

November 13, 2018

The Chehalis city council met in regular session on Tuesday, November 13, 2018, in the Chehalis city hall. Mayor Dennis Dawes called the meeting to order at 5:00 pm with the following council members present: Terry Harris, Tony Ketchum, Daryl Lund, Dr. Isaac Pope, Bob Spahr, and Chad Taylor. Staff present included: Jill Anderson, City Manager; Ken Cardinale, Fire Chief; Caryn Foley, City Clerk; Melody Guenther, Court Administrator; Bill Hillier, City Attorney; Andrew Hunziker, Property/Facilities Manager; Trent Lougheed, Community Development Director; Dale McBeth, Municipal Court Judge; Brandon Rakes, Airport Operations Coordinator; Rick Sahlin, Public Works Director; Chun Saul, Finance Director; Glenn Schaffer, Police Chief; Judy Schave, HR/Risk Manager; Don Schmitt, Street/Storm Superintendent; Dave Vasilauskas, Water Superintendent; Lilly Wall, Recreation Manager; and Patrick Wiltzius, Wastewater Superintendent. Members of the news media in attendance included Will Rubin from *The Chronicle*.

1. **Citizens Business.** Jeff Graham (PO Box 952, Chehalis) and Richard Graham (310 SE Valley View Way, Chehalis) addressed the council on issues with a portion of NW North Street. Jeff Graham stated his father, Richard, was the owner of 537 NW Center Street and a parcel on NW North Street. The issue involves access of the 30-foot hard-surfaced portion of NW North Street that dead-ends at the Burlington North Railroad. He stated there is no signage indicating that the road is a dead-end. He explained it has become an overflow parking, storage, and trash area, as well as a place to cook and can by Jeremy's Restaurant. He submitted several pictures showing examples of the problems. In late August, the street was almost completely blocked, but was cleaned up with help from the city's code enforcement. A meeting was held with the restaurant owner to ask them to keep the 30-foot roadway clear so they could access their property and leased alleyway. He noted the county would also like uninterrupted access to their two adjacent properties. Mr. Graham provided suggestions that he thought would solve the problem, including placing no parking signs on a portion of the street; and creating a loading zone to accommodate all the adjacent property owners for deliveries and garbage pickup.

Councilor Taylor stated these types of issues are normally handled by staff. Mr. Graham stated that in speaking with his counsel, it was suggested that the issue be brought before the county for the records. He added they have potential to either use the area themselves or lease to someone else, but the roadway needs to be accessible.

Mayor Dawes asked the city manager facilitate a meeting between the Grahams and staff to resolve the issue.

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 22, 2018;
- b. October 31, 2018 Claim Vouchers No. 124030-124175 and Electronic Funds Transfer No. 1020181 in the amount of \$261,957.07;
- c. October 31, 2018, Payroll Vouchers No. 40564-40603, Direct Deposit Payroll Vouchers No. 10041-10149, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 205-210 in the amount of \$859,200.03;
- d. Acceptance of grant funding in the amount of \$85,000 for the Flood Storage Basin Master Plan – Phase II Project;
- e. Engineering Services Agreement with Skillings Connolly not to exceed \$85,000 for the Flood Storage Basin Master Plan - Phase II; and
- f. Corrected Master Ground Lease Agreement with Rich Development Enterprises, LLC for Airport Tracts 7A, 8, and 9 (located along I-5 between Dutch Bros. Coffee and I-5 Toyota).

The motion was seconded by Councilor Pope.

Councilor Taylor asked if local companies ever bid on city projects. Trent Lougheed responded that they do.

Mayor Dawes stated that since the Master Ground Lease with Rich Development rescinded the previously approved agreement, he wanted to know what the changes included. City Manager Anderson stated that in the preparation of the October 8 agenda, there were a couple different versions of the lease. The one that was the actual final was not the one attached to the staff report. The four sections that had changes included Permitted Assignments, Phase Assignments, Landlord Termination Right for Future Phases, and Right of First Refusal.

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Mayor Dawes asked if the agreement should be removed from the consent calendar. Mr. Hillier stated it was at the pleasure of the council and either way would be fine.

Councilor Spahr amended his motion to approve consent calendar items "a" through "e." Councilor Pope indicated he had no objections to Councilor Spahr's amendment.

The council discussed the hiring of local companies versus out of town companies, noting there are processes and procedures that the city must follow when bidding projects.

Trent Loughheed noted the city supports local professional services, as well. In the case of the engineering services agreement for the flood storage project, Skillings Connolly was chosen because their environmental section is probably second to none.

The motion carried unanimously.

3. Rich Development Master Ground Lease. Councilor Spahr moved to rescind approval of the Master Lease Agreement with Rich Development on October 8, 2018; approve the corrected lease agreement for Tracts 7A, 8, and 9 between with Rich Development Enterprises, LLC; and authorize the City Manager to execute the agreement. The motion was seconded by Councilor Taylor and carried unanimously.

4. Public Hearing – 2019 Proposed Budget and Revenue Sources, Taxes, and Levies. Mayor Dawes recessed the regular meeting and opened the public hearing at 5:27 pm for public comment on the 2019 proposed budget and revenue sources, taxes, and levies.

Chun Saul provided an overview of the 2019 proposed revenue sources, taxes, and levies as part of the legally required public hearing. Information on ad valorem and overall property tax assessments was included as background for Ordinance No. 993-B setting the amounts for ad valorem and EMS taxes, and for Ordinance No. 994-B stating the amount and percentage increase over the current year regular and EMS levies. The total General and General Fund Reserves total a little over \$10 million of the total revenue budget, which account for financial resources not required to be accounted for in other funds. All other funds have restrictions or commitments for very specific activities. Proposed expenditures total \$10,019,670, and she noted about 55% was allocated to police and fire. She stated the proposed budget was balanced using \$197,428 of General Fund reserves. General Fund revenues are estimated just over \$9.8 million.

Ms. Saul stated most revenues are external to council control except for property taxes, which may be increased on a limited basis with council approval. The law allows property taxes to be increased 1% above the previous year's highest lawful levy amount without a vote, plus any increase from new construction, annexation, and other adjustments. Cities can also use banked capacity. She stated Chehalis has not taken the allowed 1% increase for many years and has regular levy banked capacity of \$319,464.94 (21.8% of 2018 actual levy) and EMS levy banked capacity of \$7,412.25 (2.36% of 2018 actual levy). She noted several taxing districts/agencies may tax the same property, and the city's share of typical property taxes is 22.1%. Ms. Saul stated the total (regular and EMS) proposed levy amount was \$1,903,078 using 25% banked capacity and taking the 1% allowed increase, including increases in new construction and other adjustments. The increase from the 2018 levy is \$102,786.00. She stated the increase represented a \$14.22 property tax increase for every \$100,000 of assessed valuation.

Mayor Dawes asked if there was anyone from the public that would wish to comment on the proposed revenue sources, taxes, or levies. There were no comments by members of the public.

City Manager Anderson provided a presentation on the proposed budget. The total of all city funds was balanced with use of \$2 million beginning cash. With the exception of the General Fund, use of beginning cash is related to one-time capital expenditures. The proposed budget included general and restricted funds of \$27.96 million. She stated the budget was balanced using \$197,428 of General Fund reserves with an estimated General Fund ending cash balance of 7.9% of operating revenues. The expenditure budget was a little over \$10 million and she noted salaries and benefits made up almost 75% of the General Fund budget. She suggested that one-time reductions or revenue could likely fill the gap in 2019; however, a significant infusion of revenues or a significant reduction in expenses was needed in 2020 and beyond. The proposed General Fund Revenue budget was \$9,822,242 representing an increase of \$492,390 or 5.3% over the 2018 amended budget. She noted sales tax was the largest General Fund revenue source at 52.4%. Ms. Anderson stated sales tax was bolstered in 2017 and 2018 by significant construction, but that growth was projected to level off in the coming year.

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City Manager Anderson reiterated that the proposed property tax levy increase would represent about a \$14.22 tax increase per one hundred thousand assessed value. She noted again that sales tax, property tax, and utility tax are the three major revenue sources for the city. As far as expenditures, police and fire make up about 55% of general fund expenditures. City Manager Anderson reviewed some of the items in the budget and other items not included in the budget.

Mayor Dawes asked if there was anyone from the public that wanted to comment on the proposed revenue sources, taxes, levies, or the 2019 proposed budget. There being no public comment, Mayor Dawes closed the public hearing at 6:01 pm.

5. Ordinance No. 993-B, First Reading – Determining and Fixing the Amounts of Revenue to be Raised by Ad Valorem Taxes During 2019; Ordinance No. 994-B, First Reading – Stating the Dollar Amounts and Percentages of Change in Property Tax Levies for 2019; and Ordinance No. 995-B, First Reading – Adopting the Proposed 2019 Budget. Councilor Taylor moved to pass Ordinances No. 993-B, 994-B, and 995-B on first readings. The motion was seconded by Councilor Lund.

Councilor Taylor stated that since his time on the council, one of the biggest points of argument has been over the budget. He stated long-term council members have talked with him about the importance of keeping up with rising costs for the things that keep the city going. He stated this year things happened in his life that made him think about the services the city provides and what he wanted for the community, like roads and the employees who respond when needed. For a long time, he thought saying no to increased property taxes or fees justified his being a conservative person. He stated that when you look at fees and taxes that are collected at the local level, the dollars that are collected go to “boots on the ground” and back into the economy. He stated he didn’t take raising taxes lightly, but was something the council had talked about for years and was probably needed for a couple years. He thought it was time to invest, not only for the people that work here, but also for the community as a whole. He thought everybody that worked for the city had to cut back so much and find ways to provide services, sometimes on their own time, to make sure the job got done for the people that live here. He estimated it would personally cost him about \$8 per month to put a little money back into the community that has served him and his family.

Mayor Dawes stated staff has been very responsible with their budgets have tried every year to make everything stretch as far as they could and not spend their budget capacity. He stated it was the council’s job to find ways to do things better, such as looking at fire consolidation, and other ways to partner with our neighbors, and pursuing grants to help take the stress off local dollars.

Councilor Spahr stated the city’s projected revenues from property taxes are \$1,903,078 and the salaries of the police department alone are \$1,891,500. The revenue from property taxes barely covers the city’s police officers. It doesn’t count the rest of the city employees.

The motion carried unanimously.

6. Administration Reports.

a. **City Manager Report.** City Manager Anderson stated she was contacted by *The Chronicle* that some of the city’s recreation grants had made it to the next round. She had not heard that, but staff will confirm the news.

7. Councilor Reports/Committee Updates.

- a. Councilor Lund stated the steam train is getting ready for their Polar Express train rides, which are already sold out.
- b. Councilor Pope stated the Chehalis Foundation met earlier today and voted to support and take the lead on fundraising for the Penny Playground project. The goal is to raise \$300,000 to \$350,000 for the project.
- c. Councilor Harris applauded the council and staff for what they put together to unanimously support the proposed budget, noting it was always a difficult choice to raise taxes. He thanked the police department for creating more space in his hangar to work on Christmas decorations.
- d. Mayor Dawes attended an AWC Regional Meeting. He plans to share an idea with AWC about what can be done with the Firemen’s Pension Fund once there are no longer any obligations to pre-LEOFF firefighters and seeing if there is a way

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to use the money toward LEOFF liabilities for retired police and firefighters. He attended a meeting with U.S. Senator Maria Cantwell and spoke about the Clean Water Act and the lawsuits the city is faced with periodically. He also had an opportunity to speak with U.S. Representative Jaime Herrera Beutler about the same issue. Mayor Dawes attended a ribbon cutting for the Chamber overpass, the Centralia College gala, a meeting with Fire District 6 regarding consolidation, and a .09 committee meeting. He thanked the public works department for the well placed warning markers on SW 19th Street near the Middle School indicating potential drainage hazards.

Mayor Dawes announced there would be no executive session, and there being no further business before the council, the meeting was adjourned at 6:19 pm.

Dennis L. Dawes, Mayor

Caryn Foley, City Clerk

Approved: 11/26/2018

Initials: cf

