

October 22, 2018

Prior to the regular meeting of October 22, 2018, the city council held a work session at 4:30 pm on the 2019 preliminary draft budget. Council members in attendance included: Dennis Dawes, Terry Harris, Tony Ketchum, Daryl Lund, Dr. Isaac Pope, and Bob Spahr. Chad Taylor was absent (excused). Staff present included: Jill Anderson, City Manager; Ken Cardinale, Fire Chief; Caryn Foley, City Clerk; Melody Guenther, Court Administrator; Bill Hillier, City Attorney; Hillary Hoke, Planning/Building Manager; Andrew Hunziker, Property/Facilities Manager; Brandon Rakes, Airport Operations Coordinator; Rick Sahlin, Public Works Director; Chun Saul, Finance Director; Glenn Schaffer, Police Chief; Judy Schave, HR/Risk Manager; and Lilly Wall, Recreation Manager. Members of the news media in attendance included Will Rubin from *The Chronicle*.

1. **2019 Preliminary Draft Budget – General Fund Overview.** City Manager Anderson provided a general fund summary, stating the draft budget was balanced using \$299,146 of general fund reserves. One-time reductions or revenues could likely fill the gap in 2019; however, a significant infusion of revenues or a significant reduction in expenses will be needed in 2020 and beyond. She noted several reductions, revenue adjustments, what was and was not included in the budget, and potential additional reductions and potential revenue growth. She stated that one-time reductions in spending are not sustainable; the existing fire station situation must be addressed; deferring maintenance has expensive long-term consequences; suspending training year after year can contribute to an environment of stagnation; moving General Fund money set aside for abatement, compensated absences, and equipment is a one-time fix; and current staffing levels in several departments are not yet back to 2008 levels. City Manager Anderson reviewed the regular property tax levy history and banked capacity, and provided the following options:

Banked Capacity Use (General and EMS) Plus 1 %	Increase in Revenue for City Services	Total Annual Increase for a Property with \$100,000 Value	Total Annual Increase for Property with \$200,000 Value
15.3% of Banked Capacity \$51,160.10	\$72,227.18	\$10.15	\$20.30
25% of Banked Capacity \$81,719.30	\$102,786.38	\$14.44	\$28.88

At 5:00 pm, Mayor Dawes announced to those joining via live streaming of the meeting, that the council was still in work session. Additional staff members included: Deborah King, Permit Technician; and Celest Wilder, Development Review Specialist.

Mayor Dawes asked for council members' thoughts on property taxes. Although no council members wanted to see property taxes go up, an increase was necessary to continue the current level of services provided by the city. Councilors Ketchum, Pope, and Harris, and Mayor Dawes favored using 25% of banked capacity, while Councilor Spahr preferred 15%, but was willing to consider 25%. Councilor Lund stated he did not want to raise taxes at all. Mayor Dawes stated it was the consensus of the council to use the 25% banked capacity option when preparing the preliminary budget. Citizens will have an opportunity to comment on the proposed budget during the first public hearing on Tuesday, November 13.

At 5:14 pm, Mayor Dawes opened the regular meeting.

1. **Citizens Business.** Lewis County Commissioner Edna Fund stated it was ten years ago that the opening of the Vernetta Smith Timberland Regional Library (TRL) was celebrated. TRL is trying to keep rural libraries open. She invited everyone to the Service Center for TRL in Tumwater at 5:30 pm on October 24 to testify about the importance of libraries.

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

- a. Minutes of the regular city council meeting of October 8, 2018;
- b. October 15, 2018 Claim Vouchers No. 123872-124029 and Electronic Funds Transfer No. 92018, 920181 and 102018 in the amount of \$505,442.13;

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- c. Appoint Duane Taylor and Ken Frazier to the Multi-Jurisdictional Committee for the Program for Public Information;
- d. 2017-2019 collective bargaining agreement with IAFF Local 2510;
- e. Addendum to city manager contract for a cost of living adjustment consistent with terms of original employment agreement;
- f. Engineering services agreement with RB Engineering in the amount of \$134,200 for design of the Pacific Avenue Reconstruction Project; and
- g. Floodplain management planning progress report.

The motion was seconded by Councilor Lund and carried unanimously.

**3. Ordinance No. 992-B, Second and Final Reading – Amending Chehalis Municipal Code Title 5 Relating to Business Licensing.** City Manager Anderson stated the ordinance was presented to council at the last meeting. Since that time, revisions were made to the ordinance to make it a bit more practicable. The ordinance is a requirement to have the state perform the city’s business licensing, and also provides new language for special events, such as parades.

Councilor Spahr moved to pass Ordinance No. 992-B, as amended, on second and final reading. The motion was seconded by Councilor Lund.

Councilor Spahr asked for clarification for businesses under the \$2,000 threshold. City Manager Anderson stated that those businesses that have less than \$2,000 worth of business annually are required to get a license, but at no cost. She clarified that this pertained to businesses outside the city. An example would be someone renting space in a large shopping center. There has been concern that some of those types of scenarios could be used for selling stolen property. The provision allows the police chief to do background checks.

Mayor Dawes didn’t want to see policing of such things as lemonade stands and garage sales.

Councilor Harris stated he didn’t see listed, people who act as sports officials for school districts.

Councilor Lund had confidence in the current staff of the police department, but thought that could change with new people coming into the department.

The motion carried unanimously.

**4. Approve Candidates and Funding Amounts of the Lodging Tax Advisory Committee for Use of 2019 Lodging Tax Funds; and Reappoint Committee Members.** Councilor Harris stated the Lodging Tax Advisory Committee (LTAC) met recently and provided the following funding recommendations:

1. Chehalis-Centralia Railroad & Museum	\$ 35,000
2. Lewis County Historical Museum	\$ 40,000
3. Veterans Memorial Museum	\$ 30,000
4. Southwest Washington Fair	\$ 0
5. Friends of the Chehalis Community Renaissance	\$ 46,000
6. Centralia-Chehalis Chamber (Visitor Center Services)	\$ 40,000
7. Discover Lewis County	\$ 0
8. Chehalis Wedding Show	\$ 12,435
9. Youth Athletic Tournaments	\$ 20,000
10. Shaw Aquatic Center – Pool Liner	\$ 82,000

Mayor Dawes stated he appreciated the meeting minutes of the LTAC, as they answered questions he had. Councilor Harris stated the City Manager’s Administrative Assistant, Kiley Franz, was responsible for the well-written minutes.

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Councilor Pope stated he has been asked by some people about the function of the chamber, when it looks like they are becoming a political action committee. Councilor Harris stated the tourism money awarded to the chamber goes toward the operation of the chamber's visitor center, including being open on the weekends; referring visitors to things around the entire county; and providing tourist links on their webpage. The chamber also sponsors various events to bring people into the community, which they do not use tourism funding to operate.

Councilor Pope asked the difference between what the chamber does versus what the CCRT does. Mayor Dawes offered that the chamber promotes visitors to come, while the CCRT does things that visitors see when they come.

Councilor Ketchum moved to approve, both individually and collectively, the candidates and funding amounts of the Lodging Tax Advisory Committee for use of lodging tax funds for 2019. The motion was seconded by Councilor Pope and carried unanimously.

Councilor Spahr clarified that tourism dollars were not General Fund monies, but are monies paid by tourists when they stay in a hotel or other overnight accommodation.

Councilor Ketchum moved to reappoint the memberships of Todd Chaput, Gloria Choi, Jena Sorenson, Alicia Bull, Rick Burchett, and Chip Duncan to the Lodging Tax Advisory Committee. The motion was seconded by Councilor Lund and carried unanimously.

It was the consensus of the council that each council member did not need all the funding requests. Staff will maintain the applications and make them available if council members would like to review them. They felt the LTAC meeting minutes and agenda report provided sufficient information.

## **5. Administration Reports.**

a. **Finance Report.** Chun Saul provided a report on the city's finances through the month of September.

**City-wide All Funds.** The city operated within the budget parameters except the Community Block Grant Fund incurred unbudgeted expenditures exceeding its fund balance and currently has a negative cash balance of \$561. This will be addressed with a budget amendment in December. Revenues were 74.6% of budget (\$101,126 below 75% target amount), while expenditures were 62.5% of budget (\$3,156,143 below 75% target amount).

**General Fund Overview.** The city operated with budget parameters. Revenues were at 74.2% (\$72,000 below 75% target amount); expenditures were 71.9% (\$325,000 below 75% target amount); and the fund balance decreased by \$549,921 from beginning fund balance.

**General Fund Revenues by Major Source.** Tax revenues made up 86% of total general fund revenues through the third quarter (sales & use tax 55%; utility taxes 17%; property taxes 13%; and other taxes 1%).

**General Fund Revenues - Budget to Actual.** Property Taxes were 56%, but normal for this time of year; second half taxes due October. Sales Taxes were \$228,086 above the 75% target; a 9.2% increase from Sept. 2017; about 10% (\$379,229) from construction activities; slight increase from Marketplace Fairness Act (offset by reduction in SST mitigation payment). Utility Taxes were \$62,000 below 75% target amount; declined \$146,000 (10.9%) from September 2017 from PUD; gas, cable and telephone utility tax revenues continue to decline. State Shared Revenues included marijuana excise tax receipts of \$36,063 (September 2017 was \$3,450); SST mitigation payment decreased \$8,743 from a year ago. Other revenues included building permit/plan check fees at 57% of the budget (declined \$37,765 from a year ago); court revenues were 62% of the 2018 budget.

Mayor Dawes asked if the city received a utility tax on cells phones. Ms. Saul stated she would check into the question.

**General Fund Expenditures by Function.** These came from expenditures – \$7,475,776 (71.9%); Police & Fire – \$4,118,370 (55%); Public Works Street and Facilities, and Parks – \$1,195,745 (16%); and administration – \$536,204 (7%).

**General Fund Expenditures.** Most departments operated within budget parameters with expenditures at 71.9% (\$325,000 below 75% target amount). Exceptions included Police, Recreation, and Non-departmental.

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**Enterprise Funds.** Capital expenditures were far below target; all other expenditures were within normal budget projections.

**Cash and Investments – All Funds.** The city had about \$20 million in cash and investments with about \$3.3 million in restricted cash that is reserved per debt service requirement. The General Fund had some revenue generated from drug seizure that can only be used for specific purposes. The Water Fund has a significant amount for customer deposits that is considered reserve cash.

Mayor Dawes stated the Enterprise Funds were also restricted funds. He didn't want people thinking the city had \$20 million in cash and investments that could be used to balance the General Fund budget. He stated that there is about \$1.5 million in general fund monies. City Manager Anderson stated that was correct and needed to be clarified.

Ms. Saul stated that about 87% of cash is invested in interest bearing accounts. Total investment interest earnings through September 2018 amounted to \$172,549 for all funds.

**6. Recognition of Eagle Scout.** Mayor Dawes recognized Jacob Blumdahl who was in attendance working towards his Eagle Scout badge.

**6. Councilor Reports/Committee Updates.**

a. Councilor Lund attended the monthly meeting of steam train board and spent Saturday stuffing candy bags for the Halloween train rides. He stated the board has new officers and things are moving forward in a positive way.

b. Councilor Spahr attended the EDC monthly meeting.

c. Mayor Dawes stated the new Chamber Way bridge over I-5 is open; work is progressing on the realignment of National Avenue; and he read a proclamation honoring the late Margaret Shields. He thanked City Clerk Caryn Foley for drafting the proclamation that was well received. Mayor Dawes also attended one of the public comment meetings on the EIS scoping of the proposed Chehalis River dam.

City Manager Anderson reminded everyone that the next regular city council meeting would be held on Tuesday, November 13 due to the November 12 Veterans Day holiday observance.

**6. Executive Session.** Mayor Dawes announced the council would take a short recess and then be in executive session pursuant to RCW 42.30.110(1)(i) – Litigation/Potential Litigation not to exceed 6:45 pm and there would be no decision following conclusion of the executive session. Mayor Dawes closed the regular meeting at 6:05 pm. The executive session began at 6:16 pm. (Note: Councilors Pope and Spahr left the meeting at 6:42 pm). Following conclusion of the executive session, the regular meeting was reopened and immediately adjourned at 6:44 pm.

Dennis L. Dawes, Mayor

Caryn Foley, City Clerk

Approved: 11/13/2018  
Initials: cf