

February 22, 2010

The Chehalis city council met in regular session on Monday, February 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; Mark Scheibmeir, Assistant City Attorney; Judy Schave, City Clerk; Glenn Schaffer, Police Chief; Eva Lindgren, Finance Manager; Bob Nacht, Community Development Director; Tim Grochowski, Public Works Director; and Rick Sahlin, Street Superintendent. Members of the news media included Adam Pearson from *The Chronicle*.

1. **Sports Complex Presentation.** City Manager MacReynold reported Dale Pullin from Thorbecke's Fitlife Center was working on a major sports complex concept to be built in the city of Centralia. He noted Mr. Pullin requested to make a presentation to the council, to talk about the ancillary services that would go along with the new complex.

Mr. Pullin reported the project started about four months ago with the idea of preserving the tax dollars that could possibly be leaving our community for a project that had been underway for the last several years. He stated with the changes in the economy he started looking around and found the need was really here, with hotels at very low rates and businesses in the community that could utilize additional revenues.

Mr. Pullin reported he moved forward and put together a presentation for the Lewis County Public Facilities District on a new concept, which involved the creation of a comprehensive year-round sports complex to house both indoor and outdoor events. He stated the community needed a purpose and reason to bring people here, and he believed sports created a reason for families to visit.

Mr. Pullin reported his idea was to make Centralia and Chehalis the northwest regional destination for sports competitions. He noted the proposed facility would be a 105,000 square foot facility that would seat over 3,000 people. The venue could host a wide variety of events including, but not limited to: sports, concerts, fundraisers, graduations, and business conventions.

Mr. Pullin noted he had the opportunity to talk to the premier baseball organization in the northwest, which provided him with some incentive to look at re-doing and upgrading our fields. In order to take it to the next level, he came up with a vision of 'GAME.'

- **Generating sports business**
- **Advancing sports business**
- **Marketing sports business**
- **Expanding sports business**

Mr. Pullin talked briefly about another company called Sports Capitol Northwest, and another called Tourism Benefits Round Rock, who coined themselves as the sports capital of Texas. He noted what would make us unique from the others would be that we would have an indoor events center in the middle of everything. Mr. Pullin stated in his research he found the average dollar amount spent by a family while attending a sporting event was \$421. He indicated the whole idea was to impact hotel/motel tax, and he believed the city of Centralia saw that and were looking at utilizing a large portion of that money to put into their fields.

Mr. Pullin reported, through his discussions with Sports Capital Northwest, Centralia and Chehalis would be hosting the 2010 Junior Northwest Championship in August. He noted Centralia and Chehalis Babe Ruth teams would host the concession stands as way of fundraising for their organizations. Mr. Pullin stated they would also have a combined team between Centralia and Chehalis that would participate in the event at no charge, that would be evaluated for the USA baseball program in North Carolina. He noted it wasn't just about teams; it was about individuals.

Mr. Pullin stated they were also in the process of putting together a new entity called Fast Pitch Northwest, adding they already had regional tournaments booked all over the Northwest, including Idaho and Montana. He indicated the reason they wanted to ramp things up was to start building revenue in the community.

Mr. Pullin felt we had to come out new, with a new product and service if we were going to be successful. He added, with everybody working together it would be a win win situation for everybody, as well as an economic benefit for the community.

February 22, 2010

Mr. Pullin stated he was seeking the support of the city council on the concept, adding with approval he would like to move forward by working with City Manager MacReynold on the details of the marketing of the communities within the concept, and the future improvement of the ballfields in Chehalis.

Mayor Ketchum stated he thought it was a great idea and appreciated all the effort Mr. Pullin had put into it. He felt it would be a huge benefit to our hotels.

Councilor Dawes believed cities that are close together should not be short-sided, adding with the new facility in Centralia he could see a very direct benefit to Chehalis. He stated even though the facility would not be located in the city Chehalis he would support it because he knew there would be a benefit for everyone.

Councilor Harris noted one thing that was not recognized often enough was how the Centralia and Chehalis departments worked with each other, adding they were very supportive of one another.

Mayor Ketchum gave Mr. Pullin the council's blessing to keep working with City Manager MacReynold.

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

- a. Minutes of the regular meeting of February 8, 2010;
- b. Claim Vouchers No. 95970-96104 and 12010 in the amount of \$162,693.15 dated February 12, 2010;
- c. Authorize the City Manager to execute agreement for routine bridge inspections and load ratings with Sargent Engineers, Inc., for an amount not to exceed \$4,300;
- d. Award bids for rock, gravel, and asphalt to various bidders;
- e. Confirm re-appointment of Cheri Wilder to the Civil Service Commission for a six year term expiring December 31, 2015; and
- f. Confirm re-appointment of Scott Blinks to the Chehalis Planning Commission for a four year term expiring December 31, 2013.

Councilor Pope seconded the motion.

Councilor Harris asked if the money for the bridge inspection was already in the budget. It was noted it was budgeted, and staff was just asking for approval to execute the agreement.

The motion carried unanimously.

Councilor Dawes requested that staff go through all the boards and commissions to make sure they were all updated.

3. **Staff Reports.**

a. **January Financial Report.** Ms. Lindgren reported on the sales tax revenue, noting there was a drop of \$70,000 in revenue from the same time period in 2009; and with regards to the 2010 budget they were coming up short by one percent. She noted they would be watching those revenues very closely because it would affect whether or not the city had to take additional action down the road.

Ms. Lindgren reported on the charges for goods and services, noting she still had to book the normal January journal entries. She noted had those entries been made, the number would have increased by \$88,000 and there would have been a positive variance to the non-tax revenues category of \$12,000.

February 22, 2010

Ms. Lindgren briefly talked about expenditures, noting the finance department's budget appeared to be over budget already. She noted this was due to expenses paid out at the beginning of each year for the utility billing software maintenance agreement and the accounting software, adding the negative variance would go down over the course of the year. Ms. Lindgren stated the other notable item was the negative variance in the non-departmental budget, which was due to the annual insurance premium in the amount of \$319,000. She indicated she expected about half of that amount to end up going out of the general fund, to be split out between the different departments.

Councilor Spahr brought up the issue of the streamlined sales tax. He felt there had to be some accountability from the state as to how much money was leaving our area and how much was coming in. Ms. Lindgren indicated she received a report from the state each quarter, once they make a determination on the mitigation payments. She stated the report gave her detailed information on what the state was attributing the positives and negatives to for each business, which was how she was able to challenge them when at one point we were told we would not be receiving any mitigation funds.

Councilor Spahr stated he was concerned about the January 2010 report, and wondered if business was really down that much. Ms. Lindgren stated she had access to the information and the city also had auditors that go through the sales and use tax revenue records on a monthly basis to look for tax revenues that may be miscoded to other jurisdictions. She noted they also compared our database of business licenses to people who are paying sales and use tax.

Councilor Lund reported he knew of a local business who sold to people countywide whose sales were down 25 percent over last year. He felt if they were down it probably meant everybody else's sales were down, which added up to a lot of lost sales tax revenue.

City Manager MacReynold felt the real crux of the problem was around the claim that the state was mitigating the loss of that revenue by changing how it used to be done. He felt that process was sorely flawed and continued to be. City Manager MacReynold believed much of what the state was doing was speculation and felt the city should be receiving more mitigation money than we were, but unless we had somebody scrutinizing all of those dollars we pretty much had to take their word for it.

City Manager MacReynold reported he and Councilors Harris and Dawes met with the state legislative delegation to talk about the issue. He stated there was a real interest that the state doesn't know how it's going to deal with it, and there was no real comfort level that they should be continuing it. City Manager MacReynold felt Councilor Spahr's case was very strong, in that the state needed to rethink it.

Councilor Harris believed the problem had to do with the legislation, adding when the streamline sales tax went through it included full mitigation. He felt the city should be able to get the two raw numbers of what was collected within our city limits that used to come to us, versus what now goes out. Ms. Lindgren noted it was unfortunate that we don't receive that information.

Councilor Harris reported the city lost between \$400,000 and \$500,000 dollars last year in potential sales tax reimbursement (backfill), which was real dollars we should be accounting for. He suggested we look at filing an injunction against the state ourselves, because it wasn't going to cost any more than the \$400,000 we're losing. Councilor Harris felt it was all being covered up by the bad economy; however, we needed to stop the process that was happening right now. He stated he was tired of the Department of Revenue using it as a revenue stream to put on additional workers to run the program in the first place. Councilor Harris stated he was planning on going to the Association of Washington Cities (AWC) meeting in June, and would like to see the city round up as many communities as we could, who want to see the process stopped, as well.

Councilor Dawes felt it would have to come from the cities because the state didn't care. Councilor Harris believed AWC didn't care either. Councilor Taylor agreed. Councilor Dawes stated AWC was caught between a rock and a hard spot because they basically had 50 percent of their members who were against it and 50 percent who supported it. He indicated at the regional meetings there was a lot of support to go back and revisit the issue because there were a lot more losing entities than there were winners.

Councilor Dawes felt it was going to be easier to get something formulated at the regional meetings, as opposed to the state. He reported, while the local delegates at the House and Senate were very sympathetic and understood, they were in a minority party and would be fighting against the state, who could care less because they get the same amount of

February 22, 2010

money whether the sales tax comes from the point of sale, or not.

Councilor Dawes noted the current report represented the November sales and suggested they wait to see what we get in December, before they throw everything out.

Councilor Harris reported in December of 2008, the area was hit with snow and we ended up with very low sales. He suggested if the revenues in the next few months are lower than anticipated and we end up lower than last year, we should really be alarmed.

b. **Update on Barnes Property.** City Manager MacReynold reported the Barnes Property had been a longstanding project over the past three years. He noted Bob Nacht had been working with a consulting firm to get the property developed, but unfortunately he ran into the Corps and state regulatory environment.

Mr. Nacht gave a brief history of where they were, how they got there, and what they intended to do with the Barnes Property. Mr. Nacht reported the following:

- In 2007, the city contracted with Ecological Land Services to do a wetland delineation on the Barnes Property, and to help us present a Joint Aquatic Resources Permit Application to all of the state agencies in order to get a development permit for the property.
- The city went to the Corps to see if they would allow us to use the wetland mitigation site we established on our National Avenue Property to mitigate the five or less acres of identified wetland on the Barnes Property site.
- The Corps stated they no longer allowed individual project mitigation and the city would have to do a wetland bank on the National Avenue Property and fold the Barnes Property into it as debits and credits.
- The city's consultant put together a program for on-site mitigation on the Barnes Property, leaving some of the viable wetlands to cause them to be landscape amenities; and to develop some for the roadway system.
- The Corps was presented the program, and at such time the environmental group wondered why the city was trying to protect on-site degraded wetlands near an airport; they suggested the city use the National Avenue Property to mitigate it.
- The city decided to put together a mitigation project for the National Avenue site.
- If the Corps allowed us to put together a mitigation project on National Avenue site for the Barnes Property first, the city would agree to put together a bank on the National Avenue site that would go beyond the Barnes Property individual needs.
- The Corps conceptually said okay at first; however, the last correspondence we received from the Corps stated any development activity the city does on the Barnes Property would be speculative fill and the city would need to go through an individual permit that would require avoidance, minimization, etc., which would cost the city another couple of years and thousands of dollars to put together.
- Mr. Nacht was confident the city qualified for the nationwide permit and the mitigation strategy.
- After the last meeting in April 2009 the city decided to cut its losses and not do any further engineering on the development of the Barnes Property because the potential leasers of the property got caught in the same economic climate as everybody else, adding if we would have built it, they would not have come at that time.
- All of the work done on the Barnes Property thus far was valid work, and would be there when we got to a point of pursuing some sort of development on the property.

February 22, 2010

Mr. Nacht stated because the Corps was calling it speculative fill, and the fact that we did not have a tenant for the property and were not proposing to develop it ourselves, they would not agree to anything at this point in time. He noted after two years of arguing back and forth, the Corps gave the city 30 days to put together a development package. Mr. Nacht indicated the city did not put a package together because we don't have one at this time.

Mr. Nacht reported currently they were back to square two. He indicated the city had a lot of wetland determination and mitigation projects on both the Barnes property and the National Avenue property that could be put together fairly easily by a developer or someone who leases the property.

Mr. Nacht stated the city could sell the prior work in any arrangement we had with a potential lease of the Barnes property, and felt we needed to start marketing the property in some fashion, certainly for the tax revenue the city would receive from it. He noted even with the other issues going on, such as: the flood plain issues; the FEMA mapping; the flood authority; and the Corps levee project, the city had a history on the Barnes property that would allow us to pursue a development permit if we had an actual project in site, such as, a project brought to us by a developer under a lease agreement and specific criteria.

Councilor Harris asked, in the marketing of the property, could they look at offering incentives to businesses whose sales tax revenue would remain with the city. Mr. Nacht suggested there was probably a whole litany of enticements that could be put together for a potential developer, adding the biggest issues for anybody would be the necessary up-front site costs, such as, the roadway system and frontage improvements. He noted the filling activity would also be costly, as well as the necessary infrastructure. Mr. Nacht stated the package they put together would need to include some enticement for someone to spend that kind of money. He reported staff would do some research on how to market the property and bring a list of options back to the council to review. Mr. Nacht stated the council made it clear they wished to lease the property rather than sell it, and staff was going down that path.

City Manager MacReynold suggested the council explore the options in executive session at the next regular meeting, since the issue would involve discussions around lease/sale of property.

Councilor Taylor asked if it was legal for cities to do sales tax increment financing. City Manager MacReynold stated they did not have sales tax increment financing in the state of Washington.

Mr. Nacht reported the key for the city was to identify a specific development and developer that we could get together with to create a permit application that was no longer speculative, adding that would move the city forward with the permitting process. He noted they had a viable conceptual project they had been using all along, adding somebody could walk in and do what the city had anticipated doing all along.

Councilor Dawes felt it would be nice to see our existing businesses start getting back; adding once that happened the other things would come.

c. **Update on Hiring Attorney for FEMA Mapping Strategy.** City Manager MacReynold briefed the council on the direction they gave to get an attorney on board to develop a strategy on the FEMA mapping issue. He reported he had identified four, possibly five attorney firms and they would be starting the interview process later in the week, and early next week.

City Manager MacReynold was pleased to announce that the Airport Board had joined the effort and committed up to a maximum of \$20,000; and the Chamber of Commerce was also considering joining us in that fight, as well. He indicated the county had a discussion about focusing their attention on the technical merits and arguments, and there was some discussion about the public utility district being part of it, but in a different way.

City Manager MacReynold understood the Port of Chehalis was also discussing the matter on Thursday, adding we should hear back from the Chamber of Commerce by the end of the week.

Councilor Taylor asked if the city of Centralia had joined. City Manager MacReynold stated he had not heard anything from them.

February 22, 2010

4. **Council Reports.**

a. **Way Finding Sign Unveiling.** Councilor Dawes reported he didn't think he was going to make it to the unveiling of the new way finding signs on Friday and wondered if he could stop by and look at the signs ahead of time. City Manager MacReynold stated the new signs were beautiful and suggested Councilor Dawes stop by public works to see them.

b. **Flood Authority Update.** Councilor Taylor stated he delivered the council's position to the flood authority last Thursday, adding he was unsure how well it was taken. He noted he explained to them several times over the last two years the city's position, which was pretty much right in line with the direction he was given. Councilor Taylor indicated there was no discussion on the four points he brought up; however, he did receive some strange looks from some of our partners to the North. He felt they understood clearly what the city's position was, and hoped they would come on board and help us all to move in one direction.

5. **Resolution No. 5-2010, First and Final Reading - Supporting Water Retention as a Primary Function with Levees Secondary in the Chehalis River Basin.** Mayor Ketchum reported at Tuesday's special meeting they had a discussion about the whole flood issue and came up with four points they wanted to support. He reported Councilor Lund wanted to somehow make it official, so he asked that a resolution was prepared for the council's consideration.

Councilor Lund moved to adopt Resolution No. 5-2010 on first and final reading.

The motion was seconded by Councilor Taylor and carried unanimously.

6. **Code of Ethics for Chehalis City Council Members.** Mayor Ketchum stated the council had before them a proposed code of ethics for their consideration.

Councilor Harris stated he would like to see the word 'hereafter' stricken from the document, as it may imply they were having issues. He also suggested adding a section to address a situation that might come up, such as, when the council makes a decision on something, even though it may be contradictory to what their personal beliefs were, that they support the decision of the council. Councilor Harris suggested it read 'council members shall support the decisions made by a vote of the Council.'

Councilor Taylor wondered if it was really necessary, adding he understood the importance of being unified; but had concerns about not being able to express their own opinions. He felt disagreement wasn't always a bad thing, and in some ways it had made them stronger in the past. Mayor Ketchum thought it was fine to disagree during the discussion of an issue, but once they come to a consensus it should stay a consensus.

Councilor Dawes thought that issue was already addressed under No. 2. Councilor Harris felt they needed to be mindful of how they conduct themselves, but at the same time, he didn't want to control someone's freedom of speech, or opinion.

Councilor Spahr indicated he would have a problem with not being allowed to state his opinion on an issue, and agreed with Councilor Dawes that it was already covered under No. 2. Councilor Dawes stated there would be times when they will always maintain their right to say "it was a council decision, and I'll support it as a member of the council, but I don't necessarily agree with it." He added he was elected by the people of the city to express what he believed they wanted him to express. Councilor Harris stated he had no problem with that, adding he just wanted to bring it up for discussion more than anything else.

Councilor Dawes wanted to know how they would go about enforcing No. 6 - Council Members shall not hold or acquire a financial interest in any contract voted on by them for one year after leaving office. He supported it, but didn't know how they would enforce it.

Councilor Taylor stated he understood why the council wanted the code and would agree to sign it; however, he didn't need a piece of paper to tell him what was right and wrong. He felt most of them operated in a pretty strict manner and had pretty good ethics.

February 22, 2010

Councilor Harris stated he liked the fact that they were talking about it now, not when it was necessary. Councilor Taylor thought Councilor Harris made a good point.

Councilor Pope moved to approve the Code of Ethics, as amended, on first and final reading.

The motion was seconded by Councilor Taylor and carried unanimously.

There being no further business to come before the council, the meeting adjourned a 7:11 p.m.

---

Mayor

Attest:

---

City Clerk

**SUGGESTED MOTION**

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