

January 28, 2019

The Chehalis city council met in regular session on Monday, January 28, 2019, 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; Caryn Foley, City Clerk; Bill Hillier, City Attorney; Hillary Hoke, Planning & Building Manager; Andrew Hunziker, Parks & Facilities Manager; Trent Lougheed, Community Development Director; Brandon Rakes, Airport Operations Coordinator; Rick Sahlin, Public Works Director; Chun Saul, Finance Director, and Glenn Schaffer, Police Chief. Members of the media included Will Rubin from *The Chronicle*.

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

- a. Minutes of the regular meeting of January 14, 2019;
- b. January 15, 2019 Claim Vouchers No. 124693-124805 and Electronic Funds Transfer No. 182018 and 1820181 in the amount of \$545,232.95; and January 15, 2019 Claim Vouchers No. 124806-124872 in the amount of \$485,072.35;
- c. Agreement with FCS Group for a utility rates and capital facility charges study in the amount of \$66,000;
- d. Purchase of new Kubota tractor and associated implements to J&I Power Equipment in the amount of \$54,100; and
- e. Change Order 3 and acceptance of Stan Hedwall Sewer Project as complete and release retainage once all statutory requirements are met.

The motion was seconded by Councilor Lund and carried unanimously.

**2. Resolution No. 2-2019, First Reading – Application and Acceptance of a WSDOT Grant in the Amount of \$140,184 for Taxiway Realignment Project.** Brandon Rakes stated that last year the city applied for and received a grant from the Federal Airport Administration for a \$2.8 million project that was 90% funded. The administration would like to apply for an additional 5% match funding through WSDOT totaling approximately \$140,184 for taxiway realignment.

Councilor Spahr moved to adopt Resolution No. 2-2019 on first reading and authorize the City Manager to apply for and accept the WSDOT grant supplementing AIP Project Number 3-53-0012-018-2018 in the amount of \$140,184 for airport construction. The motion was seconded by Councilor Lund and carried unanimously.

**3. Phase 1 Annexation Proposal and Process.** Hillary Hoke provided information for implementing Phase 1 of a multi-phase annexation process. Staff identified eight potential areas for annexation. RCWs regulate that cities can't annex areas outside of their adopted Urban Growth Area (UGA), eliminating Areas 6 and 8, which are located north of the city limits. The remaining areas were reviewed for ease and feasibility, and to keep the total assessed value of the area(s) to be annexed under 5% of any special purpose district's total assessed value. Using the largest special purpose district, the target number was around \$56 million. Staff reviewed options to keep within the target amount. Ms. Hoke explained that if the 5% is exceeded, a special purpose district may request studies, market analyses, and other documentation to determine the impacts of the annexation, the possible relinquishment of assets, etc., which would be conducted and paid for by the City.

Mayor Dawes asked if Area 8, located north of the airport, included the former Blaser Farm, and was it included in any UGA. Ms. Hoke indicated it did include the Blaser property, but was currently not included in any UGA. Bill Hillier added a city may annex property not within its UGA if owned by a city, but there are other properties in that area that are not owned by the City.

Councilor Harris asked if the area was within Centralia's UGA that they gave up last year. Councilor Spahr stated it was not within Centralia's UGA.

Ms. Hoke stated that as of the remaining areas, Areas 3 and 4 cannot be annexed at the same time because they exceed \$56 million.

Mayor Dawes asked why Area 7 (Lintott/Alexander Park) would be on the tax rolls if it was owned by the City and why it would be considered when calculating the 5% target. City Attorney Hillier stated he would find out the answer to the question. Ms. Hoke stated that although taxes are not collected, the property still has an assessed value.

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Ms. Hoke stated staff came up with three options and was recommending Option 2, which would annex Areas 1, 2, 5, and 7. She noted several previous surveys and legal descriptions were already developed for some of these areas. The assessed value of the areas totaled \$43,548,200.

Mayor Dawes asked why District 6 wouldn't be included so as not to create an island. City Manager Anderson stated that in looking at the options, Option 2 cleans up the boundaries. The next phase would include Areas 3 and 4, which would straighten out the southern border.

Mayor Dawes asked what the timing was for Phase II. City Manager Anderson stated it was her understanding that the council would like to proceed with annexations and do them on a regular basis until the City's UGA is incorporated. Ms. Hoke noted the island where District 6 is located already exists.

Councilor Lund understood that the Alderwood area had water and sewer, and fire-flow problems. If the City takes that over, would it become the City's responsibility? Bill Hillier stated the City already owns those systems. He also noted that the road is a private one, which the city will not have to maintain. The City has an automatic response agreement with District 6 to respond to the area.

Rick Sahlin reiterated that the water and sewer systems are the City's. When Alderwood was built a second water tower was added, but without major changes there is not fire-flow protection in that area.

Councilor Lund asked again if the City's liability would change if the area was annexed. City Attorney Hillier stated no. City Manager Anderson indicated staff would further discuss to address any issues related to liability that might be increased with annexation.

Councilor Pope stated water flow was previously discussed for that area and he thought steps were to be taken to improve it. Bill Hillier stated that included the second tower that Rick Sahlin mentioned. It addressed domestic needs, but didn't totally fix the fire-flow requirements.

Councilor Spahr stated he understood not wanting to go over the 5% target, but Option 3 was under 5% and included more properties. Ms. Hoke explained the biggest difference between the options was timing. To prepare the application and create all of the required documents, Option 3 would require the most time and effort, such as contracting with a licensed surveyor to develop maps and legal descriptions.

City Manager Anderson noted there were numerous steps in the annexation process, in addition to working with the Boundary Review Board and County Assessor. She estimated completing annexations in two-year cycles.

Councilor Spahr moved to direct staff to proceed with the Phase 1 proposal to annex properties within Areas 1, 2, 5, and 7 as identified. The motion was seconded by Councilor Pope and carried unanimously.

#### **4. Administration Reports.**

a. **Finance Report.** Chun Saul provided a year-end report for 2018, noting that overall, cash balances increased from 2017. She reviewed a summary of all funds with their beginning cash balances, total revenues and transfers in, total expenditures and transfers out, changes in fund balances during the year, and ending cash balances. Year-to-date (YTD) total revenues were \$626,809 above the 100% expected amount, while YTD expenditures were \$2,462,220 below the 100% expected amount. General Fund YTD revenues were \$173,413 above the 100% target amount. YTD expenditures were \$646,508 below the 100% target amount, so the ending fund balance decreased by \$238,180 (\$819,921 less than expected). The 2018 budget included the use of about \$1 million of reserve funding, but only \$238,000 was used, which exceeds the council's policy of maintaining a 10% reserve.

Mayor Dawes stated there were maintenance projects that had been deferred, so anything above the 10% could be used for projects and/or other priorities. City Manager Anderson stated that was correct. \$200,000 was used to balance the 2019 budget, and reserve accounts for automotive/equipment and compensated absences were not funded in 2019. She stated staff would present proposals to the council at a later date.

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Chun Saul stated sales and use tax revenue came in at 104.1% of the 2018 budget, which includes criminal justice and brokered natural gas sales taxes. About one-half million of sales tax was from construction activities, so it may decline in 2019. Mayor Dawes suggested that the budget committee meet at the end of the first quarter to look at potential projects/purchases for the full council's consideration.

Councilor Taylor asked what the Fire Department did to not spend almost \$200,000 of their budget. Ms. Saul indicated that overtime was less. Councilor Taylor asked if it was related to less calls or process changes. City Manager Anderson stated she would find that out from Chief Cardinale.

Ms. Saul stated all Enterprise Funds operated within normal budget parameters and revenues either met or exceeded budget projections, except for Wastewater, which came in at about 98%.

Ms. Saul provided a summary balance of the City's cash and investments as of December 31, 2018. The city's total cash, deposits, and investments were \$20,203,176. Of that amount, about \$1.8 million makes up the General Fund and all other funds are restricted or designated to finance particular activities. She noted that about \$15 million of total cash was invested in the Local Government Investment Pool, and around \$2.3 million was in U.S. securities bonds. Investment earnings for 2018 totaled \$285,834.

Councilor Taylor asked if there were restrictions on where the City's money could be invested. Ms. Saul stated the City's money must be covered by the Federal Depository Insurance Corporation and the Washington Public Deposit Protection Commission.

City Manager Anderson asked if the council would prefer changing the monthly finance reports to quarterly, since the reports are much more detailed and informative than in the past. A monthly report could still be distributed. The council concurred.

b. **City Manager Update.** City Manager Anderson stated one of the strategic planning objectives was to create a committee to look at such things as property maintenance, etc., and she asked if the council would appoint members to join staff.

Councilor Pope stated that in the past, it has been difficult to address these types of issues. He asked if the committee would look at putting more teeth into the ordinances. Mayor Dawes stated the committee would determine what the council would like done and then make recommendations to strengthen ordinances. Councilors Pope, Spahr, and Taylor volunteered to serve on the committee. The council discussed several properties needing attention.

#### **4. Councilor Reports/Committee Updates.**

a. Councilor Taylor stated the Twin Transit Board was conducting an investigation on their general manager and he would have more to report at a later date. He also attended a Lewis County Transportation Strategy Council meeting where they discuss federal funds that come through the county that are then distributed to cities. The Public Works Department submitted a couple projects last September that were approved for funding this year.

Rick Sahlin added it was grant money that Centralia had, but had issues with their project. If the money is not spent, it goes back to the federal government. The projects include NE Kresky from Staples to the city limits, and Interstate Avenue from Parkland to the city limits, which will be a joint project with Lewis County.

Mayor Dawes asked Mr. Sahlin to explain why the two road projects were chosen when other streets may appear to be in worse shape. Mr. Sahlin stated the streets have to be federal aid routes and match money had to be available.

b. Councilor Pope stated the council used to have a Growth Management Act (GMA) committee. City Manager Anderson stated since her time in Chehalis there hadn't been any need for the GMA committee to meet. Mayor Dawes thought the GMA committee would be a good group to participate in the annexation process.

c. Councilor Harris attended a Chehalis Basin Partnership meeting. The group is busy working on the "Hirst Fix." Councilor Harris reported he was reelected to chair the group.

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d. Mayor Dawes attended the chamber banquet. He congratulated I-5 Auto Group that was recognized as business of the year, and Dr. Peter Wagner who received the Evergreen Award.

Mayor Dawes announced there would be no executive session. There being no further business to come before the council, the meeting was adjourned at 6:18 pm.

Dennis L. Dawes, Mayor

Caryn Foley, City Clerk

Approved: 2/11/2019  
Initials: cf