

July 26, 2010

The Chehalis city council met in regular session on Monday, July 26, 2010, in the Chehalis city hall. Mayor Ketchum called the meeting to order at 6:02 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, Chad Taylor, and Dennis Dawes. Staff present included: Merlin MacReynold, City Manager; Brian Kelly, Assistant City Attorney; Judy Schave, City Clerk; Bob Nacht, Community Development Director; Peggy Hammer, Human Resources Administrator; Eva Lindgren, Finance Manager; and Tim Grochowski, Public Works Director. Members of the news media included Adam Pearson of *The Chronicle* and Paul Walker of KITI.

1. **Public Hearing on Proposed 2010 Amendments to the City's Development Regulations.** Bob Nacht reviewed the amendments being proposed to the 2010 development regulations, which included the following:

- Section 2 - adds two sections to the references because of information relevant to issues in other sections. Mr. Nacht noted they were trying to get all the information into one place.
- Section 2, Design Standards – clarifies that when you extend a water or sewer line it must be extended to and through the property frontage and not just stop at the location where the connection was needed. Mr. Nacht noted it was long standing regulation, but was not clearly defined in the current regulations.
- Section 3, General Considerations – further clarifies that water and sewer must go through the extremes of the property being developed, and the public works director would be the one to deal with those issues. He noted elsewhere in the ordinance there were references to different organizational structures the city no longer had, and they were trying to clarify it into an existing one, which was the Development Review Committee (DRC) process.
- Section 4, Driveways – proposed drawing would replace existing drawing to identify some of the technical information necessary for driveways.
- Section 5, Street Lighting – proposed to adopt the historic street light standard that was initially proposed by the Lewis County Public Utility District for implementation on city streets around their building. Mr. Nacht noted the issue had gone before the historic preservation commission, who approved the historic street light standard for adoption in the downtown historic district.
- Section 6, Water Mains – the existing language in water main extensions provided the city council had to review and approve water main extensions. Mr. Nacht noted the DRC process was not set up when originally written. He felt there was no reason the technical aspects of a water main extension that complies with city requirements couldn't be done by the DRC.
- Section 7, Appeal Process – prior language had an appeal process different from the city's standard appeal process through the DRC. The proposal would eliminate all of the other appeal processes and make them the standard appeal process.
- Section 8, Layout of Lots – inserts information regarding mailboxes.
- Section 9, Applicability – inserted for the benefit of the Port of Chehalis (Port). Mr. Nacht reported an issue came up having to do with property owned by the Port that was not contained within the Industrial Development District (IDD), because it was acquired after the IDD was established. By changing the language it provided that any property owned by the Port and brought to the city could be treated the same as if it were Port property inside the IDD.
- Section 10, Flood Hazard Zone – proposal was brought to the city by a citizen petition having to do with creating flood hazard zones within the city that were not on the Federal Emergency Management Administration (FEMA) flood map, of the FEMA floodplain. Mr. Nacht reported city staff had no objection to the proposal, adding it was a benign issue. He noted the city already had the power to establish flood hazard zones outside the FEMA floodplain map.
- Section 11, Appendices Index – clears up a couple of the appendix chapters, as follows:
  - Chapter B, Sample Forms - puts all the applications and forms into one place
  - Chapter M, Wetland Project Mitigation Area - (National Avenue site) the city no longer wants to have that area available for the general public for wetland mitigation
  - Chapter S, Critical and Resource Areas - was superseded by the critical areas ordinance contained in the development regulations
- Section 12, Appendix Chapter 'B' – language in Appendix Chapter 'B' would be changed to make reference to the City of Chehalis website, and that application forms are available through the Community Development Department.
- Section 13, Appendix Chapter 'E' – the State has mandated that the newest editions of the International Building, Fire, Mechanical, Plumbing, etc. codes be adopted, which went into affect July 1. The city needs to adopt them in order to be able to enforce them.
- Section 13, Appendix Chapter 'E' - two Washington State Codes, 51.13 and 51.19, are no longer mandated by the State and need to be stricken from Appendix Chapter 'E.'

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Mr. Nacht reported the appendices listed from 'I' through 'J' were optional, adding historically the city had adopted some of the appendices for their own benefit. He noted typically they were a little more lenient than the main body of the code. Mr. Nacht reported the proposed effective date of the ordinance would be the 1<sup>st</sup> day of September, 2010.

Mayor Ketchum closed the regular meeting at 6:13:27 p.m. and opened the public hearing. There being no public comment, Mayor Ketchum closed the public hearing and reopened the regular meeting at 6:13:43 p.m.

Mr. Nacht stated he would bring an ordinance back for the council's consideration at the next regular meeting.

2. **Cascade Country Cook-off 2010.** Mayor Ketchum presented Jerry Boes and Mareta Berg a proclamation declaring August 14-15, 2010, as Cascade Country Cook-off 2010 in the city of Chehalis.

3. **Consent Calendar.** Councilor Dawes moved to approve the consent calendar comprised of the following:

- a. Minutes of the regular meeting of July 12, 2010; and
- b. Claim Vouchers No. 97354-97517 in the amount of \$257,586.87 dated July 15, 2010.

The motion was seconded by Councilor Pope and carried unanimously.

4. **Staff Reports.**

a. **Second Quarter and June Financial Report.** Ms. Lindgren stated the quarterly report represented all of the funds the city maintained, and asked if the council had any questions about any particular fund.

Councilor Dawes noted, based on the drop in sales tax, the numbers presented in the quarterly report did not look as bad as they could have. He stated they weren't great by any stretch of the imagination, but given the situation we're facing and the downturn in the economy, the numbers were a little better than what he anticipated.

Mayor Ketchum thought the conservative approach taken by the budget committee last year was showing. Councilor Dawes suggested if they would have waited another couple of quarters to do some things, they might not be in as good of shape. Ms. Lindgren agreed.

Ms. Lindgren reviewed the general fund revenues, noting the bottom line looked very grim. She reported the biggest contributor of the negative balance was the proceeds of long-term debt, which was not considered regular operating revenue. Ms. Lindgren noted the total tax revenue was close to what was budgeted with only a 2.5 percent negative variance.

Councilor Harris calculated they would be about a quarter of a million dollars under what their budget was for 2010. Ms. Lindgren noted if everything was equal throughout the end of the year, with regards to sales tax, they would fall behind by about \$280,000.

Ms. Lindgren reported the positive variance in the non-departmental fund expenditures was the opposite end of the debt issuance for the interfund loan repayment. She noted they budgeted for the interfund loan, but still had not issued the debt.

Ms. Lindgren pointed out they had over budgeted for connection fees in all three of the enterprise funds. She noted she spoke with the public works director and they were going to do a budget amendment to reduce the connection fees to be more in line with what they were seeing. Councilor Dawes thought it was probably because they had that large connection last year and they decided to budget a number somewhere in between. Ms. Lindgren noted she was working more closely with public works this year on projecting the 2011 revenues.

Councilor Harris inquired as to what would be cut from the budget, if they reduce the revenue side. Ms. Lindgren reported they budgeted to come out ahead by about \$50,000 in the wastewater fund in 2010. She indicated because they were not paying things evenly throughout the year, and they had some large debt service that was skewing things, it would actually bring them closer to a balanced budget.

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Ms. Lindgren reported, in terms of the water fund, they budgeted to build up the fund balance by over a half a million dollars. She stated even by cutting back significantly they would still be well beyond balancing the budget for the water fund in 2010.

Councilor Lund inquired as to how that would balance the budget when they planned on building the fund balance and were not doing it. Ms. Lindgren reported they had to reflect the reality. She noted even if they cut back on that particular revenue stream they were still building fund balance, just not as much. Councilor Lund indicated he wasn't arguing that part, adding he was arguing the fact that the budget was not coming in as it said it was going to. City Manager MacReynold stated their projections were just incorrect.

Councilor Pope inquired about the money borrowed from the utility funds for the remodel of the new city hall, wondering if had been paid back. Ms. Lindgren reported that was the interfund loan budgeted both in the general fund as money the city had to pay back, and in the water and wastewater funds as money they were expecting to get from the general fund.

Councilor Harris noted he was hearing from a lot of people who received property reassessments from the county, that even though their appraised values were dropping, their assessed values were climbing. He wondered if that could be a boom for the city in the end. Ms. Lindgren noted, as she understood it, the city was only entitled to a certain amount of money and the reassessments really wouldn't change what we receive. She reported if there was something new being built the city would receive an incremental tax increase for that, but otherwise, it was just spread around. Mayor Ketchum indicated the city would not receive any more than what the council approved in the budget.

City Manager MacReynold reported one of the things they were learning through the FEMA mapping issue was, if the maps turn out to be what they are proposing, it would change what people are paying for property tax. He noted those who are impacted by the change were going to pay a lot less and everybody else would be paying a lot more. City Manager MacReynold indicated staff would be briefing the council on that and other issues around the FEMA mapping in the near future. He reported there were a whole host of issues that revolved around property taxes that were very significant.

b. **Second Quarter Sales and Use Tax Report.** Ms. Lindgren reported the June payment was a little disappointing to say the least, adding it was right in line with 2005. She noted they were down 8.8 percent from 2009, as of June 30. Councilor Taylor inquired as to what might have attributed to the large drop in sales tax revenue during the month of April. City Manager MacReynold noted the city's sales tax revenues had always fluctuated from month-to-month. He stated the city had Microflex working for us, adding they were contacting people to make sure they were reporting correctly and that we're getting what we're supposed to be getting. City Manager MacReynold reported he was hearing from the county and Centralia that they were facing the same kind of situation.

Councilor Dawes thought he had seen something that indicated the county's situation was a little bit better, perhaps due to the streamlined sales tax. Ms. Lindgren noted she had the same thought, adding based on the numbers they were seeing, that was what it appeared to be. She noted the city really took steps to address our shortfalls as quickly as we could, but didn't know where the county was on that issue.

In response to Councilor Taylor's earlier question, Councilor Spahr noted in April federal income tax and property taxes were due, which probably didn't leave a lot of extra money for people to spend.

Councilor Taylor wondered if the county and Centralia saw the same 14 percent reduction. Ms. Lindgren stated she didn't know, but she could find out.

Councilor Harris suggested if they were to look back over the years they would see the same thing happening in May and June. He noted they started out in May about \$11,000 less than in 2005, and still went down by about the same percentage. Councilor Harris stated it would be interesting to see what happens over the next couple of months, adding he thought they were doing a pretty good job of staying on top of things, and not overreacting.

Councilor Lund wondered if they might need to start directing staff to cut back so they don't get caught out on a limb. He added if the sales and use tax continued to come in on the negative side they would need to start doing something. Mayor Ketchum suggested they direct the budget committee to analyze it to see what could be done for the rest of the year, adding he

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thought it would be a good charge for that committee. Councilor Lund stated he didn't want to wait for two months and asked the rest of the council for their input on the matter.

Councilor Harris first thanked Rick Sahlin and Tim Grochowski for the chip seal projects they were doing this year. He noted those were the types of things they were putting off, and in his opinion, staff was already watching their dimes a little tighter. Councilor Harris felt staff had held off on as many things as they could, for as long as they could. He noted if we were a larger community and he didn't see things going on he might be a little more skeptical, but for right now he didn't want to start jerking the reins too hard until they see a little more of what was happening.

Councilor Pope stated the budget was a living document and it would continue to change regardless of what was done. He noted when they developed the 2010 budget they took a lot of steps to try and make sure it came as close to balancing as possible. Councilor Pope suggested they follow the Mayor's suggestion to let the budget committee take a look at it.

Councilor Taylor thought it was a good idea to have the budget committee look at it, but felt the real cuts and recommendations should come from the city manager. He admitted he wouldn't know by looking at the budget what the effects would be by cutting certain pieces out. Councilor Taylor asked if there was a prioritized list of things that could be cut should times get even harder.

Councilor Pope reported in the past they deferred doing things because of budget constraints, and in the long run it ended up costing the city more money. He felt they had to look at the bigger picture and consider how their decisions would impact the city two to three years from now. Councilor Taylor agreed.

Councilor Dawes reported anybody who served with him on the budget committee, as well as staff, knows they looked at the budget with about a sharp of a knife as they could. He noted there were many times when he questioned things that had come to the budget committee that were taken out because they had not been thought through or presented very well. Councilor Dawes thought by prioritizing and giving the departments an amount to operate with, it cut out a lot of the wish-list stuff. He understood and agreed with Councilor Lund, that we need to do what we can with what was available and continue to prioritize what needs to be done. Councilor Dawes also agreed it was going to cost a lot more money if they wait or hold off on things, rather than doing them at the time they are budgeted to be done. He stated the budget committee and staff had to work together to prioritize and make sure they maintain services to the citizens, and felt they had done a pretty fair job of that over the last few years.

Councilor Spahr noted he also appreciated what Councilor Lund had to say, but thought they were going to have to accept the 14 percent decrease and hope things get better in the future. He suggested they wait another month or two before they make any moves, but agreed it was something they needed to keep an eye on.

Councilor Harris noted when they received the budget last year the fat was pretty much already cut out, as Councilor Dawes stated. He indicated there was a lot of overtime reduction in the 2010 budget and thought it could end up damaging each department's budget. Councilor Taylor thought that would be good information for the budget committee to know, so when they develop the 2011 budget they don't try to balance it by reducing overtime. Mayor Ketchum agreed, noting they shouldn't balance a budget on an uncontrolled item. Councilor Harris requested a report on the overtime expenditures be provided to the council for their review.

Councilor Lund stated he appreciated everyone's comments.

c. **Community Rating System Classification Change**. Mr. Nacht reported he received official notice that the city went from a Class 6 to a Class 5 in the community rating system, which meant an additional five percent reduction in flood insurance premiums for those within the city who buy flood insurance. He noted the total reduction in premiums was now 25 percent. Mr. Nacht reported Bobbi Boone was instrumental in getting the reclassification accomplished, noting it involved a lot of hours, research, and proposals, some of which required ordinance changes that the council looked at in 2009. He stated they were doing a really good job with floodplain management.

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5. **Council Reports.**

a. **Meeting Attended by Councilor Spahr.** Councilor Spahr reported he recently attended a downtown business association meeting, adding they were busy working on the Planes, Trains, and Automobiles event taking place on August 7<sup>th</sup>. He noted there were a lot of other events going on that same weekend around town.

Councilor Spahr reported the people down along Chehalis Avenue were very pleased to have Ben Smith come down and talk with them about what the city was doing with that area, and taking their input. He noted communication was important and it really got noticed this time.

b. **Councilor Dawes Glad to be Home.** Councilor Dawes reported after a 4,985 mile trip to San Antonio and back through Las Vegas, it was very nice to be home where the weather is nice and cool.

c. **Report from Councilor Harris on Chehalis Basin Partnership.** Councilor Harris expressed his condolences to Just Wood Furniture and Cascade Tax Service, who lost their businesses in a fire over the weekend in Centralia. He also apologized for missing the last council meeting.

Councilor Harris reported at the last Chehalis Basin Partnership meeting they had a wonderful presentation on 'rain gardens,' adding he would like to talk with the public works department about them. He noted a rain garden was installed in the outside entry area of Centralia High School, which detailed what they were doing to recycle storm water. Councilor Harris noted they also discussed the different programs they are going to fund in the coming year, including one in Grays Harbor.

Councilor Harris reported he learned an interesting term which he thought they needed to start coining themselves, which was 'deepening and widening.' He reported the United States Army Corps of Engineers is talking about 'deepening and widening' restricted areas of the harbor at the mouth of the Chehalis River in Grays Harbor. Councilor Harris suggested from now on they remove the word 'dredging' from their requests and add the term 'deepening and widening.'

d. **Events Attended by the Mayor.** Mayor Ketchum reported he attended the groundbreaking ceremony for Centralia's new sports complex on July 16. On July 23, he attended Chehalis' first ever 'Music in the Park' event at Recreation Park. He noted they had great attendance by the people, but it was unfortunate that not too many showed up from the city council or city staff. Mayor Ketchum stated they still had a chance to redeem themselves, noting the next event was on Friday, July 30, starting at 6:15 at Recreation Park.

Mayor Ketchum reported he and City Manager MacReynold met with Representative Richard DeBolt to discuss what TransAlta could do for the city, noting they were looking to give money away to different communities. He stated they brought up the idea of the Children's Museum, fixes to the community pool, and upgrades to our ballparks. Mayor Ketchum indicated City Manager MacReynold would be getting back to Representative DeBolt on the different ideas, adding he hoped they would consider sending some money to our community.

There being no further business to come before the council, the meeting adjourned 7:01 p.m.

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Mayor

Attest:

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City Clerk

**SUGGESTED MOTION**

**I move that the council approve the minutes of the regular city council meeting of July 26, 2010.**