>
				11,805.52
Check No:	29665	Check Date:	06/24/2013	
Vendor:	2474	SCORE		
371		Jail costs; May		25,020.00
				<hr/>
				25,020.00
Check No:	29666	Check Date:	06/24/2013	
Vendor:	1905	Sharp Electronics Corporation		
C776979-701		Copier; usage, 5/1-6/1/13		733.64
				<hr/>
				733.64
Check No:	29667	Check Date:	06/24/2013	
Vendor:	1774	Shope Concrete Products		
9940418		Solid cover		101.29
				<hr/>
				101.29
Check No:	29668	Check Date:	06/24/2013	
Vendor:	2044	Karla Slate		
2044-6		CCP grand opening; refreshments		46.49
				<hr/>
				46.49
Check No:	29669	Check Date:	06/24/2013	
Vendor:	0993	Soos Creek Water & Sewer Dist.		
0700-906800-6		Aquatics; sewer, 4/1-5/31/13		1,595.98
0700-927900-6		Maint shop; sewer, 4/1-5/31/13		45.59
0700-927900-6		Maint shop; sewer, 4/1-5/31/13		22.80
0700-927900-6		Maint shop; sewer, 4/1-5/31/13		45.59
				<hr/>
				1,709.96
Check No:	29670	Check Date:	06/24/2013	
Vendor:	1903	Sound Publishing, Inc.		
552220		Legal notices, May		541.29
				<hr/>
				541.29
Check No:	29671	Check Date:	06/24/2013	
Vendor:	0591	Springbrook Software Inc.		
CM362		Credit; Training/migration management, sales ta:		-182.75

			Check Amount
INV25291	Access agent license; sales tax		215.00
INV25291	Training/migration management; sales tax		182.75
			<hr/>
Check No:	29672	Check Date: 06/24/2013	215.00
Vendor:	1158	Sprint Rothhammer Intl, Inc.	
87624B		Aquatics; resale items, goggles	85.92
			<hr/>
Check No:	29673	Check Date: 06/24/2013	85.92
Vendor:	2504	Stalzer and Associates	
3737		Hawk Property Subarea Plan/EIS; 5/1-5/31/13	52,835.16
			<hr/>
Check No:	29674	Check Date: 06/24/2013	52,835.16
Vendor:	0217	State Auditor's Office	
L98829		Audit fees; May	11,906.09
			<hr/>
Check No:	29675	Check Date: 06/24/2013	11,906.09
Vendor:	2103	US Bancorp Equip Finance Inc.	
230772766		Copier; lease	639.10
			<hr/>
Check No:	29676	Check Date: 06/24/2013	639.10
Vendor:	1105	Washington State Patrol	
I13008840		3 background checks	30.00
			<hr/>
Check No:	29677	Check Date: 06/24/2013	30.00
Vendor:	2664	Washington Tractor	
229510		#3424; equipment/attachments	944.72
			<hr/>
Check No:	29678	Check Date: 06/24/2013	944.72
Vendor:	1408	Washington Workwear Stores Inc.	
1111		Dalton; work pants	13.03
1111		Dalton; work pants	13.03
1111		Dalton; work pants	6.51
1120		Junkin; embroidery logo for vest	2.72
1120		Junkin; embroidery logo for vest	5.43
1120		Junkin; embroidery logo for vest	5.43
			<hr/>
Check No:	29679	Check Date: 06/24/2013	46.15
Vendor:	2127	WFEA	
2127-6		WFEA annual membership renewal fee	75.00
			<hr/>
Check No:	29680	Check Date: 06/24/2013	75.00
Vendor:	0086	WFOA	
119755157328445		Parker; WFOA conference, registration	200.00
			<hr/>
Check No:	29681	Check Date: 06/24/2013	200.00
Vendor:	1894	Diana Ziolkowski	
1894-6		Facility monitoring; 6/10/13	36.00

Check Amount

36.00

Date Totals:

254,444.78

Report Total:

254,444.78

July 5, 2013

City of Covington

Payroll Approval

- Request Council approval for payment of Payroll dated 07/05/13 consisting of:

PAYLOCITY CHECK # 1001373908 through PAYLOCITY CHECK # 1001373922 and PAYLOCITY CHECK # 1001374009 through PAYLOCITY CHECK # 1001374009 inclusive, plus employee direct deposits

IN THE AMOUNT OF \$159,858.30

WE, THE UNDERSIGNED, DO HEREBY CERTIFY UNDER PENALTY OF PERJURY THAT THE MATERIALS HAVE BEEN FURNISHED, THE SERVICES RENDERED OR THE LABOR PERFORMED AS DESCRIBED HEREIN AND THAT THE CLAIMS ARE JUST, DUE AND UNPAID OBLIGATIONS AGAINST THE CITY OF COVINGTON, WASHINGTON, COUNTY OF KING, AND THAT WE ARE AUTHORIZED TO AUTHENTICATE AND CERTIFY SAID CLAIMS PER THE ATTACHED COUNCIL APPROVAL REPORT.

Robert M. Hendrickson
Finance Director

Mark Lanza
City Councilmember

Wayne Snoey
City Councilmember

Marlla Mhoon
City Councilmember

Council Meeting Date Approved: _____

07/05/13 Payroll Voucher

Payroll Checks for Account Paylocity Account

Check/Voucher	Check Type	Check Date	Employee Name	Net Amount
105414	Regular	7/5/2013	Bates, Krista	88.66
105415	Regular	7/5/2013	Kirshenbaum, Kathleen	561.86
105416	Regular	7/5/2013	Lyon, Valerie	1,441.43
105417	Regular	7/5/2013	Matheson, Derek M	4,616.01
105418	Regular	7/5/2013	Mhoon, Darren S	1,388.15
105419	Regular	7/5/2013	Michaud, Joan M	1,887.74
105420	Regular	7/5/2013	Scott, Sharon G	2,463.74
105421	Regular	7/5/2013	Slate, Karla J	2,453.48
105422	Regular	7/5/2013	Hart, Richard	3,525.58
105423	Regular	7/5/2013	Mueller, Ann M	1,309.66
105424	Regular	7/5/2013	Cles, Staci M	1,766.42
105425	Regular	7/5/2013	Hagen, Lindsay K	1,424.61
105426	Regular	7/5/2013	Hendrickson, Robert	3,647.90
105427	Regular	7/5/2013	Parker, Cassandra	2,405.41
105428	Regular	7/5/2013	Allen, Joshua C	1,782.24
105429	Regular	7/5/2013	Dalton, Jesse J	1,582.98
105430	Regular	7/5/2013	Fealy, William J	1,772.15
105431	Regular	7/5/2013	Gallagher, Michael J	1,014.69
105432	Regular	7/5/2013	Gaudette, John J	1,965.14
105433	Regular	7/5/2013	Junkin, Ross D	2,762.49
105434	Regular	7/5/2013	Wesley, Daniel A	2,154.86
105435	Regular	7/5/2013	Bykonen, Brian D	2,964.00
105436	Regular	7/5/2013	Christenson, Gregg R	2,702.97
105437	Regular	7/5/2013	Lyons, Salina K	2,104.45
105438	Regular	7/5/2013	Meyers, Robert L	3,193.50
105439	Regular	7/5/2013	Ogren, Nelson W	2,679.62
105440	Regular	7/5/2013	Thompson, Kelly	2,030.81
105441	Regular	7/5/2013	Morrissey, Mayson	2,683.53
105442	Regular	7/5/2013	Bahl, Rachel A	1,631.35
105443	Regular	7/5/2013	MacConaghy, Hailey	1,456.80
105444	Regular	7/5/2013	Martinsons, Jaquelyn	196.26
105445	Regular	7/5/2013	Newton, Ethan A	2,135.73
105446	Regular	7/5/2013	Patterson, Clifford	2,418.70
105447	Regular	7/5/2013	Thomas, Scott R	3,416.43
105448	Regular	7/5/2013	Akramoff, Glenn A	3,569.85
105449	Regular	7/5/2013	Bates, Shellie L	1,931.69
105450	Regular	7/5/2013	Buck, Shawn M	1,726.84
105451	Regular	7/5/2013	French, Fred	1,544.42
105452	Regular	7/5/2013	Parrish, Benjamin A	1,730.16
105453	Regular	7/5/2013	Vondran, Donald M	3,715.45
105454	Regular	7/5/2013	Andrews, Kaitlyn E	228.79
105455	Regular	7/5/2013	Archuleta, Alexander A	623.64
105456	Regular	7/5/2013	Blakely, Coleman P.	112.12
105457	Regular	7/5/2013	Campbell, Noel M	58.24
105458	Regular	7/5/2013	Cox, Cory R	372.19
105459	Regular	7/5/2013	Cox, Jillian E	202.95
105460	Regular	7/5/2013	Cox, Melissa	701.21
105461	Regular	7/5/2013	Cranstoun, Alexander M	571.59
105462	Regular	7/5/2013	Felcyn, Adam	355.36
105463	Regular	7/5/2013	Foxworthy, Rebecca	163.69
105464	Regular	7/5/2013	Gehring, John T	217.18
105465	Regular	7/5/2013	Greene, Lyndsey B	96.87
105466	Regular	7/5/2013	Hanger, Austin R.	21.98
105467	Regular	7/5/2013	Hendricks, Bob	43.95

105468 Regular	7/5/2013	Hendricks, Dane G	151.35
105469 Regular	7/5/2013	Houghton, Cassandra L	87.52
105470 Regular	7/5/2013	Kim, Tabitha J	82.98
105471 Regular	7/5/2013	Kiselyov, Tatyana	170.74
105472 Regular	7/5/2013	Loeppky, Janna	629.46
105473 Regular	7/5/2013	Middleton, Jordan	288.01
105474 Regular	7/5/2013	Mooney, Lynell	254.50
105475 Regular	7/5/2013	Niesner, Austin C	115.38
105476 Regular	7/5/2013	Perko, Alyssa M.	32.96
105477 Regular	7/5/2013	Perko, Roxanne H	22.82
105478 Regular	7/5/2013	Praggastis, Alexander	527.56
105479 Regular	7/5/2013	Reese, Rachel E	493.28
105480 Regular	7/5/2013	Tomalik, Stefan A	155.64
105481 Regular	7/5/2013	Tran, Jenifer	341.46
105482 Regular	7/5/2013	Turnbull, Dane A.	117.05
105483 Regular	7/5/2013	von Michalofski, Kayla M	195.69
105484 Regular	7/5/2013	Wardrip, Spencer A	168.93
105485 Regular	7/5/2013	Wills, Erica M.	87.91
105486 Regular	7/5/2013	Beaufriere, Noreen	2,733.78
105487 Regular	7/5/2013	Throm, Victoria J	1,922.54
1001373908 Regular	7/5/2013	Newell, Nancy J	72.03
1001373909 Regular	7/5/2013	Cruickshank, Michael S	968.35
1001373910 Regular	7/5/2013	Terwillegar, Jeremy A	913.31
1001373911 Regular	7/5/2013	Witherrite, F. Dean	304.96
1001373912 Regular	7/5/2013	Bell, Colin Q	488.21
1001373913 Regular	7/5/2013	Bowen, Joshua W	60.44
1001373914 Regular	7/5/2013	Carkeek, Lena	439.04
1001373915 Regular	7/5/2013	Jensen, Emily A	32.96
1001373916 Regular	7/5/2013	Jensen, Rachel	550.09
1001373917 Regular	7/5/2013	Johansen, Andrea	141.96
1001373918 Regular	7/5/2013	Mayes, Annika L	136.79
1001373919 Regular	7/5/2013	Panzer, Erika	274.21
1001373920 Regular	7/5/2013	Quintos, Edward Louie D	43.95
1001373921 Regular	7/5/2013	Vieira, Logan G	329.87
1001373922 Regular	7/5/2013	Wunschel, Ethan G.	279.94

Totals for Payroll Checks 89 Items 103,233.19

Third Party Checks for Account Paylocity Account

Check/Voucher	Check Type	Check Date	Employee Name	Net Amount
105488	AGENCY	7/5/2013	ICMA Retirement Trust	16,432.21
105489	AGENCY	7/5/2013	Vantagepoint Transfer Agent-	379.42
105490	AGENCY	7/5/2013	City of Covington	2,794.84
105491	AGENCY	7/5/2013	Paylocity Corporation	125.00
105492	AGENCY	7/5/2013	City of Covington Employee	80.00
105493	AGENCY	7/5/2013	ICMA Retirement Trust	13,558.02
105494	AGENCY	7/5/2013	ICMA Retirement Trust	1,643.88
105495	AGENCY	7/5/2013	ICMA Retirement Trust	192.00
105496	AGENCY	7/5/2013	HRA VEBA Trust Contributions	1,147.00
1001374009	AGENCY	7/5/2013	WASH CHILD SUPPORT	110.41

Totals for Third Party Checks 10 Items 36,462.78

Tax Liabilities 19,951.42
Paylocity Fees 210.91

Grand Total 159,858.30

Agenda Item 1
Covington City Council Meeting
Date: July 9, 2013

SUBJECT: APPOINTMENTS TO OPENINGS ON THE COVINGTON ECONOMIC DEVELOPMENT COUNCIL (CEDC).

RECOMMENDED BY: Derek Matheson, City Manager
Richard Hart, Community Development Director

ATTACHMENT(S): See Interview Schedule and Applications provided separately.

PREPARED BY: Joan Michaud, Senior Deputy City Clerk

EXPLANATION:

Five CEDC terms will expire on July 31, 2013. Two of these terms are to be appointed by the City of Covington. Each term is for a period of two years. The city received three applications for appointment to CEDC as follows:

Name of Applicant

Binoy Varughese
Kevin Holland (completes term on Chamber side of CEDC 07-31-2013)
Steven Pand (currently serving in Position No. 8; term ends 07-31-2013)

ALTERNATIVES:

Not appoint at this time and direct staff to continue to advertise for additional applicants.

CITY COUNCIL ACTION: _____ Ordinance _____ Resolution X Motions _____ Other

Council member _____ moves, Council member _____ seconds, to appoint _____ to fill Position No. 2 on the Covington Economic Development Council with a term expiring July 31, 2015.

Council member _____ moves, Council member _____ seconds, to appoint _____ to fill Position No. 8 on the Covington Economic Development Council with a term expiring July 31, 2015.

REVIEWED BY: City Manager
Community Development Director
City Clerk/Executive Assistant

SUBJECT: BRIEFING ON COMPETITIVE BIDDING

PREPARED BY: Rob Hendrickson, Finance Director
Don Vondran, Interim Public Works Director

ATTACHMENT(S):

1. City Purchasing Policy

EXPLANATION:

One of the mainstays of government procurement is the open competitive bidding process. It provides transparency, accountability, value, and opportunity.

In Covington’s case, competitive bidding has provided the opportunity to select qualified contractors who have completed projects on time and within budget. There have been some project bids that have come in over the engineer’s estimate. Those projects were delayed while the scope of the project was modified, additional revenue was received in terms of a grant or it was combined with another project in order to benefit from an economy of scale.

The city is required by state law to bid out projects that meet certain thresholds. Those thresholds are determined by type of city, population, and category and project costs. Covington is a code city¹ with a population under 20,000.

The following table summarizes what thresholds the city is required to adhere to:

PUBLIC WORKS CONTRACTS and CHANGE ORDERS

Amount	Approval Authority	Process
Up to \$7,500	Department Director	Contract/P.O.
\$7,501 - \$15,000	City Manager	Contract/P.O.
\$15,001 - \$30,000 (one trade)	City Manager	Contract/P.O.
\$30,001 - \$45,000 (multiple trades)	City Manager	Small Works Roster/Contract/P.O.
\$45,001 - \$200,000	City Council	Small Works Roster or Competitive Bid
Over \$200,000	City Council	Competitive Bid

¹ **Code cities** were created by the state legislature in order to grant the greatest degree of local control to municipalities possible under the state constitution and general law. This classification has been adopted by the majority of municipalities in Washington. Code cities (shorthand for *optional municipal code cities*, as encoded by Title 35A RCW) are authorized to perform any function not specifically denied them in the state constitution or by state law. They may perform any function granted to any other city classification under Title 35 RCW.

(Please see the attached purchasing policy which outlines in detail what the city requirements are as they relate to specific projects, services and materials.)

Once the project has completed the design process (plan sheets and specifications) and the construction budget is approved then staff follows an established procedure. The procedure differs depending on the thresholds mentioned above. The competitive bid process is the most detailed and is explained below.

Public works staff develops a Request for Bids or Notice to Bidders that advertises when bids are due, what is required in the bid and how to get additional information. Although there is a general template that we go by to advertise a project, each project is unique and requires coordination in terms of submittal requirements as well as staff and consultant (if applicable) scheduling for bid opening. This typically takes a few days to a week to organize and coordinate.

Once the advertisement is completed, staff makes a determination on where the notice should be placed. At a minimum the city is required to place the notice in the *Covington Reporter*, the city's newspaper of record. Generally, an advertisement is placed on the city's website and based on the complexity and size of the project, staff may additionally opt to place the notice in the *Daily Journal of Commerce*. The typical lead time is one week to get a notice advertised in the paper.

Placing the notice in a number of publications potentially gains more exposure for the city but it also costs more to advertise and coordinate. That additional exposure does not always equate to more bids. The economy and marketplace, as well as the timing in the year have a lot to do with how many bids the city receives. Sometimes a lot of bid packages are requested but the number of final bidders is very low. If the work is very specialized or has a significant amount of specialized work then that may eliminate general contractors because they can't compete with the specialized contractors because they would have to subcontract too much of the work. This portion of the bid process is typically the longest in duration. The minimum time to advertise a project is two weeks and depending on the size of the project can be closer to 6 weeks in order allow a contractor to review the plans, request bids from subcontractors and assemble a complete bid package.

At the bid opening, the city clerk reads the bids, makes sure that all requirements are met, and announces the potential winning bid. A log is kept of the bidders and their awards in compliance with the public records requirements. Once that step is complete, public works' staff further reviews the bids to insure that all requirements are met before making the final award recommendation to council. Those steps would include verification of the contractor registration number and the unified business number (UBI#), industrial insurance coverage, employment security department number, state excise tax registration number, whether the contractor has been debarred, and other supplemental criteria as applicable. This typically takes a few days to a week to verify information, notify bidders and prepare for council.

Council reviews the bid recommendation and votes on awarding the contract. Once the notice of the award is made, other items on the checklist include verification of insurance certificates and endorsements, submission of the performance and payment bond, the intent to pay prevailing wages, selecting the option for retainage, and signing the contract. This typically takes a

minimum of two weeks for the contractor to put together all the correct information in order to issue a notice to proceed.

Although the example above primarily discussed the construction contract process, the consultant design and/or the request for qualification (RFQ) process is very similar.

For projects between \$30,001 and \$200,000, the city typically utilizes the Small Works Roster. Established in 2008, and centrally located with the Municipal Research and Services Center (MRSC), the Small Works Roster gives the city access to a number of contractors who provide a wide variety of services for both public works projects and consultant services for architectural, engineering and other professional services. This database of contractors provides a number of advantages for the city such as, efficiency in government; cost sharing; access to a large pool of contractors; ease of electronic search and notification; and potentially lower bids as competition is increased.

Managing a growing list of capital projects requires familiarity with the bidding climate, attention to detail, project knowledge, strong leadership and relationship skills, and a willingness to make tough decisions as needed.

CITY COUNCIL ACTION: Ordinance Resolution Motion Other

ASK QUESTIONS OF STAFF.

REVIEWED BY: City Manager; City Attorney; Interim Public Works Director



CITY OF COVINGTON

PURCHASING POLICIES

AND

PROCEDURES

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INTRODUCTION

Purpose

The purpose of this chapter is to protect and advance the public interest by providing for the fair and equitable treatment of all persons involved in the purchasing process, by maximizing the purchasing value of public funds and by providing safeguards for maintaining a purchasing system of quality and integrity.

Application

This policy applies to the award of contracts by the City for: 1) public works and improvements; and 2) purchases of supplies, materials and equipment. This policy does not apply to the reimbursement of business expenses incurred by employees. This policy does not apply to the purchase of real estate.

Federal Funds

When a purchase involves the expenditure of federal funds, purchasing shall be conducted in accordance with any applicable federal law or regulation.

Grants

Nothing in this policy will prevent the City from complying with the terms and conditions of any grant, gift, or bequest which is otherwise consistent with law.

The City Manager or his/her designee is authorized to apply for grants in any amount and to execute grant contracts of not more than \$50,000. The City Manager and his/her designee shall notify the City Council periodically of such grant contracts.

Signature Authority

During absences, such as vacation or extended sick leave, authorized signers may appoint a designee to sign on their behalf up to the amount approved. This authorization must be in writing to the Finance Department prior to the absence. In the case of an extended sick leave, the City Manager may appoint a designee in the affected department.

Cooperative Purchasing

The Finance Director is authorized to join in cooperative purchasing arrangements with other public agencies similarly authorized, when the best interests of the City would be served thereby. Any cooperative purchasing agreement shall set forth fully the purposes, powers, rights, objectives, and responsibilities of the contracting parties and shall be governed by the requirements of state law in regard to competitive bidding when applicable.

I. PURCHASES OF SUPPLIES, MATERIALS AND EQUIPMENT

A. Approval Authority

Amount	Approval Authority	Procedure
Up to \$2,500	Staff with Director's Authorization	Informal Telephone Quotes P.O. and/or Invoice
Up to \$7,500	Department Director	Informal Telephone Quotes P.O. and/or Invoice
\$7,501 - \$15,000	City Manager	Tele/written quotes from Roster of Vendors or Competitive Bid P.O. and/or Invoice
\$15,001 to \$30,000	City Manager	Competitive Bid P.O. and/or Invoice
\$30,001 & Over	City Council	Competitive Bid P.O. and/or Invoice

B. Process

The City primarily uses contracts for purchase authority. The exception to contracts would be utilities and other continuing services. Purchase orders are used when required by the vendor.

The City has a hybrid purchasing process where items such as supplies are centralized but each department is responsible for purchasing their own goods and services as approved in the adopted budget.

Once the purchase is made, the vendor sends the invoice to accounts payable. The invoice is stamped for BARS coding and department approval and returned to the originating department. Once the department determines that the goods and/or services have been received, they authorize the payment by assigning the desired BARS code(s) and signing the invoice, and return it to accounts payable for preparation of vendor payment.

1. Purchases of \$7,500 or less: Competitive bids or telephone quotes are not legally required for purchases of \$7,500 or less, however, best practice purchasing will be used to assure that the City obtains quality goods or services at reasonable prices. Spreading purchases out over several months or making separate single purchases, when the total of the purchases is greater than \$7,500, circumvents the policies set forth below and is not authorized.

2. Purchases between \$7,501 and \$15,000: Telephone or written quotations will be obtained from vendors who have requested to be listed on the City's Vendor List. A purchase order or contract is required for payment to the lowest responsible bidder.

In the event sufficient qualified vendors are not on the Small Works Roster, Professional Services Roster, or City's Vendor List, formal, competitive sealed bids are required.

3. Purchases of \$15,001 and above: Formal, competitive sealed bids are required pursuant to RCW 35.23.352.

Advertisement of Request for Bid

The department initiating a purchase shall prepare an Advertisement for Bid containing:

- a. Items(s) or services to be purchased.
- b. Delivery time requirements including Point of Delivery.
- c. Bid bond requirements, if applicable.
- d. Terms of payment, if appropriate.
- e. Place, date, and time of bid opening.
- f. The location where detailed specifications are available for public inspection and the cost to obtain a set of plans and specifications.
- g. Name and telephone number of City contact person.
- h. Notice that the City reserves the right to reject any and all bids.
- i. Notice that bids received after the scheduled bid opening will not be considered.
- j. Notice that all bid documents are a public record and subject to disclosure.

The Advertisement for Bid must be posted in City Hall and published in the City's official newspaper by the City Clerk once a week for two consecutive weeks with the last publication being at least 13 days prior to the last date upon which bids will be received.

If changes or clarifications to the specifications are issued during the bid period, the initiating department must send a notice to all prospective bidders and a copy filed with the City Clerk.

Request for Bid Log

The initiating department must prepare a log and record containing the following information: (The log is a formal public record to be filed with the City Clerk after award of the contract.)

- a. The name, address and phone number of every contractor who received a copy of the Detailed Plans and Specifications for the project and the date and time specifications were provided.
- b. If communications with prospective bidders occur during the bid period, record the substance of the communication on the bid log.

Bid Opening

The City Clerk (or representative) shall be present at all bid openings to verify the date and time of bid opening; open each bid proposal; announce the bids of each submitter; record the unit prices, sales tax, delivery charge if applicable, and total cost of each bid proposal. A tabulation of bid results will be prepared by the City Clerk (or representative) and made available to the public following the formal bid opening.

Award or Rejection of Bids

If the bid award and contract for the purchase of materials, supplies, and equipment falls within the City Manager's budget authority he/she shall award the contract to the lowest responsible bidder or may reject any and all bids for any transaction when the public interest will be served thereby. If the bid award and contract exceed the City Manager's budget authority he/she shall present the bids received, together with recommendations of the department or departments concerned, to the City Council at a regular meeting. The Council

shall award the contract to the lowest responsible bidder or may reject any and all bids for any transaction when the public interest will be served thereby.

After City Manager or Council approval, a purchase order or contract is issued, and a copy of the log should be submitted to the Finance Department and the unsuccessful vendors should be notified.

Public Record

Immediately after opening of the bids, the original copy of every bid proposal and a copy of the bid log should be filed with the City Clerk for retention; the bids are a public record. A copy of the proposal of the successful bidder should remain with the initiating department until completion of the purchase and or service and said department documents are not public record just working documents that are not open for public view.

Purchase Orders

In the rare instances where a purchase order is needed or required– it is processed as follows:

1. The person or department contacts accounts payable (after budget approval) for a purchase order number.
2. Accounts payable logs the information which is approved by Finance and a copy is sent to the department and retained by Finance.
3. The copy is retained by the department making the purchase until the item(s) purchased have been received. After the items are received and determined to be satisfactory, the copy is attached to the invoice, BARS coded, signed by the authorizing official attesting to the satisfactory receipt of items as ordered, and provided to the Finance Department for preparation of vendor payment.
4. The Finance Department retains all copies of documentation for at least a six year period for audit by the State Auditor and for reference should other questions arise.

Credit Cards

Credit cards are another form of payment when other forms are not available. Please see the Credit Card Policy for complete details.

II. PUBLIC WORKS CONTRACTS and CHANGE ORDERS

A. Approval Authority

Amount	Approval Authority	Process
Up to \$7,500	Department Director	Contract/P.O.
\$7,501 - \$15,000	City Manager	Contract/P.O.
\$15,001 - \$30,000 (one trade)	City Manager	Contract/P.O.
\$30,001 - \$45,000 (multiple trades)	City Manager	Small Works Roster/Contract/P.O.
\$45,001 - \$200,000	City Council	Small Works Roster or Competitive Bid
Over \$200,000	City Council	Competitive Bid

B. Process

1. Projects that will not exceed \$30,000 and a single craft or trade is involved, or it is a street signalization project and projects that will not exceed \$45,000 and more than one craft or trade is involved.

Competitive bids or telephone quotes are not legally required for these public works contracts; however, best practice purchasing will be used to assure the City obtains quality services at reasonable prices. The Small Works Roster may be used for projects between \$30,000 and \$45,000.

Contracts issued are to be reviewed for form by the City Attorney; payments to contractor will be processed by invoice.

2. Projects from \$45,001 up to \$200,000

Except as otherwise authorized by Covington City Council Resolution No. 08-12, Chapters 39.04 and 39.28 RCW, or RCW 35.22.620, relating to emergency public works, or other applicable general state law, as now enacted or otherwise amended, all public works and improvements shall be done by contract pursuant to public notice and call for competitive bids in accordance with Resolution 06-36 whenever the estimated cost of such public work or improvement, including the cost of materials, supplies, equipment and labor will exceed the sum of \$45,000 if more than one craft or trade is involved with the public works project, or in excess of \$30,000 if only a single craft or trade is involved with the public works project; provided, the City may use a small works roster pursuant to Covington City Council Resolution No. 08-11 and RCW 35.22.620.

Telephone or written quotations will be obtained from vendors who have requested to be listed on the Small Works Roster maintained by Municipal Research and Service Center, in accordance with the requirements of City of Covington Resolution No. 08-12, as presently existing and as may be amended. A contract will be awarded to the lowest responsible bidder.

In the event sufficient qualified vendors are not on the Small Works Roster, formal, competitive sealed bids are required (as outlined in the following section).

3. Projects Over \$200,000

Formal, competitive sealed bids are required pursuant to RCW 35.23.352.

Advertisement for Bid of Public Works Project

The Department shall prepare an Advertisement for Bid of Public Works Project containing the following information:

- a. Brief description of the public works project being bid.
- b. Notice of the requirement of a bid proposal deposit in the amount of 5% of the amount bid in the form of a cashier's check, postal money order, or surety bond in favor of the City of Covington.
- c. Terms of payment, if appropriate.
- d. Place, date, and time of bid opening.

- e. The location where detailed plans, specifications, and contract documents are available for public inspection and the cost to obtain a set of plans and specifications.
- f. The name and telephone number of City contact person.
- g. Notice that the City reserves the right to reject any and all bids.
- h. Notice that bids received after the scheduled bid opening will not be considered.
- i. Notice that all bid documents are public record and subject to disclosure.

The Advertisement for Bid must be posted in City Hall and published in the City's official newspaper by the City Clerk once a week for two consecutive weeks with the last publication being at least 13 days prior to the last date upon which bids will be received.

Detailed Plans and Specifications

Detailed plans and specifications of public works project will be prepared at the direction of the Department, along with an estimate of the cost of such work. The specifications will be approved by the Director and a certified copy filed with the City Clerk. Copies will be provided to prospective bidders upon payment of a sum equal to the cost of having said documents prepared.

Any changes or clarifications to the contract documents, specifications, or design drawings made after advertising and before the bid submittal and bid opening, should be issued to all document holders as numbered and dated addenda. A copy of the change or clarification must be filed with the City Clerk.

Request for Bid Log

The initiating department must prepare a log and record containing the following information: (The log is a formal public record to be filed with the City Clerk after award of the contract.)

1. The name, address and phone number of every contractor who received a copy of the Detailed Plans and Specifications for the project and the date and time specifications were provided.
2. If communications with prospective bidders occur during the bid period, record the substance of the communication on the bid log.

Bid Opening

The City Clerk (or representative) shall be present at all bid openings to verify the date and time of bid opening; open each bid proposal; announce the bids of each submitter; record the unit prices, sales tax, delivery charge if applicable, and total cost of each bid proposal. A tabulation of bid results will be prepared by the City Clerk (or representative) and is available to the public immediately following the formal bid opening.

Award or Rejection of Bids

For contracts for public works or improvements which are required to be competitively bid, the City Manager shall present the bids received, together with recommendations of the department or departments concerned, to the City Council at a regular meeting. The Council

shall award the contract to the lowest responsible bidder or may reject any and all bids for any transaction when the public interest will be served thereby.

The City Council may reject any or all bids and make further calls for bids in the same manner as the original call. If no responsive bid is received on the first call, the City may re-advertise and make a second call, or may enter into a contract without any further call or may purchase the supplies, material, and equipment or perform such work and improvement by day labor.

After Council approval, the purchase order or contract is issued, and a copy of the log should be submitted to the Finance Department and the unsuccessful vendors should be notified.

All bid proposal deposits must be returned to the unsuccessful bidders; the 5% bid bond of the successful bidder will be retained until a contract is entered into and a bond to perform the work is furnished, with surety satisfactory to the City Council. If the bidder fails to enter into the contract in accordance with his or her bid and furnishes a bond within ten days from the date of being notified of the successful bid, the 5% bid bond will be forfeited to the City of Covington.

Public Record

Immediately after opening the bids, the original copy of every bid proposal and a copy of the bid log should be filed with the City Clerk for retention; the bids are a public record. A copy of the proposal of the successful bidder should remain with the initiating department until completion of the project.

C. Change Orders

A change order is any alteration to a public works project during construction that is not consistent with the bid specifications upon which the contract was awarded. Bids are not required when unforeseen extra work becomes necessary under a valid preexisting contract. However, deviations from the contract that varies so substantially from the original plans as to constitute a new undertaking shall be reviewed by the City Attorney to determine if they require competitive bidding.

1. Change Orders within City Contingency Limit. The City Manager, or his/her designee, is authorized to approve a change order to Approved Projects; *provided that* such a change order, in aggregate with all previous change orders, does not exceed the anticipated total cost plus the City Contingency authorized by the City Council when the contract was awarded.
2. Change Orders Greater than City Contingency Limit. In the event that a change order, in aggregate with all previous change orders, will exceed the anticipated total cost plus the City Contingency, the City Manager, the Finance Director, the Department Director, and the Project Manager shall review the status of the project in relation to the change order and determine: a) whether the change order shall be approved; or b) whether the change order cannot reasonably be approved without further City Council action. In either circumstance, the City Council shall be notified at the next Regular Business Meeting that the total anticipated cost plus the City Contingency has been exceeded. In a circumstance such as the one contemplated in this section, the City

Manager is authorized to execute a change order up to an amount equal to the anticipated total cost plus the City Contingency plus the City Manager's contracting authority. Any amounts exceeding the aforementioned will require City Council action.

3. Force Accounts. In certain circumstances, work must proceed in the absence of a formal change order. By way of illustration only, examples of such circumstances include safety issues that jeopardize life or property, instances when the City is unable to reasonably negotiate a change order with the contractor, or unusual site conditions for which a change order cost cannot be estimated accurately. In such circumstance, the City shall establish a force account, as provided for in the City's standard public works contracts that is consistent with the provisions of the most recent edition of the *Standard Specifications for Road, Bridge, and Municipal Construction*, as produced by the Washington State Department of Transportation and the American Public Works Association. Strict accounting shall be maintained of all force account activities and the expenses reviewed consistent with either Section 1 or 2 above.
4. Project Management Responsibilities. Change orders should be negotiated in the best interests of the City and the project. It shall be incumbent upon the Project Manager to monitor the status of the scope of work and any change orders or force account work relative to the anticipated total cost plus city contingency of an approved project. If, in the assessment of the Project Manager, it seems likely that the City Contingency may need to be increased above the amounts contemplated herein in order to complete the project, then the Project Manager shall raise this issue with the City Manager so that the issue can be discussed with the City Council in sufficient time to make a decision on how best to proceed.

The City Manager will report all change orders to the City Council including the dollar amount.

III. ARCHITECTURAL & ENGINEERING SERVICES

A. Approval Authority

Amount	Approval Authority	Process
Up to \$7,500	Department Director	Contract/P.O./Invoices
\$7,501 - \$30,000	City Manager	Contract/P.O./Invoices
\$30,001 and above	City Council	Contract/P.O./Invoices

B. Process

The initiating department shall prepare a Request for Qualifications (RFQ) and publish in advance of the department's requirements for professional services the RFQ and its publication is intended to reach those potentially interested consultants that can provide the services required within the established time frame.

Whether the RFQ is for a specific project or for a "category or type" of service, it should contain the following information:

1. Project title and description.
2. Scope of services desired.
3. Submission deadline.
4. Format of response.
5. Criteria for selection.
6. Number of copies desired.
7. Name and telephone number of City contact person.
8. Instructions for submittal of qualifications and deadline for response.
9. Specific contract provisions, if applicable.
10. Notice that all documents submitted are a public record and subject to disclosure.

The responses received will be evaluated at the direction of the initiating department against established and consistently applied evaluation criteria. In some cases, top finalists may be selected for an interview procedure for further evaluation and rating.

Upon conclusion of the evaluation procedure, a recommendation will be presented to the appropriate budget authority for approval, or to the City Manager for submission to the City Council for approval.

Contract negotiations proceed after selection of the most qualified firm at which time statute provides for negotiation of a "fair and reasonable price."

The contract is a legal contract between the City and a vendor and will specify the scope and costs of the services to be provided, as well as the terms of payment. All contracts must be reviewed and approved as to form by the City Attorney.

The contract should be composed of two originals and two copies and is distributed as follows after execution:

1. One original provided to the vendor prior to commencing work.
2. One original provided to the City Clerk.
3. One copy to the Finance Department.
4. One copy to the department responsible for monitoring contract performance and authorizing progress and final payments.

C. Contract Amendments

Amendments are changes to service contracts.

Changes to contracts may be processed as amendments, rather than as new contracts, only if the changes are within the general scope of the original contract.

Changes within the scope that represent substantial changes in the quantity, cost or nature of the work are not appropriate for contract amendments. When an original contract includes options to extend for additional periods or to add subsequent phases, such amendments, though they may represent substantial changes, are appropriate.

Changes outside the general scope of the contract are not appropriate to be awarded through contract amendments. Such changes would have the effect of making the work performed substantially different from the work agreed to at the time the original contract was awarded. A new contract should be considered when:

- A significant change in contract price occurs. This would not be true when an original contract provided for subsequent phases that would logically be added by amendment.
- The changes are not within the scope of the original contract. Such substantial changes include changes in quantity, duration, cost or nature of the work.
- Contractor lacks the skill or manpower to undertake the additional scope.
- Changes have occurred in the competitive factors since the original procurement.
- The contract extension has been exhausted.

Processing Contract Amendments:

Amendments must be executed by both parties before the contract period of performance ends and before the contractor begins work as authorized by the amendment.

The principle areas where changes occur and where amendments are required are:

Scope: This includes adding, modifying or deleting tasks, services or deliverables, or revising specifications. Changes to scope should be well documented and include any additional costs associated with these changes.

Cost: If the cost of the contract is increased or decreased, document reasons for change (e.g., scope changes).

Term of Contract/Period of Performance: An extension of the end date of the contract is the most common change to the period of performance.

Minor modifications that do not materially affect the scope or cost of the contract, such as address changes or staff changes, do not require a formal amendment, but should be documented in writing.

Contract Amendment Approval:

- A Department Director (or designee) is authorized to approve amendments with an accumulated value up to the director's signing authority.
- The City Manager is authorized to approve amendments with an accumulated value up to his/her signing authority.
- The City Council shall authorize the City Manager (or designee) to approve amendments when the accumulated value is greater than the City Manager's signing authority and/or budget appropriation has been exceeded. Such authorization establishes a new contract amount against which the above signing-authority levels apply to subsequent amendments.
- Amendments that do not change the total value of the contract (i.e., a new contract expiration date) may be signed by the Department Director.

- Amendments are fully executed when all authorized parties have signed it. Upon execution, signed copies of the amendment should be provided to all interested parties including, at a minimum, the contractor and the City Clerk. The City Clerk will scan each fully executed amendment and make available for City staff to review electronically.

IV. PROFESSIONAL SERVICES CONTRACTS

A. Approval Authority

Amount	Approval Authority	Process
Up to \$2,500	Staff with Director's Authorization	Contract/P.O./Invoices
Up to \$7,500	Department Director	Contract/P.O./Invoices
\$7,501 - \$30,000	City Manager	Contract/P.O./Invoices
\$30,001 and above	City Council	Contract/P.O./Invoices

B. Process

Contracts for professional services such as attorney services, computer programmers, financial consultants, planners, bond counsel, accountants, etc., may be procured by direct negotiation with a selected firm or individual.

Although formal competitive bids or Requests for Qualifications are not legally required, it is recommended the process described under Architectural & Engineering Services be followed.

C. Contract Amendments

See Section III C.

V. SOLE SOURCE PURCHASES

Compliance to the provisions of these purchasing policies and procedures may be waived upon approval of the City Manager and by resolution of the City declaring that the purchase is clearly and legitimately limited to a single source or supply within the near vicinity, or the materials, supplies, equipment, or services are subject to special market conditions, and recites why this situation exists.

VI. EQUIPMENT LEASING

A. General Policy on Leasing

Leases are legally binding contracts that financially obligate the City of Covington. Leasing equipment is subject to the same policies and procedures that would apply to the acquisition of any piece of equipment. Contract signing authority for equipment leases, regardless of duration, is the same as for equipment purchases.

Leasing is a financing mechanism, not a funding source. The acquiring department must identify the funding source prior to entering into a lease. The primary reason to lease rather

than buy an item is because the needed item is so expensive that it is unavailable or more expensive than leasing.

The lease or buy decision and the identification of the type of lease that would be most appropriate must take into consideration the following criteria:

- Technical and operational useful life of the item(s).
- Likelihood of continued use beyond the lease term.
- Budgeting issues.
- Financing terms (term, cost of borrowing).
- Type of lease (Operating vs. Capital) and its Financial Statement impact.

B. Types of Leases – Operating vs. Capital

Normally at the end of an operating lease the leased item is returned to the lessor. With a capital lease, the City will own the leased item at the end of the term with no additional payments owed, or by paying a predetermined price that is below the expected fair market value of the property. An operating lease is treated as a series of rental payments, whereas a capital lease is recorded as an asset of the City, with a corresponding liability for the full amount of the lease obligation.

C. Leasing Procedures

The procedures for leasing equipment are outlined below:

1. The requesting department must notify the Finance Department, to the attention of the Accountant, of the intent to lease equipment. Before moving on with the leasing process, the normal procedures for acquiring equipment should be completed.
2. The Finance Department will determine the best funding mechanism for the acquisition and notify the department. If leasing is not the best option, the Accountant will work with the department to find a suitable alternative. Should leasing be approved, lease proposals will be obtained and reviewed by the Finance Department and the requesting department will be notified of the type of lease (operating vs. capital), the monthly lease payment, the lease term and the BARS code to which the monthly lease payment should be charged. Please note that the proposed lease rates may be subject to change as specified in the lease proposal, typically based on fluctuations in interest rates from a specified date (usually 30 days) after the quote until a proposal agreement is signed.
3. Once the equipment has been delivered, installed and is working properly, the department shall notify the Finance Department. It is the department's responsibility to work with the vendor to ensure that the equipment is delivered and installed in good order.
4. Upon notification from the department, the Accountant will sign and return to the leasing company the certificate of acceptance, at which time the lease officially begins. Under no circumstances should the certificate of acceptance be signed before the equipment has been received and tested. Copies of the lease documents will be forwarded to the department by the Finance Department. In the case of capital leases, the Finance Department will add the equipment to the City's fixed asset database. In addition, the Finance Department will add the equipment to the City's property insurance schedule and notify WCIA.

5. Payment procedures for all leases will be handled by Accounts Payable. Lease invoices shall be sent to Accounts Payable by the leasing company and Accounts Payable will determine the appropriate method of payment.
6. Ninety days prior to the expiration of an operating lease, it is the responsibility of the department to determine whether the equipment should be returned, re-leased, or purchased and to notify the Accountant of its plans. The Finance Department will work with the department to be sure the final decision is in the City's best interest. For re-leasing and buyouts, appropriate purchasing procedures must be followed.
7. If a decision is made to purchase the equipment at the end of an operating lease, the Accountant will work with the department and the leasing company to determine the fair market value (FMV) of the equipment. Once the FMV has been negotiated, the department will be notified. After purchase, the Finance Department will add the equipment to the fixed asset inventory.

VII. EMERGENCY PURCHASES

The following is an excerpt from section ESF 33 of the City's Comprehensive Emergency Management Plan:

1. Each City Department shall designate personnel to be responsible for documentation of disaster related expenses.
2. Emergency expenditures will come from currently appropriated local funds in accordance with RCW 38.52.070.
3. The City Manager or designee and the Finance Director or designee will be responsible for identifying sources of funds to meet disaster related expenses which are incurred.
4. Regular "normal" approval procedures for expenditures may be modified to accommodate the circumstances associated with the disaster.
5. Records shall be kept in a manner that distinguishes between day-to-day operations and disaster expenses.
6. The Finance Director shall appoint staff to coordinate documentation of citywide financial records and expenditures resulting from a disaster.
7. Alternate methods of payment and payroll processing will be established in the event of a system failure.

For further information please review the City's Comprehensive Emergency Management Plan.

VIII. PETTY CASH

A. Purpose

The City maintains a Petty Cash Fund for making minor disbursements such as making change, reimbursing employees for out-of-pocket minor expenses, such as parking, and purchases of minor supplies costing less than \$20.00, and similar expenditures for the conduct of City business. The Petty Cash Fund may not be used for personal cash advances even if secured by check or other I.O.U.

B. Process

Employees must submit a receipt for expenses incurred – approved by their supervisor - to the Finance Department for payment out of the Petty Cash Fund.

Reimbursement from the Petty Cash Fund for expenses incurred requires the approval of the City Manager if no receipt is available.

IX. TRAVEL EXPENSES

Refer to Travel Expense Policy, Resolution No. 97-12, as currently exists and as may be amended in the future.

X. DEFINITIONS

Architectural & Engineering Services - Those services within the scope of practice of architecture, engineering or land surveying.

Best Practice Purchasing - Whenever formal written quotes/bids or telephone quotes are not required, competitive relationships with vendors/suppliers/contractors will be shopped or negotiated to assure competitiveness and reasonableness in achieving low cost, good quality and service.

Budget Authority - Person(s) authorized to spend funds up to amounts as budgeted on behalf of the City.

Competitive Sealed Bid - Notice to bidders is advertised and sealed bids are required. Usually, the bid document is very detailed and specific.

Direct Bill Account - The City may negotiate direct bill accounts with local suppliers and authorized employees may purchase items on the City's account with shipping bills matched to invoices for payment.

Emergency - A situation which results from the occurrence of a disaster, such as, but not limited to flood, hurricane, riot, power outage, disease, or a situation which may lead to the impairment of the health, safety or welfare of the public, if not immediately attended to.

Lowest Responsible Bidder - In addition to price, elements which may be considered when selecting the best bid/proposal, include, but not limited to:

1. Tax revenue the City would receive by purchasing locally;
2. The ability, capacity and skill of the bidder to perform the work;
3. The experience, efficiency, reputation, judgment, integrity, and character of the bidder;
4. Ability to perform promptly and within time specified without delay or interference;
5. Performance quality of previous contracts or services;
6. Previous and/or existing compliance by the bidder with laws relating to contracts or services;
7. Financial responsibility of the bidder to perform the contract or provide the service;

8. Limitations of any license the bidder may be required to possess;
9. The quality, availability, and/or adaptability of the product or service;
10. The sufficiency of financial resources to perform the contract;
11. The ability of the bidder to provide future maintenance and service for the use of the subject of the contract;
12. Compatibility and uniformity with existing equipment, services and/or procedures; and
13. Other information as may be pertinent and having a bearing on the decision to award the contract.

Proposal - The consultant's proposal describing key personnel, technical approach, experience and familiarity with the area, time schedules, work plan, and other information relating to the specific service being sought.

Professional Services - An occupation wherein the labor and skill involved is predominantly mental or intellectual rather than physical or manual. Professions included in this category are: Accountants, artists, attorneys, bond brokers, computer programmers/consultants, insurance brokers, economists, financial analysts, planners, real estate appraisers, and codification of municipal ordinances.

Purchasing Agent - Person(s) responsible for purchasing in each department/unit.

Request for Proposal (RFP) - A solicitation sent to known vendors, usually prepared by a Department Director or designee, which indicates in a general manner the work or type of service which the City desires to contract. RFP's generally solicit original ideas from experienced and knowledgeable vendors.

Roster - Small Works - A listing of prequalified bidders for public works projects of between \$30,000 and \$200,000.

Roster - of Vendors for Supplies, Materials and Equipment - A listing of vendors from which bids/telephone quotations will be sought for purchases of supplies, materials, and equipment estimated to cost between \$7,501 and \$15,000.

Statement of Qualifications - A form of proposal wherein the prospective consultant/contractor provides information relating to the proposer's qualifications to perform the type(s) of work being sought, and may include brochures, resumes of key personnel, descriptions of work completed in other places, references, etc.

Telephone Quote - Soliciting prices and other terms from vendors by phone wherein records of each contact are maintained.

Written Quotation - A written record of prices and other terms provided by prospective vendors in response to written solicitation sent to the prospective vendors by the City.

Attachment 'A'

POLICY PROCEDURE: PURCHASING CONTRACTING Quick Reference Sheet

TYPE	AMOUNT	APPROVAL AUTHORITY	PROCEDURE
Purchase of Supplies, Materials and Equipment	Up to \$2,500	Staff with Director's Authorization	Informal Telephone Quotes P.O. and/or Invoice
	Up to \$7,500	Department Director	Informal Telephone Quotes P.O. and/or Invoice
	\$7,501 - \$15,000	City Manager	Telephone/written quotes from Roster of Vendors or Competitive Bid P.O and/or Invoice
	\$15,001 to \$30,000	City Manager	Competitive Bid P.O. and/or Invoice
	\$30,001 and Over	City Council	Competitive Bid P.O. and/or Invoice
Public Works Contracts	Up to \$7,500	Department Director	Contract/P.O.
	\$7,501 - \$15,000	City Manager	Contract/P.O.
	\$15,001 - \$30,000 (one trade)	City Manager	Contract/P.O.
	\$30,001 - \$45,000 (multiple trades)	City Manager	Small Works Roster/Contract/P.O.
	\$45,001 - \$200,000	City Council	Small Works Roster or Competitive Bid
	Over \$200,000	City Council	Competitive Bid
Architects & Engineers	Up to \$7,500	Department Director	Contract/P.O and Invoices
	\$7,501 - \$30,000	City Manager	Contract/P.O and Invoices
	\$30,001 and above	City Council	Contract/P.O and Invoices
Professional Services	Up to \$2,500	Staff with Director's Authorization	Contract/P.O and Invoices
	Up to \$7,500	Department Director	Contract/P.O and Invoices
	\$7,501 - \$30,000	City Manager	Contract/P.O and Invoices
	\$30,001 and above	City Council	Contract/P.O and Invoices
Emergency Purchase	N/A	See Emergency Procedures	P.O./Contract within 48 hours
Petty Cash	Up to \$20	Budget Authority	Signed Receipt

SUBJECT: BRIEFING ON UTILITY TAX EFFECTIVE RATE

PREPARED BY: Rob Hendrickson, Finance Director

ATTACHMENT(S):

1. Q&A from the Utilities and Transportation Commission

EXPLANATION:

A question has been raised by a citizen concerning the way utility companies pass along charges to their customers in order to collect utility tax.

Per RCW 35.21.870, most cities in the state impose a utility tax on the gross income derived from the utility business not to exceed six percent (6%) on the following utilities: electricity, natural gas, telephone, or steam energy business. Other businesses such as cable television and solid waste are not restricted on how much may be charged.

When a city chooses to implement a utility tax¹, it is charging the utility company directly on its gross revenues which are defined in the city's ordinance (nominal rate). The utility company in turn may pass this charge on to its customers in order to recoup its costs (effective rate). In most cases, the utility taxes are levied on the gross operating revenues of the utility which include taxes owed by the utility and therefore the effective rate of the tax may be higher than the stated rate of 6% when you are comparing the utility tax charge strictly to the actual charge for service.

The Washington Utilities and Transportation Commission allows utility companies to reflect the rate of the city's utility tax based on the overall impact that the assessment of city utility tax creates. For example the state utility tax and state filing fee assessment are based on the same definition of "gross business income" as the city's utility tax, and therefore the utility must pay additional state tax on the city tax revenue. Even though the additional tax is paid to the state, the utility is allowed to show it as part of the city's utility tax calculation. (please see attachment 1 for more detail)

RCW 82.15.050 offers deductions that may be included when computing the tax. Some cities such as Poulsbo² have opted to make their deductions more restrictive by excluding "revenues derived from transactions in interstate or foreign commerce, or from business done for the United States and the state, or their officers or agents or any amounts paid by the taxpayer to the United States and the state, the city or to any political subdivision of the state, as excise taxes levied or imposed upon the sale or distribution of property or services, or as a utility tax."³

¹ In the AWC 2010 Tax and User Fee Survey, 188 cities reported they impose a utility tax in Washington State.

² Other known cities who utilize this model include Edmonds, Lynnwood, Mukilteo, and Port Orchard.

³ Poulsbo Municipal Code 3.36.060

When the Covington City Council adopted a utility tax⁴ in 2007, they adopted the model that the majority of cities in the state utilize. The nominal rate at inception was 5.5% on all utilities which included electric energy, natural or manufactured gas, solid waste, telephone, and cable television business within the City of Covington. Initial collections began on February 1, 2008.

This was revised to include the city's surface water utility in 2012.⁵ In addition, the nominal rate was increased to 6%.⁶

As part of the adopting ordinance the following definition of a utility's gross revenues was included:

(6) "Gross income" means the value proceeding or accruing from the performance of the particular business involved, including gross proceeds of sales, compensation for the rendition of services, and receipts (including all sums earned or charged, whether received or not) by reason of investment in the business engaged in (excluding rentals, receipts or proceeds from the use or sale of real property or any interest therein, and proceeds from the sale of notes, bonds, mortgages or other evidences of indebtedness, or stocks and the like), all without any deduction on account of the cost of property sold, the cost of materials used, labor costs, taxes, interest or discount paid, delivery costs or any expenses whatsoever, and without any deduction on account of losses.

In summary, the city has opted to define gross revenues for utilities in the same way a majority of cities have across the state.

Given staff research it appears that cities make the determination on which model works best for their respective cities and that both are correct.

⁴ Ordinance 16-07 effective December 10, 2007.

⁵ Ordinance 08-12 effective May 30, 2012.

⁶ Ordinance 14-11 effective February 1, 2012. This additional revenue raised by the 0.5% is dedicated to park maintenance.

FISCAL IMPACT:

To estimate the fiscal impact if the city were change its nominal rate to account for the exclusion of state and federal taxes staff consulted MRSC. Judy Cox, finance consultant with MRSC, has devised a formula to explain how this would work. The following is her response:

“Assume that a utility is charging rates that produce \$100 of gross income a month and that its costs are \$90. The WUTC has approved the rate structure that gives the utility \$10 profit. Now the city puts a six percent tax on gross income. After paying the tax, the utility has only \$94 left and its profit falls to \$4. It goes to the WUTC, explaining that a tax has been put on and asks to raise its rates.

“So how much should they raise rates? At first glance, it would appear to be six percent to cover the tax. But with a six percent increase, gross income would be \$106, the tax due would be $\$106 \times .06 = \6.36 and after paying the tax, the utility has \$99.64, with its profit at \$9.64 still lower than it was before the tax was levied. To maintain its \$100 income net of taxes and its \$10 profit, the utility must ask for a rate increase equal to $(1/(1-t))-1$, where t is the city's tax rate. In this case where $t = 6\%$, the required rate increase turns out to 6.38 percent and that rate is called the effective tax rate.

“So if you wanted to have an effective rate of 6 percent, then you would have to lower your nominal rate to 5.66% and this would drop your revenues by 6 percent.”

Applying that formula to the city in terms of dollars, it would translate to an annual revenue reduction of \$128,408 (based on the 2013 forecast).

CITY COUNCIL ACTION: Ordinance Resolution Motion Other

ASK QUESTIONS OF STAFF.

REVIEWED BY: City Manager; City Attorney

The following Q&A is from the Washington Utilities and Trade Commission website www.utc.wa.gov.

City Taxes On Utility Bills

June 2006 CA-505-2

The city tax rate on my bill appears higher than the rate approved by the city government. Why is that?

Many cities and towns in Washington impose a business and occupation tax on utilities doing business within its boundaries. These taxes are generally based on a percentage of revenues a utility collects from customers within the city or town. Local utility taxes levied in Washington are imposed directly on the utility, which is solely responsible for payment. Most natural gas, electric, and telephone utility companies in the state pass on these taxes to its customers. In addition to the actual tax rate, utilities also include a charge based on additional costs for billing and collection. This is why the bill shows the charge as the "effect" of city tax rather than, simply, city tax.

It appears the utility is asking me to pay a tax on a tax. Is it legal to impose a tax on a tax?

The "effect" of the city tax is not legally viewed as a tax on a tax. The city is taxing the utility company (business and occupation tax), not the individual customer. The amount shown on the bill as the "effect" of city tax is a tax on the company that the Washington Utilities and Transportation Commission (UTC) allows the utility to pass onto customers.

Under state law, including UTC orders, utilities may impose an additional service charge to cover the cost of administering local or city taxes, e.g., billing and collection. One reason for this practice is so the UTC and customers can accurately determine what part of the local rates are due to local taxes.

Customer bills also include a charge for federal excise taxes. The methods utilities use to calculate federal excise taxes are mandated by state and federal law.

What is the legal basis for allowing utilities to charge for the increased "effect" of a tax?

Since this charge is not a tax, but a part of a utility-service charge, it must be included in the tax base for federal excise tax purposes. Federal law requires that all charges included on the bill be included in the tax base.

For example, the Internal Revenue Service has held that where a state or local taxing authority imposes a tax on the telephone company, rather than the customer, the effect of this tax may be passed on to the customer. The telephone company must include the tax in the federal excise tax base. This is true even though the "effect" of the tax may be shown as a separate item on the bill. Further, section 4251 (a) of the Internal Revenue Code imposes the federal excise tax on communications services. The tax applies to both local and toll service. This section requires the

excise tax be paid by the person paying for the service – the telephone customer. Section 4254(a)(1) of the Code further requires that the tax be based on the sum of all charges for services on the bill. A company may not deduct costs or expenses from the base amount.

Has the Washington State Supreme Court upheld this practice?

Yes. The UTC first approved the recovery of costs to collect local utility taxes in an order entered on October 9, 1947. (*See* Fifth Supplemental Order, Cause No. F.H. 7229). The Washington State Supreme Court upheld this decision. The court found that these taxes were imposed on the telephone company rather than the customer. (*See* State ex. Rel Seattle v. Department of Public Utilities, 33 Wn.2d 896, 207 P.2d 712 (1949)).

Have the federal courts addressed this issue?

Yes. Since these local taxes are imposed on the company rather than the customer, they represent costs of doing business. The “effect” of these costs is passed on as an additional service charge for the company's services. Under Internal Revenue Code Section 4251, the company is required to calculate the federal excise tax by including all charges as part of the federal tax base. Federal courts have upheld this requirement when addressing state and local taxes. *See* Rev. Rul. 77 - 472, 1977-2 CB 379; Rev. Rul. 73-184, 1973-1 CB 455; and Rev. Rul. 69-151, 1969-1 CB 288; *see also* State of Minnesota et. al. v. U.S., 75-2 USTC ¶ 16,204, 525 F.2d 231 (8th Cir. 1975); *Agron v. Illinois Bell Telephone Co.*, 71-2 USTC ¶ 16,014, 449 F.2d 906 (7th Cir. 1971).

Agenda Item 4

Covington City Council Meeting

Date: July 9, 2013

SUBJECT: COUNCIL POLICY ON NORTHERN NOTCH ADVOCACY

RECOMMENDED BY: Richard Hart, Community Development Director

ATTACHMENTS:

1. Map of Northern Gateway Study Area

PREPARED BY: Richard Hart, Community Development Director

EXPLANATION:

The “Northern Notch” is identified in Covington’s Comprehensive Plan as one of several Planned Annexation Areas (PAAs). In 2008 and 2012, the City Council, at the request of one of the major property owners in the notch, directed city staff to begin communicating with the King County Council and their staff, in an effort to add the 285 acre Northern Notch to the Urban Growth Area (UGA).

In 2008 and 2012 several councilmembers and staff spent a considerable amount of time attending various King County Council meetings, meeting with councilmembers, and discussing with King County staff the city’s ability to move the UGA line. Despite the efforts, the Growth Management Planning Council (GMPC) and King County Council showed little to no support for including the Northern Notch in Covington’s UGA. The primary reason was based on the city’s failure to meet all of the King County Countywide Planning Policies (CCPs), particularly the “Buildable Lands” threshold criteria and targets.

As part of the Northern Gateway Study, the city’s consultants, Stalzer & Associates, updated the Buildable Lands Report and analyzed the available land within the city limits and existing UGA for future commercial and residential development based upon our population projections and other regional demands. That updated study didn’t reveal any new data or support for the city’s inability to meet current and future growth targets within existing UGA boundaries. In addition the Hawk Property (totally within Covington’s UGA), directly southeast of the Northern Notch, contains about 130 acres of developable land already within the city limits of Covington (65% of the total Hawk property). This Hawk property presents additional capacity for future residential and commercial growth within the city’s current UGA; therefore, additional land is not needed to meet buildable land targets. This fact was cited by the GMPC, the King County Council and their respective staffs as another reason to not pursue adding the Northern Notch to the UGA in 2012.

As an alternative argument to the buildable lands data requirements and the CCP’s city staff and several city councilmembers also spent substantial time presenting information to the GMPC, the King County Council, and their respective staffs that the notch was incorrectly left out of the UGA boundary when the Covington city limits were created in 1997. However, this argument

did not gain any political support or provide a compelling reason to override the buildable land and CCP requirements which Covington currently fails to meet.

Based upon the most recent effort by city councilmembers and staff last year, and additional discussions with our King County Council member and various county staff and GMPC staff, there is little support to move the UGA boundary in the near future. King County also indicated in 2012 that they would not be considering changing or adjusting the growth targets in the next four years as cities are doing their required GMA Comprehensive Plan Updates, due in June 2015. It will be difficult for the city to continue lobbying King County without changes to King County's buildable lands policy and/or adjusted allocated growth targets.

Currently the City Council has directed that a large amount of the Community Development Department staff resources be devoted to preparation of the Subarea Plan and Planned Action EIS for the Hawk property, which already is within the UGA. This 210-acre site should provide substantial new commercial and residential land for future growth. This process is very complex and time consuming for both the city staff and the Planning Commission and will continue at least through the 1st quarter of 2014, and possibly beyond, as we work thorough the implementation of the Development Agreement for the Hawk Subarea Plan. In addition, there are many other work plan items underway for the remaining months of 2014 and beyond into 2015, including completion of our GMA required Comprehensive Plan Update and various zoning and development code amendments that will require all available time from the city staff and Planning Commission.

Staff thinks that the city's economic development goals of increased regional commercial development, new areas for mixed use projects, additional land for residential growth of all kinds, and increased office space for our expanding health care and wellness employment niche, all of which will result in increasing sales tax revenues, can be achieved in both the Hawk Subarea and the existing Town Center. With continuing limited staff time and resources, these two efforts must be the city's highest priorities from an economic development and future growth standpoint.

This raises the question of how much time and effort, if any, should be devoted to efforts of lobbying King County over the next few years to again consider the addition of the Northern Notch to the UGA. Such efforts, based upon past experience, will take a substantial amount of staff time, not only from the Community Development Department, but also from city councilmembers and the City Manager's Office. If that UGA expansion advocacy effort was directed by the City Council, it would certainly require addressing the current and future priorities of the Community Development Department and the Planning Commission and mean other tasks would not be accomplished or have to be postponed, given current resources. Other desired tasks would be squeezed out during the next several years, including potential work with the Town Center and accomplishing the council goal for implementing that vision.

The GMPC staff, which is composed of several Planning & Community Development staff from numerous other cities in the region, is quite vested in strictly following the Buildable Lands thresholds and targets, holding firm to the language in the Countywide Planning Policies, and

adhering hard and fast to the policy statements of not expanding the UGA beyond its present boundaries when available land or re-developable land already exists within current city boundaries to handle future growth targets. Any effort to overcome those obstacles, especially given our past experience in 2012, will obviously require a large amount of time, effort and staff resources. It will certainly mean changing priorities for work tasks at the city staff level.

That said, the staff is seeking guidance if a task should be added to the work plan and if time should be spent during the next few years prior to the 2016 decision point for King County on any additional UGA amendments. This task would involve trying to reach beyond the deficiencies of Covington's inability to meet the Buildable Lands threshold criteria, devoting a great effort to building a coalition of cities supporting our effort in 2014, potentially doing some additional costly data analysis, which will require more staff time or consultant time, and determining how to meet all of the GMPC criteria within the King County's Countywide Planning Policies.

ALTERNATIVES:

- 1) No Action at this time on a council policy for Northern Notch advocacy
- 2) Request further information from staff before providing direction on any advocacy policy

FISCAL IMPACT:

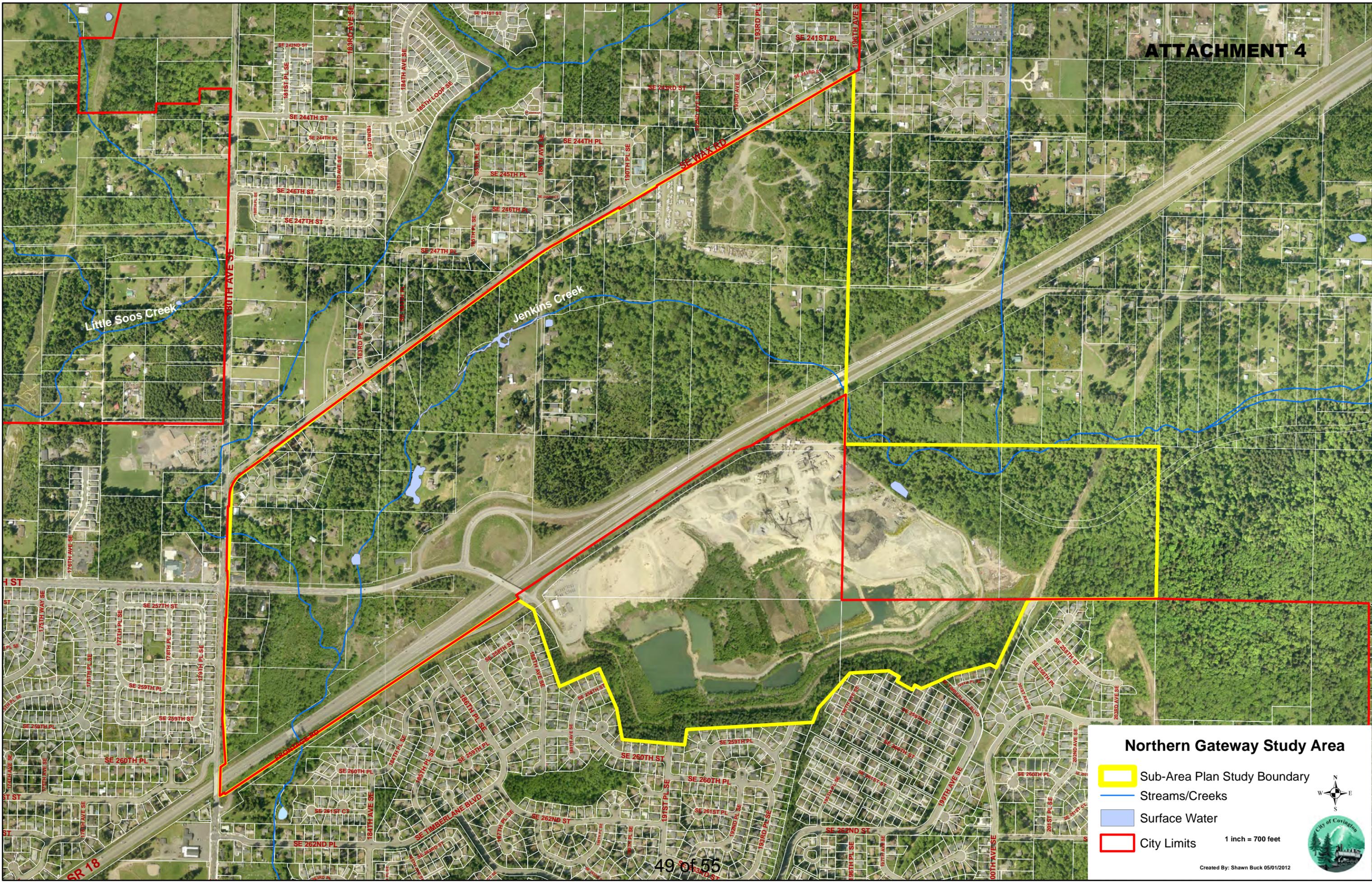
Depending upon the level of advocacy, there could be substantial impacts on staff resources and some dollar costs, including staff time lost and unavailable for other work tasks directed by the council in 2013 and 2014.

CITY COUNCIL ACTION: ___ Ordinance ___ Resolution ___ Motion X Other

Staff Seeks Council Direction on Time and Tasks Devoted to Lobbying for the Addition of the "Northern Notch" to the King County UGA between 2013 and 2015.

REVIEWED BY:

City Manager
Community Development Director
Finance Director
City Attorney



Northern Gateway Study Area

-  Sub-Area Plan Study Boundary
-  Streams/Creeks
-  Surface Water
-  City Limits

1 inch = 700 feet



SUBJECT: COMMISSION EXIT INTERVIEW PROCESS

RECOMMENDED BY: Derek Matheson, City Manager

ATTACHMENT(S):

1. City Council Rules, Section 5, “City Advisory Committees”

PREPARED BY: Derek Matheson, City Manager
Sharon Scott, City Clerk

EXPLANATION:

The mayor has recommended that the City Council create a formal process to interview outgoing advisory commission members. Staff is seeking high-level input from council to help staff prepare an amendment to the City Council Rules for future council review. Following are questions, options, and recommendations to guide council’s discussion:

<u>Question</u>	<u>Options</u>	<u>Recommendation</u>
To whom should exit interviews be offered?	<ol style="list-style-type: none"> 1. All departing commissioners 2. Commissioners who complete their terms but choose not to reapply 3. Commissioners who reapply but are not reappointed 4. Some combination of the above 	Option 1
Who should conduct the interviews?	<ol style="list-style-type: none"> 1. Full council 2. Council subcommittee (less than four members) created for the sole purpose of conducting exit interviews 3. Individual councilmember assigned to particular commissions for the sole purpose of conducting exit interviews 4. Staff liaisons to commissions 5. City Clerk’s Office 	Option 1, 2, or 3, because commissions are appointed by and report to the council

<u>Question</u>	<u>Options</u>	<u>Recommendation</u>
Who should initiate and schedule the interviews?	<ol style="list-style-type: none"> 1. Interviewer 2. Staff liaisons to commissions 3. City Clerk's Office 	Option 3
When should the interviews be scheduled?	<ol style="list-style-type: none"> 1. Prior to council pre-meetings 2. Prior to council meetings that do not have pre-meetings (increasingly rare) 3. Some other standard day and time 4. Case-by-case basis 	Option 1, 2, or 3
Should there be standard interview questions?	<ol style="list-style-type: none"> 1. Several standard questions 2. Informal conversation only 3. Some standard questions combined with informal conversation 	Option 3
How should interview outcomes be reported to council, city manager, affected departments, and staff liaisons?	<ol style="list-style-type: none"> 1. Formal memorandum prepared by interviewer 2. Formal memorandum prepared by staff liaison in consultation with interviewer 3. Formal memorandum prepared by City Clerk's Office in consultation with interviewer 4. Informal email prepared by interviewer 5. Verbal report by interviewer during council/staff comments at the next regular council meeting 	Option 4. Further discussion, when necessary, could occur during council/staff comments at the next regular council meeting.

ALTERNATIVES: Discussed above.

FISCAL IMPACT: Staff time.

CITY COUNCIL ACTION: ___ Ordinance ___ Resolution ___ Motion X Other

PROVIDE INPUT TO STAFF

REVIEWED BY: City Attorney; Finance Director; Management Team (verbal only)

ATTACHMENT 1

- Permit audience participation at the appropriate times.
- Require all speakers to speak to the question and to observe the rules of order.
- State each motion before it is discussed and before it is voted upon.
- Put motions to a vote and announce the outcome.

C. Presiding Officer, Question or Order. The Presiding Officer shall decide all questions of order, subject to the right of appeal to the Council by any member.

D. Presiding Officer, Participation. The Presiding Officer may at his or her discretion call the Mayor Pro Tem or, in his or her absence, any member to take the chair so the Presiding Officer may make a motion or for other good cause yield the Chair.

E. Request for Written Motion. Motions shall be reduced to writing when required by the Presiding Officer of the Council or any member of the Council. All resolutions and ordinances shall be in writing.

SECTION 4. DUTIES AND PRIVILEGES OF COUNCIL MEMBERS.

A. Forms of Address. The Mayor shall be addressed as “Mayor (surname),” “Your Honor,” or Mr./Madam Mayor. Members of the Council shall be addressed according to their preference as “Councilmember (surname),” Councilor (surname),” or Mr./Mrs./Miss/Ms. (surname).

B. Seating Arrangement at Regular Meetings. The Mayor shall sit at the center of the Council, and the mayor Pro Tem shall sit adjacent to the Mayor. Other Council members are to be seated in a manner acceptable to the Council. If there is a dispute, seating shall be in position order.

C. Dissents and Protests. Any Council member shall have the right to express dissent from or protest against any ordinance or resolution of the Council and have the reason therefore entered in the minutes.

SECTION 5. CITY ADVISORY COMMITTEES.

A. Establishment of Advisory Bodies. The City of Covington’s Commissions, committees, and task forces provide an invaluable service to the City. Their advice on a wide variety of subjects aids the Council in the decision-making process. Effective citizen participation is an invaluable tool for local government.

All City Advisory Committees are advisory to the City Council and are not authorized to take independent action representing the city with other agencies or bodies.

These advisory bodies may be established by City Resolution or Ordinance if required by state statute.

The enacting resolution will set forth the size of each advisory group, which will be related to its duties and responsibilities, the term of office of its members; a statement of its purpose and function; and time lines, if relevant to the scope of work.

All Advisory Committee Meetings shall comply with the requirements of the Open Meetings Act (RCW Section 42.30).

The Council may dissolve any advisory body that, in their opinion, has completed its working function or for any other reason.

B. Appointment to Advisory Bodies. Vacancies shall be advertised unless otherwise directed by the City Council so that any interested citizen may submit an application. Applicants are urged to be citizens of the City of Covington, but applications from residents living outside of the corporate boundaries may be considered if authorized by the resolution or ordinance establishing the advisory body.

Appointments to advisory bodies will be made by the City Council during a regularly scheduled meeting. The Council shall interview applicants for reappointments unless otherwise determined by the City Council. Every effort shall be made to interview each applicant except when an applicant lacks the basic qualifications as set forth in the applicable resolution or ordinance or when the gross number of applicants is so large as to be an undue burden on the Council's schedule.

Newly appointed members will receive a briefing by the Commission, Committee, or Task Force Chairperson and/or City staff regarding duties and responsibilities of the members of the advisory body.

C. Removal of Appointees. Appointees to advisory bodies may be removed prior to the expiration of their term of office by a supermajority vote of the City Council.

SECTION 6. COUNCIL COMMITTEES/APPOINTMENTS.

A. Council Committees. Council committees are policy review and discussion arms of the City Council. Committees may study issues and develop recommendations for consideration by the City Council. Committees may not take binding action on behalf of the City.

The City Council may meet for study or special project purposes as a Committee of the Whole or may establish Council subcommittees with three or fewer members.

Council Committee structure shall be as determined by the City Council and may include:

Council Committee of the Whole – (Seven Council members)

Council Committees – Standing Committees established for special purposes, tasks, or time frames (three or fewer Council members)

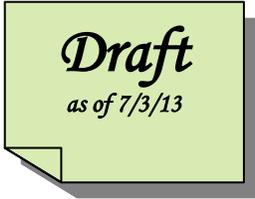
Subcommittees of the City Council – Ad hoc and informal working or study group (three or fewer Council members)

Council Member Appointments – to task teams or City advisory boards, commissions and committees (three or fewer Council members)

**DISCUSSION OF
FUTURE AGENDA TOPICS:**

July 23, 2013 – City Council Regular Meeting

(Draft Agenda Attached)



Covington: Unmatched quality of life
CITY OF COVINGTON
CITY COUNCIL REGULAR MEETING AGENDA
www.covingtonwa.gov



Tuesday, July 23, 2013
7:00 p.m.

City Council Chambers
16720 SE 271st Street, Suite 100, Covington

CALL CITY COUNCIL REGULAR MEETING TO ORDER

ROLL CALL/PLEDGE OF ALLEGIANCE

APPROVAL OF AGENDA

PUBLIC COMMUNICATION - NONE

PUBLIC COMMENT Speakers will state their name, address, and organization. Comments are directed to the City Council, not the audience or staff. Comments are not intended for conversation or debate and are limited to no more than four minutes per speaker. Speakers may request additional time on a future agenda as time allows.*

APPROVE CONSENT AGENDA

- C-1. Minutes: July 9, 2013 City Council Special and Regular Meeting Minutes (Scott)
- C-2. Vouchers (Hendrickson)
- C-3. Accept Covington Community Park Project (Vondran)
- C-4. Accept Aqua Vista Project (Vondran)
- C-5. Contract Amendment #2 with Best Parking Lot Cleaning Inc. for Street Sweeping (Vondran)

REPORTS OF COMMISSIONS

- Human Services Chair Haris Ahmad: July 11 meeting.
- Arts Chair Sandy Bisordi: July 11 meeting.
- Parks & Recreation Chair Steven Pand: June 19 and July 17 meetings.
- Planning Chair Daniel Key: July 18 meeting; July 4 canceled.
- **Future Meetings:** Economic Development Council: Next meeting August 22.

NEW BUSINESS

1. Proposed Amendments to Noise Regulations Ordinance (Klason)
2. Developer Agreement Ordinance (Hart)

COUNCIL/STAFF COMMENTS - Future Agenda Topics

PUBLIC COMMENT *See Guidelines on Public Comments above in First Public Comment Section

EXECUTIVE SESSION - Real Estate (RCW 42.30.110(1) (c))

ADJOURN

For disability accommodation contact the City of Covington at 253-480-2400 a minimum of 24 hours in advance. For TDD relay service, dial (800) 833-6384 and ask the operator to dial 253-480-2400.