

March 22, 2010

The Chehalis city council met in regular session on Monday, March 22, 2010, in the Chehalis city hall. Mayor Ketchum called the meeting to order at 6:01 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; Bill Hillier, City Attorney; Judy Schave, City Clerk; Kelvin Johnson, Fire Chief; Peggy Hammer, Human Resources Administrator; Eva Lindgren, Finance Manager; and Tim Grochowski, Public Works Director. Members of the news media included Adam Pearson from *The Chronicle* and Ron Hall from KITI.

1. **Proclamation – Sexual Abuse-Assault Awareness Month.** Mayor Ketchum presented a proclamation to Katie Braae from the Human Response Network, proclaiming the month of April as Sexual Abuse-Assault Awareness Month in the city of Chehalis.

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

- a. Minutes of the regular meeting of March 8, 2010; and
- b. Payroll Vouchers No. 33386-33469 and 1277-1342 in the amount of \$738,818.75 dated February 26, 2010.

The motion was seconded by Councilor Lund and carried unanimously.

3. **Staff Reports.**

a. **February Financial Report.** Eva Lindgren stated the focus of her report would be on the general fund, which took a large unbudgeted hit due to the retro pay paid out earlier in the year for the non-uniform employee contract. She reported the expenditure would be included in the upcoming budget amendment.

Ms. Lindgren briefly reviewed some of the revenue sources, noting the property tax revenue was not due until the end of April and hoped collections would be good. She reported the sales and use taxes were still lagging slightly, adding it could be problematic since the revenues received in January and February reflected what was collected in November and December. With reference to sales and use tax, Ms. Lindgren reported they were already \$100,000 dollars behind on what was collected during the same time period in 2009. She noted once the March figures come in they would evaluate the situation and figure out where to go from there.

Ms. Lindgren noted the interfund taxes appeared low; however, she still needed to book the normal February journal entries. She noted the finance department continued to exceed the expected percentage due to the up-front software maintenance costs, and in addition, she had almost \$11,000 dollars worth of retro pay that was not budgeted for.

Ms. Lindgren reported the non-departmental fund continued to exceed the expected percentage due to the insurance payment that they were still working on to allocate out to other funds. She noted in 2009, they allocated \$128,000 dollars out of the general fund for insurance, and expected the amount to be higher in 2010.

Councilor Dawes stated he was still concerned about the sales tax collected for sales made over the internet. He felt the city was not getting that money and suggested perhaps the wrong sales tax was being collected.

Councilor Dawes reported he recently ordered a garage door through Home Depot and had it installed at his home, and the final paperwork he was given showed a higher rate of sales tax than our 7.9 percent. Ms. Lindgren thought that was incorrect and would be interested in pursuing that with Home Depot. She thought it could be very easy for a clerk to put in the wrong tax code, considering the number of deliveries they make. Councilor Dawes reported the installer of the door came from Aberdeen, Washington, which was probably where the sale tax went.

Councilor Dawes stated he had a hard time believing sales were that far down in our area. Ms. Lindgren pointed out that automobile sales had been a significant component of our tax revenues, which were not very good this last year. Councilor Dawes felt that could be a part of it; however, he just read an article in *The Chronicle* stating our local Toyota dealer was not really hurting that much, and automobile sales were up about 40 percent nationwide over last year.

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Ms. Lindgren reported the city had no recourse, adding they had discussed the same issue over and over again. She stated we only had access to our own tax revenues and could not look at what others were getting to determine if it should be ours.

Councilor Harris inquired about sales tax on the sale of manufactured homes. Ms. Lindgren stated it was supposed to stay at the location where the manufactured home was sold from, not where they are delivered. She stated she would be very skeptical that the taxes would be miscoded based on the nature of the business, adding the streamlined sales tax did not change anything with that particular industry.

Councilor Spahr noted several years ago he had some work done on his home by a company out of Tumwater, Washington. He reported the sales tax percentage he was charged was more than what we would charge locally, so he called them up and they agreed they had charged him the wrong rate.

Councilor Spahr felt the average citizen didn't understand if they don't catch that, the city doesn't get credit for that sale. Ms. Lindgren stated business owners were required to report by the location where they do business or deliver products, and could be reporting up to a dozen or more different tax codes at different tax rates. Councilor Taylor stated as businessman, it was horrible. Ms. Lindgren felt the council's concerns were valid and the city was doing the best it could in terms of auditing the sales and use taxes with the resources we had available.

Councilor Taylor inquired about the sales tax reports. Ms. Lindgren reported the city received sales tax from the state in a lump sum; however, she also received confidential reports that showed what sales tax was coming from what business. She noted Bob Nacht uploaded our business license data base to our tax auditor on a monthly basis, and they upload our sales tax data base and compare the two. Ms. Lindgren reported we are getting business licenses where we weren't getting them before, and in some instances, we are getting sales tax revenue that was most often going to Lewis County.

Councilor Dawes stated he didn't want any confidentiality broken, but asked if Ms. Lindgren could go back and look at the five largest retail sales tax contributors in Chehalis over the last four or five years, to see if their business had dropped as dramatically as the sales tax had.

Ms. Lindgren stated she could look at the information, but there were so many limitations as to what she could share with the council. Councilor Dawes stated the council was supposed to legislate and do things, but yet they had staff telling them they can't tell them anything. He wondered how they were supposed to make an educated decision when they are not able to get the information they need from the State. Councilor Dawes felt it gave the impression of trying to hide something, and suggested if we tried to do that at the local level the citizens would be here pounding on the desk. He stated he would like to find a way to see if our businesses are lacking 18 percent, and if not, why then was the sales tax revenue lacking.

Councilor Dawes wondered if there are any cities out there that are swimming in sales tax revenue. Ms. Lindgren stated she could give them the printout of what the State reported as the winners and losers, adding that information was not confidential.

City Manager MacReynold stated another issue to take into consideration was the major economic downturn. Councilor Dawes believed there were several businesses in Chehalis that were staying about the same, if not getting better, but yet they still had this dramatic drop in sales tax revenue. He briefly talked about other slow economic times over the years, but never recalled sales tax taking such a tremendous dive.

Councilor Harris felt the economic downturn should not have anything to do with calculating what was or was not there, adding it was all smoke and mirrors. He agreed with Councilor Dawes that we were not off as much as what we were being deducted for.

Councilor Spahr suggested if they were to compare November 2008 to November 2009, and call the stores to see if business was up or down, it might give them an idea of which way business was going. Ms. Lindgren reported the bottom line was business may be up, but unless it was a retail establishment that only does walk-in business, being up wouldn't necessarily translate into dollars for the city.

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b. **Update on Hiring Attorney for FEMA Mapping Issue.** City Manager MacReynold reported they had reached an agreement with Don Marcy from the firm of Cairncross & Hempelmann, P.S., out of Seattle, Washington, to represent the city in its efforts to amend the currently proposed FEMA flood insurance rate maps for the Chehalis River basin. He noted Mr. Marcy met with the administration at the end of last week and would be developing a scope of work based on their discussion. City Manager MacReynold reported Mr. Marcy would be providing the scope sometime this week, at which time he would share it with everybody. Additionally, Mr. Marcy seemed very interested and had probably already made contact with the county to get access to the technical information. He noted Mr. Marcy would also be working with the Lewis County Public Utility District and their lobbyist, if we have to move in that direction.

City Manager MacReynold continued to hope that we could work with the other partners and do what we need to do to get FEMA to postpone the release of the maps. He noted the latest information was they were intending on releasing the maps in July or August 2010, which was much better than this month.

Councilor Spahr inquired about the letter that was signed by all of the entities in Lewis County and involved Pacific International Engineering, asking if they would be working with the attorney, or if it was regarding something different. City Manager MacReynold stated Pacific International Engineering was the company the county was hiring to do the technical work. He noted there was a concern about the history of that firm; however, Mike Daniels, the engineer had good credibility at the State and their hope was the old baggage wouldn't interfere in the acceptance of their work.

Councilor Spahr stated he was watching, with interest, the new FEMA floodway maps for Fargo, North Dakota, adding it was going to be real interesting to see what happens out there. Councilor Dawes reported there were several mid-western communities that were upset with FEMA over the very same issue that we are dealing with.

4. **Council Reports.**

a. **Lewis County Economic Development Council (EDC) Meeting Update.** Councilor Spahr reported he attended the EDC meeting where they agreed to produce a proclamation or some form of resolution supporting flood control with retention in the Chehalis River basin.

b. **Lewis County Flood Authority Update.** Councilor Taylor stated he was unable to attend the last meeting and asked City Manager MacReynold if he wouldn't mind giving that report.

City Manager MacReynold reported one issue on the agenda of the flood authority, as a table item, was our request that they consider other streams and other impacts to our communities (Chehalis and Centralia), which was part of the original resolution (Chehalis Resolution No. 1-2008) adopted by both city councils. He reported they had an on-going discussion and finally, after some minor changes of wording from 'requiring those things to be considered' to 'they will consider those items,' the flood authority unanimously supported our request. City Manager MacReynold felt it was good news for us, but problematic based on the United States Army Corps of Engineers project itself.

City Manager MacReynold reported the authority was proceeding with the general investigation, which included retention. He stated he raised the issue of our council making our position very clear with reference to retention first and levees secondary, and felt everybody recognized that.

c. **Ribbon Cutting Ceremony and Update on Lewis County Historical Museum.** Councilor Dawes reported he attended the ribbon cutting ceremony at the new Visiting Nurses Thrift Shop, adding he told them it was nice to have them back in town. He also attended the Lewis County Historical Museum Board meeting last week, adding things were moving along well.

d. **Chehalis-Lewis County Fire District #6 Cooperative Group Meeting Update.** Councilor Dawes reported he attended his first meeting with the district since taking over for former council member Robin Fuller. He stated after a short discussion one of the questions he asked was, how long they were going to dance. Councilor Dawes felt the time had come for the two entities to sit down and seriously look at where they were going. He noted in talking with the Commissioners they too were also to the point of wanting to move forward to look at what the best path was for both groups to take.

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Councilor Dawes reported he told the group he would like to see if a partnership could be formed, and evaluate what the benefits would be for both the citizens of Chehalis and the district. He felt the residents who lived in the district were very important to the city because those were the people who come to town and shop at our businesses, which helps support us.

Councilor Dawes stated it appeared a lot of the processes in working together, such as training and automatic aid response, were already in place. He felt both sides were 100 percent interested in seeing where it could go, and felt it could be a definite win-win situation for all concerned. He strongly urged the council's support to do what was needed to get the ball rolling.

Mayor Ketchum felt they were to a point of doing all they could through the departments, which prompted the meeting of getting people in there that had the background on how to merge fire departments. He agreed with Councilor Dawes, that the cooperative group was ready to move forward.

City Manager MacReynold reported, at their last meeting, Riverside Fire Authority Fire Chief Jim Walkowski came and walked them through how they were able to get to where they were, and what the steps were to get there. He thought it might be helpful for the council to have a work session and have Chief Walkowski come and talk about it and lay out the different options to be considered by the council and the district.

Mayor Ketchum asked if that was something the council would like to do, or did they want to leave it up to the committee to move it forward.

Councilor Lund felt it would be better to get somebody who didn't have a bunch of baggage to educate them about the process and options. He stated it sounded as though it was a hoopla over there, and wondered why the council would want someone from that ball of wax teaching them about the process.

Councilor Harris stated he understood what Councilor Lund was saying, but he would like to find out the difference between unifying two entities with full-time paid departments opposed to unifying one full-time paid department with a volunteer department. He noted it seemed to him that they needed more information on how to go about working to consolidate those types of units rather than two paid units. Councilor Harris stated if Chief Walkowski has some background in that area, he would like to hear it.

City Manager MacReynold reported the other option would be to just give direction to the city's representatives to go see what they can do and report back.

Councilor Spahr noted another big difference between what Centralia and Fire District #12 did and what we're trying to do was the money aspect, adding it was about equal between the two entities over there because their big tax base was away from the city limits and not likely to be annexed, whereas, the big cash cow for District #6 was very annexable by the city. He believed that issue would present a big problem for us.

Councilor Taylor stated they had to take care of the fire issue before they can get annexation accomplished.

Councilor Spahr noted he used to work with a contractor and he always said it's not a good deal unless it's a good deal for all parties involved.

Councilor Dawes stated he was obviously looking at what was best for the city, but he was trying to look at what was best for everyone involved. He reported when they last studied annexation it was deemed not to be in the best financial interest of the city. Councilor Dawes felt if something were to happen with some form of regionalization or consolidation, it would not affect the annexation of the industrial park or the benefit it may have on the city through property tax revenue. He stated he was certainly intrigued with what they could do, and as for reasoning, he saw our situation as something totally different from what Centralia did.

Councilor Taylor felt we didn't have to do anything we didn't feel comfortable doing, whereas, every year Centralia was battling their financial situation and believed they really didn't want to be in the firefighting business, so they pushed as hard as they could to make sure the fire authority happened.

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Councilor Dawes stated he couldn't worry about that, adding what Centralia did and how they did it was not an issue. He reported we needed to look at the situation as a potential partnership in one form or another that would provide the same or better level of service for all concerned. Councilor Dawes stated it was not going to be a decision made from the ground up by elected officials, adding there were a number of stakeholders that would need to be involved.

Councilor Pope felt they had a situation that was going to cost a tremendous amount of money any way they do it, and he wasn't talking about annexation. He noted there was also going to be a demand on the volunteer department to be at the same standards in training as the city's fire department. Councilor Pope stated before they could satisfy anything else, they would first have to agree on the working environment, conditions, and training and standards. He agreed with Councilor Dawes, that they are going to have to start from the ground up. Councilor Dawes added it was not going to be an overnight process.

Mayor Ketchum felt they were all in consensus that they needed to take it to the next step. He stated it would be nice to have information from Chief Walkowski, but agreed, they needed to find someone who had experience with consolidating a volunteer and paid unit. Mayor Ketchum asked if they wanted to have the full council involved, or leave it to the committee.

Councilor Harris felt it should be left to the committee, and have them report back.

Councilor Pope felt there was a lot work to do and wondered if anything was being done during the interval. He suggested they put together a list of needs, and if there was research that needed to be done somebody should be doing it.

Fire Chief Kelvin Johnson reported one of the items they were trying to address was the various viewpoints as to how they were going to get there. He stated the next step was to see if there was truly an interest to look further and to get everyone in the same room to see if it was still feasible, or not.

Chief Johnson reported, because they did not have enough firefighters in any one of the organizations, none of them could meet the national standards to do simple basic house fires by themselves. He stated they had to work together, which was why they now had automatic aid agreements in place.

City Manager MacReynold thought the two chiefs had done a lot with regards to automatic aid response and training. Councilor Pope felt that was all part of the work, adding if the city had standards, they would need to bring the volunteers up to those standards. He suggested they set up a schedule or time-line, because it couldn't be done haphazard. Chief Johnson stated that was one of the items the fire service was facing nationally, adding the requirements for the volunteers and paid staff had to be equal. Councilor Harris felt that was part of the problem, noting if they are trained enough as volunteers to do the same thing the paid firefighters are doing, it's harder to keep them around.

Councilor Harris stated it would be nice to know if the district was keeping their volunteers up to standards we can accept, adding the city should have some criteria as to what would accommodate some kind of collaboration. He felt they needed some basics from within the departments to say, we can work together as long as the level of education or service was maintained by every one of their volunteers. Chief Johnson stated that was one of the items they were working on not only locally, but nationally, realizing not all volunteers had the same amount of time available, and that we do set minimum standards that say, you have to be at a certain level of training before you can do certain jobs within the organization.

Councilor Lund felt the volunteer firemen were dying out because people don't take time to do anything for free any more. He asked the question, if they merged and it became more difficult to get volunteers, would the taxpayers of Chehalis have to pay to put full-time employees in at the district. City Manager MacReynold stated that was a good question.

Councilor Dawes noted that would be one of the reasons for doing a study, adding he would like to find out what it would involve. He felt the working relationship between the two agencies had improved over the last couple of years and would like to move ahead to see if there was something they could do that would be in the best interest of both.

Councilor Pope thought the committee should continue to move forward and the representatives from the council could report back when necessary.

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Councilor Taylor stated he was one of the city representatives on the committee, but was having a hard time making the meetings. He wondered if anyone would be interested in replacing him.

Mayor Ketchum stated if there was another councilor who wanted to volunteer to be on the committee, to let him know before the next meeting.

City Manager MacReynold stated he would see if they could find someone who had experience in consolidating a volunteer and paid department.

5. **Resolution No. 7-2010, First and Final Reading – Declaring City Property Surplus.** City Manager MacReynold reported the administration had put together a list of surplus items that were no longer of use to the city. City Clerk Judy Schave reported, attached to the agenda was exhibit 'A,' that included items from the various departments, and exhibit 'B,' which listed items from the police department that could not be sold to the general public. She noted the items on exhibit 'B' would be offered to other agencies that might have a need for them. Ms. Schave requested the council adopt the resolution on first and final reading.

Councilor Spahr moved to adopt Resolution No. 7-2010 on first and final reading.

The motion was seconded by Councilor Pope and carried unanimously.

6. **Executive Session.** Mayor Ketchum announced the council would convene into executive session at 7:16 p.m. following a ten minute recess pursuant to RCW 42.30.110(1)(g) – public employee matter for approximately 30 to 45 minutes and there would be no decision following conclusion of the executive session.

Mayor Ketchum closed the executive session at 7:35 p.m. and reopened the regular meeting.

There being no further business to come before the council, the meeting adjourned a 7:35 p.m.

Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the regular city council meeting of March 22, 2010.