

December 1, 2009

The Chehalis city council met in a special work session on Tuesday, December 1, 2009, in the Chehalis city hall. Mayor Ketchum called the meeting to order at 5:00 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Daryl Lund, Chad Taylor, and Dennis Dawes. Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Judy Schave, City Clerk; Glenn Schaffer, Police Chief; Kelvin Johnson, Fire Chief; Becky Fox, Court Administrator; Eva Lindgren, Finance Manager; Peggy Hammer, Human Resources Administrator; Bob Nacht, Community Development Director; and Tim Grochowski, Public Works Director. Municipal Court Judge Steve Buzzard was also in attendance.

1. **Continue Public Hearing on 2010 Ad Valorem Taxes and Property Tax Levies.** City Manager MacReynold stated, as part of the budget process, the city had to update its tax levies annually. He noted the administration was not proposing any changes to either levy, based on the position the council had taken in the past. City Manager MacReynold reported if the council passed the Emergency Medical Services (EMS) levy at the maximum level it would provide \$90,000 additional dollars that could be directed towards fire equipment and such; however, based on the council's prior position, the administration was not recommending doing that at this time.

Mayor Ketchum closed the regular meeting and opened the public hearing at 5:01 p.m. There being no public comment, Mayor Ketchum closed the public hearing and reopened the regular meeting at 5:02 p.m.

2. **Ordinance No. 851-B, Second Reading – Determining and Fixing the Amounts of Revenue to be Raised by Ad Valorem Taxes During 2010, and Ordinance No. 852-B, Second Reading – Stating the Dollar Amounts and Percentages of Change in Property Tax Levies for 2010.**

Councilor Harris moved to pass Ordinance Nos. 851-B and 852-B on second and final reading.

The motion was seconded by Councilor Taylor and carried unanimously.

Councilor Dawes noted he was a little troubled over the fact that they could pass an EMS levy for up to .50 cents and not have the authority to set it in a way that was consistent. He stated he reviewed the Revised Code of Washington (RCW), adding he had never seen such a garbled mess of RCWs in his life. Councilor Dawes suggested they try to get the legislators to look at it, because it took away their ability to be responsible with the taxpayer dollars. He stated there was no doubt they needed the extra revenue; however, he didn't want to send the wrong message to the voters. Councilor Dawes noted the EMS levy was a separately voted tax, and in his opinion, they were not being allowed to do the right thing.

City Attorney Bill Hillier suggested they could always challenge the assessor's office if they decide to raise the amount next year. Councilor Dawes stated it was still troubling because it was not letting them do what the ballot title specifically said they could do.

3. **Review of 2010 Recommended Budget.** City Manager MacReynold talked briefly about the private sector approach they were taking, noting they looked at the revenues and developed target budgets for each department. He stated in some cases they had ongoing conversations about adjustments and made some necessary changes. City Manager MacReynold recognized the budget committee members, which included Mayor Pro-tem Dawes and Councilors Harris and Taylor. He felt they had some very good discussions, which helped the administration as they finalized the balanced budget that was now before the council.

City Manager MacReynold reported they were projecting they would have about \$1 million in the general fund reserves at the end of 2009 and were looking at reducing that number throughout the course of the year, ending with \$700,000 in reserves.

Eva Lindgren walked the council through the summary of general fund revenue projections for 2010. She noted the projected ending balance at December 31, 2009, was \$1.9 million and the proposed beginning fund balance for 2010 was \$1.05 million. Ms. Lindgren explained they were anticipating the non-uniform contract to be approved by year-end and it was not budgeted in. She noted even though the contract had not yet been approved, they were leaving things as is for now.

City Manager MacReynold spoke briefly about the 'one time only' and 'on-going' operational items, noting they were separated out so the council could see what the projections were for 2010, as well as 2009. He felt that information was

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helpful because they had some capital projects that significantly inflated the budget and gave the impression that they had money available, when in fact, it was for one or two projects only.

Ms. Lindgren reported she tried to be consistent throughout the document, with reference to one-time versus recurring items. She briefly discussed the capital grants, noting they had some very large capital expenditures for the Chamber Way Improvement Project that distorted the revenues, as well as expenditures.

Ms. Lindgren reported she spent a lot of time projecting out what the revenues would be for 2009, and very often, the proposed recurring revenues were very similar to the projected through December 31, 2009.

Mayor Ketchum inquired as to why the city council budget went up 41 percent. Ms. Lindgren reported it was partially due to the fact that former council member Robin Fuller did not take pay or benefits and the projections for 2010 included both wages and benefits for that position. She noted they would discuss that matter in more detail when they get to the council budget.

Ms. Lindgren stated they didn't expect the economy to improve much in 2010, noting the economists were reporting a very flat outlook for governments over the next two to three years. She reported the sales tax revenues for November were down, noting the one-time bump from the "Cash for Clunkers" program. Ms. Lindgren felt they needed to continue to take a conservative approach and hoped to stay within the 2009 projections and continue it into 2010. She felt they really looked at the fundamentals and tried to be conservative in their projections.

Ms. Lindgren reported her resources for information were geared specifically toward government finance. She indicated she often referred to 'Market Watch' and continued to evaluate the information as it came in. Councilor Lund asked what Ms. Lindgren's analysis was with regards to double-digit inflation within the next two years. Ms. Lindgren stated she was worried about inflation down the road, adding she expected it to hit, she just didn't know when.

Councilor Harris noted they reduced the budget for 2009 after what happened in 2008, and felt they still might not hit those numbers even though they were being conservative. He stated they could only do so much, and didn't know how they were going to prepare for inflation. Councilor Lund believed if they were aware of it they could prepare themselves and not get caught when it does happen. Councilor Harris stated he agreed, adding the fact that they were looking at it on a monthly basis, rather than quarterly, would help the city more than anything else.

City Manager MacReynold reported there were some things they would like to do, but they were not built into the budget. He stated the committee's position was they needed to wait, and if in the middle of the year things were looking better, they could talk about what to add back.

Ms. Lindgren reported there were some slight increases in property tax that were driven by new construction, and they were pretty much on track with the amended sales and use tax of \$3.3 million for the year. She noted the \$700,000 drop in sales tax from 2008 was very significant for an organization our size. Ms. Lindgren reported they also moved expenditures to the arterial street fund and firemen's pension fund that were normally paid for by the general fund.

Councilor Dawes inquired about the business license revenue, noting they discussed revising the system to have a steady stream coming in throughout the year, as apposed to all at one time. Ms. Lindgren stated she didn't take that into account, noting the figure was probably a little overstated. She indicated she focused most of her energy on the larger revenues. Mr. Nacht reported the business licenses would be staggered throughout the year, and suggested there would probably be a drop in a given year, because of the new process. He indicated there was also a drop in the number of business licenses being issued, adding a lot of existing businesses were not renewing, or just going out of business.

Budget presentations were made by the various departments. Becky Fox and Judge Steve Buzzard presented the municipal court budget; Chief Kelvin Johnson presented the fire department budget; Bob Nacht presented the community development department budget; Chief Glenn Schaffer presented the police department budget; Judy Schave presented the city clerk budget; and Peggy Hammer presented the human resources budget. The remaining departments would present their budgets at the next work session scheduled for Thursday, December 3, at 5:00 p.m.

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One suggestion that came up during the presentation of the community development budget was to look at doing something with the swimming pool, to make it available for year round use. Councilor Pope wondered if there was any thought of looking at a partnership with other organizations that provide pools and recreational facilities, such as the YMCA. Mr. Nacht noted it was certainly something they could look into, noting there was some discussion a few years ago having to do with covering the facility. He reported they would research it and bring back some concepts and prices of what it would cost. Councilor Pope stated if there was a possibility of it happening, he suggested it be presented to the Chehalis Foundation as a possible project.

Mayor Ketchum stated, over the last few years, three council members had requested the money that would have been used for their benefits be put into a separate account. He requested the council consider using \$20,000 on the money in 2010 to upgrade the Christmas decorations throughout town. Councilor Taylor asked if there was a list of projects the money was to be used for. Councilor Dawes noted the only item he knew about was a study for the pool. City Manager MacReynold noted in talking with the mayor, the intent was to use the money to purchase "things," adding he thought he had shared that information with Councilor Dawes. Councilor Dawes felt there were a significant amount of things that needed to be done to the pool; however they needed to do a study first, which would cost about \$15,000. Mayor Ketchum felt the money was set aside to buy things that they needed, not for studies. Councilor Taylor suggested they couldn't really spend any money on the pool until they know exactly what they need to spend money on.

Councilor Dawes suggested they find out if there was any potential for the idea at the pool, or if there was any kind of a partnership they could look into. Ms. Lindgren noted they had \$25,000 budgeted to spend in 2010, and needed to give the administration direction as to what they want to acquire.

Councilor Harris reported he and Andy Sennes had put together a wish list, adding if he could have a couple of weeks to review it, he would be able to give a more credible account and dollar amount of what was needed.

There being no further business to come before the council, the meeting adjourned at 7:22 p.m.

Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the special city council meeting of December 1, 2009.