Next Ord:2080-24
Next Res:1148-24

CITY COUNCIL STUDY SESSION
September 4, 2024
6:00 PM
Sedro-Woolley Municipal Building
Council Chambers
325 Metcalf Street

a. Call to Order

b. Pledge of Allegiance

c. Roll Call

d. Introduction of Special Guests and Presentation

1. Goldeneye Battery Energy Storage System Project Presentation

e. Public Comments

Please keep comments to three minutes or less. Because State law prohibits the use of city facilities for the purpose of supporting or opposing a campaign or ballot proposition, we respectfully request that public comment not make reference to such matters.

Written comments will be accepted by letter or via email at finance@sedro-woolley.gov Attn: 'Public Comment.'

f. Unfinished Business

g. New Business

1. Goldeneye Battery Energy Storage System Project Follow-Up Discussion (as needed or desired)
2. Grant Acceptance - STPUS Federal Funding - SR20/Cascade Trail West Extension Phase 2A
3. Professional Services Agreement (Amendment No. 2) – KLJ Financial Consulting – 2025 Sewer Rate Study
4. Housing Forum Discussion
5. Housing Funds - Request for Proposals - House Bill 1590 Funding

h. Adjournment

i. Closed Session

1. To Discuss A Collective Bargaining Agreement

Next Meeting(s) City Council and Public Safety Committee - September 11, 2024

The City of Sedro-Woolley complies with applicable Federal civil rights laws and does not discriminate on the basis of race, color, national origin, limited English proficiency, age, disability, or sex. The City of Sedro-Woolley doesn't exclude people or treat them differently because of race, color, national origin, limited English proficiency, age, disability, or sex.

The City of Sedro-Woolley also complies with applicable state laws and doesn't discriminate on the basis of creed, gender, gender expression or identity, sexual orientation, marital status, religion, honorably discharged veteran or military status, or the use of a trained dog guide or service animal by a person with a disability.

Join Zoom Meeting:
https://zoom.us/j/91786850179?pwd=Vys0Y29XalZmQTRmemJBM2txVDlUQT09
or dial by location at:
+1 253 215 8782 US (Tacoma)
+1 669 900 6833 US (San Jose)
+1 346 248 7799 US (Houston)
+1 929 205 6099 US (New York)
+1 301 715 8592 US (Washington DC)
+1 312 626 6799 US (Chicago)

CITY OF SEDRO-WOOLLEY
GATEWAY TO THE NORTH CASCADES

City Council Agenda Item

Agenda Item No.: e.1.

Date: September 4, 2024

From: Charlie Bush, City Administrator

Subject: Goldeneye Battery Energy Storage System Project Presentation

---

RECOMMENDED ACTION:
None at this time

ISSUE:
This is an informational presentation offered by the proponents of the Goldeneye Battery Energy Storage Project. Should the Council want to direct staff to develop a comment letter on this project to send to the State, that is an option that would be best accomplished with a motion including some additional high level points the Council wishes to make in such a letter. There is an item under new business at this meeting, after public comment, for any further discussion the Council wishes to have on this topic about a comment letter or anything else.

BACKGROUND/SUMMARY INFORMATION:
The Goldeneye Battery Energy Storage System Project is going through a State permitting process under the Energy Facility Site Evaluation Council (EFSEC). The project is located outside of the City limits and just east of the City's urban growth area, which extends to Fruitdale Road. The project is located on the east side of Minkler Road east of Fruitdale Road. The City has no permitting authority over the project. However, the applicants have reached out to the Mayor and City staff during the summer and have had discussions with the Fire Chief, the County's Fire Marshall, and the Fire Chief of Fire District 8 regarding emergency response. The City currently has a contract with Fire District 8 to respond to emergency calls within Fire District 8's service area, which includes the proposed project. That contract expires at the end of 2024 and we are currently in discussions with District 8 regarding a possible future contract.

While an initial informational meeting and public hearing occurred on this project on August 13th, EFSEC staff informed City staff that comments will be accepted throughout the permitting process. As a result, if the Council wishes to submit a comment letter, the appropriate process would be to direct staff to draft it and we would then bring the letter back to you at a future meeting for review.

EFSEC's page on this project is located here: https://www.efsec.wa.gov/energy-facilities/goldeneye-bess

I am also attaching project information sheets that we received from the project proponents.

FISCAL IMPACT, IF APPROPRIATE:
N/A

ATTACHMENTS:
1. Goldeneye-BESS-Fire-Safety-QA
2. BESS-Fire-Safety-Fact-Sheet

Q&A:

Battery Energy Storage System Safety

GOLDENEYE ENERGY STORAGE

Q1. Are battery storage systems safe?

Yes, these facilities can be installed and operated safely. Safety is Tenaska's highest priority in the development, design, construction and operations of BESS facilities. Our projects feature state-of-the-art technology, supplied by an experienced manufacturer that has demonstrated that the equipment meets or exceeds all applicable safety codes and standards. This includes rigorous destructive testing. We are working with independent fire safety experts on all aspects of the project to ensure we incorporate the latest industry safety features.

There are more than 20,000 BESS enclosures operating safely across the U.S. While there have been rare, yet much-publicized, safety incidents, no member of the general public has ever been injured from a malfunction at a utility-scale battery energy storage project. The industry has learned from these incidents and has incorporated enhancements to BESS equipment design and operation to mitigate safety risk.

Q2. If there is a fire, will there be any release of gas or other contaminants into the air?

Battery fires have the potential to create a temporary impact on localized air quality. Extensive testing during and after actual energy storage fires, based on UL 9540A standards, have shown combustion to be no more toxic than a "normal" residential or office building fire. In the case of thermal runaway or fire, the batteries themselves do emit gas, primarily hydrogen, carbon monoxide, carbon dioxide, and methane. The source of the gas emissions from an energy storage fire come from the materials used to construct the battery enclosures, such as plastics and insulation.

Q3. If there is a fire, will nearby neighbors need to evacuate?

The decision to evacuate is based solely on first responder incident evaluation. Any evacuation requirements would be determined and communicated by local authorities. Battery fires have a temporary impact of localized air quality similar to residential or commercial fires. Under typical weather and wind conditions, evacuation would be highly unlikely. Prior to project construction, a third-party fire expert will complete a hazard mitigation analysis study that will carefully analyze the impacts to the surrounding area should a safety event occur. These findings are shared with first responders and are utilized as part of the emergency response training that is provided.

Q4: What safety systems are in place?

The Battery Management System (BMS) continuously monitors the state of batteries, including temperature, voltage and current. BMS' rapid detection of abnormalities can help prevent malfunctions, including thermal runaway, by initiating safety measures such as isolation and shutdown of impacted components.

BESS components undergo rigorous testing for certification by global safety organizations. Designs adhere to codes set by the National Fire Protection Association, the International Fire Code and electric codes.

Q5. How often are crews managing and monitoring the site?

A. BESS facilities are monitored remotely 24/7, with the ability to shut down equipment on demand. Regularly scheduled on-site maintenance is performed by technicians on an ongoing basis.

Q6. Do battery storage systems pose any environmental threats?

Overall, BESS facilities help improve air and water quality by storing excess power – often from renewables – for later use. This lessens the need for power generated from older, less-efficient fossil fueled sources. BESS facilities have no air emissions and don't use water during operation.

BESS have far more safety and monitoring features than household items with similar battery chemistries, such as cell phones, cordless drills or laptop computers. BESS systems do not contain any fuel, lead, mercury, cadmium, chromium or other heavy metals. The batteries themselves don't have meaningful quantities of free liquid inside them because the electrolyte within the battery has been absorbed by other components within the cell. For this reason, lithium-ion batteries are not prone to leakage, even in the event of a cell malfunction or fire.

Q7. What type of security will the project have?

Periodic on-site security checks will be conducted and the facility will be monitored via video surveillance systems 24/7.

Q8: Are your systems compliant with industry standards and regulations?

Yes, all of our systems will meet or exceed all applicable codes and standards. This will include rigorous testing and certification processes to ensure compliance with industry standards and regulatory requirements.

Q9: How does your company ensure the ongoing safety and reliability of the systems?

BESS facilities are inherently designed to support the reliability and stability of the bulk electric power system. This reliability translates to continuous power supply to residences and critical community institutions like hospitals and schools.

We are committed to developing a BESS project comprised of equipment and a configuration that can reliably and safely serve this purpose. We prioritize ongoing safety and reliability through regular maintenance, monitoring and updates. Our team of experts stay informed of technological advancements and industry best practices to continuously improve our systems.

GOLDENEYE ENERGY STORAGE

Safety at the Forefront of Battery Energy Storage Systems

Battery Energy Storage Systems (BESS) play a crucial role in storing energy – often renewable energy – for later use. Safety is at the forefront of all Tenaska-developed BESS projects, starting with development and design and continuing through construction and operations.

Our BESS projects utilize state-of-the-art battery technology, supplied by an experienced manufacturer that has demonstrated that the equipment meets or exceeds all applicable safety codes and standards. We work with independent BESS safety experts on every aspect of the battery system to ensure it meets the latest industry standards. Additionally, all safety and technical requirements will be certified by an Independent Engineering firm, which will be necessary for financing parties and insurers.

There are more than 20,000 BESS facilities operating safely across the United States. To date, no member of the public has been injured by a safety event at a U.S. battery energy storage facility, a testament to the rigorous codes and standards and industry safety practices. The industry has learned from rare, yet well-publicized, malfunctions at BESS facilities. Advancements in technology, operations and maintenance – combined with updated standards – makes BESS a safe energy solution. Highlighting these safety improvements, a report by the Electric Power Research Institute, Pacific Northwest National Laboratory and TWAICE found a 97% global drop in grid-scale battery failures between 2018 and 2023. Further, our team is committed to working with local emergency management to ensure first responders are equipped with appropriate training and resources to respond to safety incidents, however rare.

Components of BESS Facilities

BESS facilities are comprised of battery cells – similar to common household lithium-ion batteries – grouped together in modules. These modules are arranged in racks and configured inside of purpose-built enclosures that also include safety controls.

Code Compliance

Safety standards for battery energy storage systems have been in development for decades, leading to the adoption of the National Fire Protection Association (NFPA) 855 Standard for the Installation of Stationary Storage Systems in 2019. NFPA's National Fire Codes are developed by technical committees staffed by over 6,000 volunteers with industry expertise and adopted and enforced worldwide. Other relevant independent safety codes are UL's 9540 and 9540a certification and testing standards for battery storage components. BESS installations must comply with these and other relevant codes and standards for fire safety. The projects will only utilize battery cells and modules that have completed rigorous destructive testing (the UL 9540A method) to demonstrate their safety. These requirements will be certified by an Independent Engineering firm, which will be necessary for financing parties and insurers.

Safety Features

The most publicized safety incidents at BESS facilities are a result of self-heating of the lithium-ion battery cells – called thermal runaway. There are four primary strategies utilized in the design and operation of BESS facilities to minimize thermal runaway and fire safety risk: prevention, compartmentation, detection, and training/emergency response.

PREVENTION

Only the highest quality components manufactured to rigorous standards will be utilized by the project. Battery cells are the basic building block of our project and manufacturers, through innovations in manufacturing processes, have reduced battery cell failure rates to one in tens of millions of cells. The Battery Management System (BMS) continuously monitors the state of batteries, including temperature, voltage and current. BMS' rapid detection of abnormalities can help prevent malfunctions, including thermal runaway, by initiating safety measures such as isolation and shutdown of impacted components. In addition to a state-of-the-art BMS, the project will contract with the battery supplier to provide ongoing maintenance services; this will ensure that maintenance is consistent with the equipment design.

COMPARTMENTATION

BESS project sites are designed and configured to meet industry codes and standards. Of particular note is UL9540A, which requires full-scale destructive testing of battery enclosures. As part of this testing, enclosures are forced into thermal runaway and information on the heat generated is gathered and used to inform the required separation distances. This ensures the project is designed with adequate spacing between battery cells, modules and racks to prevent spread of fire, the use of fire-rated enclosures or barriers to contain fires, and the inclusion of safe access routes for emergency responders. As an added protective measure, we will maintain the areas around the battery units clear of vegetation. As a result of these industry practices, no fire from a U.S. grid-scale BESS facility has ever spread beyond the project site.

DETECTION

Continuous monitoring and regular maintenance of BESS facilities are critical for early detection of potential hazards. The BMS system will automatically detect any abnormal operating conditions, including thermal runaway, and immediately notify operators of the issue. Additional monitoring of the site will be done utilizing infrared systems that will alarm and notify operators if thermal runaway is detected.

TRAINING AND EMERGENCY RESPONSE

We meet with the local emergency manager and/or fire department representatives to discuss the project design during development. In addition, we collaborate with emergency responders to ensure that an Emergency Response Plan (ERP) is in place before the facility is operational. That plan is site- and technology-specific and is designed to respond to local community needs.

Again, safety is the Tenaska's highest priority in BESS project development, design, construction and operations. We take a comprehensive approach encompassing design, technology, code compliance, operations, maintenance, monitoring and emergency response. Our team of experts stays informed of technological advancements and industry best practices to continuously improve our systems. Tenaska is committed to a project that is safe and protective of the community.

For more information, visit
www.GoldeneyeEnergyStorage.com
or contact us at
info@GoldeneyeEnergyStorage.com

City Council Agenda Item

Agenda Item No.: h.1.

Date: September 4, 2024

From: Charlie Bush, City Administrator

Subject: Goldeneye Battery Energy Storage System Project Follow-Up Discussion (as needed or desired)

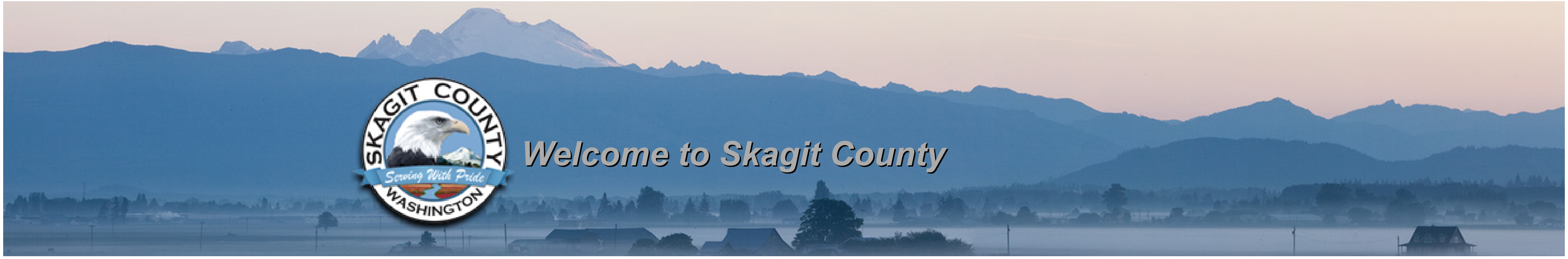
RECOMMENDED ACTION:
None at this time

ISSUE:
Should the Council want to direct staff to develop a comment letter on this project to send to the State, that is an option that would be best accomplished with a motion including some additional high level points the Council wishes to make in such a letter. This item is also presented for any further discussion the Council may want to have on this topic after hearing the presentation and public comment.

BACKGROUND/SUMMARY INFORMATION:
See the Goldeneye Battery Energy Storage System Project Presentation agenda item for more background.

FISCAL IMPACT, IF APPROPRIATE:
N/A

ATTACHMENTS:
1. Skagit County Press Release



August 28, 2024

Skagit County Commissioners Oppose Goldeneye BESS Project

The Board of Skagit County Commissioners has issued the following statement regarding the Goldeneye battery energy storage system project (BESS) east of Sedro-Woolley.

“After careful consideration of the application materials provided by Goldfinch Energy Storage and comments from the community, we must oppose the Goldeneye BESS project, proposed at a location in unincorporated Skagit County just east of Sedro-Woolley. The energy storage system threatens decades of collaborative local-tribal work and many millions of public dollars spent to restore Hansen Creek, home to four species of Pacific salmon, steelhead trout, and other wildlife. The Goldeneye BESS proposal would also convert Skagit farmland for industrial development, undermining our community’s long-term protection of Skagit Valley’s farmland and farming economy. Goldfinch Energy Storage has failed to adequately explore alternative sites for this project, instead proposing a location in a sensitive natural resource area for both agriculture and salmon, including Endangered Species Act-listed chinook. We strongly encourage the Washington State Energy Facility Site Evaluation Council to reject this proposal. It is contrary to Skagit County’s Comprehensive Plan, adopted County code, and our community’s intergenerational commitment to protect the Skagit’s floodplain for farming and fisheries.”

The Board of Skagit County Commissioners will continue to advocate on our community’s behalf as the Washington State Energy Facility Site Evaluation Council (EFSEC) and the Governor consider the Goldeneye BESS project.

In addition, the Board of County Commissioners will be evaluating whether major utility developments should be sited on Skagit farmland in general. Currently, Skagit County Code requires major utility developments on farmland (properties zoned Ag-NRL) obtain a Hearing Examiner Special Use Permit, which involves an open record hearing after significant public notice. The Hearing Examiner Special Use Permit also requires the applicant conduct a vigorous alternative site analysis to ensure no project site other than Skagit farmland would be suitable.

Background on the Goldfinch Energy Storage Proposal

Goldfinch Energy Storage has applied to the Washington State Energy Facility Site Evaluation Council (EFSEC) to develop a battery energy storage system (BESS) project in unincorporated Skagit County just east of Sedro-Woolley on Minkler Road. The

battery energy storage system (BESS) project in unincorporated Skagit County just east of Sedro-Woolley on Minkler Road. The project involves land on both sides of Hansen Creek, as well as a plan to tunnel under the creek.
The Goldeneye BESS project would consist of energy storage buildings containing racks of lithium-ion batteries and other electrical and communication equipment. The project site parcels are zoned Agriculture-Natural Resource Lands (Ag-NRL) and Rural Reserve (RRv).

The EFSEC process supersedes Skagit County's authority to evaluate projects based on the County's land use, environmental, and development regulations. EFSEC will make a recommendation to the Governor. The Governor makes the final decision.

In early 2023, Goldfinch Energy Storage requested Skagit County Planning & Development Services issue an administrative official interpretation (AOI), determining whether the proposed Goldeneye BESS project would be defined as a "major utility development" or "major regional utility development." AOI 2023-01 was issued on February 1, 2023, and declared the proposed project to be a "major utility development" because it was determined the project lacked regionality as the energy stored would ostensibly only be used to supplement power grid needs within Skagit County, the project is of relatively small scale, and the project would not have large impacts compared to other major regional utility developments. Since then, Goldfinch Energy Storage has used AOI 2023-01 to argue the proposed Goldeneye project is allegedly consistent with Skagit County land use regulation.

In considering the AOI, Skagit County Planning & Development Services staff did not evaluate whether the proposed project was consistent with Skagit County land use regulation. The Board of County Commissioners does not believe the proposed Goldeneye project is consistent with Skagit County's land use code, plans and regulations and AOI 2023-01 does not constitute Skagit County's consent or approval of the Goldeneye project.

To find more information on the application by Goldfinch Energy Storage to EFSEC, or to sign up for project updates, please visit the EFSEC website.

City Council Agenda Item

Agenda Item No.: h.2.

Date: September 4, 2024

From: Bill Bullock, Public Works Director

Subject: Grant Acceptance - STPUS Federal Funding - SR20/Cascade Trail West Extension Phase 2A

RECOMMENDED ACTION:

Motion to approve commitment of $20,250 in local funds as match for $129,750 in additional (STPUS) federal funding for the SR20/Cascade Trail West Extension Phase 2A.

ISSUE:

The City was first awarded $81,000 for the design of Phase 2A of the SR20/Cascade Trail Project in 2018. As this project has progressed, an additional $84,500 was added for right of way services in 2023. This project was being designed and managed in house by the City Engineer.

BACKGROUND/SUMMARY INFORMATION:

The City Engineer, David Lee, is retiring on September 5, 2024, and will not be able to complete the design before he leaves. The design is currently between a 60%-70% complete and the additional funding was requested in anticipation of hiring a consultant firm to finish the design for potential construction in 2026/2027. With a completed, shovel ready design, Public Works will apply for Transportation Alternatives Program funding through SCOG in April 2025 to fund project construction (86.5% federal/13.5% local match).

FISCAL IMPACT, IF APPROPRIATE:

Additional matching funds in the amount of $20,250 will be taken from REET allocated to fund 104.

ATTACHMENTS:

1. 140-041 LAA Supplement 4 0020-200

Washington State Department of Transportation

Local Agency Agreement Supplement

Agency		Supplement Number
Sedro-Woolley		4
Federal Aid Project Number STPUS-0020(200)	Agreement Number LA-9393	CFDA No. **20.205** - Highway Planning and Construction

All provisions in the basic agreement remain in effect except as modified by this supplement.
The Local Agency certifies that it is not excluded from receiving Federal funds by a Federal suspension or debarment (2 CFR Part 180). Additional changes to the agreement are as follows:

Project Description

Name SR20/Cascade Trail West Extension Phase 2A, Holtcamp Road to Hodgin Street Length 0.57

Termini SR20 MP 63.64 Holtcamp road to MP 64.21 Hodgin Street

Description of Work ✓ No Change

Reason for Supplement

Extend project agreement end date due to cost increase.

Are you claiming indirect cost rate? ☐ Yes ✓ No Project Agreement End Date 12/31/2028

Advertisement Date

Type of Work		(1) Previous Agreement/Suppl.	(2) Supplement	(3) Estimated Total Project Funds	(4) Estimated Agency Funds	(5) Estimated Federal Funds
		Estimate of Funding				
PE 86.5 %	a. Agency	45,000.00		45,000.00	6,075.00	38,925.00
	b. Other Consultant	35,000.00	150,000.00	185,000.00	24,975.00	160,025.00
Federal Aid Participation Ratio for PE	c. Other			0.00		
	d. State Services	1,000.00		1,000.00	135.00	865.00
	e. Total PE Cost Estimate (a+b+c+d)	81,000.00	150,000.00	231,000.00	31,185.00	199,815.00
Right of Way 86.5 %	f. Agency	24,500.00		24,500.00	3,307.00	21,193.00
	g. Other Agency-Non-participating			0.00		
Federal Aid Participation Ratio for RW	h. Other RW Aquisition Agent	60,000.00		60,000.00	8,100.00	51,900.00
	i. State Services			0.00		
	j. Total R/W Cost Estimate (f+g+h+i)	84,500.00	0.00	84,500.00	11,407.00	73,093.00
Construction %	k. Contract			0.00		
	l. Other			0.00		
	m. Other			0.00		
Federal Aid Participation Ratio for CN	n. Other			0.00		
	o. Agency			0.00		
	p. State Services			0.00		
	q. Total CN Cost Estimate (k+l+m+n+o+p)	0.00	0.00	0.00	0.00	0.00
	r. Total Project Cost Estimate (e+j+q)	165,500.00	150,000.00	315,500.00	42,592.00	272,908.00

The Local Agency further stipulates that pursuant to said Title 23, regulations and policies and procedures, and as a condition to payment of the Federal funds obligated, it accepts and will comply with the applicable provisions.

Agency Official

By

Title City Administrator

Agency Date

Washington State Department of Transportation

By

Director, Local Program

Date Executed

VI. Payment and Partial Reimbursement

The total cost of the project, including all review and engineering costs and other expenses of the State, is to be paid by the Agency and by the Federal Government. Federal funding shall be in accordance with the Federal Transportation Act, as amended, 2 CFR Part 200. The State shall not be ultimately responsible for any of the costs of the project. The Agency shall be ultimately responsible for all costs associated with the project which are not reimbursed by the Federal Government. Nothing in this agreement shall be construed as a promise by the State as to the amount or nature of federal participation in this project.

The Agency shall bill the state for federal aid project costs incurred in conformity with applicable federal and state laws. The agency shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs. Expenditures by the Local Agency for maintenance, general administration, supervision, and other overhead shall not be eligible for federal participation unless a current indirect cost plan has been prepared in accordance with the regulations outlined in 2 CFR Part 200 - Uniform Admin. Requirements, Cost Principles and Audit Requirements for Federal Awards, and retained for audit.

The State will pay for State incurred costs on the project. Following payment, the State shall bill the Federal Government for reimbursement of those costs eligible for federal participation to the extent that such costs are attributable and properly allocable to this project. The State shall bill the Agency for that portion of State costs which were not reimbursed by the Federal Government (see Section IX).

VII. Audit of Federal Consultant Contracts

The Agency, if services of a consultant are required, shall be responsible for audit of the consultant's records to determine eligible federal aid costs on the project. The report of said audit shall be in the Agency's files and made available to the State and the Federal Government.

An audit shall be conducted by the WSDOT Internal Audit Office in accordance with generally accepted governmental auditing standards as issued by the United States General Accounting Office by the Comptroller General of the United States; WSDOT Manual M 27-50, Consultant Authorization, Selection, and Agreement Administration; memoranda of understanding between WSDOT and FHWA; and 2 CFR Part 200.501 - Audit Requirements.

If upon audit it is found that overpayment or participation of federal money in ineligible items of cost has occurred, the Agency shall reimburse the State for the amount of such overpayment or excess participation.

IX. Payment of Billing

The Agency agrees that if payment or arrangement for payment of any of the State's billing relative to the project (e.g., State force work, project cancellation, overpayment, cost ineligible for federal participation, etc.) is not made to the State within 45 days after the Agency has been billed, the State shall effect reimbursement of the total sum due from the regular monthly fuel tax allotments to the Agency from the Motor Vehicle Fund. No additional Federal project funding will be approved until full payment is received unless otherwise directed by the Director, Local Programs.

Project Agreement End Date - This date is based on your projects Period of Performance (2 CFR Part 200.309).

Any costs incurred after the Project Agreement End Date are NOT eligible for federal reimbursement. All eligible costs incurred prior to the Project Agreement End Date must be submitted for reimbursement within 90 days after the Project Agreement End Date or they become ineligible for federal reimbursement.

VIII. Single Audit Act

The Agency, as a subrecipient of federal funds, shall adhere to the federal regulations outlined in 2 CFR Part 200.501 as well as all applicable federal and state statutes and regulations. A subrecipient who expends $750,000 or more in federal awards from all sources during a given fiscal year shall have a single or program-specific audit performed for that year in accordance with the provisions of 2 CFR Part 200.501. Upon conclusion of the audit, the Agency shall be responsible for ensuring that a copy of the report is transmitted promptly to the State.

XVII. Assurances

Local Agencies receiving Federal funding from the USDOT or its operating administrations (i.e., Federal Highway Administration, Federal Transit Administration, Federal Aviation Administration) are required to submit a written policy statement, signed by the Agency Executive and addressed to the State, documenting that all programs, activities and services will be conducted in compliance with Section 504 and the Americans with Disabilities Act (ADA).

Instructions

1. **Agency** – Enter the agency name as entered on the original agreement.
2. **Supplemental Number** – Enter the number of the supplement. Supplement numbers will be assigned in sequence beginning with Number 1 for the first supplement.
3. **Project Number** – Enter the federal aid project number assigned by WSDOT on the original agreement.
4. **Agreement Number** – Enter the agreement number assigned by WSDOT on the original agreement.
5. **Project Description** – Enter the project name, length, and termini.
6. **Description of Work** – Clearly describe if there is a change in work such as the addition or deletion of work elements and/or changes to the termini. If the work has not changed, put a check mark in the “No Change” box.
7. **Reason for Supplement** – Enter the reason for this supplement, i.e., increase PE funding to cover design changes presented in the revised prospectus; request funding of construction phase; decrease construction funding to the contract bid amount. If the supplement is authorizing a construction phase, the project’s proposed advertisement date must be included in the space provided.
8. **Claiming Indirect Cost Rate** – Check the Yes box if the agency will be claiming indirect costs on the project. For those projects claiming indirect costs, supporting documentation that clearly shows the indirect cost rate being utilized must be provided with the supplement. Indirect cost rate approval by your cognizant agency or through your agency’s self-certification and supporting documentation is required to be available for review by FHWA, WSDOT and /or State Auditor. Check the No box if the agency will not be claiming indirect costs on the project. See Section 23.5 for additional guidance.
9. **Project Agreement End Date** – Enter your previously established Project Agreement End Date. If authorizing a new phase of the project, update the Project Agreement End Date based on the following guidance:
    a. **For PE and RW** – WSDOT recommends agencies estimate when the phase will be completed and add three years to determine the “Project Agreement End Date”.
    b. **For Construction** – WSDOT recommends agencies estimate when construction will be completed and add three years to determine the “Project Agreement End Date”.
    c. If an extension to a Project Agreement End Date is required between phase authorizations, the need for the extension must be described in the Reason for Supplement. Adequate justification to approve the extension must be submitted with the supplement. See Section 22.3 for additional guidance.
10. **Type of Work and Funding (Round all amounts to the nearest whole dollar).**
    a. **Column 1** – Enter the amounts from column 1 of the original local agency agreement. If the agreement has already been supplemented, enter the amounts by type of work from column 3 of the last supplemental agreement.
    b. **Column 2** – Enter increase/decrease to total amounts requested by type of work.
    c. **Column 3** – Add the amounts in columns 1 and 2.
    d. **Columns 4 and 5** – Enter the appropriate amounts based on the participation ratio recorded on the original agreement.
11. **Signatures** – An authorized official of the local agency signs the Supplemental Agreement and enters their title and date of signature (mm/dd/yy). ***Note:*** Do NOT enter a date on the Date Executed line.

City Council Agenda Item

Agenda Item No.: h.3.

Date: September 4, 2024

From: Bill Bullock, Public Works Director

Subject: Professional Services Agreement (Amendment No. 2) – KLJ Financial Consulting – 2025 Sewer Rate Study

---

RECOMMENDED ACTION:

Moton to approve authorization for the Mayor to execute Contract Amendment No. 2 with KLJ Financial Consulting to perform the 2025 Sewer Rate Study in the amount not to exceed $18,550.

ISSUE:

The KLJ Financial Consulting is currently under contract through December 31, 2025, and has conducted rate studies for both the sewer and stormwater utilities.

BACKGROUND/SUMMARY INFORMATION:

KLJ is updating the storm water utility rates as a subconsultant of Gray & Osborne as part of the stormwater comprehensive plan update due in early 2025. This amendment will be limited to the sewer rate study due this year in the October/November timeframe for council consideration.

FISCAL IMPACT, IF APPROPRIATE:

This contract will be funded from the 401 Sewer Operations Fund not to exceed $18,550.

ATTACHMENTS:

1. 2023-PS-04 KJL
2. KLJ - Sedro-Woolley_Scope and Fee-2025 Sewer Financial Outlook Update

AMENDMENT NO. 2

To the PROFESSIONAL SERVICES AGREEMENT No. **2023-PS-04**
Dated July 18, 2023
Between The City of Sedro-Woolley
And KJL Financial Consulting

This Amendment revises the above contract as follows:

IV.1 **PAYMENTS**.

a. The Consultant shall be paid by the City for services rendered under this Agreement as described in the Scope of Services **Exhibit A-1**. In no event shall the compensation paid to Consultant under this Agreement exceed **$18,550** without the written agreement of the Consultant and the City. Such payment shall be full compensation for work performed and services rendered and for all labor, materials, supplies, equipment and incidentals necessary to complete the work per the Fee Schedule **Exhibit B (2023), Exhibit B-2 (2024),** In the event the City elects to expand the scope of services from that set forth in **Exhibit A-1**, the City shall pay Consultant a mutually agreed amount**.**

All other terms and conditions remain as per the original agreement.

DATED this 4th day of September 2024

CITY OF SEDRO-WOOLLEY
A Washington municipal corporation

By: ______________________________
William Bullock, PE, MPA
Public Works Director

CONTRACTOR:
KJL Financial Consulting

By: ______________________________
Karyn Johnson
President

P: 425.749.6030
4810 Pt. Fosdick Dr., Suite 180
Gig Harbor, WA 98335
KarynLJohnson@outlook.com

KLJ Financial Consulting
Utility Financial Planning & Rates

August 23, 2024

Bill Bullock, Director of Public Works
Sedro-Woolley
325 Metcalf
Sedro-Woolley, WA, 98284

Electronic Submittal: bbullock@Sedro-Woolley.gov

Re: 2025 Sewer Financial Outlook Update

Per your request, KLJ Financial Consulting (KLJ) is pleased to provide this proposed scope of work and budget to prepare an update to the City's six-year rate outlook and projected sewer rates and general facilities fees (GFCs) for the years 2025 through 2030.

Project Understanding

The City's sewer rates and GFCs were last adjusted January 1, 2024, based on the sewer rate analysis prepared by KLJ in 2023 for the 2024 sewer rate update. For the 2025 update, the sewer rate model will be updated to reflect 2023 actual performance, the 2024 budget, and current assumptions for growth and capital plan execution. The six-year financial plan will be updated to demonstrate the operating and capital needs along with how these costs will be funded. Operating revenues will be matched with ongoing expenses to ensure sustainable utility operations. Rates and GFCs will be updated to reflect the proposed level of annual increases.

The proposed scope of work and fee estimate are detailed below.

Scope of Work

The following tasks will be performed:

Task 1 | Project Management and Meetings/Presentations – Perform project management activities such as invoicing/status reporting and coordination. Prepare for and attend up to three (3) virtual meetings with City staff to discuss data, issues, assumptions and review draft and final results and up to (2) virtual meetings to present results to the Public Works Committee and/or City Council.

Task 2 | Data Collection and Review – Provide an initial data request identifying the financial, operational and customer data pertinent to the performance of the study. Review, analyze, and validate such information as necessary for use in modeling the technical components and follow up with City staff as necessary for clarification and/or additional data needs as the study progresses.

Task 3 | Historical Financial Summary – Prepare a four-year financial overview of the sewer utility based on data from the previous update, financial statements and/or other reports provided by the City. This will include a review of historical revenues, operating and maintenance expenses, capital outlays, debt service, cash reserves, and rates and GFCs. The purpose of this task is to provide familiarity with recent utility performance and prepare for future projections.

Task 4| Capital Improvement Program (CIP) Funding Plan – Incorporate actual capital expenditures since the last update and the current forecast of annual capital projects and associated costs for the six-year period (2025-2030) based on current 10-year CIP. Escalate those costs to the year of anticipated construction and design capital funding strategies intended to feasibly execute the capital program while providing smooth rate impacts. Evaluate an appropriate combination of resources from cash reserves, general facilities charges, rates, and new debt issuance. Resulting debt service and other rate requirements for capital funding will be identified for inclusion in the six-year financial plan and rate outlook. During the development of the financial plan, alternative prioritization of capital projects and/or funding options may be developed and reviewed with City staff.

Task 5 | Six-Year Financial Plan and Rate Outlook – Project annual rate revenue needs to fund the capital program, operating and maintenance costs, debt service, and fiscal policy achievement over the planning period. Additional enhancements to the rate model may be made to improve modeling flexibility based on recommendations from the prior update. The model will incorporate historical and projected revenue, operating expenses, existing debt repayment, and impacts of the capital funding plan. Growth assumptions for new customers will be based on historical trends and input from City staff. Up to three (3) scenarios will be prepared to evaluate impacts on rates by changing economic assumptions, CIP funding, and/or the level of proposed rate increases. The output will be the percentage increase on existing rates and GFCs to fund a balanced and sustainable sewer program. Key outcomes include:

a | Summary of historical performance, existing debt service, and financial policies review.

b | Forecast of annual operating and maintenance expenses.

c | Alignment of capital program execution with alternative resources.

d | Road map for pursuing / securing best-fit funding mechanisms.

e | Feasible capital funding plan in balance with City tolerance for rate increases / system risk.

f | Six-year financial plan / rate adjustment strategy to guide future budgeting and rate-setting.

g | Understanding of customer rate impacts.

Task 6| Documentation and Deliverables – Provide documentation of the study analysis and results including summary materials for presentations and an electronic version of the sewer rate model.

Fee

The total effort is estimated to be up to 106 hours for an estimated fee of $18,550. Invoices will be submitted monthly for services provided. Additional services can be added on a time and materials basis, and agreed in writing, such as additional analysis, meetings or support with financial issues that may arise.

Hourly Billing Rate:		$175.00
Sedro-Woolley 2025 Sewer Financial Outlook Update Tasks:	**EST. HOURS**	**COST EST.**
1. Project Management & Meetings/Presentations	12	2,100
2. Data Collection/Review	8	1,400
4. Historical Financial Summary	8	1,400
5. Capital Improvement Program Funding Plan	16	2,800
6. Six-Year Financial Plan/Rate Outlook	48	8,400
7. Documentation and Deliverables	14	2,450
Total	**106**	**$18,550**

Schedule

Assuming notice to proceed in August, the following schedule is anticipated for completion of study tasks and final deliverables:

- Draft Results and Review: late-September
- Public Works Committee Packet: October 2, 2024
- Public Works Committee Presentation: October 9, 2024
- City Council Draft Results presentation: TBD
- City Council Public Hearing & 1st Reading: TBD
- City Council and 2nd Readings and Adoption: TBD
- Rate implementation: January 1, 2025

I respectfully submit this proposal, and look forward to working with you and the City.

Sincerely,

Karyn Johnson

Karyn Johnson
KLJ Financial Consulting

City Council Agenda Item

Agenda Item No.: h.4.

Date: September 4, 2024

From: Charlie Bush, City Administrator

Subject: Housing Forum Discussion

RECOMMENDED ACTION:

N/A

ISSUE:

This is an opportunity to discuss the August 21st Housing Forum that occurred in the Council Chambers.

BACKGROUND/SUMMARY INFORMATION:

N/A

FISCAL IMPACT, IF APPROPRIATE:

N/A

ATTACHMENTS:

None

City Council Agenda Item

Agenda Item No.: h.5.

Date: September 4, 2024

From: Charlie Bush, City Administrator

Subject: Housing Funds - Request for Proposals - House Bill 1590 Funding

---

RECOMMENDED ACTION:

I move to support the attached guiding principles be reflected in an request for proposal (RFP) to be sent out regarding House Bill 1590 Housing Funds. I also move that this RFP be delayed until 2025, to allow for clarity of policy goals resulting from the City's Comprehensive Plan Update.

ISSUE:

How should the City determine how to spend its House Bill 1590 Housing Funds?

BACKGROUND/SUMMARY INFORMATION:

During 2023, the City of Sedro-Woolley allocated 40% of its House Bill 1590 funding (see attachments for more information on House Bill 1590) to support funding a Notice of Funding Opportunity (NOFA) related to Skagit County's North Star Project. The City has not spent any of its House Bill 1590 capital funds to date. The City's agreement with Skagit County expired on June 30th.

Forty percent is the maximum amount of House 1590 funding that can be spent on operations supporting housing services. A minimum of 60% of the funding must be spent on capital housing projects (bricks and mortar). Up to 100% of the 1590 funds could be spent on capital. The City has not spent any funding on capital expenditures to date.

During the summer of 2024, staff, the Mayor, and the City Council briefly discussed developing a Request for Proposals (RFP) to solicit ideas from housing related agencies regarding how the funds could best be spent. This was in response to a City Council request to hear more ideas. Tonight's discussion includes the attached recommended guiding principles for framing such an RFP.

In light of heavy community engagement around housing in the City's current Comprehensive Plan Update process and the policy clarity that will result from work on the Comprehensive Plan's Housing Element, staff recommend delaying an RFP until 2025. At that time, the City's new Comprehensive Plan Housing Element will include specific strategies for achieving housing targets at various income levels, including those that would qualify to receive House Bill 1590 funding. The RFP criteria could be further adjusted at that time to make sure that these limited funds are spent in a way that helps the City receive a maximum return on investment towards its 20-year housing targets.

FISCAL IMPACT, IF APPROPRIATE:

There is no fiscal impact for issuing the RFP, other than staff time and perhaps a small amount of advertising costs. Attached is a budget report regarding our House Bill 1590 funding balances.

ATTACHMENTS:

1. 1590 RFP Guiding Principles
2. House Bill 1590 Funding Options
3. HB 1590 Summary_2024.08.23(Updated)
4. 1590.PL

City of Sedro-Woolley
Request for Proposals (RFP): House Bill 1590 Funding
Guiding Principles for Development

Respondents:

- Must have a qualifying project under House Bill 1590's restrictions.

- If applying for capital funding, the project must be financially and administratively sustainable by the applying agency or agencies for a period of 25 years. The applying agency or agencies must provide a sustainability plan to the City in response to the RFP.

- Demonstrate the ability to comply with all reporting requirements related to House Bill 1590, including keeping careful records and being available for audit by the City and the State. Such compliance must not put a significant extra administrative burden on the City. The City is not planning to hire additional staff dedicated to housing to administer these funds.

- Contribute to satisfying one, or several, of the housing policy goals within the City Comprehensive Plan's Housing Element. Respondents should cite the specific policy or polices they are addressing and to what extent they anticipate impacting that policy.

- If applying for capital funding, state the number of units to be preserved or created with the funding, and what Average Median Income (AMI) population those units will serve. If the proposal is for services, provide background on the number of people to be served and their anticipated outcomes.

- For capital projects, the applicant/applicants must demonstrate the capacity to develop, own and operate the proposed project. Eligible entities include nonprofit organizations, private for-profit organizations, public housing authorities, public development authorities, and units of local government. Partnerships involving combinations of the above groups are encouraged, especially when necessary to demonstrate capacity in all areas of the project.

- Capital project(s) must be located within the corporate limits of the City of Sedro-Woolley or the services rendered must be located within the corporate limits of the City of Sedro-Woolley.

House Bill 1590 Funding Options

<table>
<tr><th>Minimum of 60% of Funds Collected</th><th>Remainder of funds collected (up to 40%) – these are the funds requested for the North Star Project</th></tr>
<tr><td>Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services. Persons for which housing is constructed must be at or below 60% of the median income of the county. Persons must also be one of the following:

Persons with behavioral health disabilities
Veterans
Senior citizens
Homeless, or at risk of being homeless, families with children
Unaccompanied homeless youth or young adults
Persons with disabilities
Domestic violence survivors
</td><td>Operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.</td></tr>
<tr><td>Constructing mental and behavioral health-related facilities</td><td></td></tr>
<tr><td>Funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers</td><td></td></tr>
</table>

2024 BUDGET POSITION

City Of Sedro-Woolley — Time: 09:48:47 Date: 08/23/2024 Page: 1

117 Housing and Related Services

01/01/2024 To: 12/31/2024

Revenues		Amt Budgeted	Revenues	Remaining	
308 Beginning Balances					
308 31 00 117	Beg Cash & Investments - Restricted	478,916.19	478,916.19	0.00	100.0%
308 Beginning Balances		478,916.19	478,916.19	0.00	100.0%
310 Taxes					
313 25 00 000	Housing And Related Services Sale And Use Tax	258,606.00	163,289.82	95,316.18	63.1%
310 Taxes		258,606.00	163,289.82	95,316.18	63.1%
397 Interfund Transfers					
397 00 01 116	Transfer-In from Fund 116	10,389.00	10,388.90	0.10	100.0%
397 Interfund Transfers		10,389.00	10,388.90	0.10	100.0%
Fund Revenues:		747,911.19	652,594.91	95,316.28	87.3%

Expenditures		Amt Budgeted	Expenditures	Remaining	
551 00 01 117	Affordable Housing - NOFA	109,100.00	55,994.87	53,105.13	51.3%
		109,100.00	55,994.87	53,105.13	51.3%
Fund Expenditures:		109,100.00	55,994.87	53,105.13	51.3%
Fund Excess/(Deficit):		638,811.19	596,600.04		

Description	YTD Revenues	YTD NOFA Expenditures	Upcoming NOFA	Balance Remaining
60%	391,556.95			391,556.95
40%	261,037.96	(55,994.87)	(41,216.01)	163,827.08
Total	652,594.91	(55,994.87)	(41,216.01)	555,384.03

Current Balance Checkfigure 596,600.04

CERTIFICATION OF ENROLLMENT

HOUSE BILL 1590

66th Legislature
2020 Regular Session

Passed by the House March 9, 2020
Yeas 52 Nays 44

Speaker of the House of Representatives

Passed by the Senate March 6, 2020
Yeas 27 Nays 21

President of the Senate

Approved

Governor of the State of Washington

CERTIFICATE

I, Bernard Dean, Chief Clerk of the House of Representatives of the State of Washington, do hereby certify that the attached is **HOUSE BILL 1590** as passed by the House of Representatives and the Senate on the dates hereon set forth.

Chief Clerk

FILED

Secretary of State
State of Washington

HOUSE BILL 1590

AS AMENDED BY THE SENATE

Passed Legislature - 2020 Regular Session

State of Washington 66th Legislature 2019 Regular Session

By Representatives Doglio, Dolan, Macri, Cody, Gregerson, Wylie, Appleton, Robinson, Ormsby, Frame, and Davis

Read first time 01/24/19. Referred to Committee on Housing, Community Development & Veterans.

AN ACT Relating to allowing the local sales and use tax for affordable housing to be imposed by a councilmanic authority; and amending RCW 82.14.530.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

Sec. 1. RCW 82.14.530 and 2015 3rd sp.s. c 24 s 701 are each amended to read as follows:

(1)(a)(i) A county legislative authority may submit an authorizing proposition to the county voters at a special or general election and, if the proposition is approved by a majority of persons voting, impose a sales and use tax in accordance with the terms of this chapter. The title of each ballot measure must clearly state the purposes for which the proposed sales and use tax will be used. The rate of tax under this section may not exceed one-tenth of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

(ii) As an alternative to the authority provided in (a)(i) of this subsection, a county legislative authority may impose, without a proposition approved by a majority of persons voting, a sales and use tax in accordance with the terms of this chapter. The rate of tax under this section may not exceed one-tenth of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

(b)(i) If a county ((~~with a population of one million five hundred thousand or less has not imposed~~)) does not impose the full tax rate authorized under (a) of this subsection ((~~within two years of October 9, 2015~~)) by September 30, 2020, any city legislative authority located in that county may ((~~submit~~)):

(A) Submit an authorizing proposition to the city voters at a special or general election and, if the proposition is approved by a majority of persons voting, impose the whole or remainder of the sales and use tax rate in accordance with the terms of this chapter. The title of each ballot measure must clearly state the purposes for which the proposed sales and use tax will be used;

(B) Impose, without a proposition approved by a majority of persons voting, the whole or remainder of the sales and use tax rate in accordance with the terms of this chapter.

(ii) The rate of tax under this section may not exceed one-tenth of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax.

((~~(ii) If a~~)) (iii) A county with a population of greater than one million five hundred thousand ((~~has not imposed the full~~)) may impose the tax authorized under (a)(ii) of this subsection ((~~within three years of October 9, 2015, any city legislative authority~~)) only if the county plans to spend at least thirty percent of the moneys collected under this section that are attributable to taxable activities or events within any city with a population greater than sixty thousand located in that county ((~~may submit an authorizing proposition to the city voters at a special or general election and, if the proposition is approved by a majority of persons voting, impose the whole or remainder of the sales and use tax rate in accordance with the terms of this chapter. The title of each ballot measure must clearly state the purposes for which the proposed sales and use tax will be used. The rate of tax under this section may not exceed one-tenth of one percent of the selling price in the case of a sales tax, or value of the article used, in the case of a use tax~~)) within that city's boundaries.

(c) If a county imposes a tax authorized under (a) of this subsection after a city located in that county has imposed the tax authorized under (b) of this subsection, the county must provide a credit against its tax for the full amount of tax imposed by a city.

(d) The taxes authorized in this subsection are in addition to any other taxes authorized by law and must be collected from persons who are taxable by the state under chapters 82.08 and 82.12 RCW upon the occurrence of any taxable event within the county for a county's tax and within a city for a city's tax.

(2)(a) Notwithstanding subsection (4) of this section, a minimum of sixty percent of the moneys collected under this section must be used for the following purposes:

(i) Constructing affordable housing, which may include new units of affordable housing within an existing structure, and facilities providing housing-related services; or

(ii) Constructing mental and behavioral health-related facilities; or

(iii) Funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers.

(b) The affordable housing and facilities providing housing-related programs in (a)(i) of this subsection may only be provided to persons within any of the following population groups whose income is at or below sixty percent of the median income of the county imposing the tax:

(i) Persons with ((~~mental illness~~)) behavioral health disabilities;

(ii) Veterans;

(iii) Senior citizens;

(iv) Homeless, or at-risk of being homeless, families with children;

(v) Unaccompanied homeless youth or young adults;

(vi) Persons with disabilities; or

(vii) Domestic violence survivors.

(c) The remainder of the moneys collected under this section must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

(3) A county that imposes the tax under this section must consult with a city before the county may construct any of the facilities authorized under subsection (2)(a) of this section within the city limits.

(4) A county that has not imposed the tax authorized under RCW 82.14.460 prior to October 9, 2015, but imposes the tax authorized

under this section after a city in that county has imposed the tax authorized under RCW 82.14.460 prior to October 9, 2015, must enter into an interlocal agreement with that city to determine how the services and provisions described in subsection (2) of this section will be allocated and funded in the city.

(5) To carry out the purposes of subsection (2)(a) and (b) of this section, the legislative authority of the county or city imposing the tax has the authority to issue general obligation or revenue bonds within the limitations now or hereafter prescribed by the laws of this state, and may use, and is authorized to pledge, up to fifty percent of the moneys collected under this section for repayment of such bonds, in order to finance the provision or construction of affordable housing, facilities where housing-related programs are provided, or evaluation and treatment centers described in subsection (2)(a)(iii) of this section.

(6)(a) Moneys collected under this section may be used to offset reductions in state or federal funds for the purposes described in subsection (2) of this section.

(b) No more than ten percent of the moneys collected under this section may be used to supplant existing local funds.

--- END ---