

# CHEHALIS CITY COUNCIL AGENDA

CITY HALL  
350 N MARKET BLVD | CHEHALIS, WA 98532

Dennis L. Dawes, Position at Large Mayor		
Terry F. Harris, District 1, Mayor Pro Tem		Anthony E. Ketchum Sr., District 3
Daryl J. Lund, District 2		Chad E. Taylor, Position at Large
Dr. Isaac S. Pope, District 4		Robert J. Spahr, Position at Large

## Regular Meeting of Monday, October 14, 2019 5:00 p.m.

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|---|
| <ol style="list-style-type: none"> <li>1. <u>Call to Order.</u> (Mayor)</li> <li>2. <u>Pledge of Allegiance.</u> (Mayor)</li> </ol> |
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<b>CITIZENS BUSINESS</b>
<p>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.</p>

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>CONSENT CALENDAR</b>		
3. <u>Minutes of the Regular City Council Meeting of September 23, 2019.</u> (City Clerk)	APPROVE	1
4. <u>Vouchers and Transfers – Accounts Payable in the Amount of \$541,282.18.</u> (City Manager, Finance Director)	APPROVE	5
5. <u>Vouchers and Transfers – Payroll in the Amount of \$917,632.78.</u> (City Manager, Finance Director)	APPROVE	7
6. <u>Change Order No. 1 in the Amount of \$167,087.88 for the Riverside Force Main Replacement Project.</u> (City Manager, Public Works Director, Wastewater Superintendent)	APPROVE	9
7. <u>Water Use Efficiency Plan Update.</u> (City Manager, Public Works Director, Water Superintendent)	APPROVE	21
8. <u>Resolution No. 12-2019, First and Final Reading – Delegating Signing Authority to the Airport Operations Coordinator for Reimbursement on Federally and State Funded Infrastructure Projects – Taxiway Realignment.</u> (City Manager, Public Works Director, Airport Operations Coordinator)	ADOPT	23

**CONSENT CALENDAR CONTINUED ON NEXT PAGE**

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>CONSENT CALENDAR - CONTINUED</b>		
9. <u>Resolution No. 13-2019, First and Final Reading – Delegating Signing Authority to the Recreation Manager for Reimbursement on Federally and State Funded Facility Improvement Projects – Recreation Park.</u> (City Manager, Public Works Director, Recreation Manager)	ADOPT	27
10. <u>Budget Request for Professional Services for Firemen’s Pension Fund Actuarial Valuation.</u> (City Manager, Finance Director)	APPROVE	31

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>NEW BUSINESS</b>		
11. <u>Lodging Tax Advisory Committee Recommendations for 2020 Tourism Funds and Reappointment of Committee Members.</u> (Mayor Pro Tem)	APPROVE; REAPPOINT COMMITTEE MEMBERS	34
12. <u>Recreation Park Improvement Project – Request to Use Funds Designated for the Project to Proceed with Change Orders, and Utilize Contract Purchasing for Playground Equipment and Surfacing.</u> (City Manager, Public Works Director, Recreation Manager)	APPROVE	44
13. <u>Investment Policy Update.</u> (City Manager, Finance Director)	APPROVE	47

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>ADMINISTRATION AND CITY COUNCIL REPORTS</b>		
14. <u>Administration Reports.</u> a. City Manager Update. (City Manager)	INFORMATION ONLY	- - -
15. <u>Councilor Reports/Committee Updates.</u> (City Council)	INFORMATION ONLY	- - -

<b>EXECUTIVE SESSION</b>		
16. Pursuant to RCW:		
a. 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate		
b. 42.30.110(1)(g) – Review Performance of a Public Employee		

**THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA.  
NEXT REGULAR CITY COUNCIL MEETING IS MONDAY, OCTOBER 28, 2019.**

September 23, 2019

The Chehalis city council met in regular session on Monday, September 23, 2019, in the Chehalis city hall. Mayor Dennis Dawes called the meeting to order at 5:00 pm with the following council members present: Terry Harris, Tony Ketchum, Daryl Lund, Dr. Isaac Pope, Bob Spahr, and Chad Taylor. Staff present included: Jill Anderson, City Manager; Ken Cardinale, Fire Chief; Caryn Foley, City Clerk; Erin Hillier, City Attorney; Trent Lougheed, Public Works Director/City Engineer; Brandon Rakes, Airport Operations Coordinator; Chun Saul, Finance Director; Glenn Schaffer, Police Chief; Judy Schave, HR/Risk Manager; and Dave Vasilauskas, Water Superintendent. No members of the news media were present.

1. **Proclamation – CROP Hunger Walk**. Mayor Dawes read and presented a proclamation to Valerie Sullivan designating October 6 as CROP Hunger Walk Day in Chehalis.

2. **Proclamation – Childhood Cancer Awareness**. Mayor Dawes read and presented a proclamation designating September as Childhood Cancer Awareness Month.

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

- a. Minutes of the regular meeting of September 9, 2019;
- b. Minutes of the special meeting of September 18, 2019;
- c. September 13, 2019 Claim Vouchers No. 126841-126976 in the amount of \$1,130,838.34 and voided Check No. 126827 in the amount of \$32.00;
- d. Acceptance of grant funding: State of Washington Recreation and Conservation Office Amendment No. 1 to Agreement No. RCO #19-1187 for Phase II of the Flood Storage Basin Master Plan;
- e. Engineering services agreement with Skillings Connolly, Inc., for an amount not to exceed \$316,675.53 for the Flood Storage Basin Master Plan – Phase II;
- f. Resolution No. 11-2019, first and final reading – declaring property surplus; and
- g. Floodplain management planning annual progress report.

Mayor Dawes stated that item “f” would be removed from the Consent Calendar and moved to New Business.

The motion was seconded by Councilor Lund and carried unanimously.

4. **Resolution No. 11-2019, First and Final Reading – Declaring Property Surplus**. Mayor Dawes stated there was an addition to the list of property to be declared surplus.

Chief Schaffer stated an officer retired last week, and it was customary for the officers to get together and purchase the officer's firearm to present upon retirement. The firearm first needs to be surplused and then the officers purchase a replacement firearm. Chief Schaffer stated the property was a Smith & Wesson M&P 40 caliber firearm with serial number DTY7701.

Councilor Ketchum moved to adopt Resolution No. 11-2019, as amended, on first and final reading. The motion was seconded by Councilor Taylor and carried unanimously.

5. **Recreation Park Improvement Project – Request to Use Funds Designated for the Project to Proceed with Change Orders to Advance the Work Needed**. City Manager Anderson stated staff was asking for authorization to spend money already designated for the project for work by KBH Construction.

Trent Lougheed stated the City Council authorized the City Manager to execute an agreement with KBH Construction for \$2,104,704.24 plus a 3% contingency for ballfields and amenities. The total project budget of \$4.2 million included the playground, sidewalks, lighting, and additional improvements. Part of the total project was for playground equipment and artificial turf through government contract services. Staff was requesting authorization of an additional \$612,500 for additional items not included in the original work – additional sidewalks, drainage, a small irrigation line, electrical for lighting, fencing and

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back-stop netting, excavation and repair of soil at fields 3 and 4 due to wet areas from an existing irrigation leak, replacement of mechanically seeded outfields with imported sod on all four fields to ensure playability next season, and a contingency for additional unforeseen challenges. Staff was recommending that the City Council authorize the City Manager to manage and execute additional change orders to the existing contract with KBH Construction for work at Recreation Park not to exceed \$612,500, which would increase the total contract to \$2,780,345.24.

Councilor Spahr stated he was confused as to whether this was adding cost to the contract. Mr. Lougheed explained it would add cost to the contract, but it was not adding cost to the total project.

Councilor Harris moved to authorize the City Manager to manage and execute additional change orders to the existing contract with KBH Construction for work at Recreation Park not to exceed \$612,500, which would increase the total contract to \$2,780,345.24. The motion was seconded by Councilor Pope and carried unanimously.

6. **Chehalis River Raw Water Pipeline Replacement Study Project.** Trent Lougheed stated the pipeline is used to pump water from the Chehalis River to the water treatment plant, which is about 7,500 feet long and is 18-inch steel. It is approximately 60 years old and is near the end of its life. The City hired the engineering services of Kennedy Jenks to look at the replacement project. Mr. Lougheed described four alternative routes for replacing the line, including the disadvantages of each option. He stated Alternative 2 was the favorable option. Even though it is the longest route it has the highest percentage of conventional construction methods, while minimizing micro tunneling, and it is the least costly. Mr. Lougheed stated the costs of each option were:

- Alignment 1 – \$31 million
- Alignment 2 – \$17.8 million
- Alignment 3 – \$22.1 million
- Alignment 4 – \$18.4 million

Mr. Lougheed stated the costs included a 30% contingency. He stated the costs were much higher than anticipated so they looked at two alternatives for Alignments 2, the preferred option, which significantly reduced the project cost. Alignment 2B would be \$7.1 million and Alignment 2A was \$8 million. Both options would not replace the entire line.

Councilor Ketchum was concerned about not replacing the entire line and what issues that could cause in the future.

Councilor Taylor asked what the funding strategy was. Mr. Lougheed stated he was attending the Infrastructure Assistance Coordinating Council conference to learn about financing options.

Councilor Taylor asked how often the line was used. Dave Vasilauskas stated it depended, but typically it's about 1,800 to 2,000 gallons from the Newaukum and about 1,200 to 1,500 from the Chehalis during the summer months. If the Newaukum gets high turbidity then the Chehalis is used.

Councilor Lund stated the Chehalis wasn't just a backup source, which he thought was mentioned previously.

Councilor Spahr asked for clarification of the costs of Alignments 2, 2A, 2B. Mr. Lougheed explained that the cost would be either \$7.1 million for 2B, or \$8 million for 2A, as long as the necessary permits from WSDOT were obtained. Alternative 2, at \$17.8 million, was the same route, but with micro-tunneling.

Councilor Spahr asked what micro-tunneling was. Mikael Lubovich with Kennedy Jenks explained that micro-tunneling was essentially what was done with the Seattle tunnel, but on a much larger scale. One of the reasons the cost was so high related to the lines that had to cross under wetlands, I-5, and Burlington Northern (BN). BN requires case piping under their facilities, which would require a large pipe and then another conduit back that would be the water carrying pipe.

Councilor Lund asked why the pipe would not be replaced entirely to the reservoir. Mr. Lougheed explained that staff would be looking at the Newaukum water line and how to potentially tie it in. The lines may be broken apart if a second treatment plant was built. If a second plant was needed, we don't want to replace something that we're not going to use.

Councilor Lund asked why a new pipe couldn't be shoved through the existing pipe. Mr. Lubovich stated that was an option, but there are several bends in the welland area and you can't navigate those bends at that length without having to excavate the bends and pull pipe.

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Mayor Dawes asked why, structurally speaking, Mr. Lubovich recommended 2B. Mr. Lubovich stated the full evaluation of the four options looked at more than just cost, and established Alignment 2 as the recommendation. Further discussion was held and 2A and 2B were developed to reduce costs.

Councilor Pope asked what the safest option was, structurally. Mr. Lubovich stated the condition of the existing pipe needed to be considered. There has been no interior pipeline inspection. Option 2B included inspection of the pipe to verify the portion that the city does have access to is in fact not in the best condition and should be replaced.

Councilor Pope thought the city needed to look toward the future because it could cost more in the future. He thought an investigation of the pipe should be done.

Councilor Lund asked if Mr. Lubovich had a tool to run down the pipe to do a UT of the pipe. Mr. Lubovich stated there are companies with tools that can do a condition inspection/videoing. Ultrasonic measurement devices measure the thickness of the pipe. You can also dig down to the pipe to test the pipe.

Mayor Dawes thought the entire line should be replaced so there weren't problems in the future with the portion that wasn't replaced. The council could go with the recommendation of Kennedy Jenks to go with 2B and then include an option in the bid specs to complete the remaining portion of the line to the treatment plant. Mr. Lubovich stated there have been sources of leaks in the pipe and they have been areas upstream of where we're looking at connecting to.

Councilor Ketchum moved to authorize staff to look at Alignment 2 and taking the line all the way up to the water treatment plant. The motion was seconded by Councilor Spahr.

Councilor Taylor asked if staff could provide further analysis of the condition of the pipe. Mr. Loughheed stated staff was unable to get leak detection equipment on the pipe because there were no access points/valves, but there are substantial issues because 100 gallons a minute are being lost between the pump and the plant.

Councilor Spahr asked which was better of 2B and 2A. Mr. Loughheed stated that for cost effectiveness and getting the best product in the end, it was 2A.

Councilor Spahr stated it was mentioned that a second plant might be built in the future. He asked where it would be located and how would going up to the current plant hinder that. Mr. Loughheed stated the city didn't have the property for a second plant so it really depended on where we can acquire the property at the correct elevation and determining if the Chehalis River would go to the new plant or the current plant. Most likely it would be best to go all the way to the plant and have the current treatment plant be strictly for Chehalis River water if we get another plant.

Councilor Pope stated there were no costs presented for extending the line to the plant. He didn't think the council could make a real decision until that information was provided. Mr. Loughheed stated that if the line went all the way to the plant, a new line would have to be constructed and the old one would be abandoned, otherwise it would require completing shutting down the water system.

City Manager Anderson stated that additional work to assess taking the line all the way to the plant would require an amendment to the contract with Kennedy Jenks.

Mayor Dawes asked if a motion was needed or could the council, by consensus, direct staff to explore replacing the line all the way to the treatment plant. City Manager Anderson thought providing direction was sufficient.

Councilor Ketchum withdrew his motion. Councilor Spahr withdrew his second to the motion.

Trent Loughheed asked if council would like staff to present an agreement for design services once a recommended alignment was selected. Mayor Dawes thought the council needed to figure out what they wanted to do first.

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**7. Administration Reports.**

a. **City Manager Update.** City Manager Anderson stated a strategic planning workshop was held last Wednesday to review the city's three-goals, mission statement, and core values, and to develop a vision statement. Periodic updates will be brought to the city council between now and the next planning session set for May 14, 2020.

**8. Councilor Reports/Committee Updates.**

a. Mayor Dawes attended the following: September 11 Rotary Club meeting where a check was presented to the Chehalis Foundation for Penny Playground; September 12 chamber barbeque; first budget committee meeting on the 12<sup>th</sup>; a .09 committee meeting on the 13<sup>th</sup>; and the goal and vision setting meeting on the 18<sup>th</sup>.

9. **Free Disposal Vouchers.** Commissioner Edna Fund announced that next Monday was the last day to use free disposal vouchers at the transfer station.

10. **Executive Session.** Mayor Dawes announced the council would take a short recess and then be in executive session pursuant to RCW 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate; RCW 42.30.110(1)(c) – Minimum Price at Which Real Estate Will Be Offered for Sale/Lease; RCW 42.30.110(1)(i) – Potential Litigation; and RCW 42.30.140(4)(b) – Collective Bargaining, not to exceed 7:30 pm and there would be no decision following conclusion of the executive session. Mayor Dawes closed the regular meeting at 6:09 pm. The executive session began at 6:16 pm. Following conclusion of the executive session, the regular meeting was reopened and immediately adjourned at 7:30 pm.

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Dennis L. Dawes, Mayor

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Caryn Foley, City Clerk

Approved:  
Initials: \_\_\_\_\_

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director  
Michelle White, Accounting Tech II

**MEETING OF:** October 14, 2019

**SUBJECT:** Vouchers and Transfers – Accounts Payable in the Amount of \$541,282.18

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**ISSUE**

City Council approval is requested for Vouchers and Transfers dated September 30, 2019.

**DISCUSSION**

The September 30, 2019 claim vouchers have been reviewed by a committee of three councilors prior to the release of payments. The administration is requesting City Council approval for Claim Vouchers No. 126977-127099 in the amount of \$541,282.18 dated September 30, 2019 which includes the transfer of:

- \$ 71,745.86 from the General Fund
- \$ 2,376.68 from the Dedicated Street Fund – 4% Sales Tax Fund
- \$ 19,181.79 from the Public Facilities Reserve Fund
- \$ 35,818.85 from the Wastewater Fund
- \$ 64,964.63 from the Water Fund
- \$ 5,759.25 from the Storm & Surface Water Utility Fund
- \$ 340,289.84 from the Airport Fund
- \$ 1,145.28 from the Firemen’s Pension Fund

**RECOMMENDATION**

It is recommended that the City Council approve the September 30, 2019 Claim Vouchers No. 126977-127099 in the amount of \$541,282.18.

**SUGGESTED MOTION**

I move that the City Council approve the September 30, 2019 Claim Vouchers No. 126977-127099 in the amount of \$541,282.18.



**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director  
Betty Brooks, Payroll Accountant

**MEETING OF:** October 14, 2019

**SUBJECT:** Vouchers and Transfers – Payroll in the Amount of \$917,632.78

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**ISSUE**

City Council approval is requested for Payroll Vouchers and Transfers dated September 30, 2019.

**DISCUSSION**

The administration requests City Council approval for Payroll Vouchers No. 41033-41078, Direct Deposit Payroll Vouchers No. 11262-11384, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 260-264 dated September 30, 2019 in the amount of \$917,632.78, which include the transfer of:

- \$627,050.25 from the General Fund
- \$8,188.50 from the Arterial Street Fund
- \$105,228.93 from the Wastewater Fund
- \$113,575.05 from the Water Fund
- \$26,233.59 from the Storm & Surface Water Utility Fund
- \$35,274.46 from the Airport Fund
- \$2,082.00 from the Firemen's Pension Fund

**RECOMMENDATION**

It is recommended that the City Council approve the September 30, 2019 Payroll Vouchers No. 41033-41078, Direct Deposit Payroll Vouchers No. 11262-11384, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 260-264 in the amount of \$917,632.78.

**SUGGESTED MOTION**

I move that the City Council approve the September 30, 2019, Payroll Vouchers No. 41033-41078, Direct Deposit Payroll Vouchers No. 11262-11384, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 260-264 in the amount of \$917,632.78.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Trent Lougheed, Public Works Director  
Patrick Wiltzius, Wastewater Superintendent

**MEETING OF:** October 14, 2019

**SUBJECT:** Change Order No. 1 in the Amount of \$167,087.88 for the Riverside Force Main Replacement Project

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**ISSUE**

In June the City Council awarded the bid to construct the Riverside Force Main Replacement Project to C&R Tractor and Landscaping for \$633,786. As a result of unforeseen circumstances, the administration is requesting City Council approve a change order required to complete the project.

**DISCUSSION**

The Riverside Force Main Replacement Project will replace 2,450 linear feet of 30-year old sewer force main that connects the Riverside Road pump station to an existing valve near NW Shoreline Drive. City Council awarded the bid to construct the project and the contractor began work. Unfortunately, shortly after construction began, numerous buried power and telecommunication lines were identified in the intended path of the replacement force main. This problem is due to the policies of the power/telecommunication companies regarding design locates and was not the fault of the contractor or engineer.

In order to resolve the conflict, city staff, the engineer, and the contractor met to discuss the best and most economical way to proceed. In the end it was determined that it was best to install the replacement force main via a horizontal directional drill (HDD) under all the utilities for a length of 1,000 feet. Although this option costs a bit more than putting the force main in the travel lanes of Riverside Road (the only other available space), the administration believes it is worth the minimal additional cost to minimize disruptions on a heavily traveled thoroughfare. The change order will delete portions of work from the contract that call for the construction of the force main where the HDD work is to be performed and order the line to be installed by HDD to avoid the utilities. The cost to perform the HDD is approximately \$358,790, but there will be a credit of approximately \$204,365 for other work deleted. The resultant difference of \$167,087.88 is the cost of the change order. However, to ensure the project

remains on schedule and is completed before the weather changes, the administration is requesting an additional \$30,000 be authorized for any additional unforeseen contingencies.

**FISCAL IMPACT**

The total cost of the proposed change order and additional contingency is \$197,087.85 which would bring the total project cost up to \$830,873.45. (This is slightly over the cost received from the second lowest bidder.) \$700,000 was budgeted in the 2019 budget for this project. If the change order and all the contingency is used, a budget amendment of approximately \$131,000 will be required at a later date. If the contingency is not utilized, the required budget amendment will be lower. The funds would come from the wastewater utility. There are no grants or loans associated with this project.

**RECOMMENDATION**

It is recommended that the City Council:

- Approve change order #1 for \$167,087.88 for the construction of the Riverside Force Main Replacement Project;
- Approve an additional contingency of \$30,000; and
- Authorize the City Manager to execute additional change orders that do not cumulatively exceed \$30,000.

**SUGGESTED MOTION**

I move that the City Council:

- Approve change order #1 for \$167,087.88 for the construction of the Riverside Force Main Replacement Project;
- Approve an additional contingency of \$30,000; and
- Authorize the City Manager to execute additional change orders that do not cumulatively exceed \$30,000.

# CHANGE ORDER

(Instructions on reverse side)

No. 001

PROJECT Riverside Road Force Main Replacement Project

DATE OF ISSUANCE October 4, 2019 EFFECTIVE DATE October 15, 2019

OWNER City of Clewiston  
OWNER's Contract No. N/A

CONTRACTOR C&R Tractor and Landscaping, Inc. ENGINEER Gibbs & Olson, Inc.

You are directed to make the following changes in the Contract Documents.

Description: Change method of construction from open cut to horizontal direction drilling (HDD) from Station 10+50 to Station 20+50 per attached Specification Section 02311. Extend contract time for this change. Once new line has been tested and is in service, Contractor to remove the existing ductile iron pipeline hanging on the Dillenbaugh Creek bridge.

Reason for Change Order: Unforeseen underground utilities requires change from open cut to HDD from Station 10+50 to Station 20+50.

This change order includes all direct and indirect costs for labor, equipment, materials and the time required for completion of the work described delivered to the Owner ready for use.

Attachments: (List documents supporting change): Spreadsheet showing additional costs and credits, Specification Section 02311 and drawing showing approximate bore location.

CHANGE IN CONTRACT PRICE:	CHANGE IN CONTRACT TIMES:
Original Contract Price \$ <u>633,785.60 including WA sales tax</u>	Original Contract Times Substantial Completion: <u>90 calendar days</u> Ready for final payment: <u>110 calendar days</u> <small>days or dates</small>
Net changes from previous Change Orders \$ <u>0.00</u>	Net changes from previous Change Orders <u>Not Applicable</u> <small>days</small>
Contract Price prior to this Change Order \$ <u>633,785.60 including WA sales tax</u>	Contract Times prior to this Change Order Substantial Completion: <u>90 calendar days</u> Ready for final payment: <u>110 calendar Days</u> <small>days or dates</small>
Net Increase of this Change Order \$ <u>167,087.88 including WA sales tax</u>	Net Increase (decrease) of this Change Order <u>60 calendar days</u> <small>days</small>
Contract Price with all approved Change Orders \$ <u>800,873.48 including WA sales tax</u>	Contract Times with all approved Change Orders Substantial Completion: <u>150 calendar days</u> Ready for final payment: <u>170 calendar days</u> <small>days or dates</small>

RECOMMENDED:  
By: Richard A. Ambrose  
Engineer (Authorized Signature)

APPROVED:  
By: \_\_\_\_\_  
Owner (Authorized Signature)

ACCEPTED:  
By: [Signature]  
Contractor (Authorized Signature)

Date: October 4, 2019

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

Date: 10/7/19

## CHANGE ORDER

### INSTRUCTIONS

#### A. GENERAL INFORMATION

This document was developed to provide a uniform format for handling contract changes that affect Contract Price or Contract Times. Changes that have been initiated by a Work Change Directive must be incorporated into a subsequent Change Order if they affect Contract Price or Times.

Changes that affect Contract Price or Contract Times should be promptly covered by a Change Order. The practice of accumulating change order items to reduce the administrative burden may lead to unnecessary disputes.

If Milestones have been listed any effect of a Change Order thereon should be addressed.

For supplemental instructions and minor changes not involving a change in the Contract Price or Contract Times, a Field Order may be used.

#### B. COMPLETING THE CHANGE ORDER FORM

Engineer initiates the form, including a description of the changes involved and attachments based upon documents and proposals submitted by Contractor, or requests from Owner, or both.

Once Engineer has completed and signed the form, all copies should be sent to Contractor for approval. After approval by Contractor, all copies should be sent to Owner for approval. Engineer should make distribution of executed copies after approval by Owner.

If a change only applies to Contract Price or to Contract Times, cross out the part of the tabulation that does not apply.

#### C. CHANGE ORDER NO 1. ATTACHMENTS

The following attachments are included and made part of this Change Order No. 1:

- Spreadsheet showing contract bid items, adjustments to original bid item quantities and total unit prices for adjusted bid items, the cost of work added, the total cost of change order No. 1 and the total adjusted contract amount including change order no. 1.
- Specification Section 02311 – Horizontal Directional Drilling and Pipeline Installation
- Two drawing exhibits entitled:
  - o City of Chehalis, Riverside Foremain, Chehalis, Washington – Change Order #1, Horizontal Directional Drilling Sta 10+00 to Sta 15+25 (Drawing C2 – Sheet 1 of 2)
  - o City of Chehalis, Riverside Foremain, Chehalis, Washington – Change Order #1, Horizontal Directional Drilling Sta 15+25 to Sta 20+50 (Drawing C2 – Sheet 2 of 2)



# SECTION 02311 HORIZONTAL DIRECTIONAL DRILLING AND PIPELINE INSTALLATION

## PART1 - GENERAL

### 1.01 RELATED DOCUMENTS

- A. Drawings and General Provisions for Contract, including General Conditions, Supplementary Conditions and Division 1 – General Requirements, apply to work of this section.

### 1.02 DESCRIPTION OF WORK

- A. Furnish all labor, material and equipment necessary to install 14" outside diameter SDR 11 HDPE pipeline by the horizontally drilled, directionally controlled method. Pipe, pipe handling and joining shall be in conformance with Section 15064 of these specifications.
- B. The pipe shall be installed such that it is 10 feet deep minimum and 15 feet below the creek bed of Dillenbaugh Creek.

### 1.03 QUALITY ASSURANCE

A. Contractor Qualifications:

1. Pipelines shall be installed only by a Contractor experienced in the work. Contractor's resident superintendent shall have completed a minimum of three directionally drilled pipe installations, 4-inches or greater in diameter and in excess of 1,000-feet in length.

### 1.04 SUBMITTALS

- A. The Contractor shall prepare a schedule for the Work and submit it to the Engineer for review. The schedule shall include all major tasks including the following:

1. Pipe fabrication
2. Pipe delivery
3. Rig mobilization and setup
4. Pipe assembly
5. Target dates
6. Target dates for blockage and/or crossing of public/private roadways and anticipated extension of time for each occurrence.
7. Pilot hole drilling
8. Pre-reaming
9. Pipe pulling
10. Pipe testing and pre-testing
11. Restoration and demobilization
12. Target date for exit from north shore and south shore sites.
13. Disposal of slurry



- B. The Contractor shall submit to the Engineer documents indicating the capacities of critical equipment components, including pumps, vessels and rig pulling power.
- C. At least 15 days prior to mobilizing equipment, the Contractor shall submit his detailed installation plan to the Engineer for review. The plan shall include a detailed plan and profile of the bore. This plan must also include calculations showing anticipated maximum pipe stresses during pulling, required drilling fluid pressures, and safety factors for potential drilling fluid blowout.
- D. Composition: The composition of all drilling fluids used shall be submitted to the Engineer for review prior to utilization. No fluid will be utilized that does not comply with permit requirements and environmental regulations.

**PART 2-PRODUCTS**

**2.01 MATERIALS**

- A. 14" outside diameter SDR 11 High Density Polyethylene Pipe to be installed utilizing horizontal directional drilling methods shall conform to the requirements of Section 15064 of these specifications.

**PART 3 – EXECUTION**

**3.01 INSTALLATION**

**A. Pilot Hole**

- 1. General: The Contractor shall install the pipeline by the horizontally drilled, directionally controlled method of construction. The horizontally drilled, directionally controlled method shall consist of the drilling of a small diameter pilot hole in a vertical arc from one bank of the creek, or road to the other followed by an enlarged diameter hole for the pipeline insertion. The exact method, equipment capacities, materials used and techniques for completing the directionally drilled crossing shall be determined by the Contractor, subject to the requirements of these Specifications.
- 2. Instrumentation: The Contractor shall at all times provide and maintain instrumentation which will accurately locate the pilot hole and measure drilling fluid flow discharge rate and pressure. The Owner and Engineer shall have access to these instruments and their readings at all times.

**B. Geologic Conditions**

No geologic borings have been specifically conducted for this project. Contractor shall assume geologic conditions at design pipe depth are gravels, sands, clays and sandstone. Occurrence of clayey silts or silty clay shall not be grounds for additional payment. Occurrence of sandstone fractures or basalt rock for intervals of less than 25 feet per occurrence and 100 feet aggregate shall not be grounds for additional payment. Additional payment will be made for basalt rock drilling where the occurrence is more

than 25 feet for any occurrence or 100 feet of aggregate occurrence, but only at the additional cost of time and materials for the difference between drilling through rock and drilling through sandstone as observed at the project site. When unfavorable drilling conditions occur, Contractor shall back out up to three rods to attempt to avoid the unfavorable conditions at no additional cost to the Owner.

C. Alignment

1. Contractor shall not change the alignment outside of the parameters identified on the drawings without prior approval by the Engineer. Contractor may propose alternate depth and alignment than indicated on the drawings at Contractor's expense. Approval of the route change is at the sole discretion of the Engineer.
2. Contractor shall monitor and record alignment and depth via tracking system. Contractor shall be able to demonstrate horizontal and vertical alignment at all times. Contractor shall contain excess drilling fluid at entry and exit locations. Drilling fluids shall be removed from the site prior to backfilling and site restoration. Contractor shall expose utility crossings to verify depth and alignment prior to commencing drilling work.
3. Bore pits, staging areas and all associated work shall be conducted within the easements and/or Port properties as designated on the drawings. Contractor shall use rolled pipe or other approved methods in areas where staging areas are limited. No additional payment shall be made for use of pipe rolls or other methods to contain pipe staging. Designated bore pit and receiving pit areas shown on drawings shall be used unless otherwise allowed. All work required for additional allowed bore pit areas at the request of the Contractor shall be utilized and restored at no additional cost to the Owner.

D. Tolerances

1. The pipeline installed with this method must be located in plan as shown on the drawings and must be no higher than the elevations shown on the drawings. The Contractor shall plot the actual horizontal and vertical alignment of the pilot bore at intervals not exceeding 25 feet. This "record drawing" plan and profile shall be updated as the pilot bore is advanced. The Contractor shall employ experienced personnel to operate the directional drilling equipment and, in particular, the position monitoring and steering equipment. No information pertaining to the position or inclination of the pilot bore shall be withheld from the Engineer. At the completion of the pilot hole, the Contractor shall provide the Engineer access to both the entry and exit points such that the points can be surveyed to verify the locations of the points.
2. The entry point location of the pilot hole shall initially penetrate the ground surface at the exact location shown on the drawings. The Engineer will stake this location in the field.
3. The exit point shall be located within minus 0-feet to plus 25-feet along the length of the pipe and 8-feet on either side perpendicular to the pipe at the exit point location shown. The alignment of the pilot boring must be such that the pipe will lie entirely within the permanent easement lines shown on the drawings. If the pilot bore falls to

conform to the above tolerances, the Engineer may, at his option, require a new pilot boring be made. The Engineer will stake this location in the field.

4. Ground entry angle of the drilling head shall be 15 degrees plus 1 or minus 0 degrees. Ground exit angle of the drilling head shall be 10 degrees plus 2 or minus 0 degrees. Profile (depth) of drilled section shall be plus 0 or minus 10 feet from that shown on drawings. The pipeline shall be installed with no high points that might trap air.

### 3.02 DRILLING MUD AND CUTTINGS

- A. Disposal: Disposal of drilling fluids shall be the responsibility of the Contractor and shall be conducted in compliance with all relevant environmental regulations, right-of-way and work space agreements and permit requirements. All costs related to disposal shall be borne by the Contractor.
- B. Inadvertent Returns: Drilling fluid returns at locations other than the entry and exit points shall be minimized. Contractor shall immediately clean up any inadvertent returns in accordance with environmental regulatory requirements.

### 3.03 REAM AND PULL BACK

- A. Pre-Reaming: Pre-reaming operation shall be conducted at the discretion of the horizontal drilling Contractor. All provisions of this specification relating to simultaneous reaming and pulling back operations shall also pertain to pre-reaming operations.
- B. Pulling Loads: Contractor shall be responsible for determining pulling loads required for his method of installation. Such loads shall be minimized as required to prevent failure of the pipeline during installation.
- C. Torsional Stress: A breakaway swivel shall be used to connect the pipeline pull section to the reaming assembly to minimize torsional stress imposed on the section.
- D. Buckling Stress: Contractor shall fill the pipe with water, as installation proceeds, as required to prevent buckling and to reduce buoyancy.
- E. Pull Section Support: The pull section shall be supported as it proceeds during pull back so that it moves freely and is not damaged.
- F. Pull Section Length: The pull section shall be installed in one continuous length for each drilled pipe segment.

### 3.04 HYDROSTATIC TESTING

- A. Pipe installed utilizing horizontal directional drilling shall be tested in accordance with the testing requirements in Section 15064 of these specifications.

### 3.05 PIPE HANDLING AND JOINING

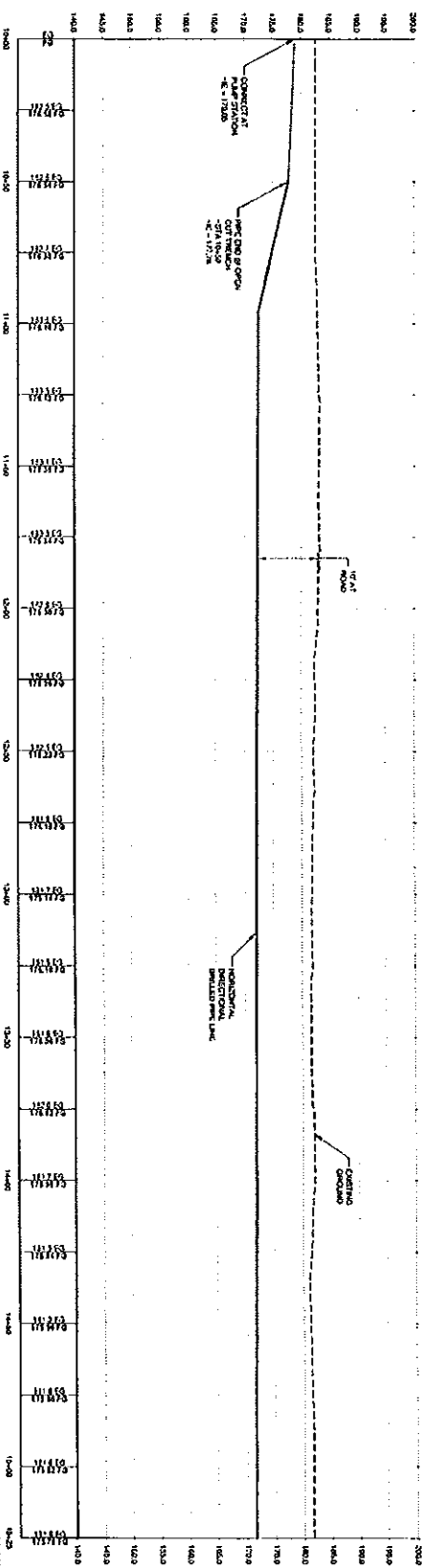
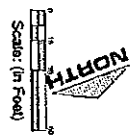
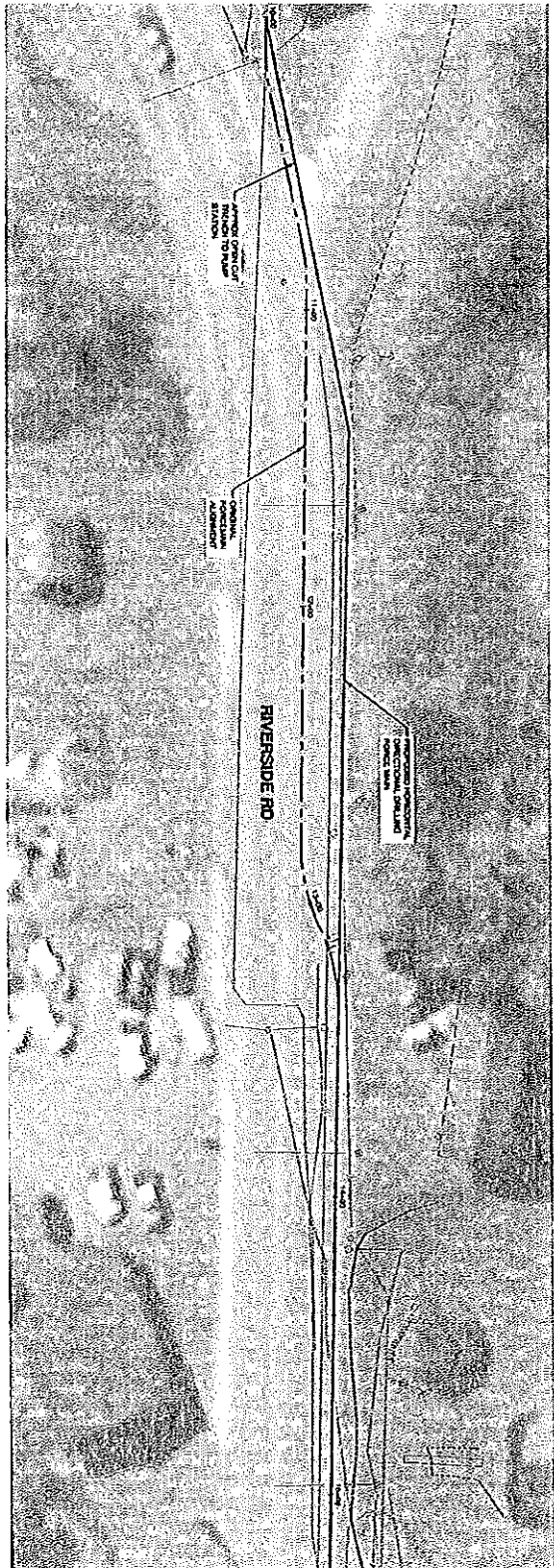
- A. In shipping, delivering, and installing, pipe, fittings, and accessories shall be handled in such manner as to insure a sound, undamaged condition. The Contractor shall be responsible for providing adequate storage for all materials and equipment delivered to the job site. Pipe and fittings shall be handled and stored in accordance with the manufacturer's recommendations and all necessary precautions shall be taken to prevent damage to the pipe. Exposed pipe during pull-back shall be supported on rollers spaced and aligned so as to preclude damage to water filled pipe. Any piping showing significant kinks, buckles, cuts, gouges, or any other damage which will affect the performance of the pipe shall be removed from the site and replaced with sound material without additional expense to the Owner. Pipe handling and fusion joining shall be performed in accordance with the requirements of Section 15064 of these specifications.

### PART 4 – MEASUREMENT AND PAYMENT

- 4.01 The unit price to be paid for the Horizontal Directional Drilling Pipe Installation including the pipe materials is \$250.25 per linear foot of pipe.

The lump sum price to be paid for all support of the Horizontal Directional Drilling Pipe Installation operations including labor, equipment and materials is \$108,540.00 excluding Washington state sales tax.

-- END OF SECTION 02311 --

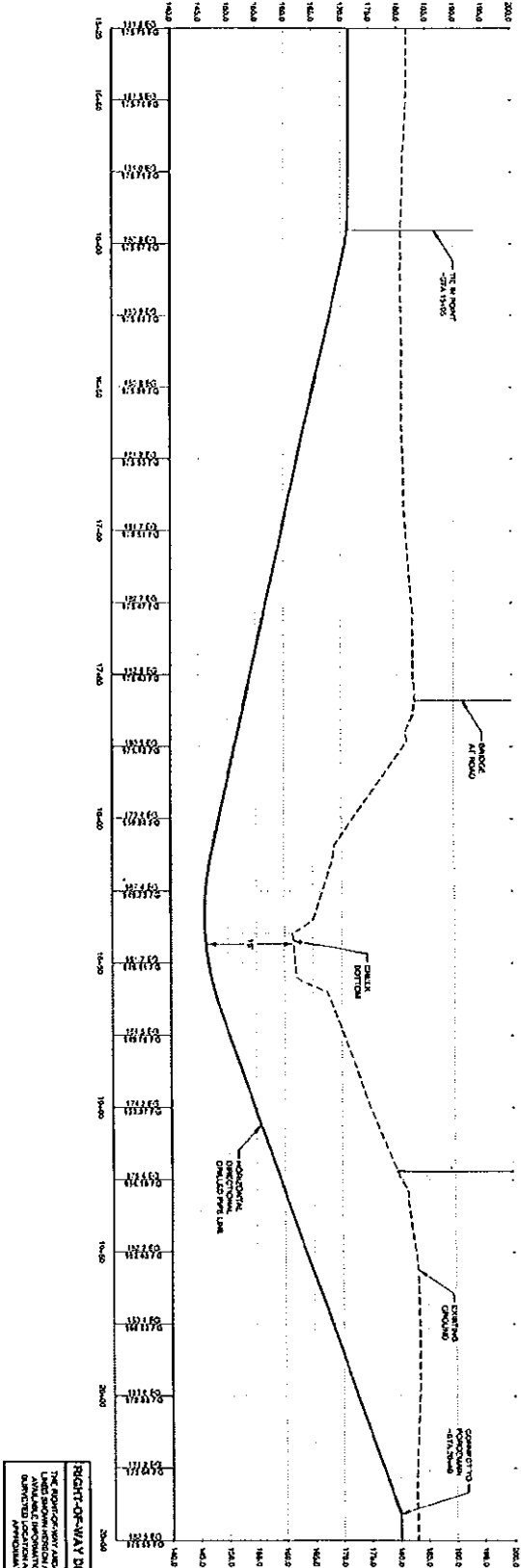
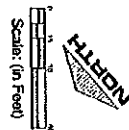
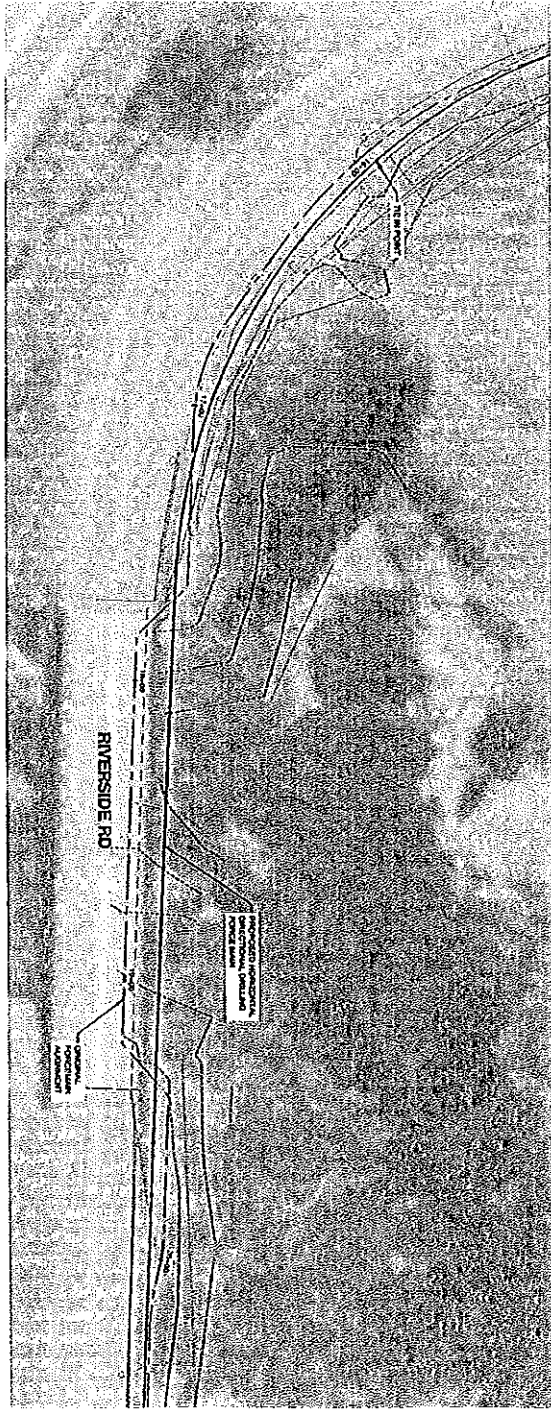


**RIGHT-OF-WAY DISCLAIMER**  
 THE RIGHT-OF-WAY AND/OR PROPERTY LIMITS SHOWN HEREON ARE BASED ON AVAILABLE RECORDS AND FIELD SURVEY. THE CITY OF CHEHALLS ASSUMES NO LIABILITY FOR ANY ERRORS OR OMISSIONS.

City of Chehalis	Change Order #1
Riverside Forcemain	Horizontal Directional Drilling
Chehalis, Washington	Sta 10+00 to Sta 15+25

Date: 10/02/2019  
 Project Completion: 100%  
 Scale: 1" = 40'

**G**  
**GRUBBS & OLSON**  
 ENGINEERS & ARCHITECTS  
 1015 S. 10TH AVE.  
 CHEHALIS, WA 98514  
 PHONE: 360.738.1077  
 FAX: 360.738.1078  
 WWW.GRO-USA.COM



**RIGHT-OF-WAY DISCLAIMER**  
 THE BOARD OF CITY AND COUNTY ENGINEERS AND SURVEYORS HAS REVIEWED THIS PLAN AND FINDS IT TO BE A CORRECT REPRESENTATION OF THE FIELD WORK AS SHOWN ON THESE PLANS.

<p>City of Chehalis          Riverside Foremain          Chehalis, Washington</p>	<p>Change Order #1          Horizontal Directional Drilling          Sta 15+25 to Sta 20+50</p>
	<p>DATE: 10/02/2019</p>
	<p>PROJECT: 100%</p>

**GIBBS & DIXON**  
 0155.1077  
 2' x 2'

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Trent Lougheed, Public Works Director  
Dave Vasilauskas, Superintendent

**MEETING OF:** October 14, 2019

**SUBJECT:** Water Use Efficiency Plan Update

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**ISSUE**

The City is required to update its Water Use Efficiency (WUE) Plan. The updated plan is outlined below for the City Council's review and consideration.

**DISCUSSION**

The Water Use Efficiency Program is required by Washington State law (WAC 246-290-830) and is meant to address the increasing demand on the State's water resources. The WUE program is required to be updated every six years. The last update was done along with the Water System Plan in 2012. The current goal was to achieve a reduction of 25,000 gallons of water per day by 2018 and we were able to meet that goal.

Developing a WUE program is the foundation for using water wisely. Water conservation is defined as any beneficial reduction in water loss, waste, or use. The intent of the plan is to minimize water withdrawals and water use by implementing water saving activities. A public hearing to present the WUE update was held at the City Council meeting on June 24, 2019. The public was invited to attend and provide input. No public input was received.

The administration's recommendation for the 2019 to 2025 WUE plan update is to ***"Reduce seasonal outdoor water use by 3% in May, June, July, and August by 2025."*** The goal would average out to be 2.2 mg each month. Water saving methods outlined in the plan include:

- 1. Educating customers** - Informing customers through monthly billing statements about the importance of using water efficiently and showing usage compared to last year's same month. There is no cost for this.

2. **Notifying customers about leaks on their property** - Using a program in our billing system to run a report on higher water usage or no usage prompting a reread of the meter or notifying the customer of a possible leak. There is no cost for this.
3. **Visually notifying customers to conserve water** - Placing ads on local buses to inform customers on good water use practices. This could be a joint effort with our neighboring city. The annual cost for this is estimated to be \$300.
4. **Providing videos to schools** – Supplying videos to grade school children on the importance of water conservation. The annual cost for this is estimated to be \$100.
5. **Using radio public announcements** - By using multiple radio stations that all have various listing preferences, we can reach out to many water customers to urge conservation. There is no cost for this.
6. **Evaluating our rates** – The City is currently in the process of conducting a rate study for the water, storm water, and wastewater utilities. There is a one-time cost in 2019 of \$35,000.

#### **FISCAL IMPACT**

The projected cost to achieve this goal is calculated to be \$37,400 in 2019 and \$400 per year for the next five years. The cost would be paid for by the water utility.

#### **RECOMMENDATION**

It is recommended that the City Council approve the City's updated Water Use Efficiency Plan and direct staff to continue implementation.

#### **SUGGESTED MOTION**

I move that the City Council approve the City's updated Water Use Efficiency Plan and direct staff to continue implementation.



**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Trent Lougheed, Public Works Director  
Brandon Rakes, Airport Operations Coordinator

**MEETING OF:** October 14, 2019

**SUBJECT:** Resolution No. 12-2019, First and Final Reading—Delegating Signing Authority to the Airport Operations Coordinator for Reimbursement on Federally and State Funded Infrastructure Projects – Taxiway Realignment

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**ISSUE**

Federal and state agencies, including WSDOT, require recipient agency documentation confirming the individual signing the reimbursement request is authorized to legally bind the agency.

**DISCUSSION**

The City was recently awarded federal and state grants to assist with funding the Taxiway Realignment Project, which was accepted by the City Council and authorized the City Manager signatory privileges for both grants.

These federal and state grants also require the submission of documentation that the individual signing the electronic reimbursement requests is authorized to legally bind the agency. Since the Airport Operations Coordinator has historically submitted the reimbursement requests after the vendor payments have been approved, the proposed resolution delegates that authority to the Airport Operations Coordinator.

**FISCAL IMPACT**

NA

**RECOMMENDATION**

It is recommended that the City Council adopt Resolution No. 12-2019 on first and final reading.

**SUGGESTED MOTION**

I move that the City Council adopt Resolution No. 12-2019 on first and final reading.

**RESOLUTION NO. 12-2019**

**A RESOLUTION OF THE CITY OF CHEHALIS,  
WASHINGTON, DELEGATING SIGNING AUTHORITY TO  
THE AIRPORT OPERATIONS COORDINATOR FOR  
REIMBURSEMENT ON FEDERALLY AND STATE  
FUNDED INFRASTRUCTURE PROJECTS.**

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

**WHEREAS**, the City Manager has been duly appointed by the City of Chehalis in accordance with Resolution 2-2019, which includes management of state grants; and

**WHEREAS**, the Federal Aviation Administration, authorizes federal transportation funding to the City of Chehalis for infrastructure projects; and

**WHEREAS**, the Code of Federal Regulations, 2 CFR 200.415(a) has been revised to ensure that final fiscal reports or vouchers requesting payment under Federal agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal Agency; and

**WHEREAS**, the City Manager executes all Federal and State grant funding agreements and supplemental agreements; and

**WHEREAS**, in order to seek timely reimbursement for proper expenditures related to the Federally and State funded grant projects, the City of Chehalis delegates to the person appointed as the Airport Operations Coordinator the authority to legally bind the City of Chehalis, solely for the purpose of requesting Federal and State Grant reimbursement;

**NOW, THEREFORE, BE IT RESOLVED** that the City of Chehalis hereby adopts the following:

**Section 1.** For the purposes of requesting reimbursement for Federally and State funded infrastructure projects, the Airport Operations Coordinator shall be delegated authority per 2 CFR 200.415(a) to legally bind the City of Chehalis in furtherance of the intent of this resolution; and

**Section 2.** The person duly appointed as the Airport Operations Coordinator shall be authorized to sign all grant reimbursement vouchers for grant funded transportation projects on behalf of the City of Chehalis.

**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 \_\_\_\_ day of \_\_\_\_\_, 2019.

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Mayor

Attest:

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City Clerk

Approved as to form and content:

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City Attorney

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Trent Lougheed, Public Works Director  
Lilly Wall, Recreation Manager

**MEETING OF:** October 14, 2019

**SUBJECT:** Resolution No. 13-2019, First and Final Reading—Delegating Signing Authority to the Recreation Manager for Reimbursement on Federally and State Funded Facility Improvement Projects – Recreation Park

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**ISSUE**

Federal and State agencies, including the Recreation Conservation Office (RCO), require recipient agency documentation confirming the individual signing the reimbursement request is authorized to legally bind the agency.

**DISCUSSION**

The City was recently awarded federal and state grants to assist with Recreation Park Renovation Project, which was accepted by the City Council and authorized the City Manager signatory privileges for both grants.

These federal and state grants also require the submission of documentation that the individual signing the electronic reimbursement requests is authorized to legally bind the agency. Since the Recreation Manager has historically submitted these reimbursement requests, the proposed resolution delegates that authority to the Recreation Manager.

**FISCAL IMPACT**

NA

**RECOMMENDATION**

It is recommended that the City Council adopt Resolution No. 13-2019 on first and final reading.

**SUGGESTED MOTION**

I move that the City Council adopt Resolution No. 13-2019 on first and final reading.

**RESOLUTION NO. 13-2019**

**A RESOLUTION OF THE CITY OF CHEHALIS,  
WASHINGTON, DELEGATING SIGNING AUTHORITY TO  
THE RECREATION MANAGER FOR REIMBURSEMENT  
ON FEDERALLY AND STATE FUNDED PROJECTS.**

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

**WHEREAS**, the City Manager has been duly appointed by the City of Chehalis in accordance with Resolution 2-2019, which includes management of state grants; and

**WHEREAS**, the Washington State Recreation Conservation Office, authorizes federal grant funding to the City of Chehalis for facility improvement projects; and

**WHEREAS**, the Code of Federal Regulations, 2 CFR 200.415(a) has been revised to ensure that final fiscal reports or vouchers requesting payment under Federal agreements must include a certification, signed by an official who is authorized to legally bind the non-Federal Agency; and

**WHEREAS**, the City Manager executes all Federal and State grant funding agreements and supplemental agreements; and

**WHEREAS**, in order to seek timely reimbursement for proper expenditures related to the Federally and State funded grant projects, the City of Chehalis delegates to the person appointed as the Recreation Manager the authority to legally bind the City of Chehalis, solely for the purpose of requesting Federal and State Grant reimbursement;

**NOW, THEREFORE, BE IT RESOLVED** that the City of Chehalis hereby adopts the following:

**Section 1.** For the purposes of requesting reimbursement for Federally and State funded projects, the Recreation Manager shall be delegated authority per 2 CFR 200.415(a) to legally bind the City of Chehalis in furtherance of the intent of this resolution; and

**Section 2.** The person duly appointed as the Recreation Manager shall be authorized to sign all grant reimbursement vouchers for grant funded projects on behalf of the City of Chehalis.

**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 \_\_\_\_\_ day of \_\_\_\_\_, 2019.

---

Mayor

Attest:

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City Clerk

Approved as to form and content:

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City Attorney



**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director

**MEETING OF:** October 14, 2019

**SUBJECT:** Budget Request for Professional Services for Firemen's Pension Fund Actuarial Valuation

---

**ISSUE**

A professional actuarial valuation for the City's pension fund is needed to determine: 1) funding level needed in the Firemen's Pension Fund to meet the estimated demands of the pension benefits, and 2) if there are any excess funds that can be used to pay for LEOFF 1 medical benefits. The purpose of this item is to request City Council approval of an appropriation for the cost of professional consulting services for the City's Firemen's Pension Fund actuarial valuation.

**BACKGROUND**

Prior to the Law Enforcement Officers and Firefighters Retirement System (LEOFF 1) created in 1970, cities that employed full-time paid firefighters established Municipal Firemen's Pension Boards to administer the benefits of the City's Firemen's Pension Fund. Beginning in 1970, all full-time firefighters became members of LEOFF 1. Under LEOFF 1 the employer is responsible for paying all necessary medical services for LEOFF 1 members and retirees not payable from some other source.

The City has a Firemen's Pension Fund that was established under RCW 41.16, Firefighter's Relief and Pension Act of 1947, which is the firefighters pension system that preceded LEOFF 1. RCW 41.16.060 authorizes an additional 22.5 cent levy for firefighter pension benefits and provides that the pension levy can be used for any other municipal purpose, PROVIDED, that a report by a qualified actuary establishes all or part of the levy is unnecessary to meet the estimated demands of the pension fund.

In July 28, 2019, SSB 5894 was enacted which provides that a municipality that no longer has beneficiaries receiving benefits under RCW Chapter 41.16 (firefighter's pension) may continue imposing the pension levy to fund medical benefits under LEOFF 1 and other municipal

purposes until the municipality no longer has any LEOFF 1 retirees receiving medical benefits. The proceeds of the pension levy must first be expended for payment of medical benefits under LEOFF 1 prior to being used for any other municipal purpose.

### **CURRENT FINANCIAL OBLIGATIONS**

The City currently has three (3) firefighter retirees who are eligible for firefighter's pension benefits and a total of sixteen (16) LEOFF 1 members (including the 3 pre-LEOFF firefighters) who are eligible for medical benefits.

The City currently contributes a tax levy at 22.5 cent per \$1,000 assessed valuation to the Firemen's Pension Fund, in addition to the fire insurance premium tax from the State, for paying supplemental pension benefits as well as medical benefits to its retired firefighters who joined service prior to 1970 (pre-LEOFF).

Under current law, in order to use the pension levy for other than pension benefits, such as LEOFF 1 medical benefits, a qualified actuary must establish that all or part of the levy is unnecessary to meet the estimated demands of the pension fund (pension liability). The state auditor's office also requires that the City separate the medical benefit portion from the Firemen's Pension Fund.

### **FIREFIGHTERS' PENSION RESOURCES**

The City's 2020 Preliminary Draft Budget presented to the Council Budget Committee on October 1, 2019 includes \$156,000 for LEOFF 1 medical benefits from the General Fund and \$67,500 for three (3) pre-LEOFF firefighters from the Firemen's Pension Fund, a combined total of \$223,500. As of January 1, 2019, the Firemen's Pension Fund had a fund balance of \$877,319, and the fund balance is estimated to be \$1,007,000 at the end of 2019.

If the actuarial study is conducted and provides that the Firemen's Pension Fund has excess funds over the estimated demands of the pension fund, the excess funds can be transferred into a new reserve fund (i.e., LEOFF 1 Retiree Medical Benefit Fund) that is restricted for paying LEOFF 1 medical benefits, and 2020 budget for LEOFF 1 medical benefits could be moved to that fund. The City is authorized to continue imposing the 22.5 cent per \$1,000 assessed value and place it into this fund until funds are no longer needed to pay for LEOFF 1 medical benefits.

### **DISCUSSION**

The City has an option to have actuarial valuations for: 1) firefighter's pension benefits only, or 2) a full actuarial valuation including firefighter's pension fund plus valuing all LEOFF 1 retiree medical and long-term care benefits. The actuarial valuations will provide the present value of the pension and/or medical benefit obligations and a stream of expected benefit payments.

The service fees for Firefighter's Pension Fund valuation are \$8,500 and an additional \$13,500 for LEOFF 1 medical benefit valuation.

Actuarial valuation for pension fund is what the law requires before the City can use any excess funds from the firemen's pension fund for paying LEOFF 1 retiree medical benefits. Valuations for LEOFF 1 medical benefit obligation by a qualified actuary is not required. If the LEOFF 1 medical benefit valuations seems to be too expensive, there are alternative methods that can be used for valuation of LEOFF 1 medical benefits without cost.

Unless the City Council desires to have a full actuarial valuation including the firemen's pension and LEOFF 1 medical benefit obligations, it is recommended to have an actuarial valuation done for the Firemen's Pension Fund only at this time.

**FISCAL IMPACT**

The cost of the professional consulting service is \$8,500, which was not budgeted in 2019. This expense can be paid from the Firemen's Pension Fund. There are sufficient funds to pay for this service.

**RECOMMENDATION**

It is recommended that the City Council approve the expenditure of \$8,500 from the Firefighter's Pension Fund to conduct an actuarial valuation of the Fund.

**SUGGESTED MOTION**

It is recommended that the City Council approve the expenditure of \$8,500 from the Firefighter's Pension Fund to conduct an actuarial valuation of the Firefighter's Pension Fund.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**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 & Museum  
Todd Chaput, Holiday Inn Express & Suites  
Gloria Choi, Econo Lodge  
Chip Duncan, Veterans Memorial Museum  
Jena Sorenson, Riverside Golf Club

**BY:** Jill Anderson, City Manager  
Kiley Franz, Administrative Assistant

**MEETING OF:** October 14, 2019

**SUBJECT:** Lodging Tax Advisory Committee Recommendations for 2020 Tourism Funds  
and Reappointment of Committee Members

---

**ISSUE**

The Lodging Tax Advisory Committee (LTAC) met on Tuesday, September 24, 2019 to review twelve requests from ten organizations for 2020 tourism funds to make recommendations to the City Council regarding the 2020 funding allocations.

**DISCUSSION**

The Chehalis LTAC reviews and makes funding recommendations to the City Council to fund various non-profit organizations or government entities for marketing, activities, operations, and expenditures designed to increase tourism.

**SUMMARY OF REQUESTS SUBMITTED**

With a projected beginning fund balance of \$184,493, plus projected revenues of \$245,990, the estimated revenues for 2020 totaled \$430,483. A \$50,000 reserve was set aside for projects/activities that may come up during the year. The LTAC had also approved a dedicated debt service fund for the Recreation Park bond payment schedule at their June 4, 2019 meeting, not to exceed \$75,000 a year. The estimated bond payment in 2020 is \$63,395.91,

which was also set aside for payment. A total of \$317,087.09 estimated revenue was appropriated for lodging tax recipients.

The committee unanimously agreed to make the following recommendations to the City Council:

<u>Organization</u>	<u>Request</u>	<u>Recommendation</u>
1. Chehalis-Centralia Railroad & Museum – Marketing	\$ 35,000	\$ 35,000
2. Chehalis-Centralia Railroad & Museum – Personnel	\$ 25,000	\$ 15,000
3. Lewis County Historical Museum	\$ 45,000	\$ 40,000
4. Veterans Memorial Museum	\$ 30,000	\$ 30,000
5. Chehalis Community Renaissance (See note below)	\$ 49,000	\$ 27,000
6. Centralia-Chehalis Chamber (Visitor Center Services)	\$ 40,000	\$ 40,000
7. Centralia-Chehalis Chamber/City of Chehalis – Utilities	\$ 50,000	\$ 50,000
8. Chehalis Wedding Show	\$ 12,435	\$ 12,435
9. Youth Athletic Tournaments	\$ 15,000	\$ 15,000
10. Southwest Washington Fairgrounds	\$ 18,500	\$ 10,000
11. ARTrails	\$ 12,000	\$ 5,000
12. Discover Lewis County	\$ 5,000	\$ 0
<b>Total</b>	<b>\$336,935</b>	<b>\$279,435</b>

The Lodging Tax Advisory Committee held discussions with the Chehalis Community Renaissance Team (CCRT) regarding the necessity of a paper Lewis County Visitor’s Guide, which represented \$22,000 of their original request. The Chehalis Community Renaissance Team decided to forgo the preparation of the guide in 2020. Therefore, the Committee is recommending an award of \$27,000 which is the amount needed without the Guide, consistent with the second funding option presented by the CCRT.

**AWARD PROCESS**

A municipality may award amounts different from the LTAC, but only after satisfying procedural requirements of the state statute. A municipality must submit its proposed change(s) to the advisory committee for review and comment at least 45 days before final action on the proposal.

The attachments to this report include the minutes from the June 4, 2019 LTAC meeting; September 24, 2019 LTAC meeting; and 2020 tourism fund projections and requests. Funding request applications are available for review upon request.

Upon City Council approval, all recipients must enter into an agreement with the city for use of the funds. They are required to report for reimbursement of funds on a quarterly basis. All expenses are reviewed for accuracy before reimbursements are disseminated.

## **LTAC MEMBERSHIP**

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 Todd Chaput, Holiday Inn Express & Suites; Gloria Choi, Econo Lodge, and Jena Sorenson, Riverside Golf Club, representing businesses required to collect the tax. Members representing activities funded by the tax are Alicia Bull, Centralia-Chehalis Chamber of Commerce; Rick Burchett, Chehalis-Centralia Railroad & Museum; and Chip Duncan, Veterans Memorial Museum. Mayor Pro Tem Terry Harris is the City Council representative and acts as committee chair.

## **RECOMMENDATION**

The Lodging Tax Advisory Committee recommends that the City Council approve its recommendations individually and collectively for use of lodging tax funds for 2020. It is also recommended that the City Council reappoint Todd Chaput, Gloria Choi, Jena Sorenson, Alicia Bull, Rick Burchett, and Chip Duncan to the City's Lodging Tax Advisory Committee.

## **SUGGESTED MOTION**

I move that the City Council approve:

- The candidates and funding amounts, both individually and collectively, of the Lodging Tax Advisory Committee for use of lodging tax funds for 2020; and
- A reserve amount not to exceed \$75,000 a year for the debt service related to the Recreation Park Improvement Project; and
- The reappointments of Todd Chaput, Gloria Choi, Jena Sorenson, Alicia Bull, Rick Burchett, and Chip Duncan to the Lodging Tax Advisory Committee.

**Chehalis Lodging Tax Advisory Committee  
Meeting Minutes  
June 4, 2019**

The Lodging Tax Advisory Committee (LTAC) met on Tuesday, June 4, 2019 at 1:30 P.M. in the basement meeting room of Chehalis City Hall. Members present were: Mayor Pro Tem Terry Harris, Chair; Alicia Bull, Centralia-Chehalis Chamber of Commerce; Rick Burchett, Chehalis-Centralia Railroad and Museum; Todd Chaput, Holiday Inn; and Chip Duncan, Veterans Memorial Museum. Gloria Choi, Econo Lodge; and Jena Sorenson, Riverside Golf Club were absent from the meeting.

Chehalis administration included Jill Anderson, City Manager; Kiley Franz, City Manager's Administrative Assistant; Trent Loughheed, Community Development Director; Chun Saul, Finance Director; and Lilly Wall, Recreation Manager.

**Call to Order**

The meeting was called to order at 1:38 P.M. by Mayor Pro Tem Harris.

Mayor Pro Tem Harris informed the group that he had discussed a possible conflict of interest with Jena Sorenson, who now worked at the Silver Agency. He explained that Jena is not financially benefitting from any LTAC funds and the Silver Agency will no longer be applying for the Chehalis-Centralia Railroad and Museum.

**Discussion Regarding Pool Liner at Shaw Aquatics Center**

Lilly Wall thanked the Lodging Tax Committee for their support so far. She explained that a higher quality liner had been presented to the City for review. Funding sources for the project were discussed. She explained that after reviewing the life cycle and future replacement costs, it was cost effective to proceed with the more expensive, higher quality option of re-plastering the pool.

**Discussion Regarding Recreation Park**

Lilly Wall briefly explained the overhaul of Recreation Park and Penny Playground which includes updating irrigation, drainage, renovated ballfields, pathways around the park, an entirely new playground with ADA accessible equipment, all-weather turf, and lighting. Lilly Wall and Chun Saul explained that the City had received multiple grants and private donations for the renovation, but that there would be a shortfall of approximately \$750,000.

The Lodging Tax Advisory Committee had previously placed \$50,000 a year, for two years, into a dedicated reserve for Recreation Park. The City anticipated that the loan taken out to overhaul the park would not exceed \$850,000, which would create an annual debt service not to exceed \$71,000. Lilly Wall explained that she would decrease the amount requested by the Youth Athletics Tournaments to help offset the possible cost of raising the Recreation Park fund.

Alicia Bull expressed her belief that the City strives to right by the community.

A motion to approve a dedicated debt service fund for Recreation Park not to exceed \$75,000 a year was made by Rick Burchett and was seconded by Todd Chaput. All in favor; none opposed.

**Schedule 2020 Lodging Tax Requests Meeting**

The Lodging Tax Committee Meeting to review 2020 Lodging Tax Funding Requests was set for Tuesday, September 24, 2019. It was decided to have applications due by Tuesday, September 10, 2019.

The meeting concluded at 3:06 P.M.

*Minutes respectfully submitted by Kiley Franz, City Manager's Administrative Assistant.*



**Chehalis Lodging Tax Advisory Committee  
Meeting Minutes  
September 24, 2019**

The Lodging Tax Advisory Committee (LTAC) met on Tuesday, September 24, 2019, at 9:17 A.M. in the basement meeting room of Chehalis city hall to review applications for 2020 tourism funding. Members present were: Mayor Pro Tem Terry Harris, Chair; Alicia Bull, Centralia-Chehalis Chamber of Commerce; Rick Burchett, Chehalis-Centralia Railroad and Museum; Todd Chaput, Holiday Inn; Gloria Choi, Econo Lodge; and Chip Duncan, Veterans Memorial Museum. Chehalis administration included Kiley Franz, City Manager's Administrative Assistant.

**Call to Order**

The meeting was called to order at 9:17 A.M. by Mayor Pro Tem Harris.

Mayor Pro Tem Harris welcomed everyone to the meeting. He began by asking if there were any questions before funding interviews proceeded; there were none.

Mayor Pro Tem Harris explained that an application from the Chehalis-Centralia Railroad and Museum had come in after the application deadline and asked the committee if they would still be willing to consider the application. After a brief discussion regarding the application, a motion to table the application until a separate meeting could take place for the Chehalis-Centralia Railroad and Museum for the repairs to Locomotive #15, owned by the City of Chehalis, in the amount of \$72,000 was made by Gloria Choi and was seconded by Chip Duncan. All in favor; Rick Burchett abstained.

**2020 Funding Request Presentations**

The comments below are in addition to the information provided in each organization's application.

**1. Chehalis-Centralia Railroad and Museum (CCRM) Marketing – \$35,000 (Bill Deutscher and Mary Kay Nelson)**

Funding is used for marketing and promotion of the steam train. Ms. Nelson explained that the monies awarded from the lodging tax funds were used to support the website and social media marketing campaigns, as well as posters, rack cards, and other such marketing tactics. The website allows the CCRM to have a more accurate visitor count and assists in tracking where visitors are from. They explained that they saw major potential for the steam train and planned to expand awareness of the attraction.

Questions/Comments:

- Ms. Bull asked what the potential there was for additionally scheduled rides. Ms. Nelson explained that ride schedules were maxed out, but an increase in capacity was being researched via purchasing additional train cars.
- Mayor Pro Tem Harris asked if there was any push back from the Steam Train being inoperable. Ms. Nelson said she believed the public would understand and forgive them for the first year but was unsure that would extend to a second year.

**2. Chehalis-Centralia Railroad and Museum (CCRM) Personnel – \$35,000 (Bill Deutscher and Mary Kay Nelson)**

The funding request would be used to create a part-time position to ensure that the museum has consistent, regular business hours. They plan to have this position attend to the phonelines, provide tours, and a history of the steam train.

### **3. Chehalis Community Renaissance Team - \$49,000 (Annalee Tobey)**

The request is to fund year-round, general promotion and marketing of Chehalis, using both social media and print. Ms. Tobey explained that the Chehalis Community Renaissance Team planned to use these funds to produce the Experience Chehalis brochure, the Lewis County Visitor's Guide, and to maintain the Experience Chehalis social media sites, website, and e-newsletter. She explained that the CCRT also put on the 2019 ChehalisFest event, which was very successful.

Questions/Comments:

- Ms. Choi informed Ms. Tobey that she believes that the CCRT does a wonderful job and expressed her appreciation for the murals around town.

### **4. Southwest Washington Fairgrounds - \$18,500 (Pat Slusher)**

Mr. Slusher explained that the request was not for the fair event but for the fairgrounds themselves. He explained that the sound system at the fairgrounds had aged dramatically and most of the equipment had died in the last year. Mr. Slusher asked that the LTAC view the fairgrounds as an asset that draws large crowds for many different events, not just the annual fair.

Questions/Comments:

- Mr. Chaput asked for clarification regarding the sound system. Mr. Slusher informed the committee that it would be a PA system for the entire fairgrounds, not a system for concerts.

### **5. Discover Lewis County – \$5,000 (Isaac Freeman)**

Mr. Freeman explained that Discover Lewis County was created four years ago and is an online marketing campaign to attract visitors to Lewis County. Mr. Freeman explained that funds would be used to update the historical guide for Lewis County. Their hopes are to create a travel guide for Lewis County and a map-based website to help promote lodging, restaurants, and other activities throughout Lewis County.

### **6. Centralia-Chehalis Chamber of Commerce and the City of Chehalis – \$50,000 (Jill Anderson and Alicia Bull)**

Ms. Bull explained that the funds requested by the City of Chehalis pertained to the land on which the Centralia-Chehalis Chamber of Commerce is located. She explained that the Chamber is in need of a new building and has asked the City to lay the groundwork (i.e. utilities, engineering, and parking). Ms. Anderson informed the committee that she supported the project and believed that the Chamber would create a beautiful entrance to the area.

- Mr. Burchett asked why engineering of a new building had been included in the proposal. Ms. Anderson explained that the engineering was to build the foundation itself, which would belong to the City, whereas the building would belong to the Chamber.
- Ms. Choi asked if our chamber was considered more active than those in other cities. Ms. Anderson expressed her belief that the chamber was the best one that she had come across.

### **7. Chehalis Wedding Show - \$12,435 (Matt Shannon)**

Mr. Shannon stated this year's event was very successful, though there was a small dip in attendance. Mr. Shannon informed the committee that the venue had been and would remain City Farm and vendors and patrons were pleased with the venue. He explained that the 2020 Wedding Show date had been scheduled after Valentine's Day and believed this would help attendance.

- Ms. Choi asked if the attendees were given a way to tour local venues. Mr. Shannon said that they were not but was intrigued by the idea.

#### **8. Centralia-Chehalis Chamber of Commerce - \$40,000 (Alicia Bull)**

Funds will be used for the Chamber to serve as the official visitor center for Chehalis. The Chamber collects all requests for visitor information, and helps marketing and promotion of Chehalis events, including the STP, the Trick or Treat Trolley, and the Santa Parade. She noted the same request has been made to the City of Centralia and was fully funded in 2019. Ms. Bull explained that their electronic reader board had turned out to be a strong marketing tool.

#### **9. Veterans Memorial Museum – \$30,000 (Chip Duncan)**

Funds will be used for the general marketing of the museum and its events. Mr. Duncan explained that the museum was trying to attract membership from the younger generations. He explained that the Veterans Museum had hosted numerous events throughout the year such as dinners to honor WW2 veterans, Vietnam veterans, and the Desert War veterans, a car show, a Gambler 500 event, and Civil War reenactments. Mr. Duncan explained that any funds received from the lodging tax advisory committee would be used to promote the museum in the same aggressive campaign utilizing mixed media advertisement that had begun the previous year.

Questions/Comments:

- Mr. Chaput congratulated Mr. Duncan on his efforts to keep their membership diverse and his willingness to adapt to change.

#### **10. ARTrails – \$12,000 (Bonnie Blake and Joann Watson)**

ARTrails promotes the arts and art tourism throughout Lewis County. They explained that the annual ARTrails studio tour helped promote tourism by being a weekend event over the course of two consecutive weekends, which encourages attendees to stay in the area. They have determined that approximately 40% of the studio visitors come from over 50 miles away. ARTrails is a volunteer organization that is looking to expand their reach via social media and print ads.

Questions/Comments:

- Mr. Duncan asked for clarification if ARTrails was a 501(c)(3). Ms. Watson confirmed that it was.

#### **11. City of Chehalis – Youth Athletics Tournaments – \$15,000 (Jill Anderson and Lilly Wall)**

Ms. Wall explained that the request was to support Youth Athletic Tournaments for 2020. She informed the committee that the renovation of Recreation Park would ensure a longer play season, February through November, than the previous five years. Ms. Wall explained that the idea of renting out the facilities to tournaments is being researched.

#### **12. City of Chehalis – Recreation Park – \$63,395.91 (Jill Anderson and Lilly Wall)**

Mayor Pro Tem Harris explained that the Recreation Park debt service fund had been voted on and approved on June 4, 2019 to attribute no more than \$75,000 a year towards the debt service. Ms. Wall explained that the application had been submitted to ensure that the funds had been appropriated. The committee unanimously agreed that further applications would not be necessary.

### 13. Lewis County Historical Museum – \$45,000 (Jason Matteson)

Mr. Matteson informed the committee that the Centralia Armistice Day exhibit had brought in approximately 450 patrons so far. He explained that the museum had held and participated in many local events, such as a pie social, Chehalisfest, the Chehalis Flying Saucer Party, and Ghost Tours. Mr. Matteson said that the Flying Saucer Party had been very successful in its first year and they planned to expand the event in 2020.

#### Questions/Comments:

- The committee asked that the museum ensure accuracy in their financial reporting.

#### Determine Allocation Recommendations to City Council

Included in the agenda packet were 2020 projected revenues. With a projected beginning fund balance of \$184,493, plus projected revenues of \$245,990, estimated revenues total \$430,483. A \$50,000 reserve was set aside for projects/activities that may come up during 2020. The committee also allocated \$63,395.91 to the Recreation Park debt service fund as approved at the June 4, 2019 meeting. A total of \$317,087.09 estimated revenue was appropriated for lodging tax recipients.

A motion to approve the subsequent amounts as recommendations to the city council (with the following notes) was made by Todd Chaput and was seconded by Chip Duncan. All in favor; none opposed.

- Chehalis Community Renaissance Team – After discussion regarding the production of the Lewis County Visitor’s Guide with Annalee Tobey, and with approval from the CCRT Board, it was decided to forgo the production of the guide. The CCRT’s secondary priority funding option was set at \$27,000 and is requested to be awarded in full.
- Chehalis-Centralia Railroad & Museum – The LTAC will meet to address a fund request from the Chehalis-Centralia Railroad and Museum that will assist them in repairs to Locomotive #15, which is owned by the City of Chehalis. If recommended by the LTAC, the request for repairs will appear on the October 28, 2019 City Council agenda.

<u>Organization</u>	<u>Request</u>	<u>Recommendation</u>
1. Chehalis-Centralia Railroad & Museum – Marketing	\$ 35,000	\$ 35,000
2. Chehalis-Centralia Railroad & Museum – Personnel	\$ 25,000	\$ 15,000
3. Lewis County Historical Museum	\$ 45,000	\$ 40,000
4. Veterans Memorial Museum	\$ 30,000	\$ 30,000
5. Chehalis Community Renaissance	\$ 49,000	\$ 27,000
6. Centralia-Chehalis Chamber (Visitor Center Services)	\$ 40,000	\$ 40,000
7. Centralia-Chehalis Chamber/City of Chehalis – Utilities	\$ 50,000	\$ 50,000
8. Chehalis Wedding Show	\$ 12,435	\$ 12,435
9. Youth Athletic Tournaments	\$ 15,000	\$ 15,000
10. Southwest Washington Fairgrounds	\$ 18,500	\$ 10,000
11. ARTrails	\$ 12,000	\$ 5,000
12. Discover Lewis County	\$ 5,000	\$ 0
<b>Total</b>	<b>\$336,935</b>	<b>\$279,435</b>

The recommendations will be reviewed by the city council at their regularly scheduled meeting on October 14, 2019.

The meeting concluded at 3:42 P.M.

Minutes respectfully submitted by Kiley Franz, City Manager’s Administrative Assistant.

### 2020 Chehalis Tourism Fund Projections and Requests

Projected Beginning Fund Balance	\$ 184,493.00
Estimated Revenue	\$ 245,990.00
<b>Total Estimated Funds</b>	<b>\$ 430,483.00</b>
Recommended Ending Fund Balance	\$ 50,000.00
Dedicated Debt Service for Recreation Park - <i>As Approved 6/4/19</i>	\$ 63,395.91
<b>Total Estimated Available Revenue</b>	<b>\$ 317,087.09</b>

	2019 Awarded	2020 Requests	2020 Recommendations	2020 Council Action
<b>Facilities</b>				
Chehalis-Centralia Railroad and Museum - Personnel	N/A	\$ 25,000.00	\$ 15,000.00	
Lewis County Historical Museum	\$ 40,000.00	\$ 45,000.00	\$ 40,000.00	
Veterans Memorial Museum	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	
Chamber Building/City Utilities	N/A	\$ 50,000.00	\$ 50,000.00	
<b>Events</b>				
Southwest Washington Fair	\$ -	\$ 18,500.00	\$ 10,000.00	
ARTrails	N/A	\$ 12,000.00	\$ 5,000.00	
<b>Marketing/Tourism</b>				
Chehalis-Centralia Railroad and Museum - Marketing	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	
Chehalis Community Renaissance Team	\$ 46,000.00	\$ 49,000.00	\$ 27,000.00	
Centralia-Chehalis Chamber of Commerce	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	
Discover Lewis County	\$ -	\$ 5,000.00	\$ -	
<b>City</b>				
Chehalis Wedding Show	\$ 12,435.00	\$ 12,435.00	\$ 12,435.00	
Community Development - Youth Tournaments	\$ 20,000.00	\$ 15,000.00	\$ 15,000.00	
Community Development - Shaw Aquatics Center	\$ 82,000.00	\$ -	\$ -	
<b>Totals</b>	<b>\$ 305,435.00</b>	<b>\$ 336,935.00</b>	<b>\$ 279,435.00</b>	<b>\$ -</b>

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Trent Lougheed, Public Works Director  
Lilly Wall, Recreation Manager

**MEETING OF:** October 14, 2019

**SUBJECT:** Recreation Park Improvement Project – Request to Use Funds Designated for the Project to Proceed with Change Orders, and Utilize Contract Purchasing for Playground Equipment and Surfacing

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**INTRODUCTION**

The City's 2019 Budget includes \$4,146,669 for the Recreation Park Improvement Project. As of September 23, 2019, the City Council has approved the expenditure of \$2,946,169.75 of that budget, leaving a balance of \$1,200,499.25. Authority to expend the balance is being requested at this time to complete all the major project components and as many "wish list" items as possible. The remaining work generally falls into three categories: **1)** Ballfields and General Site Work; **2)** Purchase of Playground Surfacing Material and Equipment (Play Structures); and **3)** "Wish List" Items.

**BACKGROUND**

In July 2019, the City Council approved a construction contract with KBH Construction for improvements to Recreation Park in the amount of \$2,104,704.24 plus a 3% contingency for authorization to use \$2,167,845.24 of the Recreation Park Improvement Project budget for ballfield renovations and adding general park amenities, such as walkways. The total budget is \$4,146,669, including Penny Playground.

On September 23, Council authorized an additional \$612,500 of the existing project budget to proceed with work in the field that was not previously authorized by Council. Work included playground demolition and site prep, as well as sports complex fencing, outfield sod, and excavation and repair of wet areas caused by existing irrigation leaks. The total amount authorized by Council was \$2,780,345.24.

The Administration is now requesting authorization to use the remaining funds to finalize the project. This work includes, but is not limited to:

- Wiring and installation of score boards on fields 1 & 2

- Safety bollards for electrical transformer & promenade
- Concrete sleeves for removable foul poles on fields 3 & 4
- Enclose dugouts on fields 1 & 2
- Permeable fabric outfield drains on fields 1,2,3,4
- Wish list items
- Installation of the playground equipment and surfacing utilizing contract purchasing

## **FISCAL IMPACT**

In July of 2019, the City Council approved a Budget Amendment allocating \$4,146,669 for the Recreation Park Improvement Project. As of September 23, 2019, the City Council has approved the expenditure of \$2,946,169.75, leaving a balance of \$1,200,499.25. Authority to expend the balance is being requested at this time to complete all the major project components and as many “wish list” items as possible. The work generally falls into three categories:

- ***Ballfields and General Site Work***
- ***Purchase of Playground Surfacing Material and Equipment (Play Structures)***
- ***“Wish List” Items***

***Ballfields and General Site Work:*** This request includes an increase of \$471,323.76, including sales tax and a 5% contingency, for the ballfields and general site work. The funds will be used to complete the activities being done at the park by KBH Construction and provide funds to allow the purchase of materials for work items to be completed by City staff. This includes painting, landscaping, and minor construction activities at Park facilities.

***Purchase of Playground Materials and Equipment:*** The requested allocation includes funds in the amount of \$895,000 to purchase the playground equipment and surfacing, which will be procured through government purchasing contracts.

***Wish List Items:*** Any available balance will be used for items listed in the current plan that were to be constructed or purchased if sufficient funds were available at the end of the project, also known as the project “wish list.”

Therefore, it is requested that the City Manager be authorized to utilize the remaining project budget of \$1,200,499.25 for the purchase of equipment, materials, and supplies, as well as authorization to execute change orders to the current contract with KBH construction to bring the project to completion.

If approved, the total amount authorized by Council would be \$4,146,669, which is the amount currently budgeted. The budgeted funds have been received by the City through public and private grants, donations, and a bond issue.

## **RECOMMENDATION**

The administration recommends that the City Council authorize the City Manager to spend the remaining budget allocated for Recreation Park, which is \$1,200,499.25 to complete the project, which includes the following activities and expenditures:

- Purchase Playground equipment and surfacing utilizing contract purchasing in an amount not-to exceed \$895,000, including tax and a 5% contingency;
- Manage and authorize additional change orders to the contract with KBH Construction within the project budget needed to facilitate completion of the project;
- Purchase materials, equipment and supplies for project-related work that will be done by City staff.
- Purchase additional items or materials needed to enhance the project if project funding is available.

## **SUGGESTED MOTION**

I move that the City Council authorize the City Manager to spend the remaining budget allocated for the Recreation Park Improvement Project, which is \$1,200,499.25 to complete the project, which includes the following activities and expenditures:

- Purchase Playground equipment and surfacing utilizing contract purchasing in an amount not-to exceed \$895,000, including tax and a 5% contingency;
- Manage and authorize additional change orders to the contract with KBH Construction within the project budget needed to facilitate completion of the project;
- Purchase materials, equipment and supplies for project-related work that will be done by City staff.
- Purchase additional items or materials needed to enhance the project if project funding is available.



**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director

**MEETING OF:** October 14, 2019

**SUBJECT:** Investment Policy Update

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**ISSUE**

The City's current investment policy was adopted by motion by the City Council on June 1, 1994. Certain revisions are needed to meet current standards and practices which has prompted the preparation of a draft update for consideration by the City Council.

**DISCUSSION**

The proposed update would affirm the investment objectives in the current policy (pages 2, 4). The primary objectives, in priority order, of the City's investment policy are:

- Safety
- Liquidity
- Return on Investment

Highlights for Major Changes:

- 1) Added "Governing Authority" section (page 2, section 3)
- 2) Added "Prudence" section under Standard of Care (page 2, section 5.2)
- 3) Added list of "Prohibited Investments" (page 7, section 9.3)
- 4) Maximum maturities – changed from 4 years to 5 years (page 6, section 9.2)
- 5) Reporting frequency – changed from monthly to quarterly (page 7, section 10.2)
- 6) Updated Diversification section (page 6, section 9.1)

Diversification of investment portfolio is to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific user, or a specific class of securities. The previous policy limits investment into the Local Government Investment Pool (LGIP) to 25% of total portfolio. This policy limit is out of date because the LGIP is the most used investment tool for many small to medium size cities, and other investment performances are often compared to the LGIP rate.

The following table provides changes made to the diversification section. In addition, several other investment instruments and issue types are added to the policy (pages 6, 9.1)

Investment Instrument	Previous Policy		Updated Policy	
	Maximum % Holdings	Maximum % per Issuer	Maximum % Holdings	Maximum % per Issuer
Local Government Investment Pool*	25%	n/a	100%	n/a
Municipal Bonds	50%	n/a	30%	5%
Banker's Acceptance	20%	10%	10%	5%
Certificate of Deposit	100%	33%	20%	5%
Certificate of Deposits – Savings and Loan Association	10%	\$100,000	n/a	n/a

**Other Minor Changes Made:**

- Added table of contents for easy reading
- Re-organized previous documents into sections and sub-sections and section numbers
- Replaced finance manager title to finance director throughout the document
- Other formatting changes and updating the glossary.

**FISCAL IMPACT**

None

**RECOMMENDATION**

It is recommended that the City Council approve the modifications and adopt the Investment Policy.

**SUGGESTED MOTION**

I move that the City Council approve the modifications and adopt the Investment Policy.



City of Chehalis

# Investment Policy

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**CITY OF CHEHALIS**  
**INVESTMENT POLICY**

Policy Adoption: June 1, 1994  
Revision Date: October 14, 2019

### 1. Purpose

It is the policy of the city of Chehalis to invest public funds in a manner that will provide the highest investment return with maximum security while meeting the daily cash flow demands on the treasury and conforming to all Washington statutes governing the investment of public funds.

This investment policy defines the parameters within which funds are to be invested by the City. This policy also formalizes the framework to provide the investment authority and constraints for the City to maintain an effective and judicious management of funds within the scope of this policy.

This policy is intended to be broad enough to allow the City Manager and Finance Director to function properly within the parameters of responsibility and authority, yet specific enough to adequately safeguard the investment assets. This policy:

- Sets out guidelines for the prudent management of the City's funds;
- Describes realistic parameters and goals for safely investing those funds;
- Establishes expectations for generally acceptable returns at a suitable level of risk that matches the purpose of the City's funds;
- Provides the framework within which the City Manager and Finance Director will operate by setting out objectives, guidelines, and structure that include details on the universe of permitted investments and any restrictions of their use.

An amendment of this policy requires City Council approval.

### 2. Scope

This investment policy applies to all financial assets of the city. These funds are accounted for in the city's annual financial report and include:

- 1) General Fund
- 2) Special Revenue Funds
- 3) Debt Service Funds
- 4) Capital Project Funds
- 5) Enterprise Funds
- 6) Trust and Agency Funds
- 7) Retirement/Pension Funds
- 8) Any new fund created by Council, unless specifically exempted by Council.

This investment policy applies to all transactions involving the financial assets and related activity of all the foregoing funds.

### References:

Revised Code of Washington (RCW):

- Chapter 35A.40

- Chapter 39.58
- Chapter 39.59
- Chapter 43.250
- Chapter 43.84

### 3. Governing Authority

Authority to manage the City of Chehalis' investment program is derived from the following: Revised Code of Washington (RCW), Washington Municipal Treasure's Association model investment policy, Washington State Auditor's Office's Budgeting, Accounting, and Reporting System (BARS) manual, and Chehalis Municipal Code Chapter 3.12. Management responsibility for the investment program is hereby delegated to the Finance Director, who shall establish procedures for the operation of the investment program consistent with this investment policy.

### 4. Strategy and Objectives

The primary investment strategy will be to invest excess idle cash within the constraints of this policy in order to increase interest earnings. This will be done in a manner that supports the city's primary purpose of providing services to the public.

The primary objectives, in priority order, of the city's investment activities shall be:

**4.1 Safety:** Safety of principal is the foremost objective of the city. Investments of the city of Chehalis shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.

**4.2 Liquidity:** The city's investment portfolio will remain sufficiently liquid to enable the city to meet all operating and debt service requirements that might be reasonably anticipated.

**4.3 Return on Investment:** The city's investment portfolio will be designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the city's investment risk constraints and the cash flow characteristics of the portfolio. Investment of tax-exempt borrowing proceeds and of any debt service funds will comply with the "arbitrage" restrictions of section 148 of the Internal Service Code of 1986.

### 5. Standards of Care

#### 5.1 Delegation of Authority

**Governing Body:** The ultimate responsibility and authority for the investment of the City funds resides with the City Council who has the authority to establish policy that directs the management of the City investment program.

**Delegation of Authority:** Pursuant to the Chehalis Municipal Code 3.12.010, the overall management responsibility for the investment program is hereby delegated to the Finance Director. The Finance Director will be responsible for all transactions undertaken and has established a system of controls and standard operating procedures to regulate the activities of subordinate officials. The payroll accountant is responsible for these transactions in the absence of the Finance Director.

**Investment Advisor:** The City may contract with an external non-discretionary investment advisor (Advisor) to assist with the management of the City's investment portfolio in a manner that is consistent with the City's objectives and this policy. Such Advisors shall provide recommendations and advice regarding the City investment program including but not limited to advice related to the purchase and sale of investments by this Investment Policy.

## 5.2 Prudence

Investments will be made with judgment and care -- under circumstances then prevailing -- which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by the investment office will be the "prudent person" and shall be applied in the context of managing an overall portfolio. The investment officer acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely manner and appropriate action is taken to control adverse developments.

## 5.3 Ethics and Conflicts of Interest

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

Employees and investment officials shall disclose to the Council any material financial interests in financial institutions that conduct business within the City, and they shall further disclose any personal financial/investment positions that could be related to the performance of the city's portfolio. Employees and officers shall subordinate their personal investment transactions to those of the city of Chehalis, particularly with regard to the time of purchases and sales.

## 6. Authorized Financial Dealers and Institutions

It is the intent of the Finance Director to conduct his/her investment transactions with several competing, reputable investment securities broker/dealers and financial institutions.

The Finance Director shall maintain a list of financial institutions, as required by the Public Deposit Protection Commission (PDPC), authorized to provide investment services (RCW 39.58.080). Listings with the PDPC will be verified by the Advisor or designated investment officer annually.

In addition, a list will also be maintained of approved security broker/dealers who maintain an office in the State of Washington. These may include "primary" dealers or regional dealers that qualify under Securities & Exchange Commission Rule 15C-31 (uniform net capital rule).

The City will only place funds in qualified depositories in the State of Washington as provided in Chapter 39.58 RCW and as regulated by the Washington State Finance Director's Public Deposit Protection Commission (PDPC). Total deposits may not exceed that depository's net worth (RCW 39.58.130).

Investment Advisors must be registered under the Investment Advisers Act of 1940 and must act in a non-discretionary capacity, requiring approval from the City prior to all transactions.

## 7. Authorized and Suitable Investments

### 7.1 Authorized Investments

Eligible investments are only those securities and deposits authorized by statute (RCW 39.58, 39.59, 43.250, and 43.84.080).

- 1) Bonds of the state of Washington and any local government in the state of Washington;
- 2) General obligation bonds of a state and general obligation bonds of a local government of a state, which bonds have at the time of investment one of the three highest credit ratings of a nationally recognized rating agency;

- 3) Subject to compliance with RCW 39.56.030, registered warrants of a local government in the same county as the government making the investment;
- 4) Certificates, notes, or bonds of the United States, or other obligations of the United States or its agencies, or of any corporation wholly owned by the government of the United States; or United States dollar denominated bonds, notes, or other obligations that are issued or guaranteed by supranational institutions, provided that, at the time of investment, the institution has the United States government as its largest shareholder;
- 5) Federal home loan bank notes and bonds, federal land bank bonds and federal national mortgage association notes, debentures and guaranteed certificates of participation, or the obligations of any other government sponsored corporation whose obligations are or may become eligible as collateral for advances to member banks as determined by the board of governors of the federal reserve system;
- 6) Bankers' acceptances purchased on the secondary market;
- 7) Commercial paper purchased in the secondary market, provided that any local government of the state of Washington that invests in such commercial paper must adhere to the investment policies and procedures adopted by the state investment board; and
- 8) Corporate notes purchased on the secondary market, provided that any local government of the state of Washington that invests in such notes must adhere to the investment policies and procedures adopted by the state investment board.

#### Additional specifications:

- The State of Washington Local Government Investment Pool is the only government sponsored Pool approved for investment of funds.
- This policy recognizes S&P, Moody's, and Fitch as the major Nationally Recognized Statistical Ratings Organizations (NRSRO).
- In the case of split ratings, where the major NRSROs issue different ratings, the higher rating shall apply. Minimum credit ratings and percentage limitations apply to the time of purchase.
- All securities must be purchased on the secondary market and may not be purchased directly from the issuer.
- Interfund loans issued by the City may also be included as investments.

### 7.2 Suitable Investments

The City is empowered to invest in the following types of securities:

- **US Treasury Obligations:** Direct obligations of the United States Treasury.
- **US Agency Obligations Primary Issuers:** Government Sponsored Enterprises (GSEs) – Federal Instrumentality Securities include but are not limited to Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Banks (FHLB), and the Federal Farm Credit Banks (FFCB).
- **US Agency Obligations Secondary Issuers:** Other US government sponsored enterprises that are less marketable are considered secondary GSEs. They include but are not limited to: Private Export Funding Corporation (PEFCO), Tennessee Valley Authority (TVA), Financing Corporation (FICO) and Federal Agricultural Mortgage Corporation, (Farmer Mac).
- **Supranational Bonds:** The institution must have the U.S. government as its largest shareholder. International Bank for Reconstruction and Development (IBRD or World Bank); the International Finance Corporation (IFC); the Asian Development Bank (ADB) and the Inter-American Development Bank (IADB).
- **Municipal Debt Obligations:** Bonds of the State of Washington, any local government in the State of Washington, General Obligation bonds outside the State of Washington; at the time of investment the bonds must have a AA- from S&P, Aa3 from Moody's or AA- from Fitch. City of



Chehalis' long-term interfund loans may be included as investments of municipal debt and are not required to be rated.

- **Corporate Notes:** Unsecured debt obligations purchased in accordance with the investment policies and procedures adopted by the State Investment Board. At the time of purchase corporate notes must have a minimum rating of AA- by S&P, or Aa3 by Moody's or AA- by Fitch. Corporate notes must be purchased on the secondary market through a broker/dealer and cannot be purchased directly through the issuer. Issuer constraints for AA- or better issuers will be limited to 3% of market value at the time of purchase. Only U.S. or Canadian domiciled issues are allowable.
- **Commercial Paper:** Unsecured debt obligations of corporate issuers that are rated at least A1+ by S&P, P1 by Moody's or F1+ by Fitch. Commercial paper holdings may not have maturities exceeding 270 days. Any commercial paper purchased with a maturity longer than 100 days must also have an underlying long-term credit rating at the time of purchase with a minimum rating of AA- by S&P, Aa3 by Moody's or AA- by Fitch. Issuer constraints for commercial paper combined with corporate notes will be limited to 3% of market value per issuer.
- **Certificates of Deposit:** Non-negotiable Certificates of Deposit of financial institutions that are qualified public depositories as defined in RCW 39.58.010(2) and by the restrictions within.
- **Bank Time Deposits and Savings Accounts Issued by Banks:** Deposits in PDPC approved banks
- **Banker's Acceptance:** Banker's Acceptances generally are created based on a letter of credit issued to finance transactions. They are used to finance the shipment of some specific goods within the United States. They are issued by qualified financial institutions eligible for discount by the Federal Reserve System and by a qualified institution whose long-term letter of credit rating is rated in the highest category, AAA.
- **State Local Government Investment Pool:** Investment Pool managed by the Washington State Finance Director's Office.

**7.3 Bank Collateralization**

The PDPC makes and enforces regulations and administers a program to ensure public funds deposited in banks and thrifts are protected if a financial institution becomes insolvent. The PDPC approves which banks and thrifts can hold state and local government deposits and monitors collateral pledged to secure uninsured public deposits. Under RCW 39.58.240, all public Finance Directors and other custodians of public funds are relieved of the responsibility of executing tri-party agreements, reviewing pledged securities, and authorizing additions, withdrawals, and exchanges of collateral.

**8. Safekeeping and Custody**

Prudent treasury management requires that all purchased securities be bought on a delivery-verse-payment (DVP) basis and be held in safekeeping by an independent third-party financial institution or the City's designated depository. A third-party custodian designated by the Finance Director will hold securities.

All security transactions, including collateral for repurchase agreements, entered by the city of Chehalis shall be conducted on a delivery-versus-payment (DVP) basis to ensure that securities are deposited in the City's safekeeping institution prior to the release of funds.

Repurchase agreements may be entered into on a safekeeping basis only if a master agreement with the bank or trust department providing the safekeeping is first obtained and it very clearly establishes that the bank/trust is acting as third-party agent for the Finance Director not the broker/dealer arranging the repurchase agreements. Such third-party safekeeping arrangements will be documented with a signed agreement between the Finance Director, and the bank/trust involved assuring that the Finance Director has absolute control over the securities once they are delivered to safekeeping and that the dealer does not have access to them under any circumstances.

**9. Investment Parameters**

**9.1 Diversification**

It is the policy of the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity, a specific user, or a specific class of securities.

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P	Ratings Moody's	Ratings Fitch
US Treasury Obligation	100%	None	N/A	N/A	N/A
Us Agency Primary Securities FHLB, FNMA, FHLMC, FFEB	100%	35%	N/A	N/A	N/A
Us Agency Secondary Securities FICO, FARMER MAC etc.	10%	5%	AA-	Aa3	AA-
Supranational Agency Notes	10%	5%	AA-	Aa3	AA-
Municipal Bonds	30%	5%	AA-	Aa3	AA-
City of Chehalis Interfund Loans	15%	None	N/A	N/A	N/A
Corporate Bonds - US/CDB	25%*	3%*	AA-	Aa3	AA-
Commercial Paper			A1+ Long Term AA- In PDPC Approved Banks	P1 Long Term Aa3 In PDPC Approved Banks	F1+ Long Term AA- In PDPC Approved Banks
Certificates of Deposit	20%	5%	In PDPC Approved Banks	In PDPC Approved Banks	In PDPC Approved Banks
Bank Time Deposits/Savings	20%	None	In PDPC Approved Banks	In PDPC Approved Banks	In PDPC Approved Banks
Banker's Acceptance	10%	5%	N/A	N/A	N/A
State LGIP	100%	None	N/A	N/A	N/A

\*Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

**9.2 Maturities**

To the extent possible, the city will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the city will not directly invest in securities maturing more than five (5) years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed 2 years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool, PDPC bank deposits, or cash matched securities.
- Investment funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5 years and will be only invested in high quality and liquid securities.
- Interfund loan maturities are excluded from the maturity constraint rules.
- Specific dedicated funds such as bond reserves and designated perpetual funds may be excluded from the maturity constraints.

### 9.3 Prohibited Investments

The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.

The City shall not invest in:

- Mortgage-backed securities
- Derivative Products
- Securities that leverage the portfolio or are used for speculation of interest rates
- Any securities on negative credit watch
- Mutual Funds
- Repurchase Agreements
- Reverse Agreements

### 10. Internal Control

The Finance Director shall establish a process of independent review by an external auditor. This review will provide internal control by assuring that policies and procedures are being followed. Such review may also result in recommendations to change operating procedures to improve internal control.

#### 10.1 Performance Standards

The portfolio shall be managed to obtain a fair rate of return and earnings rate that incorporates the primary objectives of protecting the City's capital and assuring adequate liquidity to meet cash flow needs.

For purposes of this policy, "earnings rate" will be the composite rate of both the Liquidity and Core funds and be compared to the LGIP rate. The goal is for the total portfolio, to generally perform better than the LGIP due to the longer weighted average maturity and the earnings rate is expected to trend in a similar manner as interest rates change.

The investment portfolio performance may be tracked against a market index such as the US treasury 0-3 year index or US treasury 0-5 year index on a total return basis. This will provide for accountability of price changes in the portfolio and help inform the strategy related to the duration of the portfolio.

#### 10.2 Reporting

The Finance Director shall provide the City Manager with a quarterly report of investment holdings, cash balances, and market values in investment portfolio for his/her review and approval.

#### 10.3 Monitoring and Adjusting the Portfolio

The Finance Director will routinely monitor the contents of the portfolio, the available markets, and

the relative values of competing instruments. Securities will be bought and sold to obtain market yield through both transaction gains and interest earnings when the option is available.

The Finance Director's intent is to have 100% of the city's idle cash invested at all times.

**10.4 Pooling of Funds**

Except for cash in certain restricted and special funds, the City will consolidate balances from all funds to maximize investment earnings. Investment income will be allocated to the various funds based on their respective participation in the investment program and in accordance with generally accepted accounting principles.

**11. Investment Policy Adoption**

The city's investment policy was adopted by motion by the city council with an effective date of October 14, 2019. The policy shall be reviewed as deemed necessary and the council as a whole must approve any modifications made thereto.

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**Appendix - Glossary**

**Accrued Interest:** The interest accumulated on a bond since issue date or the last coupon payment. The buyer of the bond pays the market price and accrued interest, which is payable to the seller.

**Agency:** A debt security issued by a federal or federally sponsored agency. Federal agencies are backed by the full faith and credit of the U.S. Government. Government Sponsored Enterprises (GSEs) are backed by each particular agency with a market perception that there is an implicit government guarantee.

**Agency Securities:** Government sponsored enterprises of the US Government.

**Amortization:** In portfolio accounting, periodic charges made against interest income on premium bonds in anticipation of receipt of the call price at call or of par value at maturity.

**Asset:** Available property, as for payment of debts.

**Average Maturity:** A weighted average of the expiration dates for a portfolio of debt securities. An income fund's volatility can be managed by shortening or lengthening the average maturity of its portfolio.

**Bankers' Acceptance (BA):** A time draft or bill of exchange accepted (endorsed) by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer. BAs are short-term non-interest-bearing notes sold at a discount and redeemed by the accepting bank at maturity for full face value.

**Bank Wire:** A virtually instantaneous electronic transfer of funds between two financial institutions.

**Basis Points:** The smallest measure used in quoting the yield of bonds. One basis point equals 1/100 of 1 percent or 0.0001 (.01% of yield). For example, a bond that changed from 3% to 3.25% changed twenty-five basis points. One basis point for one year on one million dollars would earn \$100.

**Bid:** The indicated price at which a buyer is willing to purchase a security or commodity. When selling a security, a bid is obtained. (See Offer).

**Bond:** An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and specific assets sometimes secure it. Most bonds have a maturity of greater than one year and generally pay interest semiannually.

**Bond Anticipation Notes:** Short-term interest-bearing notes issued in anticipation of bonds to be issued at a later date. The notes are retired from proceeds of the bond issue to which they are related.

**Broker:** An intermediary who brings buyers and sellers together and handles their orders, generally charging a commission for this service. In contrast to a principal or a dealer, the broker does not own or take a position in securities.

**Cash Flow Budget:** A projection of the cash receipts and disbursements anticipated during a given time period. Typically, this projection covers a year and is broken down into separate projections for each month, week and/or day during the year.

**Certificate of Deposit (CD):** Instruments issued by a bank specifying that a sum of money has been deposited, payable with interest to the bearer of the certificate on a certain date.

**Collateral:** Securities or evidence of deposit or other property that a borrower pledges as security

for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

**Commercial Paper:** Short-term, unsecured, negotiable promissory notes issued by corporations.

**Current Maturity:** The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

**CUSIP:** A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

**Coupon:** (1) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (2) A certificate attached to a bond evidencing interest due on a payment date.

**Dealer:** An individual or firm that ordinarily acts as a principal in security transactions. Typically, dealers buy for their account and sell to a customer from their inventory. The dealer's profit is determined by the difference between the price paid and the price received.

**Debenture:** A bond secured only by the general credit of the issuer.

**Delivery Versus Payment (DVP):** There are two methods of delivery of securities: delivery versus payment and delivery versus receipt. Delivery versus payment is delivery of securities with an exchange of money for the securities. Delivery versus receipt is delivery of securities with an exchange of a signed receipt for the securities.

**Discount:** The difference between the cost price of a security and its value at maturity when quoted at lower than face value. A security selling below original offering price shortly after sale is also considered to be a discount.

**Discount Securities:** Non-interest-bearing money market instruments that are issued at a discount and redeemed at maturity for full face value, i.e., US Treasury bills.

**Diversification:** Dividing available investment funds among a variety of securities and institutions so as to minimize market risk.

**Duration:** The measurement of sensitivity of a security's market value or price. It is the average time until receipt of the weighted present value of the cash flows, expressed in years.

**Federal Credit Agencies:** Agencies of the federal government set up to supply credit to various classes of institutions and individuals, e.g., savings and loans, small business firms, students, farmers, farm cooperatives, and exporters.

**Federal Deposit Insurance Corporation (FDIC):** A federal agency that insures bank deposits. The type of accounts that can be FDIC-insured include negotiable orders of withdrawal (NOW), checking, savings and money market deposit accounts; and certificates of deposit (CDs). The maximum amount that is insured in a qualified account is \$250,000 per depositor, per FDIC-insured bank and per ownership.

**Federal Funds Rate:** The rate of interest at which federal funds are traded. This rate is currently pegged by the Federal Reserve through open market operations.

**Federal Home Loan Banks (FHLB):** An organization created by the Federal Home Loan Bank Act of 1932 to increase the amount of funds available for lending institutions who provide mortgages and similar loan agreements to individuals.

**Federal National Mortgage Association (FNMA):** FNMA, like GNMA, was chartered under the Federal National Mortgage Association Act in 1938. FNMA is a federal corporation working under the auspices of the Department of Housing and Urban Development, HUD. It is the largest single provider of residential mortgage funds in the United States. Fannie Mae, as the corporation is called, is a private stockholder-owned corporation. The corporation's purchases include a variety of adjustable mortgages and second loans in addition to fixed-rate mortgages. FNMA's securities are also highly liquid and are widely accepted. FNMA assumes and guarantees that all security holders will receive timely payment of principal and interest.

**Federal Reserve System:** The central bank of the United States created by Congress and consisting of a seven-member Board of Governors in Washington, DC, 12 regional banks, and about 5,700 commercial banks that are members of the system.

**Freddie Mac (Federal Home Loan Mortgage Corp or FHLMC):** Mortgage-backed issuer created in July 1970. It buys loans from mortgage lenders, freeing up their capital for more lending.

**Full Faith and Credit:** A pledge of the general taxing power of a government to repay debt obligations (typically used in reference to bonds). Indicator that the unconditional guarantee of the United States government backs the repayment of debt.

**General Obligation Bonds (GOs):** Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

**Government Bonds:** Securities issued by the federal government; they are obligations of the U.S. Treasury, also known as "government's."

**Government National Mortgage Association (GNMA or Ginnie Mae):** Securities guaranteed by GNMA and issued by mortgage bankers, commercial banks, savings and loan associations and other institutions. Security holder is protected by the full faith and credit of the US government. Ginnie Mae securities are backed by FHA, VA, or FMHM mortgages. The term passthroughs is often used to describe Ginnie Mae.

**Interest:** Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

**Internal Control:** A plan of organization for purchasing, accounting, and other financial activities which, among other things, provides that: The duties of employees are subdivided so that no single employee handles a financial transaction from beginning to end; proper authorizations from specific responsible officials are obtained before key steps in the processing of a transaction are completed; and records and procedures are arranged appropriately to facilitate effective control.

**Investment:** Securities and real estate purchased and held for the production of an income in the form of interest, dividends, rentals, or base payments.

**Investment Core Funds:** Core funds are defined as operating fund balance and other fund balances that exceeds the City's daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

**Investment Instrument:** The specific type of security which a government purchases and holds.

**Investment Securities:** Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

**Limited Liability Bonds:** When a government issues bonds that do not pledge the full faith credit of the jurisdiction, it issues limited liability bonds. Typically, pledges are made to dedicate one specific revenue

source to repay these bonds, or some other special repayment arrangements are made.

**Liquidity:** The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity. A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked prices is narrow and reasonable size can be done at those quotes.

**Local Government Investment Pool (LGIP):** Local Government Investment Pool run by the State of Washington Finance Director's office established to help cities with short-term investments. The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**Mark to Market:** Adjustment of an account or portfolio to reflect actual market value rather than book price, purchase price or some other valuation.

**Market Value:** The price at which a security is trading and could presumably be purchased or sold on that date.

**Master Repurchase Agreement:** A written contract covering all future transactions between the parties to repurchase- reverse repurchase agreements that establishes each party's rights in the transactions. A master agreement will often specify, among other things, the right of the buyer-lender to liquidate the underlying securities in the event of default by the seller- borrower.

**Maturity:** The date upon which the principal or stated value of an investment becomes due and payable.

**Money Market:** The market in which short-term debt instruments (bills, commercial paper, bankers' acceptances, etc.) are issued and traded.

**Municipals:** Securities, usually bonds, issued by a state, its agencies, by cities or other municipal entities. The interest on "munis" is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency's taxation powers.

**Non-Discretionary Investment Advisor:** Non-discretionary investment advisor services may include investment management oversight, investment research, portfolio analysis, portfolio reporting, and portfolio recommendations based upon the specific investment policy and investment objectives of each client. Clients must approve any such recommendations before the securities are purchased or sold in their accounts.

**Open Market Operations:** Purchases and sales of government and other securities in the open market by the New York Federal Reserve Bank as directed by the FOMC in order to influence the volume of money and credit in the economy. Purchases inject reserves into the bank system and stimulate growth of money and credit; sales have the opposite effect. Open market operations are the Federal Reserve's most important and most flexible monetary policy tool.

**Par Value:** The value of a security expressed as a specific dollar amount marked on the face of the security or the amount of money due at maturity. Par value should not be confused with market value.

**Payment Window:** The length of time between the first and last scheduled payments on the bond.

**Performance Standards:** Specific quantitative measures of work performed within an activity or program (i.e., total interest earned). Also, a specific quantitative measure of results obtained through a program or activity (i.e., comparison of portfolio yield to six-month treasury bill).

**Pool:** A group of mortgages underlying a specific mortgage backed security (MBS) issue.



**Premium:** The amount by which a security is selling above par.

**Portfolio:** A collection of securities held by an investor or institution.

**Primary Dealer:** A group of government securities dealers that submit daily reports of market activity and positions and monthly financial statements to the Federal Reserve Bank of New York and are subject to its informal oversight. Primary dealers include Securities and Exchange Commission (SEC) registered securities brokers-dealers, banks and a few unregulated firms.

**Principal:** The cost of an instrument on which interest is earned.

**Principal Only (PCs):** A tranche of only principal cash flows.

**Prudent Person Rule:** A long-standing common-law rule that requires a trustee who is investing for another to behave in the same way as a prudent individual of reasonable discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Qualified Public Depositories:** A financial institution which does not claim exemption from the payment of any sales or compensating use or ad valorem taxes under the laws of this state, which has segregated for the benefit of the Public Deposit Protection Commission (PDPC) eligible collateral having a value of not less than its maximum liability and which has been approved by the PDPC to hold public deposits.

**Quotation or Quote:** A bid to buy or the lowest offer to sell a security in any market at a particular time.

**Rate of Return:** The yield obtainable on a security based on its purchase price or its current market price. This may be the amortized yield to maturity on a bond or the current income return.

**Real Estate Mortgage Investment Conduit (REMIC):** A pass-through tax entity that can hold mortgages, secured by any type of real property, and issue multi-class ownership interests to investors in the form of pass-through certificates, bonds, or other legal forms. Since the Tax Reform Act of 1986, most all CMOs have been issued as REMICs.

**Repurchase Agreement (REPO):** A holder of securities sells these securities to an investor with an agreement to repurchase them at a fixed price on a fixed date. The security "buyer" in effect lends the "seller" money for the period of the agreement, and the terms of the agreement are structured to compensate him for this. Dealers use REPOs extensively to finance their positions. Exception: When the Fed is said to be doing REPOs, it is lending money that is, increasing bank reserves.

**Safekeeping:** An arrangement under which an organization's securities are kept in a bank vault or in the case of book entry securities, are held and recorded in the customer's name. Evidence of this arrangement is a safekeeping receipt.

A service to customers rendered by banks for a fee whereby securities and valuables of all types and descriptions are held in the bank's vaults for protection.

**Secondary Market:** A market where certain securities may be bought and sold at prevailing market prices after their initial distribution but before their stated maturity date.

**SEC Rule 15C3-1:** See uniform net capital rule.

**Securities & Exchange Commission (SEC):** Agency created by Congress to protect investors in securities transactions by administering securities legislation.

**Stated Maturity:** A predetermined final maturity date that cannot be altered by prepayments.

**Supranational Bonds:** Bonds issued by international organizations such as the World Bank, IMF, EIB,

AD etc. A supranational organization is an international group or union in which the power and influence of member states transcend national boundaries or interests to share in decision making and vote on issues concerning the collective body. The European Union and the World Trade Organization are both supranational entities. In the EU, each member votes on policy that will affect each member nation. The benefits of this construct are the synergies derived from social and economic policies and a stronger presence on the international stage.

**Targeted Amortization Class (TAC):** A tranche structured so that its payment schedule protects the investor from prepayment increases and provides the investor with a low to moderate rate volatility outlook with protection against extension risk if prepayments slow down. Average life extension is possible when prepayments increase within TAC range. Additional TAC structures include Stable TACs, Regular TACs, Reverse TACs, and High Yield TACs.

**Tax Anticipation Notes:** Notes issued in anticipation of taxes that are usually retired from taxes collected.

**Treasury Bills:** An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount. Most bills are issued to mature in three months, six months, or one year.

**Treasury Bond and Notes:** Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

**Vanilla:** A straight sequential pay tranche.

**Weighted Average Life:** The weighted average number of years from the security's issuance until each principal dollar is returned to the investor.

**Yield:** The annual rate of return on an investment expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

**Yield to Maturity:** The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.

**Uniform Net Capital Rule:** The Securities and Exchange Commission's requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness to liquid capital of 15 to 1; also called the "net capital rule" and "net capital ratio." Indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities. Liquid capital includes cash and assets easily converted into cash.

Approved By:

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Jill Anderson, City Manager

Date: