



CITY COUNCIL

ANDY RYDER

Mayor

CYNTHIA PRATT

Deputy Mayor

VIRGIL CLARKSON

JEFF GADMAN

LENNY GREENSTEIN

JASON HEARN

MICHAEL STEADMAN

CITY MANAGER

SCOTT SPENCE

LACEY CITY COUNCIL AGENDA

FEBRUARY 13, 2014

7:00 P.M.

420 COLLEGE STREET, LACEY CITY HALL

CALL TO ORDER:

1. PLEDGE OF ALLEGIANCE
2. APPROVAL OF AGENDA & CONSENT AGENDA ITEMS*
 - A. [Worksession Minutes of January 16, 2014](#)
 - B. [Council Minutes of January 23, 2014](#)

** Items listed under the consent agenda are considered to be routine and will be enacted by one motion and one vote. There will be no separate discussion of these items. If discussion is desired, that item will be removed from the Consent Agenda and will be considered separately.*

3. PUBLIC RECOGNITIONS AND PRESENTATIONS:

- A. Recognition of Don Melnick for service on Planning Commission (*Rick Walk*)
- B. Recognition of Phil Petty for Retro Safety Coordinator Certification (*Brian Bishop, AWC Retro Program Manager*)
- C. Presentation: Polish Exchange Students Lacey-Mińsk Mazowiecki Sister City Association (*Mary Kirker*)

4. PUBLIC COMMENT ON ITEMS NOT ON THE AGENDA*

The City Council will allow comments under this section on items **NOT already on the agenda. Where appropriate, the public will be allowed to comment on agenda items as they are addressed during the meeting.*

5. PUBLIC HEARING:

6. PROCLAMATION:

- A. [109th Anniversary-Rotary International and Lacey Rotary Clubs "Service above Self"](#) (*Bill McGregor*)

7. REFERRAL FROM PLANNING COMMISSION:

8. REFERRAL FROM HEARINGS EXAMINER:

9. RESOLUTIONS:

- A. [Consider Resolution amending City Investment Policy](#) (*Troy Woo*)

10. ORDINANCES:

- A. [Consider Ordinance Banning Single-Use Plastic Bags](#) (*Liz Gotelli*)

11. MAYOR'S REPORT:

- A. Appoint Martha (Marti) Rutishauser to Library Board
B. Re-appoint Deputy Mayor Pratt to TRPC Urban Growth Management Subcommittee

12. CITY MANAGER'S REPORT:

13. STANDING GENERAL COMMITTEE:

- A. [Finance & Economic Development Committee](#) (01.27.14)

14. OTHER BUSINESS:

15. BOARDS, COMMISSIONS, AND COMMITTEE REPORTS:

- A. Mayor Andy Ryder:
1. Mayors' Forum
2. Transportation Policy Board (TPB)
- B. Deputy Mayor Cynthia Pratt:
1. Energy Advisory Committee
2. LOTT
3. Olympic Region Clean Air Agency (ORCAA)
- C. Councilmember Virgil Clarkson:
1. Health & Human Services Council (HHSC)
2. HOME Consortium
3. Thurston Regional Planning Council (TRPC)
- D. Councilmember Jeff Gadman
1. Intercity Transit (IT)
2. Joint Animal Services Commission (JASCOM)
- E. Councilmember Lenny Greenstein
1. Emergency Medical Services (EMS)
2. TCOMM911
- F. Councilmember Jason Hearn:
1. Community Action Council (CAC)
2. Thurston County Law & Justice Council
3. HTPA-Human Trafficking
- G. Councilmember Michael Steadman:
1. Economic Development Council (EDC)
2. Olympia-Lacey-Tumwater Visitor & Convention Bureau (VCB)
3. Solid Waste Advisory Committee (SWAC)

16. ADJOURN

**MINUTES OF LACEY CITY COUNCIL WORKSESSION
THURSDAY, JANUARY 16, 2014
LACEY CITY HALL
7:00 P.M.**

COUNCIL PRESENT: A. Ryder, C. Pratt, V. Clarkson, J. Gadman, L. Greenstein, J. Hearn, M. Steadman

STAFF PRESENT: S. Spence, T. Woo, S. Egger, L. Flemm, L. Gotelli, D. Pierpoint, S. Egger, M. Coppin, P. Edmonds

COUNCILMEMBER GADMAN MOVED TO APPROVE THE AGENDA. COUNCILMEMBER STEADMAN SECONDED. MOTION CARRIED.

TMDL STUDY UPDATE AND MODELING RESULTS

Lydia Wagner, Department of Ecology (DOE) Water Cleanup Coordinator, and Mindy Roberts, DOE Environmental Engineer, presented Council with an update on the status of the Total Maximum Daily Load (TMDL) study for the Deschutes River, Capitol Lake, and Budd Inlet. DOE staff provided the results of updated nutrient modeling scenarios for Budd Inlet, including interface with South Puget Sound Dissolved Oxygen Study modeling.

The purpose of the TMDL, also known as a Water Quality Improvement Project, identifies needed action to meet water quality goals; partners with local governments, tribes, businesses, special interest groups, and citizens; and provides public education and outreach.

Their next steps will be to conduct additional modeling of dissolved oxygen in Budd Inlet, and complete a draft on the freshwater component.

PLASTIC BAG UPDATE

Mary Coppin, Public Affairs Community Liaison, updated the Council on the City's outreach methods used during October-December 2013. These included a web page on the City's website, notification to the Chamber of Commerce and HOAs, a press release to local media, an open house at Lacey City hall, and an informational flyer and comment card mailed to approximately 15,000 Lacey utility customers.

Councilmembers discussed the option of an ordinance to ban single-use plastic bags, or an advisory vote of the people.

Mayor Ryder directed staff to place the item on the January 23, 2014. At that time, Council will vote whether to move forward with an ordinance or to place a ballot in the August primary.

COMMITTEE AND INTERGOVERNMENTAL BOARD ASSIGNMENTS

Councilmembers reviewed the current list of Intergovernmental Boards and Ad Hoc Committees. Mayor Ryder directed staff to remove Water Resource Inventory Area, Thurston County Children & Youth (TCCY), and TOGETHER! from the current list.

Council discussed changing the Committee schedules to increase attendance of Lacey citizens.

At the first Committee meeting with new members, each Committee will elect a chair and review the meeting schedule.

Mayor Ryder will forward Committee and Intergovernmental Board assignments to Council within the next couple of days.

Mayor Ryder adjourned the meeting at 9:00 p.m.

**MINUTES OF A REGULAR MEETING OF THE
LACEY CITY COUNCIL HELD THURSDAY,
JANUARY 23, 2014, IN LACEY COUNCIL
CHAMBERS.**

- CALL TO ORDER: Mayor Ryder called the meeting to order at 7:00 p.m.
- PLEDGE OF ALLEGIANCE: BSA Troop 22 led the pledge of allegiance.
- COUNCIL PRESENT: A. Ryder, C. Pratt, V. Clarkson, J. Hearn, J. Gadman, L. Greenstein, M. Steadman
- STAFF PRESENT: S. Spence, D. Schneider, R. Walk, S. Egger, L. Gotelli, D. Pierpoint, L. Flemm, S. Schelling, S. Kirkman, M. Coppin, J. Sieler, T. Palmateer, D. Burns, R. Schoessel, P. Brooks, C. Litten
- APPROVAL OF AGENDA AND CONSENT AGENDA: Mayor Ryder requested an amendment to the agenda to remove Item # 3-B, Retro Safety Coordinator Certification, and to add a presentation to former Councilmember Lawson.
- Consent Agenda Items:
(a) Worksession Minutes of January 2, 2014
(b) Council Minutes of January 9, 2014
(c) Plat alteration of Campus Ridge Project #11-195
- COUNCILMEMBER GADMAN MOVED TO APPROVE THE CONSENT AGENDA AND AMENDED AGENDA. COUNCILMEMBER GREENSTEIN SECONDED. MOTION CARRIED.**
- PUBLIC RECOGNITIONS: Jeanette Sieler, Recreation Coordinator, Courtney Schrieve, NTSD Public Affairs, and Holly Paxton, Library Director, announced the *2014 Lacey Loves to Read (LL2R) Bookmark* winners. An invitation was extended to all to attend the February 27, 2014, event

at 7 p.m. at the Community Center to honor *Lacey Loves to Read* author, Patrick Carman.

Councilmember Clarkson presented former Councilmember Ron Lawson a commemorative plaque for his years of service as the City of Lacey representative on Community Action Council.

Rick Walk, Community Development Director, and Dave Burns, Principal Planner, recognized Kenneth Mitchell, Raymond Payne, Jr., Dick Sovde and Michael Steadman for their many years of service on the Planning Commission. Dick Sovde acknowledged Dave Burns' 27 years of service as the City's Principal Planner and Planning Commission liaison.

Marvin T. Johnson, BSA Troop Leader and coordinator of the Christmas Tree Roundup, provided a report of the event sponsored by Lacey Area Boy Scouts on January 4, 2014. Nine troops/packs volunteered, collecting 1,160 trees in a five hour period. Lemay donated dumpsters to facilitate the transfer of trees to the landfill. The Troops raised \$3,600 towards projects and programs. Mayor Ryder presented Mr. Johnson and Scouts with an appreciation plaque.

PUBLIC COMMENTS:

Tim Ransom, President of the Panza Board, expressed his appreciation to Council for their ongoing support towards efforts to create Camp Quixote. He extended an invitation to Council and Planning Commission members to attend a Housewarming Event on February 9, 2014, from 1:00 - 5:00 p.m.

PUBLIC HEARING:

Mayor Ryder closed the regular meeting at 7:46 p.m., and opened a Public Hearing at 7:46 p.m. to consider comments from property owners within the proposed ULID 23 regarding the formation of an Improvement District for the construction of wastewater facilities.

Tom Palmateer, PW Management Analyst, provided a presentation on the proposed ULID 23.

The four parcels located at the southeast corner of College Street SE and Martin Way E were connected to the City of Olympia sewer system by an “Agreement for Temporary Public Sewerage Service” dated January 11, 1980, and a contract executed on July 24, 1980. The agreement called for the parcels to connect to other sewer facilities should the City of Olympia facilities become overloaded. One year notification of the need to disconnect from Olympia’s facilities was required.

The agreement also acknowledges that Lacey will subsequently install sewerage facilities by developer extension, utility local improvement district or some other method and that area charges and connection charges may be levied.

The City of Olympia notified the parcel owners via certified mail on December 5, 2012, of the need to disconnect from their system within one year.

Resolution No. 1004 was passed by the Lacey City Council on December 19, 2013, which declared the intention of the City Council to form a ULID and set the date of the public hearing for January 23, 2014.

The notices to property owners included a preliminary estimate of the assessment to be made to each of those properties. After the improvement is made, an additional public hearing will be held to consider the final assessment roll, which will be based upon the actual costs of the project and the administrative charges. The estimated cost of the project is \$700,098.21.

Four letters were submitted as part of the official record of the Public Hearing:

Law Offices of Leslie Clay Terry III: Dated January 2, 2014
Representative of Property Owners, Michael Jankelson
and Kimberly Woods
Parcel #11816230300

Chandra Holdings, Inc.: Dated January 8, 2014

Denesh Chandra, Member
Parcel #11816230440 (Quality Inn & Suites)
Letter was read into the record by Tom Palmateer, PW
Management Analyst

Roland Jankelson: Dated January 16, 2014
Representative of Property Owners, Michael Jankelson,
Kimberly Woods
Parcel #11816230300

Davis Wright Tremaine LLP: Dated January 23, 2014
Representative of Peninsula Group
Parcel No. 11816230300 (Super 8 Hotel)

Council reviewed all options and agreed that Option 1
would be the most cost effective and efficient route.

Mayor Ryder closed the Public Hearing at 8:02 p.m.
to reconvene the regular meeting.

PROCLAMATIONS:

Mayor Ryder proclaimed February 2014 as *Lacey
Loves to Read Month*.

Councilmember Hearn proclaimed January 2014 as
*National Slavery and Human Trafficking Prevention
Month*. Rose Gunderson accepted the proclamation
as a founding member of the Washington Coalition
against Trafficking. Ms. Gunderson presented a
partnership letter to Council with an invitation to
discuss specific goals and solutions to address the
issue.

ORDINANCE:

Ordinance No. 1428 approves College Street and
Martin Way Sewer Connection ULID 23.

**COUNCILMEMBER GADMAN MOVED TO
APPROVE ORDINANCE NO. 1428 TO INSTALL
THE COLLEGE STREET AND MARTIN WAY
SEWER CONNECTION ULID 23. DEPUTY MAYOR
PRATT SECONDED. MOTION CARRIED.**

MAYORS REPORT:

Mayor Ryder presented Council with a request to
appoint Helen Spalding to a first full term on the
Library Board.

COUNCILMEMBER GREENSTEIN MOVED TO APPOINT HELEN SPALDING TO THE LIBRARY BOARD. COUNCILMEMBER CLARKSON SECONDED. MOTION CARRIED.

Mayor Ryder stated that at the January 16, 2014, Worksession, the Lacey City Council examined the results of the public outreach campaign concerning plastic bags. There was discussion in support of moving forward with a plastic bag ban ordinance, and there was also discussion in support of placing the issue on a ballot to solicit voter input. Mayor Ryder asked for final comments from Council before inviting direction.

Deputy Mayor Pratt stated she supports a plastic bag ban ordinance, noting the result of the survey cards indicated a majority support the ban. Since other jurisdictions have adopted the plastic bag ban ordinance, a regional policy would be most effective.

Councilmember Gadman stated he supports a plastic bag ban ordinance, noting recent comments in the card survey indicate support for a ban. He remarked that there was not a strong response from the plastic bag industry to be proactive in finding alternative solutions.

Councilmember Steadman stated he supports the ordinance, noting that the Grocer's Association supports the ban.

Councilmember Greenstein stated he does not support the ban without input from the voters, noting that a Council of seven should not ban a product that is legal. In addition, for those who re-purpose and recycle plastic bags, an action to ban these bags causes a negative impact.

Councilmember Hearn stated he does not support the ban without input from the voters, noting the survey was not conclusive nor scientifically accurate. He cautioned against Council setting precedence by banning a product that is legal.

Councilmember Clarkson stated he does not support the ban, because plastic bags are recycled and reused by many Lacey residents. He cited an example of 1,700 plastic bags filled with food and distributed each weekend to students in need.

Mayor Ryder stated he supports the ban on plastic bags.

COUNCILMEMBER GADMAN MOVED TO BRING A VOTE TO COUNCIL RELATED TO BANNING PLASTIC BAGS IN THE CITY OF LACEY. DEPUTY MAYOR PRATT SECONDED. MAYOR RYDER, DEPUTY MAYOR PRATT AND COUNCILMEMBERS GADMAN AND STEADMAN VOTED IN FAVOR OF MOVING FORWARD WITH A VOTE RELATED TO A PLASTIC BAG BAN ORDINANCE. COUNCILMEMBERS CLARKSON, HEARN AND GREENSTEIN VOTED IN OPPOSITION. MOTION CARRIED.

COUCILMEMBER HEARN MOVED TO PLACE THE ISSUE ON A BALLOT FOR A VOTE OF THE PEOPLE. COUNCILMEMBER GREENSTEIN SECONDED. COUNCILMEMBERS CLARKSON, HEARN AND GREENSTEIN VOTED IN FAVOR OF A PUBLIC VOTE. MAYOR RYDER, DEPUTY MAYOR PRATT, COUNCILMEMBERS GADMAN AND STEADMAN VOTED IN OPPOSITION TO A PUBLIC VOTE OF THE PLASTIC BAG BAN ORDINANCE. MOTION FAILED.

CITY MANAGER'S REPORT:

Scott Egger, requested Council Award Lacey Contract Number PW 2013-26 to low bidder Rodarte Construction, Inc. from Auburn, WA, in the amount of \$348,166.10, for the construction of a backwash pump station that will send backwash to the LOTT Budd Inlet Treatment Facility. The Engineer's Estimate is \$587,235.44.

It is anticipated that work will begin around mid-February with 70 working days allotted.

COUNCILMEMBER PRATT MOVED TO AWARD LACEY CONTRACT NUMBER PW 2013-26 TO

LOW BIDDER RODARTE CONSTRUCTION, INC. IN THE AMOUNT OF \$1,825,000 DOLLARS. COUNCILMEMBER STEADMAN SECONDED.

COUNCILMEMBER GADMAN MOVED TO AMEND THE MOTION TO CORRECT THE CONTRACT AMOUNT TO \$348,166.10. COUNCILMEMBER STEADMAN SECONDED. MOTION CARRIED.

Scott Egger, Public Works Director, provided an update on the remediation of an odor control facility located at the southwest corner of Avonlea Park adjacent to Ingleside Loop SE. Upon digging, it was discovered that a minimal amount of material is saturated with bioxide, reducing the cost of the project.

STANDING GENERAL COMMITTEES:

Utilities Committee

Councilmember Gadman reported the Committee met on January 3, 2014, to discuss Chambers Lake Stormwater Treatment Facility Project, the Stormwater Comprehensive Plan – Financial Chapter, and Wastewater Comprehensive Plan.

Land Use Committee

Deputy Mayor Pratt reported the Committee met on January 6, 2014, to receive a presentation on the Community-wide Green House Gas Emissions Inventory in Thurston County, and review an urban growth boundary application from NTPS District.

Transportation Committee

Councilmember Hearn reported the Committee met on January 14, 2014, to discuss road connections related to the Chambers Lake Stormwater Treatment Facility Project.

BOARDS & COMMISSIONS:

Thurston County against Human Trafficking

Councilmember Hearn reported that January is Human Trafficking Awareness Month, and thanked Council for their support in advancing the message.

EMS

Councilmember Greenstein reported a recommendation for bylaw changes to allow Lacey a vote on the Board has been forwarded to the County Commissioners for approval.

Councilmember Gadman acknowledged Councilmember Greenstein's efforts as Lacey's representative on EMS to reinstate Lacey's vote on the EMS Board. Deputy Mayor Pratt added her appreciation.

CAC

Councilmember Clarkson reported an open house will be held on February 4, 2014, to recognize the 50th anniversary of the Community Action Council.

HHSC

Councilmember Gadman reported the final draft of the MOU will be presented to Council next month.

Law & Justice Council

Councilmember Gadman reported the group is reviewing the Spokane model that realigns law and justice to improve efficiency.

TPB

Mayor Ryder reported the Board met on January 8, 2014, to discuss and review the Regional Transportation Plan goals.

TRPC

Councilmember Clarkson reported the Chief Executive Officer evaluation has been completed with performance goals to be set.

VCB

Councilmember Steadman reported he attended his first meeting, and has been appointed to the Executive Board.

ADJOURNMENT:

Mayor Ryder adjourned the meeting at 9:20 p.m. to a Worksession to discuss the City Manager's evaluation process.

WORKSESSION:

Council discussed the process for the City Manager's annual evaluation, and consented unanimously to move forward with an abbreviated version.

The City Manager will provide a list of accomplishments, potential challenges and opportunities, the current contract, and a list of comparables.

During executive session on February 20, 2014, Council will review the City Manager's performance and provide direction.

Mayor Ryder adjourned the Worksession at 9:35 p.m.

MAYOR: _____

ATTESTED BY CITY CLERK: _____

DATE APPROVED: _____

CITY OF LACEY *Official Proclamation*

WHEREAS, Rotary International is a worldwide organization of business and professional leaders that provide humanitarian service, encourages high ethical standards in all vocations, and helps to build goodwill and peace in the world; and

WHEREAS, the three *Rotary Clubs of Lacey* are Gateway, Hawks Prairie, and Lacey;

WHEREAS, the *Rotary Clubs of Lacey* are a part of Rotary International and have practiced the Rotary Motto of "Service above Self"; and

WHEREAS, the *Rotary Clubs of Lacey* have made community leadership and Rotary membership synonymous; and

WHEREAS, the *Rotary Clubs of Lacey* have been involved in local and international projects, fulfill the object of Rotary to encourage and foster the ideal of service to their community; and

WHEREAS, the *Rotary Clubs of Lacey* have improved our community through the various projects they have undertaken in partnership with other Rotary Clubs as well as projects undertaken by each individual club; and

WHEREAS, the *Rotary Clubs of Lacey* have worked diligently to attempt to eradicate Polio in the world.

NOW, THEREFORE, I, Andy Ryder, Mayor of the City of Lacey, on behalf of the Lacey City Council, hereby proclaim February 23, 2014, as

Rotary International's 109th Anniversary of "Service above Self"

in the City of Lacey, and encourage citizens of all ages to help celebrate the *Rotary Clubs of Lacey's* accomplishments, improvements, and contributions to our community.




Mayor Andy Ryder
February 13, 2014



LACEY CITY COUNCIL MEETING

February 13, 2014

SUBJECT: Investment Policy

RECOMMENDATION: Adopt resolution replacing the July 1999 investment policy.

STAFF CONTACT: Scott Spence, City Manager ^{SS}
Troy Woo, Finance Director ^{TW}

ORIGINATED BY: Troy Woo, Finance Department

ATTACHMENTS:

1. [Proposed Resolution No. 1006](#)
2. [Resolution No. 625](#)
3. [Resolution No. 810](#)
4. [Resolution No. 992 \(Fiscal Policies\)](#)

FISCAL NOTE:

PRIOR REVIEW: Finance and Economic Development Committee on January 27, 2014

BACKGROUND:

One of the lingering effects of the recent recession has been low interest rates. The earning rate history of the Washington State Local Government Investment Pool (LGIP) provides a good illustration of the low interest rate impact to the City of Lacey. Most Washington Cities, all Washington Counties, many taxing districts, and multiple colleges and universities have joined the LGIP. The LGIP allows local governments to enjoy the economies of scale from a \$7-11 billion pooled investment fund while maintaining maximum safety. The LGIP offers 100 percent liquidity, so it has been a safe, convenient, and effective investment option for the City. The LGIP, like most short term investment options, has not seen interest rates recover from the Great Recession. The LGIP's 2013 average net earnings rate was 0.1399 percent. The highest rate posted since 2001 was 5.28 percent and occurred during February 2007. As a result the current expense fund investment interest revenue was \$889,143 during 2007, but only \$51,589 in 2012. It is not

expected that changes to the City's investment policy will result in a return to 2007 level earnings, but it is expected interest earnings can be improved without compromising the safety of public funds with amendments to the investment policy.

The proposed investment policy was developed using the Washington Municipal Treasurers' Association (WMTA) model investment policy. The model policy is a proven policy which is utilized by many Washington cities and adheres to State statutes. Another added benefit of using the WMTA model policy is it may qualify for the WMTA Investment Policy Certification Program. Certification ensures the policy includes the vital elements that should be in a thorough policy. A strong investment policy will help protect the City's investment officers, gives brokers/dealers clear direction of the City's investment goals, and ultimately ensures the safety of public funds.

The City Council adopted Resolution No. 992 relating to the City's fiscal policies on February 28, 2013. The proposed policy is consistent to the cash management and investment policies section of the adopted fiscal policies, so no formal action on the fiscal policies is required. However, the proposed policy includes more specific guidance necessary for staff to comply with the adopted cash management and investment policies, so it is recommended that the proposed resolution is adopted to replace the current investment policy.

The current investment policy, which was most recently amended by Resolution No. 810 in July 1999, is attached for reference. The following are the significant proposed changes compared to the July 1999 policy:

- Section 5 describes the requirements for authorized financial dealers and institutions that the City may utilize for investment services.
 - Secondary dealers may be included if they have an office in Washington State, are currently conducting business with other Washington State public entities, and have a minimum net worth of \$10 million.
 - All brokers/dealers must supply the following:
 - Audited financial statements for past three (3) years
 - National Association of Securities Dealer certification
 - Certification they have read the City's investment policy
 - References from governmental entities
- In addition to the listing of authorized investments, Section 6 now includes a list of prohibited investment instruments.
- The proposed policy does not include any requirements for collateralization. Collateralization is typically required for repurchase agreements, which are not specifically authorized by the proposed investment policy. Repurchase agreements are agreements where the seller (City would be the buyer or lender) agrees to buy back securities at a future date presumably at a higher price. Repurchase agreements are similar to secured loans so collateral is highly recommended.

- Diversification is addressed in a separate section in the proposed policy. Section 8 has slightly different maximum percentages of total portfolio amounts that may be invested in certain instruments. This section also requires that a minimum of 15 percent of the City's portfolio be invested in overnight instruments for liquidity reasons. Staggering or laddering of investments is encouraged to minimize interest rate risk and to improve liquidity.
- Section 9 provides guidance for maximum maturities. Currently, the maximum maturity is two years unless the instrument is a U.S. Treasury obligation. The proposed policy requires that investments match its anticipated cash flow requirements. The proposed maximum maturity is five years unless the funds are matched to a specific cashflow or consists solely of a corpus of a perpetual operating fund or bond reserve fund. The maturity may also exceed five years if the investments coincide with the expected use of reserve funds. The current policy and investment market do not allow the City to invest significantly higher than its current overnight rate, so investment earnings are not meeting their potential. The recent City Council action to identify reserve funds gives staff clear direction for the use of funds and better guidance of the timing of the use of funds, so the increased maturity threshold is reasonable.
- Section 11 of the proposed policy includes performance standards that are less specific than the current policy. The performance standard in the current policy sets the average rate of return equal to the 90 day CD rate. The less specific standard allows the City to set performance standards at a level to better match market environments. For example, current 90 day CD rates are less than the City's overnight rate by nearly 50 percent.
- The proposed reporting requirements in section 12 of the proposed policy require more specific elements than the current policy.
- Reference to an investment committee is not included in the proposed policy. The Financial Services Manager position does not exist any longer and the City Manager has not been directly involved with investment decisions recently. Investment decisions are typically made by ad hoc committee within the Finance Department.

The majority of the proposed investment policy sections does not include changes compared to the current policy. The following are key elements of the policy that do not include any changes:

- Section 1 includes the description of level of care that is required. The proposed policy requires that the "prudent person" standard be used by the City's investment officials. This means investments shall be made with the same level of judgment and care, which persons of prudence, discretion, and intelligent exercise would use in the management of their own affairs. The investment portfolio will be subject to public review and will be managed with a level of professionalism that maintains public trust.

- The primary objectives in section 2 do not change. In priority order the objectives for investing activities are safety, liquidity, and return on investment.
- The authority to manage the City's investment program is delegated to the Finance Director, who will establish procedures that are consistent with the investment policy. Delegation of authority is established in section 3 of the proposed policy.
- Section 4 outlines the ethic and conflicts of interest standards. The policy is designed so that investment officers make impartial investment decisions and do not conduct personal investments with the same individuals with whom they are conducting business on behalf of the City.
- Section 6 lists the authorized investments for the City of Lacey. The list is consistent with the securities that are allowed by the Revised Code of Washington (RCW).
- The safekeeping provisions in section 7 remain the same as the current policy. Safekeeping involves third party or custodian banks holding all investment securities, which helps protect the City from fraud or losses from the collapse of securities dealers. This section also requires that all security transactions are conducted on a delivery-versus-payment basis. This is a settlement procedure where the buyer's payment is due at the time of delivery. This prohibits the payment of securities prior to the securities from being held in a negotiable form.
- The investment policies and procedures will be subject to annual audit by the Washington State Auditor as required by section of the proposed policy (section 10). This will insure compliance with the City's policies and procedures.

At its January 27, 2014 meeting, the Finance and Economic Development Committee reviewed and recommended full City Council approval of the proposed investment policy.

ADVANTAGES:

1. Better alignment of maximum maturities with market conditions.
2. Flexibility in performance standards to match market conditions.
3. More concise policy guidance for authorized investments, reporting requirements, and qualified investment dealers.

DISADVANTAGES:

1. Increased City-wide administration necessary to properly manage cashflows to ensure longer maturities can be safely achieved.

RESOLUTION NO. 1006

CITY OF LACEY

A RESOLUTION OF THE CITY OF LACEY, WASHINGTON, AMENDING THE OFFICIAL INVESTMENT POLICY OF THE CITY.

WHEREAS, the stewardship of public funds, their safe-keeping, legal use and proper management, is one of the most important responsibilities entrusted to the officials and managers of the City of Lacey, and

WHEREAS, the City Council adopted Resolution No. 625 on June 9, 1988 and Resolution No. 810 on July 22, 1999, which established and amended the City of Lacey's official investment policy, and

WHEREAS, updated guidance and market conditions require additions and amendments to said policy,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that the certain policy set forth in the document entitled "City of Lacey Investment Policy," attached hereto and made a part hereof as though fully set forth at length is hereby approved and adopted as the investment policy to be followed by the City Council and management of the City of Lacey.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, this 13th day of February, 2014.

CITY COUNCIL

Mayor

Attest:

Approved as to form:

City Clerk

City Attorney

CITY OF LACEY INVESTMENT POLICY

1. GENERAL

- A. This policy establishes the rules by which the City of Lacey will invest public funds that will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City of Lacey and conforming to all federal, state, and local statutes governing the investment of public funds.
- B. Any questions or comments should be directed to the Finance Director at (360) 438-2624.
- C. This investment policy applies to all financial assets of the City of Lacey. These funds are accounted for in the City of Lacey's Annual Financial Report and include:

- General Fund
- Special Revenue Funds
- Capital Project Funds
- Enterprise Funds
- Internal Service Funds
- Debt Service Funds
- Trust and Agency Funds
- Retirement/Pension Funds
- Any new fund created by the City Council, unless specifically exempted

- D. Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of care to be used by investment officials shall be the "prudent person" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

The investment portfolio is subject to public review and evaluation. The program shall be designed and managed with a level of professionalism that is worthy of and maintains the public trust.

E. This policy is divided into the following sections:

SECTION 1	GENERAL
SECTION 2	OBJECTIVES
SECTION 3	DELEGATION OF AUTHORITY
SECTION 4	ETHICS AND CONFLICTS OF INTEREST
SECTION 5	AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS
SECTION 6	AUTHORIZED INVESTMENTS
SECTION 7	SAFEKEEPING AND CUSTODY
SECTION 8	DIVERSIFICATION
SECTION 9	MAXIMUM MATURITIES
SECTION 10	INTERNAL CONTROLS
SECTION 11	PERFORMANCE STANDARDS
SECTION 12	REPORTING
SECTION 13	INVESTMENT POLICY ADOPTION

2. OBJECTIVES

A. The primary objectives, in priority order, of the City of Lacey's investment activities shall be:

1. **Safety:** Safety of the principal is the foremost objective of the investment program. Investments of the City of Lacey shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
2. **Liquidity:** The City of Lacey's investment portfolio will remain sufficiently liquid to enable the City of Lacey to meet all operating requirements that might be reasonably anticipated.
3. **Return on Investment:** The City of Lacey's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City of Lacey's investment risk constraints and the cash flow characteristics of the portfolio.

3. DELEGATION OF AUTHORITY

A. Authority to manage the City of Lacey's investment program is derived from the following: Revised Code of Washington (RCW), Washington Municipal Treasurer's Association model investment policy, BARS manual, and Resolution No. 992. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish procedures for the operation of the investment program consistent with this investment policy.

B. Procedures should include reference to the following: safekeeping, wire transfer agreements, custody agreements and investment related banking services

contracts. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

4. ETHICS AND CONFLICTS OF INTEREST

- A. Officers and employees involved in the investment process shall refrain from personal business activity that may conflict with the proper execution of the investment program, or may impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the City Manager or Finance Director any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be related to the performance of the City of Lacey's portfolio. Investment officers shall refrain from conducting personal investment transactions with the same individuals with whom the business is conducted on behalf of the City of Lacey and shall subordinate their personal investment transactions to those of the City of Lacey, particularly with regard to the timing of purchases and sales.

5. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

- A. No public deposits shall be made except in qualified public depositories as provided in Chapter 39.58 RCW.
- B. The Finance Director will maintain a list of financial institutions authorized to provide investment services.
- C. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness. The list may include primary dealers (those who as primary government securities dealers report daily to the New York Federal Reserve Bank) or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule).

Secondary security dealers may be included if they meet all of the following conditions:

1. Have an office in the State of Washington and are currently conducting business with other State of Washington public entities.
 2. Have a minimum net worth of \$10 million.
 - a) A dealer will not be considered if it has two consecutive quarters of declining net worth or has one quarter with a drop in net worth of five (5) percent or more.
- D. All brokers/dealers and financial institutions who desire to do business with the City of Lacey must supply the Finance Director with the following:

- Annual audited financial statements for the last three (3) years.
- Proof of National Association of Securities Dealers certification.
 - Proof of state registration.
- Certification of having read the City of Lacey's investment policy.
- References preferably from governmental entities.

E. The Finance Director will conduct an annual review of the financial condition of firms.

6. AUTHORIZED INVESTMENTS

A. The City of Lacey is empowered to invest in the following types of securities:

- The Washington State Local Government Investment Pool (LGIP) (RCW 43.250.040).
- Savings accounts or certificates of deposit issued by Washington State Public Depositories (RCW 39.59.020).
- United States bonds (RCW 43.84.080).
- United States certificates of indebtedness (RCW 43.84.080).
- United States Treasury Bills (RCW 43.84.080).
- General obligation or utility revenue bonds or warrants of its own or of any other city or town in the state, which at the time of investment have one of the three highest credit ratings of a nationally recognized rating agency (RCW 35.39.030).
- Its own bonds or warrants of a local improvement district which are with the protection of the local improvement guaranty fund law (RCW 35.39.030).
- United States Government Agency securities and United States Government-Sponsored Corporations including but not limited to Farmers Home Administration, Federal Land Banks, Federal Home Loan Banks, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), Government National Mortgage Association (Ginnie Mae), Student Loan Marketing Association (Sallie Mae) (RCW 43.84.080).

B. The City of Lacey is prohibited from investing in the following types of investments.

- Corporate Stocks
- Corporate Bonds
- Foreign Government Obligations
- Futures Contracts
- Guaranteed Investment Contracts
- Investment in Commodities
- Limited Partnerships
- Negotiable Certificates of Deposit
- Real Estate

7. SAFEKEEPING AND CUSTODY

- A. To protect against potential fraud, embezzlement, or losses caused by the collapse of individual securities dealers, all investment securities purchased by the City shall be held by the City or in safekeeping by the City's custodian bank or a third party bank trust department, acting as an agent for the City under the terms of a custody or trustee agreement executed by the bank and by the City. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity, and other pertinent information.
- B. All security transactions entered into by the City of Lacey shall be conducted on a delivery-versus-payment (DVP) basis.
- C. Investments and safekeeping procedures are subject to annual review by the Washington State Auditor.

8. DIVERSIFICATION

- A. The City of Lacey will diversify its investments by security type and institution to reduce overall portfolio risks. With the exception of U.S. Treasury securities and authorized investment pools, no more than 50 percent of the City of Lacey's total investment portfolio will be invested in a single security type or with a single financial institution. However, 85 percent of the City of Lacey's total investment portfolio may be invested in U.S. Treasury Obligations or 100 percent of the City of Lacey's total investment portfolio may be invested in the Washington State Local Government Investment Pool.
- B. At least 15 percent of the portfolio shall be invested in overnight instruments or marketable securities which can be sold to raise cash in one day's notice.
- C. Portfolio maturities shall be staggered to avoid a concentration of assets in a specific maturity period.

9. MAXIMUM MATURITIES

- A. To the extent possible, the City of Lacey will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City of Lacey will not directly invest in securities maturing more than five (5) years from the date of purchase. However, the City of Lacey may invest in securities maturing up to twenty (20) years if they consist solely of the corpus of a perpetual operating fund or consist solely of bond reserve funds. Reserve funds may be invested in securities exceeding five (5) years if the maturity of such investments is made to coincide as nearly as practical with the expected use of the reserve funds.
- B. It is the intent of the City of Lacey to hold investments to maturity, but security exchanges may be executed to upgrade yield if it maintains cash flow requirements and the overall portfolio quality.

10. INTERNAL CONTROLS

- A. The Finance Director shall subject the investment policies and procedures to the City of Lacey's annual audit by the Washington State Auditor. This review will provide internal control by assuring compliance with policies and procedures.

11. PERFORMANCE STANDARDS

- A. The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles, consistent with the investment objectives and cash flow needs.
- B. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates.

12. REPORTING

- A. The Finance Director shall provide the City Manager consistent periodic reporting. These reports shall provide an accurate and meaningful representation of the investment portfolio and proof of compliance with the investment policy. Quarterly reports will include:
- A listing of individual securities held at the end of the reporting period.
 - Average life and final maturity of all investments listed.
 - Coupon or discount rate.
 - Par value and amortized book value.
 - Percentage of the portfolio in each investment category.
 - Market value versus book value comparisons, which include unrealized gain or loss information.

13. INVESTMENT POLICY ADOPTION

- A. The City of Lacey's investment policy shall be adopted by resolution of the City Council. The policy shall be reviewed on an annual basis by the approving authority and the same authority must approve any modifications.

RESOLUTION 625

CITY OF LACEY

A RESOLUTION ADOPTING AN OFFICIAL INVESTMENT POLICY FOR THE CITY OF LACEY

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that that certain document attached hereto and made a part hereof as though fully set forth at length entitled "City of Lacey, Investment Policy" is hereby adopted by the council as the official investment policy of the city for future operations and guidance.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, this 9th day of June, 1988.

CITY COUNCIL

BY Kay M. Boyd
Mayor

Attest:

Timothy McGuire
City Clerk

Approved as to form:

[Signature]
City Attorney

**CITY OF LACEY
INVESTMENT POLICY**

SCOPE:

This investment policy applies to all financial assets of the City of Lacey. These funds are accounted for in the City's annual financial report and include:

- | | |
|---------------------------------|---|
| 1. Current Expense Fund | 9. Capital Improvement Fund |
| 2. City Street Fund | 10. Water Utility Fund |
| 3. Arterial Street Fund | 11. Sewer Utility Fund |
| 4. Joint Animal Control Fund | 12. Storm Sewer Utility Fund |
| 5. Lodging Tax Fund | 13. Equipment Rental Fund |
| 6. Federal Shared Revenue Fund | 14. Information Management Fund |
| 7. General Obligation Bond Fund | 15. Any Fund created by the
City Council |
| 8. Building Improvement Fund | |

OBJECTIVE:

The financial assets of the City shall be invested in accordance with RCW 35.39.030, the policies outlined herein, and written administrative procedures. The investment portfolio of the City shall be designed to attain a market rate of return throughout budgetary and economic cycles, while preserving and protecting capital.

DELEGATION OF AUTHORITY:

Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

PRUDENCE:

The standard of prudence to be used by investment officials shall be the 'prudent person' rule, which states, "Investments shall be made with judgement and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived," and shall be applied in context of managing an overall portfolio. Investment officers acting in accordance with written procedures and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviation from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

INTERNAL CONTROLS:

The Finance Director shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be available for review by the Investment Committee and by the state auditor's office. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

INVESTMENT COMMITTEE:

There is hereby created an Investment Committee consisting of the City Manager, Finance Director and the City Treasurer. Members of the Investment Committee shall meet at least quarterly to determine general strategies and monitor results. The Investment Committee shall include in its deliberations such topics as: economic outlook; portfolio diversification and maturity structure; potential risks to the City's portfolio; authorized depositories; brokers and dealers; and, target rate of return on the investment portfolio.

REPORTING REQUIREMENTS:

The Finance Director shall submit quarterly an investment report that summarizes recent market conditions, economic developments and anticipated investment conditions. The report shall summarize the investment strategies employed in the most recent quarter, description of the portfolio in terms of investment securities, maturities, risk characteristics and other features. The report shall explain the quarter's total investment return, compare the return with target rate of return projections and budgetary expectations.

INSTRUMENTS:

The financial assets of the City may be invested in:

1. U.S. Treasury securities maturing in less than two years;
2. Short-term obligations of U.S. government agencies and instrumentalities approved for investment purposes by the Investment Committee;
3. Fully insured or collateralized certificates of deposits at commercial banks and savings and loan associations;
4. Banker's Acceptances, purchased from the secondary market, that have been issued by the ten (10) largest domestic banks and the twenty (20) largest international banks, provided the collateral meets the standards set by the Investment Committee;
5. Bonds or warrants of the State of Washington;
6. General obligation or utility revenue bonds of cities within Washington state; or,
7. The State of Washington Local Government Investment Pool.

QUALIFIED INSTITUTIONS AND DEALERS:

The Finance Director shall maintain a listing of financial institutions which are approved as depositories of public funds for investment purposes. The listing published by the Washington Public Deposit Protection Commission (Office of State Treasurer) shall meet this requirement. From this list, a financial institution shall be selected to provide banking services.

For brokers and dealers of government securities, the Investment Committee shall select only primary government securities dealers that report daily to the New York Federal Reserve Bank.

DIVERSIFICATION:

It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific insurer or a specific class of securities.

	<u>Max. % of Portfolio</u>
A. Diversification by Instrument:	
1. U.S. Treasury Obligations (Bills, Notes and Bonds) maturing in less than two (2) years.....	100%
2. U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations.....	100%
3. Banker's Acceptance (BA's).....	20%
4. Certificates of Deposits (CD's)	
a. Commercial Banks.....	100%
b. Savings and Loan Associations.....	10%
5. Local Government Investment Pool.....	80%
B. Diversification by Financial Institutions:	
1. Banker's Acceptance (BA's) No more than ten (10) percent of total portfolio with any one institution.	
2. Certificates of Deposit (CD's) - Commercial Banks No more than thirty-three (33) percent of total portfolio with any one institution.	
3. Certificates of Deposit (CD's) - Savings and Loan Associations No more than \$100,000 with any one institution.	
4. Local Government Investment Pool - State of Washington At least ten (10) percent of the portfolio.	

COMPETITIVE SELECTION OF INVESTMENT INSTRUMENTS:

Before the investment of any surplus funds, a competitive 'bid' process shall be conducted. If a specific maturity date is required, bids will be requested for instruments which meet the maturity requirements. If no maturity date is required, the most advantageous market trend yield will be selected. Records shall be kept of the bids offered, the bids accepted and provide a brief explanation of the decision which was made regarding the investment.

SAFEKEEPING AND CUSTODY:

To protect against potential fraud and embezzlement, bearer instruments shall be secured through third-party custody and safekeeping procedures provided by a financial institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City listing the specific instrument, rate, maturity and all other pertinent information.

Deposit type securities (i.e., certificates of deposit) shall be properly collateralized as required by RCW for amounts exceeding FDIC and FSLIC coverage.

Investment officials shall be bonded to protect the City against loss due to possible embezzlement and malfeasance.

RESOLUTION 810

CITY OF LACEY

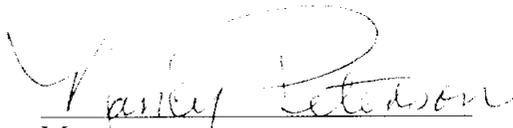
A RESOLUTION AMENDING THE OFFICAL INVESTMENT POLICY OF THE CITY OF LACEY

WHEREAS, the Council, by passage of Resolution 625, adopted an Official Investment Policy for the City of Lacey and said Policy is in need of an amendment to increase the percentage of investment in the Local Investment Pool maintained by the State Treasurer's Office, now, therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that the certain policy designated as "City of Lacey Investment Policy" is hereby amended as attached hereto and as so amended shall constitute the Official Investment Policy of the City for future operations and guidance.

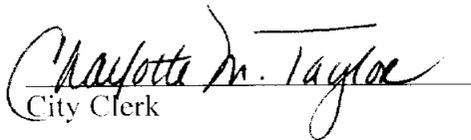
PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, this 22nd day July, 1999.

CITY COUNCIL



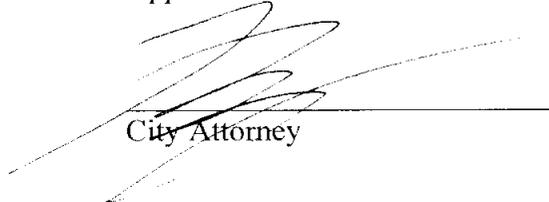
Mayor

Attest:



City Clerk

Approved as to form:



City Attorney

City of Lacey Finance Department

Investment Policy

References: RCW 35.39.030

Purpose

- To establish the Official Investment Policy of the City for future operations and guidance.

Policy

- It is the policy of the City of Lacey to invest public funds in a manner which will provide maximum security with the highest investment return while meeting the daily cash flow demands of the City of Lacey and conforming to all state and local statutes governing the investment of public funds.

Scope

- This investment policy applies to all financial assets of the City of Lacey. These funds are accounted for in the Comprehensive Annual Financial Report and include:

- | | |
|---|--|
| 1. General Fund | 11. Water Utility Fund |
| 2. City Street Fund | 12. Wastewater Utility Fund |
| 3. Arterial Street Fund | 13. Storm Water Utility |
| 4. Lodging Tax Fund | 14. Equipment Rental Fund |
| 5. Community Development Block Grant Fund | 15. Information Management Services Fund |
| 6. General Obligation Bond Fund | 16. Joint Animal Services Fund |
| 7. Local Improvement District Bond Fund | 17. Joint Drug Enforcement Fund |
| 8. Building Improvement Fund | 18. Any new fund created by the |
| 9. Capital Improvement Fund | legislative body, unless specifically |
| 10. Park and Open Space Fund | exempted |

City of Lacey Finance Department

Prudence

- Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.
- The standard of Prudence to be used by investment officials shall be the “**prudent person**” standard and shall be applied in the context of managing an overall portfolio.
- Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse developments.

Objective

- The primary objectives, in priority order, of the City of Lacey’s investment activities shall be:

Safety: Safety of the principal is the foremost objective of the investment program. Investments of the City of Lacey shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To obtain this objective, diversification is required in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Liquidity: The City of Lacey’s investment portfolio will remain sufficiently liquid to enable the City of Lacey to meet all operating requirements which might be reasonably anticipated.

City of Lacey Finance Department

Yield: The City of Lacey's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the City of Lacey's investment risk constraints and the cash flow characteristics of the portfolio.

Delegation of Authority

- Authority to manage the City of Lacey's investment program is derived from the City of Lacey Resolution xxxx.. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish written procedures consistent with this investment policy. Procedures should include reference to: safekeeping, master repurchase agreements, wire transfer agreements, custody agreements and investment related banking service contracts. Such procedures shall include explicit delegations of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Finance Director. The Finance Director shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials.

Investment Committee

- There is hereby created an Investment Committee consisting of the City Manager, Finance Director, and the Financial Services Manager. Members of the Investment Committee shall meet periodically to determine general strategies and monitor results.

Ethics and Conflicts

- Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions. Employees and investment officials shall disclose to the Investment Committee any material financial interests in financial institutions that conduct business within this jurisdiction, and they shall further disclose any personal financial/investment positions that could be

City of Lacey Finance Department

related to the performance of the City of Lacey's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the City of Lacey, particularly with regard to the timing of purchases and sales.

Authorized Financial Dealers and Institutions

- The Finance Director will maintain a list of financial institutions authorized to provide investment services.
- Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:
 - ▶ financial institutions approved by the Washington Public Deposit Protection Commission; or
 - ▶ primary dealers recognized by the Federal Reserve Bank; or
 - ▶ non-primary dealers or institutions qualified under U.S. Securities and Exchange Commission Rule 15c3-1, the Uniform Net Capital Rule, and a certified member of the National Association of Securities Dealers.

Authorized and Suitable Investments

The City of Lacey is empowered to invest in the following types of securities.

- U.S. Treasury securities maturing in less than ten years;
- Short-term obligations of U.S. government agencies and instrumentalities approved for investment purposes by the Investment Committee;
- Fully insured or collateralized certificates of deposits at commercial banks and savings and loan associations that are approved by the Washington Public Deposit Protection Committee;

City of Lacey Finance Department

- Banker's Acceptances, purchased in the secondary market and having received the highest rating on the accepting bank's short-term obligations and the two (2) highest ratings on long-term debt by at least two (2) Nationally Recognized Statistical Ratings Organizations;
- Bonds or warrants of the State of Washington;
- General obligation or utility revenue bonds of cities within Washington state; or,
- The State of Washington Local Government Investment Pool.

Authorized Investment Staff

- Director of Finance
- Financial Service Manager
- Accounting Manager
- Sr. Accountant
- Sr. Accounting Services Specialist

Collateralization

- If the City of Lacey enters into a repurchase agreement, the city must have a signed master repurchase agreement approved by the Public Securities Association. Transactions will be conducted with primary dealers or financial institutions qualified by the Washington Public Deposit Protection Commission.
- Collateralization is required on repurchase agreements. In order to anticipate market changes and provide a level of security for all funds, the collateralization level will be 102% of market value of principle and interest.
- Only securities authorized in statute for the investment of public funds will be accepted as collateral.
- Collateral will always be held by an independent third party with whom the entity has a current custodial agreement. A clearly marked evidence of ownership (safekeeping receipt) must be supplied to the entity and retained.
- The right of substitution is granted only upon approval of the entity.

Safekeeping and Custody

City of Lacey

Finance Department

- All security transactions, including collateral for repurchase agreements, entered into by the City of Lacey shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the entity will be delivered against payment and held in a custodial safekeeping account with the trust department of a bank. The trust department of a bank, a third party custodian, will be designated by the Investment Committee and all transactions will be evidenced by safekeeping records.
- To protect against potential fraud and embezzlement, bearer instruments shall be secured through third-party custody and safekeeping procedures provide by a financial institution designated as primary agent. The primary agent shall issue a safekeeping receipt to the City of Lacey listing the specific instrument, rate, maturity and all other pertinent information.
- Deposit type securities (i.e., certificates of deposit) shall be properly collateralized as required by statute for amounts exceeding FDIC and FSLIC coverage.
- Investments officials shall be bonded to protect the City of Lacey against loss due to possible embezzlement and malfeasance.

Diversification

The City of Lacey will diversify its investments by security type and institution. Diversification by Financial Institutions follows:

- Bankers Acceptance (BA's) No more than ten (10) percent of total portfolio with any one institution.
- Certificates of Deposit (CD's) *Commercial Banks* - No more than thirty-three (33) percent of total portfolio with any one institution.
Savings and Loan Associations - No more than one hundred thousand (\$100,000) with any one institution.
- Local Government Investment Pool *Washington State* - At least ten (10) percent of the portfolio.

Maximum Maturities

To the extent possible, the City of Lacey will attempt to match its investments with anticipated

City of Lacey Finance Department

cash flow requirements. Diversification by instrument follows:

- U.S. Treasury Obligations (Billings, Notes, and Bonds maturing in less than ten (10) years - Maximum 100%
- U.S. Government Agency Securities and Instrumentalities of Government Sponsored Corporations maturing in no more than (2) years - Maximum 100%
- Banker's Acceptance (BA's) - Maximum 20%
- Certificates of Deposits (CD's) Commercial Banks maturing in no more than 2 years - Maximum 100%
- Certificates of Deposits (CD's) Savings and Loans Associations maturing in no more than 2 years - Maximum 10%
- Local Governmental Investment Pool - Maximum 100%

Internal Controls

- The Finance Director shall establish an annual process of independent review by an external auditor. In addition, internal controls shall be available for review by the Investment Committee. These reviews will provide internal control by assuring compliance with policies and procedures.

Performance Standards

- The investment portfolio will be designed to obtain an average rate of return during budgetary and economic cycles which meets or exceeds a 90 day CD rate. This performance standard shall take into account the City of Lacey's investment risk constraints and cash flow needs. The City of Lacey's investment strategy is active.

City of Lacey Finance Department

Reporting

- The Finance Director is charged with the responsibility of including a market report on the investment activity and returns in the City of Lacey's Quarterly Investment Report. The report will include:
 1. recent market conditions;
 2. economic developments and anticipated investment conditions;
 3. investment strategies employed in the most recent quarter;
 4. portfolio investment securities, maturities, risk characteristics, and other features;
 5. quarterly investment return compared with target rate of return projections and budgetary expectations.

Investment Policy Adoption

- The City of Lacey's investment policy shall be adopted by resolution of the entity's statutory governing body. The policy shall be reviewed periodically by the approving authority and any modifications must be approved by the same authority.

Glossary

- A glossary of technical terminology is included in the Procedure Manual.

RESOLUTION NO. 992

CITY OF LACEY

**A RESOLUTION OF THE CITY OF LACEY, WASHINGTON, AMENDING
THE FISCAL POLICIES OF THE CITY.**

WHEREAS, the stewardship of public funds, their safe-keeping, proper use and management, is one of the most important responsibilities entrusted to the officials and managers of the City of Lacey, and

WHEREAS, the City Council adopted Resolution No. 945 on May 14, 2009, which established the City of Lacey's fiscal policies, and

WHEREAS, new regulations, standards, and updated guidance require additions and amendments to the adopted fiscal policies,

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, that those certain policies set forth in the document entitled City of Lacey Fiscal Policies, attached hereto and made a part hereof as though fully set forth at length are hereby approved and adopted as the fiscal policies to be followed by the City Council and management of the City of Lacey.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON,
this 28th day of February, 2013.

CITY COUNCIL



Mayor

Attest:



City Clerk

Approved as to form:



City Attorney

City of Lacey Fiscal Policies

Purpose:

The stewardship of public funds, their safe-keeping, proper use and management, is one of the greatest responsibilities entrusted to officials and managers of the City of Lacey. The establishment and maintenance of wise fiscal policies enables City officials to protect public interests and ensure public trust.

This document defines financial practices and policies to be used by the City to meet its obligations and operate in a financially prudent manner.

Overall Objective:

The fiscal policies of the City are to provide a sufficient financial base and the resources necessary to sustain a high level of municipal services to ensure public health, safety, and welfare while maintaining its physical infrastructure and promoting the social well-being of the citizens of the City.

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Reserve Fund Policies

Purpose:

Adequate reserve levels are a necessary component of the City's overall financial management strategy and a key factor in how external rating agencies (Standard & Poor's and Moody's) measure the City's overall financial strength.

Policies:

1. Reserves required by law, ordinance, and bond covenants shall be maintained.
2. It will be the policy of the City to maintain an operating reserve equal to at least two (2) months operating revenues in the General, Utility, and Internal Service funds.
 - a. This reserve will exclude the beginning fund balance and identified one-time revenues.
 - b. Operating reserves are maintained to address temporary revenue shortfalls; payment of approved expenditures due to cash flow shortage; reserves for expenditures deemed necessary by the City Council; and, temporary short-term interfund loans.
 - c. The committed fund balance designation can only be removed by the same formal action of the City Council
3. Assigned fund balances are established based on the intent expressed by the City Council.
 - a. The City Manager and Finance Director are authorized by Resolution No. 974 to classify fund balances as assigned.
4. All expenditures drawn from committed and assigned reserve accounts will require Council approval unless previously authorized by adoption and/or amendment of the annual budget.
 - a. The order of the spending of fund balances shall be restricted, committed, assigned, and unassigned.

Budget – Revenue and Expenditure Policies

Purpose:

The City's budget is the central financial planning document which embodies all operating revenue and expenditure decisions. It establishes the level of services to be provided by each department within the confines of anticipated revenues. The City Council establishes municipal service levels and priorities for the ensuing year prior to and during the development of the preliminary budget.

Policies:

1. The City Manager will incorporate the Council's priorities in the formulation of the preliminary and final budget proposal.
2. Adequate maintenance and replacement of the City's capital facilities and equipment will be provided for in the annual budget.
3. The framework of the City's budget is to:
 - a. Establish a plan that allocates resources to achieve specific City goals and objectives and guides the activities of all City operating departments.
 - b. Establish financial control by allocating revenue to various activities through prioritization of programs/projects and allowing officials to ensure legality, accuracy, and conformity to legislative and administrative objectives.
4. The main feature in the development of a budget format is to make the budget document readable and understandable to the general public and City officials.
 - a. The budget format will provide sufficient detail to guide departments in program performance and assist the Council and administrative staff in program evaluation and monitoring.
5. The City shall comply with the budget calendar as outlined in 35A.33 RCW.
6. Each annual budget will be presented to the Council balanced, showing that anticipated expenditures do not exceed anticipated current revenues including Beginning Cash.
 - a. Beginning Cash, as a revenue source, will be limited to one-time expenditures, grants, capital items/projects that must be carried forward from one budget year to another, and other limited and unusual circumstances as determined by the City Council.
7. The Council adopts the budget by ordinance at the fund level.
8. Any revisions that alter the total expenditures of a department, affect the number of authorized employee positions of a department, salary ranges, hours, or other conditions of employment must be approved by the City Manager.
9. If a budget amendment is deemed necessary due to extraordinary department/project expenses or the addition of state/federal grants, such amendments will generally occur only one time during the year and prior to year-end with the adoption of an amending ordinance.
10. The City Manager, department directors and managers will review monthly financial reports to monitor and control expenditures to maintain the integrity of adopted balanced budget.
11. Revenue forecasts will be based on the best information available at the time and developed utilizing accepted analytical methods and techniques.
12. The City will develop and maintain a comprehensive list of various fees and charges. Fees will be set at levels sufficient to cover the entire cost of service delivery (i.e., Enterprise Funds), or the service may be subsidized as Council deems appropriate.
 - a. The City will systematically review user fees and rates and consider adjustments as necessary to take into account the effects of additional service costs and inflation.

- b. Rate studies will be conducted to ensure that the rates will continue to support direct and indirect costs of operations, administration, physical plant maintenance, debt service, depreciation (replacement), and moderate system extensions.
 - c. Fees for similar services in other communities may also be considered in rate setting.
- 13. Revenues of a limited or indefinite term ("one-time revenues") will be used for capital projects or one-time operating expenditures to ensure that no ongoing service program is lost when such revenues are reduced or discontinued.
- 14. The City will maintain revenue and expenditure categories according to state statute and administrative regulation.
- 15. All potential grants will be carefully examined for matching requirements. Some grants may not be accepted if the local matching funds cannot be justified. Grants may also be rejected if programs must be continued with local resources after grant funds are exhausted.
- 16. Annual revenues are conservatively estimated for the annual budget as a hedge against possible future economic events that will/could impact City service programs.
- 17. The City will only propose operating expenditures which can be supported from on-going operating revenues unless the City Council determines limited and unusual circumstances warrant the use of one-time revenues.
 - a. Any agreement that would create fixed, on-going expenses must be carefully analyzed to determine current and future obligations it may create.
 - b. Capital expenditures may be funded from one-time revenues but the operating budget expenditure impacts will be reviewed for compliance with this policy.
- 18. Department directors are responsible for managing their budgets within the total appropriation for their department.
- 19. The City will assess and collect funds for services provided internally by other funds.
 - a. The estimated direct and indirect costs (overhead) of service will be budgeted and charged to the fund receiving the service.
 - b. Interfund service fees charged to recover costs will be recognized as revenue to the providing fund.
- 20. Emphasis will be placed on improving individual and work group productivity rather than adding personnel.
 - a. The City will invest in technology and other efficiency tools to maximize productivity.
 - b. The City will hire additional staff only after the need of such positions has been demonstrated and documented.
 - c. Upon vacation of a position, the department director will conduct an assessment of current workload and human resource allocation to determine whether or not to fill that position.
- 21. All compensation planning and collective bargaining will focus on the total cost of compensation which includes all payroll expenses...direct salary/wages, health care benefits, pension contributions, specialty pay, training and educational allowances, and other benefits of a non-salary nature which are a cost to the City.

Enterprise Fund Policies

Purpose:

Enterprise funds are to be established for City services when it is the intent of the City to finance all costs of services through user charges.

Policies:

1. Enterprise funds will be established for all City-operated utility services, which include water, wastewater, stormwater, and reclaimed water.
2. Enterprise fund expenditures will be established at a level sufficient to properly maintain the fund's infrastructure and provide for necessary replacement while also contributing to capital development.
3. Each enterprise fund will maintain an adequate rate structure to cover the costs of all operations, including maintenance, depreciation, capital and debt service requirements, reserves (as established by fiscal policy or bond covenant), and any other cost deemed necessary.
4. Rates may be offset from available fund cash after requirements are met for cash flow and scheduled reserve contributions.
5. Enterprise funds will establish and maintain reserves for general contingency and capital purposes consistent with those maintained for general government services.
6. Revenue bonds will be issued only when projected operating revenues and general facility connection fees are insufficient for the enterprise's capital financing needs.
7. The City will insure that net operating revenues of the enterprise constitute a minimum of 1.2 times the annual debt service requirements.
8. Generally, the City will limit the maturities of all utility revenue bond issues to twenty (20) years but under unusual circumstances shall not exceed thirty (30) years.

Cash Management and Investment Policies

Purpose:

Careful financial control of the City's daily operations is an important part of the City's overall fiscal management program. Adequate cash management and investment control requires sound financial planning to ensure that sufficient revenues are available to meet the current expenditures of any one operating period. Once adequate daily cash flow requirements are protected, it is advantageous to prudently invest idle funds until such time as they are required to make expenditures.

Policies:

1. The City's idle cash will be invested on a continuous basis in accordance with the City's adopted investment policies.
2. The City will maintain a formal investment policy which is consistent with policies endorsed by state and national municipal professional organizations.
3. The City will invest idle funds based upon the following priority:
 - a. Safety;
 - b. Liquidity; and,
 - c. Yield.
4. Investments with City funds will not be made for purposes of speculation.
5. The City is prohibited from investing in derivative financial instruments.
6. Proper security measures will be taken to safeguard investments by requiring banking institutions holding City funds to adequately collateralize and insure deposits.
7. Sufficient cash will be maintained to provide adequate funds for current operating expenditures.
8. If not prohibited, the City will pool its cash resources from various funds for investment purposes.
9. The City will select its official banking institution through a formal request for proposal process in order to provide the City with the most comprehensive, flexible, and cost-effective banking services.

Accounting, Financial Reporting, and Auditing Policies

Purpose:

To effectively manage resources and operate the City, a comprehensive accounting system will be maintained.

Policies:

1. The City will establish and maintain a high standard of accounting practices.
 - a. Accounting and budgetary systems will conform to Generally Accepted Accounting Principles (GAAP), the State of Washington Budgeting Accounting Reporting System (BARS), and Lacey Municipal Code (LMC) regulations.
2. The City will meet the financial reporting standards set by the Governmental Accounting Standards Board or other accredited government accounting organization.
3. Full disclosure will be provided in all City financial reports and bond official statements and representations.
4. Annual audits will be performed by the State Auditor's Office and include the issuance of a financial opinion.

Debt Management Policies

Purpose:

The issuance of debt by the City and the amount of debt is an important factor in measuring the City's financial performance and condition. A debt policy can assist the Council and staff to integrate the issuance of debt with other long-term planning, financial and management objectives. This policy requires an evaluation of the impact of each debt issue on the City's overall financial position, in addition to providing guidance to not exceed acceptable levels of indebtedness.

Policies:

1. The City will not use long-term debt to finance current operations.
2. Whenever possible, the City will identify alternative sources of funding to minimize the level of debt.
 - a. The City will examine and pursue all applicable state and federal grant and low-interest loan programs for funding capital improvement projects.
3. Long-term borrowing will be confined to capital improvements or similar projects with an extended life when it is not practical to be financed from current revenues.
4. Debt payment schedules shall not extend beyond the estimated useful life of the asset being financed.
5. The City will keep the average maturity of general obligation bonds at or below twenty (20) years.
6. The City will maintain good communications with bond rating agencies (Standard & Poor's and Moody's) concerning its financial condition, and will take all appropriate and responsible measures to sustain quality bond ratings.
 - a. The City's annual financial report will be distributed to the rating agencies and The Municipal Securities Rulemaking Board (MSRB) no later than July 31st of the following year of the report.
 - b. The report shall include all secondary market disclosure required by the Securities Exchange Commission (SEC).
 - c. Disclosures required by MSRB will be made within the required timeframes.
7. The City may use interfund loans rather than outside debt instruments to meet short-term cash flow needs.
 - a. Interfund loans are to be authorized by Council resolution and will include a repayment schedule including an interest amount at least equivalent to prevailing rates set through the Washington State Local Government Investment Pool.
 - b. A short-term, interfund loan is defined as three to five years when cash is available and will not impact the lending fund's current operating requirements.
8. Short-term debt instruments (e.g., Bond Anticipation Notes, etc.), if used, should be limited to twelve to twenty-four months and then only to meet the immediate financing needs of a project for which long-term financing has been secured but not yet received.
 - a. Exceptions may be necessary for large scale LID/ULID projects.
9. Special Assessment bonds or other self-supporting bonds will be issued in place of general obligation bonds, where possible, to assure the greatest degree of public equity and flexibility for City finances.
10. The City will use the services of legally certified and credible bond counsel and underwriter in the preparation of all bond representations.

11. The City will comply with all statutory debt limitations imposed by the Revised Code of Washington (RCW).
 - a. The City's debt limit will not exceed an aggregated total of 7.5% of the assessed value of the taxable property within the City.
 - b. Compliance with state law and this policy will be documented each year in the City's CAFR.
 - c. The following individual percentages (as defined by state law) will not be exceeded in any specific debt category:
 - i. General Debt 2.5% of assessed value
 - ii. Utility Debt 2.5% of assessed value
 - iii. Open Space and Park Facilities 2.5% of assessed value
12. No debt will be issued for which the City is not confident that a sufficient, specifically identified revenue source is available for repayment.
13. Credit enhancements will be considered for each long-term bond issue where there is a cost/benefit to the City or unique circumstances warrant the expense.
14. Reserve accounts will be maintained as required by bond ordinances and where deemed advisable.
 - a. The City will structure such debt service reserves so that they do not violate IRS arbitrage regulations.
15. The City will use refunding bonds where appropriate when restructuring its current outstanding debt and/or improving restrictive bond conditions.
16. Bond refunding opportunities will be evaluated as they become available. The net present value savings percentage and current market conditions will be considered before beginning the refunding process. The net present value savings percentage should be at least 5.0 percent.

Capital Maintenance and Replacement Policies

Purpose:

Capital assets comprise major government facilities, infrastructure, equipment and networks enabling the delivery of public sector services. The quality and continued utilization of these capital assets are essential to the health, safety, economic development and quality of life of those utilizing such assets.

Budgetary pressures may impede investment in the maintenance and replacement of capital assets. Yet deferring essential reinvestment reduces vital public services, endangers public safety, and ensures functional obsolescence. The financial result is increased cost as the physical condition of these assets decline. The City's financial and capital improvement plans must address the continuing investment necessary to properly maintain its capital assets.

Policies:

1. The City shall develop and maintain a complete inventory of all capital assets. This inventory should contain essential information including engineering description, location, physical dimensions and conditions, 'as-build' documents, warranties, maintenance history, book value and replacement cost.
2. The City shall establish a condition/functional performance standard (measurement) for each capital asset and periodically evaluate the physical condition of all existing capital assets in light of these standards. This current condition assessment shall become the basis for a multi-year capital planning and annual budget funding allocation for capital asset maintenance and replacement.
3. Utility service fees shall include a component for repair and replacement.
4. The City shall allocate sufficient funds in its multi-year capital plan and annual operating budget for routine maintenance, repair and replacement of capital assets in order to extend the useful life of these assets and promote a high level of performance from same.

Tax-Exempt Bond Post-Issuance Compliance Policies

Purpose:

The purpose of these post-issuance compliance policies and procedures for tax-exempt bonds issued by the City of Lacey is to ensure that the City of Lacey will be in compliance with requirements of the Internal Revenue Code of 1986 ("IRC"), as amended, that must be satisfied with respect to tax-exempt bonds and other obligations ("bonds") after the bonds are issued so that interest on the bonds will be and remain tax-exempt.

Policies:

1. The Finance Director shall be the person primarily responsible for ensuring that the City successfully carries out the post-issuance compliance requirements. The Finance Director shall be assisted by other City staff, City officials, and outside agents when appropriate.
2. All documentation and calculations required to satisfy arbitrage, yield restriction, and rebate requirements will be retained and performed.
3. Following the completion of the project(s) financed with the bond issue proceeds expenditure records will be reviewed to determine whether the proceeds have been allocated to the intended project. The use of the remaining unspent proceeds may be used in accordance with the limitations set forth in the authorizing proceedings or for the redemption or defeasance of outstanding securities of the issue.
4. Private business use of land, buildings, facilities, and equipment financed with proceeds of tax-exempt bonds is restricted to 10% of the bond issue. Of the 10% private business use limitation no more than 5% of the proceeds of the tax-exempt bond issue may be used for any unrelated private business use.
5. Review of the due diligence measures will take place at regular intervals.
6. Written records (including those in electronic form) will be maintained with respect to each bond issue for as long as those bonds remain outstanding, plus three years.
7. Under the provisions of SEC Rule 15c2-12 ongoing disclosure is required, which may include the annual filing of operating and financial information and filing of notices that are considered material events.
8. Training and education on federal tax requirements applicable to tax-exempt bonds should be provided by the City.



LACEY CITY COUNCIL MEETING February 13, 2014

SUBJECT: Single-Use Plastic Bags within the City of Lacey

RECOMMENDATION: Consider an ordinance that would ban the distribution of single-use plastic bags with a thickness of less than 2.25 mils as well as specific exemptions.

STAFF CONTACT: Scott Spence, City Manager 
Liz Gotelli, Public Affairs and Human Resources Director
Mary Coppin, Community Liaison

ORIGINATED BY: Public Affairs and Human Resources Department

ATTACHMENTS:

1. [Proposed City of Lacey ordinance pertaining to plastic bags.](#)
2. [Red-lined version of Thurston County's ordinance to compare to the City of Lacey's proposed ordinance pertaining to plastic bags.](#)
3. [Olympia's ordinance pertaining to plastic bags](#)
4. [Tumwater's ordinance pertaining to plastic bags](#)

FISCAL NOTE: There are no anticipated direct budget impacts. Thurston County is responsible for education, implementation, and enforcement.

PRIOR REVIEW: The subject of single-use plastic bags has been before the Lacey City Council in full or at the committee level on the following dates:

- June 4, 2012 – Land Use Committee
- January 3, 2013 – City Council Worksession
- March 7, 2013 – City Council Worksession

- March 28, 2013 – City Council Worksession
 - October 7, 2013 – Community Relations Committee
 - December 2, 2013 – Community Relations Committee
 - January 16, 2014 – City Council Worksession
 - January 23, 2014 – City Council Meeting
-

BACKGROUND:

A proposal to ban the distribution of single-use shopping bags in Thurston County was recommended in January 2012 by the Thurston County Solid Waste Advisory Committee (SWAC). SWAC made this recommendation in an effort to reduce thin-filmed plastic, commonly used in single-use plastic shopping bags, from being part of the solid waste collection system.

SWAC is made up of elected officials from each jurisdiction within the county, along with citizens and industry representatives. SWAC reviews all issues affecting Thurston County's solid waste programs and makes recommendations to the Thurston County Board of County Commissioners (BOCC).

In August 2013, the BOCC submitted proposed legislation to each city in Thurston County and encouraged all jurisdictions to adopt the proposed legislation. As of October 8, 2013, Tumwater, Olympia, and Thurston County have each adopted similar versions of an ordinance that bans the distribution of single-use plastic bags with an effective date of July 1, 2014.

The proposed ordinance will restrict all retail establishments from providing thin-filmed plastic carryout bags to any customer or client. By definition, "thin-filmed" refers to bags with a thickness of less than 2.25 mils (1 mil is equals .001 inch). "Retail establishments" includes any individual, business, government agency, street peddler, or event vendors who sell or provide merchandise, goods, or materials to consumers, clients, or customers. Food banks and other food assistance programs are exempt, and not considered to be retail establishments.

Exceptions are provided for plastic bags, which are thicker than 2.25 mils, and for any plastic bag used to carry out bulk items, frozen foods, meats, fish, potted plants, damp items, unwrapped prepared foods, bakery items, prescription drugs, medical equipment, and liquids prepared for consumption. Additional exceptions are made for newspaper bags, dry cleaning bags, pet waste bags, and yard waste bags.

The proposed ordinance also restricts retail establishments from providing a paper carryout bag of one-eighth barrel (standard grocery bag size) or larger that is not comprised of, and labeled as, 40 percent recycled materials. The proposed regulations further require that retail establishments collect a pass-through charge of not less than five-cents for each recyclable paper carryout bag provided. However, pass-through charges may not be

collected from anyone with a voucher or electronic benefits card issued through food-assistance programs. All pass-through charges are retained by the merchant.

Other key provisions:

- Plastic carryout bags which are marked “biodegradable” or “compostable” are also restricted if they have a thickness of less than 2.25 mils.
- If a transaction receipt is provided by the retail establishment, it must indicate the number of recyclable paper carryout bags provided to the customer and the total amount of any pass-through charges.
- The City will not be enforcing the provisions of the ordinance. Rather, the ordinance delegates authority to the Thurston County Environmental Health Department to enforce compliance and issue Notice of Violation to offending individuals or businesses.
- An initial Notice of Violation will be regarded as a warning.
- Retail establishments will need to comply with the restrictions on the distribution and availability of thin-filmed plastic bags with a thickness of less than 2.25 mils by July 1, 2014.
- Subsequent non-compliance may result in a class 1 civil infraction; RCW 7.80 will govern the manner in which infractions are heard and determined.
- Currently, two hundred fifty dollars is the maximum penalty for a class 1 civil infraction.

At the direction of the Lacey City Council, the Lacey Public Affairs and Human Resources Department conducted an outreach campaign to solicit feedback from Lacey residents and businesses regarding the proposed ordinance. Several strategies were used to inform the public and gather comments to include the following:

- Dedicated webpage and *Spotlight* on the City of Lacey website
- Press releases to all local media
- ThurstonTalk.com article
- Twitter announcement
- *Lacey Life* article
- Notifications to Chamber of Commerce & HOAs

- Open house at Chinook Middle School held on November 12, 2013
- 15,000 informational flyers and comment cards distributed to Lacey utility customers, Panorama residents, and apartment managers within city limits.

More than twelve hundred comment cards were gathered from Lacey residents and business owners. The replies indicate 51.49% of the respondents support the proposed ordinance, 44.44% do not, and 4.08% are undecided. The results of the outreach campaign were presented to City Council at the January 16, 2014 worksession.

ADVANTAGES:

1. Businesses and consumers within both unincorporated Thurston County and the cities of Lacey, Olympia and Tumwater will all operate under similar and consistent regulations pertaining to plastic bags, if the City of Lacey adopts the ordinance.

DISADVANTAGES:

1. If adopted, the ordinance would create an inconvenience for those residents and businesses that do not support the restrictions on the distribution and availability of thin-filmed plastic bags less than 2.25 mils.

ORDINANCE NO. _____

CITY OF LACEY

AN ORDINANCE OF THE CITY OF LACEY, WASHINGTON, REGULATING THE DISTRIBUTION OF SINGLE-USE PLASTIC AND BIODEGRADABLE CARRYOUT BAGS, REQUIRING RETAIL ESTABLISHMENTS TO COLLECT A PASS-THROUGH CHARGE FROM CUSTOMERS REQUESTING RECYCLABLE PAPER CARRYOUT BAGS, ADDING A NEW CHAPTER 8.06 TO THE LACEY MUNICIPAL CODE AND APPROVING A SUMMARY FOR PUBLICATION.

WHEREAS, the Washington State Legislature in RCW 70.95.010(8)(a) established waste reduction as the first priority for the collection, handling, and management of solid waste; and

WHEREAS, the Washington State Legislature in RCW 70.95.010(4) found that it is "necessary to change manufacturing and purchasing practices and waste generation behaviors to reduce the amount of waste that becomes a governmental responsibility"; and

WHEREAS, the Washington State Legislature in RCW 70.95.010(6)(c) found that it is the responsibility of city and county governments "to assume primary responsibility for solid waste management and to develop and implement aggressive and effective waste reduction and source separation strategies"; and

WHEREAS, the 2009 Thurston County Solid Waste Plan, adopted by the county and all towns and cities within Thurston County, including the City of Lacey, includes an objective to increase advocacy for policy changes to improve waste reduction and recycling; and

WHEREAS, the Solid Waste Advisory Committee directed staff to review studies related to the production, use, and disposal of (single-use) plastic carryout bags, which identify significant adverse impacts on the environment; and

WHEREAS, it is the City of Lacey's desire to conserve resources, reduce greenhouse gas (GHG) emissions, waste, litter, marine litter, and pollution, and to protect the public health and welfare; and

WHEREAS, less reliance on single-use carryout bags provided by retail establishments works toward the goals of conserving energy and natural resources, while reducing litter production; and

WHEREAS, plastic carryout bags are made of nonrenewable resources, and plastic never biodegrades, only breaking down into smaller and smaller particles which seep into soils and are carried into rivers, lakes, the Puget Sound, and the world's oceans, posing a threat to animal life and the natural food chain; and

WHEREAS, even though single-use paper carryout bags are made from renewable resources and are therefore less of a litter problem than single-use plastic carryout bags, they nevertheless require significant resources to manufacture, transport, recycle and/or dispose of; and

WHEREAS, costs associated with the use, recycling, and/or disposal of single-use paper and

plastic carryout bags in Thurston County creates a burden on the County's solid waste disposal system, including, in the case of plastic carryout bags, machine down-time and contamination of recycled paper at the materials recovery facility; and

WHEREAS, to prevent waste generation, it is in the City's interest to discourage the use of single-use, throw-away items of all types which can be accomplished through price signals; and

WHEREAS, to reduce the use of plastic and paper carryout bags in the City, it is necessary to regulate such use; and

WHEREAS, it is in the best interest of the health, safety and welfare of the citizens of the City of Lacey that regulations require a pass-through charge on the use of recyclable paper carryout bags in order to encourage greater use of reusable bags, to reduce the cost of solid waste disposal by the County, and to protect the environment; and

WHEREAS, the City Council directed an outreach campaign to solicit feedback from Lacey residents and businesses regarding the proposed regulation of plastic bags; and

WHEREAS, a majority of the residents who responded to the outreach campaign supported the proposed regulation;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF LACEY, WASHINGTON, AS FOLLOWS:

Section 1. There is hereby adopted a new Chapter 8.06 of the Lacey Municipal Code to read as follows:

8.06.010. Purpose and Intent

- A. The purpose of this chapter is to reduce the number of single-use bags in the City of Lacey waste stream.

8.06.020. Definitions

For purposes of this section, the following definitions apply.

- A. "Carryout bag" means a bag that is provided by a retail establishment at the check stand, cash register, point of sale or other point of departure to a customer for the purpose of transporting food or merchandise out of the establishment. Carryout bags do not include:
 - (1) bags used by customers inside stores to package bulk items such as fruit, vegetables, nuts, grains, candy, greeting cards, or small hardware items, such as nails and bolts, or to contain or wrap frozen foods, meat or fish, whether prepackaged or not, or to contain or wrap flowers or potted plants, or other items where dampness may be a problem, or to contain unwrapped prepared foods or bakery goods, or to contain prescription drugs or durable medical equipment, or to safeguard public health and safety during the transportation of prepared take-out foods and prepared liquids intended for consumption away from the retail establishment; or

- (2) newspaper bags, door-hanger bags, laundry-dry cleaning bags, or bags sold in packages containing multiple bags intended for use a garbage, pet waste, or yard waste bags.
- B. "Pass-through charge" means a charge to be collected by retailers from their customers when providing recyclable paper bags, and retained by retailers to offset the cost of bags and other costs related to the pass-through charge.
- C. "Recyclable paper bag" means a paper carryout bag that has a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger and meets the following requirements: (a) contains an average of 40 percent recycled materials, and (b) displays the percent of recycled content on the outside of the bag.
- D. "Retail establishment" means any person, corporation, partnership, business venture, public sports or entertainment facilities, government agency, street vendor or vendor at public events or festivals or organizations that sell or provide merchandise, goods or materials including, without limitation, clothing, food, beverages, household goods, or personal items of any kind directly to a customer. Examples include but are not limited to department stores, clothing stores, jewelry stores, grocery stores, pharmacies, home improvement stores, liquor stores, convenience stores, gas stations, restaurants, food vending trucks, farmers markets and temporary vendors of food and merchandise at street fairs and festivals. Food banks and other food assistance programs are not considered to be retail establishments for the purposes of this section.
- E. "Single-use plastic carryout bag" means any carryout bag made from plastic or any material marketed or labeled as "biodegradable" or "compostable" that is neither intended nor suitable for continuous reuse as a carryout bag or that is less than 2.25 mils thick.

8.06.030. Implementation

- A. No retail establishment in the City of Lacey shall provide a single-use plastic carryout bag to any customer.
- B. No retail establishment in the City of Lacey shall provide a paper carryout bag with a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger that is not a recyclable paper bag, and retail establishments shall collect a pass-through charge of not less than five-cents for each recyclable paper carryout bag provided to customers. It shall be a violation of this section for any retail establishment to pay or otherwise reimburse a customer for any portion of the pass-through charge; provided that retail establishments may not collect a pass-through charge from anyone with a voucher or electronic benefits card issued under the Women, Infants and Children (WIC) or Temporary Assistance to Needy Families (TANF) support programs, or the federal Supplemental Nutrition Assistance Program (SNAP, also known as Basic Food), or the Washington State Food Assistance Program (FAP).
- C. All retail establishments shall indicate on the customer transaction receipt, if any, the number of recyclable paper carryout bags provided and the total amount of the pass-through charge.

8.06.040. Compliance

- A. Designation of Enforcement Officer. Thurston County Environmental Health is authorized to enforce this chapter.

- B. Upon a first violation of any part of this Chapter, a duly designated enforcement officer of Thurston County Environmental Health may issue a Notice of Violation to the offending person or business. The Notice of Violation shall contain the date of and alleged type of violation. The Notice of Violation shall be regarded as a warning and no other sanctions shall be implemented. Notice shall be served upon the premises to the highest-ranking employee currently on duty at the time of delivery.
- C. If after the issuance of a Notice of Violation the enforcement officer becomes aware of subsequent non-compliance, Thurston County Environmental Health has the authority to issue a civil infraction. Any subsequent violation of this chapter shall be designated as a Class 1 civil infraction. Each day of any such violation is a separate civil infraction; a notice of infraction may be issued for each day of any such violation, however the enforcement officer is not required to issue a notice of infraction for each day of such violation. Civil infractions shall be heard and determined according to Chapter 7.80 RCW as amended, and any applicable court rules.
- D. It shall be a violation of this ordinance for any retail establishment to penalize, discipline, or discriminate against any employee for performing any duty necessary to comply with the ordinance.

Section 2. This Ordinance shall take effect July 1, 2014.

Section 3. The Summary attached hereto is hereby approved for publication.

PASSED BY THE CITY COUNCIL OF THE CITY OF LACEY,

WASHINGTON, at a regularly-called meeting thereof, held this _____ day of _____, 2014.

CITY COUNCIL

By: _____
Mayor

Approved as to form:

City Attorney

Attest:

City Clerk

~~EXHIBIT A TO ORDINANCE~~ _____

8.206.010. Purpose and Intent

A. The purpose of this chapter is to reduce the number of single-use bags in the ~~Thurston~~
CountyCity of Lacey waste stream.

~~B. It is the intent of the Commission to:~~

- ~~1. Educate the public on the environmental and financial impacts of single-use bags in Thurston County;~~
- ~~2. Eliminate the main sources of single-use plastic bags;~~
- ~~3. Encourage the use of reusable bags~~

8.206.020. Definitions

For purposes of this section, the following definitions apply.

A. "Carryout bag" means a bag that is provided by a retail establishment at the check stand, cash register, point of sale or other point of departure to a customer for the purpose of transporting food or merchandise out of the establishment. Carryout bags do not include:

- (1) bags used by customers inside stores to package bulk items such as fruit, vegetables, nuts, grains, candy, greeting cards, or small hardware items, such as nails and bolts, or to contain or wrap frozen foods, meat or fish, whether prepackaged or not, or to contain or wrap flowers or potted plants, or other items where dampness may be a problem, or to contain unwrapped prepared foods or bakery goods, or to contain prescription drugs or durable medical equipment, or to safeguard public health and safety during the transportation of prepared take-out foods and prepared liquids intended for consumption away from the retail establishment; or
- (2) newspaper bags, door-hanger bags, laundry-dry cleaning bags, or bags sold in packages containing multiple bags intended for use a garbage, pet waste, or yard waste bags.

B. "Pass-through charge" means a charge to be collected by retailers from their customers when providing recyclable paper bags, and retained by retailers to offset the cost of bags and other costs related to the pass-through charge.

C. "Recyclable paper bag" means a paper carryout bag that has a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger and meets the following requirements: (a) contains an average of 40 percent recycled materials, and (b) displays the percent of recycled content on the outside of the bag.

D. "Retail establishment" means any person, corporation, partnership, business venture, public sports or entertainment facilities, government agency, street vendor or vendor at public events or festivals or organizations that sell or provide merchandise, goods or materials including, without limitation, clothing, food, beverages, household goods, or personal items of any kind directly to a customer. Examples include but are not limited to department stores, clothing stores, jewelry stores, grocery stores, pharmacies, home improvement stores, liquor stores, convenience stores, gas stations, restaurants, food vending trucks, farmers markets and temporary vendors of food and

merchandise at street fairs and festivals. Food banks and other food assistance programs are not considered to be retail establishments for the purposes of this section.

- E. "Single-use plastic carryout bag" means any carryout bag made from plastic or any material marketed or labeled as "biodegradable" or "compostable" that is neither intended nor suitable for continuous reuse as a carryout bag or that is less than 2.25 mils thick.

8.026.030. Implementation

- A. No retail establishment in the ~~unincorporated area of Thurston County~~ [City of Lacey](#) shall provide a single-use plastic carryout bag to any customer.
- B. No retail establishment in the ~~unincorporated area of Thurston County~~ [City of Lacey](#) shall provide a paper carryout bag with a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger that is not a recyclable paper bag, and retail establishments shall collect a pass-through charge of not less than five-cents for each recyclable paper carryout bag provided to customers. It shall be a violation of this section for any retail establishment to pay or otherwise reimburse a customer for any portion of the pass-through charge; provided that retail establishments may not collect a pass-through charge from anyone with a voucher or electronic benefits card issued under the Women, Infants and Children (WIC) or Temporary Assistance to Needy Families (TANF) support programs, or the federal Supplemental Nutrition Assistance Program (SNAP, also known as Basic Food), or the Washington State Food Assistance Program (FAP).
- C. All retail establishments shall indicate on the customer transaction receipt, if any, the number of recyclable paper carryout bags provided and the total amount of the pass-through charge.
- ~~D. To further promote the use of reusable shopping bags and reduce the quantity of single use carryout bags entering the Thurston County waste stream, the Director of Public Works is authorized to make reusable carryout bags available to the public at low cost or free of charge, targeting such programs to reach low income households to the greatest degree possible.~~

8.026.040. Compliance

- A. Designation of Enforcement Officer. ~~The enforcement officer(s) for violations of this title for civil infraction purposes shall be designated by resolution of the Board of County Commissioners upon the recommendation of the Director of~~ Thurston County Environmental Health [is authorized to enforce this chapter](#).
- B. Upon a first violation of any part of this Chapter, a duly designated enforcement officer of Thurston County Environmental Health ~~shall~~ [may](#) issue a Notice of Violation to the offending person or business. The Notice of Violation shall contain the date of and alleged type of violation. The Notice of Violation shall be regarded as a warning and no other sanctions shall be implemented. Notice shall be served upon the premises to the highest-ranking employee currently on duty at the time of delivery.
- C. If after the issuance of a Notice of Violation the enforcement officer becomes aware of subsequent non-compliance, Thurston County Environmental Health has the authority to issue a civil infraction. Any subsequent violation of this chapter shall be designated as a Class 1 civil infraction. Each day of any such violation is a separate civil infraction; a notice of infraction may be issued for each day of any such violation, however the enforcement officer is not required to issue a notice of infraction for each day of such violation. Civil infractions shall be heard and determined according to Chapter 7.80 RCW as amended, and any applicable court rules.

~~D. Recording of Civil Infractions. Notice of civil infraction may be recorded with the Thurston County Auditor against the property on which the violation took place in the following instances:~~

- ~~i) The owner of the property affected by the civil infraction has been given prior notice with an opportunity to cure the violation.~~
- ~~ii) The person receiving the notice of civil infraction does not respond as required by RCW 7.80.080.~~
- ~~iii) The person/business receiving the notice of civil infraction fails to appear at a hearing requested under RCW 7.80.080(3) or (4).~~
- ~~iv) The person/business assessed a monetary penalty for the civil infraction fails to pay such penalty within the time required by law and does not appeal the penalty. If the penalty is appealed, the enforcement officer may record the notice of civil determination only if a penalty remains unpaid after a final appellate determination has been entered.~~

~~E. The Auditor shall record any notice of civil infraction submitted for recording under this section.~~

~~F. Removing of Recording. The recording of a notice of civil infraction with the Auditor shall be removed when:~~

- ~~i) The civil infraction proceeding has been dismissed or decided in favor of the person to whom the notice was issued; or~~
- ~~ii) Any monetary penalty assessed for the infraction has been paid and the violation has been remedied to the satisfaction of the county.~~

GD. It shall be a violation of this ordinance for any retail establishment to penalize, discipline, or discriminate against any employee for performing any duty necessary to comply with the ordinance.

~~8.26.050. Reporting~~

~~The Director of Thurston County Public Works shall evaluate: (a) the financial impact to retail establishments of implementing this ordinance, (b) the effectiveness of this ordinance in reducing the number of single use carryout bags used in the County, (c) the effectiveness of this ordinance compared to other jurisdictions' efforts to reduce use of single use carryout bags, and (d) the waste and litter reduction benefits of the County program. The evaluation shall be presented in reports to the Thurston County Board of Commissioners and all city councils within Thurston County. At minimum, reports shall be submitted by January 1, 2015 and July 1, 2016.~~

~~8.26.060. Regional Implementation~~

~~It is recommended that this ordinance also be adopted by the town and city governments of Thurston County.~~

Ordinance No. _____

AN ORDINANCE OF THE CITY OF OLYMPIA, WASHINGTON, REGULATING THE DISTRIBUTION OF SINGLE-USE PLASTIC AND BIODEGRADABLE CARRYOUT BAGS, REQUIRING RETAIL ESTABLISHMENTS TO COLLECT A PASS-THROUGH CHARGE FROM CUSTOMERS REQUESTING RECYCLABLE PAPER CARRYOUT BAGS, AND ADDING A NEW CHAPTER 8.26 TO THE OLYMPIA MUNICIPAL CODE.

WHEREAS, the Washington State Legislature in RCW 70.95.010(8)(a) established waste reduction as the first priority for collection, handling and management of solid waste; and

WHEREAS, the Washington State Legislature in RCW 70.95.010(4) found that it is "necessary to change manufacturing and purchasing practices and waste generation behaviors to reduce the amount of waste that becomes a governmental responsibility;" and

WHEREAS, the Washington State Legislature in RCW 70.95.010(6)(c) found that it is the responsibility of city and county governments "to assume primary responsibility for solid waste management and to develop and implement aggressive and effective waste reduction and source separation strategies;" and

WHEREAS, the 2009 Thurston County Solid Waste Plan, adopted by the County and all towns and cities within Thurston County, including the City of Olympia, includes an objective to increase advocacy for policy changes to improve waste reduction and recycling; and

WHEREAS, the Solid Waste Advisory Committee directed staff to review studies related to the production, use, and disposal of (single-use) plastic carryout bags, which identify significant adverse impacts on the environment; and

WHEREAS, it is the City's desire to conserve resources, reduce greenhouse gas (GHG) emissions, waste, litter, marine litter, and pollution, and to protect the public health and welfare; and

WHEREAS, less reliance on single-use carryout bags provided by retail establishments works toward the goals of conserving energy and natural resources, while reducing litter production; and

WHEREAS, plastic carryout bags are made of nonrenewable resources, and plastic never biodegrades, only breaking down into smaller and smaller particles which seep into soils and are carried into rivers, lakes, the Puget Sound, and the world's oceans, posing a threat to animal life and the natural food chain; and

WHEREAS, even though single-use paper carryout bags are made from renewable resources and are therefore less of a litter problem than single-use plastic carryout bags, they nevertheless require significant resources to manufacture, transport, recycle and/or dispose of; and

WHEREAS, costs associated with the use, recycling, and/or disposal of single-use paper and plastic carryout bags in Olympia and Thurston County creates a burden on the County's solid waste disposal system, including, in the case of plastic carryout bags, machine down-time and contamination of recycled paper at the materials recovery facility; and

WHEREAS, to prevent waste generation, it is in the City's interest to discourage the use of single-use, throw-away items of all types which can be accomplished through price signals; and

WHEREAS, to reduce the use of plastic and paper carryout bags in the City, it is necessary to regulate such use; and

WHEREAS, it is in the best interest of the health, safety and welfare of the citizens of the City of Olympia that regulations require a pass-through charge on the use of recyclable paper carryout bags in order to encourage greater use of reusable bags, to reduce the cost of solid waste disposal by the City, and to protect the environment; and

WHEREAS, this Ordinance is adopted pursuant to Article 11, Section 11 of the Washington State Constitution and any other applicable authority; and

WHEREAS, this Ordinance is supported by the staff report, attachments, and documents on file with the City of Olympia; and

NOW, THEREFORE, THE OLYMPIA CITY COUNCIL ORDAINS AS FOLLOWS:

Section 1. NEW CHAPTER OMC 8.26. A NEW CHAPTER 8.26 is hereby added to Title 8 of the Olympia Municipal Code to read as follows:

**NEW CHAPTER 8.26
SINGLE-USE BAGS**

8.26.000 Chapter Contents

Sections:

8.26.010 Purpose and Intent.

8.26.020 Definitions

8.26.030 Implementation

8.26.040 Compliance

8.26.010 Purpose and Intent

The purpose of this Chapter is to reduce the number of single-use bags in the City of Olympia waste stream.

8.26.020 Definitions

For purposes of this section, the following definitions apply.

- A. "Carryout bag" means a bag that is provided by a retail establishment at the check stand, cash register, point of sale or other point of departure to a customer for the purpose of transporting food or merchandise out of the establishment. Carryout bags do not include:
 - 1. Bags used by customers inside stores to package bulk items such as fruit, vegetables, nuts, grains, candy, greeting cards, or small hardware items, such as nails and bolts, or to contain or wrap frozen foods, meat or fish, whether prepackaged or not, or to contain or wrap flowers or potted plants, or other items where dampness may be a problem, or to contain unwrapped prepared foods or bakery goods, or to contain prescription drugs or durable medical equipment,

or to safeguard public health and safety during the transportation of prepared take-out foods and prepared liquids intended for consumption away from the retail establishment; or

2. Newspaper bags, door-hanger bags, laundry-dry cleaning bags, or bags sold in packages containing multiple bags intended for use a garbage, pet waste, or yard waste bags.
- B. "Pass-through charge" means a charge to be collected by retailers from their customers when providing recyclable paper bags, and retained by retailers to offset the cost of bags and other costs related to the pass-through charge.
- C. "Recyclable paper bag" means a paper carryout bag that has a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger and meets the following requirements: (a) contains an average of 40 percent recycled materials, and (b) displays the percent of recycled content on the outside of the bag.
- D. "Retail establishment" means any person, corporation, partnership, business venture, public sports or entertainment facilities, government agency, street vendor or vendor at public events or festivals or organizations that sell or provide merchandise, goods or materials including, without limitation, clothing, food, beverages, household goods, or personal items of any kind directly to a customer. Examples include but are not limited to department stores, clothing stores, jewelry stores, grocery stores, pharmacies, home improvement stores, liquor stores, convenience stores, gas stations, restaurants, food vending trucks, farmers markets and temporary vendors of food and merchandise at street fairs and festivals. Food banks and other food assistance programs are not considered to be retail establishments for the purposes of this section.
- E. "Single-use plastic carryout bag" means any carryout bag made from plastic or any material marketed or labeled as "biodegradable" or "compostable" that is neither intended nor suitable for continuous reuse as a carryout bag or that is less than 2.25 mils thick.

8.26.030 Implementation

- A. No retail establishment in the City of Olympia shall provide a single-use plastic carryout bag to any customer.
- B. No retail establishment in the City of Olympia shall provide a paper carryout bag with a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger that is not a recyclable paper bag, and retail establishments shall collect a pass-through charge of not less than five-cents for each recyclable paper carryout bag provided to customers. It shall be a violation of this section for any retail establishment to pay or otherwise reimburse a customer for any portion of the pass-through charge; provided that retail establishments may not collect a pass-through charge from anyone with a voucher or electronic benefits card issued under the Women, Infants and Children (WIC) or Temporary Assistance to Needy Families (TANF) support programs, or the federal Supplemental Nutrition Assistance Program (SNAP, also known as Basic Food), or the Washington State Food Assistance Program (FAP).
- C. All retail establishments shall indicate on the customer transaction receipt, if provided, the number of recyclable paper carryout bags provided and the total amount of the pass-through charge.

8.26.040 Compliance

- A. Designation of Enforcement Officer. Thurston County Environmental Health is authorized to enforce this chapter.
- B. Upon a first violation of any part of this Chapter, a duly designated enforcement officer of Thurston County Environmental Health may issue a Notice of Violation to the offending person or business. The Notice of Violation shall contain the date of and alleged type of violation. The Notice of Violation

shall be regarded as a warning and no other sanctions shall be implemented. Notice shall be served upon the premises to the highest-ranking employee currently on duty at the time of delivery.

- C. If after the issuance of a Notice of Violation the enforcement officer becomes aware of subsequent non-compliance, Thurston County Environmental Health has the authority to issue a civil infraction. Any subsequent violation of this Chapter shall be designated as a Class 1 civil infraction. Each day of any such violation is a separate civil infraction; a notice of infraction may be issued for each day of any such violation, however the enforcement officer is not required to issue a notice of infraction for each day of such violation. Civil infractions shall be heard and determined according to Chapter 7.80 RCW as amended, and any applicable court rules.
- D. It shall be a violation of this Chapter for any retail establishment to penalize, discipline, or discriminate against any employee for performing any duty necessary to comply with this Chapter.

Section 2. Corrections. The City Clerk and codifiers of this Ordinance are authorized to make necessary corrections to this Ordinance including, but not limited to, the correction of scrivener/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 3. Severability. If any provision of this Ordinance or its application to any person or circumstance is held invalid, the remainder of the Ordinance or application of the provisions to other persons or circumstances shall remain unaffected.

Section 4. Ratification. Any act consistent with the authority and prior to the effective date of this Ordinance is hereby ratified and affirmed.

Section 5. Effective Date. This Ordinance shall take effect July 1, 2014.

MAYOR

ATTEST:

CITY CLERK

APPROVED AS TO FORM:

Darren Nienaber

DEPUTY CITY ATTORNEY

PASSED:

APPROVED:

PUBLISHED:

AGENDA ITEM NO. 8a
MEETING DATE: September 17, 2013

TO: City Council
council@ci.tumwater.wa.us

FROM: John Doan, City Administrator
jdoan@ci.tumwater.wa.us

RE: **Ordinance No. O2013-016**; Plastic Bag Regulation

1) References: (List only those attached)

- A. Proposed Ordinance No. O2013-016
 - B. Thurston County background materials on plastic, single-use carryout bags
 - C. August 12, 2013 letter from Thurston County Commission.
-

2) Action Requested / Staff Recommendation:

Conduct a public hearing and consider the adoption of a plastic bag regulation.

3) History and Facts Brief:

The attached materials provide information on the history of the plastic bag issue. Additional information and public input are available at the County's Solid Waste website at:

www.co.thurston.wa.us/solidwaste/recycling/recycling-plastics.htm

The Thurston County Commissioners are scheduled to hold a public hearing and consider this ordinance at their September 24th meeting.

4) Discussion & Alternatives:

- Adopt the proposed ordinance as drafted at this time
 - Modify the proposed ordinance
 - Postpone the adoption of the ordinance
 - Some other course of action.
-

5) Fiscal Notes:

There is minimal impact to the City from the adoption of the ban. Public education and enforcement of the ordinance would be done by the County Solid Waste Program.

ORDINANCE NO. O2013-016

AN ORDINANCE of the City of Tumwater, Washington, regulating the distribution of single-use plastic and biodegradable carryout bags, and requiring retail establishments to collect a pass-through charge from customers requesting recyclable paper carryout bags, and adding a new Chapter 8.14 to the Tumwater Municipal Code.

WHEREAS, the Washington State Legislature in RCW 70.95.010(8)(a) established waste reduction as the first priority for the collection, handling, and management of solid waste; and

WHEREAS, the Washington State Legislature in RCW 70.95.010(4) found that it is "necessary to change manufacturing and purchasing practices and waste generation behaviors to reduce the amount of waste that becomes a governmental responsibility"; and

WHEREAS, the Washington State Legislature in RCW 70.95.010(6)(c) found that it is the responsibility of city and county governments "to assume primary responsibility for solid waste management and to develop and implement aggressive and effective waste reduction and source separation strategies"; and

WHEREAS, the 2009 Thurston County Solid Waste Plan, adopted by the county and all towns and cities within Thurston County, including the City of Tumwater, includes an objective to increase advocacy for policy changes to improve waste reduction and recycling; and

WHEREAS, the Solid Waste Advisory Committee directed staff to review studies related to the production, use, and disposal of (single-use) plastic carryout bags, which identify significant adverse impacts on the environment; and

WHEREAS, it is the City's desire to conserve resources, reduce greenhouse gas (GHG) emissions, waste, litter, marine litter, and pollution, and to protect the public health and welfare; and

WHEREAS, less reliance on single-use carryout bags provided by retail establishments works toward the goals of conserving energy and natural resources, while reducing litter production; and

WHEREAS, plastic carryout bags are made of nonrenewable resources, and plastic never biodegrades, only breaking down into smaller and smaller particles which seep into soils and are carried into rivers, lakes, the Puget Sound, and the world's oceans, posing a threat to animal life and the natural food chain; and

WHEREAS, even though single-use paper carryout bags are made from

renewable resources and are therefore less of a litter problem than single-use plastic carryout bags, they nevertheless require significant resources to manufacture, transport, recycle and/or dispose of; and

WHEREAS, costs associated with the use, recycling, and/or disposal of single-use paper and plastic carryout bags in Tumwater and Thurston County creates a burden on the County's solid waste disposal system, including, in the case of plastic carryout bags, machine down-time and contamination of recycled paper at the materials recovery facility; and

WHEREAS, to prevent waste generation, it is in the City's interest to discourage the use of single-use, throw-away items of all types which can be accomplished through price signals; and

WHEREAS, to reduce the use of plastic and paper carryout bags in the City, it is necessary to regulate such use; and

WHEREAS, it is in the best interest of the health, safety and welfare of the citizens of the City of Tumwater that regulations require a pass-through charge on the use of recyclable paper carryout bags in order to encourage greater use of reusable bags, to reduce the cost of solid waste disposal by the City, and to protect the environment;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF TUMWATER, STATE OF WASHINGTON, DOES ORDAIN AS FOLLOWS:

Section 1. A new Chapter 8.14 is hereby added to the Tumwater Municipal Code set forth in Exhibit A attached to this Ordinance and incorporated herein by reference.

Section 2. Corrections. The City Clerk and codifiers of this ordinance are authorized to make necessary corrections to this ordinance including, but not limited to, the correction of scrivener/clerical errors, references, ordinance numbering, section/subsection numbers and any references thereto.

Section 3. Ratification. Any act consistent with the authority and prior to the effective date of this ordinance is hereby ratified and affirmed.

Section 4. Severability. The provisions of this ordinance are declared separate and severable. The invalidity of any clause, sentence, paragraph, subdivision, section, or portion of this ordinance or the invalidity of the application thereof to any person or circumstance, shall not affect the validity of the remainder of the ordinance, or the validity of its application to other persons or circumstances.

Section 5. Effective Date. This ordinance shall take effect July 1, 2014.

ADOPTED this _____ day of _____, 2013.

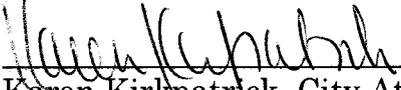
CITY OF TUMWATER

Pete Kmet, Mayor

ATTEST:

Melody Valiant, City Clerk

APPROVED AS TO FORM:



Karen Kirkpatrick, City Attorney

Published: _____

Effective Date: _____

EXHIBIT A TO ORDINANCE O2013-016

8.14

SINGLE-USE BAGS

8.14.010 Purpose and Intent.

The purpose of this chapter is to reduce the number of single-use bags in the City of Tumwater waste stream and encourage the use of reusable bags.

8.14.020 Definitions.

For purposes of this section, the following definitions apply.

A. "Carryout bag" means a bag that is provided by a retail establishment at the check stand, cash register, point of sale or other point of departure to a customer for the purpose of transporting food or merchandise out of the establishment. Carryout bags do not include:

1. Bags used by customers inside stores to package bulk items such as fruit, vegetables, nuts, grains, candy, greeting cards, or small hardware items, such as nails and bolts, or to contain or wrap frozen foods, meat or fish, whether prepackaged or not, or to contain or wrap flowers or potted plants, or other items where dampness may be a problem, or to contain unwrapped prepared foods or bakery goods, or to contain prescription drugs or durable medical equipment, or to safeguard public health and safety during the transportation of prepared take-out foods and prepared liquids intended for consumption away from the retail establishment; or

2. Newspaper bags, door-hanger bags, laundry-dry cleaning bags, or bags sold in packages containing multiple bags intended for use as garbage, pet waste, or yard waste bags.

B. "Pass-through charge" means a charge to be collected by retailers from their customers when providing recyclable paper bags, and retained by retailers to offset the cost of bags and other costs related to the pass-through charge.

C. "Recyclable paper bag" means a paper carryout bag that has a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger and meets the following requirements: (a) contains an average of 40 percent recycled materials, and (b) displays the percent of recycled content on the outside of the bag.

D. "Retail establishment" means any person, corporation, partnership, business venture, public sports or entertainment facilities, government agency, street vendor or vendor at public events or festivals or organizations that sell or provide merchandise, goods or materials including, without limitation, clothing, food, beverages, household goods, or personal items of any kind directly to a customer. Examples include but are not limited to department stores, clothing

stores, jewelry stores, grocery stores, pharmacies, home improvement stores, liquor stores, convenience stores, gas stations, restaurants, food vending trucks, farmers markets and temporary vendors of food and merchandise at street fairs and festivals. Food banks and other food assistance programs are not considered to be retail establishments for the purposes of this section.

E. "Single-use plastic carryout bag" means any carryout bag made from plastic or any material marketed or labeled as "biodegradable" or "compostable" that is neither intended nor suitable for continuous reuse as a carryout bag or that is less than 2.25 mils thick.

8.14.030 Implementation.

A. No retail establishment in the City of Tumwater shall provide a single-use plastic carryout bag to any customer.

B. No retail establishment in the City of Tumwater shall provide a paper carryout bag with a manufacturer's stated capacity of one-eighth barrel (882 cubic inches) or larger that is not a recyclable paper bag, and retail establishments shall collect a pass-through charge of not less than five-cents for each recyclable paper carryout bag provided to customers. It shall be a violation of this section for any retail establishment to pay or otherwise reimburse a customer for any portion of the pass-through charge; provided that retail establishments may not collect a pass-through charge from anyone with a voucher or electronic benefits card issued under the Women, Infants and Children (WIC) or Temporary Assistance to Needy Families (TANF) support programs, or the federal Supplemental Nutrition Assistance Program (SNAP, also known as Basic Food), or the Washington State Food Assistance Program (FAP).

C. All retail establishments shall indicate on the customer transaction receipt, if provided, the number of recyclable paper carryout bags provided and the total amount of the pass-through charge.

8.14.040 Compliance.

A. Designation of Enforcement Officer. The enforcement officer(s) for violations of this Chapter for civil infraction purposes shall be a duly designated enforcement officer of Thurston County Environmental Health designated by resolution of the Board of County Commissioners upon the recommendation of the Director of Thurston County Environmental Health.

B. Upon a first violation of any part of this Chapter, a duly designated enforcement officer of Thurston County Environmental Health shall issue a Notice of Violation to the offending person or business. The Notice of Violation shall contain the date of and alleged type of violation. The Notice of Violation shall be regarded as a warning and no other sanctions shall be implemented. Notice shall be served upon the premises to the highest-ranking employee currently on duty at the

time of delivery.

C. If after the issuance of a Notice of Violation the enforcement officer becomes aware of subsequent non-compliance, Thurston County Environmental Health has the authority to issue a civil infraction. Any subsequent violation of this chapter shall be designated as a Class 1 civil infraction. Each day of any such violation is a separate civil infraction; a notice of infraction may be issued for each day of any such violation, however the enforcement officer is not required to issue a notice of infraction for each day of such violation. Civil infractions shall be heard and determined according to Chapter 7.80 RCW as amended, and any applicable court rules.

D. Recording of Civil Infractions. Notice of civil infraction may be recorded with the Thurston County Auditor against the property on which the violation took place in the following instances:

1. The owner of the property affected by the civil infraction has been given prior notice with an opportunity to cure the violation.

2. The person receiving the notice of civil infraction does not respond as required by RCW 7.80.080.

3. The person/business receiving the notice of civil infraction fails to appear at a hearing requested under RCW 7.80.080(3) or (4).

4. The person/business assessed a monetary penalty for the civil infraction fails to pay such penalty within the time required by law and does not appeal the penalty. If the penalty is appealed, the enforcement officer may record the notice of civil determination only if a penalty remains unpaid after a final appellate determination has been entered.

E. The Auditor shall record any notice of civil infraction submitted for recording under this section.

F. Removing of Recording. The recording of a notice of civil infraction with the Auditor shall be removed when:

1. The civil infraction proceeding has been dismissed or decided in favor of the person to whom the notice was issued; or

2. Any monetary penalty assessed for the infraction has been paid and the violation has been remedied to the satisfaction of the city and county.

G. It shall be a violation of this chapter for any retail establishment to penalize, discipline, or discriminate against any employee for performing any duty necessary to comply with the chapter.

FINANCE & ECONOMIC DEVELOPMENT COMMITTEE
JANUARY 27, 2014
12:00 - 1:30 P.M.

COUNCIL PRESENT: Andy Ryder, Jason Hearn, Lenny Greenstein

STAFF PRESENT: Scott Spence, Troy Woo, Scott Egger, Teri O'Neal, Peter Brooks, Roger Schoessel, Martin Hoppe, Carol Litten

Councilmember Greenstein nominated Mayor Ryder as Chair of the Finance Committee. Councilmember Hearn seconded. Motion carried.

Scott Spence, City Manager, requested two amendments to the agenda to include Hawks Prairie Well Source 31 sanding, and a federal grant update.

COUNCILMEMBER GREENSTEIN MOVED TO APPROVE THE AMENDED AGENDA. COUNCILMEMBER HEARN SECONDED. MOTION CARRIED.

WELL SOURCE 31 - HAWKS PRAIRIE WELL II

Teri O'Neal, Sr. Utilities Engineer, briefed the Committee on the condition of Well Source 31. The well began sanding in September 2013. Since the well is so deep, it is costly and risky to pull the pump. A hydrogeologist was hired to test the well using the existing pump, but the sand could not be cleared from the well.

As a result, staff worked with the hydrogeologist and developed a plan. The existing pump was pulled and it was found that the pump shaft columns were damaged. The shafts will need to be replaced. The next step is videoing the well during static conditions. Afterwards, a temporary pump will be installed and the well videoed during pumping to provide information and potential remediation measures.

It is anticipated the problem will be corrected by May 2014. The cost estimate is \$240,000, although the actual amount will depend on what is found via the videos. Scott Spence, City Manager, noted that a budget amendment will be presented to Council related to the project cost.

FEDERAL GRANT

Martin Hoppe, Transportation Manager, stated the City of Yelm was awarded federal grant funding by TRPC last year. However, Yelm may not be able to move forward with their project. If so, the funding could be re-allocated towards another regional project

that qualifies for federal funding. Lacey's Hogum Bay project would qualify for federal funding. Staff asked for direction from the Committee.

Committee members agreed that staff should move forward with securing funding for the Hogum Bay project, if the federal grant allocation is not used by the City of Yelm.

BUSINESS & OCCUPATION TAX AND BUSINESS LICENSING OPTIONS

Troy Woo, Finance Director, provided an update of ongoing discussions related to the City's Business and Occupation Tax and business licensing options.

On September 25, 2013, the City Manager and Finance Director presented three potential Business and Occupation (B&O) tax and business licensing changes developed by the Finance and Economic Development Committee to the Lacey Chamber of Commerce Board of Directors. In general, the board was supportive of the following three elements.

1. Partnering with the Washington State Department of Revenue Business Licensing Service (BLS). For most businesses in Lacey a partnership with the State's BLS will provide business license application and renewal administrative relief.
2. Implementation of an annual Lacey business license renewal fee. Implementation of a business license renewal would allow the City to recover its costs associated with administering the renewals and could replace General Fund revenues lost from the proposed small startup business B&O tax exemption. The City of Lacey currently charges a one-time \$25 business license fee for businesses located inside the City and a one-time \$10 fee for businesses located outside of the City. The Chamber Board commented that the business license fee structure should not favor businesses located outside of Lacey city limits.

An increase of \$31,645 from business license fees would offset the B&O tax reduction for 100 small start-up business B&O tax exemptions. Given the recent budget challenges, it is important to find revenue neutral solutions. The fee structure would increase the outside to be equal to the inside city limit business license fees.

Following discussion regarding the fee structure, Committee members agreed that the initial application fee should be \$25, and the annual renewal fee should be \$10 for businesses inside and outside of the city.

3. Implementation of a three-year B&O tax exemption for small start-up businesses. An exemption would provide new small businesses with some tax relief, provide economic stimulus, and promote Lacey's business friendly environment.

It has been suggested that a small business would be defined as having business activity of less than \$500,000 annually and be located within the City limits. The exemption would be in effect for the first three consecutive years of operation as long as the business activity remains below \$500,000.

Committee members agreed that the three-year B&O tax exemption should be allowed for business activity of less than \$500,000.

Troy stated if the City Council would like to make changes to business license fees and/or establish a renewal fee, staff recommends adoption of a resolution prior to establishing a partnership with the BLS.

Committee members agreed to forward a recommendation to full Council to approve all three elements.

INVESTMENT POLICY

Troy Woo, Finance Director, presented the Committee with a recommendation to update the City's 1999 Investment Policy.

The City Council adopted Resolution No. 992 relating to the City's fiscal policies on February 28, 2013. The proposed policy is consistent to the cash management and investment policies section of the adopted fiscal policies, so no formal action on the fiscal policies is required. However, the proposed policy includes more specific guidance necessary for staff to comply with the adopted cash management and investment policies, so it is recommended that a proposed resolution be adopted to replace the current investment policy.

The current investment policy was most recently amended by Resolution No. 810 in July 1999. The following are the significant proposed changes compared to the July 1999 policy:

- Section 5 describes the requirements for authorized financial dealers and institutions that the City may utilize for investment services.
- Section 6 now includes a list of prohibited investment instruments.
- The policy removes requirements for collateralization not used by the City.
- Section 8 has slightly different maximum percentages of total portfolio amounts that may be invested in certain instruments.

- Section 9 provides guidance for maximum maturity investment return from 2 to 5 years.
- Section 11 includes performance standards that are less specific than the current policy.
- The proposed reporting requirements in section 12 of the proposed policy require more specific elements than the current policy.

COUNCILMEMBER GREENSTEIN MOVED TO RECOMMEND TO FULL COUNCIL THE ADOPTION OF A RESOLUTION TO REPLACE THE CITY'S 1999 INVESTMENT POLICY WITH THE CURRENT POLICY. COUNCILMEMBER HEARN SECONDED. MOTION CARRIED.