



**CITY OF MOUNT VERNON
CITY COUNCIL MEETING
AGENDA**

August 25 2021, 7:00 p.m.
1805 Continental Place

(Masks are required regardless of vaccination status)

To virtually attend the meeting, the public may:

1. **Call the conference line:** 1-888-924-9240; Access Code: 3366211 (please 'mute' your phone, if possible, to minimize distractions)
2. **Watch the meeting live on TV10:** Comcast/Xfinity Channel 10
3. **Watch the meeting live, online:**
https://www.youtube.com/channel/UCUob_hcQUmd4S93YkletdrA

I. OPENING CEREMONIES

- A. Call to Order
- B. Pledge of Allegiance
- C. Roll Call of Councilmembers

II. CONSENT AGENDA

- A. Approval of August 4, 2021 Study Session Meeting Minutes
- B. Approval of August 11, 2021 Regular Council Meeting Minutes
- C. Approval of August 20, 2021 payroll checks numbered 110896 - 110915, direct deposit checks numbers 83657 - 83892, and wire transfers numbered 1005 - 1009 in the amount of \$1,198,999.82
- D. Approval of August 25, 2021 Claims numbered 14851 and 14853 - 14996 in the amount of \$2,036,922.60

III. REPORTS

- A. Committees
 1. Finance and Parks & Enrichment Services
 2. Development Services
- B. Community Comments
 1. Review of Emails from the Public
(Public comments may be sent via email to council@mountvernonwa.gov. The comments will be read aloud into the record during the public comment portion of the agenda. Please limit your comments to be read in three minutes or less. Email comments must be received by 4 p.m. on August 25, 2021.)
 2. Public Comments
(This is an opportunity for Mount Vernon residents to address their City Council. Please limit comments to three minutes or less. Under normal circumstances, the Mayor and Council will not respond immediately to Community Comments. If you would like someone to follow-up with you regarding the topic of your comments, please leave your name and contact information on the form at the entrance of the Council Chambers.)
- C. Councilmember Comments
- D. Mayor's Report
- E. Committee Agenda Requests

IV. UNFINISHED BUSINESS

None

V. NEW BUSINESS

A. First Steps Shelter Program Update

(Friendship House Director, Tina Tate will provide an update on the First Steps Shelter Program located in Burlington)

(required action – none)

(staff contact – Chris Cammock)

B. Public Hearing – Sales and Use Tax Rate Increase

(Staff recommends a public hearing; and if Council desires, a motion to approve an ordinance allowing the City to impose a Sales and Use Tax of .001 to fund affordable housing and related services.)

(required action – ordinance)

(staff contact – Peter Donovan)

C. Opioid Litigation – Mallinckrodt Pharmaceuticals Reorganization Plan

(Staff is requesting authorization for the City Attorney to cast a vote in favor of Mallinckrodt's proposed Chapter 11 Plan of Reorganization)

(required action – motion)

(staff contact – Kevin Rogerson)

COMMITTEE MEETINGS

Finance and Parks & Enrichment Services

6:00 p.m.

Next Ordinance

3834

Next Resolution 1001



DATE: August 25, 2021
TO: Mayor Boudreau and City Council
FROM: Police Chief Chris Cammock
SUBJECT: BURLINGTON FIRST STEPS SHELTER PROGRAM UPDATE

RECOMMENDED ACTION:

N/A

INTRODUCTION/BACKGROUND:

First Steps is a new low barrier housing program located in Burlington that provides up to 90 days temporary housing to individuals. The City of Mount Vernon was one of many organizations who supported the project providing resources to purchase temporary shelter space. Individuals/families secure shelter space through Community Actions coordinated entry program or when law enforcement has an identified need. First Steps opened June 14, 2021 and Friendship House Director Tina Tate who manages the site will be providing a progress update.

FINDINGS/CONCLUSIONS:

N/A

RECOMMENDATION:

N/A

ATTACHED:



DATE: August 25, 2021
TO: Mayor Boudreau and City Council
FROM: Peter Donovan, Project Development Manager
SUBJECT: PUBLIC HEARING FOR SALES AND USE TAX FOR HOUSING AND RELATED SERVICES

RECOMMENDED ACTION:

The City of Mount Vernon desires to hear from the public prior to taking action to authorize the Mayor to sign the accompanying ordinance to adopt additional sales and use tax; to be directed toward housing and related services, consistent with Washington State House Bill 1590

INTRODUCTION/BACKGROUND:

- In 2020, Washington State enacted House Bill 1590 which amended RCW 82.14.530 to allow local governments to impose an additional sales and use tax to fund investments in affordable housing and related services.
- As amended, RCW 82.14.530 allows Skagit County to impose an additional sales and use tax at a rate of up to one-tenth of one percent.
- If Skagit County does not impose the tax, or the full rate of the tax authorized, by September 30, 2020, the City of Mount Vernon may impose the whole sales and use tax rate or the remainder of the rate.
- If the County imposes the tax authorized by RCW 82.14.530 after the City of Mount Vernon has imposed the tax, the County must provide a credit against its tax for the full amount of tax imposed by the City.
- To date, Skagit County has not imposed the additional sales and use tax authorized by RCW 82.14.530.
- By the City taking action and imposing the tax now, the city will receive 100% of the tax revenue authorized and will retain control over how the funds are used in the community.

FINDINGS/CONCLUSIONS:

- There are statutory restrictions on the use of the revenue. A minimum of sixty percent of the moneys collected from this tax must be used for constructing affordable housing, constructing mental and behavioral health-related facilities, or funding the operations and maintenance costs of new units of

affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers.

-- There are also restrictions regarding the population the additional funding may be used to serve. The affordable housing and facilities providing housing-related programs may only be provided to persons whose income is at or below sixty percent of the median income of Skagit County and are persons with behavioral health disabilities, veterans, senior citizens, homeless families with children, unaccompanied homeless youth or young adults, persons with disabilities, or domestic violence survivors.

-- The remainder of the moneys collected from this tax must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

-- The 2021 estimated collection of .01% sales tax for the City may be approximately \$870,000

RECOMMENDATION:

If Council chooses, a motion and majority vote to adopt an Ordinance to approve the additional sales and use tax; to be directed toward housing and related services, as required.

ATTACHED:

Draft Ordinance

ORDINANCE NO. _____

AN ORDINANCE of the City Council of the City of Mount Vernon, Washington, relating to local sales and use taxes; imposing the maximum capacity of the tax authorized under the provisions of RCW 82.14.530 for housing and related services; adding a new Chapter 3.70 of the Mount Vernon City Code, entitled "Additional sales or use tax for housing and related services"

WHEREAS, in 2020, Washington State enacted House Bill 1590 (chapter 222, Laws of 2020), which amended RCW 82.14.530 to allow local governments to impose an additional sales and use tax to fund investments in affordable housing and related services.

WHEREAS, as amended, RCW 82.14.530 allows Skagit County to impose an additional sales and use tax at a rate of up to one-tenth of one percent. However, if Skagit County does not impose the tax, or the full rate of the tax authorized, by September 30, 2020, the City of Mount Vernon may impose the whole sales and use tax rate or the remainder of the rate. If the County imposes the tax authorized by RCW 82.14.530 after the City of Mount Vernon has imposed the tax, the County must provide a credit against its tax for the full amount of tax imposed by the City. By acting first, the full amount of the tax revenue will remain in the Mount Vernon community and use of those funds will be controlled by the City.

WHEREAS, if the City imposes the tax, there are statutory restrictions on the use of the revenue. A minimum of sixty percent of the moneys collected from this tax must be used for constructing affordable housing, constructing mental and behavioral health-related facilities, or funding the operations and maintenance costs of new units of affordable housing and facilities where housing-related programs are provided, or newly constructed evaluation and treatment centers.

WHEREAS, there are also restrictions regarding the population the additional funding may be used to serve. The affordable housing and facilities providing housing-related programs may only be provided to persons whose income is at or below sixty percent of the median income of Skagit County and are persons with behavioral health disabilities, veterans, senior citizens, homeless families with children, unaccompanied homeless youth or young adults, persons with disabilities, or domestic violence survivors.

WHEREAS, the remainder of the moneys collected from this tax must be used for the operation, delivery, or evaluation of mental and behavioral health treatment programs and services or housing-related services.

WHEREAS, to date, Skagit County has not imposed the additional sales and use tax authorized by RCW 82.14.530. By acting now, the city will receive 100% of the tax revenue authorized and will retain control over how the funds are used in the community.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF MOUNT VERNON, WASHINGTON, DO ORDAIN AS FOLLOWS:

SECTION 1. A new Chapter 3.70 of the Mount Vernon Municipal Code is hereby created to read as follows:

Chapter 3.70

ADDITIONAL SALES OR USE TAX FOR HOUSING AND RELATED SERVICES

Sections:

3.70.010 Additional sales and use tax for housing and related services- Imposition

3.70.020 Purpose and use of tax

3.70.030 Additional sales and use tax for housing and related services- Rate

3.70.010 Additional sales and use tax for housing and related services- Imposition

There is hereby imposed an additional sales or use tax as authorized by RCW 82.14.530, upon every taxable event, as defined in Chapter 82.14 RCW, occurring within the City. The tax shall be imposed upon and collected from those persons from whom the state sales tax or use tax is collected pursuant to Chapters 82.08 and 82.12 RCW, as the same now exist or may hereafter be amended.

3.70.020 Purpose and use of tax

Moneys collected under this chapter must be used solely, as required by RCW 82.14.530 and as hereinafter amended, for the purpose of providing for housing and related services.

3.70.030 Additional sales and use tax for housing and related services- Rate

The rate of the tax imposed by Section 3.70.010 of this chapter shall be one-tenth of one percent of the selling price or value of the article used, as the case may be.

SECTION 2. Severability. If any section, subsection, sentence, clause, chapter, provision, or phrase of this ordinance or its application to any person or circumstance is found to be unconstitutional or invalid by a court of competent jurisdiction, such decision shall not affect the validity of the remainder of the ordinance or the application or the provisions to other persons or circumstances.

SECTION 3. Correction by City Clerk or Code Reviser. Upon approval of the city attorney, the city clerk and the code reviser are authorized to make necessary corrections to this ordinance, including the correction of clerical errors; ordinance, section, or subsection numbering; or

references to other local, state, or federal laws, codes, rules, or regulations.

SECTION 4. Effective Date: This ordinance shall take effect and be in full force five (5) days after its passage, approval and publication.

PASSED AND ADOPTED this ____ day of August 2021.

Doug Volesky, Finance Director

SIGNED AND APPROVED this ____ day of August 2021.

Jill Boudreau, Mayor

Approved as to form:

Kevin Rogerson, City Attorney

Published _____



DATE: August 25, 2021
TO: Mayor Boudreau and City Council
FROM: Kevin Rogerson; City Attorney
SUBJECT: AUTHORIZATION TO VOTE ON MALLINCKRODT PLAN OF REORGANIZATION

RECOMMENDED ACTION:

Authorize a vote to approve the plan

INTRODUCTION/BACKGROUND:

As noted in the news Mallinckrodt, one of the manufacturer defendants named in the City's lawsuit complaints related to its opioid litigation and the largest generic opioid manufacturer in the U.S., filed for bankruptcy protection, along with numerous related entities, in the District of Delaware. The automatic bankruptcy stay prevents most legal actions against Mallinckrodt from proceeding at this time.

Mallinckrodt's proposed Chapter 11 Plan of Reorganization, along with a form of ballot and an extensive disclosure statement, to Mallinckrodt's creditors for voting has been received by the City because the City has legal claims against Mallinckrodt allowing it to vote on the plan.

Like Purdue's plan, Mallinckrodt's proposed plan is a product of extensive negotiations and mediation. The deadline for voting is September 3, 2021. A final hearing on confirmation of the proposed Plan is set for September 21, 2021.

Mallinckrodt proposes treating opioid claims by providing funding to trusts, mostly abatement trusts, similar to those in the Purdue plan.

Like Purdue's plan, the Mallinckrodt Plan would create two abatement trusts for public entities: one for tribes ("TAFT II"), and one for the other government entities ("NOAT II"). The forms of the trusts are not yet available, but the Disclosure Statement, beginning on page 80, provides that they will be similar to the trusts in the Purdue bankruptcy, and funds distributed through the trusts will be used for the same types of approved opioid abatement uses. Depending on the amount distributed, funds would be allocated among NOAT II and TAFT II as follows:

Aggregate Amount Distributable	Allocation Between NOAT II and	the TAFT II
	<u>NOAT II</u>	<u>TAFT II</u>
\$0-625 million	97.1%	2.90%
Over \$625 million- \$1.25 billion	97.05%	2.95%
Over \$1.25 billion	97%	3.0%

Funding for *all* opioid claims will come from \$1.6 billion in cash to be paid by Mallinckrodt over 7 years, as well as from other sources that are more difficult to value, such as insurance proceeds and recoveries from litigation claims. The amount to be allocated between the two trusts is expected to be between \$700 million and \$1.3 billion.

The Plan calls for NOAT II to distribute its share of abatement funds state by state. The liquidation analysis required by the Bankruptcy Code estimates what would happen if there were no settlements, Mallinckrodt was liquidated, and the dollar amount of claims asserted against Mallinckrodt was established in litigation. Mallinckrodt’s highest estimate of funds available to pay unsecured creditors in that hypothetical is around \$1 billion, which would be spread among many trillions of dollars of asserted claims, including non-opioid claims. It is legal counsels view that Mallinckrodt is correct that in a liquidation very little would ultimately be available to distribute to opioid claimants and believes the Plan is superior to liquidation.

FINDINGS/CONCLUSIONS:

Approval of the plan is superior to liquidation

RECOMMENDATION:

Motion to authorize the City Attorney to cast a vote in favor of the plan

ATTACHED:

None