

June 30, 2016

The Chehalis city council met in special session with the Lewis County Fire District 6 Commissioners on Thursday, June 30, 2016, in the Lewis County Fire District 6 meeting room. Mayor Dawes called the meeting to order at 6:32 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, and Chad Taylor. Tony Ketchum was absent (excused). Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Judy Schave, City Clerk; and Ken Cardinale, Fire Chief. Fire District Commissioners present included: Jeri Lux and Jim Martin. Kirk Johnston was absent (excused). Staff Present included: Fire Chief Tim Kinder and Attorney Brian Snure. Members of the media included Natalie Johnson from *The Chronicle*.

1. **Discuss Fire Service and Future Annexation of the Chehalis Urban Growth Area.** The city council held a special meeting with the Lewis County Fire District 6 Commissioners to discuss fire service and future city annexations.

Commissioner Jim Martin stated, in addition to the agenda items noted, the District would also like to discuss a possible Mitigation Agreement relating to the Chehalis Industrial Park Phase 1 Annexation.

Brian Snure, Attorney for Fire District 6, reported the city approached the District back in October about the Industrial Park annexation, at which time they also talked about short and long-term measures to deal with annexation. He noted the Board followed up with a letter to the city suggesting three different topics for discussion, to include:

- Consider agreement to have the District continue servicing the annexed area and the city would pay the District the tax revenue lost
- Consider Mitigation Agreement to delay and minimize the impact to the District over a period of time
- Take a long-term approach to consider consolidation of Fire District 6 and the Chehalis Fire Department

Attorney Snure reported City Manager MacReynold responded to the District's letter in November indicating there wasn't much interest in the District continuing to serve the area, but there might be some interest in mitigation and consolidation.

Attorney Snure reported the District invoked the jurisdiction of the Boundary Review Board (BRB) to review the Industrial Park Phase 1 Annexation, partially out of necessity so they could talk about a possible Mitigation Agreement with the city. He stated the District is not committed to opposing the annexation, but wanted to make sure they had an opportunity to discuss some sort of mitigation to the District.

Mayor Dawes provided some history on looking at joint consolidation for fire service. He noted the city has always wanted to work with District 6 because we basically serve the same constituency. Mayor Dawes reported the council gave the city manager direction to get something done with annexation and to have District 6 involved at the ground floor.

City Manager MacReynold stated the city tried to minimize the impact to the District and would like to focus the discussion on future annexations and moving forward. He reported he's been trying to set up meetings with the District consistently for two years to talk about the future and suggested the impression Attorney Snure is giving, that somehow the District had to force the city to the table, is not correct.

Attorney Snure stated that was not the impression he was trying to give. He noted the District has been very clear that they do consider the Industrial Park Annexation as something that needs to be discussed at a policy/contract level. Attorney Snure stated if it's the city's position that no type of mitigation will be considered then the District needs to hear that, but that doesn't mean the District isn't interested in the bigger picture.

Attorney Snure stated he viewed the meeting as a time for the Board to have a meaningful discussion with the council and hopefully move forward with some type of Mitigation Agreement that can address annexations, both current and future; and to focus on the bigger picture of consolidation.

Councilor Spahr reported the city has been talking annexation for 30 years and spent the last 2-3 years talking consolidation. He noted, finally, the city does an annexation and at the 11th hour the District comes in to challenge it.

Commissioner Martin stated their letters were sent before the 11th hour. He noted the District's position has not changed since the city was talking annexation in 2006.

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Mayor Dawes stated the reason the annexation in 2006 did not move forward is because the numbers didn't pan out. He suggested no jurisdiction is going to annex something if it's going to cost money to do it.

Mayor Dawes reported he didn't want to talk about the past, adding he wants to move forward. He asked the Commissioners if they were opposed to forming a RFA with Chehalis.

Commissioner Jeri Lux stated she couldn't speak for the other Commissioners, but she was not opposed to forming one with Chehalis if the possibility is open.

Mayor Dawes reported the working relationship between the two departments is probably the best he's ever seen, and if two of the three Commissioners feel strongly about consolidation, why not work towards that goal. He noted if they can focus their efforts on consolidation then the revenue issue isn't a problem.

Commissioner Martin reported they need to look at what's best for the citizens. He stated he is not opposed to researching and discussing this in the future, but right now the District is fairly young with the new direction its going. Commissioner Martin stated he's not opposed to the idea; he would just like to see some hard numbers, facts, and projections before he could make a decision on it. He suggested if consolidation comes down the line that might change everything, but for now, if the city is going to annex and take revenue away they need to make sure the District is protected as best as it can be.

City Attorney Hillier reported if the city is comfortable with a Mitigation Agreement he would advise that it only be for this particular annexation.

Commissioner Martin agreed that this is one of the best Boards that the District has had and this is probably the best time for the city and the District to come together.

Mayor Dawes agreed that they need to know what the numbers are before any decisions can be made. He stated they're both going to grow and it seems like it would be easier to grow together than it would be not to.

Councilor Pope stated it's important to think about the future and what condition we're going to leave it in 30 to 40 years from now. He noted many departments have failed because nobody thought about the future.

City Manager MacReynold reported the city's general fund, based on the numbers the city has, will benefit \$62,000 to \$65,000 from the Phase 1 Industrial Park annexation. He noted the city can't do anything about the utilities because those are enterprise funds, but suggested they could look at splitting the general fund revenue over a three-year period.

Commissioner Martin stated they're only talking about what the District would be losing with regard to fire protection, which is less than the \$60,000.

Councilor Taylor inquired as to what the number is that the District is asking for.

Commissioner Lux stated they stand to lose \$34,000 to \$35,000 per year.

Commissioner Martin suggested the District would continue to provide all of the services in order to recover what they're losing. He noted they're not asking to make money they just want to recover what they're losing and work towards a long-term solution.

City Attorney Hillier stated, from the city's perspective, we can't have the District provide the service, but we can have automatic aid agreements to show there's justification for the city to pay the District the money. He noted the city's union is the sole provider for fire service within the city limits.

Attorney Snure stated that's the reality that the city has to deal with and it's not the District's position to say differently.

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Commissioner Martin agreed that they need to look long-term and if they can come to an agreement, such as a three-year agreement as suggested by City Manager MacReynold, they can get through this annexation and start meeting to have something figured out in that three-year period.

Mayor Dawes reported the city still has a sub-committee that could ultimately meet with the District to discuss future consolidation.

Councilor Lund asked what the District wants from the city.

Attorney Snure stated the District is looking to see if the council is open to a Mitigation Agreement for this one annexation.

City Attorney Hillier suggested if we can't come to an agreement on a long-term solution in three years, we'll never come to that agreement. He noted the Mitigation Agreement will need to include language stating this is a one-time deal and will not be a precedent for future annexations.

Commissioner Martin asked what the city's timeline is for the next annexation.

Councilor Harris reported since annexation has been on course for decades it seems that the weaning down of the budget should have taken place ahead of the proposed annexation. He stated failure to plan by the District is not an emergency on the city's part. Councilor Harris suggested this is the same argument they had in 2006 when the District was fighting the fire station being built downtown.

Mayor Dawes stated, in all fairness, this Commission was not involved in those discussions.

Commissioner Martin stated he wanted to get beyond the history, adding right now is the best time to move forward.

Commissioner Lux reported the city talked about annexation in 1984, 1992, and 1996, adding it was almost a standing joke in the Assessor's Office. She stated she would take some of the blame for not thinking about what the future would hold.

City Manager MacReynold stated the Council and the Board could direct their staff/attorneys to develop a Mitigation Agreement to bring back to the two bodies for consideration.

Councilor Harris moved that the council direct the city administration to work with the District's attorney to develop a Mitigation Agreement to bring back for council consideration.

Councilor Pope seconded the motion.

Attorney Snure stated he would have a draft of the Mitigation Agreement sent to Assistant City Attorney Mark Scheibmeir by the following day.

The motion carried unanimously.

The Commissioners voted on the same motion and it carried unanimously.

The Council and Board briefly discussed the amount that would be paid over the three-year period.

City Manager MacReynold stated, for clarification, the city would provide the fire service and the attorneys will have to figure out how we get by the money issue.

City Manager MacReynold asked if they wanted to move forward with discussions on future fire service.

A majority of the council stated yes.

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Chehalis Fire Chief Ken Cardinale agreed with Councilor Pope, stating they need to look into the future and work together. He noted they're here for the citizens and it should be their goal to protect them.

Chief Cardinale felt it would be natural for the two to come together and briefly discussed the benefits to the citizens if they did. He suggested if they can't come together formally as a consolidation, they can certainly come together collaboratively to improve the level of service.

Mayor Dawes suggested the two would come in as equals and work at it together.

The council and Board briefly discussed the upcoming meeting with the BRB and the time it would take to prepare for it. Attorney Snure suggested there might be some general agreement on terms and requested a five minute recess for the Board to meet with counsel pursuant to RCW 42.30.110(1)(i).

At 7:19 p.m., Mayor Dawes announced the council would be in recess for approximately five minutes while the Commissioners met with their counsel, Attorney Snure, in executive session pursuant to RCW. 42.30.110(1)(i) – potential litigation.

Mayor Dawes reopened the regular meeting at 7:24 p.m.

Attorney Snure reported he would agree that everyone would like to avoid the time and expense of going before the BRB. He stated if there's a general good-faith consensus of the council, that they would be agreeable to a three-year agreement in which the District would be made whole, as follows: a 1/3 reduction in year one; another 1/3 reduction in year two; another 1/3 reduction in year three; and zero in year 4, the Board would have no objections to the non-precedence things.

Mayor Dawes asked if the council had any concerns with the 30/20/10 mitigation payoff over a three-year period.

Councilor Spahr asked if there would be any mitigation with Lewis County.

City Attorney Hillier stated, no, adding after the county bailed out of the UGA agreement all of the promises in that agreement went away.

The consensus of the council was to work out a Mitigation Agreement with the District, as discussed.

Mayor Dawes asked if the payoff would start in 2017.

City Attorney Hillier stated, yes. He also suggested if the District were to drop the appeal to the BRB the city could get the annexation completed sooner.

Commissioner Lux asked what the deadline is to get the annexation to the Lewis County Assessor's Office, in order for the agreement to be effective in 2017.

Attorney Snure stated it has to be in by August 1, but under current law the city has the right to start receiving the revenues the effective date of the annexation.

City Attorney Hillier suggested any amount received by the city prior to 2017 could be pro-rated, adding those details would be worked out in the agreement.

Attorney Snure reported he would send a letter the following day to the BRB stating they have no objections to the annexation and wish to withdraw their appeal.

A special meeting was set for July 12, 2016, at 6:00 p.m. for the the Council and Commissioners to review and consider the Annexation Mitigation Agreement.

There being no further business to come before the council the meeting was adjourned at 7:42: p.m.

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Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the special city council meeting of June 30, 2016.