

PLEASE NOTE SPECIAL MEETING DATE

CHEHALIS CITY COUNCIL AGENDA

CITY HALL

350 N MARKET BOULEVARD, CHEHALIS, WA 98532

Anthony E. Ketchum Sr., District 3

Mayor

Terry F. Harris, District 1, Mayor Pro Tem

Daryl J. Lund, District 2

Dr. Isaac S. Pope, District 4

Dennis Dawes, Position at Large

Chad E. Taylor, Position at Large

Bob Spahr, Position at Large

July 15, 2013

5:00 p.m.

WORK SESSION

1. Review 2013-2015 Financial and Organization Strategies. (City Manager)

2. Discuss 2014 Possible Projects and Issues. (Council, City Manager)

THE CITY COUNCIL MAY ADD AND TAKE ACTION ON
OTHER ITEMS NOT LISTED ON THIS AGENDA

NEXT REGULAR CITY COUNCIL MEETING WILL BE ON MONDAY, JULY 22, 2013

2013-2015 Financial and Organization Strategies

<u>2013</u>	Estimated	Updated
Other Revenues		
• LTAC Funding for Recreation	\$ 28,000	\$ 69,310
• Recreation Leagues Donation	4,000	4,000
Total	\$ 32,000	\$ 73,310

Continue planning and evaluating longer range options. Implement where feasible:

- **Determine need for building official position in Community Development based upon recommendation of new director**

Status:

Administration to determine need in the future and funding feasibility. Projected cost for the position would be \$71,840.

- **Implementation of Regional Fire Authority**

Status:

On-going – Council and Regional Fire Authority Planning Committee will consider start of the functional consolidation in July 2013. Planning Committee to determine cost/benefit and feasibility of engaging in a functional consolidation. 2012-2014 analysis phase and council, board and citizen possible considerations. Implementation of consolidation, if approved by voters, possible in 2015. The council approved an interlocal agreement with Riverside Fire Authority for Fire Chief Administration and Management Services effective April 24, 2013.

- **Sale of Mitigation Credits**

Status:

On-going - \$1.2 million projected benefit, but do not expect any revenue until end of 2013 or 2014. Sale of mitigation credits will begin before the end of the year and the City is the first in line to receive revenue from the sale according to the agreement. City does need to update or amend the agreement so that the agreement is current.

- **Evaluate building space needs to identify potential savings on electricity and/or natural gas**

Status:

On-going – based upon changes in administrative needs. Consideration may need to be given to space needs based upon changes in service needs and staffing.

- **Police Department Gambling Funding ends with \$90,000 needed to maintain existing positions through 2013**

Status:

Loss of gambling funds was covered in 2013 budget through general fund revenues. Projected additional impact in 2014 is approximately \$170,000. This increase to the General Fund is very significant considering all other cost increases that are taking place with benefit coverage for employees and three union negotiations taking place.

- **Consideration of fee increases to cover actual costs to the city.**

Status:

Committee has been formed to put a proposal together for consideration in the 2015 budget. Assigned to Dennis O., Herta, Eva and Jim W.

- **Airport Ownership**

Status:

City and County workgroup are currently evaluating the possible transfer of the county's interest in the airport to the City. Legal transfer documents have been completed. Property and Title issues have been researched and completed. Financial audit by the State Auditor's Office is complete with no findings of significance. Documents, timeline and organizational structure need to be completed in preparation for presentations to the Lewis County Commission and the Chehalis City Council. City Manager will be developing a proposed organizational structure for the airport should the county commission be willing to transfer ownership to the city.

- **Annexation of South Industrial UGA**

Status:

Community Development Director is working with the City Manager to develop a five-year strategy plan to begin to implement in 2013. Once strategy plan is developed a briefing of the City Council will be prepared and take place.

UPDATE ON 2013 GOALS

Continue to maintain the fiscal viability of the city: Accomplished. The city is projecting to maintain the policy direction of the city council of 10 percent in the General Fund ending fund balance.

Continue street maintenance throughout the city: Accomplished. The city will be chip sealing 21,000 feet of pavement this summer and continues to conduct minor street repairs as needed.

Continue downtown aesthetics and infrastructure improvements: Accomplished. The Chehalis Avenue beautification and overlay project is a major infrastructure and aesthetics improvement for our Old Town. The Renaissance Team's effort working with the Community Development Department on aesthetic enhancements with reference to plantings and trees is having a positive impact. Additionally, the Chehalis Foundation funding of new Christmas decorations provided a significant visual enhancement to Old Town during the holiday season.

Continue working cooperatively with the other fire districts to explore feasibility of a Regional Fire Authority: Accomplished. The Regional Fire Authority Planning Committee and City Fire Department staffs have made significant progress towards functional consolidation. The Chehalis City Manager has hired Riverside Fire Authority Chief Jim Walkowski as the Chehalis Fire Chief to replace retired Chehalis Fire Chief Kelvin Johnson. After completion and approval of the functional consolidation ILA by the planning committee, both the Riverside Fire Authority Board and the Chehalis City Council will have to approve the ILA. The city also hired its first female firefighter and first paramedic in the 120 year history of the organization.

Continue improvements to city parks and explore ongoing funding: Accomplished. The Community Development Department continues to work towards design and improvements at Recreation Park. The Washington State Legislature in the last legislative session approved the transfer of Stan Hedwall Park to the city at no cost. A big thanks goes to Representative Richard DeBolt and Senator John Braun for their support and work to make this happen.

Continue to cooperatively work on regional flood issues: Accomplished. The city continues to take an active part in the actions of the Flood Authority through our representative Arnold Haberstroh. The Flood Authority acquired funding for flood control in the last legislative session that amounted to \$5 million and provided funding for Phase 1 improvements to the Chehalis-Centralia Airport levee. In the most recent legislative session the Legislature approved significant funding in the amount of \$28.2 million for additional flood control in the Chehalis Basin and additional necessary studies for flood retention in the next two year period.

Other major projects started in 2013

- * **Improvement of the swimming pool, including new pool building funded by the Chehalis Foundation.**
- * **Possible transfer of County's partial ownership for the Chehalis-Centralia Airport to the City of Chehalis.**
- * **Possible Tacoma Rail ownership**
- * **County-Cities cooperation and service study**
- * **Louisiana Avenue connection to Airport Road and the Mellen Street Project in Centralia.**
- * **Louisiana Avenue pump station improvement and funding agreement with the Chehalis-Centralia Airport.**
- * **Ownership of Stan Hedwall Park.**
- * **Successful completion and awarding of a bridge scour grant for the Salzer Creek Bridge on National Avenue.**

Update of Current City Financial and Operational Situation 2013 -2015

REVENUES

Since presenting the first strategy plan in 2011, the revenue situation has stabilized and recently we have seen an improvement in our sales and use tax, which is our largest source of revenue for the General Fund. All other General Fund revenues have remained relatively flat, including our property taxes, which is our second largest source of General Fund revenue. City permit fees continue to be low, from approximately \$350,000 in 2007 to approximately \$45,000 in 2012.

The council-approved utility rate increases over the next three years will help our Sewer, Water and Storm Water Funds remain sound, but will not provide enough to do any major rehabilitation in the short-term. With the apparent loss of state funding for local infrastructure, the issue of funding infrastructure improvements or rehabilitation becomes problematic for not only our city, but all local governments.

Funding for local streets continues to be an ever present challenge and state funding for local streets also appears to be diminishing, if not totally disappearing. This too is problematic for us locally. At the same time the cities of Chehalis and Centralia have been having an ongoing discussion about local funding options and plan to follow up with those discussions in early 2014.

City permits and fees are an area that has not brought in significant funds to the city over the past four to five years. At this time, and in most cases, the cost of providing the service in these areas is not being covered by the current fees and that needs careful review administratively and then a follow up discussion and consideration by the council.

EXPENSES

Local governments, and Chehalis is no different, provide services and it makes sense that the single biggest expense for the city is employee wages and benefits. Approximately 70 percent of the General Fund budget is made up of wages and benefits. Over the last several years a variety of measures have been taken to control employee related expenses. These include furloughs and a significant increase in medical insurance cost sharing for the non-represented employees, a move to a High Deductible medical plan by our IAFF employees, and no wage or COLA increases in any of our current bargaining agreements for our three union groups. While all of these steps have helped to control costs during the same period of time the cost of medical insurance has steadily increased each year, ranging from 5% to as much as a 15%, depending upon the medical plan.

Even with the reduction of force of approximately 20 percent over the past four years through lay-offs and not filling vacant positions, costs have continued to rise much faster than revenues. Further, with the last of the one time only Gambling Funds being exhausted; the Police Department will place an additional impact on the General Fund of approximately \$170,000 annually to cover wages and benefits.

Additionally, over the past five years the city has had to defer equipment replacement and facilities maintenance in order to contain costs. We are beginning to see the down side of that effort as increasing equipment and facilities work will have to be done in the near future, and some of it will have significant costs.

The city continues to face an unfunded liability associated with our 18 LEOFF 1 retirees which on its own could require the city to lay-off existing employees or cut services. This year we are projecting to spend approximately \$350,000 for required supplemental pension payments, medical premiums and reimbursement of out-of-pocket medical expenses. While none of our retirees is currently in an assisted living facility, should the situation change over the next year to five years, the city could easily be paying well over \$1 million annually just for their coverage. There are cities in Washington that are already laying employees off to cover their LEOFF1 medical costs and it is only a matter of time before we may be in that same boat.

OPERATIONS

So what does the above mean when it comes to providing services to our citizens and community when the city has not stopped providing any services? With 20 percent fewer employees, and the same or more work to be done, it means that things get done slower, less often, or only as needed or requested. Overtime is higher in those service areas where 24/7 service is provided (This applies to the Police, Fire, and Public Works Departments because of call backs and type of service). The impact on city employees from the limited training and advancement opportunities, the stress of more work and fewer resources, and no wage or salary incentive over the past two to four years has taken its toll. Additionally, more and more time and funds are being used to deal with repairs and maintenance of equipment and facilities. The wear and tear on facilities decreases their appearance and functional life in most cases. In the end, the approach the city has taken, and understandably so, is not sustainable operationally or civically in the long run.

Updated 7-11-13

WHAT IS NEXT

The hope of providing the above information is that it will prompt thinking and discussion by the city council and administration about how best to move forward next year on existing goals, projects, funding, and policy and administrative approaches. The plan and hope is that the discussion at the council workshop will set the stage for the administration to develop a two year strategy update for 2014 and 2015, and have policy guidance for development of the 2014 proposed budget that will be developed over the next few months.