

March 23, 2009

The Chehalis city council met in regular session on Monday, March 23, 2009, in the Chehalis city hall. Mayor Pro-tem Dawes called the meeting to order at 5:45 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Robin Fuller, Daryl Lund, and Chad Taylor. Mayor Ketchum was absent (excused). Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Mark Scheibmeir, Assistant City Attorney; Judy Schave, City Clerk; Glenn Schaffer, Police Chief; Larry Allen, Assistant Fire Chief/Fire Marshal; Eva Lindgren, Finance Manager; Bob Nacht, Community Development Director; Joanne Schwartz, Economic Development Administrator; Tim Grochowski, Public Works Director; and Judi Smith, Public Works Administrative Assistant. Members of the news media in attendance included Marquise Allen of *The Chronicle* and Paul Walker of KITI.

1. **Agenda Item Pulled.** Mayor Pro-tem Dawes announced that the agenda item regarding the Washington State Department of Licensing – Master Business Licensing would be pulled from the agenda and placed on a future agenda for council consideration.

2. **South Industrial Area Annexation Fiscal Analysis.** City Manager MacReynold reported approximately three years ago, the council took action on first reading to annex in the south industrial area. He noted, as the new city manager at that time, he felt it would be better to hire an outside third party to verify the financial analysis, at which time the city hired the FCS Group out of Redmond, Washington.

FCS Group Principal Peter Moy presented the findings of the analysis. Mr. Moy reported on the fiscal analysis approach he took, which included:

- Reviewed previous city documentation and data related to prior analyses
- Identified key assumptions and data
- Worked with city departments and staff to identify revenues and costs, and to collect data
- Contacted other state and local agencies (Lewis County Assessor's Office, Lewis County PUD, and Department of Revenue)
- Reviewed results with city management

Mr. Moy talked briefly about the key service and financial impacts to the general fund and the utilities. The General assumptions included:

- Annual inflation for revenues and most expenditures was estimated at 3%
- Because of the uncertainty about what development would take place in the future, no real estate excise taxes were included as part of the analysis
- Costs associated with issuing building permits and performing plan reviews would be offset by the fees paid, and those costs and revenues were not included as part of the forecast
- Assumed that personnel would be hired by January 1, 2010, but the city might find that to have the trained staff available by January 1, it might have to hire the staff in mid to late 2009
- Assumed the same level of staffing throughout the ten year forecast period. As development occurs in the South Industrial Area, additional staff might be needed, especially for police services, as development, employment, and traffic increased in the area
- No payments from Lewis County Fire District #6 were included in the forecasts because how the District pays had not been determined or negotiated. The amount was about \$2.5 million

Key revenue assumptions included:

- Property Tax rates based on 2008 rates, annual assessed value growth at 2%, new construction at 1.45% of total assessed value
- Sales tax based on 2007 taxable sales identified by the Department of Revenue, annual growth based on inflation
- Private utilities tax based on annexation petition limits and previous study estimates except for electricity (Lewis County PUD supplied 2007 charges in annexation area)
- Public utilities tax based on 2007 water and sewer charges in annexation area, stormwater charges based on survey by Public Works Department and annexation petition limits
- The annexation area will pay city water and sewer rates and not 'out of city' rates

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Key expenditure assumptions included:

- Police originally proposed adding three officers, for a decreased level of service for the city; five officers needed to maintain current level of service
- Fire originally proposed adding seven firefighters, for a decreased staffing level for the city; 11 firefighters are needed to maintain current level of service and staffing
- Public Works proposed adding two street maintenance staff and one storm/surface water staff
- No additional staff for water and sewer
- The city would have to pay the county for five years for the loss in county road fund taxes
- Two scenarios developed:
 - 1) Scenario A – Originally proposed police and fire staffing
 - 2) Scenario B – Proposed police and fire staffing to maintain current city service levels

Key Results:

- Scenario A had a deficit each year for the first five years, but then turned positive after the city eliminates the county road fund payment. Scenario A's total deficit for the first five years was almost \$3.7 million
- Scenario B has greater costs than scenario A and as a result, has a much larger deficit in the first five years at almost \$6.7 million. Scenario B also continues to have operating deficits each year, even after the city stops making the county road fund payment
- The water and sewer utilities operate at deficits because of lower revenues from using city rates instead of non-city rates
- Stormwater fees do not cover the amount of staffing needed and the utility operates at a substantial deficit

Mayor Pro-tem Dawes asked Mr. Moy if he knew whether or not the results would have been any different if the analysis had been done 30 years ago. Mr. Moy didn't know that it would have changed anything, noting the revenues would have been exactly what they were today. He suggested the staffing might be slightly different; however believed it would depend on whether or not the city had to pay the county, or not. Mayor Pro-tem Dawes suggested that now was just not the time. Mr. Moy agreed. Assistant City Attorney Mark Scheibmeir believed there would have been two significant impacts: the city would have owed nothing to the county 30 years ago; and there was no boundary review board 30 years ago.

City Manager MacReynold stated, because the council took formal action on first reading, they would need to put closure on the matter.

Mr. Scheibmeir reported the petition was generated in 2005, and following a lengthy process, the petition presented by more than 60 percent of the value of the annexed area went before the city council for initial approval. He stated the matter came back before the council under Ordinance No. 802-B in early 2006, and on a first reading in February 2006, was approved by the council; however it was almost immediately tabled for a number of reasons.

Mr. Scheibmeir stated two concerns: the financial analysis was perhaps incomplete; and the affect it might have on Fire District #6. He noted the global feeling by the council at that time was that increased efforts should be made to reach out to the district before taking final action. Mr. Scheibmeir reported the financial analysis pretty much declared it was not economically feasible for the city to annex. He reported the next step would be for the council to remove Ordinance No. 802-B from the tabled status and return it to the floor for a second reading, at which time he would join Mr. Moy in recommending that the council vote no on the ordinance.

Mr. Scheibmeir reported by no means did it suggest that it was a final decision regarding annexation, adding annexation was always available for consideration. He noted the area would remain a part of the city's urban growth area and it was the city's declaration and belief that it was, and should be, part of the city at some point and time when financially appropriate. Mr. Scheibmeir reminded the council that annexation was always a matter brought not by the city, but by the residents who reside within the annexed area, and at such time they ask and the city then chooses to reconsider, that option would always be available. He noted the process of starting fresh would allow the city to look at a revised area for annexation, noting the city would not be held to any particular geographic area for considered annexation at any time in the future.

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Mayor Pro-tem Dawes suggested they add the item to new business to remove it from the table and place it on the next agenda for final action. The consensus of the council was to follow the suggestion of Mayor Pro-tem Dawes.

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

- a. Minutes of the regular meeting of March 9, 2009;
- b. Claim Vouchers No. 92765-92905 in the amount of \$212,307.74, dated February 16, 2009; Claim Vouchers No. 92906-93015 in the amount of \$116,100.17, dated March 2, 2009; and Payroll Vouchers No. 32082-32179 in the amount of \$683,262.81, dated February 27, 2009; and
- c. Re-appoint Douglas Burton to the Historic Preservation Commission for a three-year term expiring December 31, 2011.

The motion was seconded by Councilor Lund and carried unanimously.

4. **Staff Reports.**

a. **February Finance Report.** Ms. Lindgren indicated the agenda report provided some analysis on the larger variances throughout the funds, and was available to answer any questions the council might have. Councilor Harris inquired about the sales and use tax revenue, noting it was lower than 2008, but higher than what they budgeted in 2009. Ms. Lindgren noted some local businesses that were hit very hard by the flood in 2007, but were able to regroup, while other businesses continued to do okay. She indicated there was no backfill of streamlined sales tax included in the report, and the city would not be receiving any for the first quarter. Mayor Pro-tem Dawes felt if they were able to maintain and collect what they set in the 2009 budget, they were doing very well. Ms. Lindgren reported they recently contracted with Microflex, Inc., to perform sales tax audits for the city. She indicated they recently submitted a request to reclassify more revenues to the city out of other jurisdictions, adding they were looking very hard to see that the city collects all the revenue that it is due.

b. **Parking Meeting Update.** Chief Schaffer reported the Chehalis Business Association sent invitations to the downtown businesses, inviting them to meet with city staff on February 11 to discuss the current parking situation in the downtown area. He stated they had a number of city staff, as well as about 15 business people attend the meeting. Chief Schaffer reported they had a good discussion and the meeting turned up several ideas that represented a full spectrum, from discontinuing parking enforcement, to building more parking lots. He believed it was a worthwhile meeting; however the changes the city was to looking for were more global.

Chief Schaffer reported a follow-up meeting with city staff was held the first week in March, to review each idea and apply it to see what changes would need to take place, and if the city could afford to do it. He noted what they identified was, most of the ideas that came from the business owners were pretty much specific to their business, and ultimately did very little, and in some cases created negative impacts for others. Chief Schaffer reported a letter had been drafted and would be sent to each of the businesses downtown, to let them know the outcome of the meeting. The letter stated, in the end it was determined that although the ideas presented may improve the parking situation for some businesses, it could worsen the situation for others, and it was therefore determined that changes in the parking system would not benefit the downtown businesses or customers as a whole, and therefore the parking regulations would remain unchanged for the time being.

Councilor Pope stated the council had received the same report for many years, noting it was nothing new, or different. He thanked Chief Schaffer for taking the time to look into it again.

c. **Letter to Legislators Regarding Washington Department of Transportation Region Changes.** City Manager MacReynold reported the issue was discussed at the previous council meeting on March 9. At that meeting, the consensus of the council was to send a letter to Senator Swecker asking him not to support Senate Bill 5682, which would realign both Chehalis and Centralia to the Olympic region. It was noted that Mayor Ketchum had concerns about asking Senator Swecker to not support the bill, because over the last two years the cities had been pushing everyone to get realigned. City Manager MacReynold reported there was some sense that other jurisdictions were taking a similar position on the change of the districts; however during a follow-up discussion at the Centralia-Chehalis Transportation Cooperative meeting on Monday, March 16, that

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was not the case. Mayor Ketchum and Councilor Taylor felt it was a good idea to revisit the matter, to see if in fact the council still wanted to proceed with sending the letter knowing that the other jurisdictions had changed their position on the issue. Councilor Taylor reported the consensus of the cooperative was the cities probably didn't have much of a choice. He noted the state was reducing the number of regions due to budget cuts, and their intent was to eliminate one of the districts by consolidating and adjusting the boundary lines. Councilor Taylor suggested they might want to take a less pro-active approach, by waiting to see what the other jurisdictions do.

Councilor Pope stated he strongly felt if Chehalis was put into the Olympic district, they would always be at the short end of the stick. Councilor Taylor stated he agreed one-hundred percent.

Mayor Pro-tem Dawes believed reducing the number of districts as a cost-cutting measure was something the state was probably going to have to do. He didn't disagree with Councilor Pope, but wondered if the city would get any more than what it would in the other.

City Manager MacReynold reported part of the cooperative's concern initially was they had worked so hard to establish a good working relationship with their Southwest region partners and they did not want to see that go away, especially in light of all the transportation projects currently in the hopper with reference to I-5. He noted they now knew it didn't really matter since the state was looking at severe cost cutting measures. City Manager MacReynold wondered if the city should take a position, recognizing they are going to change it no matter what, or do they wait and see what happens and make the best of it.

After continued discussion, the consensus of the council was to move forward and send the letter.

5. Council Reports.

a. **Flood Authority Meeting.** Councilor Taylor reported he attended the flood control authority meeting on Thursday, where the chairman worked the group through a consensus process that brought The Chehalis Tribe on board, and at the end of the day they all voted unanimously to move forward with phase 2 of the Lewis County PUD study. He noted there were several meetings throughout the week to talk to all the interested parties. Councilor Taylor stated the authority authorized \$250,000 to go to the study, and if they didn't run into any fatal flaws, the rest of the study would be done.

b. **Local's Pleased with Commissioner Bill Schulte.** Councilor Lund noted he was hearing good things about Commissioner Schulte, who was present in the audience. He reported people were real pleased and felt he was doing a good job, and the city liked working with him, as well.

6. **Remove Tabled Item - Ordinance No. 802-B.** Councilor Harris moved to remove Ordinance No. 802-B from the table and bring it back to the council at their regular meeting of April 13.

The motion was seconded by Councilor Pope and carried unanimously.

7. **Ordinance No. 844-B, First Reading – Amending the 2009 Budget.** City Manager MacReynold reported the finance manager had been working with the administration to bring the item before the council. He requested that the council schedule a work session prior to the regular meeting on April 13, at 5:00 p.m., to review the 1st quarter revenues and expenditures, prior to taking final action on any budget amendments brought forward.

Ms. Lindgren reported past practice of the city was to do two budget amendments a year; one mid-year and one final amendment at year-end. She noted it was a better business practice to do amendments more frequently, which would also give the council the opportunity to look at things before something major developed.

Ms. Lindgren reported the narrative reflected a beginning fund balance amendment to the community development block grant fund (CDBG). She stated now that she had the final numbers in for the year, she was comfortable changing the beginning balance to reflect what was truly happening with that fund. Ms. Lindgren noted because of a fund transfer at the end of 2008, the city actually had more fund balance in the CDBG fund than anticipated at the time the budget document was prepared.

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Ms. Lindgren noted an improvement she made to the report, which was to underline the department involved in the request, and to group the proposed amendments by department.

Mayor Pro-tem Dawes felt it was a good idea to do budget amendments more frequently, rather than twice a year. City Manager MacReynold hoped that doing it on a quarterly basis would be more helpful to both the council and the administration.

Councilor Fuller inquired about the projection that noted they not make any changes in the garbage fund until October 2009. City Manager MacReynold reported the city had extended its current solid waste contract with Waste Connections, Inc. until July 31, 2009, and the administration was in the process of going out to bid for a new contract, which was anticipated to start in August 2009. Ms. Lindgren stated they felt it would take a couple of months to get the vendor on board to take over the billing process, after a contract was signed.

Councilor Taylor moved to pass Ordinance No. 844-B on first reading.

The motion was seconded by Councilor Lund and carried unanimously.

8. **Request to Fill Police Department Vacancy.** Chief Schaffer reported he received a letter from Police Officer Willie Shupp, announcing his retirement effective June, 2009. He noted Officer Shupp had been with the department for more than 24 years. Chief Schaffer stated he was seeking the council's approval to fill the position after June.

The consensus of the council was to fill the position after June, 2009.

There being no further business to come before the council, the meeting adjourned at 6:59 p.m.

Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the regular city council meeting of March 23, 2009.