

# PLEASE NOTE SPECIAL MEETING TIME

## 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

October 14, 2013

4:00 p.m.

### WORK SESSION

- |   |     |   |
|---|-----|---|
| 1. <u>Review Chehalis Municipal Code on Utility Connections for Accessory Dwelling Units, and Use of City Right-of-Way (flags, signage and banners).</u> (Community Development Director, Public Works Director, City Attorney) | --- | 1 |
|---|-----|---|

Regular Meeting of October 14, 2013

5:00 p.m.

ITEM

ADMINISTRATION  
RECOMMENDATION

PAGE

2. Call to Order. (Mayor)

3. Pledge of Allegiance. (Mayor)

### CITIZENS BUSINESS

This is an opportunity for members of the audience to address the council on matters not listed elsewhere on the agenda. Speaker identification forms are available at the door and may be given to the city clerk prior to the beginning of the meeting.

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### CONSENT CALENDAR

- |  |         |   |
|--|---------|---|
| 4. <u>Minutes of the Regular Meeting of September 23, 2013.</u> (City Clerk) | APPROVE | 4 |
| 5. <u>Vouchers and Transfers.</u> (Finance Manager)                          | APPROVE | 8 |

### ADMINISTRATION AND CITY COUNCIL REPORTS

- |  |                  |    |
|--|------------------|----|
| 6. <u>Administration Reports.</u>  |                  |    |
| a. Update on city wellness program. (Committee Chair Becky Fox)  | INFORMATION ONLY |    |
| b. Annual G.O. bond compliance update. (Finance Manager )  | INFORMATION ONLY | 10 |
| c. Update on Chehalis outdoor pool project. (Community Development Director)                               | INFORMATION ONLY | 15 |
| d. Briefing on I-502 – regulations for marijuana sales and production.<br>(Community Development Director) | INFORMATION ONLY | 16 |
| 7. <u>Council Reports.</u>   |                  |    |
| a. Councilor reports. (City Council)   | INFORMATION ONLY |    |
| b. Council committee reports. (City Council)   | INFORMATION ONLY |    |

### NEW BUSINESS

- |  |  |    |
|--|--|----|
| 8. <u>Ordinance No. 913-B, First Reading – Amending the 2013 Budget.</u> (Finance Manager)   | PASS   | 27 |
| 9. <u>Resolution No.12-2013, First and Final Reading – Adopting an Interlocal Agreement Between the City and the Association of Washington Cities Benefit Trust (the "Trust") Authorizing the City to Jointly Participate in a Self-Insured Health Care Program Administered by AWC Trustees and Authorizing the City Manager to Execute the Same.</u> (Human Resources Administrator) | ADOPT AND AUTHORIZE CITY MANAGER TO EXECUTE INTERLOCAL AGREEMENT | 32 |

**EXECUTIVE SESSION**

10. Executive Session Pursuant to RCW 42.30.110.(1)(i) – Potential Litigation.

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**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, OCTOBER 28, 2013**

**CITY OF CHEHALIS  
AGENDA REPORT**

**DATE:** October 8, 2013

**TO:** The Honorable Mayor and City Council

**FROM:** Herta Fairbanks, Public Works Director  
Dennis Osborn, Community Development Director

**SUBJECT:** Accessory Dwelling Units

**ISSUE**

The City administration has referred an amendment to the municipal code to the City's Planning Commission addressing the treatment of utilities for accessory dwelling units (ADUs) through the annual code review process. The administration identified that our code addressed utilities for ADUs in two different manners.

Currently Chapter 13 of the code (relating to public services) already requires individual utility connections for both water and sewer for ADUs. However, Chapter 17 (related to development), Appendix F holds two definitions of ADUs, one of which identifies that utilities come "from the same source and metering as the principal dwelling unit" and the second definition as "such unit receiving its utilities from the same source, but not necessarily the same metering, as the principal occupancy". This inconsistency prompted the proposal to recommend changes to the code that would make the treatment of ADUs consistent. The proposal was to remove the language in our code that indicates utilities can come from the same source as the main residence.

The Council at a prior council meeting tasked the administration to report more information on this issue and to provide potential solutions so as not to create a monetary penalty to families attempting to assist other family members. The following are three possible solutions for council consideration:

**OPTIONS**

1. As part of the conditional use permit application for an ADU, the application would require the homeowner to sign a covenant that would be recorded and would run with the land so as to require all future owners of the property to recognize that the only use for an ADU would be for family members only and not for commercial purposes in any fashion. If, down the road, the owner were to desire using the ADU for any purpose other than for family, the owner would then have to install separate utility connections to the ADU or remove the ADU since the purpose on the conditional use permit is no longer in effect;
2. Remove the current requirement for a conditional use permit by making an ADU a permitted use and revise Chapter 13 of the code to reflect an exemption for separate

utilities for ADUs.

3. Define "ADU" to clarify that it cannot be a fully self-contained single-family residence complete with kitchen and laundry facilities and receives utilities through the same source as the main residence.
4. Define "ADU" to be a fully self-contained single-family residence that receives its utilities through its own utility connections, separate from the main residence.

### **DISCUSSION**

The administration will be present for the workshop to discuss in detail the three options listed and answer questions. The administration is seeking policy and code guidance from the Council on this topic.

### **RECOMMENDATION**

No Recommendation at this time.

### **SUGGESTED MOTION**

For information only and direction from the Council.

Reviewed:  \_\_\_\_\_, City Manager

**CITY OF CHEHALIS  
AGENDA REPORT**

**DATE:** October 14, 2013  
**TO:** The Honorable Mayor and City Council  
**FROM:** Dennis Osborn – Community Development Director  
**SUBJECT:** 2013 Right-of-Way Signs

**ISSUE**

The City administration has been asked by the council to look at signs, flags banners, etc. to be allowed within the right-of-way. Currently the municipal code deals with signs in the right of way within 300 feet of National and Kresky, Chapter 12 of the Municipal Code deals with signs, and flags in the right-of-way are dealt with through a right-of-way permit. The Council at its last meeting tasked the administration to report at the next council meeting on the issue of allowing the placement of commercial signage, banners and flags in the right-of-way and the potential impacts of allowing these uses in the city right-of-way. The following are three possible options for council consideration:

**OPTIONS**

1. Currently the sign code allows off premise signs within 300 feet of Kresky and National. Simply amend the code to state the following: “and within the roundabouts on Louisiana Avenue.”
2. Utilize the right-of-way permit section of the municipal code to review applications of signs in the right-of-way and establish clear policy direction for review.
3. Prohibit signs in the right-of-way.

**DISCUSSION**

The administration will be present for the workshop to discuss the three options listed in detail and answer questions. The administration is seeking policy and code guidance from the Council on this long standing topic.

**RECOMMENDATION**

No recommendation at this time.

**SUGGESTED MOTION**

For information only and direction from the Council.

Reviewed:  \_\_\_\_\_, City Manager

September 23, 2013

The Chehalis city council met in regular session on Monday, September 23, 2013, in the Chehalis city hall. Councilor Pope called the meeting to order at 4:46 p.m. with the following council members present: Daryl Lund, Chad Taylor, and Dennis Dawes. Mayor Ketchum, Mayor Pro-tem Harris and Councilor Spahr were absent (excused). Staff present included Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Judy Schave, City Clerk; Glenn Schaffer, Police Chief; and Dennis Osborn, Community Development Director.

1. **Appoint Chairman Pro-tem.** With Mayor Ketchum and Mayor Pro-tem Harris both absent, Councilor Dawes nominated Councilor Pope to oversee the meeting as Chairman Pro-tem. The nomination was seconded by Councilor Taylor and approved unanimously.

2. **Executive Session.** Chairman Pro-tem Pope closed the regular meeting at 4:47 p.m. and announced the council would be in executive session pursuant to RCW 42.30.110(1)(i) – potential litigation for approximately 15 minutes and there would be no decision following conclusion of the executive session.

Chairman Pro-tem Pope closed the executive session at 5:04 p.m. and announced the council would take a short recess and reopen the regular meeting at 5:07 p.m. Members of the media included Kyle Spurr from *The Chronicle*.

3. **Citizen Business.** Celeste Ayy, (1017 W. Main Street) from Possibilities Pregnancy Center, invited the council and community to attend their Mystery Dessert Theater event on Saturday, October 5 from 6:30 to 9:00 p.m., at the Centralia Community Church. She noted the proceeds would go to support the needs of women and children in the community.

4. **Louisiana Avenue Roundabout.** Heidi Pehl (1950 NW Louisiana Avenue) reported, when the city started the construction of the Louisiana Avenue roundabout near I-5 Toyota, Airport Manager Allyn Roe suggested she approach the city to talk about the landscaping of the roundabout. She approached city staff to let them know I-5 Toyota would like to take on the design, installation and maintenance of the landscaping in the roundabout in exchange for the use of the roundabout for advertising purposes. Ms. Pehl stated, as part of their proposal, they would ask that the city consider changing its ordinance to allow for advertising on city right-of-way.

Ms. Pehl reported she recently met with city staff and was informed that the city had already designed the landscape for the roundabout. She appreciated that the city asked her to look at the design; however, she is not a landscape person and it would be a waste of city time and hers to say whether it was a good design, or not.

Councilor Lund stated he was the one who asked Ms. Pehl to attend the meeting because he loved her idea. He also loved that we have businesses that care enough about the city that they want to work together to help us save where we can. Councilor Lund believed I-5 Toyota did a lot for our community and he was supportive of Ms. Pehl's proposal.

Councilor Dawes reported he had responded to Ms. Pehl's original email and was under the impression that city staff would be working with I-5 Toyota on it. He was very disappointed that staff didn't.

Councilor Dawes stated he wasn't totally in favor of allowing carte blanche advertising on city property; however, he believed there was a precedent already set with the traffic circle on West Street that advertises the Westside neighborhood. He felt the city would be very short-sided if we didn't do something with Ms. Pehl's proposal, adding we would be shooting ourselves in the foot if we didn't work with people who are willing to invest in our city. Councilor Dawes stated if the city wants to do it themselves, he does not want to hear from staff that we have more work than we have people during the budget presentations this year.

Councilor Dawes reported the city is receiving a direct benefit from the development in that area and didn't want the message to be, "Don't come to Chehalis to development because the city isn't willing work with you." He noted we've had the reputation of being the easiest to work with in this area for a long time, and he did not want that to change. Councilor Dawes stated he supported the concept proposed by Ms. Pehl, as he would with anyone who invests as much as our businesses do.

Ms. Pehl stated, if the city is interested in pursuing it, they would be happy to review their plans with city staff to make sure they meet the city's approval.

September 23, 2013

Chairman Pro-tem Pope asked, "What would prevent someone else from doing the same thing somewhere else in the city?"

City Attorney Hillier stated the administration needs direction from the council because staff can't make the decision to arbitrarily let a business take over public property. He noted up until this discussion, staff has been under the direction that we take care of our own property; however, if the council wants to lease out a public right-of-way for the purpose of maintenance and beautification they can direct staff to bring back a proposal to amend the ordinance to do that. City Attorney Hillier suggested it could be done through a lease agreement or license to use public property.

Chairman Pro-tem Pope stated the rules need to be stated very clearly on how it will be done and what the consequences will be. He indicated he thought Ms. Pehl's idea was a good one.

Councilor Taylor asked if the city could work with Ms. Pehl on putting together a concept of what the roundabout could potentially look like.

Ms. Pehl suggested I-5 Toyota could design it, and if the council decides it isn't something they want, the city could design it and I-5 Toyota could install and maintain it in exchange for signage that's acceptable to the city. She noted they would be agreeable of having parameters on the type of signage the city is comfortable with.

Ms. Pehl stated they originally wanted to install flags along the street to welcome people to I-5 Toyota, but were told by city staff that it would violate the city ordinance of advertising on the city's right-of-way.

Councilor Taylor stated he wanted to get the issue handled a lot faster than it's been handled.

City Manager MacReynold stated they first needed to look at the code and bring something back to the next meeting for the council to consider. In the meantime, it sounded like Ms. Pehl already had a plan and the city could introduce that into the process to look at how it might match up with what the administration brings back.

Chairman Pro-tem Pope reported there were other businesses in that same area and asked what would happen if they all want to put something in the roundabout.

City Attorney Hillier stated if they create a license process, it would be no different than having the ability to name Century Link Field anything other than Century Link.

Ms. Pehl stated it was her understanding that it would be limited to the roundabout. Mr. Hillier stated that was correct, adding they would create a license to have exclusive rights to maintain, create, and operate it. Ms. Pehl asked if the city would need to put a term on the license. City Attorney Hillier suggested they would all need to meet and talk about it.

Councilor Lund stated he had heartburn over making Ms. Pehl go through all of this, adding he could probably go through town and find a number of signs on city right-of-way that staff's not doing anything about. He was kind of glad that we don't enforce it because the realtors who are trying to sell homes need to have their signs out where they can be seen. Councilor Lund stated it appears the city is letting everyone else just do it, while making Ms. Pehl go through a process to do it.

Ms. Pehl stated she didn't get that impression.

Chairman Pro-tem Pope stated he somewhat disagreed with Councilor Lund.

Councilor Taylor stated at one time they looked at having hardware installed on the light poles for banners and flags. He noted the city of Centralia did something similar that was paid for by donations from businesses. Councilor Taylor stated it would be nice to see if we can figure out how to get something similar done here.

Councilor Dawes agreed, noting it would be a great thing for the community.



September 23, 2013

Ms. Pehl thought the banners in Centralia were really nice and believed business owners would be very supportive, especially when talking about youth and community pride.

Councilor Dawes stated the message he would like to see come out of the discussion is that when we get good ideas that make sense, rather than just saying it conflicts with our ordinances, maybe we can look at how to make it work.

City Manager MacReynold thought it was important to recognize that the council tends to only hear about the times when staff says "no," and not so much about all of the times we work with people to get things done. He believed city staff works very hard and tries to get things done with a positive attitude. City Manager MacReynold also recognized there are times when perhaps we're not as responsive, and that's when the council gets the calls.

Chairman Pro-tem Pope thanked Ms. Pehl for attending the meeting.

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

- a. Minutes of the regular meeting of September 9, 2013; and
- b. Claim Vouchers No. 107100-107214 and Electronic Funds Transfer No. 82013 in the amount of \$385,379.54 dated September 13, 2013.

The motion was seconded by Councilor Taylor and carried unanimously.

6. **Administration Reports.**

a. **August Financial Report.** City Manager MacReynold reported, with the exception of property taxes, the August financials were looking good. He noted the city tends to get a large payment for property tax from the county in November.

b. **Shorelines Update.** Community Development Director Dennis Osborn reported the Chehalis Planning Commission met the previous week on the shoreline work, and on Tuesday the Technical Advisory Committee met. He noted the consultant doing the facilitation for all of the jurisdictions in Lewis County would be starting the public meeting process with the people who have interests within the shoreline.

Mr. Osborn reported the open house for Chehalis is scheduled for Tuesday, October 8, at 6 p.m., in the Chehalis city hall. He noted they would primarily be going over the shoreline inventory that the consultant has done, adding a mailing regarding the meeting would be sent to property owners within a day or two.

7. **Council Reports.**

a. **Update From Councilor Dawes.** Councilor Dawes reported he attended the Olympia Master Builders Candidates Night last week, noting it was the first time he met with that group. He stated the highlight of the meeting was sprinkling systems. Councilor Dawes let them know that Chehalis is probably not going to be looking at residential sprinkling, which met with a lot of positive comments.

Councilor Dawes reported he attended the Business After Hours at the Chamber of Commerce, sponsored by Costco. He also had a chance to attend the ARTrails gala event last Friday, adding they had some interesting art on display.

Councilor Dawes reported the Regional Fire Authority Planning Committee meeting had been cancelled because the draft interlocal agreement was still in the attorney's office. The next committee meeting is scheduled for October 16.

b. **Update From Chairman Pro-tem Pope.** Chairman Pro-tem Pope gave a brief report on the Lewis County Autism Coalition. He noted there was a group of agencies in our community that have come together to try to do something about autism and other behavioral issues that kids in our community are dealing with. Chairman Pro-tem Pope reported they would be having their 3<sup>rd</sup> Annual Conference here in Lewis County on October 11 at the Bethel Church in Chehalis.

September 23, 2013

c. **Comments From Councilor Lund.** Councilor Lund thought Chairman Pro-tem Pope did a wonderful job running the meeting and looked forward to the next time he runs it.

8. **Lodging Tax Advisory Committee (LTAC) Membership Appointment.** Chairman Pro-tem Pope stated the city was recently made aware of a vacancy on the LTAC. He noted, in order to comply with state law, the vacancy must be filled prior to the LTAC meeting on October 7 to review the 2014 tourism funding applications. Chairman Pro-tem Pope noted the city received an application from Michel Rey from the Best Western, requesting appointment to the committee.

Councilor Taylor moved that Michel Rey be appointed to the city's Lodging Tax Advisory Committee.

The motion was seconded by Councilor Lund and carried unanimously.

There being no further business to come before the council, the meeting adjourned at 5:36 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 September 23, 2013.**

**CITY OF CHEHALIS**  
**AGENDA REPORT**

DATE: September 30, 2013  
TO: The Honorable Mayor and City Council  
FROM: Eva Lindgren, Finance Manager   
PREPARED BY: Michelle White, Accounting Tech II   
SUBJECT: Vouchers and Transfers

ISSUE

Council approval is requested of the following financial transactions:

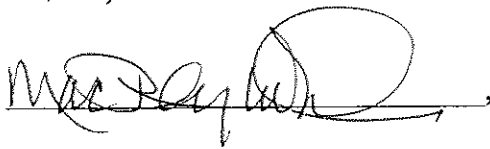
Claim Vouchers No. 107215 through 107334 in the amount of \$175,247.93 dated September 30, 2013 and the transfer of \$42,141.28 from the General Fund, \$88,025.30 from the Federal & State Grants Fund, \$32,296.25 from the Wastewater Fund, \$11,228.36 from the Water Fund, \$425.06 from the Storm & Surface Water Utility Fund, \$837.44 from the Firemen's Pension Fund and \$294.24 from the City Agency Fund.

RECOMMENDATION/COUNCIL ACTION DESIRED



The administration recommends that the council approve the September 30, 2013 Claim Vouchers No. 107215 through 107334 in the amount of \$175,247.93.

SUGGESTED MOTION

I move to approve the September 30, 2013 Claim Vouchers No. 107215 through 107334 in the amount of \$175,247.93.

Reviewed by: , City Manager

**CITY OF CHEHALIS**  
**AGENDA REPORT**

DATE: September 30, 2013  
TO: The Honorable Mayor and City Council  
FROM: Eva Lindgren, Finance Manager   
PREPARED BY: Michelle White, Accounting Tech II   
SUBJECT: Payroll Vouchers and Transfers

ISSUE

Council approval is requested of the following financial transactions:

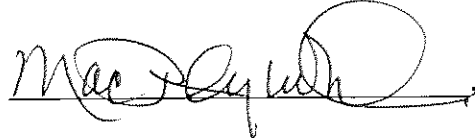
Payroll Vouchers No. 36864 through 36936, Direct Deposit Payroll Vouchers No. 4364 through 4442, and Electronic Federal Tax Payment No. 128 dated September 30, 2013 in the amount of \$674,641.06, and the transfer of \$475,965.08 from the General Fund, \$7,419.66 from the Arterial Street Fund, \$7,232.18 from the Gambling Enforcement Fund, \$834.76 from the Garbage Fund, \$72,267.35 from the Wastewater Fund, \$84,390.44 from the Water Fund, \$23,356.34 from the Storm & Surface Water Utility Fund and \$3,175.25 from the Firemen's Pension Fund.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council approve the September 30, 2013 Payroll Vouchers No. 36864 through 36936, Direct Deposit Payroll Vouchers No. 4364 through 4442, and Electronic Federal Tax Payment No. 128 in the amount of \$674,641.06.

SUGGESTED MOTION

I move to approve the September 30, 2013, Payroll Vouchers No. 36864 through 36936, Direct Deposit Payroll Vouchers No. 4364 through 4442, and Electronic Federal Tax Payment No. 128 in the amount of \$674,641.06.

Reviewed by: , City Manager

**CITY OF CHEHALIS  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council  
**FROM:** Eva K. Lindgren, Finance Manager  
**DATE:** September 25, 2013  
**SUBJECT:** Annual G.O. Bond Compliance

**ISSUE**

With the Issuance of the City of Chehalis' Limited Tax General Obligation Bonds, 2011, the City agreed to adhere to federal regulations and its own Debt Management and Post-Issuance Compliance (DMPi) Policy. The City Council has tasked the Administration with providing annual reporting, at a minimum, on its compliance with federal requirements relating to bond issuances.

Below is the section from the City's DMPi Policy which addresses post-issuance compliance relating to reporting. The City is required to submit financial information annually. Unaudited financial information is acceptable. Unaudited financial information was submitted on September 25, 2013 and evidence of successful submission is attached.

Upon issuance of the City's audited financials, these must also be uploaded to the Municipal Securities Rulemaking Board (MSRB) via the Electronic Municipal Market Access (EMMA) system. The City of Chehalis' audited financials are expected to be issued by the State Auditor's Office in mid-October. Following their submission to the MSRB, and agenda report will be provided to the City Council confirming their successful submission.

**DISCUSSION**

**IV. POST-ISSUANCE COMPLIANCE FOR TAX-EXEMPT BONDS**

3. Compliance Check Activities and Frequency. As the officer of the City with the operational responsibility of monitoring compliance with post-issuance federal tax requirements for the bonds, the Finance Manager shall, at least every 12 months so long as the bonds remain outstanding: ...

(c) confirm the City's compliance with its undertaking to provide bondholders with annual financial information and timely notice of the occurrence of certain events, as set forth in the ordinance authorizing the issuance of the bonds.

*Since the City operates on a calendar year, it is required to file its annual financial information by September 30th - nine months after year-end. The City submitted its unaudited financial statements and other required financial disclosures on September 25, 2012 to the MSRB via the EMMA system. Confirmation of successful submission is attached.*

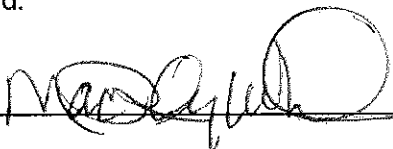
The Administration will be available to respond to any questions the City Council may have.

**RECOMMENDATION / COUNCIL ACTION DESIRED**

Informational only.

**SUGGESTED MOTION**

None required.

Reviewed by  City Manager



Submission ID:ER574111  
09/25/2013 12:38:11

**CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)**

**FINANCIAL/OPERATING FILING (CUSIP-9 BASED)**

**Rule 15c2-12 Disclosure**

Annual Financial Information and Operating Data: City of Chehalis - Unaudited 2012 Financials, for the year ended 12/31/2012

**DOCUMENTS**

**Financial Operating Filing**

City of Chehalis - Unaudited 2012 Financials.pdf posted 09/25/2013

**THE FOLLOWING ISSUERS ARE ASSOCIATED WITH THIS CONTINUING DISCLOSURE SUBMISSION:**

| CUSIP-6 | State | Issuer Name   |
|---------|-------|---------------|
| 163087  | WA    | CHEHALIS WASH |

**THE FOLLOWING 5 SECURITIES HAVE BEEN PUBLISHED WITH THIS CONTINUING DISCLOSURE SUBMISSION:**

| CUSIP-9   | Maturity Date |
|-----------|---------------|
| 163087AA7 | 12/01/2014    |
| 163087AB5 | 12/01/2017    |
| 163087AC3 | 12/01/2021    |
| 163087AD1 | 12/01/2024    |
| 163087AE9 | 12/01/2026    |

**Issuer's Contact Information**

Company: City of Chehalis  
Name: Eva Lindgren

**Obligor's Contact Information**

Company: Fiduciary Communications Company  
Name: EZ DISCLOSE

Address: 1321 S. Market Blvd.  
City, State Zip: Chehalis, WA 98532  
Phone Number: 3603453231  
Email: elindgren@ci.chehalis.wa.us

Address: ONE STATE STREET PLAZA  
City, State Zip: NEW YORK, NY 10004  
Phone Number: 2128038600  
Email: ezdisclose@sourcemediacom

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Submission ID:ER574268  
09/25/2013 15:53:42

**CONTINUING DISCLOSURE (SUBMISSION STATUS: PUBLISHED)**

**FINANCIAL/OPERATING FILING (CUSIP-9 BASED)**

**Rule 15c2-12 Disclosure**

Annual Financial Information and Operating Data: City of Chehalis Continuing Disclosures - 2012, for the year ended 12/31/2012

**DOCUMENTS**

**Financial Operating Filing**

Continuing Disclosure for Chehalis - 2012.pdf posted 09/25/2013

**THE FOLLOWING ISSUERS ARE ASSOCIATED WITH THIS CONTINUING DISCLOSURE SUBMISSION:**

| CUSIP-6 | State | Issuer Name   |
|---------|-------|---------------|
| 163087  | WA    | CHEHALIS WASH |

**THE FOLLOWING 5 SECURITIES HAVE BEEN PUBLISHED WITH THIS CONTINUING DISCLOSURE SUBMISSION:**

| CUSIP-9   | Maturity Date |
|-----------|---------------|
| 163087AA7 | 12/01/2014    |
| 163087AB5 | 12/01/2017    |
| 163087AC3 | 12/01/2021    |
| 163087AD1 | 12/01/2024    |
| 163087AE9 | 12/01/2026    |

**Issuer's Contact Information**

Company: City of Chehalis  
Name: Eva Lindgren

**Obligor's Contact Information**

Company: Fiduciary Communications Company  
Name: EZ DISCLOSE



Address: 1321 S. Market Blvd.  
City, State Zip: Chehalis, WA 98532  
Phone Number: 3603453231  
Email: elindgren@ci.chehalis.wa.us

Address: ONE STATE STREET PLAZA  
City, State Zip: NEW YORK, NY 10004  
Phone Number: 2128038600  
Email: ezdisclose@sourcemediacom

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**CITY OF CHEHALIS  
AGENDA REPORT**

**Date:** October 14, 2013  
**To:** The Honorable Mayor and City Council  
**From:** Dennis Osborn, Community Development Dir.  
**Subject:** Pool Update on Grants and Bid

**Issue**

The Chehalis Foundation has undertaken, in cooperation with the City, the renovation of the municipal pool. Originally, this project was going to be a simple renovation involving replacement of mechanical equipment. However, as support grew for the idea of renovating the pool, the project has blossomed into a full renovation of the facility including enhancement of aquatic toys and a zero depth pool. In order to accomplish this broader vision of renovating the pool, the Foundation has called upon donors to make this project possible. In addition, the project has received grants and the Foundation and staff has been working through this and now it appears we are ready to go to bid.

**Discussion**

This is informational for Council on project status. The Foundation will be present to discuss.

**Recommendation**

No recommendation at this time.

**Suggested Motion**

No motion for this update.

Reviewed:  \_\_\_\_\_, City Manager

**CITY OF CHEHALIS  
AGENDA REPORT**

**DATE:** October 14, 2013  
**TO:** The Honorable Mayor and City Council  
**FROM:** Dennis Osborn, Community Development Dir.  
**SUBJECT:** Marijuana Regulation Options

**ISSUE**

In fall of 2012, the voters of the state passed I-502 making it legal to sell, grow and process marijuana. Subsequently the President has stated that the Federal Government (the Justice Dept.) will not prosecute cases where states had passed laws making marijuana use and production legal.

“**Washington (CNN)** -- The Justice Department said it won't challenge state laws that legalize marijuana and will focus federal enforcement on serious trafficking cases and keeping the drug away from children. Attorney General Eric Holder, in a conference call Thursday morning, notified the governors of Colorado and Washington that the department, for now, will not seek to pre-empt those states' laws, which followed voters' approval of ballot measures that legalized recreational marijuana use. Marijuana will remain illegal under the federal Controlled Substances Act. But a department memo to federal prosecutors tightened federal marijuana prosecution standards....”

It should be noted that this is a Presidential Administration decision as opposed to a new Federal law. Meaning a new President could change how the Presidential Administration will handle this issue.

This work session is to brief council on issues facing the city at the policy level. This memo looks at the issue from a land use perspective with legal review while recognizing state and federal laws/administration framing the city's options.

**FAQ**

At our state level, the Washington State Liquor Control Board set rules for licensing the sale and processing of marijuana. **IT SHOULD BE NOTED THAT CHEHALIS IS PERMITTED ONLY 1 RETAIL FACILITY.** A summary of FAQ's is presented below from the Washington State Liquor Control Board website:

**Retail Stores**

**Q: Are there restrictions on where I can set up a store?**

**A:** You cannot set up a store within 1000 feet of any elementary or secondary school, playground, recreation center or facility, child care center, public park, public transit center, library, or game arcade that allows minors to enter. Local authorities will also be notified and have an opportunity to object.

**Q: Will the retail outlets be run by the state?**

**A:** Stores will be licensed and regulated by the WSLCB but will be private-sector businesses.

**Q: Can I incorporate marijuana sales into my existing business?**

**A:** No. The initiative is clear that retail outlets may only sell marijuana, marijuana infused products and marijuana paraphernalia.

**Q: Can customers smoke in a retail store?**

**A:** No. On-premise consumption is not allowed under Initiative 502.

**Q: Are there any restrictions on advertising?**

**A:** Retailers are limited to one 1,600 square inch sign bearing their business/trade name. They cannot put products on display to the general public such as through window fronts. No licensee can advertise marijuana/infused product in any form or through any medium whatsoever within 1,000 ft. of school grounds, playgrounds, child care, public parks, libraries, or game arcades that allows minors to enter. Also, you can't advertise on public transit vehicles/shelters or on any publicly owned or operated property.

**Q: Will non-Washington residents be able to purchase marijuana?**

**A:** Yes, but the marijuana products are to be consumed in Washington.

## **Federal Government**

**Q: What is the federal government going to do?**

**A:** On August 29, 2013 Attorney General Eric Holder called both Governors Jay Inslee and John Hickenlooper (Colorado) to outline the federal government's guidance on legalized marijuana. That guidance was also outlined in a memo which focuses on eight points of federal emphasis such as youth access and public safety which the LCB's proposed rules address. While the memo does not change federal law it does state that marijuana businesses that abide by all state regulations will not be subject to federal prosecution. The Governor's office is maintaining an open dialogue with the federal government and the WSLCB is moving forward to carry out the expectations of the agency under the new law.

**Q: Since marijuana is legal in Washington can the federal government still prosecute me?**

**A:** Yes. I-502 does not preempt federal law. Presently Washington State residents involved in marijuana production /retailing could still be subject to prosecution if the federal government chooses to do so.

**Q: Can the federal government confiscate my assets?**

**A:** Yes. Confiscation of assets is one of the enforcement tactics available to federal authorities.

**Q: What about industrial hemp? Does this create a new market for hemp products?**

**A:** No. I-502 is focused on legalizing the recreational use of marijuana. I-502 modifies the definition of "marijuana" to include only cannabis greater than 0.3 percent THC concentration. Cannabis under this limit – industrial hemp – is not treated as recreational "marijuana."

## **PRODUCTION**

- The rules for location of retail apply to production ( per phone conversation with WSLCB 9/23/2013)
- State regulates license and fees
- Number of permits (no more than 3 facilities per license)
- All applicants have a background check
- Facility alarmed, and security cameras
- Product has to be traceable
- Mandatory signage and labeling on transported product

## **Medical Marijuana**

*Note: I-502 does not address medical marijuana. The state does not currently license or regulate medical marijuana outlets. I-502 does not change how or where they operate.*

## **Options**

- A. Do nothing (allow under current rules – the licensing would be by state, we changed no laws to allow or deny)
- B. Ban sale, growing and processing (since the federal position is based on Presidential direction as opposed to Federal law, a new president could change the Federal direction)
- C. Ban growing and processing but allow sale (allow sales per state law, but ban growing and production as it may conflict with another state law)

**Option A:** Under this option retail sales for marijuana would fall under the allowed use of Retail Sales in the zoning code and be allowed in the GC zone subject to the state rules of 1,000 feet from places where kids are and the state sign requirements. Production and processing would be allowed under the current code that allows for hemp production and manufacturing in the Light Industrial zone.

Under this option, the city would neither be in violation of state law by prohibiting sales production and processing of marijuana, nor would the city be in violation of Federal law by passing laws that allow sales and production. Note in the question section above the answer to the question: “Q: Since marijuana is legal in Washington can the federal government still prosecute me?”

A: Yes. I-502 does not preempt federal law. Presently Washington State residents involved in marijuana production /retailing could still be subject to prosecution if the federal government chooses to do so. “

Under option A, The City would just be interpreting the municipal code that already exists and allows retail shops in the GC and hemp production in the IL zone.

Below is the use chart from the zoning code that shows permitted retail use within the General Commercial zone.

| Zone                |   | GC          |   |   |   |   |   |   |   |   |   |   |   |
|---------------------|---|-------------|---|---|---|---|---|---|---|---|---|---|---|
| (large merchandise) | 5/1,000 GSF                               | X           | X | X | X | X | A | X | P | P | P | A | A |
| M011                | Other retail store over 5,000 square feet | 5/1,000 GSF | X | X | X | X | X |   | X | P | P | P | X |
| M041                | Paint store over 5,000 square feet        | 5/1,000 GSF | X | X | X | X | X | X | X | P | P | P | X |
| M081                | Pawnshop                                  | 5/1,000 GSF | X | X | X | X | X | X | X | P |   | C | X |
| M078                | Retail store 1,000 square feet or less    | 5/1,000 GSF | X | X | X | X | A | P | P | P | P | A | A |
| M073                | Retail store 1,001 to 5,000 square feet   | 5/1,000 GSF | X | X | X | X | A | C | C | P | P | A | A |

So, Retail in the GC zone is allowed

| Zone                   |  | IL IH       |   |   |   |   |   |   |   |   |   |   |   |   |
|------------------------|--|-------------|---|---|---|---|---|---|---|---|---|---|---|---|
| manufacturing facility | 3/1,000 GSF                                | X           | X | X | X | X | X | X | X | X | X | X | C | P |
| F122                   | Hemp fiber processing/fabrication facility | 3/1,000 GSF | X | X | X | X | X | X | X | X | X | X | P | P |

So in the IL and IH zone Hemp Fiber processing and fabrication is permitted

**Option B:** Under this option the City would not permit production, processing or sale of marijuana. This would place the city in a position of taking the opposite stand than the state and a voter approved initiative. The flip side is the City would not be exposed in violation of Federal law. Although the Justice Dept. has stated they will not prosecute, again the Federal position is by this Presidential Administration and does not change the Federal laws since Congress did not vote and change law. A new President may take a different approach.

**Option C:** Under this option the City would allow retail sales the same as in option A, but prohibit production and processing by taking the position that this falls under Agricultural land of long term significance. Washington States Growth Management Act only allows Agricultural lands of long term significance within rural areas and not within cities.

**RCW 36.70A.060(4)**

(4) Forest land and agricultural land located within urban growth areas shall not be designated by a county or city as forest land or agricultural land of long-term commercial significance under RCW 36.70A.170 unless the city or county has enacted a program authorizing transfer or purchase of development rights

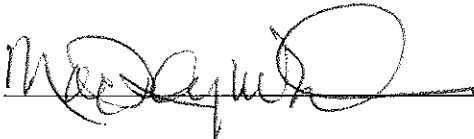
(2) "Agricultural land" means land primarily devoted to the commercial production of horticultural, viticultural, floricultural, dairy, apiary, vegetable, or animal products or of berries, grain, hay, straw, turf, seed, Christmas trees not subject to the excise tax imposed by \*RCW 84.33.100 through 84.33.140, finfish in upland hatcheries, or livestock, and that has long-term commercial significance for agricultural production.

**RECOMMENDATION**

The administration is recommending option A. This option does not place the City in conflict with either Federal or State Laws and the State regulates the activity. With this option, Council would simply need to repeal the existing moratorium.

**SUGGESTED MOTION**

I move that the council follow Option A and do nothing as outlined in the agenda report, and repeal the existing moratorium approved on March 11, 2013.

Reviewed by:  \_\_\_\_\_, City Manager



# Washington State Liquor Control Board

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## Proposed Rules Highlights

Revised: September 16, 2013

### LCB Rulemaking Objective

- o Creating a tightly controlled and regulated marijuana market;
- o Including strict controls to prevent diversion, illegal sales, and sales to minors; and
- o Providing reasonable access to products to mitigate the illicit market.

### LCB Role and Responsibility

- o Ensuring public safety is the top priority;
- o Creating a three-tier regulatory system for marijuana;
- o Creating licenses for producers, processors, and retailers;
- o Enforcing laws and rules pertaining to licensees; and
- o Collecting and distributing taxes.

### Timeline

|                   |  |
|-------------------|--|
| December 6, 2012  | Effective date of new law  |
| September 4, 2013 | File Supplemental CR 102 with revised proposed rules                           |
| October 9, 2013   | Public hearing(s) on proposed rules (time and location TBD)                    |
| October 16, 2013  | Board adopts or rejects proposed rules (CR 103)                                |
| November 16, 2013 | Rules become effective   |
| November 18, 2013 | Begin accepting applications for all three licenses (30-day window)            |
| December 1, 2013  | Deadline for rules to be complete (as mandated by law)                         |
| December 18, 2013 | 30-day window closes for producer, processor and retailer license applications |

## Proposed Rules Highlights

### License Requirements

- **30-day Window**
  - o The LCB will open registration for all license types for a 30-calendar-day window (November 18, 2013)
  - o LCB may extend the time or reopen application window at its discretion
- **State Residency Requirement**
  - o I-502 requires a three month state residency requirement (all license structure types)
- **Background Checks**
  - o Personal criminal history completed by applicant. Risk of license forfeiture if incomplete or incorrect.
  - o Fingerprinting of all potential licensees
  - o Background checks of license applicants and financiers
- **Point System**
  - o The LCB will apply a disqualifying point system similar to liquor
  - o All applicants must disclose all arrests and/or convictions
  - o Non-disclosure of arrests regardless of conviction will result in point accumulation

September 16, 2013



- **License Limits**
  - Licensed entity or principals limited to three producer licenses
  - Licensed entity or principals limited to three processor licenses
  - Licensed entity or principals limited to three retail licenses. Multiple-location licensees not allowed to hold more than 33 percent of the allowed licenses in any county or city.
  
- **Production Limits**
  - The maximum amount of space for marijuana production is limited to two million square feet.
  - Applicants must designate on their operating plan the size category of the production premises and the actual square footage in their premises that will be designated as plant canopy. There are three categories:
    - Tier 1: Less than 2,000 square feet;
    - Tier 2: 2,000 square feet to 10,000 square feet;
    - Tier 3: 10,000 square feet to 30,000 square feet.
  - The LCB may reduce a licensee's or applicants' square footage designated to plant canopy for the following reasons:
    - If the total amount of square feet for production of all licensees exceeds the two million square feet maximum, the LCB will reduce the allowed square footage by the same percentage.
    - If 50 percent production space used for plant canopy in the licensee's operating plan is not met in the first year of operation, the board may reduce the tier of licensure.
    - If the total amount of square feet of marijuana production exceeds two million square feet, the LCB may reduce all licensees' production by the same percentage or reduce licensee production by one or more tiers by the same percentage.
  
- **Maximum Allowable Amount on Licensed Location**
  - Producer license
    - Outdoor or greenhouse: 125 percent of its year's harvest
    - Indoor: six months of its annual harvest
  - Processor license
    - Six months of their average useable marijuana (plant material); and
    - Six months average of their total production (finished product).
  - Retailer license
    - Four months of their average inventory
  
- **Licensed Location: 1'000 foot Measurement\***
  - Distance will be measured ~~along the most direct route over or across established public walks, streets, or other public passageway between the proposed building/business location to the perimeter of the grounds of:~~ an elementary or secondary school, playground, recreation center or facility, child care center, public park, public transit center, library or arcade where admission is not restricted to those age 21 and older.

**\*Important Note Regarding the 1,000 foot Measurement:** The LCB will file an emergency rule on October 16, 2013, that will revise the current language regarding the 1,000' buffer. The language in the emergency rule will state: "The distance shall be measured as the shortest straight line distance from the property line of the licensed premises to the property line of an elementary or secondary school, playground, recreation center or facility, child care center, public park, public transit center, library or arcade where admission is not restricted to those age 21 and older."

September 16, 2013

- **Costs and Fees**
  - \$250 application fee
  - \$1,000 annual renewal fee
  - Additional fees for background check and filing for local business license
- **Taxes**
  - License applicants must submit a signed attestation that they are current on taxes owed to the Washington State Department of Revenue
- **Insurance**
  - Licensees are required to carry commercial liability insurance.

## **Public Safety**

- **Producer Structures**
  - Rules allow producer operations in secure: indoor and outdoor grows as well as greenhouses
- **Traceability**
  - LCB will employ a robust and comprehensive traceability system (software) that will trace product from seed/clone to sale.
  - LCB enforcement can match records to actual product on hand
- **Background Checks**
  - Personal criminal history form
  - Fingerprinting of all potential licensees
  - Background checks of licensees and financiers
- **Point System**
  - LCB will apply a disqualifying point system similar to liquor (exceptions for possession)
- **Violation Guidelines / Standard Administrative Procedures Act Guidelines**
  - \$1,000 criminal penalty for sales to a minor
  - Sets strict tiered system of violation record over a three year period
    - Group 1 public safety:
      - First violation: 10 day suspension or \$2,500
      - Second violation: 30 day suspension
      - Third violation: license cancellation
- **Local Authority Objections**
  - Substantial weight will be given to a local authority during the renewal process based upon chronic illegal activity associated with the licensee's operation of the premises.
- **Child Resistant Packaging**
  - Specific requirements for marijuana and marijuana-infused products in solid and liquid forms
- **Security and Safeguards**
  - Alarm and surveillance video camera requirements (including minimum pixels and lockbox encasement)

September 16, 2013

- Strict transportation and record keeping requirements (no third party transport of product)
  - Hours of operation limited to 8:00 a.m. to 12:00 a.m.
- **Advertising Restrictions**
    - Law restricts advertising within 1,000 feet of schools, public parks, transit centers, arcades, and other areas where children are present.
    - May not contain statements or illustrations that are false or misleading, promotes overconsumption, represents that it has curative or therapeutic effects, depicts a child or may be appealing to children
    - All advertising must contain two statements: a: "This product has intoxicating effects and may be habit forming." And, b) "Marijuana can impair concentration, coordination, and judgment. Do not operate a vehicle or machinery under the influence of this drug."
- **Limits on Retail Stores**
    - Total number of retail outlets limited to 334 statewide
    - LCB to provide advance notice to local authority
    - Per I-502, LCB to determine number of retail outlets per county
      - BOTEK Analysis Corporation provided initial county consumption levels
      - Retail stores allocation proportionate to population and consumption

## **Consumer Safety**

- **Behind the Counter Storage**
  - No open containers or handling of product
  - Sniff jars with sealed, screened-top lids allowed
- **Strict Packaging and Label Requirements**
  - Limited servings and concentration per package
  - Lot number
  - Warning label
  - Net weight
  - Concentration of THC
  - Usage warnings (specific warning for ingestible foods/liquids about effect delays)
  - Upon request
    - Third party lab that tested lot and results
    - All pesticides, herbicides, fungicides found in product
- **Defined Serving Size**
  - Defined serving sizes on marijuana-infused product label
    - 10 mg of THC per serving
    - 100 mg of THC per product
    - A single unit of marijuana-infused extract for inhalation cannot exceed one gram
- **Transaction Limits on Concentrates (extracts)**
  - A single transaction is limited to seven grams of marijuana-infused extract for inhalation

September 16, 2013

- **Lab Tested and Approved (monograph)**
  - All lots will be tested by independent accredited labs
  - Established and uniform testing standards
  - Quality assurance testing
  
- **Store Signage and Product Warnings**
  - No minors allowed in stores
  - Required product and usage signs within stores

For more information regarding Initiative 502, please visit the Liquor Control Board website at [www.liq.wa.gov](http://www.liq.wa.gov).

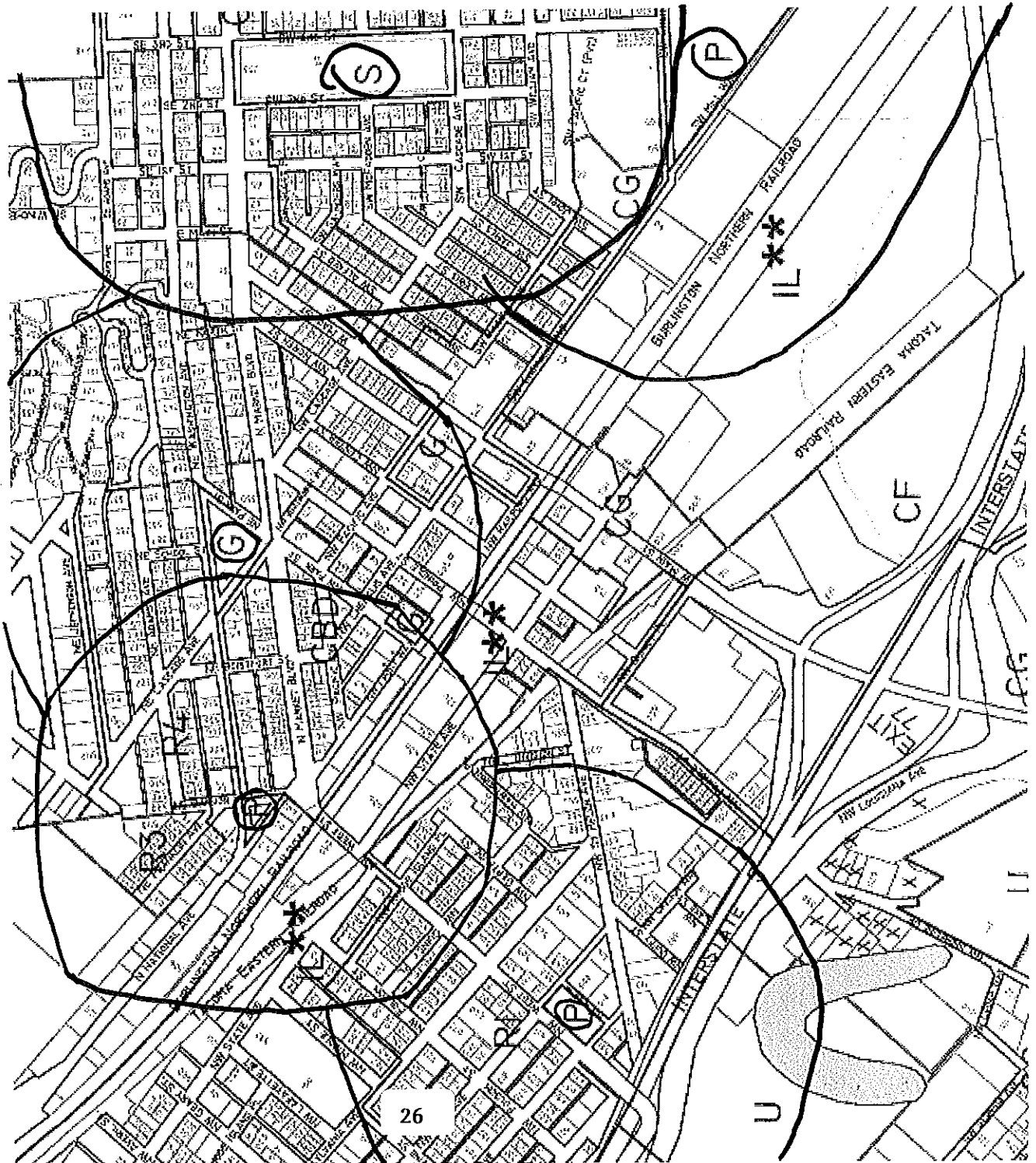
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September 16, 2013

1,000 ft Boundary Around School, Park, Library  
as required by State Law

Approx. Scale  
1" = 500'

+ 1000 ft  
boundary



**CITY OF CHEHALIS  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council  
**FROM:** Eva Lindgren, Finance Manager  
**DATE:** October 9, 2013  
**SUBJECT:** Budget Amendment Ordinance 913-B; First Reading

**ISSUE**

Ordinance 913-B amending the 2013 Annual Budget is hereby submitted to reflect changes in estimates resulting from the City's activities.

**DISCUSSION**

The attached spreadsheet shows line-by-line the individual components of the proposed budget amendment.

The most significant amendments result from activity in the Federal and State Grants Fund (Grant Fund). When the original 2013 Budget was drafted, it was anticipated that the Federal Emergency Management (FEMA) Hazard Mitigation Grant Program (HMGP) Home Elevation Project would have half-way completed by the start of 2013. That turned out to not be the case. Additionally, no appropriations were approved for the Swimming Pool Project for which engineering has commenced. In consequence, a budget amendment increasing appropriations is required not only for the projects in the Grant Fund but also to ensure transfers between the General and Grant Fund are sufficient to ensure adequate cash flow.

The Administration will be available to answer any questions with regards to the proposed budget amendment.

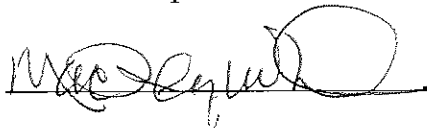
**RECOMMENDATION/COUNCIL ACTION DESIRED**

The Administration recommends that the council pass Ordinance 913-B on first reading.

**SUGGESTED MOTION**

I move that the council pass Ordinance 913-B on first reading.

Reviewed



City Manager

**ORDINANCE NO. 913-B**

**AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON, AMENDING THE ANNUAL BUDGET OF THE CITY FOR THE CALENDAR YEAR 2013, BY INCREASING THE APPROPRIATIONS OF THE GENERAL FUND IN THE SUM OF FIVE HUNDRED NINE THOUSAND FIVE HUNDRED AND FORTY-EIGHT DOLLARS (\$509,548); AND THE FEDERAL AND STATE GRANTS FUND IN THE SUM OF ONE MILLION SEVEN HUNDRED FORTY-EIGHT THOUSAND THREE HUNDRED AND FORTY-EIGHT DOLLARS (\$1,748,348); AND DIRECTING THE FINANCE MANAGER TO EFFECT THE BUDGET AMENDMENT HEREIN PROVIDED.**

**THE CITY COUNCIL OF THE CITY OF CHEHALIS, WASHINGTON, DO ORDAIN AS FOLLOWS:**

**Section 1.** The annual budget of the city for the calendar year 2013 shall be, and the same hereby is, amended so as to increase the General Fund's transfers in by \$500,000; expenditures by \$9,548; and transfers out by \$500,000. The annual budget of the city for the calendar year 2013 shall be, and hereby is amended to increase the appropriations of the General Fund in the sum of five hundred nine thousand five hundred and forty-eight dollars (\$509,548).

**Section 2.** The annual budget of the city for the calendar year 2013 shall be, and the same hereby is, amended so as to increase the Federal and State Grants Fund's revenues by \$1,248,348; transfers in by \$500,000; expenditures by \$1,248,348; and transfers out by \$500,000. The annual budget of the city for the calendar year 2013 shall be, and hereby is amended to increase the appropriations of the Federal and State Grants Fund in the sum of one million seven hundred forty-eight thousand three hundred and forty-eight dollars (\$1,748,348).

**Section 3.** Attached hereto and identified as Exhibit A, in summary form, are the total of estimated revenues, transfers in, expenditures, and transfers out for each separate fund and the aggregate totals for all such funds combined for the city for its 2013 budget, as amended by Ordinance No. 911-B, as well as the budget as amended by Ordinance No. 913-B. Exhibit A, as amended, shows a total estimated ending fund balance of \$6,258,838.

**PASSED** by the city council of the City of Chehalis, Washington, and **APPROVED** on its first reading by its mayor, at a regularly scheduled open public meeting thereof this 14th day of October, 2013.

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Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form and content:

\_\_\_\_\_  
City Attorney



## Exhibit A

### CITY OF CHEHALIS AMENDED 2013 BUDGET

#### 2013 Budget Summary - Revised with Ordinance 911-B All Funds

| FUND NAME                       | Est. Beg. Fund Balance | Revenue           | Operating Transfers In | Expenditures      | Operating Transfers Out | Est. End. Fund Balance |
|---------------------------------|------------------------|-------------------|------------------------|-------------------|-------------------------|------------------------|
| General Fund                    | 840,843                | 7,074,141         | 500,000                | 7,126,241         | 544,707                 | 744,036                |
| Arterial Street Fund            | 23,682                 | 153,000           | 0                      | 172,120           | 0                       | 4,562                  |
| Tourism Fund                    | 67,285                 | 165,150           | 0                      | 192,435           | 0                       | 40,000                 |
| Community Dev. Block Grant Fund | 19,904                 | 5,050             | 0                      | 160               | 0                       | 24,794                 |
| HUD Block Grant Fund            | 322,036                | 3,600             | 0                      | 0                 | 0                       | 325,636                |
| Gambling Enforcement            | 77,881                 | 0                 | 0                      | 77,881            | 0                       | 0                      |
| Federal and State Grant Fund    | 0                      | 585,152           | 520,000                | 605,152           | 500,000                 | 0                      |
| 2011 G.O. Bond Fund             | 0                      | 0                 | 98,827                 | 98,827            | 0                       | 0                      |
| Public Facilities Reserve Fund  | 23,818                 | 0                 | 0                      | 23,818            | 0                       | 0                      |
| Automotive/Equip. Res. Fund     | 2,837                  | 0                 | 0                      | 2,837             | 0                       | 0                      |
| 1st Quarter REET Fund           | 122,074                | 28,400            | 0                      | 0                 | 42,002                  | 108,472                |
| 2nd Quarter REET Fund           | 38,998                 | 28,000            | 0                      | 0                 | 32,118                  | 34,880                 |
| Wastewater Fund                 | 1,490,430              | 4,204,941         | 0                      | 4,549,136         | 0                       | 1,146,235              |
| Water Fund                      | 2,767,087              | 2,611,095         | 0                      | 2,575,471         | 0                       | 2,802,711              |
| Storms & Surface Water Fund     | 366,447                | 442,174           | 0                      | 345,875           | 0                       | 462,746                |
| Garbage Fund                    | 5,747                  | 7,583             | 0                      | 12,538            | 0                       | 792                    |
| Firemen's Pension Fund          | 217,172                | 149,600           | 0                      | 142,253           | 0                       | 224,519                |
| City Agency Fund                | 349,003                | 0                 | 0                      | 0                 | 0                       | 349,003                |
| <b>TOTALS</b>                   | <b>6,735,244</b>       | <b>15,457,886</b> | <b>1,118,827</b>       | <b>15,924,744</b> | <b>1,118,827</b>        | <b>6,268,386</b>       |

### CITY OF CHEHALIS AMENDED 2013 BUDGET

#### 2013 Budget Summary - Revised with Ordinance 913-B All Funds

| FUND NAME                       | Est. Beg. Fund Balance | Revenue           | Operating Transfers In | Expenditures      | Operating Transfers Out | Est. End. Fund Balance |
|---------------------------------|------------------------|-------------------|------------------------|-------------------|-------------------------|------------------------|
| General Fund                    | 840,843                | 7,074,141         | 1,000,000              | 7,135,789         | 1,044,707               | 734,488                |
| Arterial Street Fund            | 23,682                 | 153,000           | 0                      | 172,120           | 0                       | 4,562                  |
| Tourism Fund                    | 67,285                 | 165,150           | 0                      | 192,435           | 0                       | 40,000                 |
| Community Dev. Block Grant Fund | 19,904                 | 5,050             | 0                      | 160               | 0                       | 24,794                 |
| HUD Block Grant Fund            | 322,036                | 3,600             | 0                      | 0                 | 0                       | 325,636                |
| Gambling Enforcement            | 77,881                 | 0                 | 0                      | 77,881            | 0                       | 0                      |
| Federal and State Grant Fund    | 0                      | 1,833,500         | 1,020,000              | 1,853,500         | 1,000,000               | 0                      |
| 2011 G.O. Bond Fund             | 0                      | 0                 | 98,827                 | 98,827            | 0                       | 0                      |
| Public Facilities Reserve Fund  | 23,818                 | 0                 | 0                      | 23,818            | 0                       | 0                      |
| Automotive/Equip. Res. Fund     | 2,837                  | 0                 | 0                      | 2,837             | 0                       | 0                      |
| 1st Quarter REET Fund           | 122,074                | 28,400            | 0                      | 0                 | 42,002                  | 108,472                |
| 2nd Quarter REET Fund           | 38,998                 | 28,000            | 0                      | 0                 | 32,118                  | 34,880                 |
| Wastewater Fund                 | 1,490,430              | 4,204,941         | 0                      | 4,549,136         | 0                       | 1,146,235              |
| Water Fund                      | 2,767,087              | 2,611,095         | 0                      | 2,575,471         | 0                       | 2,802,711              |
| Storms & Surface Water Fund     | 366,447                | 442,174           | 0                      | 345,875           | 0                       | 462,746                |
| Garbage Fund                    | 5,747                  | 7,583             | 0                      | 12,538            | 0                       | 792                    |
| Firemen's Pension Fund          | 217,172                | 149,600           | 0                      | 142,253           | 0                       | 224,519                |
| City Agency Fund                | 349,003                | 0                 | 0                      | 0                 | 0                       | 349,003                |
| <b>TOTALS</b>                   | <b>6,735,244</b>       | <b>16,706,234</b> | <b>2,118,827</b>       | <b>17,182,640</b> | <b>2,118,827</b>        | <b>6,258,838</b>       |

City of Chehalis  
 2013 Budget Amendment No. 3 - Ordinance 913-B  
 First Reading  
 10/9/13

| Fund No. and Name                              | Acct. Name           | Reason for Amendment           | Incr/(Decr) Rev.                    | Incr/(Decr) Exp. | Net Increase/(Decrease) to Fund Balance |
|--|----------------------|--------------------------------|-------------------------------------|------------------|---|
| <b>Fund 001 - General Fund</b>                 |                      |                                |                                     |                  |   |
| (1)  | 001.397.000.99       | Transfers In - Grant Fund      | Cash Flow                           |                  |   |
| (2)  | 001.G1.597.000.05.42 | Transfers Out - Grant Fund     | Non-Deptl.: Cash Flow               | 500,000          | 500,000                                 |
|  | 001.G1.518.011.31.00 | Supplies                       | Non-Deptl.: AWC Wellness Program    |                  | 550                                     |
|  | 001.G1.518.011.49.00 | Miscellaneous                  | Non-Deptl.: AWC Wellness Program    |                  | 330                                     |
|  | 001.53.594.076.41.00 | Professional Svcs.             | CD: Stan Hedwall Park Survey        |                  | 8,668                                   |
|  |                      |                                |                                     | 500,000          | 509,548                                 |
|  |                      | Less Transfers                 |                                     | (500,000)        | (500,000)                               |
|  |                      | Net Revenues/Expenditures      |                                     | 0                | 9,548                                   |
|  |                      |                                |                                     |                  | (9,548) General Fund 001                |
| <b>Fund 199 - Federal and State Grant Fund</b> |                      |                                |                                     |                  |   |
|  | 199.333.D97.03       | FEIMA Mitigation Grt. Revs.    | Unbudgeted FEIMA Elevation Activity | 401,136          |   |
|  | 199.334.D01.81       | Military Dept. Mitigation Grt. | Unbudgeted FEIMA Elevation Activity | 66,856           |   |
|  | 199.367.011.59       | Donations - Housing            | Unbudgeted FEIMA Elevation Activity | 66,856           |   |
|  | 199.334.000.1X       | WA Legislative Grant           | Unbudgeted Swimming Pool Activity   | 250,000          |   |
|  | 199.334.002.7X       | Rec. & Conservation Grant      | Unbudgeted Swimming Pool Activity   | 250,000          |   |
|  | 199.367.011.XX       | Donations - Swimming Pool      | Unbudgeted Swimming Pool Activity   | 213,500          |   |
| (2)  | 199.397.000.01       | Transfers In - General Fund    | Cash Flow                           | 500,000          |   |
|  | 199.48.559.D30.41    | Professional Svcs.             | Unbudgeted FEIMA Elevation Activity |                  | 10,000                                  |
|  | 199.48.559.D30.49    | Miscellaneous                  | Unbudgeted FEIMA Elevation Activity |                  | 524,848                                 |
|  | 199.48.594.079.41    | Professional Svcs.             | Unbudgeted Swimming Pool Activity   |                  | 115,000                                 |
|  | 199.48.594.079.62    | Other Improvements             | Unbudgeted Swimming Pool Activity   |                  | 598,500                                 |
| (1)  | 199.597.000.01       | Transfers Out - General Fund   | Cash Flow                           | 1,748,348        | 1,748,348                               |
|  |                      | Less Transfers                 |                                     | (500,000)        | (500,000)                               |
|  |                      | Net Revenues/Expenditures      |                                     | 1,248,348        | 1,248,348                               |
|  |                      |                                |                                     |                  | 0 Fed. & State Grt. Fund 199            |
|  |                      |                                |                                     | 2,248,348        | 2,257,896                               |
|  |                      |                                |                                     |                  | (9,548) City-wide                       |

**CITY OF CHEHALIS  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Peggy Hammer, Human Resources Administrator and Risk Manager

**DATE:** October 14, 2013

**SUBJECT:** Resolution No. 12-2013 – Adopting an Interlocal Agreement Between the City and the Association of Washington Cities Benefit Trust (the “Trust”) Authorizing the City to Jointly Participate in a Self-Insured Health Care Program Administered by AWC Trustees and Authorizing the City Manager to Execute the same.

**ISSUE**

Medical insurance coverage for eligible employees, elected officials, family members and LEOFF 1 retirees is provided through the Association of Washington Cities Benefit Trust. The Trust has announced that effective January 1, 2014, they are moving from a fully insured benefit program to a self-insured model. State law authorizes local government entities to self-insure for health care benefits, and requires that members of the health care program (pool) must be a signatory to the health care program’s Interlocal Agreement.

**DISCUSSION**

Self-insurance is regulated at both the federal and state level and involves a formal program of advance funding and management of financial exposure to a risk of loss that is not transferred through the purchase of an insurance policy or contract. Self-insured health care programs must establish reserves necessary to adequately fund the required costs of the program and to insulate the program against unusual severity and frequency of claims.

This change has little or no impact on the city as the provider of medical benefits or on the individuals who receive those benefits. The city will remain part of the Trust’s large pool of entities. Health care plans through Regence Blue Shield and Group Health Cooperative will remain the same other than those changes mandated by the Affordable Care Act and individuals will have access to the same network of providers.

The Trust anticipates that the move to self-insurance will result in a cost savings to its members. Self-insurance eliminates several previously charged taxes and will allow the Trust to focus on health issues specific to its membership pool. It was recently announced that there will be no increase in premium rates for 2014; a significant change from the steady 5% - 14% increases seen over the past several years, and rates for the Medicare Advantage Plan for the eligible LEOFF 1 retirees will actually decrease by 2.1% in 2014.

**RECOMMENDATION / COUNCIL ACTION DESIRED**

The administration recommends that the council adopt Resolution No. 12-2013 on first and final reading.

**SUGGESTED MOTION**

I move that the council adopt Resolution No. 12-2013 on first and final reading.

Reviewed by:  \_\_\_\_\_, City Manager

**CITY OF CHEHALIS**

**RESOLUTION NO. 12-2013**

WHEREAS, the Association of Washington Cities Employee Benefit Trust (the "Trust") is an entity to which contributions by cities and towns and non-city entities organized and existing under the Constitution or laws of the State of Washington and who are members of the Trust ("Participating Cities and Towns," and "Participating Non-City Entities") and their employees can be paid and through which the Board of Trustees of the Trust ("Trustees") provides one or more insured health and welfare benefit plans or programs to Participating Cities and Towns' and Non-City Entities' employees, their dependents and other beneficiaries ("Beneficiaries"), on whose behalf the contributions were paid; and

WHEREAS, the Trust qualifies as a voluntary employee beneficiary association within the meaning of Section 501(c)(9) of the Internal Revenue Code, providing for the payment of life, sick, accident or other benefits to Beneficiaries; and

WHEREAS, the Trust and Participating Cities and Towns and Non-City Entities have determined that it is in the best interest of Participating Cities and Towns and Non-City Entities to jointly self-insure certain health benefit plans and programs for Beneficiaries through a designated account within the Trust, while at the same time having the Trust continue as the entity to which other insured health and welfare benefit program contributions are paid and through which insured health and welfare benefit plans and programs are provided to Beneficiaries; and

WHEREAS, it appears economically feasible and practical for the parties to do so; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under chapter 39.34 RCW, jointly self-insure health benefit plans and programs, and/or jointly hire risk management services for such plans or programs by any one or more of certain specified methods; and

WHEREAS, the Association of Washington Cities Employee Benefit Trust Interlocal Agreement (the "Interlocal Agreement") attached hereto creates a joint self-insured health and welfare benefit program (the "Health Care Program") to be administered by the Trustees for the purposes of providing self-insured health benefits to Beneficiaries; and

WHEREAS, WAC 200-110-030 requires every local government entity participating in a joint self-insurance health and welfare benefit program to adopt such program by resolution; and

WHEREAS, Chapter 48.62 requires Health Care Program assets to be managed consistent with existing authority over use of municipal funds in RCW 35.39.030. The Trust will manage Health Care Program reserves in compliance with Chapter 48.62 RCW; RCW 35.39.030, and the Health Care Program Investment Policy; and

WHEREAS, all premium contributions for use in the Health Care Program are deposited into a designated account within the Trust, the Health Care Program Account (the "HCP Account"), and the HCP Account represents a pool of funds that is independent of all other Trust or AWC funds; and

WHEREAS, the Trust intends to manage the HCP Account assets in compliance with federal and state laws and the Interlocal Agreement; and

WHEREAS, the City of Chehalis believes it is in the best interest of the Health Care Program to allow the Trust to manage the HCP Account;

**NOW THEREFORE BE IT RESOLVED**, that the Interlocal Agreement creating the Health Care Program is hereby adopted.

**RESOLVED**, that by adopting such Agreement, the City of Chehalis acknowledges that it shall be subject to assessments as required by the Health Care Program.

**ADOPTED** by the City Council of the city of Chehalis, Washington, and **APPROVED** by its Mayor, at a regularly scheduled open public meeting thereof this 14th day of October, 2013.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form and content:

\_\_\_\_\_  
City Attorney

**ASSOCIATION OF WASHINGTON CITIES EMPLOYEE BENEFIT TRUST  
HEALTH CARE PROGRAM  
INTERLOCAL AGREEMENT**

This Agreement is made and entered into in the State of Washington by and among the Association of Washington Cities Employee Benefit Trust (the "Trust") and cities and towns, and non-city entities organized and existing under the Constitution or laws of the State of Washington and who are members of the Trust ("Participating Cities and Towns," or "Participating Non-City Entities"), all of whom are signatories to this Agreement.

**RECITALS**

WHEREAS, the Trust is an entity to which contributions by Participating Cities and Towns and Non-City Entities (defined below) and Participating Employees (defined below) are paid and through which the Board of Trustees provides one or more insured health and welfare benefit plans or programs to Participating Employees, their covered dependents and other beneficiaries ("Beneficiaries"), on whose behalf the contributions were paid; and

WHEREAS, the Trust qualifies as a voluntary employee beneficiary association within the meaning of Section 501(c)(9) of the Internal Revenue Code ("VEBA"), providing for the payment of life, sick, accident or other benefits to Beneficiaries; and

WHEREAS, the Trust and the Participating Cities and Towns have determined that it is in the best interest of Participating Cities and Towns to jointly self-insure certain health benefit plans and programs for Beneficiaries through a designated account within the Trust, while at the same time having the Trust continue as the entity to which health and welfare benefit plan or program contributions are paid and through which insured health and welfare benefit plans and programs are provided to Beneficiaries; and

WHEREAS, it appears economically feasible and practical for the parties to this Agreement (defined below) to do so; and

WHEREAS, Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, jointly self-insure health benefit plans and programs, and/or jointly hire risk management services for such plans or programs by any one or more of certain specified methods; and

WHEREAS, each local government entity that is a signatory hereto, as required by WAC 200-110-030, acts upon the authority of a resolution adopting this Agreement and the Health Care Program (defined below) created herein;

NOW, THEREFORE, for and in consideration of all of the mutual benefits, covenants and agreements contained herein, the parties hereto agree as follows:

## ARTICLE 1

### DEFINITIONS

The following are definitions of terms used in the Agreement. Unless indicated otherwise, other terms are defined where they are first used. Defined terms are capitalized when used in the defined context.

- 1.1 **Agreement** means this Interlocal Agreement entered into under the authority of Chapter 39.34 RCW and as required by RCW 48.62.031(2) between the Trust and Participating Employers.
- 1.2 **Association of Washington Cities** or **AWC** means the Association of Washington Cities, a not-for-profit membership association established pursuant to the laws of the state of Washington for the purpose of providing various services to and on behalf of its member cities.
- 1.3 **Association of Washington Cities Employee Benefit Trust** or the **Trust** means the trust and all property and money held by such entity, including all contract rights and records, established for the sole purpose of providing life, sick accident or other health and welfare benefits to Participating Employees, their covered dependents and other beneficiaries, and which is approved by the Internal Revenue Service as a VEBA.
- 1.4 **Employee Benefits Advisory Committee** or **EBAC** means the committee defined in Article V of the Trust Agreement that may be delegated responsibility by the Board of Trustees, including but not limited to: overseeing the operations of the Health Care Program, analyzing and developing annual premium levels and benefit coverage changes for recommendation to the Board of Trustees and performing other duties necessary to ensure that the needs of Participating Employers are met and the long-term financial health of the Health Care Program is maintained.
- 1.5 **Health Care Program** means the joint self-insurance program offering self-insured health benefit options through the HCP Account.
- 1.6 **HCP Account** means a designated account within the Trust and created by this Agreement, the Trust Agreement and Trust Health Care Program policies all under the authority of Chapter 48.62 RCW to provide self-insured health benefits to Participating Employees, their covered dependents and other beneficiaries and further described in Article 6.
- 1.7 **Non-City Entity** means any public agency, public corporation, intergovernmental agency or political subdivision, within the state of Washington that meets the requirements of Article IX, Section 1(c)(ii) and (iii) of the Trust Agreement for participation in the Health Care Program.
- 1.8 **Participating City** means any city or town within the state of Washington that meets the requirements of Article IX, Section 1(a) or Section 1(b) of the Trust Agreement.

- 1.9 **Participating Employee** means any individual employed by a Participating Employer and for whom the Participating Employer makes contributions to the Trust, and any individual who may have been so employed but is subsequently laid off, terminated, or retired.
- 1.10 **Participating Employer** means a Participating City or Non-City Entity that is also a party to this Agreement.
- 1.11 **Resolution** means the resolution adopted by each Participating City or Non-City Entity that authorizes the Health Care Program.
- 1.12 **State Risk Manager** or **Risk Manager** means the risk manager of the Risk Management Division within the Department of Enterprise Services.
- 1.13 **Stop Loss Insurance** or **Reinsurance** means a promise by an insurance company that it will cover losses of the Health Care Program over and above an agreed-upon individual or aggregated amount, which definition shall be modified by any changes to the definition of stop loss insurance in WAC 200-110-020.
- 1.14 **Third-Party Administrator** means the independent association, agency, entity or enterprise which, through a contractual agreement, provides one or more of the following ongoing services to the Health Care Program: pool management or administration services, claims administration services, risk management services, or services for the design, implementation, or termination of an individual or joint self-insurance program.
- 1.15 **Trust Agreement** means the Trust Agreement Governing the Trust amended and restated July 1, 2013, and any subsequent amendments thereto.
- 1.16 **Trustees** or **Board of Trustees** means the following individuals and their successors, who together, govern the Trust and the Health Care Program:
- 1.16.1 the AWC President and the AWC Vice President;
- 1.16.2 the EBAC Chair and the EBAC Vice Chair; and
- 1.16.3 an individual elected pursuant to the procedures in Article III, Section 5 of the Trust Agreement to serve as the trustee from one of the following regions:
- (a) North East Region (known as the "North East Region Trustee");
  - (b) North West Region (known as the "North West Region Trustee");
  - (c) South East Region (known as the "South East Region Trustee"); and
  - (d) South West Region (known as the "South West Region Trustee").

Individuals from Non-City Entities are not eligible to serve as Trustees.



## **ARTICLE 2**

### **PURPOSE**

This Agreement is entered into for the purpose of authorizing the Health Care Program created by the Trust to provide self-insured health benefits to Participating Employees, their covered dependents and other beneficiaries. The Health Care Program shall comply with the statutory provisions found in Chapters 48.62 and 39.34 RCW and the regulatory requirements contained in WAC 200-110 applicable to joint self-insurance programs.

## **ARTICLE 3**

### **PARTIES**

Each party to this Agreement certifies that it intends to participate in the Health Care Program. Participating Employers are signatories of this Agreement to become effective on a date to be mutually determined (the "Effective Date") and with such other Participating Cities and Non-City Entities as may later be added to and become signatories to this Agreement.

## **ARTICLE 4**

### **DURATION OF AGREEMENT**

- 4.1 This Agreement shall become effective on the Effective Date.
- 4.2 This Agreement shall have perpetual duration unless terminated as hereinafter provided.

## **ARTICLE 5**

### **MEMBERSHIP COMPOSITION**

The Health Care Program shall be open to Participating Cities and Non-City Entities. Participation in the Health Care Program is voluntary and not a requirement of AWC membership. The Board of Trustees shall provide for the reasonable admission of new Participating Cities and Non-City Entities.

## **ARTICLE 6**

### **HCP ACCOUNT**

- 6.1 All premium contributions by Participating Employers, Non-City Entities and Participating Employees for use in the Health Care Program are deposited into the HCP Account.
- 6.2 The HCP Account represents a pool of funds that is independent of all other Trust or AWC funds and independent of all other Participating Employer and Non-City Entity funds. The funds deposited into the HCP Account are held, managed and expended only for the Health Care Program and reasonable expenses, consistent with applicable state

and federal statutes and rules governing joint self-insurance programs and self-insurance programs generally.

- 6.3 The HCP Account is subject to audit by the State Auditor's Office.

## **ARTICLE 7**

### **TRUSTEE POWERS RELATED TO HEALTH CARE PROGRAM**

The Board of Trustees is provided with the powers and functions established under RCW 48.62.031 to accomplish the following:

- 7.1 Promote the economical and efficient means by which health benefits coverage is made available to Participating Employers and Non-City Entities and provided to Participating Employees, their covered dependents and other beneficiaries;
- 7.2 Protect the financial integrity of the Health Care Program through purchase of Stop Loss Insurance or Reinsurance in such form and amount as needed;
- 7.3 Contract for or otherwise provide risk management and loss control services;
- 7.4 Contract for or otherwise provide legal counsel for the defense of claims and other legal services;
- 7.5 Consult with the state insurance commissioner and the State Risk Manager;
- 7.6 Obligate the Participating Employers and Non-City Entities to pledge revenues or contribute money to secure the obligations or pay the expenses of the Health Care Program, including the establishment of a reserve or fund for coverage; and
- 7.7 Exercise all other powers and perform all other functions reasonably necessary to carry out the purposes of the Health Care Program, Chapter 48.62 RCW and Chapter 200-110 WAC.

## **ARTICLE 8**

### **ORGANIZATION OF HEALTH CARE PROGRAM**

- 8.1 The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Trustees or any delegates review and analyze Health Care Program-related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW.
- 8.2 The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110 WAC.

## ARTICLE 9

### RESPONSIBILITIES OF THE TRUSTEES

- 9.1 The Board of Trustees shall discharge its responsibilities under this Agreement as follows:
- 9.1.1 Provide for the efficient management and operation of the Health Care Program;
  - 9.1.2 Provide for health benefit coverage options for Participating Employees, their covered dependents and other beneficiaries;
  - 9.1.3 Determine the level of Stop Loss Insurance or Reinsurance coverage for claims expenses above the amounts deemed appropriate for self-insurance;
  - 9.1.4 Ensure that the Health Care Program meets required state and federal statutes and rules;
  - 9.1.5 Contract with vendors required to meet the responsibilities established by the Trust Agreement, Health Care Program policies, and applicable state and federal statutes and rules;
  - 9.1.6 Maintain the balance between meeting the Health Care Program needs of Participating Employers and the long-term financial integrity of the Health Care Program;
  - 9.1.7 Prepare an annual financial report on the operations of the Health Care Program; and
  - 9.1.8 Provide for other services deemed appropriate by the Board of Trustees to meet the purposes of this Agreement.
- 9.2 The Board of Trustees may delegate the responsibilities described in this Article 9 to the EBAC or other delegates at its complete discretion.

## ARTICLE 10

### RESPONSIBILITIES OF THE PARTICIPATING EMPLOYERS

In order to participate in the Health Care Program, Participating Employers shall:

- 10.1 Be a Participating City or Non-City Entity in good standing and comply with the requirements of admission or qualification as established by the Board of Trustees;
- 10.2 Adopt this Agreement by Resolution, agreeing to its terms and provisions;
- 10.3 Submit the Resolution and Agreement to the Trust;

- 10.4 Read the terms, conditions and representations set forth in the application agreement related to participation in the Health Care Program;
- 10.5 Designate an employee of the Participating Employer to be a contact person for all matters relating to the Participating Employer's participation in the Health Care Program;
- 10.6 Pay premiums for the Health Care Program to the Third-Party Administrator no later than the tenth day of the month in which the premium is due;
- 10.7 By formal action of the legislative body of the Participating Employer, approve policies and procedures necessary to secure protected health information ("PHI") in accordance with Chapter 70.02 RCW and the Health Insurance Portability and Accountability Act ("HIPAA") privacy and security rules, codified at 45 C.F.R. Parts 160-164;
- 10.8 Provide the Health Care Program with such information or assistance as is necessary for the Health Care Program to meet its responsibilities under this Agreement; and
- 10.9 Cooperate with and assist the Health Care Program and any insurer of Stop Loss Insurance or Reinsurance, in all matters relating to the administration and operation of the Health Care Program and all matters relating to this Agreement.
- 10.10 Comply with all bylaws, rules, regulations and policies adopted by the Board of Trustees relating to the Health Care Program.

## **ARTICLE 11**

### **RESERVE FUND INVESTMENT**

All reserve fund investments from the HCP Account shall be made in a manner that is consistent with RCW 48.62.111, Chapter 39.59 RCW, WAC 200-110-090 and the Health Care Program Investment Policy.

## **ARTICLE 12**

### **FINANCIAL RECORDS**

- 12.1 The Board of Trustees shall develop estimated revenue and expenditures to establish a budget for each fiscal year covering January 1 through December 31 annually. Actual Health Care Program revenues and expenditures shall be monitored monthly by the Board of Trustees and reported at its quarterly meetings.
- 12.2 The accounting records of the Health Care Program are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The Health Care Program also follows applicable accounting standards established by the Governmental Accounting Standards Board ("GASB"). Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. Once reviewed and approved by the

Office of the State Auditor the year-end financial report is transmitted to the Office of the State Risk Manager.

- 12.3 Financial records of the Health Care Program shall be subject to audit by the Office of the State Auditor. Year-end financial reports and audit results shall be made available to interested parties. The Health Care Program shall provide financial information as required by state statute and rule to the Office of the State Risk Manager.

### ARTICLE 13

#### PARTICIPATING EMPLOYER TERMINATION AND WITHDRAWAL

- 13.1 A Participating Employer must remain in good standing with the Trust and adhere to the requirements of this Agreement. In the event that a Participating Employer fails to be a Participating City or Non-City Entity in good standing, participation in the Health Care Program shall automatically terminate without notice as shall all health and welfare benefits provided through the Health Care Program.
- 13.2 The Board of Trustees may take action to terminate membership or deny membership in the Health Care Program where it determines that such termination or denial is in the best interest of the Health Care Program
- 13.3 When a Participating Employer's eligibility in the Health Care Program is affected due to merger or annexation, the affected Participating Employer may petition the Board of Trustees to remain in the Health Care Program.
- 13.4 A Participating Employer may only withdraw its participation in the Health Care Program at the end of the calendar year and must provide written notice to the Trust at least thirty-one (31) days in advance of the end of the calendar year (December 31st).
- 13.5 In the event of withdrawal or non-renewal, the Health Care Program will cover any of the Participating Employer's remaining outstanding Health Care Program claims expenses incurred prior to the Participating Employer's withdrawal from or non-renewal in the Health Care Program.
- 13.6 No Participating Employer, because of withdrawal or any other reason, has any right or interest in the HCP Account because of its nature as a rate stabilization fund. In the event any Participating Employer withdraws from the Health Care Program, its Participating Employees, their covered dependents and other beneficiaries and any Consolidated Omnibus Budget Reconciliation Act of 1985 as amended (COBRA) participants and contract personnel and dependents approved by the Board of Trustees, shall forfeit all right and interest to the HCP Account.

## **ARTICLE 14**

### **TERMINATION OF HEALTH CARE PROGRAM**

- 14.1 In the event the Health Care Program is terminated, the Board of Trustees shall distribute the remaining funds in the HCP Account to the Trust or any successor association authorized by Chapter 39.34 RCW for like purposes for use in any program with similar purposes.
- 14.2 Upon termination, this Agreement and the HCP Account shall continue for the purpose of paying remaining outstanding claims and expenses and fulfilling all other functions necessary to complete the business of the Health Care Program.

## **ARTICLE 15**

### **MEETINGS, NOTICES AND COMMUNICATIONS**

- 15.1 The Board of Trustees and the EBAC, if any responsibilities for Trust management have been delegated thereto, shall provide notice of their regular and special meetings and hold their meetings in accordance with Chapter 42.30, RCW Open Public Meetings Act.
- 15.2 Communications with Participating Employers may occur using mail, email or posting on the Health Care Program website. The website shall be partitioned to provide information for the general public and information specific to Participating Employers and their employees.
- 15.3 Communications may come directly from the Health Care Program, through the Third-Party Administrator or through another vendor on behalf of the Health Care Program.

## **ARTICLE 16**

### **AMENDMENTS TO INTERLOCAL AGREEMENT**

- 16.1 The Board of Trustees shall review and analyze any proposed amendment to this Agreement. An amendment may be proposed for review by any party to this Agreement.
- 16.2 The Board of Trustees upon its discretion may take action by resolution on any amendment at any regular meeting of the Board of Trustees.

## **ARTICLE 17**

### **PROHIBITION ON ASSIGNMENT**

- 17.1 No Participating Employer may assign any right or claim of interest it may have under this Agreement.

- 17.2 No creditor, assignee or third-party beneficiary of any employer shall have the right, claim or title to any party, share, interest, premium or asset of the Trust, HCP Account or the Health Care Program.

## **ARTICLE 18**

### **HEALTH CLAIM DISPUTES AND APPEALS**

In the event that a dispute arises over a health claim, the procedures, adjudication requirements and administrative remedies shall be found in the Health Care Program's plan document applicable to the Health Care Program covering the claimant.

## **ARTICLE 19**

### **PLAN ADMINISTRATION DISPUTES AND APPEALS**

- 19.1 In the event that a dispute arises between a Participating Employer and the Health Care Program, the Participating Employer shall document the circumstances causing the dispute and submit a written request for review of the disputed circumstances to the Board of Trustees. Upon review of such information, the Board of Trustees shall attempt to resolve the dispute.
- 19.2 If the Board of Trustees' resolution to the dispute is deemed unsatisfactory, then alternative dispute resolution through mediation or binding arbitration may be necessary.

## **ARTICLE 20**

### **ENFORCEMENT OF TERMS OF AGREEMENT**

- 20.1 The Board of Trustees may enforce the terms of this Agreement.
- 20.2 In the event legal action is initiated to enforce any term or provision of this Agreement against any present or previous Participating Employer, the prevailing party shall receive such reimbursement of costs as the court deems reasonable for attorneys' fees and costs related to the relevant legal action.

## **ARTICLE 21**

### **DEFAULT**

- 21.1 If any Participating Employer fails to perform any term or condition of this Agreement and such failure continues for a period of sixty (60) days after the Board of Trustees has given the Participating Employer written notice describing such failure, the Participating Employer shall be considered in default.
- 21.2 Upon default, the Board of Trustees may immediately cancel the Participating Employer's participation in the Health Care Program without additional notice or exercise some other remedy otherwise provided by law.

- 21.3 The rights and remedies of the Board of Trustees are cumulative in nature and pursuit of any particular remedy shall not be deemed an election of remedies or a waiver of any other remedies available hereunder or otherwise available by law.

## ARTICLE 22

### NO WAIVERS

No waiver or forbearance of a breach of any covenant, term, or condition of this Agreement shall be construed to be a waiver or forbearance of any other or subsequent breach of the same or of any other covenant, term or condition, and the acceptance of any performance hereunder, or the payment of any sum of money after the same has become due or at a time when any other default exists hereunder, shall not constitute a waiver or right to demand payment of all sums owing or a waiver of any other default then or thereafter existing.

## ARTICLE 23

### CONTRACT MANAGEMENT

The Health Care Program shall designate a person to whom the State Risk Manager shall forward legal process served upon the Risk Manager; **The AWC Chief Executive Officer** (designee or successor). **The Health Care Program Director** shall be responsible for and shall be the contact person for all communications regarding the performance of this Agreement.

## ARTICLE 24

### SEVERABILITY

If any provision of this Agreement or any provision of any document incorporated by reference shall be held invalid, such invalidity shall not affect the other provisions of this Agreement which can be given effect without the invalid provision, if such remainder conforms to the requirements of applicable law and the fundamental purpose of this Agreement, and to this end the provisions of this Agreement are declared to be severable.

## ARTICLE 25

### COUNTERPART COPIES

This Agreement may be signed in counterpart or duplicate copies and any signed counterpart or duplicate copy shall be equivalent to a signed original for all purposes.



**ARTICLE 26**

**HEADINGS**

The Article and Section headings in this Agreement are inserted for convenience only and are not intended to be used in the interpretation of the contents of the Articles and Sections they introduce.

**ARTICLE 27**

**AGREEMENT COMPLETE**

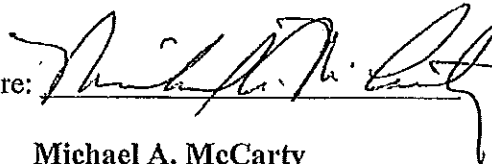
This Agreement and the documents referenced herein contains all the terms and conditions agreed to by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind the parties hereto.

**[Signature page follows]**

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement.

Association of Washington Cities  
Employee Benefit Trust

Participating Employer

Signature: 

Name: Michael A. McCarty

Title: Chief Executive Officer

Date: August 30, 2013

Signature: \_\_\_\_\_

Name (print): \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Effective Date: January 1, 2014