

**CHEHALIS CITY COUNCIL AGENDA**  
 CITY HALL  
 350 N MARKET BOULEVARD, CHEHALIS, WA 98532

Anthony E. Ketchum Sr., District 3 Mayor	Dennis Dawes, Position at Large Chad E. Taylor, Position at Large Bob Spahr, Position at Large	Terry F. Harris, District 1, Mayor Pro Tem Daryl J. Lund, District 2 Dr. Isaac S. Pope, District 4
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**Regular Meeting of October 28, 2013**

5:00 p.m.

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
1. <u>Call to Order.</u> (Mayor)		
2. <u>Pledge of Allegiance.</u> (Mayor)		

<b>CITIZENS BUSINESS</b>		
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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<b>SPECIAL BUSINESS</b>		
3. <u>Quarterly Report on Chehalis-Centralia Airport Activities.</u> (Airport Manager)	APPROVE	

<b>CONSENT CALENDAR</b>		
4. <u>Minutes of the Regular Meeting of October 14, 2013.</u> (City Clerk)	APPROVE	1
5. <u>Vouchers and Transfers.</u> (Finance Manager)	APPROVE	7
6. <u>Resolution No.13-2013, First and Final Reading – Surplus of City Property.</u> (City Clerk)	ADOPT	8

ADMINISTRATION AND CITY COUNCIL REPORTS		
7. <u>Administration Reports.</u>		
a. Third quarter and September financial report. (Finance Manager)	INFORMATION ONLY	13
b. Quarterly sales and use tax report. (Finance Manager )	INFORMATION ONLY	19
c. Update on Chehalis-Centralia Airport ownership. (City Manager)	INFORMATION ONLY	
8. <u>Council Reports.</u>		
a. Councilor reports. (City Council)	INFORMATION ONLY	
b. Council committee reports. (City Council)	INFORMATION ONLY	

NEW BUSINESS		
9. <u>Chehalis Avenue Beautification and Overlay Project.</u> (City Manager, City Attorney)	RECONSIDER ACCEPTANCE OF BID FROM NOVA CONTRACTING, INC., REJECT ALL BIDS PREVIOUSLY RECEIVED AND DIRECT THE ADMINISTRATION TO RE-BID THE PROJECT	20
10. <u>Ordinance No. 913-B, Second and Final Reading – Amending the 2013 Budget.</u> (Finance Manager)	ADOPT AND AUTHORIZE CITY MANAGER TO EXECUTE INTERLOCAL AGREEMENT	21
11. <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	26
12. <u>Lodging Tax Advisory Committee (LTAC) 2014 Recommendations.</u> (Mayor Pro Tem/Chair of the LTAC)	APPROVE APPROPRIATION RECOMMENDATIONS BY THE LTAC	42

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

**NEXT REGULAR CITY COUNCIL MEETING WILL BE ON TUESDAY, NOVEMBER 12, 2013**

October 14, 2013

The Chehalis city council met in regular session on Monday, October 14, 2013, in the Chehalis city hall. Mayor Ketchum called the meeting to order at 4:00 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, Chad Taylor, and Dennis Dawes. Staff present included Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Judy Schave, City Clerk; Glenn Schaffer, Police Chief; Eva Lindgren, Finance Manager; Dennis Osborn, Community Development Director; Becky Fox, Court Administrator; and Rick Sahlin, Interim Public Works Director. Members of the media included Kyle Spurr from *The Chronicle*.

**1. Work Session – Review Chehalis Municipal Code (CMC) on Utility Connections for Accessory Dwelling Units (ADU) and Use of City Right-of-Way for Flags, Signage, and Banners.** The council held a work session to review the city's code on accessory dwelling units and the use of city right-of-way for flags, signage, and banners. City Manager MacReynold stated the administration was hoping to get clear policy direction from the council on both issues.

Community Development Director Dennis Osborn talked briefly about the problem the administration is having with how the city's current code addresses the issue of utilities for ADUs. He provided the following options for council consideration:

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 CMC 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.

After a brief discussion, the consensus of the council was to go with Option 1.

Mr. Osborn reported the administration was also asked by the council to look at allowing commercial signage within the right-of-way. He reviewed the current code and provided the following options for council to consider:

1. Currently the sign code allows off premise signs within 300 feet of Kresky Avenue and National Avenue. 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 CMC 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.

The council stated their concerns and provided the administration with information on what they would like to see in the code. The consensus of the council was to go with Option 1.

Mayor Ketchum closed the work session at 4:39 p.m. and announced the council would take a 20 minute recess before reopening the meeting at 5:00 p.m.

2. **Consent Calendar.** Councilor Dawes moved to approve the consent calendar comprised of the following:
  - a. Minutes of the regular meeting of September 23, 2013; and

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b. Claim Vouchers No.107215-107334 in the amount of \$175,247.93 dated September 30, 2013; and Payroll Vouchers No. 36864-36936, Direct Deposit Payroll Vouchers No. 4364-4442, and Electronic Federal Tax Payment No. 128 in the amount of \$674,641.06 dated September 30, 2013.

The motion was seconded by Councilor Pope and carried unanimously.

### **3. Administration Reports.**

a. **Update on City Wellness Program.** Committee Chair Becky Fox gave a brief update on the city's wellness program. She reported the Wellness Committee meets monthly to go over the different programs promoted by the Association of Washington Cities Insurance Authority, and to think of ways to get employees and their spouses more involved in their health.

Ms. Fox provided information on some of the activities to date, to include: an Employee Needs and Interest Survey; on-site health screening; corporate gym membership discount; two brown-bag health and wellness seminars to promote weight management coaching; health questionnaire; and the Walk Across Washington campaign. She talked briefly about the campaign, noting the city's goal is to do a virtual walk of 1,500 miles in 42 days.

Ms. Fox reported the health questionnaire is the main promotion right now, adding we need to achieve a 50 percent participation rate by November 1 in order to receive a two percent rate discount. She noted we are currently at 33 percent, and encouraged the council to take the time to fill out their questionnaires.

b. **Annual General Obligation (GO) Bond Compliance Update.** Finance Manager Eva Lindgren reported, when the city issued the limited tax GO bonds in 2011, it was clearly stated that the city council is responsible for compliance and oversight. She noted the agenda report included two confirmations that the city's 2012 unaudited financial statements and the statistical information had been uploaded as required. Ms. Lindgren reported she would report back to the council in November to provide confirmation that the audited 2012 financial statement has also been uploaded.

c. **Update on Chehalis Outdoor Pool Project.** Community Development Director Dennis Osborn reported the pool project was moving forward. He stated they were ready to go out to bid, and for the most part, the permits for the project are up and out the door. Mr. Osborn reported he and City Manager MacReynold met last week with the project architect and construction manager to discuss matters having to do with the project. He also had a broader meeting with the Chehalis Foundation a few weeks ago to talk about the timing of the project.

Tim Saylor, President of the Chehalis Foundation, reported the state of the new pool is excellent. He noted their funding expectations were not quite where they want them to be, but they have every expectation that they will achieve their goals. Mr. Saylor stated they really couldn't suffer any more delays, adding timing was critical. He noted they discovered a few soils issues after they started digging into things, but the real wild-card is what the bids will come in at.

Mr. Saylor stated their fundraising efforts continue and they hope and expect to arrange for another \$250,000 towards their goals. This would include some cushion for future maintenance and other things on the wish list. Mr. Saylor stated they were pushing really hard to get the pool open by next summer.

J. Vander Stoep reported they originally thought construction would start right after Labor Day, but they were held up by the federal grant and were not allowed to touch anything on the site until the grant was nailed down. He stated they do have some risk of bad weather to deal with, and possible construction cost issues, but based on their best estimate, the pool should open up sometime mid-summer.

d. **Briefing on I-502 – Regulations for Marijuana Sales and Production.** Mr. Osborn reported, with the passage of I-502, voters of the state made it legal to sell, grow and process marijuana. He noted the state has drafted some rules and regulations, but there's still the question of what municipalities should do. Mr. Osborn stated, even though the initiative passed, there are still federal laws out there that create a bit of a quandary. He reported this administration has basically backed off of trying to go after folks who are operating within I-502, but the question we face is what happens when there's a new administration, or when there are changes at the Justice Department?

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Mr. Osborn reported the administration came up with the following options for the council to consider:

- A. Do nothing (allow under current rules -- the licensing would be by state, we change 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 would be allowed in the general commercial (C-G) 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 (I-L) 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 the sale and production.

Under Option A, the city would just be interpreting the municipal code that already exists and allows retail shops in the C-G and hemp production in the I-L zone. Under state rules, one retail facility is allowed within Chehalis and would be regulated by state rules and regulations.

**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 the voter approved initiative. The flip side is the city would not be exposed or in violation of federal law. The Justice Department has stated they will not prosecute, but 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 State's Growth Management Act only allows agricultural lands of long term significance within rural areas and not within cities.

Mr. Osborn noted the city currently has a moratorium in place and would be seeking direction from the council on that matter, as well.

Councilor Dawes stated the way the federal law is written, all marijuana sold in Washington would have to be grown or manufactured here. He tended to lean towards Option C, and fight off the potential of anyone wanting to come after us saying we have to allow one retail shop just because we've been given one.

City Attorney Hillier reported if they do nothing and follow the rules and regulations in place at the state level, by default, Option C would be part of Option A.

Councilor Dawes stated he was just trying to do the minimum so we don't have to spend taxpayer money defending ourselves. He noted if Option A works to get the point across, that was fine with him.

City Attorney Hillier reported with the current statutes that are in place, no one will be able to process or grow marijuana in Chehalis. He noted Option A would allow us to roll with the state and they would impose the laws and oversee it. If there is a violation, our law enforcement will be informed through the Liquor Control Board and we'll enforce it.

Councilor Spahr stated he was concerned with Option A because generally when you do nothing and have someone else overseeing it, you end up with no control over what happens.

City Attorney Hillier reported our existing zoning would stay in place and as far as retail marijuana sales for pleasure

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purposes, they cannot take place within 1000 feet of critical areas, such as libraries, schools, etc. He suggested the council read the state regulations to get an idea of how restrictive they are. City Attorney Hillier stated the administration felt very confident that the regulations were going to be hard to overcome, and there are very few places they will be able to locate in Chehalis.

Mr. Osborn reported, for the most part, the downtown area will not be able to accommodate a retail facility. He stated, if they had one, it might be somewhere along National Avenue and would have to be a stand-alone facility that only sells marijuana.

Councilor Harris noted he looked at the maps provided in the agenda report and wondered if we were being prohibitive and if that was legal. City Attorney Hillier reported for medical marijuana it would be an issue, but for retail sales it can be banned. He noted the city of Kent recently got a legal opinion from their counsel stating they have the absolute right to ban everything, and they did. City Attorney Hillier suggested we could do that as well, but if we just do nothing, we're only susceptible to one retail outlet if they can fit it in here.

Mr. Osborn reported, under Option A, the city would simply go by state rules and regulations.

The consensus of the council is to go with Option A.

Mr. Osborn reported by going with Option A the only action needed by the council would be to lift the city's current moratorium.

Councilor Dawes wondered what would happen if the moratorium was extended. He suggested the council extend it to see if anyone challenges us.

City Attorney Hillier stated the council could do that, but the administration was trying to put some finality to the situation.

After a brief discussion, the consensus of the council was to extend the moratorium.

City Manager MacReynold stated he was informed by the city clerk that the current moratorium is good through March 11, 2014.

e. **State Audit Exit Conference.** City Manager MacReynold reminded the council about the upcoming 2012 exit conference with the State Auditor's Office on Wednesday, October 30, at 3:00 p.m. He stated, based on what we know, there are no findings, but there were some management recommendations.

f. **Lewis County Commission Decision on Airport.** City Manager MacReynold reported the Lewis County Commissioners would be dealing with the ownership of the airport property on Monday, October 21, at 10:00 a.m.

#### 4. **Council Reports.**

a. **Update From Councilor Spahr.** Councilor Spahr reported he attended the Lewis County Economic Development Council Board meeting, noting they have some very interesting client activity, but couldn't talk about it at this time.

b. **Update From Councilor Harris.** Councilor Harris reported he and David Hartz met with the Chehalis Foundation to request funding for holiday decorations and was happy to report that, before they walked out, the Foundation cut them a check for \$10,000. He thanked the Foundation for their generosity.

Councilor Harris reported the Lodging Tax Advisory Committee (LTAC) met to review the funding requests for 2014. He noted Michel Rey from the Best Western was appointed to the committee to replace Natalie Ketchum. Councilor Harris reported, because of the new legislation, there was a lot of trepidation and concern about how the meeting was going to go; however, it turned out much better than he thought it would. He felt the committee did a great job and believed the council would get the committee's recommendations at the next regular meeting.

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c. **Update From Councilor Pope.** Councilor Pope asked Architect Norm Pfaff if he had any additional comments about the pool project, since he was not present during the discussion earlier.

Mr. Pfaff reported the advertisement for bids would go out on Thursday, October 17, with the bid opening on November 14. He noted they also had a pre-bid conference scheduled for November 5, at 1:00 p.m. Mr. Pfaff stated everything is going very smoothly, noting all of their documents were up to date. He noted the city did a wonderful job in their review and providing permits for the project. Mr. Pfaff reported, if they receive successful bids, work will start on or about December 1 and be done in time to do a grand opening in August 2014.

Councilor Lund stated he was approached by some members of the Foundation who let him know there were some problems. He noted he spoke to City Manager MacReynold about the issues, and when the city manager contacted them, the individuals told him there were no problems. Councilor Lund suggested if Mr. Pfaff is having any difficulty with staff in moving things along that he should go directly to City Manager MacReynold.

Mr. Pfaff stated he was not aware of any problems with staff, adding he and City Manager MacReynold have an agreement about who to contact if there are any issues. He apologized that Councilor Lund got raked over the coals. Mr. Pfaff reported the only challenge they've had is with the soils report, noting when they built the freeway they distributed seven feet of spoils into the ground where the pool currently sits. He noted the foundation for the existing pool goes down seven feet and if they remove anything or add any new structure it all has to be dug out and replaced with new fill.

d. **Update From Councilor Dawes.** Councilor Dawes reported he attended the Tea Party meeting at Candidates Night last week. He noted Councilor Taylor was there and did an eloquent job speaking, as he always does.

Councilor Dawes reported the next Regional Fire Authority Planning Committee meeting was scheduled for Wednesday, adding they would be reviewing the draft interlocal agreement. He indicated they were getting very close to presenting it for functional consolidation.

e. **Update From Councilor Lund.** Councilor Lund reported the Chehalis-Centralia Railroad and Museum's pumpkin steam train ride was coming up on October 26-27. He noted they were also set up to start selling tickets for the Polar Express steam train rides, noting tickets could be purchased on-line. Councilor Lund reported the organization seemed to be moving forward in a positive direction. He noted they recently received \$15,000 from a local gentleman to do a strategic plan, so they'll be eligible to apply for federal funding to rebuild one of the engines next year.

5. **Ordinance No. 913-B, First Reading – Amending the 2013 Budget.** Ms. Lindgren reported the budget amendment was being driven by the city's grant activity and pool renovation project. She reviewed the expenses and grant funding for the pool project, noting there would be a lot of timing issues with what is spent and received before the end of the year.

Ms. Lindgren reported on the FEMA Elevation Project, noting when they put the original budget together they anticipated they would be half way through the grant in 2012, which did not happen. She noted the budget amendment would increase the appropriations and the related revenues to reflect the entire grant being done in 2013.

Ms. Lindgren talked briefly about the \$500,000 transfer increase, noting it was basically being done to deal with cash flow.

Councilor Taylor moved to pass Ordinance No. 913-B on first reading.

The motion was seconded by Councilor Lund and carried unanimously.

6. **Executive Session.** Mayor Ketchum closed the regular meeting at 5:48 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.

Mayor Ketchum closed the executive session at 6:08 p.m. and there being no further business to come before the

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council, the meeting immediately adjourned.

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Mayor

Attest:

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City Clerk

**SUGGESTED MOTION**

I move that the council approve the minutes of the regular city council meeting of October 14, 2013.



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

DATE: October 15, 2013

TO: The Honorable Mayor and City Council

FROM: Eva Lindgren, Finance Manager *EL*

PREPARED BY: Michelle White, Accounting Tech II *MW*

SUBJECT: Vouchers and Transfers

ISSUE

Council approval is requested of the following financial transactions:

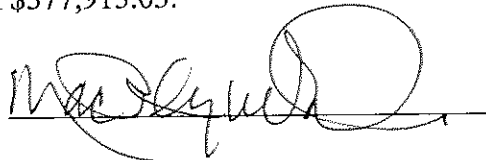
Claim Vouchers No. 107335 through 107474 in the amount of \$377,913.03 dated October 15, 2013 and the transfer of \$140,990.11 from the General Fund, \$3,750.00 from the Tourism Fund, \$64,344.08 from the Federal & State Grant Fund, \$349.45 from the Garbage Fund, \$131,680.94 from the Wastewater Fund, \$34,055.37 from the Water Fund, \$1,650.91 from the Storm & Surface Water Utility Fund, \$545.00 from the Firemen's Pension Fund and \$547.17 from the City Agency Fund.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council approve the October 15, 2013 Claim Vouchers No. 107335 through 107474 in the amount of \$377,913.03.

SUGGESTED MOTION

I move to approve the October 15, 2013 Claim Vouchers No. 107335 through 107474 in the amount of \$377,913.03.

Reviewed by: , City Manager

**CITY OF CHEHALIS  
AGENDA REPORT**

**Date:** October 15, 2013  
**To:** The Honorable Mayor and City Council  
**From:** Judy Schave, City Clerk  
**Subject:** Resolution No. 13-2013 - Surplus Property

**ISSUE**

Various departments have certain property that is no longer used or needed. State law requires that property must first be declared surplus by the city council before being sold or disposed of.

**DISCUSSION**

A resolution has been prepared for the council's consideration. Most of the surplus items will be sold by public auction. The fire hose has no retail value due to its poor condition and will be disposed of once surplus is approved.

**RECOMMENDATION/COUNCIL ACTION DESIRED**

The administration recommends that the council adopt Resolution No. 13-2013 on first and final reading.

**SUGGESTED MOTIONS**

I move that the council adopt Resolution No.13-2013 on first and final reading.

REVIEWED BY:  \_\_\_\_\_, City Manager

**RESOLUTION NO. 13-2013**

**A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON, DECLARING PERSONAL PROPERTY OF THE CITY OF CHEHALIS TO BE SURPLUS AND OF NO FURTHER USE TO THE CITY, AND DIRECTING THE SALE AND DISPOSITION THEREOF.**

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

**Section 1.** The following described personal property of the city of Chehalis, Washington, a municipal corporation, shall be, and the same hereby is, declared to be surplus and no longer of necessary use.

**1. See Exhibit "A" Attached**

**Section 2.** The personal property described herein in shall be disposed of by the City Manager.

**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 28th day of October, 2013.

\_\_\_\_\_  
Mayor

Attest:

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

Approved as to form and content:

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



# SURPLUS EQUIPMENT

## City of Chehalis Fire Department

Equipment ID Number	Equipment Type
89-13	1 ¾" Firefighting Hose
89-28	1 ¾" Firefighting Hose
93-3	1 ¾" Firefighting Hose
93-4	1 ¾" Firefighting Hose
93-6	1 ¾" Firefighting Hose
93-10	1 ¾" Firefighting Hose
93-13	1 ¾" Firefighting Hose
93-25	1 ¾" Firefighting Hose
93-31	1 ¾" Firefighting Hose
94-4	1 ¾" Firefighting Hose
94-7	1 ¾" Firefighting Hose
94-12	1 ¾" Firefighting Hose
94-16	1 ¾" Firefighting Hose
94-19	1 ¾" Firefighting Hose
97-2	1 ¾" Firefighting Hose
97-4	1 ¾" Firefighting Hose
97-6	1 ¾" Firefighting Hose
97-9	1 ¾" Firefighting Hose
97-11	1 ¾" Firefighting Hose
97-12	1 ¾" Firefighting Hose
97-22	1 ¾" Firefighting Hose
97-25	1 ¾" Firefighting Hose
97-27	1 ¾" Firefighting Hose
97-32	1 ¾" Firefighting Hose
97-33	1 ¾" Firefighting Hose
97-35	1 ¾" Firefighting Hose
01-05	1 ¾" Firefighting Hose
01-13	1 ¾" Firefighting Hose
01-15	1 ¾" Firefighting Hose
01-24	1 ¾" Firefighting Hose
01-33	1 ¾" Firefighting Hose
04-2	1 ¾" Firefighting Hose
04-4	1 ¾" Firefighting Hose
07-3	1 ¾" Firefighting Hose
91-2	2 ½" Firefighting Hose
91-4	2 ½" Firefighting Hose
91-10	2 ½" Firefighting Hose
91-3A	2 ½" Firefighting Hose
91-4A	2 ½" Firefighting Hose
93-18	2 ½" Firefighting Hose

<b>Equipment ID Number</b>	<b>Equipment Type</b>
93-20	2 ½" Firefighting Hose
93-27	2 ½" Firefighting Hose
94-10	2 ½" Firefighting Hose
04-02	2 ½" Firefighting Hose
04-05	2 ½" Firefighting Hose
91-6	2 ½" Firefighting Hose
91-8	2 ½" Firefighting Hose
91-15	2 ½" Firefighting Hose
91-20	2 ½" Firefighting Hose
91-36	2 ½" Firefighting Hose
91-37	2 ½" Firefighting Hose
93-6	3" Firefighting Hose
93-16	3" Firefighting Hose
93-17	3" Firefighting Hose
93-18	3" Firefighting Hose
93-19	3" Firefighting Hose
93-26	3" Firefighting Hose
93-34	3" Firefighting Hose
01-13	3" Firefighting Hose
04-2	3" Firefighting Hose
04-16	3" Firefighting Hose
83-5	5" LDH Supply Hose
93-10	5" LDH Supply Hose
95-2	5" LDH Supply Hose
95-41	5" LDH Supply Hose
97-7	5" LDH Supply Hose
97-11	5" LDH Supply Hose
00-2	5" LDH Supply Hose
04-8	5" LDH Supply Hose

City of Chehalis  
Third Quarter Financial Statements - All Funds  
September 30, 2013

	General Fund #001	
	Budget	Actual
Beginning Fund Balance	840,843	844,298
Revs. & Transfers In	7,574,141	5,294,943
Exps. & Transfers Out	(7,670,948)	(5,742,822)
Ending Fund Balance	744,036	396,419

	Arterial Street Fund #102	
	Budget	Actual
	23,682	39,335
	153,000	122,044
	(172,120)	(143,947)
	4,562	17,432

	Tourism Fund #107	
	Budget	Actual
	67,285	68,520
	165,150	124,330
	(192,435)	(81,133)
	40,000	111,717

	Compensated Abs. #110	
	Budget	Actual
	0	0
	0	0
	0	0
	0	0

	CDBG Fund #195	
	Budget	Actual
	19,904	20,206
	5,050	70,736
	(160)	(160)
	24,794	90,782

	HUD Fund #197	
	Budget	Actual
Beginning Fund Balance	322,036	325,264
Revs. & Transfers In	3,600	2,024
Exps. & Transfers Out	0	0
Ending Fund Balance	325,636	327,288

	Gambling Enforcemt. #198	
	Budget	Actual
	77,881	79,006
	0	7
	(77,881)	(63,695)
	0	15,318

	Federal & State Grant Fund #199	
	Budget	Actual
	0	0
	1,105,152	974,470
	(1,105,152)	(974,470)
	0	0

	2011 G.O. Bond Fund #200	
	Budget	Actual
	0	54
	98,827	74,120
	(98,827)	(17,064)
	0	57,110

	Public Fac. Res. #301	
	Budget	Actual
	23,818	23,818
	0	0
	(23,818)	(23,818)
	0	0

	Auto/Equip. Res. #302	
	Budget	Actual
Beginning Fund Balance	2,837	2,837
Revs. & Transfers In	0	1,638
Exps. & Transfers Out	(2,837)	0
Ending Fund Balance	0	4,475

	1st Qtr. REET Fund #305	
	Budget	Actual
	122,074	126,614
	28,400	39,795
	(42,002)	(31,502)
	108,472	134,907

	2nd Qtr. REET Fund #306	
	Budget	Actual
	38,998	43,255
	28,000	39,795
	(32,118)	(24,089)
	34,880	58,961

	Garbage Fund #402	
	Budget	Actual
	5,747	6,432
	7,583	5,821
	(12,538)	(8,883)
	792	3,370

	Wastewater Fund #404	
	Budget	Actual
	1,490,430	1,490,430
	4,204,941	3,201,902
	(4,549,136)	(2,777,992)
	1,146,235	1,914,340

	Water Fund #405	
	Budget	Actual
Beginning Fund Balance	2,767,087	2,767,087
Revs. & Transfers In	2,611,095	1,979,154
Exps. & Transfers Out	(2,575,471)	(1,417,627)
Ending Fund Balance	2,802,711	3,328,614

	Storm/Surface Wtr. #406	
	Budget	Actual
	366,447	413,193
	442,174	331,664
	(345,875)	(273,622)
	462,746	471,235

	Firemen's Pension #611	
	Budget	Actual
	217,172	209,060
	149,600	83,877
	(142,253)	(44,799)
	224,519	248,138

	City Agency Fund #633	
	Budget	Actual
	349,003	356,127
	0	500
	0	0
	349,003	356,627

	All Funds Totals	
	Budget	Actual
	6,735,244	6,815,536
	16,576,713	12,346,820
	(17,043,571)	(11,625,623)
	6,268,386	7,536,733

Note: In some instances, ending fund balances include non-cash components, such as prepaid insurance and inventory. Resulting variances are considered immaterial.

To: The Honorable Mayor and Council  
 Via: Merlin MacReynold, City Manager  
 From: Eva K. Lindgren, Finance Manager  
 Date: October 22, 2013  
 Subject: Monthly Financial Reports for September

City of Chehalis  
 Comparative Financial Reports  
 September 2012 and 2013

GENERAL FUND (#001) REVENUES	A September 2012		B		C=B/A		D		E		F=E/D		G		H^A		I=F-G	
	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd	Budget	Actual	% Rec'd	% Rec'd	Expected % Rec'd*	% Rec'd	% Rec'd	Expected % Rec'd*	Variance Expected	% Variance	% Variance	
General Property Taxes	\$1,235,000	\$681,243	\$1,249,000	\$677,808	55.2%	54.3%	\$1,249,000	\$677,808	54.3%	75.0%	75.0%	54.3%	75.0%	(\$258,942)	-20.7%	(1)		
EMS Property Taxes	236,000	130,353	237,500	128,500	55.2%	54.1%	237,500	128,500	54.1%	75.0%	75.0%	54.1%	75.0%	(49,625)	-20.9%			
Sales & Use Tax	3,000,000	2,260,871	3,115,000	2,421,058	75.4%	77.7%	3,115,000	2,421,058	77.7%	75.0%	75.0%	77.7%	75.0%	84,808	2.7%			
Electricity Tax	400,000	276,204	417,000	349,627	69.1%	83.8%	417,000	349,627	83.8%	75.0%	75.0%	83.8%	75.0%	36,877	8.8%			
Gas/Natural Gas Tax	250,000	184,838	240,000	161,654	73.9%	67.4%	240,000	161,654	67.4%	75.0%	75.0%	67.4%	75.0%	(18,346)	-7.6%			
Criminal Justice Tax	88,000	65,162	90,000	70,240	74.0%	78.0%	90,000	70,240	78.0%	75.0%	75.0%	78.0%	75.0%	2,740	3.0%			
(Interfund) Water/Sewer Tax	340,000	247,038	399,996	303,023	72.7%	75.8%	399,996	303,023	75.8%	75.0%	75.0%	75.8%	75.0%	3,026	0.8%			
Garbage Tax	62,000	43,177	62,000	44,099	69.6%	71.1%	62,000	44,099	71.1%	75.0%	75.0%	71.1%	75.0%	(2,401)	-3.9%			
Cable Tax	92,000	68,780	92,000	70,530	74.8%	76.7%	92,000	70,530	76.7%	75.0%	75.0%	76.7%	75.0%	1,530	1.7%			
Telephone Tax	325,000	237,098	313,000	228,289	73.0%	72.9%	313,000	228,289	72.9%	75.0%	75.0%	72.9%	75.0%	(6,461)	-2.1%			
Leasehold Excise Tax	35,000	27,299	38,000	19,314	78.0%	50.8%	38,000	19,314	50.8%	75.0%	75.0%	50.8%	75.0%	(9,186)	-24.2%			
Other Taxes	30	32	32	40	106.7%	125.0%	32	40	125.0%	75.0%	75.0%	125.0%	75.0%	16	50.0%			
<b>Total Tax Revenues</b>	<b>6,063,030</b>	<b>4,222,095</b>	<b>6,253,528</b>	<b>4,474,182</b>	<b>69.6%</b>	<b>71.5%</b>	<b>6,253,528</b>	<b>4,474,182</b>	<b>71.5%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>71.5%</b>	<b>75.0%</b>	<b>(215,964)</b>	<b>-3.5%</b>			
Licenses & Permits	63,630	42,137	63,980	51,807	66.2%	81.0%	63,980	51,807	81.0%	75.0%	75.0%	81.0%	75.0%	3,822	6.0%			
Intergov't. Grants/Entitlements	720,239	228,496	168,502	159,716	31.7%	94.8%	168,502	159,716	94.8%	75.0%	75.0%	94.8%	75.0%	33,340	19.8%			
Charges for Goods and Svcs.	800,725	611,234	341,170	270,217	76.3%	79.2%	341,170	270,217	79.2%	75.0%	75.0%	79.2%	75.0%	14,340	4.2%			
Fines and Forfeitures	167,080	117,118	159,055	108,982	70.1%	68.5%	159,055	108,982	68.5%	75.0%	75.0%	68.5%	75.0%	(10,309)	-6.5%			
Interest Earnings	12,546	7,457	9,306	6,817	59.4%	73.3%	9,306	6,817	73.3%	75.0%	75.0%	73.3%	75.0%	(163)	-1.7%			
Rents & Royalties	71,422	50,292	70,100	57,280	70.4%	81.7%	70,100	57,280	81.7%	75.0%	75.0%	81.7%	75.0%	4,705	6.7%			
Donations/Contributions	76,756	72,615	0	4,676	94.6%	N/A	0	4,676	N/A	75.0%	75.0%	N/A	75.0%	4,676	N/A			
Misc. Revenue/Insurance	3,100	12,208	5,000	14,790	393.8%	295.8%	5,000	14,790	295.8%	75.0%	75.0%	295.8%	75.0%	11,040	220.8%			
Non-Revenues	4,866	2,918	3,500	2,682	60.0%	76.6%	3,500	2,682	76.6%	75.0%	75.0%	76.6%	75.0%	57	1.6%			
<b>Total Non-Tax Revenues</b>	<b>1,920,364</b>	<b>1,144,475</b>	<b>820,613</b>	<b>676,967</b>	<b>59.6%</b>	<b>82.5%</b>	<b>820,613</b>	<b>676,967</b>	<b>82.5%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>82.5%</b>	<b>75.0%</b>	<b>61,507</b>	<b>7.5%</b>			
Operating Transfers-In	1,024,017	0	500,000	143,794	0.0%	28.8%	500,000	143,794	28.8%	75.0%	75.0%	28.8%	75.0%	(231,206)	-46.2%	(2)		
<b>Total Other Financing Sources</b>	<b>1,024,017</b>	<b>0</b>	<b>500,000</b>	<b>143,794</b>	<b>0.0%</b>	<b>28.8%</b>	<b>500,000</b>	<b>143,794</b>	<b>28.8%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>28.8%</b>	<b>75.0%</b>	<b>(231,206)</b>	<b>-46.2%</b>			
<b>TOTALS</b>	<b>\$9,007,411</b>	<b>\$5,366,570</b>	<b>\$7,574,141</b>	<b>\$5,294,943</b>	<b>59.6%</b>	<b>69.9%</b>	<b>\$7,574,141</b>	<b>\$5,294,943</b>	<b>69.9%</b>	<b>75.0%</b>	<b>75.0%</b>	<b>69.9%</b>	<b>75.0%</b>	<b>(\$385,663)</b>	<b>-5.1%</b>			

Key:  
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 ^To calculate the dollar variance between expected and actual expenditures, the following formula is used:  
 H=(D\*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)



**City of Chehalis**  
**Comparative Financial Reports**  
**September 2012 and 2013**

GENERAL FUND (#001) EXPENDITURES	A September 2012		B		C=B/A		D September 2013		E		F=E/D		G		H <sup>^</sup>		I=G-F			
	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Expected	% Exp'd	Var:nc Expected	% Variance	Expected	% Variance		
City Council	\$100,319	\$72,673	\$72,673	\$72,673	72.4%	71.9%	\$76,587	\$55,040	\$76,587	\$55,040	71.9%	75.0%	\$2,400	75.0%	\$2,400	3.1%	\$2,400	3.1%		
Municipal Court	348,378	240,134	240,134	240,134	68.9%	71.5%	333,882	238,833	333,882	238,833	71.5%	75.0%	11,579	75.0%	11,579	3.5%	11,579	3.5%		
City Manager	338,840	250,478	250,478	250,478	73.9%	76.1%	236,121	179,777	236,121	179,777	76.1%	75.0%	(2,686)	75.0%	(2,686)	-1.1%	(2,686)	-1.1%		
Finance	325,177	238,550	238,550	238,550	73.4%	74.7%	164,316	122,751	164,316	122,751	74.7%	75.0%	486	75.0%	486	0.3%	486	0.3%		
City Clerk	94,231	67,876	67,876	67,876	72.0%	68.6%	56,516	38,792	56,516	38,792	68.6%	75.0%	3,595	75.0%	3,595	6.4%	3,595	6.4%		
Non-Departmental	1,414,721	254,806	254,806	254,806	18.0%	89.7%	819,630	735,209	819,630	735,209	89.7%	75.0%	(120,487)	75.0%	(120,487)	-14.7%	(120,487)	-14.7%		
Human Resources	129,020	91,932	91,932	91,932	71.3%	74.4%	91,769	68,322	91,769	68,322	74.4%	75.0%	505	75.0%	505	0.6%	505	0.6%		
Police	2,348,788	1,707,086	1,707,086	1,707,086	72.7%	73.9%	2,464,666	1,820,295	2,464,666	1,820,295	73.9%	75.0%	28,205	75.0%	28,205	1.1%	28,205	1.1%		
Fire	1,729,924	1,266,763	1,266,763	1,266,763	73.2%	69.1%	1,705,443	1,178,974	1,705,443	1,178,974	69.1%	75.0%	100,108	75.0%	100,108	5.9%	100,108	5.9%		
Public Works - Streets	891,029	404,263	404,263	404,263	45.4%	68.3%	474,659	324,335	474,659	324,335	68.3%	75.0%	31,659	75.0%	31,659	6.7%	31,659	6.7%		
Public Works - Engineering	111,017	74,656	74,656	74,656	67.2%	N/A	0	0	0	0	N/A	75.0%	0	75.0%	0	N/A	0	N/A		
Community Development	1,177,982	964,546	964,546	964,546	81.9%	78.6%	1,247,359	980,494	1,247,359	980,494	78.6%	75.0%	(44,975)	75.0%	(44,975)	-3.6%	(44,975)	-3.6%		
<b>TOTALS</b>	<b>\$9,009,426</b>	<b>\$5,633,763</b>	<b>\$5,633,763</b>	<b>\$5,633,763</b>	<b>62.5%</b>	<b>74.9%</b>	<b>\$7,670,948</b>	<b>\$5,742,822</b>	<b>\$7,670,948</b>	<b>\$5,742,822</b>	<b>74.9%</b>	<b>75.0%</b>	<b>\$10,389</b>	<b>75.0%</b>	<b>\$10,389</b>	<b>0.1%</b>	<b>\$10,389</b>	<b>0.1%</b>		
<b>Net Budget/Income/Variance:</b>															<b>(\$2,015)</b>	<b>(\$267,193)</b>	<b>(\$96,807)</b>	<b>(\$447,879)</b>	<b>(\$375,274)</b>	<b>-5.0%</b>

Key:

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^To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D\*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

(1) Property taxes not received evenly throughout the year.

(2) Operating transfers are dependent upon FEMA elevation activity. Transfers will be made out of Non-Departmental, as necessary, to provide adequate cash-flow for the project. These funds will be transferred back to the General Fund from the Federal and State Grant Fund when not required.

City of Chehalis  
Comparative Financial Reports  
September 2012 and 2013

WASTEWATER FUND (#404) REVENUES	A September 2012		B		C=B/A		D		E		F=E/D		G		H <sup>^</sup>		I=F-G	
	Budget	Actual	Budget	Actual	% Recd	% Recd	Budget	Actual	Budget	Actual	% Recd	% Recd	Expected	% Exp <sup>^</sup>	Expected	Var'nc frm Expected	% Variance	
Intergovernmental Revenues	\$0	\$1,025			N/A		\$0	\$35,000			N/A		75.0%	75.0%	\$35,000		N/A	
Wastewater Fees	3,404,344	2,559,837			75.2%		4,160,318	3,141,149			75.5%		75.0%	75.0%	20,911		0.5%	
Sewer Connection/Misc. Fees	25,000	26,623			106.5%		35,000	14,826			42.4%		75.0%	75.0%	(11,424)		-32.6%	
Rentals	3,750	3,323			88.6%		3,323	3,323			100.0%		75.0%	75.0%	831		25.0%	
Misc. Revenues/Insurance	22,000	25,419			115.5%		3,300	7,197			218.1%		75.0%	75.0%	4,722		143.1%	
Interfund Loan Received	1,200,000	250,000			20.8%		0	0			N/A		75.0%	75.0%	0		N/A	
Interest Earnings	4,655	0			0.0%		3,000	407			13.6%		75.0%	75.0%	(1,843)		-61.4%	
Totals:	\$4,659,749	\$2,866,227			61.5%		\$4,204,941	\$3,201,902			76.1%		75.0%	75.0%	\$48,196		1.1%	

WASTEWATER FUND (#404) EXPENSES	A September 2012		B		C=B/A		D		E		F=E/D		G		H <sup>^</sup>		I=G-F	
	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Expected	% Exp <sup>^</sup>	Expected	Var'nc frm Expected	% Variance	
Operating Expenses	\$2,533,710	\$1,840,411			72.6%		\$2,638,208	\$1,855,227			70.3%		75.0%	75.0%	\$123,429		4.7%	
Capital Outlay	650,000	124,872			19.2%		192,000	58,255			30.3%		75.0%	75.0%	85,745		44.7%	
Debt Principal	1,694,944	940,487			55.5%		1,686,388	847,962			50.3%		75.0%	75.0%	416,829		24.7%	
Interest Expense	40,660	25,394			62.5%		32,540	16,548			50.9%		75.0%	75.0%	7,857		24.1%	
Totals:	\$4,919,314	\$2,931,164			59.6%		\$4,549,136	\$2,777,992			61.1%		75.0%	75.0%	\$633,860		13.9%	

Net Budget/Income/Variance: (\$259,565) (\$64,937) (\$344,195) \$423,910  
\$682,056 15.0%

Key:

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^ To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D\*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

(1) Debt is not paid evenly throughout the year.

City of Chehalis  
Comparative Financial Reports  
September 2012 and 2013

WATER FUND (#405) REVENUES	A September 2012		B		C=B/A		D		E September 2013		F=E/D		G		H <sup>^</sup>		I=F-G	
	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd	Expected	% Exp'd*	Expected	Var'nc Expected	Actual	Variance
Intergovernmental Revenues	\$0	\$1,961	N/A	\$0	N/A	N/A	\$0	\$0	N/A	N/A	N/A	N/A	\$0	75.0%	\$0	\$0	N/A	N/A
Water Sales	2,456,633	1,856,966	75.6%	1,909,773	76.5%	76.5%	2,496,400	1,909,773	76.5%	76.5%	76.5%	76.5%	37,473	75.0%	37,473	37,473	1.5%	1.5%
Water Connection/Misc. Fees	20,000	42,246	211.2%	16,626	83.1%	83.1%	20,000	16,626	83.1%	83.1%	83.1%	83.1%	1,626	75.0%	1,626	1,626	8.1%	8.1%
Interfund Principal Repayment	0	0	N/A	0	0.0%	0.0%	82,794	0	0.0%	0.0%	0.0%	0.0%	(62,096)	75.0%	(62,096)	(62,096)	-75.0%	-75.0%
Misc. Revenues/Insurance	0	2,153	N/A	0	N/A	N/A	0	45,016	N/A	N/A	N/A	N/A	45,016	75.0%	45,016	45,016	N/A	N/A
Interest Earnings	10,000	8,512	85.1%	7,739	65.0%	65.0%	11,901	7,739	65.0%	65.0%	65.0%	65.0%	(1,167)	75.0%	(1,167)	(1,167)	-10.0%	-10.0%
Totals:	\$2,486,633	\$1,911,838	76.9%	\$1,979,154	75.8%	75.8%	\$2,611,095	\$1,979,154	75.8%	75.8%	75.8%	75.0%	\$20,833	75.0%	\$20,833	\$20,833	0.8%	0.8%

WATER FUND (#405) EXPENSES	A September 2012		B		C=B/A		D		E September 2013		F=E/D		G		H <sup>^</sup>		I=G-F	
	Budget	Actual	% Exp'd	% Exp'd	% Exp'd	% Exp'd	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Expected	% Exp'd*	Expected	Var'nc Expected	Actual	Variance
Operating Expenses	\$1,902,438	\$1,300,922	68.4%	\$1,166,174	65.4%	65.4%	\$1,782,704	\$1,166,174	65.4%	65.4%	65.4%	65.4%	\$170,854	75.0%	\$170,854	\$170,854	9.6%	9.6%
Capital Outlay	790,000	95,786	12.1%	98,686	15.4%	15.4%	640,000	98,686	15.4%	15.4%	15.4%	15.4%	381,314	75.0%	381,314	381,314	59.6%	59.6%
Interfund Loan Disbursed	1,200,000	250,000	20.8%	0	N/A	N/A	0	0	N/A	N/A	N/A	N/A	0	75.0%	0	0	N/A	N/A
Debt Principal	130,077	130,077	100.0%	131,077	100.0%	100.0%	131,077	131,077	100.0%	100.0%	100.0%	100.0%	(32,769)	75.0%	(32,769)	(32,769)	-25.0%	-25.0%
Interest Expense	24,131	24,131	100.0%	21,690	100.0%	100.0%	21,690	21,690	100.0%	100.0%	100.0%	100.0%	(5,423)	75.0%	(5,423)	(5,423)	-25.0%	-25.0%
Totals:	\$4,046,646	\$1,800,916	44.5%	\$1,417,627	55.0%	55.0%	\$2,575,471	\$1,417,627	55.0%	55.0%	55.0%	55.0%	\$513,976	75.0%	\$513,976	\$513,976	20.0%	20.0%

Net Budget/Income/Variance: (\$1,560,013)      \$35,624      \$561,527

Key:

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^ To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D\*G) - E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

(1) Capital expenditures are not made evenly throughout the year.

**City of Chehalis**  
**Comparative Financial Reports**  
**September 2012 and 2013**

STORM FUND (#406) REVENUES	A September 2012		B		C=B/A		D		E		F=E/D		G		H^		I=F-G	
	Budget	Actual	% Rec'd	Budget	Actual	% Rec'd	Budget	Actual	% Rec'd	Expected	% Exp.	% Rec'd	Expected	% Exp.	Expected	% Variance	Expected	% Variance
Storm & Surface Water Fees	\$407,780	\$305,422	74.9%	\$441,674	\$330,883	74.9%	\$330,883	0	N/A	75.0%	75.0%	75.0%	(\$373)	0	-0.1%	0	N/A	N/A
Storm Connection/Misc. Fees	5,477	5,477	100.0%	0	0	0.0%	0	500	0.0%	75.0%	75.0%	75.0%	(375)	0	-75.0%	781	N/A	N/A
Interest Earnings	500	0	0.0%	0	0	N/A	0	781	N/A	75.0%	75.0%	75.0%	781	0	N/A	0	N/A	N/A
Misc. Revenues/Insurance	0	2,461	N/A	0	0	N/A	0	0	N/A	75.0%	75.0%	75.0%	0	0	N/A	0	N/A	N/A
Totals:	\$413,757	\$313,360	75.7%	\$442,174	\$331,664	75.0%	\$331,664	0	75.0%	75.0%	75.0%	75.0%	\$34	\$34	0.0%	\$34	0.0%	0.0%

STORM FUND (#406) EXPENSES	A September 2012		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
	Budget	Actual	% Exp'd	Budget	Actual	% Exp'd	Budget	Actual	% Exp'd	Expected	% Exp.	% Exp'd	Expected	% Exp.	Expected	% Variance	Expected	% Variance
Operating Expenses	\$359,853	\$228,503	63.5%	\$345,875	\$273,622	79.1%	\$273,622	0	N/A	75.0%	75.0%	75.0%	(\$14,216)	0	-4.1%	0	N/A	N/A
Capital Outlay	56,416	24,865	44.1%	0	0	N/A	0	0	N/A	75.0%	75.0%	75.0%	0	0	N/A	0	N/A	N/A
Totals:	\$416,269	\$253,368	60.9%	\$345,875	\$273,622	79.1%	\$273,622	0	79.1%	75.0%	75.0%	75.0%	(\$14,216)	0	-4.1%	0	N/A	N/A

Net Budget/Income/Variance: (\$2,512)      \$59,992  
\$96,299      \$58,042  
(\$14,182)      -4.1%

Key:

\* The expected percentage is calculated as follows: since the report is for the 9th month of the year, 9 is divided by 12 - the number of months in the year.

^ To calculate the dollar variance between expected and actual expenditures, the following formula is used:

H=(D\*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

**RECOMMENDATION/COUNCIL ACTION DESIRED**

This report is for the Council's information only. No action is necessary.

Reviewed by  City Manager

**City of Chehalis  
Sales & Use Tax Revenue**

	Month-by-Month Comparisons								
	2007	2008	2009	2010	2011	2012	2013	% Chg.	Key
January	303,003.96	338,775.84	311,681.25	242,158.24	255,550.11	239,905.57	271,375.98	13.1%	1
February	370,242.18	325,708.20	326,987.75	296,867.87	288,322.28	293,448.86	322,000.58	9.7%	2
March	275,769.04	352,594.58	247,974.49	269,687.71	209,202.31	201,418.97	221,154.40	9.8%	3
April	262,854.70	323,886.70	245,182.86	223,636.27	211,769.41	229,146.29	231,493.06	1.0%	
May	309,705.17	366,700.91	255,481.63	246,998.74	269,316.42	250,189.48	271,850.87	8.7%	3
June	288,762.68	340,751.01	266,335.35	228,867.63	253,348.87	253,817.94	265,285.99	4.5%	
July	280,090.89	352,426.34	270,324.94	239,316.92	235,882.93	251,676.19	268,330.22	6.6%	3
August	367,841.64	416,021.47	276,851.50	268,052.83	264,592.08	264,996.44	278,101.71	4.9%	
September	331,262.66	327,171.53	250,448.70	246,365.20	320,998.49	276,271.10	291,464.88	5.5%	
October	353,302.89	305,787.51	345,695.15	260,630.19	245,472.95	283,408.61			
November	352,562.39	373,132.35	257,314.61	251,801.70	261,382.66	273,852.79			
December	314,120.78	194,375.82	234,399.17	241,368.04	233,191.67	258,144.76			
<b>Year Totals</b>	<b>3,809,518.98</b>	<b>4,017,332.26</b>	<b>3,288,677.40</b>	<b>3,015,751.34</b>	<b>3,049,030.18</b>	<b>3,076,277.00</b>		<b>N/A</b>	
<b>As of 9/XX:</b>	<b>2,789,532.92</b>	<b>3,144,036.58</b>	<b>2,451,268.47</b>	<b>2,261,951.41</b>	<b>2,308,982.90</b>	<b>2,260,870.84</b>	<b>2,421,057.69</b>	<b>7.1%</b>	
<b>As of 2nd Qtr.:</b>	<b>1,810,337.73</b>	<b>2,048,417.24</b>	<b>1,653,643.33</b>	<b>1,508,216.46</b>	<b>1,487,509.40</b>	<b>1,467,927.11</b>	<b>1,583,160.88</b>	<b>7.9%</b>	

**Key:**

- 1 Increase is primarily attributable to manufacturing, retail, and construction.
- 2 Increase is primarily attributable to retail and construction.
- 3 Increase is primarily attributable to retail.

CITY OF CHEHALIS

AGENDA REPORT

**DATE:** October 24, 2013  
**TO:** The Honorable Mayor and City Council  
**FROM:** Rick Sahlin, Interim Public Works Director  
Patrick Wiltzius, Wastewater Superintendent  
Bill Hillier, City Attorney  
**SUBJECT:** Chehalis Avenue Beautification and Overlay Project Bid Award

**ISSUE**

In August the council awarded the Chehalis Avenue Beautification and Overlay Project to the low bidder. The administration requests the council reconsider acceptance of the bid and reject all bids received for the project.

**DISCUSSION**

In July the city received two bids for the Chehalis Avenue Beautification and Overlay Project. The lowest bid was \$684,000 and was approximately \$211,000 over the engineer's estimate of \$472,486. The difference between the lowest bid and the engineer's estimate was attributed to the extensive traffic control required to keep the street open during the course of the project. In August the council awarded the project to Nova Contracting Inc. as low bidder and authorized the city manager to execute a contract. The contract has not yet been executed and the administration believes it would be in the best interests of the city to reject all bids and rebid the project. By rebidding the project, the administration believes the city will receive more favorable bids.

**RECOMMENDATION/COUNCIL ACTION DESIRED**

The administration recommends that the city council reconsider acceptance of the bid from Nova Contracting Inc., reject all bids previously received and direct the administration to rebid the Chehalis Avenue Beautification and Overlay Project.

**SUGGESTED MOTION**

I move that the city council reconsider acceptance of the bid from Nova Contracting Inc., reject all bids previously received and direct the administration to rebid the Chehalis Avenue Beautification and Overlay Project.

REVIEWED BY:  \_\_\_\_\_, CITY MANAGER

**CITY OF CHEHALIS  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council  
**FROM:** Eva Lindgren, Finance Manager  
**DATE:** October 24, 2013  
**SUBJECT:** Budget Amendment Ordinance 913-B; Second 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.

Budget amendment has been altered to reflect unbudgeted and under-budgeted revenues. Additionally, below are highlights of the proposed appropriation increases:

- The acquisition of Stan Hedwall Park and the potential acquisition of Chehalis-Centralia Airport
- Repairs to structures damaged by drivers, such as the Chamber Way Overpass
- Police Department acquisition of the City's K-9 Reign and K-9 Transport
- Police Department acquisition of eight Windows 7 laptops required to maintain system security and allow continued access to the State's Criminal Database System.
- Recreation Master Plan and other recreation-related activities.

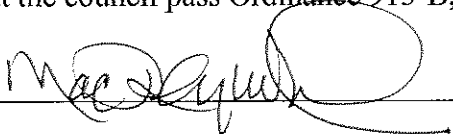
The Administration will be available to answer any questions with regards to the proposed budget amendments.

**RECOMMENDATION/COUNCIL ACTION DESIRED**

The Administration recommends that the council pass Ordinance 913-B, as amended, on second reading.

**SUGGESTED MOTION**

I move that the council pass Ordinance 913-B, as amended, on second 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 SIX HUNDRED ELEVEN THOUSAND FOUR HUNDRED AND FORTY-FIVE DOLLARS (\$611,445); 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; revenues by \$128,631; expenditures by \$111,445; 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 six hundred eleven thousand four hundred and forty-five dollars (\$611,445).

**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 \$6,285,572.

**PASSED** by the city council of the City of Chehalis, Washington, and **APPROVED** on its second reading, as amended, by its mayor, at a regularly scheduled open public meeting thereof this 28th day of October, 2013.

---

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	7,202,772	1,000,000	7,237,686	1,044,707	761,222
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>16,834,865</b>	<b>2,118,827</b>	<b>17,284,537</b>	<b>2,118,827</b>	<b>6,285,572</b>

City of Chehalis  
 2013 Budget Amendment No. 3 - Ordinance 913-B  
 Second Reading  
 10/24/13

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	500,000		
(2) 001.G1.597.000.05.19	Transfers Out - Grant Fund	Non-Dept.: Cash Flow		500,000	New for second reading
001.313.011.00	Sales and Use Taxes	Projections	40,000		
001.G1.518.011.31.00	Supplies	Non-Dept.: AWC Wellness Program		550	
001.G1.518.011.49.00	Miscellaneous	Non-Dept.: AWC Wellness Program		330	
001.G1.514.088.41.00	Professional Svcs.	Non-Dept.: Airport Audit		10,694	New for second reading
001.53.594.076.41.00	Professional Svcs.	CD: Stan Hedwall Park Survey		8,668	
001.395.020.00	Insurance Recoveries-Genl	Insurance Proceeds - City Hall Fire	9,000		New for second reading
001.395.020.03	Insurance Recoveries - PD	Insurance Proceeds	2,129		New for second reading
001.H1.594.021.64.00	Equipment	PD: K-9 & K-9 Transport Purchases		6,431	New for second reading
001.H1.521.022.35.00	Small Tools & Equipment	PD: Windows 7 Laptops (8)		7,000	New for second reading
001.395.020.04	Insurance Recoveries - St.	Insurance Proceeds	12,856		New for second reading
001.K1.542.050.41.00	Professional Svcs.	Sts: Chamber Way Overpass Eng.		10,000	New for second reading
001.K1.542.050.48.00	Repairs and Maintenance	Sts: Chamber Way Overpass Rprs.		14,000	New for second reading
001.K1.542.050.48.00	Repairs and Maintenance	Sts: Kresky Repairs		2,656	New for second reading
001.D1.513.010.41.00	Professional Svcs.	CMO: Stan Hedwall Lobbying		2,500	New for second reading
001.D1.515.030.41.00	Professional Svcs.	CMO: Airport Transfer		4,000	New for second reading
001.E1.514.023.35.00	Small Tools & Equipment	FIN: Archive Shelving		1,000	New for second reading
001.367.011.79	Donation-Culture & Rec.	Tourism Funds	64,646		New for second reading
001.53.594.076.41.00	Professional Svcs.	CD: Recreation Master Plan Ph. II		24,336	New for second reading
001.53.571.022.11.05	Salaries & Wages - Temp	CD: Swimming Pool		3,833	New for second reading
001.53.571.022.21.05	Benefits - Temp	CD: Swimming Pool		3,447	New for second reading
001.53.571.020.41.00	Professional Svcs.	CD: Recreation Programs		12,000	New for second reading
			628,631	611,445	17,186 General Fund 001
Less Transfers			(500,000)	(500,000)	
Net Revenues/Expenditures			128,631	111,445	
<b>Fund 199 - Federal and State Grant Fund</b>					
199.333.D97.03	FEIMA Mitigation Grt. Revs.	Unbudgeted FEMA Elevation Activity	401,136		
199.334.D01.81	Military Dept. Mitigation Grt.	Unbudgeted FEMA Elevation Activity	66,856		
199.367.011.59	Donations - Housing	Unbudgeted FEMA Elevation Activity	66,856		
199.334.000.11*	WA Legislative Grant	Unbudgeted Swimming Pool Activity	250,000		
199.334.002.71*	Rec. & Conservation Grant	Unbudgeted Swimming Pool Activity	250,000		
199.367.011.79*	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 FEMA Elevation Activity		10,000	
199.48.559.D30.49	Miscellaneous	Unbudgeted FEMA Elevation Activity		524,848	
199.48.594.079.41	Professional Svcs.	Unbudgeted Swimming Pool Activity		115,000	
199.48.594.079.63	Other Improvements	Unbudgeted Swimming Pool Activity		598,500	
(1) 199.48.597.000.05.01	Transfers Out - General Fund	Cash Flow	1,748,348	1,748,348	0 Fed. & State Grt. Fund:199
Less Transfers			(500,000)	(500,000)	
Net Revenues/Expenditures			1,248,348	1,248,348	
			2,376,979	2,359,793	17,186 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 28th 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**

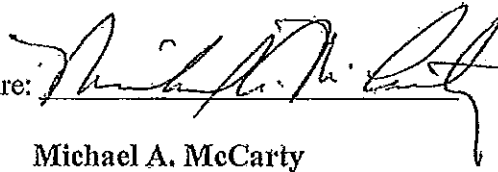
This Agreement and the documents referenced herein contains all the terms and conditions agreed to by the parties. No other understandings, oral or otherwise, regarding the subject matter of this Agreement shall be deemed to exist or to bind the parties hereto.

**[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

CITY OF CHEHALIS  
AGENDA REPORT

DATE: October 16, 2013

TO: The Honorable Mayor and City Council

FROM: Lodging Tax Advisory Committee  
Mayor Pro Tem Terry Harris, Chair  
Alicia Bull, Centralia-Chehalis Chamber of Commerce  
Rick Burchett, Chehalis-Centralia Railroad and Museum  
Todd Chaput, Holiday Inn Express & Suites  
Chip Duncan, Veterans Memorial Museum  
Michel Rey, Best Western Plus Park Place Inn & Suites  
Satpal "Paul" Sohal, Chehalis Inn

SUBJECT: Lodging Tax Advisory Committee Recommendations for 2014 Tourism Funds

**ISSUE**

The Lodging Tax Advisory Committee (LTAC) met on October 7, to review requests from 11 organizations for 2014 tourism funds.

**DISCUSSION**

Expanded uses of lodging tax revenues were set to expire on June 30, 2013. The expanded uses were approved by the legislature in 2007, to fund the *operation* of special events and festivals (as opposed to marketing) and to fund the operations and capital expenditures of tourism-related facilities owned by non-profit organizations.

As you know, the legislature passed a bill which extended the expanded uses, except funding capital expenditures for tourism-related facilities owned by non-profit organizations. The bill also changed the role of the LTAC and reporting requirements.

Prior to the changes, the process for awarding funding was that requests were submitted to the LTAC and they made recommendations to the city council. The council could accept the recommendations or make adjustments to the funding levels. The new process still provides that requests be submitted to the LTAC and that they prepare a list of candidates and funding levels to the city council. The significant change is that the council is no longer authorized to make any funding level changes. They must either accept the recommendations or not accept them. *The candidates must be awarded the amounts recommended by the LTAC or nothing.*

If the council elects to propose a change, they can submit a proposal to the LTAC for review and comment. The submission must occur at least 45 days before final action on or passage of the proposal by the city; however the statute does not go on to say what happens if the LTAC does not respond. It is the opinion of the city attorney that the council cannot make changes to the LTAC's recommendations regardless if they respond or do not respond.

The final change relates to reporting requirements. The city must continue to prepare and submit a report to the state outlining the total revenue received by the city, a list of funded organizations, the amount of tourism revenue expended to each organization, and *estimates* of overnight stays. Additionally, funded organizations must submit a report to the city showing the *actual* number of travelers generated. The city must submit the report to the Joint Legislative Audit and Review Committee (JLARC) who will in turn report to the legislature. JLARC is still in the process of developing a reporting form, which is to begin in 2014.

The attachments to this report include the minutes from the October 7 LTAC meeting, the 2014 tourism fund projections and requests, and information from AWC which provides a good summary of the recent legislative changes.

Upon council approval, all recipients must enter into an agreement with the city for use of the funds. They are required to report on a quarterly basis how the funds are being spent.

After review and discussion, the committee makes the following recommendations:

<u>Organization</u>	<u>Request</u>	<u>Recommendation</u>
1. Chehalis-Centralia Railroad & Museum	\$ 40,000	\$ 15,000
2. Lewis County Historical Museum	\$ 20,000	\$ 15,000
3. Veterans Memorial Museum	\$ 25,000	\$ 25,000
4. Advocate Foundation (Cascade Country Cook-Off)	\$ 15,000	\$ 5,000
5. Premier Broadcasters/City (Chehalis Bridal Show)	\$ 10,000	\$ 10,000
6. Advocate Foundation (Chehalis Garlic Fest)	\$ 20,000	\$ 5,000
7. Pope's Kids Place (Concert on the Green)	\$ 5,000	\$ 5,000
8. Chamber of Commerce (Home & Garden Show)	\$ 5,000	\$ 5,000
9. City Manager's Office	\$ 45,000	\$ 45,000
10. Comm. Development Dept.	\$ 40,475	\$ 40,475
11. Friends of the Chehalis Community Renaissance	<u>\$ 11,000</u>	<u>\$ 11,000</u>
<b>Total</b>	<b>\$236,475</b>	<b>\$181,475</b>

According to the resolution establishing the LTAC, the city council is to review membership on an annual basis and make changes as appropriate. In accordance with state law, the committee must have at least five members, appointed by the city council. Membership must include at least two representatives of businesses required to collect hotel-motel tax, two people involved in activities that are authorized to be funded by the tax, and one elected official who serves as chairperson. The number of persons representing businesses that collect the tax and the number of persons involved in activities authorized to be funded by the tax must be equal. There is no established term of membership.

Committee members include Mr. Todd Chaput, Holiday Inn Express & Suites, Mr. Michel Rey, Best Western Plus Park Place Inn & Suites, and Mr. Satpal Sohal, Chehalis Inn, representing businesses required to collect the tax. Members representing activities funded by the tax are Mr. Rick Burchett, Chehalis-Centralia Railroad & Museum, Mr. Chip Duncan, Veterans Memorial Museum, and Ms. Alicia Bull, Centralia-Chehalis Chamber of Commerce. Mayor Pro Tem Terry Harris is the council representative and acts as committee chair.

During last year's allocation process, Alicia Bull filled in for Jim Valley as interim director of the chamber due to Mr. Valley's health issues. Mr. Valley ultimately left the chamber and Ms. Bull was appointed to the executive director position and has continued to serve on the LTAC. Due to this transition in leadership at the chamber, we failed to officially appoint Ms. Bull to the committee. Attached is her application for consideration.

**RECOMMENDATIONS/COUNCIL ACTION DESIRED**

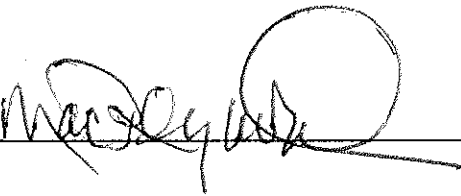
The Lodging Tax Advisory Committee recommends that the council approve its recommendations individually and collectively for use of lodging tax funds for 2014, and the administration recommends the reappointments of Todd Chaput, Michel Rey, Satpol Sohal, Rick Burchett, and Chip Duncan, and the official appointment of Alicia Bull to the city's Lodging Tax Advisory Committee.

**1<sup>st</sup> SUGGESTED MOTION**

I move that the council approve the candidates and funding amounts of the Lodging Tax Advisory Committee for use of lodging tax funds for 2014.

**2<sup>nd</sup> SUGGESTED MOTION**

I move that the council reappoint the memberships of Todd Chaput, Michel Rey, Satpol Sohal, Rick Burchett, and Chip Duncan, and the official appointment of Alicia Bull to the Lodging Tax Advisory Committee.

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

Chehalis Lodging Tax Advisory Committee Meeting Minutes  
October 7, 2013

The Lodging Tax Advisory Committee (LTAC) met on October 7, 2013, at 8:30 a.m. in the basement meeting room of Chehalis city hall to review applications for 2014 tourism funding. Members present were: Mayor Pro Tem Terry Harris, Chair; Alicia Bull, Centralia-Chehalis Chamber of Commerce; Todd Chaput, Holiday Inn; Chip Duncan, Veterans Memorial Museum; Michel Rey, Best Western; and Satpal Sohal, Chehalis Inn. Rick Burchett, Chehalis-Centralia Railroad and Museum, was absent. Chehalis staff members included Merlin MacReynold, City Manager; and Caryn Foley, City Manager's Administrative Assistant.

**Call to Order**

The meeting was called to order by Mayor Pro Tem Harris and introductions were made. Mayor Pro Tem Harris welcomed Michel Rey to the committee and provided a brief outline of the process for the day. He explained that state law requires equal representation between those businesses that collect lodging tax and those organizations that receive the tax. He noted that Rick Burchett was not able to be at the meeting, but the meeting could continue since there was a quorum present.

**Review of Legislative Changes**

Mayor Pro Tem Harris stated that by-in-large the Chehalis city council has supported the work of this committee. Prior to recent changes by the legislature, the process for awarding funding was that requests were submitted to the committee and they made a recommendation to the city council. The council could accept the committee's recommendation or make changes to it. Recent legislative action has changed that process. Requests still come to the committee, but the council now has only two options – either accept the committee's recommendation or not. Mayor Pro Tem Harris believed the action took away the council's legislative authority and gave it to the committee.

It was asked whether or not the committee had the ability to recommend funding levels different from the applicants' requests. The new legislation provides that the committee prepare a list of candidates and *recommended* amounts of funding to the municipality for final determination, which means the committee has the ability to adjust funding levels.

To ensure there is tourism money to be awarded, Mayor Pro Tem Harris noted the importance of funding those organizations that put heads in beds. However, while some may not put a lot of heads in beds, they do contribute to the local economy in other ways, or are important to the community.

**2014 Requests**

**1. Friends of the Chehalis Community Renaissance – \$11,000 (Annalee Tobey & Julie Balmelli-Powe)**

The request is to fund year-round, general promotion and marketing of Chehalis, specifically for reprinting the visitor brochure and event rack card, continuation of the Experience Chehalis Facebook site and e-newsletter, reprinting of the Historic Downtown Chehalis Walking Tour booklet, and professional photography for the city website, brochure, Facebook, and e-newsletter. This type of umbrella marketing effort has been lacking and we need to show visitors what we have to offer.

It was asked how the brochures/cards were distributed. Ms. Tobey stated they were distributed locally from Centralia to east Lewis County. The committee thought the marketing committee should think about getting the pieces distributed through Certified Rack. There was discussion about print versus electronic marketing. Ms. Tobey stated that she tends to lean toward social media, but you have to maintain a good balance between the two. She noted that in all marketing efforts, consistent branding is used throughout and Facebook icons and the city's website (for visitor information) QR code are included.

**2. Pope's Kids Place Concert on the Green – \$5,000 (Frank Millwood & Lesa LeDuc)**

This year, Concert on the Green replaced Jazz in July in an attempt to attract a larger and more diverse audience. It is in the infancy stage, but they believe they have an opportunity to create a premier, multi-day event that will become self-sufficient. Mr. Millwood noted that their annual gala brings in hundreds of people, mostly from out of town. In addition, the Pope's Kids Place clinic brings in numerous doctors, nurses, etc., who put heads in beds and contribute to the local economy throughout the year.

Ms. Bull commented that Concert on the Green was held the same weekend as Planes, Trains & Automobiles and the concert committee jumped right into the broader marketing effort.

Todd added that although this is a one-time event, Pope's does put heads in beds throughout the year.

**3. Chehalis Bridal Show – \$10,000 (Rick Petty)**

Mr. Petty thought the Bridal Show was probably the largest return on investment as far as lodging tax dollars go. The show features local vendors. Brides are required to register so we know exactly where they are coming from. As always, it was noted that the Bridal Show itself probably does not put heads in beds, but the resultant weddings do. Mr. Petty stated he plans to promote the event earlier and would also like to add additional vendors.

Mr. Rey asked if there were any plans to expand the event. Mr. Petty stated he would welcome a chance to consider expanding.

**4. Lewis County Historical Museum – \$20,000 (Andy Skinner)**

Mr. Skinner stated the museum was working to rebrand its image and they were requesting funding for the continued operation and marketing of the museum. A new website was launched this year and they saw an increase in the successfulness of all of their events. They are working on new events and exhibits for next year, and have begun the digitalization of records. They have been marketing more out of the area, and their visitor statistics are showing it.

Ms. Bull commented that Mr. Skinner was really making an effort to market the museum.

**5. Chehalis-Centralia Railroad and Museum – \$40,000 (Wanda Thompson & Chad Taylor)**

Ms. Thompson stated the steam train has almost become a year-round operation, and all tourism funding is used for marketing and promotion. She noted that about two-thirds of dinner train guests travel between 30 to 50+ miles away, and about 75% of those riding the Polar Express are from out of the area, putting heads in beds due to the late hour of operation.

Mr. Taylor stated they always try to get the biggest bang for their buck when it comes to marketing. 70,000 rack cards are distributed through Certified Rack and Constant Contact is used to send out steam train event information.

Mr. Rey asked if they tracked the results of social media versus print. Ms. Thompson stated they do not, but she estimated it was probably 80/20. Mr. Taylor stated he could check into that using Google Analytics.

Mr. Rey stated the train's website and Facebook were out of date, noting their website still says, "2013 season coming soon." Mr. Taylor stated the website was updated in the last couple days and he would check on the Facebook.

Ms. Bull asked if they had considered increasing their prices if trains are being sold out in advance. Ms. Thompson stated they try to increase prices by a dollar or two each year, but they do try to keep prices reasonable.

Ms. Thompson stated that in 2015 they need to complete a required overhaul of the locomotive, which is estimated to cost, at a minimum, \$150,000.

Mr. Taylor added that all their print marketing has a social media aspect to it.

**6. Advocate Foundation for Chehalis Garlic Fest & Craft Show – \$20,000 (Frank DeVaul)**

Mr. DeVaul stated that Garlic Fest is becoming a nationally known festival. They were contacted by Savour, one of the premier "foodie" magazines in the world, to be included in their calendar of events. He stated the event donates its net proceeds back to groups and organizations within the community. Mr. DeVaul noted that all tourism funding is used for marketing and promotion, and this multi-day event puts heads in beds.

Mr. Rey asked what types of social media were used. Mr. DeVaul stated they use a broad approach to marketing, including QR codes and Facebook icons when applicable.

Mr. Rey asked if there were other garlic festivals in the area. Mr. DeVaul was aware of one other.

Mr. DeVaul noted that attendance was down by about 22%. He attributed it to reduced funding for marketing.

**7. Advocate Foundation for Cascade Country Cook-Off – \$15,000 (Frank DeVaul)**

Mr. DeVaul stated they are always modifying and changing the event to make it better. The event is now host to the Washington Chili Championships and the Dutch Oven Championships, in addition to the Barbeque Competition. In 2014, they plan to include the addition of a Flea Market Fling. As with Garlic Fest, their primary focus on marketing efforts is outside the immediate area.

**8. Chehalis Community Development Department for Youth Tournaments – \$40,475 (Dennis Osborn & Lilly Wall)**

Mr. Osborn stated that last year, the department also requested funding for phase II of the Recreation Park improvement project to upgrade the facilities to hold additional tournaments. They will not be requesting 2014 funds for the next phase of the project since the pool renovation project will be underway. He stated this request was to provide youth fastpitch and basketball tournaments.

Ms. Wall thanked the committee for its past support. She stated the tournaments bring in thousands of people who stay in our hotels, eat at restaurants, shop, buy gas, and enjoy our community. She added they would like to eventually add more tournaments for boys at Stan Hedwall Park, but upgrades are needed to some of the facilities.

Mr. MacReynold stated the city has leased Stan Hedwall Park from the state for many years, so we haven't wanted to put a lot of money into the facility not knowing what would happen at the end of the lease. But, due to recent legislative action, the city is about to take ownership of the park.



**9. Centralia-Chehalis Chamber of Commerce – \$5,000 (Alicia Bull)**

The funds being requested would be used to promote the annual Home & Garden Show using radio, print, and social media. Approximately 7,000 people attended this year’s three-day event. Many of the vendors and attendees come from out of town. She added that the show allows local businesses the opportunity to gain business clients to help their businesses grow. Next year they plan to charge a small entrance fee that will allow better surveying of attendees, and to add value to the show.

**10. Veterans Memorial Museum – \$25,000 (Chip Duncan)**

Mr. Duncan stated they are adding events to bring additional visitors into the museum. In 2014, they will have a murder mystery dinner and will once again host the Vietnam traveling wall to mark the 50<sup>th</sup> anniversary of the start of the Vietnam War. They expect 14,000 to 16,000 visitors between the Vietnam wall and the annual Civil War re-enactment.

**11. City Manager's Office – \$45,000 (Merlin MacReynold)**

City Manager MacReynold stated part of the request is the same as last year - \$3,500 for design of and placement of an ad in the Lewis County Visitors Guide, and \$1,500 for half of the cost for hosting, maintenance, and support of the city’s website. The other part of the request is significantly more. \$40,000 is being requested for the agreement with the chamber to provide tourism services. City Manager MacReynold reminded everyone that this is a joint agreement with the county and Centralia, although Chehalis and Lewis County provide a majority of the support, since most of Centralia’s tourism funding is designated to their sports facility. Under the current contract, the chamber acts as the area’s official visitor information center; staffs the toll free tourism telephone line; and oversees production and distribution of the Lewis County Official Visitor’s Guide and the Lewis County Festival & Events Guide.

Ms. Bull stated that last year, the county and Chehalis increased funding for the chamber to be open on Saturdays. This has been very successful and they would like to be open on Sundays next year. The additional funding would also be used to rebuild the [tourlewiscounty.com](http://tourlewiscounty.com) website, which is extremely outdated. They would also like to update and purchase a visitor bag that distributes information to visitors who attend local events. Ms. Bull stated the chamber wants to market everything Lewis County.

**Electronic Kiosks.** Mr. Rey brought forward the idea of electronic kiosks to be placed in places like the hotels and the chamber. They could include Lewis County tourism information so people would have everything at their fingertips. The committee thought this was a great idea and asked if the chamber would be willing to take the lead on it. Ms. Bull stated she would be happy to look into the idea.

**Review of 2014 Revenue Projections, Requests, and Determine Allocation Recommendations to City Council**

The projected beginning fund balance for 2014 is estimated to be \$50,135, with estimated revenues of \$175,000, and a recommended reserve of \$40,000. With these assumptions, the estimated total available revenue for distribution to applicants is \$185,135.

With requests totaling \$236,475 and available funding of \$185,135, the committee established the following recommendations for council consideration:

<u>Organization</u>	<u>Request</u>	<u>Recommendation</u>
1. Chehalis-Centralia Railroad & Museum	\$ 40,000	\$ 15,000
2. Lewis County Historical Museum	\$ 20,000	\$ 15,000
3. Veterans Memorial Museum	\$ 25,000	\$ 25,000
4. Advocate Foundation (Cascade Country Cook-Off)	\$ 15,000	\$ 5,000
5. Premier Broadcasters/City (Chehalis Bridal Show)	\$ 10,000	\$ 10,000
6. Advocate Foundation (Chehalis Garlic Fest)	\$ 20,000	\$ 5,000
7. Pope’s Kids Place (Concert on the Green)	\$ 5,000	\$ 5,000
8. Chamber of Commerce (Home & Garden Show)	\$ 5,000	\$ 5,000
9. City Manager’s Office	\$ 45,000	\$ 45,000
10. Comm. Development Dept.	\$ 40,475	\$ 40,475
11. Friends of the Chehalis Community Renaissance	\$ 11,000	\$ 11,000
<b>Total</b>	<b>\$236,475</b>	<b>\$181,475</b>

The following recommendations would leave a reserve balance of \$43,660.

The recommendations will be reviewed by the city council on October 28, 2013 at 5:00 p.m.

The meeting concluded at 2:35 p.m.

Minutes respectfully submitted by Caryn Foley, City Manager’s Administrative Assistant.

**2014 CHEHALIS TOURISM FUND PROJECTIONS AND REQUESTS**

Projected Beginning Fund Balance           \$ 50,135  
 Estimated Revenue                            \$175,000  
**Total Estimated Revenue                   \$225,135**

Recommended Ending Fund Balance Reserve    \$ (43,660)

**Total Available Revenue                    \$181,475**

	2011 Allocations	2012 Allocations	2013 Allocations	2014 Requests	2014 LTAC Recommendations	2014 Council Approved
<b>Facilities</b>						
Chehalis-Centralia Railroad & Museum	35,000	30,000	20,000	40,000	15,000	
Lewis County Historical Museum	17,000	22,500	15,000	20,000	15,000	
Veterans Memorial Museum	22,500	25,000	18,125	25,000	25,000	
<b>Events</b>						
ARTrails Studio Tours -- ARTrails of SWW	2,500	-0-	No request	No request	No request	
Babe Ruth Tournament -- South Sound Babe Ruth	*	*	20,000	No request	No request	
Cascade Country Cook-Off -- Advocate Foundation	12,500	5,000	5,000	15,000	5,000	
Chehalis Bridal Show -- City / Premier Broadcasters	9,000	10,000	10,000	10,000	10,000	
Chehalis Business Association Events -- Chehalis Business Association	15,000	No request	No request	No request	No request	
Chehalis Garlic Fest -- Advocate Foundation	20,000	18,000	5,000	20,000	5,000	
Concert on the Green (formerly Jazz in July) -- Pope's Kids Place	5,000	**	5,000	5,000	5,000	
Home & Garden Show -- Centralia-Chehalis Chamber	No request	2,500	5,000	5,000	5,000	
Spring & Christmas Tours -- Visiting Nurses Foundation	2,500	No request	No request	No request	No request	
<b>City</b>						
City Manager's Office -- Tourism & Marketing	19,900	15,000	20,000	45,000	45,000	
Community Development Department -- Youth Tournaments	20,000	33,200	44,310	40,475	40,475	
Community Development Department -- Parks Projects	No request	9,000	25,000	No request	No request	
<b>Special Projects</b>						
Mobile Website -- Centralia-Chehalis Chamber	5,000	No request	No request	No request	No request	
Marketing Centralia Sports Center -- Centralia-Chehalis Chamber	-0-	No request	No request	No request	No request	
Friends of the Chehalis Community Renaissance	No request	-0-	No request	11,000	11,000	
<b>TOTALS</b>	<b>185,900</b>	<b>170,200</b>	<b>192,435</b>	<b>236,475</b>	<b>181,475</b>	

\* In 2010, the City Council approved reserving \$10,000 in 2011 and \$10,000 in 2012 for use by South Sound Babe Ruth for the 2013 Regional Babe Ruth Tournament.

\*\* Pope's Kids Place was awarded \$5,000 in 2012 for Jazz in July, but the event was canceled. The City Council approved deferring the request to 2013.

# Lodging taxes: Beyond the sunset

In 2007, the Legislature granted new uses for hotel-motel, or lodging, tax revenue, including:

- Funding the operation of special events and/or festivals designed to attract tourists (as opposed to marketing, which was already authorized); and
- Funding the operations and capital expenditures of tourism-related facilities owned by non-profit organizations.

The legislation contained a sunset (or expiration) date of June 30, 2013. This session, the Legislature passed HB 1253, which extended nearly all of these uses for lodging taxes. The bill also changed the role of Lodging Tax Advisory Committees and reporting requirements.

## What can a municipality fund with lodging tax revenue beginning July 1, 2013?

Lodging tax revenue can be used for all of the uses in place before July 1 except funding the capital expenditures for tourism-related facilities owned by non-profit organizations. Specifically, lodging taxes can continue to be used for:

- Tourism marketing.
- Marketing and operations of special events and festivals.
- Operations of tourism-related facilities owned or operated by nonprofit organizations.
- Operations and capital expenditures of tourism related facilities owned by municipalities or public facilities districts.

## How must an applicant apply for lodging taxes?

In municipalities of at least 5,000 population, applications must be submitted directly to the LTAC. In municipalities of less than 5,000, applications are submitted to the city or county as they have been in the past.

All applications must include estimates of how funding the activity will result in increases to people staying overnight, travelling 50 miles or more, or coming from another state or country. To ensure this data is collected, cities should require this information on their lodging tax application forms.

There is no requirement that priority for funding be given to applicants expected to generate the most travelers, and lodging tax revenue may still be awarded to recipients who generate few or none of these types of travelers.

## What is the role of the Lodging Tax Advisory Committee (LTAC)?

In a municipality of at least 5,000 population, the LTAC receives all applications for lodging tax revenue and recommends a list of candidates and funding levels to the municipality's legislative body for final determination.

If a municipality under 5,000 chooses to establish a LTAC, they may, but do not have to, follow these requirements.

## What does the municipality do with the LTAC's recommendations?

The legislative body "may only choose recipients from the list of candidates and recommended amounts provided by the local lodging tax advisory committee." However, the city or county does not have to fund the full list as recommended by the LTAC and can choose to make awards in the recommended amounts to all, some, or none of the candidates on this list. The selected recipients must be awarded the amounts recommended by the LTAC.

## Does a municipality have to apply to the LTAC for its own projects?

AWC has received different opinions on this issue. However, the State Auditor's Office interprets the new provisions as requiring municipalities to submit an application to the LTAC. Except for projects with a contract or bond obligation already in place, we encourage municipalities to submit applications for their own projects to the LTAC.

continued

### **What happens to any lodging tax revenue not awarded through the process?**

A municipality does not have to make all funds available, or award all funds available, each year. Any revenue remaining may be carried over to future funding cycles.

Cities and counties may want to develop a policy as to how often lodging tax revenue is awarded and what happens to any remaining revenue.

### **How often should the LTAC recommend and the municipality award lodging taxes?**

The law is silent on how often the awards should be made (annually, semi-annually, quarterly, etc.). Some jurisdictions choose to make awards as part of their annual budget cycle. Others make mid-year awards to account for unexpected increases or decreases in projected revenue.

### **Who must report and how?**

All recipients of lodging tax revenue, regardless of what the revenue is to be used for, must submit a report to the municipality describing the actual number of travelers generated. Municipalities should, as part of their contract with recipients, require that the report be provided immediately after the event or activity.

The municipality must make the report available to the public, the local legislative body, the local LTAC members, and the Joint Legislative Audit and Review Committee (JLARC).

JLARC has developed an electronic reporting form for municipalities to submit the required information. That form will be available on JLARC's website later this month: [jlarc.leg.wa.gov](http://jlarc.leg.wa.gov).

#### **AWC contacts**

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**City of Chehalis APPLICATION FOR APPOINTMENT**

Date Oct. 1, 13

(The city of Chehalis accepts applications from anyone residing in the city limits of Chehalis, who meet the required criteria for each Board, Commission or Committee. Please see below the corresponding RCW, CMC, or Resolution for appointment criteria. For more information contact city clerk at 360-345-3225)

I wish to be considered for appointment to the following board, commission, or committee:

- Airport Board (RCW 14.08)
- Lodging Tax Advisory Committee (Resolution 1-98)
- Historic Preservation Commission (CMC 2.66)
- Civil Service Commission (CMC 2.56 and RCW 4.108-Fire, RCW 41.12-Police)
- Sister City Committee (CMC 2.80)
- Planning Commission (CMC 2.48)
- Library Board (RCW 27.12)
- Chehalis River Basin Flood Authority

Please print

Name Alicia N. Bull  
 Present employer Centralia-Chehalis Chamber of Commerce  
 Employer address 500 NW Chamber of Commerce Way Phone No. 360-748-9985  
 Fax No. 360-748-8763 E-mail director@chamberway.com  
 Home address 330 Brockway Rd. Home Phone No. 360-269-1144  
 Have you previously or are you now serving on any of the above mentioned?  Yes  No  
 If yes, please explain as interim director

Date available for appointment upon request

Available to attend Evening meetings?  Yes  No Daytime meetings?  Yes  No

Approximately how many hours each month can you devote to city business? Lots - ☺

Brief statement of qualifications for position and reason for requesting appointment.  
Executive Director of Chamber of Commerce.  
Served on LTAC Board as interim Director.  
Involved with promoting Tourism in Lewis County.

Signature Alicia N. Bull

Please return completed form to: Office of the City Clerk  
350 N Market Blvd Rm 101, Chehalis WA 98532

Please indicate where you wish meeting information to be mailed and how you would like to be reminded of meetings (e.g., phone, e-mail, cell phone) director@chamberway.com