

WEEKLY REPORT TO THE CITY COUNCIL

October 3, 2013

Members of the City Council
City of Tacoma, Washington

Dear Mayor and Council Members:

ACTION REQUESTED

1. Please note the following Proposition 1 Facts and Information Sessions for the community:
 - **October 9th, 6:00 p.m.**, Moore Library (Deputy Mayor Campbell)
 - **October 10th, 6:00 p.m.**, Jason Lee Middle School (Council Member Thoms)
 - **October 14th, 6:00 p.m.**, Gray Middle School (Council Member Lonergan)
 - **October 17th, 6:00 p.m.**, City Council Chambers (City-wide session with a special invite to the City's Commissions, Board, and Committees)
 - **October 30th, 6:00 p.m.**, The Nature Center (Council Member Walker)

TOPICS OF INTEREST

2. Finance Director Andy Cherullo provides the attached memorandum with information regarding the **2012 State Auditor Single Audit of Federal Programs** and the City's compliance with reporting requirements for the 2009 COPS Grant funding.
3. For your information, I am providing a copy of the **2012 annual report from the Foss Waterway Development Authority (FWDA)**. This report is provided to the City in accordance with the Third Operating Agreement between the Foss Waterway Development Authority and the City of Tacoma. The agreement indicates that the annual report should describe FWDA activities for the prior year and its plan for the current year, with particular emphasis on the status of its responsibilities under the agreement. The FWDA Board approved this report and authorized forwarding it to the City at their September 24, 2013 meeting.
4. The **agenda for the Public Utility Board October 9, 2013** is attached for your information.

STUDY SESSION/WORK SESSION

5. The **City Council Study Session** of Tuesday, October 8, 2013, will be held in Room 16 of the Tacoma Municipal Building North, at Noon. Discussion items will be: (1) **South Sound 911 Update**; (2) **Encampment Site Clean-Up Program**; (3) **Other Items of Interest**; and, (4) **Agenda Review**.

The City Council's Public Safety, Human Services, and Education Committee requested an **update from South Sound 911 (SS911) Executive Director Andrew Neiditz** at Tuesday's Study Session. The briefing will include: transition accomplishments from the Law Enforcement Support Agency to SS911; communications center performance standards and expectations; on-line services; and, 911 upgrade and infrastructure projects.

As a second item on Tuesday, Neighborhood and Community Services staff will share information on the **City's revised encampment clean-up process**, and give an update on the encampment clean-up work completed throughout the City over the past nine months. This new process was the result of collaboration and design involving multiple City Departments and working with the community partners to come up with strategies to safely and efficiently identify, clean and monitor new encampments. Many of the City's identified chronic encampment "hotspots" have been cleaned and, with ongoing monitoring, continue to be clear of new activity.

6. The updated **Tentative City Council Forecast Calendar** is attached for your information.

COUNCIL REQUESTS/INQUIRIES

7. Director of Utilities Bill Gaines provides the attached memorandum with responses to questions related to the **water filtration plant and the ductless heat pumps**, which were raised at the Joint Council/Utility Board Study Session on September 17th.

GRANT APPLICATIONS

8. The City applied for the following grant:
 - **Washington State Department of Ecology** – The funding requested will be used to develop a non-proprietary stormwater treatment media utilizing water treatment residuals that provide reliable and protective phosphorous removal. Current options for this removal include large-scale centralized facilities or treatment trains that do not integrate well into a natural landscape and are expensive and complex to build and maintain. The City is requesting \$277,722, with no match required.

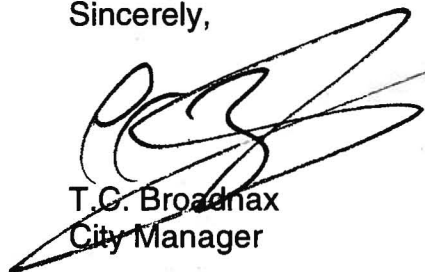
GRANT AWARDS

9. The City was awarded the following grant:
- **2013 Port Security Grant Program** – Funding request to build on existing Department of Homeland Security/Federal Emergency Management Agency funded chemical analysis and radiation detection capabilities housed within the Tacoma Fire Department hazardous materials response team. The City has been awarded \$551,715, with a required City match of \$183,905, which has not been included in the current biennial budget.

MARK YOUR CALENDARS

10. You have been invited to the following events:
- **Celebration of the National Day of the Republic of China on Monday, October 7th, 6:30 p.m. to 8:30 p.m.**, at the Grand Hyatt Seattle Hotel, Grand Ball Room, located at 721 Pine Street, Seattle.
 - **Ceremonial Tree planting to kick-off for the Hilltop Diversitree Planting Project on Friday, October 11th, 1:30 - 2:00 p.m.**, at the Tacoma Housing Authority Headquarters, located at 902 South L Street (planting strip on S 10th Street).
 - **World Affairs Council Tacoma 24th Annual Consular Association Reception on Thursday, October 10th, 5:30 - 8:00 p.m.**, Annie Wright School - Great Hall, located at 827 North Tacoma Avenue.

Sincerely,



T.C. Broadnax
City Manager

TCB:crh
Attachments



TO: T.C. Broadnax, City Manager
FROM: Andy Cherullo, Finance Director
SUBJECT: 2012 State Auditor Single Audit of Federal Programs – Questionable Costs
DATE: October 2, 2013

SUMMARY:

The City of Tacoma currently has over \$51 million in federal grants. These grants are required to be audited by the State Auditor as part of the City's audit of federal programs under the Single Audit Act. During the course of the 2012 Single Audit, the State Auditor questioned \$174,024 in costs that were charged to a 2009 COPS grant and found that the reporting procedures on a 2012 COPS grant were not followed. The State Auditor's finding was that the City did not have adequate internal controls to ensure it spent federal funds on allowable costs, and did not comply with reporting requirements.

ISSUE:**2009 COPS Grant**

In 2009, the City of Tacoma was awarded a \$1.595M COPS grant from the Department of Justice (DOJ). The purpose of the grant was to pay the salaries and benefits of five police officers over a 36-month period beginning July 1, 2009 and ending June 30, 2012. The City requested and received a one year extension which allowed for additional time to spend the funds through June 30, 2013.

The extension that was granted allowed the City to charge costs to the grant beyond the original ending date of June 30, 2012, but it did not increase the maximum 36-month funding period for each position. The State Auditor found that the City continued to charge costs to the grant after reaching the 36-month maximum on each officer, but within the allowable time period up to June 30, 2013.

Of the \$174K in questionable costs on the 2009 COPS grant, the majority (\$155K) relate to the costs that were charged for the five police officers beyond the 36-month maximum allowable period for each officer. The remainder of the questionable costs related to costs that were unsupported or unallowable such as overtime.

2012 COPS Grant

In 2012, the City was awarded an additional COPS grant from DOJ, the purpose of which was to retain 15 police officers over a three year period beginning June 1, 2012. The City did not request reimbursement for expenditures until after the first year of the grant was completed. In addition, the City did not include this grant on the 2012 Schedule of Expenditures of Federal Awards (SEFA) nor did it file the quarterly federal financial report (SF-425) timely.

RECOMMENDATION:

The State Auditor recommended that the City provide training for staff and establish and follow procedures to ensure that only allowable costs are charged to grants, required reports are completed timely and reviewed for accuracy by staff with knowledge of the grant requirements, and that grant expenditures are accurate and reported on the SEFA.

In response, City staff will work with the departments to strengthen its grant expenditure training and tracking system to ensure that all costs are allowable and within the grant timeframe. Also, the City will be reviewing all grant reporting requirements and developing a tracking mechanism to ensure all reporting filings are completed when due. Finally, the City will strengthen its reviews to ensure that all federal grants are reported timely on the SEFA and SF-425 reports.

*Foss Waterway Development Authority
Annual Report for 2012*

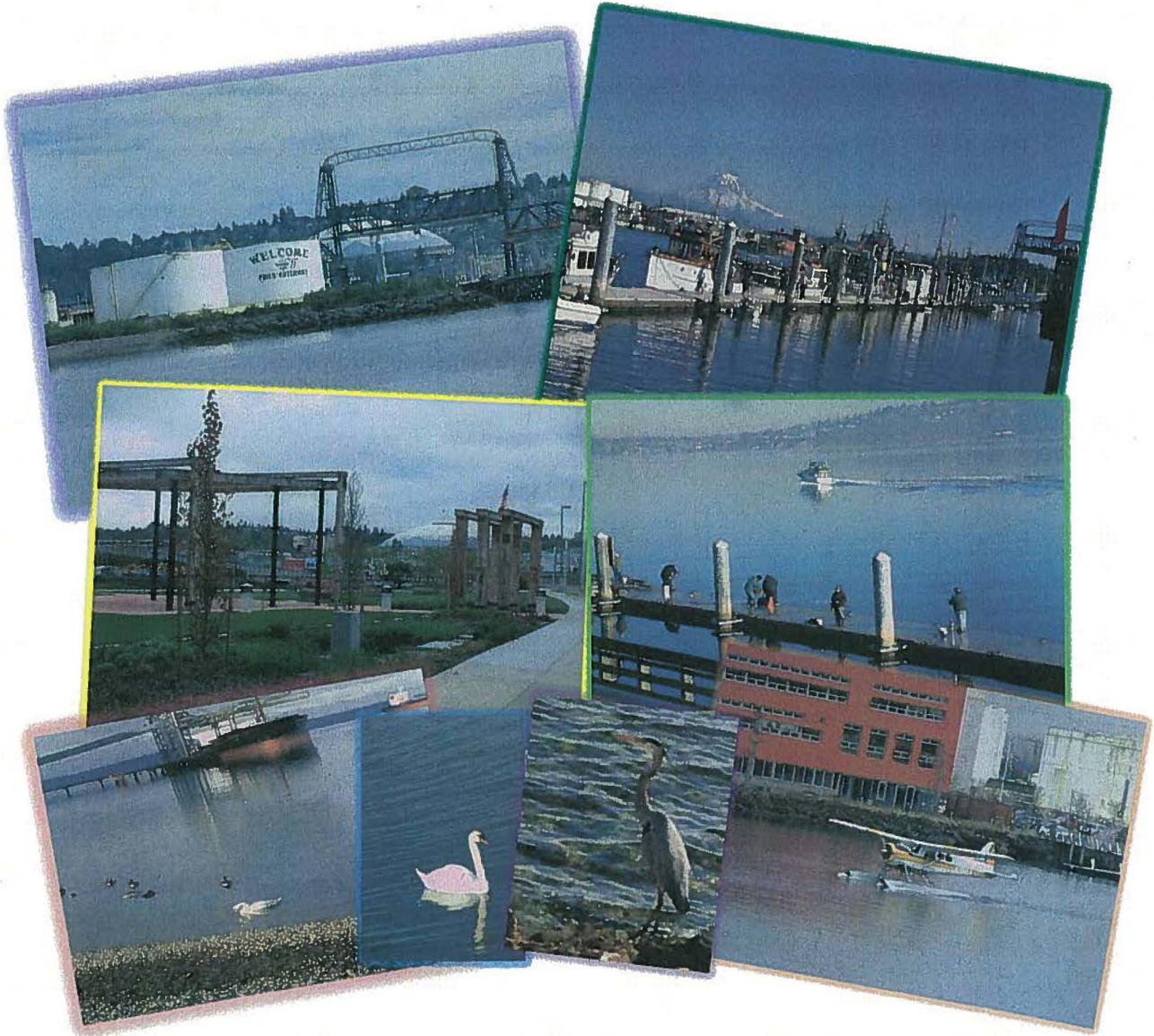


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Exhibit A –
Washington State Auditor’s Office Financial Statements Audit Report
and Accountability Audit Report

FOSS WATERWAY DEVELOPMENT AUTHORITY

BOARD OF DIRECTORS 2012

Joe Zawacki – President

Larry Anderson – Vice President

Barbara Mead – Secretary/Treasurer

George Weyerhaeuser, Jr.

John Folsom

Gary Pedersen

Michael Miller

Staff

Su Dowie – Interim Executive Director

Louise Dreyer – Office Manager/Executive Assistant



Introduction

The following summary is compiled in accordance with the Third Operating Agreement between the Foss Waterway Development Authority (FWDA) and the City of Tacoma (the City). The FWDA will provide to the City an annual report, including financial statements, describing its activities for the prior year and its plan for the current year, with particular emphasis on the status of its responsibilities under this agreement.

Per the agreement between the City and the FWDA, the following summary reflects the progress and/or completion of agreements and redevelopment efforts for the calendar year 2012.

FWDA Guiding Principles

- Attracting successful PRIVATE INVESTMENT projects with a mix of uses that will activate the waterfront and retail.
- Ensuring PUBLIC ACCESS on the Westside of the Foss that connects the community to the shoreline, the water and provides gathering space for events and activities.
- Improve INFRASTRUCTURE to benefit public access, initiate successful development and connect the waterfront to the downtown core.
- Maximize external FINANCIAL RESOURCES both public and private through grants and partnerships.
- Promote STEWARDSHIP on the Waterway

Executive Summary

In the current economic climate that has influenced our market, private development and investment on the Foss Waterway remains modest. Many of the retail business and housing projects have continued to operate, but at marginal rates in 2012. However, market indicators for Seattle are strong in housing, primarily in the South Lake Union area. This is being driven by job growth and private investment by companies like Amazon. As the market continues to improve we will begin to see secondary markets, like Tacoma, beginning to benefit from private investment. The recent expansion of State Farm Insurance into downtown Tacoma will bring approximately 1,100 jobs to the area and will create demand in housing and maximize class A office space. If the City and Development Authority can source funds to continue with infrastructure upgrades and remediation, there will be a competitive advantage for private investment on the Foss.

In 2012 the FWDA focused on continuing to upgrade and connect the esplanade on the west side of the waterway. The FWDA Board recognizes that developing the esplanade must continue to be a priority in order to promote the quality of investment that is required for the success of the waterfront. Seawalls on the north end of the Foss are reaching their useful life and are in need of replacement. The construction of infrastructure promotes development for the waterfront as well as the surrounding community, and creates jobs for local businesses and citizens.

Both the FWDA and private investors on the waterway are working diligently to promote an active maritime core centered on mixed use. This report will highlight the results that were accomplished in 2012, along with FWDA work priorities for 2013.

Priorities for 2012

Following is a summary of work for 2012 and the result of each redevelopment effort:

Development

- **Waterway Park** - The FWDA has completed remediation of the American Plating property which is within the Waterway Park site. Grants from Washington State Departments of Ecology and Commerce, funding from City of Tacoma LTGO Bond & Brownfield Bond Funds and FWDA funds were used to complete the project. Remediation was completed in December 2012.
- **Site 4** - The property was purchased by the Hollander Group from TF-4 LLC (a private limited liability company) for redevelopment. The redevelopment will include two hotels and one office building, to be built out in phases. The FWDA approved a restated development agreement and hazardous substance indemnification agreement in March of 2010. Subsequently, the agreements were sent to the City Council, where they were approved. Currently, the project is delayed due to legal challenges. One phase of design review remains for construction of the first hotel. A construction schedule and final design review for the first hotel will be determined following resolution of all legal matters.
- **Site 9** - The design for the public esplanade and seawall was completed in 2012. Soil stabilization will be required on the project to meet seismic codes. Upland remediation has not been conducted on the development site that adjoins the public access parcel. Site Specific Cleanup Action Plans for remediation will be completed in 2013 by the FWDA. The current wood seawall is in a very deteriorated condition and needs to be addressed. Access to the esplanade on this site has been closed. The property is in City of Tacoma ownership.
- **Foss Waterway Seaport** - The FWDA has completed a long term lease and development agreement with the Foss Seaport. The agreement was subsequently approved by the City Council and the lease became effective on September 13, 2012. Redevelopment of the historic Balfour Dock Building is a \$21 million project and includes significant improvements to the building's shell as well as interior improvements and exhibits. Construction is occurring in phases and, to date, the wharf, building stabilization and north building wall have been completed. Design review continues, and additional development phases are scheduled for construction in 2014.



Management – the FWDA manages several leased properties along the waterway, as well as the FWDA or City owned parks and public esplanade. Below are some highlights of the managed properties:

- **Site 6** – Is currently under lease to Pacific Seafood. The lease will terminate in 2013 with the sale of the property to Pacific Seafood. The FWDA and City Council have approved a purchase and sale and development agreement for the site. Redevelopment will include building improvements and use of the property for a seafood market, bistro and processing.
- **Site 8** -The building on Site 8 was determined by the City of Tacoma to have roof deterioration that could lead to unstable conditions in the event of snow load or high winds. Accordingly, the structure is not suitable for lease and is currently vacant. The building is planned for demolition when funding becomes available. A portion of the site is used for surface parking which generates revenue for the FWDA. The Sea Scouts, who formerly leased the site, now reside on the east side of the waterway in conjunction with the Youth Marine Center located at 820 East D Street.
- **Site 10** - the FWDA entered into contract negotiations for the Seventh Amendment to the lease agreement. The contract between the FWDA and the Foss Harbor LLC was completed in February of 2012. The extension term is on the same covenants, agreements, provisions and conditions as set forth in the lease. Use of the site is for marina parking and marina storage facilities.

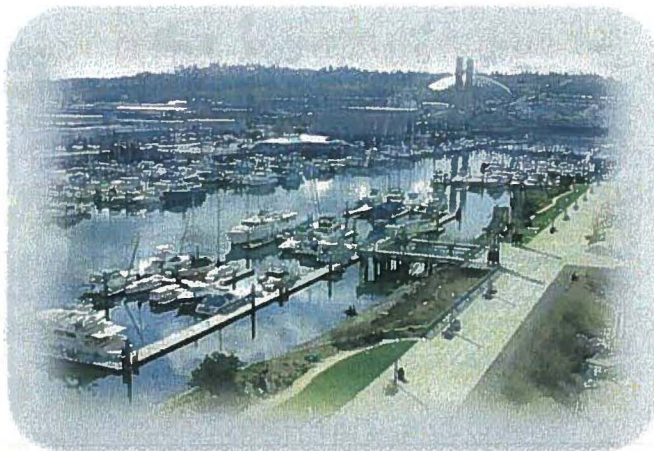


- **Pier A & North Moorage** – The Foss Waterway Seaport is FWDA's managing partner under a dock supervision agreement for management of all public moorage adjacent to the Seaport, Site 12, The Dock Building and Thea's Park. This contract continues public accessibility and moorage and allows all of the public areas to serve as a venue for water-based events and activities.

- **Waterway Park** – Remediation of the site has been completed and a portion of it is now open to the public. The human powered watercraft float, developed in conjunction with the site, is providing access to the water for the rowers. The balance of the site is leased to the Berg Scaffolding Company. Future use of the entire site will be for a park when funding to complete design, development and maintenance becomes available.
- **Parks and Public Esplanade** – The FWDA is working in cooperation with the Foss Waterway Owners Association and the City on issues of maintenance and management of the public areas. As use increases, new issues arise that require additional time and attention. This includes demand for the use of public space as well as the issues surrounding vandalism, graffiti, wire theft and homelessness. An estimate of \$300,000 for the installation and monitoring of security cameras to deter damage to public property has been received. The Owners Association, FWDA and City will jointly make a decision on how best to serve the public's interest at a reasonable

cost. City of Tacoma Police and City staff have been proactive in addressing the issue of homelessness in the area.

- **Marinas** – The FWDA has a long-term lease with Foss Waterway Management (FWM) to oversee the management and operations of Dock Street Marina, Delin Docks and the 16th Street Pier. Revenue for permanent moorage for 2012 was approximately 5% more than 2011 revenue, and the occupancy rate was 94% for 2012 compared to 87% in 2011. Guest moorage also increased from 1712 nights in 2011 to 1898 nights in 2012, indicating an increase of approximately 11%. FWM also cleans and maintains the human-powered watercraft float at Waterway Park under a dock maintenance agreement and operates a year-round kayak rental and storage facility at the Dock Street Marina facility.



Policy

- **Third Operating Agreement** – The guiding document for the role and responsibilities of the FWDA and the City which defines the relationship between the two parties. Included in the document are performance requirements of the FWDA. This included completion of an updated Master Redevelopment Strategy (MRS). The updated MRS prioritizes preferred uses of development and a preferred sequencing of site development as well as financial information. The FWDA conducted extensive public outreach and market research and completed the revised MRS in 2012. The City Council approved document is available for review at the FWDA office.

Events & Activities

- The Foss Waterway Owners Association assists the FWDA with permitting events along the Foss. Events that occurred at public venues along the waterway during 2012 included:
 - ▲ Urban Arts Festival
 - ▲ Craft Beer Festival
 - ▲ Museum of Glass Slider Cook-Off
 - ▲ Photo shoot for Brooks running shoes
 - ▲ Dragon Boat Festival
 - ▲ C.A.S.T. for Kids
 - ▲ Maritime Fest
 - ▲ A variety of charitable runs/walks
- The FWDA is active with a number of community groups that have interest in the waterfront. This includes the Tacoma Waterfront Association, Citizens for a Healthy Bay, the Dome District, Downtown Merchants Group and others.

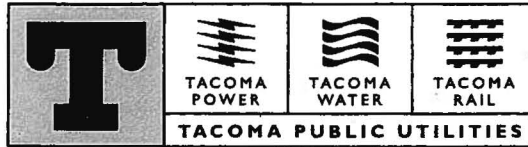
Stewardship

- Stewardship of the waterway is a community-wide responsibility. The FWDA is active in promoting responsible boating practices and works with Citizens for a Healthy Bay and marinas on boater education. The FWDA also works closely with the State Dept. of Ecology on issues related to upland environmental issues and remediation activities.

Looking Ahead/Priorities for 2013

Development

- **Site 6 – Johnny’s Seafood** – Expect to complete the sale of the site to Pacific Seafood in December, 2013. Developer to begin construction of improvements for the fish market, bistro and processing facility in January, 2014. This is a remodel project of an existing building and expands uses and employment at the site. The developer will also complete the public esplanade on the adjoining public parcel.
- **Site 1 – The Henry** is a 167 unit multi-family project with 12,000 square feet of commercial space and 255 parking stalls. The project includes improvements to the surrounding park and access corridor. The property is scheduled to close before the end of 2013 and construction would commence in early 2014.
- **Central Park** –The FWDA completed acquisition of property at 1147 Dock Street in December, 2012 for the purpose of developing a public park in the Central Waterfront District of the Foss. The site is approximately 30,600 square feet of unimproved land. Design and development of the park will be contingent upon funding.
- **Site 11 esplanade – Phase 2** – The FWDA, in conjunction with its private investor, has completed the design, permitting and bid specifications for construction of the public esplanade. Grant funding for Site 11 esplanade - Phase 2 construction has been awarded. The project will be constructed by the City of Tacoma. Construction is anticipated to begin in November, 2013.
- **Seaplane float** – A seaplane float on the waterway is part of the Foss Master Plan. The FWDA completed the Seaplane landing area in May, 2013. Funding was provided from private sources, a grant from the Port of Tacoma, and FWDA cash.
- **Site 10 esplanade** – a CERB grant for \$250,000 was received by City of Tacoma for the next phase of esplanade development. The FWDA provided matching funds for this grant in the amount of \$6,500 in July, 2013. The design and permitting are complete and was funded by the FWDA’s private investor. The FWDA and City continue to work cooperatively in grant writing to fund the balance of the esplanade project.
- **Site 9** – The FWDA is working with the City of Tacoma to address subsidence issues affecting the integrity of the seawall. The deteriorated condition of the wood seawall has resulted in the closure of the public esplanade on this site. Design of the seawall and esplanade was completed in 2012. Funding has been identified to complete permitting for the new seawall and esplanade. The Site Specific Cleanup Action Plan will be completed in September, 2013. The FWDA has worked with the State Department of Commerce to identify funding through a revolving loan program to assist with environmental remediation.



**City of Tacoma
Public Utility Board Meeting
October 9, 2013; 6:30 p.m.
Tacoma Public Utilities Auditorium
(3628 South 35th Street)**

Call to Order

Roll Call

A. Approve Minutes of Previous Meetings

B. Comments by the Public

Recognition: Tacoma Rail's Max Chabo, Recipient of 2013 Governor's Life Saving Award

C. Consent Agenda

D. Regular Agenda

D-1 Resolution U-10657 – Authorize execution of a Letter of Agreement between the City of Tacoma and the Professional and Technical Employees, Local 17.



The City of Tacoma does not discriminate on the basis of disability in any of its programs, activities, or services. To request this information in an alternative format or to request a reasonable accommodation, please contact the TPU Director's Office at 253-502-8201. TTY or speech to speech users please dial 711 to connect to Washington Relay services.

**City of Tacoma 2013-2014
City Council Forecast**

Date	Meeting	Subject	Department
October 8, 2013	Study Session	South Sound 911 Update	SS911 (CMO)
	City Council Meeting	Encampment Site Clean-Up Program	NCS
October 15, 2013	Study Session	University of Washington-Tacoma Master Plan Update	UWT/CED
	Committee of the Whole		
	City Council Meeting		
October 22, 2013	Study Session	I-502 Interim Regulations	PDS
	City Council Meeting	Public Hearing I-502 Interim Regulations	
October 29, 2013	Study Session	Tacoma Link Expansion - Potential Alignments	GRO/Sound Transit
		Third Quarter 2013 Financial Report	Finance
	City Council Meeting	Review I-502 Interim Regulations Public Hearing Comments	PDS
November 5, 2013	Study Session	Tacoma Link Expansion - Comments from Public Open House	GRO/Sound Transit
	Committee of the Whole	MLK Subarea Plan & EIS	PDS
	City Council Meeting		
November 12, 2013	Study Session	Six-Year Transportation Program	PW
	City Council Meeting		
November 19, 2013	Study Session		
	Committee of the Whole		
	City Council Meeting		
November 26, 2013	Study Session		
	City Council Meeting		
December 3, 2013	Joint Utility Board Study Session		
	Committee of the Whole		
	City Council Meeting		
December 10, 2013	Study Session	Multi City Tax Portal (Tentative)	Finance
	City Council Meeting		
December 17, 2013	Study Session		
	Committee of the Whole		
	City Council Meeting		
December 24, 2013		CANCELLED	
December 31, 2013		CANCELLED	



TO: Mayor Strickland and Members of the City Council

CC: Public Utility Board
T.C. Broadnax, City Manager

FROM: William A. Gaines, Director of Utilities/CEO *W. A. Gaines*

DATE: September 30, 2013

RE: Response to Council Inquiries from September 17 Joint Study Session

This responds to inquiries made at the September 17 Joint Council and Public Utility Board study session.

1. What savings, for the water filtration plant, would have been realized if the Public Works Trust Fund had been funded by the legislature?

Tacoma Water's Filtration Project was selected as a successful project for \$13 million of 2014 Public Works Trust Fund (PWTF) financing. Unfortunately, the legislature defunded this important infrastructure financing vehicle, and these resources will not be available. Comparing the total anticipated interest using the 1.5 percent interest rate for the PWTF (30 year term) with the 3.5 percent interest rate Tacoma Water has seen in the bond market results in a total additional cost to ratepayers of \$5.7 million over the term of the loan (or bond repayment period).

2. What is the change in projected impact to ratepayers if the water filtration plant comes in under budget?

During the evaluation and decision process, total project costs were projected to range from \$185 million - \$237 million, which result in a Tacoma share of \$124 million to \$159 million. The calculated one-time rate impact for this range of capital costs was estimated to be from 14 percent – 19 percent based on the rates in place in 2010. The beginning of a tapered implementation of this rate impact began in the 2013/2014 biennium, and will continue in future biennia. At the current estimate of \$195 million

(Tacoma share of \$131 million), the overall rate impact is within the lower part of this range, and continued efforts to hold project costs as low as possible will continue.

3. How many of the 420 Ductless Heat Pumps (DHP) that have been installed replaced wood burning stoves?

According to the Puget Sound Clean Air Agency (PSCAA), the organization Tacoma Power partners with when the installation of the DHP is being done to replace an uncertified wood stove, twelve of the DHP installations replaced stoves and fourteen were replaced with standard heat pumps (ducted systems) through our program. Between November 2012 and June 2013, PSCAA replaced a total of 161 uncertified wood stoves in Tacoma Power's service territory. It is left up to the customer to choose the type of equipment to replace the wood stove. Most of these were replaced with natural gas inserts, and for income qualified participants, most were replaced with certified wood burning stoves or inserts. Tacoma Power will continue to work with PSCAA to replace more uncertified wood stoves with heat pumps in the future for customers that choose to replace the stove with heat pump equipment.

Twelve of the DHP installations were done in rental units, about half of which were income certified (done at no cost). Income qualification in rental units is based on the income of the tenant, so the expectation is to continue to reach both non low-income and income qualified rentals in this program.