

October 24, 2011

The Chehalis city council met in regular session on Monday, October 24, 2011, in the Chehalis city hall. Mayor Ketchum called the meeting to order at 5:45 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, 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; Bob Nacht, Community Development Director; Peggy Hammer, Human Resources Administrator; Eva Lindgren, Finance Manager; and Herta Fairbanks, Public Works Director. Members of the media included Bianca Fortis from *The Chronicle* and Bruce Hunting from KITI.

1. **Work Session – Chehalis-Centralia Airport Quarterly Update.** Airport Manager Allyn Roe and City Representative Frank DeVaul briefed the council on activities taking place at the airport over the past three months.

Mr. Roe reported they recently closed out the FAA Airport Improvement Program grant for the purchase of a truck/snowplow, restriping of the runway, and new weather equipment totaling approximately \$195,000. He indicated they were working with a large tenant to construct a new 15,000 square foot hangar facility with associated parking.

Mr. Roe stated they planned to approve their 2012 budget next month, adding overall it looked pretty good. He reported an increase in revenues even after making some rental adjustments on some commercial property. Mr. Roe noted every five years or so the leases automatically adjust, or they have the properties reappraised.

Councilor Dawes asked how the lease rates had been. Mr. Roe reported they just finished up a 10-year reappraisal and the value went up approximately 26 percent.

Mr. Roe reported they recently met with representatives for Joint Base Lewis-McChord who are reaching out to the smaller airports in the Puget Sound Region to let them know about increased military activities over the next couple of years. He noted they had noticed this with an increase of complaints from the community, primarily from helicopters involved with night and low level operations in the area.

Mr. Roe reported, last July, the Airport Board selected W.H. Pacific from Bothell, Washington, as its five year on-call engineering consultant, noting they had represented the airport for the past five years. He indicated they'd been working with them on a project for 2012-2013 for the installation of approach lighting at the north end of the airport. Mr. Roe noted a series of five or six light stations would be installed to provide increased safety and would reduce the minimum requirement for landing in adverse weather conditions.

Mr. Roe reported they just wrapped up their annual audit with no issues or findings. They also recently started work on the fabrication of the kiosks for the City and the Chehalis Community Renaissance Team.

Councilor Harris inquired about the instrument landing system (ILS). Mr. Roe stated they had a GPS approach, which was very similar to an ILS. He added the only difference was the ILS had a ground-base equipment instrument landing system. Mr. Roe stated when they had the trees removed just north of the airport it allowed them to go into another category where planes can land in even worse conditions. He reported the new approach would be published by the FAA next April and would be a real benefit during the morning hours for planes flying in from outside the community. Mr. Roe indicated the new approach would also benefit Providence Hospital, noting they were pretty much right in line with the runway allowing the Medivac Helicopters to come in on their approach.

Councilor Taylor asked if there was anything on the horizon for development or new businesses coming in. Mr. Roe reported a few years ago they had interest from developers who wanted to take a large piece of property and develop it out with sub-tenants, but now more of the small individual tenants were approaching them directly.

Councilor Lund stated when he was a kid the airport looked similar to a cow pasture. He noted over the last few years they had really dressed it up, showing the pride we have in our community. Councilor Lund thanked Mr. Roe for the work being done.

Mayor Ketchum announced the council would take a six minute recess and reopen the regular meeting at 6:00 p.m.

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2. **Lodging Tax Advisory Committee (LTAC) Recommendations for 2012 Tourism Funding and Reappointment of Memberships.** Mayor Ketchum requested that the council pull the item from the agenda, so more information could be put together by the administration. The consensus of the council was to pull the item and bring it back to the council at the first regular meeting of November.

3. **Citizen Business.**

a. Karla Hooper (Market Street Pub) and Joel Wall (The Shire) reported they recently found out about the policy change regarding outdoor events. Mr. Wall asked if there was a possibility of getting the time changed to allow live music until 1:00 a.m., as opposed to midnight. He reported they host a number of events and benefits throughout the year, adding the outdoor events was a way to keep their businesses vital.

Mayor Ketchum suggested they set up a meeting with City Manager MacReynold to discuss the issue.

b. Tiffany Simpkins (67 SW 11<sup>th</sup> Street) reported she wanted to cancel her garbage service with LeMay, Inc., but was told by both LeMay and the City that she cannot cancel it. Ms. Simpkins stated she understood the ordinance, which requires residents to have garbage service in the city; however, in the ordinance under section 8.04.100 SJ it states 'it is not unlawful for any resident to take their own trash to an approved solid waste disposal site,' which was what she would like to do.

Mayor Ketchum indicated, because she had contacted a lawyer, the council could not discuss the matter with her, and suggested she start a dialog with City Manager MacReynold to try and work something out.

4. **Proclamation – Domestic Violence Awareness Month.** Mayor Ketchum presented Human Response Network Executive Director Joan Caywood with a proclamation declaring October as "Domestic Violence Awareness Month" in the city of Chehalis.

5. **Consent Calendar.** Councilor Dawes moved to approve the consent calendar comprised of the following:

a. Minutes of the regular meeting of October 10, 2011; and

b. Claim Vouchers No. 101221-101362 in the amount of \$237,607.20 dated October 14, 2011.

The motion was seconded by Councilor Taylor and carried unanimously.

6. **Administration Reports.**

a. **September and Quarterly Financial Report.** Eva Lindgren reported the largest variance in the general fund revenues had to do with the proceeds from long-term debt. She noted later in the meeting the council would hopefully take action on an item, which should eliminate that variance by December.

Councilor Pope commented on the 'licenses and permits' budget line item, noting it went from \$66,080 in 2010 to \$120,200 in 2011. Ms. Lindgren reported the difference was driven by anticipated revenue from Green Hill School for some very large projects. Councilor Spahr stated he had heard that Green Hill was adding a \$4 million addition.

Ms. Lindgren reported the largest variance in the general fund expenditures was in the non-departmental fund. She noted this had to do with the interfund loans, which could not be paid until debt was issued. Ms. Lindgren reported community development showed a negative variance from 'expected' of over \$80,000. She noted the administration would be recommending a change to the Chehalis Municipal Code (CMC) that would allow some of the capital maintenance expenditures to be moved to the REET funds, which would eliminate that particular variance.

Councilor Dawes noted, with regards to community development, it was also fair to say that there was a significant amount of revenue that comes in for recreational programs, and suggested that was something they needed to keep in mind.

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Ms. Lindgren reported she needed to do some rebalancing between the general fund and the arterial street fund to cover the large positive variance in the street fund, and the negative ending fund balance in the arterial street fund.

Ms. Lindgren reported on the wastewater fund, noting there had been some deferral on capital expenditures relating to the State Avenue Pump Station. She noted some of the expenditures budgeted for this year would be re-budgeted into 2012. Ms. Lindgren noted the council should expect the budgeting for those capital expenditures to be reduced in the next budget amendment.

Ms. Lindgren reported on the water fund, noting there may be some capital outlay deferrals in this fund as well, but she didn't remember any specifics.

Councilor Spahr noted the water sales were comparable to last year, but the budget was considerably higher and asked if there was some anticipated revenue. Ms. Lindgren reported there were several different types of water sale revenues and believed there was some expectation of an increase. She noted she would take a look at it and respond to the council by email.

Councilor Taylor asked if there was a way to add an actual total dollar amount for each fund. Ms. Lindgren reported that particular information was listed on the quarterly report. Councilor Taylor stated it would be nice to see the numbers associated with each fund on one page.

Ms. Lindgren briefly reviewed the quarterly report which included: estimated and actual beginning fund balances; revenues and transfers in; expenditures and transfers out; and the ending fund balance for each fund. She gave a quick overview of the different accounts and investments that the city has, and how each fund was associated.

b. **Quarterly Sales and Use Tax Report**. Ms. Lindgren reported the city showed a 30.3 percent increase for September receipts over 2010. She noted there was a business that made a very large one time purchase associated with the increase. Ms. Lindgren stated back in March 2011 they had a negative 22.4 percent drop, which was associated with a business that had a large one time only use tax payment in 2010.

Councilor Harris stated, according to the October report that Ms. Lindgren emailed out, they were still slightly above year-to-date.

## 7. **Council Reports**.

a. **Update from Councilor Dawes**. Councilor Dawes reported he recently attended an Association of Washington Cities (AWC) Regional meeting down in Vancouver, Washington. He noted one of the topics for discussion was State shared revenues. Councilor Dawes reported the city received \$121,169 in State shared revenues, which was made up of streamlined sales tax mitigation, liquor tax, liquor profits, and municipal criminal justice.

Councilor Dawes reported the Democratic Party was talking about potentially floating a tax measure in February. His concern was a lot of school districts run M & O levies at that time, adding historically if you run two tax measures on one ballot, one was going to fail. He suggested AWC talk with the School Directors Association and the Legislature and tell them that it might be very critical to some people.

Councilor Dawes reported he attended the North Lewis County Regional Fire Authority Planning Committee meeting along with Councilors Lund and Spahr on October 19. He noted their first presentation to talk about where they were at was scheduled with the Centralia Rotary Club on December 6 at noon. Councilor Dawes reported the three sub-committees they were working on were: facilities, fleets, and operations. He noted they made the decision to not meet separately, which was a big stride in where they were going with the whole project. Councilor Dawes stated it wasn't going to be a foot-race to the finish, but he hoped the process would start moving a little faster.

Councilor Dawes reported he and Councilor Spahr attended the Chamber's Business After Hours event at the Helly Hansen Outlet Store in Centralia.

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b. **Update from Councilor Spahr.** Councilor Spahr reported, along with the events that Councilor Dawes spoke about, he also attended the Lewis County Economic Development Council Board meeting. He added they had some projects on-line that were coming up, but no announcements had been made just yet.

c. **Update from Councilor Pope.** Councilor Pope gave an update on the Chehalis Foundation pool project. He reported they put a community program together to go after matching funds for the \$100,000. Councilor Pope noted they also submitted for a couple of grants, which would help out with the costs of the project. He stated he would like to have Foundation President Mike Austin come to the next council meeting to make an official presentation on the program they have outlined. Councilor Pope reported they were asking high school and grade school kids to participate in the effort, so they can have a buy-in that it's their swimming pool.

d. **Update from Mayor Ketchum.** Mayor Ketchum reported his biggest event was last Friday, at which time he attended Councilor Lund's 50<sup>th</sup> birthday party.

8. **Ordinance No. 878-B, First and Final Reading – Debt Issuance, and Ordinance No. 879-B, First and Final Reading – Bond Registration.** Ms. Lindgren introduced the members of the team she worked with on putting the city's bond issuance together, which included: Alan Dashen, financial advisor with Dashen & Associates; Lindsay Coates, legal counsel with Foster Pepper PLLC; and Jim Blumenthal, underwriter with Martin Nelson & Company.

Ms. Lindgren reported the council had received a revised ordinance that included some language changes, and some additional flexibility around the par value.

Ms. Lindgren reported the parameters of the bond sale were spelled out in Section 5 of the ordinance, which specified: the maximum aggregate principal amount (\$1,300,000); the interest rate (may not exceed 5 percent); final maturity (December 1, 2026); and price (not less than 95.00 percent or more than 115.00 percent of the par value of the bonds).

Ms. Coates reported a new statute went into affect July 22, 2011, that delegated the authority to issue bonds. She noted previously they would go out and get pricing terms the day of the council meeting and present it to the council as a 'take it or leave it' deal; however, the new statute allowed more flexibility to where they can set parameters that allow staff to work with the financial advisor and underwriter to price on the most beneficial day for the city. Ms. Coates reported, under the new parameters, Section 5 of the ordinance outlined each item that had to be established by statute. With regard to the pricing parameter in Section 5 (h), she gave the following example: If the city needed \$1.2 million for a project the investors might pay the city 98 percent of that price (that being the value on the market that day), so the city might need to up the price of the bonds and adjust the interest rates in order to get the actual dollar amount the city would be seeking for the project.

Mr. Dashen provided the council a sample of bond structures for 'Generate Overall Premium Bonds' and 'Generate Overall Discount Bonds,' and briefly explained how each worked. He stated, basically, if the city sold 'premium bonds' it would get some extra money, and with 'discount bonds' it wouldn't get quite as much money as needed.

Councilor Spahr noted there might be some who wonder why we don't just go to the bank and borrow what we need. Ms. Lindgren explained that the city really couldn't do that, adding local banks were not willing to go out 15 years for this type of loan. She noted there were a few banks out there that do; however, they don't have a presence in our community and they were not looking at expanding into it. Ms. Lindgren stated from the feedback she received, the most the city could look at was a 5 year loan. Mr. Dashen added they always look at bank loans before bond issues. He noted they also hypothetically estimate what a bond bank would charge for 15 years, adding the bond structure being presented was at a much lower interest rate.

Councilor Spahr asked how someone would go about buying the bonds. Mr. Blumenthal reported when they get ready to sell the bonds they would advertise the issue in the local newspaper using a display ad. He noted they usually advertise a week prior to the sale of the bonds when they lock in the interest rate. Mr. Dashen added the city council could not buy the bonds, noting it would be a direct conflict of interest.

Councilor Taylor moved that the council pass Ordinance Nos. 878-B and 879-B on first and final reading.

Councilor Dawes seconded the motion.

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City Manager MacReynold reported the reason the city was looking at bonds was because of the city hall building. He stated the council purchased the building with a short-term loan in hopes of making it a city facility. City Manager MacReynold noted, in moving through a process, it was determined that putting city hall, police, and municipal court would be the best use for the building. He reported, based on the law, we could only borrow from our utilities for three years and we were now at the point where we need to look at a long-term approach on how to pay off the loan to our utilities.

Councilor Dawes stated he wanted to speak in favor of the motion, adding when he first got on the council one of the things he wanted to work on was to get a financial package put together to pay the building off. He noted the interfund loan provided a short-term approach, and over the last two years the budget committee has wanted to see something brought to the council. Councilor Dawes stated he was pleased to see the culmination of the project, noting they had set aside revenues in the REET tax fund and some in the general fund as a way to pay the debt off.

The motion carried unanimously.

**9. Ordinance No. 880-B, First Reading – Amending Section 3.32.020 of Ordinance No. 658-B Providing for Use of Real Estate Excise Tax Funds.** Ms. Lindgren reported, while working on the debt issuance and reading through the CMC, she realized that although we had a budget amendment in place to charge some of the park and facilities costs to the REET funds, the city actually could not do so with the way the CMC was currently written. She noted we would be compliant with state law, but not with our own code. Ms. Lindgren requested the ordinance be considered and passed on first and final reading.

Councilor Spahr moved to pass Ordinance No. 880-B on first and final reading.

The motion was seconded by Councilor Taylor and carried unanimously.

**10. Resolution No. 18-2011, First and Final Reading – Revising the City's Capital Improvement Plan (CIP).** Ms. Lindgren first thanked Bob Nacht for taking on the project on her behalf. With regards to the CIP, Ms. Lindgren reported they added a new column to identify the funding source. She noted they were able to identify several water and wastewater projects that could potentially be funded by the general obligation bond, which was critical because in Ordinance No. 878-B it specified that only projects that have been approved in the annual budget and the CIP will be considered eligible for funding by the general obligation bond.

Ms. Lindgren reported there was very little money left in the automotive equipment reserve (AER) fund. She noted a lot of the projects that were originally identified as being funded by the AER fund, were replaced with 'To Be Determined' (TBD), until they know what fund will pay for them.

Ms. Lindgren reported, for 2011, she had to address shifting some of the parks and facilities maintenance costs out of the general fund to the REET funds. She indicated the State Auditor's Office wanted to see anything associated with REET funding identified in the CIP.

Ms. Lindgren reported, in 2012 and beyond, she identified the REET funding to be used for debt service payments, and also picked up the general fund portion. She noted by demonstrating that the council was fully aware of what the administration was attempting to do, that should satisfy the Auditor's Office.

Ms. Lindgren reported this CIP was far more reflective of what's going on in the annual budgets for both 2011 and 2012. She stated they already talked with the budget committee about making it a more united effort, so that the CIP and annual budget tie more closely together going forward.

Councilor Taylor inquired about the funding sources listed as 'TBD' and asked if all vehicles and equipment would come out of the AER fund. He also asked if there was a way to figure out what the AER fund needs to have in it to cover future acquisitions. Ms. Lindgren indicated almost every one of the TBD items were originally listed as AER, adding that just wasn't realistic. She noted there were other possible funding sources, such as the gambling enforcement fund, but right now they have not determined how some of the acquisition would be funded.

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Ms. Lindgren reported one of the purposes of having a capital asset inventory was to have control over our assets and even though we are cash basis, it can be used to calculate depreciation using the estimated life of the assets. She noted by doing depreciation you have an idea of how much of your capital assets you're using up, which should tell you how much you actually need to set aside each year.

Councilor Dawes reported, in the past, pretty much every vehicle used by a general fund was purchased out of the AER fund. He noted at one time each department put money away as part of their budgetary expenses into that fund, and at some point it all got comingled, which was probably why we are in the situation we are now. Councilor Dawes suggested the items listed as 'TBD' were probably at one time each departments AER fund.

Councilor Taylor stated it would just be nice to know how much money they need to have in the AER fund, suggesting perhaps the funding sources just need to be drilled down.

City Manager MacReynold reported the frustration the administration has had over the past four years was declining revenues. He stated we've always known that the missing piece to make it a functional fund was the information that identifies all of our equipment that would be funded from that fund, and then what the life expectancy is on what we currently have. City Manager MacReynold suggested, by knowing the life expectancy, we could know every year what items would need to be replaced and how much was going to be needed in the fund. He stated right now was probably not a good time put \$300,000 in the AER fund because currently that would mean quite a few employee positions.

Councilor Dawes suggested it was one of those things where when times are better we need to put the money in, and when times get tough we need to have the fiscal restraint not to go in there and go after it.

Mr. Nacht reported it was important to note that the CIP had an annual review and revision process and would be brought back to the council sometime during the second quarter next year. He noted the council would have an opportunity to make any revisions at that time. Mr. Nacht felt it was also important to note that the CIP document was a collaborative effort between all of the city departments, particularly fire, police and public works. He noted as the finances ebb and flow, so would the columns in the document.

Councilor Harris inquired about the Louisiana Avenue/Airport Road extension project, noting the CIP budgeted funding in the water and wastewater funds in 2012, as well as in 2013-2014. Mr. Nacht stated he could not say for certain, but it was his recollection that the numbers in the CIP related to the TIB grant. He noted there would have to be budget adjustments as the grant monies come in and go out. Councilor Harris stated he feared they were not going to get the road connected until 2014. Mr. Nacht believed the construction would start in 2012 and probably go on for a few years.

Herta Fairbanks reported they just attended a sounding board meeting for the I-5/Mellen Street project, at which time the Washington State Department of Transportation (WSDOT) laid out their schedule for the Mellen Street interchange work and the connection to Airport Road. She reported the good news was they would be starting the project in 2012, but the bad news was they've guaranteed Airport Road would be closed for at least two years, potentially three. Ms. Fairbanks indicated there were a lot of moving pieces to WSDOTS' scope. She reported they planned to start by creating the collector/distributor lanes between Harrison Avenue and Mellen Street, and at the same time they would also start on closing down Airport Road from Mellen Street to where Louisiana Avenue would connect. Ms. Fairbanks reported the closure would impact a lot of things and the only part WSDOT would commit to leaving open was the road down to the meat shop, so they could continue their business.

City Manager MacReynold reminded the council that this was not an Airport Road/Louisiana Avenue project, but a Mellen Street project, and our piece was a very small piece of a much bigger project, which would drive their timeline for multiple years.

Councilor Taylor wondered if they would allow the connection over the dike to be looped around. Ms. Fairbanks felt the unpaved portion of Louisiana Avenue was going to be the least of WSDOT's concern, noting their focus would be on the new interchange and what they could do there first.

Councilor Harris inquired about the \$15 million Chamber Way Bridge Replacement listed on the CIP, noting he assumed that was for the railroad bridge. Ms. Fairbanks stated it was in fact the railroad bridge.

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Councilor Taylor stated in the future he would like to see the actual amounts needed for the automotive equipment reserve fund and the arterial street fund. He wanted to know how much the budget committee should be putting into those funds, so the city can actually buy or replace vehicles and equipment, and maintain the streets. City Manager MacReynold stated Councilor Taylor made a good point.

Councilor Lund didn't believe things were going to get better anytime soon. He noted his vendors are saying sales are down fifty percent and they were laying people off. Councilor Lund stated he hoped they don't go out and get a bunch of bonds and put the city in debt, because it might be tough to pay them back.

Councilor Dawes moved that the council adopt Resolution No. 18-2011 on first and final reading.

The motion was seconded by Councilor Pope and carried unanimously.

11. **Liquor Tax Initiative.** Councilor Taylor inquired about the liquor tax initiative, wondering if it were to pass, do we know how it will affect the city monetarily. City Manager MacReynold stated he believed the city received about \$90,000 in tax revenue annually, which would obviously go away. He noted at this point they didn't know what the affect of other stores selling liquor would have on the city, with reference to sales tax.

Councilor Dawes didn't believe AWC took a stand one way or the other on the issue. He suggested the original intention of initiatives were probably very honorable, but as they've found out, well intentioned acts don't always come out to be as well intentioned as the author thought they should be.

12. **Lodging Tax Funding.** Councilor Lund stated he always thinks about the kids in our town, and how important they are to our future. He brought up the issue of the ballfields, adding if we had some help with them perhaps we could get more people here to spend their money, which would give the city more revenue to buy vehicles and equipment. Councilor Lund wondered if they shouldn't give direction to the City Manager to prepare a presentation for the LTAC to reconsider helping out more with the ballfields.

Councilor Harris noted they would first have to have a project and it would need to go before the LTAC for a recommendation before the council could act on it. He added staff made two very good presentations at the last meeting of the LTAC.

Councilor Pope agreed it would be good to look at the fund for future help with the ballfields. He reported there was a field behind Olympic School that was currently in the planning stage for soccer, football and baseball fields, and a walking path. He reported the Chehalis Foundation had invested money into that project, and suggested if the council wanted to help out that would be one project they could look also at.

Councilor Taylor stated it might be a good time to look at what the council's been asked to do, what services they've been asked to provide for the people that live here, and what things they've had to cut back on because of the economy. He suggested that giving the money away may not be the right decision and urged caution.

Councilor Harris reported the number one source of putting heads-in-beds was our sports tournaments, and the second was the Bridal Fair.

The consensus of the council was to have staff look and see what they could come up with. City Manager MacReynold stated the administration would be more than happy to look into it. He understood and agreed that the programs that bring families and kids to the area have a positive financial impact on the community.

The council continued their discussion on potential projects for the city and the possibility of reducing some of the recommendations of the LTAC, to see if they want to give those funds out in 2012 or hold them back for other purposes.

There being no further business to come before the council, the meeting adjourned at 7:36 p.m.

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Mayor

Attest:

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City Clerk

**SUGGESTED MOTION**

**I move that the council approve the minutes of the regular city council meeting of October 24, 2011.**