

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 Daryl J. Lund, District 2 Dr. Isaac S. Pope, District 4		Anthony E. Ketchum Sr., District 3 Chad E. Taylor, Position at Large Robert J. Spahr, Position at Large

Regular Meeting of *Tuesday, November 12, 2019* 5:00 p.m.

(Please note date change due to observance of the Veterans' Day holiday on November 11)

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

PROCLAMATIONS / PRESENTATIONS
<ol style="list-style-type: none"> 3. <u>Proclamation – Recognition of Retiring Wastewater Superintendent Patrick Wiltzius.</u> (Mayor, City Manager)

CITIZENS BUSINESS
<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>
<ol style="list-style-type: none"> 4. <u>Request to Adopt a Resolution in Support of Refugees.</u> (Sarah Brown, WA State Area Coordinator, Amnesty International)

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
CONSENT CALENDAR		
5. <u>Minutes of the Regular City Council Meeting of October 28, 2019.</u> (City Clerk)	APPROVE	1
6. <u>Vouchers and Transfers – Accounts Payable in the Amount of \$776,842.82.</u> (City Manager, Finance Director)	APPROVE	4
7. <u>Vouchers and Transfers – Payroll in the Amount of \$810,400.54.</u> (City Manager, Finance Director)	APPROVE	6
8. <u>Adoption of Federal Grant Management Policy.</u> (City Manager, Finance Director)	APPROVE	8

CONSENT CALENDAR CONTINUED ON NEXT PAGE

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
CONSENT CALENDAR - CONTINUED		
9. <u>Resolution No. 16-2019, First and Final Reading - Approval for Application of Community Aviation Revitalization Loan Program for Airport Improvements - Hangars.</u> (City Manager, Public Works Director, Airport Operations Coordinator)	ADOPT	12
10. <u>Additional Lodging Tax Advisory Committee Recommendation for 2020 Tourism Funds.</u> (Mayor Pro Tem)	APPROVE	15

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
PUBLIC HEARING		
11. <u>Proposed 2020 Budget, Revenue Sources, Taxes, and Levies.</u> (City Manager, Finance Director)	CONDUCT PUBLIC HEARING	19

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
NEW BUSINESS		
12. <u>Ordinance No. 1001-B, First Reading – Determining and Fixing the Amounts of Revenue to be Raised by Ad Valorem Taxes During 2020.</u> (City Manager, Finance Director)	PASS	21
13. <u>Ordinance No. 1002-B, First Reading – Stating the Dollar Amounts and Percentages of Change in Property Tax Levies for 2020.</u> (City Manager, Finance Director)	PASS	21
14. <u>Ordinance No. 1003-B, First Reading – Adopting the Proposed 2020 Budget.</u> (City Manager, Finance Director)	PASS	26

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

EXECUTIVE SESSION		
17. Pursuant to RCW:		
a. 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, NOVEMBER 25, 2019.**

October 28, 2019

The Chehalis city council met in regular session on Monday, October 28, 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; Tammy Baraconi, Planning & Building Manager; Ken Cardinale, Fire Chief; Caryn Foley, City Clerk; Brian Kelly, City Attorney; Andrew Hunziker, Parks & Facilities Manager; Devlan Pool, Wastewater Superintendent; Brandon Rakes, Airport Operations Coordinator; Chun Saul, Finance Director; Glenn Schaffer, Police Chief; Judy Schave, HR/Risk Manager; and Patrick Wiltzius, Wastewater Superintendent. Members of the news media included Celine Fitzgerald of *The Chronicle*.

1. **Introduction of New Planning & Building Manager Tammy Baraconi and New Wastewater Superintendent Devlan Pool.** Tammy Baraconi and Devlan Pool were introduced and welcomed to the city.

2. **Port of Chehalis Update.** Randy Mueller, Chief Executive Officer, provided an update on Port activities: ribbon cutting in December for the newly constructed 20,000 sq. ft. building; acceptance of a bid for the Curtis rail line from the Chehalis-Centralia Railroad and Museum; farm industry work underway; Chehalis Coworks will be made a permanent fixture in downtown Chehalis; and passed 2020 budget that includes \$30,000 to CCRT (Chehalis Community Renaissance Team) and doubling their marketing budget. The MIT Living Wage Index was going up from \$15.72 to about \$16.20 and was the benchmark the Port uses for the kinds of business they attract. He stated the Port Commission would like to have a joint session with the council to talk about things that are of mutual interest.

Mayor Dawes thought the full council needed to be part of the discussion. He asked Mr. Mueller to work with the City Manager to arrange a date.

3. **Consent Calendar.** Councilor Spahr moved to approve the consent calendar comprised of the following:
- a. Minutes of the regular meeting of October 14, 2019;
 - b. October 15, 2019 Claim Vouchers No. 127100-127246 and Electronic Funds Transfer Nos. 92019, 920191 and 102019 in the amount of \$1,316,411.90;
 - c. Addendum to city manager contract to provide for a cost of living adjustment and executive leave;
 - d. Resolution No. 14-2019, first and final reading – approval for application of Community Aviation Revitalization Loan Program for airport improvements – above-ground fuel storage facilities; and
 - e. Resolution No. 15-2019, first and final reading – setting a public hearing regarding petition to vacate right-of-way (un-named alley) within the Darigold site on NW Chehalis Avenue.

The motion was seconded by Councilor Taylor and carried unanimously.

4. **Implementation of Online Bill Pay Program for Utility Customers and Council Policy Directions for Payment Transaction Fees.** Chun Saul stated there was a growing demand from utility customers for options for making payments, and it was also a strategic planning goal of the council. Several options were explored to utilize modern technology, improve customer service, and simplify staff workload and improve efficiency. The ideal program needed to provide full integration with the city's current utility billing software, which was Springbrook. It was determined that Springbrook's CivicPay was best suited for what the city was looking for. It would provide real-time transactions and no need for staff to upload data to a third-party provider or to the city's system. Features included real time access to account data 24/7; a stand-alone counter terminal for making payments in person; and an Interactive Voice Response (IVR). Costs include an annual subscription service around \$4,000 and payment transaction fees. She stated the council needed to decide whether the City would pass the fees onto the customers or if the City would pay the fees. She noted there was a utility interchange rate offered by credit card companies for utility customers. If a city charges a convenience fee, it would not receive the discounted rate. Ms. Saul stated there were three different types of fees allowed by card companies – surcharge, service fee, and convenience fee. If the city paid the transaction fees, the estimated annual cost was \$27,380. She stated staff was recommending that the city pay the transaction fees because the program would provide convenience to customers and to city staff. If more customers utilize the online bill pay services, the city would reduce the cost of printing and mailing all paper bills and staff time for processing paper bills and payments, which could offset a portion of the transaction fees. She estimated the program could go live in January or February 2020.

October 28, 2019

Councilor Taylor asked if a property owner who had multiple properties could view/monitor all of their accounts in one place. Ms. Saul stated she would have to check with utility billing.

Councilor Pope asked if staff would review the cost effectiveness of the program and provide that information to the council. Ms. Saul stated staff would do that.

Ms. Saul stated the city currently uses Official Payments, a third-party vendor for customers to pay with a debit/credit card or an eCheck by paying \$5.95 to Official Payments, who collects the money and gives the full utility payment to the city. The process is not integrated with the city's system, so city staff then has to manually enter the transactions.

Councilor Lund thought the program would save more than the \$27,000 to implement it. He commended Ms. Saul for finding the program.

Councilor Taylor asked how many customers use Official Payments to pay their bills. Ms. Saul stated there are 3,480 utility accounts, both residential and commercial, that generate about 25,000 bills per year. Official Payments transactions over the last 12-month period generated 880 payments, which is about four percent of total bills.

Councilor Harris asked if dedicated phone lines would be needed and would residential accounts go to monthly billing instead of bimonthly. Ms. Saul believed it would be computerized, but she didn't yet have all the details. City Manager Anderson stated there were no plans to change to a monthly billing cycle, but customers can make monthly payments.

Councilor Ketchum moved to authorize the city administration to enter into an agreement with Springbrook to subscribe to CivicPay service and implement the CivicPay program, and further authorize the city's utilities to pay the convenience fee as a cost of doing business to increase efficiency and improve customer service. The motion was seconded by Councilor Lund.

Councilor Spahr asked how the city could get out of the program if it didn't work. Ms. Saul stated the city could discontinue the program if needed.

The motion carried unanimously.

5. **Agreement with Greg Lund and Century 21 Lund, Realtors for Professional Real Estate Services.** City Manager Anderson stated the agreement would engage Greg Lund and Century 21 Lund, Realtors to be the city's representative in purchase of a site for a new fire station. The current station location does not meet current and future demands for an 'essential facilities' building. A potential site is located in the vicinity of Chamber Way and State Avenue. A professional real estate person is needed to represent the city in the negotiation process. The term of the agreement would be for four months initially and provide for payment of \$100 per hour. She estimated the cost to be \$20,000 or less.

Councilor Lund stated he would be abstaining from voting on the issue since he was a cousin to Greg Lund.

Councilor Taylor stated he would also be abstaining from voting on the issue since his daughter worked for Mr. Lund.

Councilor Ketchum moved to authorize the City Manager to execute the agreement with Greg Lund and Century 21 Lund, Realtors for professional realtor services and the associated expenditure of funds. The motion was seconded by Councilor Pope.

Councilor Spahr stated the agenda report noted that, "Compensation of \$100 per hour with provisions for credits to the City associated with commissions that could be paid by the seller of property." He wanted to make sure it was understood that the language provided that Mr. Lund would not be paid by both the seller and the city.

The motion carried unanimously with Councilors Lund and Taylor abstaining.

6. **Administration Reports.**

a. **Finance Report.** Chun Saul provided the 2019 third quarter finance report, including an overview of city-wide totals for all funds combined. Overall, year-to-date revenues and expenditures were within budget projections and parameters.

October 28, 2019

Mayor Dawes stated the report noted that business license revenues were above the targeted amount. He wondered if that was a result of the state taking over the collection of those fees. Ms. Saul stated she would check into it.

Ms. Saul reported that total revenues exceeded total expenditures in the Enterprise Funds for utilities and the airport. The city's total cash and investments as of September 30, 2019 were \$24,057,864, with only \$1 million for the General Fund. All other funds are dedicated or restricted for specific activities. About 89.1% of the total balance was invested and earned interest with year-to-date interest earnings of \$323,000, which are allocated to each fund based on their proportionate share of the investments. The net earnings rate for the Local Government Investment Pool was 2.448%, which was going down dramatically.

With regard to telephone taxes, Councilor Taylor asked how the city's charges were assessed. Ms. Saul explained that the city has a six percent utility tax, which was set by ordinance. Councilor Taylor asked if city governments had the ability to assess other charges for service(s). Ms. Saul stated she would have to research the question.

Councilor Taylor wanted to ensure that the appropriate amount of interest earnings were being allocated to the various General Fund departments that provide services to Enterprise Fund departments. Mayor Dawes stated the budget committee looked at that and made sure they were allocating appropriate charges that emanate from General Fund activities.

b. **Parks & Facilities Projects Report.** Andrew Hunziker briefed the council on some of the 2019 accomplishments of the Parks & Facilities division. He stated there were still a few additional projects that will be completed by the end of the year. Projects proposed in 2020 include landscaping around buildings at Recreation Park; city entrance landscaping on National Avenue; replacement of ballfield fencing in partnership with Little League at Hedwall Park; and upgrading the center restroom at Stan Hedwall Park. Mr. Hunziker noted they are also planning projects for 2021, specifically to facilities at Stan Hedwall Park. He thanked the council for their continued support.

c. **City Manager Update.** City Manager Anderson again welcomed Tammy Baraconi and Devlan Pool to the city. Governor Inslee will be in Lewis County on October 31st to discuss affordable housing. Mayor Pro Tem Harris will represent the city. The Trick-or-Treat Transit will be running on Halloween from 3:00 pm to 5:30 pm, which city hall will be participating in.

7. **Councilor Reports/Committee Updates.**

a. Mayor Dawes stated budget committee meetings were completed with each department. They have decided to meet quarterly next year to keep on top of things.

8. **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; and RCW 42.30.140(4)(b) – Collective Bargaining, not to exceed 7:45 pm and there would be no decision following conclusion of the executive session. Mayor Dawes closed the regular meeting at 6:32 pm. The executive session began at 6:38 pm. At 7:45 pm Mayor Dawes reopened the regular meeting and announced the council would continue in executive session until 8:15 pm. At 8:15 pm, Mayor Dawes reopened the regular meeting and announced the council would continue in executive session until 8:20 pm. Following conclusion of the executive session, the regular meeting was reopened and immediately adjourned at 8:18 pm.

Dennis L. Dawes, Mayor

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: November 12, 2019

SUBJECT: Vouchers and Transfers – Accounts Payable in the Amount of \$776,842.82

ISSUE

City Council approval is requested for Vouchers and Transfers dated October 31, 2019.

DISCUSSION

The October 31, 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. 127247-127379 in the amount of \$776,842.82 dated October 31, 2019 which includes the transfer of:

- \$ 118,608.34 from the General Fund
- \$ 4,689.07 from the Dedicated Street Fund – 4% Sales Tax Fund
- \$ 30,263.44 from the Transportation Benefit District Fund
- \$ 51,694.17 from the Tourism Fund
- \$ 435,324.32 from the Public Facilities Reserve Fund
- \$ 42,297.93 from the Wastewater Fund
- \$ 32,674.01 from the Water Fund
- \$ 4,521.47 from the Storm & Surface Water Utility Fund
- \$ 55,624.79 from the Airport Fund
- \$ 1,145.28 from the Firemen’s Pension Fund

RECOMMENDATION

It is recommended that the City Council approve the October 31, 2019 Claim Vouchers No. 127247-127379 in the amount of \$776,842.82.

SUGGESTED MOTION

I move that the City Council approve the October 31, 2019 Claim Vouchers No. 127247-127379 in the amount of \$776,842.82.

**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: November 12, 2019

SUBJECT: Vouchers and Transfers – Payroll in the Amount of \$810,400.54

ISSUE

City Council approval is requested for Payroll Vouchers and Transfers dated October 31, 2019.

DISCUSSION

The administration requests City Council approval for Payroll Vouchers No. 41079-41111, Direct Deposit Payroll Vouchers No. 11385-11492, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 265-269 dated October 31, 2019 in the amount of \$810,400.54, which include the transfer of:

- \$538,851.95 from the General Fund
- \$12,464.01 from the Arterial Street Fund
- \$2,752.84 from the Public Facilities Reserve Fund
- \$94,900.83 from the Wastewater Fund
- \$94,886.91 from the Water Fund
- \$32,645.62 from the Storm & Surface Water Utility Fund
- \$31,816.38 from the Airport Fund
- \$2,082.00 from the Firemen's Pension Fund

RECOMMENDATION

It is recommended that the City Council approve the October 31, 2019 Payroll Vouchers No. 41079-41111, Direct Deposit Payroll Vouchers No. 11385-11492, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 265-269 in the amount of \$810,400.54.

SUGGESTED MOTION

I move that the City Council approve the October 31, 2019, Payroll Vouchers No. 41079-41111, Direct Deposit Payroll Vouchers No. 11385-11492, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 265-269 in the amount of \$810,400.54.

**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: November 12, 2019

SUBJECT: Adoption of Federal Grant Management Policy

ISSUE

The City applies for federal grants when possible and advisable to fund transportation improvement, park and city facility improvement, law enforcement, fire and emergency management system, airport improvement, to name a few. The Code of Federal Regulations (CFR) requires that the non-federal entity maintain written policies and procedures for certain key elements, including the requirements of section 2 CFR 200.305 Payment.

A draft policy on federal grant management is presented for City Council review and approval for adoption.

DISCUSSION

When the City receives federal grants, it strives to administer those grants in conformance with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. The key elements for that compliance are:

- 1) Written internal controls over the grant funds and ability to demonstrate that the policies are being followed (2 CFR 200.303);
- 2) Written procedures to minimize the time lag between advance payments by the granting agency and related disbursements (2 CFR 200.305);
- 3) Written procedures to avoid conflicts of interest (2 CFR 200.318);
- 4) Written procurement policies (2 CFR 200.320);
- 5) Oversight and assurance that only allowed costs are claimed and ability to demonstrate the oversight (2 CFR 200.403); and
- 6) Required certifications (2 CFR 200.415).

The Finance Director will be responsible for establishing a system of controls and standard operating procedures to provide reasonable assurance that the City is managing the Federal awards in compliance with Federal statutes, regulations, and terms and conditions of the Federal awards.

In particular, a written policy approved by City Council regarding the 2 CFR 200.303 Payment is needed. Generally, the City strives to obtain grant funds as reimbursement of expenditures. This means that any grant-eligible invoices have been paid by the City from City funds and are billed to the granting agency subsequently for reimbursement. In the unlikely event, such as in the case of inadequate working capital, the City may submit a request for advance payment, with granting agency approval, upon receipt of the vendor's invoice but prior to paying the vendor with City funds. In order to have this privilege, the City must maintain written procedures that minimize the time elapsing between the transfer of federal funds and actual disbursement by the City.

The proposed draft policy presented before you requires that "the timing and amount of advance payments must be as close as administratively feasible to the actual disbursements by the City for eligible costs incurred, but not more than the City's one disbursement cycle (15 calendar days). The City will not withhold payment from the City's vendors beyond the time frame addressed in the contract or by local and state law, regardless of the grant or advance payment."

The City's procurement policy is being updated by the City Clerk's office and will be presented to the City Council at a later time.

FISCAL IMPACT

None.

RECOMMENDATION

It is recommended that the City Council approve the adoption of the Federal Grant Management Policy.

SUGGESTED MOTION

I move that the City Council approve the adoption of the Federal Grant Management Policy.



CITY OF CHEHALIS
FINANCIAL POLICIES
FEDERAL GRANT MANAGEMENT POLICY

The City applies for federal grants where possible and advisable, to fund transportation improvement, law enforcement, fire and emergency management system, airport improvement, water/sewer/storm drainage utility infrastructure, to name a few. When the City receives federal grants, it strives to administer those grants in conformance with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, when it applies. Key elements for that compliance are:

- 1) Written Internal Controls over the grant funds and ability to demonstrate that the policies are being followed (2 CFR 200.303);
- 2) Written procedures to minimize the time lag between advance payments by the granting agency and related disbursements (2 CFR 200.305);
- 3) Written procedures to avoid conflicts of interest (2 CFR 200.318);
- 4) Written Procurement Policies (2 CFR 200.320);
- 5) Oversight and assurance that only Allowed Costs are claimed and ability to demonstrate the oversight (2 CFR 200.403); and
- 6) Required Certifications (2 CFR 200.415).

Internal Controls

The City's internal controls over federal funds take the "Standards for Internal Controls of the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and strive to be able to demonstrate that it follows Federal statutes, regulations, and the terms and conditions of the Federal awards through oversight or monitoring, that it takes prompt action when noncompliance is identified including noncompliance identified in audit findings, and that it takes reasonable measures to safeguard protected personally identifiable and otherwise sensitive and confidential information consistent with laws regarding privacy and obligations of confidentiality. The Finance Director will be responsible for establishing a system of controls and standard operating procedures to provide reasonable assurance that the City is managing the Federal awards in compliance with Federal statutes, regulations and terms and conditions of the Federal awards.

Payment

The City strives to acquire grant funds as a reimbursement of expenditures. This means that any grant-eligible invoices and internal labor costs have been paid by the City from City funds and are billed to the granting agency subsequently for reimbursement and in the same amount as previously paid. In the unlikely event of inadequate working capital, the city may submit a

request for advance payment with granting agency approval, after eligible costs are incurred but in advance of actual disbursement of City funds. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the City for eligible costs incurred, but not more than the City's one disbursing cycle (15 calendar days). The City will not withhold payment from the City's vendors beyond the time frame addressed in the contract or by local and state law, regardless of the grant or advance payment.

Procurement Policy

The City's procurement policies, adopted by Council, require standards of conduct and the absence of its employees, officials, and agents conflict of interest during the selection, award and administration of contracts, and include disciplinary actions to be taken in the case of a violation.

Oversight Responsibilities

The department managing a project, which is funded by direct or indirect federal funds, is responsible for the ability to demonstrate that it follows procedures to assure that only allowable costs are claimed.

Required Certifications

To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification signed by an official who is authorized to legally bind the City. The City Council delegates to a person the authority to legally bind the City, for the purpose requesting Federal Grant reimbursement, through adoption of a resolution.

The city's federal grant management policy was adopted by motion by the city council with an effective date of November 12, 2019.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Trent Lougheed, P.E., Community Development Director
Brandon Rakes, Airport Operations Coordinator

MEETING OF: November 12, 2019

SUBJECT: Resolution No. 16-2019, First and Final Reading - Approval for Application of Community Aviation Revitalization Loan Program for Airport Improvements - Hangars

ISSUE

The Chehalis-Centralia Airport would like to apply for a loan from the Washington State Department of Transportation (WSDOT) as part of the Community Aviation Revitalization Loan Program. This loan program would assist significantly in funding the construction of additional hangars, if awarded.

DISCUSSION

The new Community Aviation Revitalization Loan Program was established by EHB 1102 and funded initially with \$5 million. The revolving loan program is for revenue-producing capital projects that help public use, general aviation airports become more self-sustainable. The program provides loans up to \$750,000 at 3% interest to airports with less than 75,000 annual commercial enplanements as reported to the FAA. Loans can have a maximum 20-year loan period, and recipients can opt to have up to a 3-year loan repayment grace period. Loan recipients must commit to providing public access to the airport for a period of time equivalent to one and one-half times the term of the loan.

Eligible projects can include hangars, fueling facilities, business parks on airport property, paid parking facilities, passenger amenities, and other revenue-generating or cost-cutting developments. The initial deadline for loan applications is Tuesday, November 12, 2019; however, applications are accepted on an ongoing basis.

The loan requires approval by the City as sponsor/owner of the Airport for the application and acceptance of the funding. If approved, it would be the City's second application for funding through the Community Aviation Revitalization Loan Program. The first application was approved by the City Council on October 28, 2019 for construction of an above ground fuel

system to replace the aging inground system, that has needed significant repairs in the recent past.

The second application is for the construction of additional hangars intended for general aviation use. Our existing hangar facilities have been at 100% occupancy for over two years. We have been maintaining a hangar waitlist during this time and now have a sufficient demand that would allow us to fill an additional dozen hangars within one month.

Currently, there is an extremely high demand for hangar space throughout western Washington.

Contingent upon receipt of funding from the Community Aviation Revitalization Loan Program, construction would likely begin in the summer of 2021.

TERMS OF THE PROPOSAL

The proposed terms would be a 20-year amortization at 3% with a maximum loan size of \$750,000.

The airport must commit to providing public access to the airport for a period of time equivalent to one and one-half times the term of the loan.

FISCAL IMPACT

The anticipated monthly payment for a 20-year amortization loan of \$750,000 at 3% interest is \$4,159.48.

Total interest on the loan at 3%, if allowed to amortize, is \$248,275.68.

The total amount repaid, if not paid off early, will equal \$998,275.68.

RECOMMENDATION

The administration recommends that the City Council adopt Resolution No. 16-2019 on first and final reading and authorize the City Manager to apply for the Community Aviation Revitalization Loan Program for \$750,000 for the specific purpose of construction of hangar facilities.

SUGGESTED MOTION

I move that the City Council adopt Resolution No. 16-2019 on first and final reading and authorize the City Manager to apply for the Community Aviation Revitalization Loan Program for \$750,000 for the specific purpose of construction of hangar facilities.

RESOLUTION NO. 16-2019

A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON, AUTHORIZING THE SUBMITTAL OF A LOAN APPLICATION FOR AIRPORT IMPROVEMENTS TO THE WASHINGTON STATE DEPARTMENT OF TRANSPORTATION.

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

Section 1. The City of Chehalis hereby authorizes the submittal of a loan application for airport aid to the Washington State Department of Transportation for the specific purpose of the construction of additional hangars.

Section 2. The elected officials support the application. The City further authorizes the City Manager to be the authorized representative of the City for signature purposes on any application with the Department of Transportation.

Section 3. The sponsor must commit to providing public access to the airport for a period of time equivalent to one and one-half times the term of the loan.

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:

City Clerk

Approved as to form and content:

City Attorney

**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: November 12, 2019

SUBJECT: Additional Lodging Tax Advisory Committee Recommendation for 2020 Tourism Funds

ISSUE

The Lodging Tax Advisory Committee (LTAC) met on Wednesday, October 23, 2019 to review a request from the Chehalis-Centralia Railroad and Museum (CCRM) for 2020 tourism funds to make a recommendation 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.

On October 14, 2019, the City Council voted to approve the recommendations made by the LTAC for funding of various non-profit organizations for 2020. The CCRM has submitted a supplemental request for repairs to Steam Locomotive #15, which is owned by the City of Chehalis.

SUMMARY OF REQUEST SUBMITTED

The CCRM's application is for repairs to the Steam Locomotive #15, which is owned by the City. Repairs to the engine became necessary in February 2019 when the locomotive was pulled from

service. An estimated \$110,000 will be needed for the repairs, which will be funded in part by an estate donation and other fundraising activities. The CCRM's request was for \$72,000. The LTAC unanimously agreed to recommend that the City Council award \$37,652.09.

The attachments to this report include the minutes from the October 23, 2019 LTAC meeting, and 2020 tourism fund projections and requests to date. The funding request application is available for review upon request.

FISCAL IMPACT

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 for recommendation 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 \$279,435 was appropriated to 2020 lodging tax applicants at the October 14, 2019 City Council meeting. A balance of \$37,652.09 estimated revenue remains unallocated.

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.

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

RECOMMENDATION

The Lodging Tax Advisory Committee recommends that the City Council approve its recommendation for use of lodging tax funds for 2020 to the Chehalis-Centralia Railroad and Museum.

SUGGESTED MOTION

I move that the City Council approve the recommendation of the Lodging Tax Advisory Committee to provide the Chehalis-Centralia Railroad and Museum use of lodging tax funds for 2020 in the amount of \$37,652.09 for repairs to Steam Locomotive #15.

Chehalis Lodging Tax Advisory Committee
Meeting Minutes
October 23, 2019

The Lodging Tax Advisory Committee (LTAC) met on Wednesday, October 23, 2019, at 9:02 A.M. in the conference room of Chehalis City Hall to review an additional application 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.

The meeting was called to order at 9:02 A.M. by Mayor Pro Tem Harris.

Mayor Pro Tem Harris welcomed everyone to the meeting and thanked them for coming.

Mayor Pro Tem Harris explained that the Lodging Tax Advisory Committee had previously decided to hold a separate meeting to discuss an application from the Chehalis-Centralia Railroad and Museum for the repairs to Locomotive #15, owned by the City of Chehalis, in the amount of \$72,000. He reminded the group that the decision had been delayed due to uncertainty of rail line ownership and if the Lewis County Visitor's Guide would be produced in 2020 by the Chehalis Community Renaissance Team. He informed the committee that the Chehalis Community Renaissance Team had decided to forgo production of the guide.

Mayor Pro Tem Harris briefly explained that the Chehalis City Council had approved funding of the 2020 Lodging Tax recipients as recommended by the Lodging Tax Advisory Committee. The Lodging Tax Fund has an estimated beginning balance of \$184,493.00, and an estimated revenue of \$245,990.00, for a total of \$430,483.00 funds to be disbursed. The LTAC had previously decided to keep a \$50,000.00 reserve, a dedicated debt service fund for Recreation Park in the amount of \$63,395.91, and recommended a total of \$279,435.00 to 2020 Lodging Tax applicants. A balance of \$37,652.09 remained in unallocated funds.

Discussion regarding the 'Polar Express' steam train ride ensued. Rick Burchett explained that the event was regularly sold out and another weekend for the event had been added. The three-year contract for the event will be up in 2020 and feasibility of the program will be reviewed by the Chehalis-Centralia Railroad and Museum.

Alicia Bull asked if the project was partially funded, would there be a risk of the steam train never becoming fully operational. Rick Burchett explained that the process would take longer, but they planned to revive the steam train through other fund-raising efforts as well.

Alicia Bull made a motion to approve the Chehalis-Centralia Railroad and Museum to receive funding in the amount of \$37,652.09, contingent upon the sale of the rail line to the Chehalis-Centralia Railroad and Museum by the Port of Chehalis. Chip Duncan seconded the motion. All in favor; none opposed.

The recommendation will be reviewed by the city council at their regularly scheduled meeting on November 12, 2019.

The meeting concluded at 9:35 A.M.

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

2020 Chehalis Tourism Fund Projections and Requests

As of: 11/6/2019

Projected Beginning Fund Balance	\$ 184,493.00
Estimated Revenue	<u>\$ 245,990.00</u>
Total Estimated Funds	\$ 430,483.00
Recommended Ending Fund Balance	\$ 50,000.00
Dedicated Debt Service for Recreation Park - <i>As LTAC Approved 6/4/19</i>	\$ 63,395.91
Total Estimated Available Revenue	<u>\$ 317,087.09</u>
2020 Council Approved Lodging Tax Funding	\$ 279,435.00
2020 Lodging Tax Fund Recommendation for 11/12/2019	\$ 37,652.09

18

	2019 Awarded	2020 Requests	2020 Recommendations	2020 Council Action
Facilities				
Chehalis-Centralia Railroad and Museum - Personnel	N/A	\$ 25,000.00	\$ 15,000.00	\$ 15,000.00
Lewis County Historical Museum	\$ 40,000.00	\$ 45,000.00	\$ 40,000.00	\$ 40,000.00
Veterans Memorial Museum	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00
Chamber Building/City Utilities	N/A	\$ 50,000.00	\$ 50,000.00	\$ 50,000.00
Events				
Southwest Washington Fair	\$ -	\$ 18,500.00	\$ 10,000.00	\$ 10,000.00
ARTrails	N/A	\$ 12,000.00	\$ 5,000.00	\$ 5,000.00
Marketing/Tourism				
Chehalis-Centralia Railroad and Museum - Marketing	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00
Chehalis Community Renaissance Team	\$ 46,000.00	\$ 49,000.00	\$ 27,000.00	\$ 27,000.00
Centralia-Chehalis Chamber of Commerce	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00	\$ 40,000.00
Discover Lewis County	\$ -	\$ 5,000.00	\$ -	\$ -
City				
Chehalis Wedding Show	\$ 12,435.00	\$ 12,435.00	\$ 12,435.00	\$ 12,435.00
Community Development - Youth Tournaments	\$ 20,000.00	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00
Community Development - Shaw Aquatics Center	\$ 82,000.00	\$ -	\$ -	\$ -
Other				
Chehalis-Centralia Railroad and Museum - Locomotive Repairs	N/A	\$ 72,000.00	\$ 37,652.09	
Totals	\$ 305,435.00	\$ 336,935.00	\$ 317,087.09	\$ 279,435.00

**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: November 12, 2019

SUBJECT: Public Hearing on Proposed 2020 Budget, Revenue Sources, Taxes, and Levies

ISSUE

The 2020 Proposed Budget has been prepared for consideration by the City Council. Ordinances 1001-B and 1002-B have been prepared in connection with levying property taxes for collection in 2020.

DISCUSSION

The Proposed 2020 Operating Budget, which includes a summary of anticipated revenues and expenditures, is available for public review at City Hall, the Finance Department, and on the City's website at www.ci.chehalis.wa.us.

Ordinance No. 1001-B

Ordinance No. 1001-B establishes the city's levies of ad valorem taxes (i.e., property taxes) for general operations, the Firefighters' Pension Fund, and Emergency Medical Services (EMS). The following table shows the amounts of proposed property tax levies to be collected in 2020:

Ordinance No. 1001-B			
2020 Property Tax Levy Amount - City of Chehalis			
	Regular Levy	EMS Levy	Total Levy
2019 Tax Year Actual Levy	\$ 1,580,030	\$ 323,048	\$ 1,903,078
Plus Ordinance Increase:			
1% Maximum Allowed Increase (1% over 2019 Highest Lawful Levy)	18,204	3,290	21,494
Total Increase Over 2019 Levy	\$ 18,204	\$ 3,290	\$ 21,494
Plus Increase from New Construction	9,970	2,039	12,009
Plus Certification of Administrative Refunds for 2020 tax year	7,986	1,823	9,809
Total Increase from New Construction & Other Adjustments	\$ 17,956	\$ 3,861	\$ 21,817
2020 Total Proposed Property Tax Levy Amount	\$ 1,616,190	\$ 330,199	\$ 1,946,389

Ordinance No. 1002-B

Ordinance 1002-B identifies the changes, in both the dollar amounts and percentage terms, in the City’s regular property tax levy and the EMS levy for next year (2020) compared to this year (2019).

The 2020 Proposed Budget includes an increase in property revenues of \$21,494, which includes the 1% maximum allowed tax levy increase. This increase is exclusive of additional revenue resulting from new construction, property improvements, any increase in the value of state assessed property, any annexations that have occurred, and any property tax administrative refunds.

The following table shows the tax amount and percentage increase from 2019 actual property tax levies from 1% allowed increase, as well as an estimated tax increase amount for property owners, which would be \$2.86 a year *for every hundred thousand of assessed property value*.

Ordinance No. 1002-B					
Dollar Amounts and Percentage of Changes in Property Tax Levies for 2020 from 2019					
Tax Levy	2019 Actual Levy	1% Maximum Allowed Increase over 2019 Highest Lawful Levy (HLL)	Total Amount Increase in 2020 from 2019 Levy*	Percent Increase from 2019	Estimated Tax increase for Property with \$100,000 Assessed Value
Regular Levy^	\$ 1,580,030	\$ 18,204	\$ 18,204	1.152110%	\$ 2.42
EMS Levy	\$ 323,048	\$ 3,290	\$ 3,290	1.018375%	\$ 0.44
Total	\$ 1,903,078	\$ 21,494	\$ 21,494	1.129408%	\$ 2.86

* Does not include current year add-ons such as tax levy for new construction and changes for state-assessed properties.

^ Includes \$0.225 levy per \$1,000 assessed valuation dedicated for LEOFF 1 OPEB Reserve Fund for LEOFF 1 medical benefits.

The cost of providing services to Chehalis residents and businesses continues to increase and it has become necessary to consider an increase in the property tax so that the current level of municipal services, including police and fire, can be maintained.

RECOMMENDATION

It is recommended that the City Council open the public hearing, accept public comment, close the public hearing and consider this information when taking action on these items, which are scheduled on this meeting agenda under “New Business” with agenda reports that provide additional information on the Budget and the related ordinances.

SUGGESTED MOTION

There is no motion needed after the public hearing.

**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: November 12, 2019

SUBJECT: Ordinance Nos. 1001-B and 1002-B, First Readings – Adoption of Tax Levies

ISSUE

Ordinances 1001-B and 1002-B have been prepared in connection with levying property taxes for collection in 2020. The Ordinances are required in order to have Lewis County collect property taxes on behalf of the City.

DISCUSSION

The 2020 Proposed Budget, which includes a summary of anticipated revenues and expenditures, is available for public review at City Hall, the Finance Department, and on the City's website at www.ci.chehalis.wa.us.

Ordinance No. 1001-B establishes the amount of the City's levies of ad valorem taxes (i.e., property taxes) to be collected in 2020 for general operations and Emergency Medical Services (EMS). The amount of revenue to be raised by ad valorem taxes for the 2020 tax year for general operations is \$1,616,190 and for emergency medical services it is \$330,199.

The following table shows the amounts of proposed property tax levies to be collected in 2020:

Ordinance No. 1001-B			
2020 Property Tax Levy Amount - City of Chehalis			
	Regular Levy	EMS Levy	Total Levy
2019 Tax Year Actual Levy	\$ 1,580,030	\$ 323,048	\$ 1,903,078
Plus Ordinance Increase:			
1% Maximum Allowed Increase (1% over 2019 Highest Lawful Levy)	18,204	3,290	21,494
Total Increase Over 2019 Levy	\$ 18,204	\$ 3,290	\$ 21,494
Plus Increase from New Construction	9,970	2,039	12,009
Plus Certification of Administrative Refunds for 2020 tax year	7,986	1,823	9,809
Total Increase from New Construction & Other Adjustments	\$ 17,956	\$ 3,861	\$ 21,817
2020 Total Proposed Property Tax Levy Amount	\$ 1,616,190	\$ 330,199	\$ 1,946,389

Ordinance 1002-B identifies the changes, in both the dollar amounts and percentage of changes, in the City’s regular property tax levy and the EMS levy for next year (2020) compared to this year (2019).

The 2020 Proposed Budget includes an increase in property revenues of \$21,494, which includes the 1% maximum allowed tax levy increase. This increase is exclusive of additional revenue resulting from new construction, property improvements, any increase in the value of state assessed property, any annexations that have occurred, and any property tax administrative refunds.

The following table shows the tax amount and percentage increase from 2019 actual property tax levies from the 1% allowed increase, as well as an estimated tax increase amount for property owners, which would be \$2.86 a year *for every hundred thousand of assessed property value*.

Ordinance No. 1002-B					
Dollar Amounts and Percentage of Changes in Property Tax Levies for 2020 from 2019					
Tax Levy	2019 Actual Levy	1% Maximum Allowed Increase over 2019 Highest Lawful Levy (HLL)	Total Amount Increase in 2020 from 2019 Levy*	Percent Increase from 2019	Estimated Tax increase for Property with \$100,000 Assessed Value
Regular Levy^	\$ 1,580,030	\$ 18,204	\$ 18,204	1.152110%	\$ 2.42
EMS Levy	\$ 323,048	\$ 3,290	\$ 3,290	1.018375%	\$ 0.44
Total	\$ 1,903,078	\$ 21,494	\$ 21,494	1.129408%	\$ 2.86

* Does not include current year add-ons such as tax levy for new construction and changes for state-assessed properties.

^ Includes \$0.225 levy per \$1,000 assessed valuation dedicated for LEOFF 1 OPEB Reserve Fund for LEOFF 1 medical benefits.

The cost of providing services to Chehalis residents and businesses continues to increase and it has become necessary to consider an increase in the property tax so that the current level of municipal services, including police and fire, can be maintained.

RECOMMENDATION

It is recommended that the City Council pass Ordinance Nos. 1001-B and 1002-B on first readings.

SUGGESTED MOTION

I move that the City Council pass Ordinance Nos. 1001-B and 1002-B on first readings.

ORDINANCE NO. 1001-B

AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON, DETERMINING AND FIXING THE AMOUNT OF REVENUE TO BE RAISED BY AD VALOREM TAXES DURING THE CALENDAR YEAR 2020; AND PROVIDING FOR THE EFFECTIVE DATE HEREOF.

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

Section 1. The amount of revenue to be raised by ad valorem taxes during 2020 for general city operations shall be, and the same hereby is, determined and fixed in the sum of One Million Six Hundred Sixteen Thousand One Hundred Ninety Dollars (\$1,616,190).

Section 2. The amount of revenue to be raised by ad valorem taxes during 2020 for emergency medical services (EMS) shall be, and the same hereby is, determined and fixed in the sum of Three Hundred Thirty Thousand One Hundred Ninety-Nine Dollars (\$330,199).

Section 3. The effective date of the ordinance shall be the ____ day of _____, 2019.

PASSED by the City Council of the City of Chehalis, Washington during a regularly scheduled open public meeting thereof this ____ day of _____, 2019.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

ORDINANCE NO. 1002-B

**AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON,
STATING THE AMOUNT AND PERCENTAGE OF CHANGE IN
PROPERTY TAX LEVY IN CALEDAR YEAR 2020.**

WHEREAS, the City of Chehalis, Washington, properly gave notice of a public hearing held the 12th day of November 2019, to consider the city budget for 2020, including possible property tax increases and other revenues, pursuant to RCW 84.55.120; and,

WHEREAS, the City Council of the City of Chehalis has met and considered its budget for the calendar year 2020; and,

WHEREAS, the City's actual levy amounts in 2019 for general operations and Emergency Medical Services (EMS) levies were \$1,580,030.00 and \$323,048.10, respectively; and,

WHEREAS, the population of the City is less than 10,000; and now, therefore,

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

Section 1. An increase in the regular property tax levy and the emergency medical services (EMS) tax levy are hereby authorized for the levies to be collected in the 2020 tax year.

Section 2. The dollar amount of the increase for regular property tax levy over the actual levy amount from 2019 tax year shall be \$18,204 which is a percentage increase of 1.152110% from 2019 tax year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, solar, biomass, and geothermal facilities, and any increase in the value of state assessed property, any annexations that have occurred and refunds made.

Section 3. The dollar amount of the increase for emergency medical services (EMS) tax levy over the actual levy amount from 2019 tax year shall be \$3,290 which is a percentage increase of 1.018375% from 2019 tax year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, solar, biomass, and geothermal facilities, and any increase in the value of state assessed property, any annexations that have occurred and refunds made.

PASSED by the City Council of the City of Chehalis, Washington during a regularly scheduled open public meeting thereof this ____ day of _____, 2019.

Mayor

Attest:

City Clerk

Approved as to form and content:

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: November 12, 2019
SUBJECT: Ordinance No. 1003-B, First Reading – Adopting the 2020 Proposed Budget

ISSUE

Ordinance 1003-B has been prepared for the purpose of adopting the 2020 Proposed Budget. The two property levy ordinances reflected in the proposed budget are the subject of a separate agenda item; however, they will be discussed as part of the Budget presentation at the City Council meeting.

SUMMARY OF PROPOSED BUDGET

The 2020 Proposed Budget, including all funds (General Fund and Restricted Funds), presented in Ordinance 1003-B is summarized as:

Budget Summary - All Funds	2020 Proposed Budget
Total Estimated Beginning Fund Balance	\$ 21,637,126
Total Revenues and Transfers In	\$ 23,961,352
Total Expenditures and Transfers Out	\$ 26,527,123
Total Estimated Ending Fund Balance	\$ 19,071,355

The total expenditure budget, including all funds, as presented in the 2020 Proposed Budget is \$26,527,123 and is summarized by purposes as follows:

Expenditure Budget Summary - All Funds	2019 Proposed Budget
Operating purposes	\$ 18,417,540
Debt Service purposes	\$ 2,570,685
Capital purposes	\$ 5,049,905
Transfers Out	\$ 488,993
Total Expenditures & Transfers Out	<u>\$ 26,527,123</u>

For the General Fund, the 2020 Proposed Budget as presented is balanced using \$346,842 of General Fund Reserve (beginning cash).

BACKGROUND ON DEVELOPMENT OF THE 2020 PROPOSED BUDGET

For the General Fund, the 2020 Draft Budget that was presented to the City Council Budget Committee for review in October was balanced using \$721,500 beginning fund balance, which means that the proposed expenditures exceed estimated revenues by \$721,500. The projected ending General Fund Reserve was only \$377,870 or 3.57% of the General Fund's operating expenditures. This was a significant concern and options for increasing the ending reserve were presented to the City Council Budget Committee, which then provided direction that is discussed below.

Estimated Beginning Cash: In an effort to estimate the 2020 beginning cash more accurately based on estimated actuals, we reviewed the 2019 revenues and expenditures status as of August 2019. The prior year history for September through December was also evaluated to identify the end-of-year actual estimates for 2019 revenues, expenditures, and ending fund balance. ***This exercise led to the following assumptions:***

- The 2019 end-of-year revenue is estimated to be \$97,518 **below** the 2019 Budget projection; and
- 2019 expenditures are estimated to be \$406,457 **below** the 2019 Budget, so
- 2019 estimated ending cash has been **increased** by \$308,939.

Therefore, the beginning cash for the 2020 Draft Budget was changed from 2019 Amended Budget ending cash to 2019 estimated end-of-year cash balance to reflect a realistic ending fund balance for 2019.

Key Point: After careful review of each budget and considering options to close the gap between proposed revenues and expenditures, the Budget Committee concluded that it would be premature to make additional cuts to the budget, recognizing that it would require a corresponding reduction in services by leaving recently vacated positions in Police, Fire, and Streets unfilled. The Committee also concluded that use of a banked capacity in 2020 is not advisable, as the City may have a greater need for it in 2021.

Closing the Gap: The Committee recommended closing the funding gap in the General Fund by:

- *Moving* some of the budget expenditure requests to other reserve funds, when appropriate, for a total of \$408,571 (*For example, vehicle purchases were moved to the Vehicle Replacement Reserve.*)
- *Reducing* the 4% sales tax transfer to the Dedicated Street Fund to 1% or by \$148,590
- *Transferring* \$45,000 from the Building Abatement Fund to the General Fund reserve.

This helped close the gap between the revenues and expenditures by \$602,161 and establish the projected ending reserve at \$752,528.

PROPOSED ADOPTION OF BUDGET

The 2020 Proposed Budget presented before you is balanced using \$346,842 of the General Fund beginning reserve, with the projected ending reserve of \$752,528. However, the 2020 Proposed Budget remains structurally imbalanced, i.e. ongoing expenses are exceeding ongoing revenues. This is of significant concern because the City is currently relying on one-time revenues to fund ongoing operations, which includes salaries and benefits. This also creates tremendous financial pressure on the City moving forward.

General Fund Operating Reserve: If revenues and expenditures are in line with projections, the General Fund Operating Reserve will be 7.1% at the end of 2020. This is less than the 10% Reserve that the City Council has determined to be the policy goal and the Government Finance Officers Association recommends 2 months of operating expenses, which is 16.2%. So, 7.1% is not a healthy annual reserve over the long-term. Therefore, it is recommended that City Council use 2020 to assess the City' long-term financial condition and consider options for increasing revenues and reducing costs in the years to come. It is important to do this in 2020 so there is time to develop a reasonable plan to move toward a structurally balanced budget in 2021 and 2022.

The 2020 Proposed Budget document can be found on the City's website. For the convenience of the reader, the Budget Memo that accompanies the 2020 Proposed Budget, dated November 1, 2019, is attached to this agenda report. The Budget Memo provides introductory comments regarding the City's current fiscal condition and a brief summary of each fund. Staff will also be available at the City Council meeting to address any questions from the Council and the public hearing regarding the 2020 Proposed Budget. Additional changes may be made to the ordinance prior to its second reading to reflect new information and/or direction from the City Council.

RECOMMENDATION

It is recommended that the City Council pass Ordinance No. 1003-B on first reading.

SUGGESTED MOTION

I move that the City Council pass Ordinance No. 1003-B on first reading.

**CITY OF CHEHALIS
2020
PROPOSED BUDGET MEMO**



November 1, 2019

Dear Honorable Mayor Dawes and Members of the City Council,

The 2020 Proposed Budget was prepared to reflect a realistic assessment of the cost to maintain the current level of municipal services for the residents, businesses and visitors in the City of Chehalis. While the majority of the City's 22 separate funds are stable, the condition of the City's General Fund is less than healthy, and the 2020 Proposed General Fund Budget is balanced with one-time revenues. The proposed use of one-time revenues, such as the City's General Fund reserves, is needed because the cost of providing general municipal services has gone up faster than the revenues that can be used to pay for them. This made the review and analysis of the 2020 Draft Budget more challenging for all those involved, particularly the City Council Budget Committee. As in years past, Mayor Dennis Dawes, Mayor Pro Tem Terry Harris, and Councilor Bob Spahr invested significant time and effort to provide guidance and insights through the preliminary draft budget review process.

The 2020 Proposed Budget is the result of the work done by many members of the staff throughout the organization over the course of several months, as well as the careful review done by the City Council Budget Committee. The City's Finance Director, Chun Saul, also needs to be recognized for the large amounts of time and energy that she devoted to the preparation of a complete budget document and the accompanying financial analysis. She worked well with the department directors, managers, and program administrators and their staffs, who did a commendable job of preparing their budgets. Special thanks to Betty Brooks, Accountant; Tim McGuire, Financial Analyst (part-time); Nichole Paulis, Public Works Office Manager; and Kiley Franz, Administrative Assistant to the City Manager for the extra work that went into the preparation of the 2020 Proposed Budget.

GENERAL FUND

Background

The City's General Fund, which funds basic municipal services, including Police and Fire, had been experiencing significant increases in revenues since the depths of the recession; however, it took until 2016 to meet and just barely exceed 2008 sales tax revenues. Sales tax continued to increase in 2017 and 2018, buoyed by significant construction spending on two new schools. In 2019, the City's revenues began to level off and the City experienced a notable reduction in sales tax related to construction activity.

Unfortunately, costs continue to rise faster than revenues in all areas, particularly in the cost of providing salaries and maintaining benefits at a level near the average for similar size municipal agencies in WA to attract and retain high-quality employees. The State's Revised Code of Washington (RCW) provides legal direction on what agencies are comparable to Chehalis and provides binding arbitration for the settlement of Police and Fire collective bargaining contracts. The cost of services the City uses to conduct business have also increased, such as the cost of the 911 Communications Services which will increase 7% in 2020.

Budget Process

The process of preparing the budget document begins in late July. At that time, the City departments were directed to prepare their respective draft budgets consistent with the level of service provided in 2019. After the compilation of the requests by the Finance Department, the Finance Director and I met with each department to review their 2020 proposed budget. Modifications to the initial draft budget requests were made and information was updated as more details became available.

The Preliminary Draft Budget was then prepared and distributed to the City Council Budget Committee, which met multiple times to carefully review the budgets for each Department, including those that are fully funded by enterprise funds, which can only be used consistent with legal restrictions.

Financial Assumptions

For the General Fund, the 2020 Draft Budget that was presented to the City Council Budget Committee for review in October was balanced using \$721,500 beginning fund balance, which means that the proposed expenditures exceed estimated revenues by \$721,500. The projected ending General Fund Reserve was only \$377,870 or 3.57% of the General Fund's operating expenditures. This was a significant concern and options for increasing the ending reserve were presented to the City Council Budget Committee, which then provided direction that is discussed below.

Estimated Beginning Cash: In an effort to estimate the 2020 beginning cash more accurately based on estimated actuals, we reviewed the 2019 revenues and expenditures status as of August 2019. The prior year history for September through December was also evaluated to identify the end-of-year actual estimates for 2019 revenues, expenditures, and ending fund balance. ***This exercise led to the following assumptions:***

- The 2019 end-of year revenue is estimated to be \$97,518 **below** the 2019 Budget projection; and
- 2019 expenditures are estimated to be \$406,457 **below** the 2019 Budget, so
- 2019 estimated ending cash has been **increased** by \$308,939.

Therefore, the beginning cash for the 2020 Draft Budget was changed from 2019 Amended Budget ending cash to 2019 estimated end-of-year cash balance to reflect a realistic ending fund balance for 2019.

After careful review of each budget and considering options to close the gap between proposed revenues and expenditures, the Budget Committee concluded that it would be premature to make additional cuts to the budget, recognizing that it would require a corresponding reduction in services by leaving recently vacated positions in Police, Fire, and Streets unfilled. The

Committee also concluded that use of a banked capacity in 2020 is not advisable, as the City may have a greater need for it in 2021.

Closing the Gap: The Committee recommended closing the funding gap in the General Fund by:

- *Moving* some of the budget expenditure requests to other reserve funds, when appropriate, for a total of \$408,571 (*For example, vehicle purchases were moved to the Vehicle Replacement Reserve.*)
- *Reducing* the 4% sales tax transfer to the Dedicated Street Fund to 1% or by \$148,590
- *Transferring* in \$45,000 from the Building Abatement Fund to the General Fund reserve

This helped close the gap between the revenues and expenditures by \$602,161 and to establish the projected ending reserve at \$752,528. The 2020 Proposed Budget presented before you is balanced using \$346,842 of the General Fund beginning reserve, with the projected ending reserve of \$752,528. However, the 2020 Proposed Budget remains structurally imbalanced, i.e. ongoing expenses are exceeding ongoing revenues. This is of significant concern because the City is currently relying on one-time revenues to fund ongoing operations, which includes salaries and benefits. This also creates tremendous financial pressure on the City moving forward.

General Fund Operating Reserve: If revenues and expenditures are in line with projections, the General Fund Operating Reserve will be 7.1% at the end of 2020. This is less than the 10% Reserve that the City Council has determined to be the policy goal and the Government Finance Officers Association recommends 2 months of operating expenses, which is 16.2%. So, 7.1% is not a healthy annual reserve over the long-term. Therefore, it is recommended that that City Council use 2020 to assess the City' long-term financial condition and consider options for increasing revenues and reducing costs in the years to come. It is important to do this in 2020 so there is time to develop a reasonable plan to move toward a structurally balanced budget in 2021 and in 2022.

Looking Ahead

When planning for the future, there are some uncertainties in the economy that are of concern. Financial analysts report that the economy, which is in the longest recovery on record, is potentially vulnerable to a recession in 2020 or 2021. Sales Tax represents 52.4% of the City's estimated revenues, making the City particularly vulnerable to economic fluctuations. In 2020, there will be very close monitoring of revenues and expenses, along with economic trends to assess any reductions in sales tax revenue associated with consumer spending.

In the unfortunate event that there is a significant increase in unexpected expenditures and/or drop in revenues, the City will have to carefully assess its financial condition and make adjustments as early as March 2020 as we close the 2019 fiscal year. This is particularly difficult because most City services are delivered through people and about 73% of the General Fund Budget is attributed to salaries and benefits. Furthermore, 56% of expenditures are related to Police and Fire services. Therefore, if significant reductions are needed to restore structural balance to the budget, it will likely require very difficult decisions related to what level of service can be maintained over the long-term.

While the possibility of revenue reductions is sobering, the City does have some very positive revenue enhancement possibilities projected for 2021, namely the lease of 16+ acres adjacent

to I-5 for a shopping center development. The one major caveat is that development is very sensitive to the economy and could be delayed if economic indicators start to suggest that the economy is contracting. In addition, the City has a strategic goal to proceed with an annexation plan along its borders in 2020, which when completed would add residential and commercial property to the City leading to some increases in sales and property tax revenue in 2021 or 2022.

RESTRICTED FUNDS

The City's restricted funds, including the City's utility enterprise funds, are generally stable. The Enterprise funds, which are legally restricted funds for the operation of the City's utilities and the airport, include budgets for needed capital projects in the City's water, sewer, and airport divisions, primarily paid for by grants and state low interest loans. The Dedicated Street Fund, which is supported through a transfer from General Fund Sales tax revenues consistent with Council policy, continues to be used to fund the program for chip sealing and crack sealing of street and road miles within city limits. However, due to financial constraints, the funding level was reduced from 4% to 1% for year 2020. The Proposed Budget includes a new reserve fund for LEOFF 1 retiree medical benefits (LEOFF 1 OPEB) with dedicating the pension levy authorized at 22.5 cents per \$1,000 assessed valuation. In addition, the City will continue to make street improvements made possible by the Transportation Benefit District, which is funded by a 0.2% increase in the sales tax approved by voters and went into effect in July 2017. Each fund is summarized in the pages that follow this budget memo and presented in detail in the body of the budget document.

ONGOING BUDGET CONSIDERATIONS

Fortunately, the City is addressing its current fiscal issues while the economy is still relatively stable. However, there are some issues that will have significant budget impacts in the coming years, including the following concerns, which are also addressed in the City's Strategic Plan:

- **Facility Maintenance:** Ongoing maintenance and repair or replacement of the City's aging buildings and facilities, particularly the building of a new fire station, will continue to require investment of very limited General fund resources. The City is in the process of purchasing property that would be suitable for a new fire station and is planning to initiate preliminary architectural design in 2020. Financing of the property purchase will further strain the General Fund and it is anticipated that a voter approved levy will be needed to construct the new station. This issue can no longer be delayed because the old building can no longer be used as a fire station due to seismic and extreme weather vulnerability.
- **Vehicle Replacement:** Many of the vehicles used by General Fund activities, particularly Parks and Facilities are more than a decade old, some are nearly 30 years old, and in need of replacement. While Police patrol cars are on a regular replacement schedule, an annual appropriation is still needed and could be compromised if expenses continue to increase faster than revenues.
- **Retirements:** Planning for the tangible and intangible costs associated with the anticipated retirement of 15% of City's workforce in the next two years. This includes payments for vacation and sick leave accruals that are due to long-time employees at the time of retirement; as well as the costs to attract, train, and retain a new generation

of workers, particularly those in the fields requiring special licenses, such as public works. The Administration is aware of nine planned retirements in 2021 alone, with an estimated cost of \$310,000 to the General Fund for the associated payments due when they leave the City.

- **911 Dispatch:** The City is continuing to explore options for improving the delivery of 911 Dispatch services in cooperation with the City of Centralia and the Riverside Fire Authority (RFA), as well as Lewis County which is the current provider. Lewis County, with support from the Cities and RFA, is now working on developing a scope of work for a feasibility study of joining Thurston County Communications (TCOMM) which is a highly effective 911 service provider. Regardless of the path chosen, the costs associated with 911 will increase in the years to come, regardless of the options chosen due to the technology and infrastructure demands associated with making any changes.

CLOSING COMMENTS

The budget challenges identified in the 2020 Proposed Budget being presented with this memo are very concerning and I will remain vigilant, along with the Finance Director in monitoring expenditures and revenue trends. The City Council Budget Committee plans to meet quarterly in 2020 to provide careful oversight of the situation and preliminary policy guidance as necessary. As always, financial reports will be provided throughout the year to keep the City Council informed and request policy direction as needed.

Due to the concerns about the status of the City's General Fund, I expect that there will be a City Council workshop in the first half of 2020 to consider the implications of the structural deficit and develop a plan to move toward a structurally balanced budget in 2021 and 2022. I appreciate the City Council's commitment to maintaining the current level of service in response to community expectations, while considering opportunities to reduce costs and increase revenues to achieve revenue stability with a fiscally responsible approach.

I am honored to serve you, the staff, and the community as your City Manager. Your continued support as we move through the 2020 Budget preparation process and beyond is truly appreciated. While the challenges before us are significant, I look forward to working with you to identify solutions that will serve our community now and in the years to come.

Sincerely,

Jill Anderson

Jill Anderson
City Manager

SUMMARIES OF THE GENERAL FUND AND RESTRICTED FUNDS

General Fund (Fund 001)

The General Fund budget is \$10,324,818. The budget is balanced with a total revenue projection of \$9,977,976 and use of \$346,842 General Fund reserves (beginning cash).

Revenues: It is projected that overall General Fund revenues will be up by \$36,126 or 0.4% from 2019. Total tax revenues make up 87.0% of the General Fund revenues.

Sales tax is the largest revenue source for the City and makes up 51.6% of the 2020 General Fund revenues. The sales tax is projected to increase 0.1% over the amount estimated in the amended 2019 budget and 0.8% over the 2019 estimated year-end totals. The 0.1% estimate is based on the last three-year average revenue plus 1.5% inflation rate, which is based on the June Consumer Price Index for last ten years (average 2.08%) with an adjustment for potential reduction in consumer spending in 2020.

In 2017 and 2018, sales tax was bolstered by significant construction spending, primarily related to the building of two new elementary schools has been in April 2019. Typically, sales tax revenues from construction activities are considered one-time in nature and are recommended to be excluded from future revenue projections unless other economic or financial data can support the continued growth. During the 2019 budget preparation, it was projected that no large-scale construction will take place in 2019 and that sales tax growth was projected to level off in the coming year. However, the sales tax revenue projection in the 2019 proposed budget was not adjusted for possible sales tax revenue reduction from construction activities.

As predicted, at the end of September 2019, sales tax from aggregated construction sector has declined by \$156,100 or 41.2% from 2018. On the positive note, sales tax from non-construction sales increase by \$152,600 or 4.6% during the same period. At the close of September, the year-to-date sale tax revenue is about 1.2% or \$57,000 below the nine-month target. With the construction activities currently taking place at the Airport and Recreation Park, we are hopeful that the gap between the budget projection and actual revenue would be lessened by the end of 2019.

At this time, there is uncertainty surrounding the unknowns related to construction spending, or lack thereof in the coming year. Sales tax is closely tied to the economy which is cyclical in nature, with a downturn in the economy approximately every 10 years. The great recession occurred in 2007 to 2009, which suggests that there may be another downturn in the next 18 months (in 2020). Therefore, sales tax trends will be monitored closely.

Property tax is the second largest revenue source for the City and makes up about 19.4% of the 2020 General Fund revenues. Property tax revenue is projected at \$1,937,842, up by \$11,093 or 0.6% from the 2019 amended budget. The proposed budget includes the estimated 1% maximum allowed increase of \$19,031, estimated the tax levy for new construction \$15,733, and removing delinquent tax from projection. 100% of tax levy is budgeted, but typically only about 98.5% of the levy is collected in the levy year. In previous years, estimated delinquent tax collection was added to the budget projection and causing the budget being inflated by that amount.

Utility tax is the third largest revenue source used to fund municipal services. Utility tax revenue is projected at \$1,592,635, which is a \$16,145 or 1.0% decrease from the 2019 amended budget. 2020 utility tax revenues are projected using last three-year average collection. Telephone utility tax revenue projection shows a \$42,112 decrease from the 2019 budget.

Other revenues are expected to remain relatively stable.

Expenditures: The proposed budget projects expenditures of \$13,324,818, which is \$812,675 or 7.3% less than in 2019. \$630,520 of the \$812,575 is for transfers to reserve funds. The combined budgets of the Police and Fire Departments represent 56.4% of General Fund expenditures in 2020, which reflects the high priority of keeping residents and visitors in Chehalis safe.

Municipal services are delivered primarily through people, which is the largest ongoing cost to the General Fund. Salaries and benefits make up almost 73% of General Fund expenditures. The proposed expenditures reflect increases for health insurance premiums and salary and wage increases for all employees, including non-represented employees, consistent with contracts, collective bargaining agreements, and policy direction consistent with applicable State law.

Ending Fund Balance: The projected General Fund ending balance, also referred to as fund reserve, is estimated to be 7.5% of General Fund revenues at the end of 2020. This does not meet the City Council policy of maintaining a 10% fund reserve. Reserve funds are necessary to address unforeseen expenses, including equipment and facility repairs, as well as emergencies.

SUMMARIES OF RESTRICTED FUNDS

Dedicated Street Fund (Fund 003)

In 2014, the City Council adopted a policy to allocate 4% of the City's sales tax revenue is transferred to this fund to be used and accumulated for needed City street repairs and improvements. Unfortunately, the City is facing financial constraints as it enters 2020. The Budget Committee has recommended that the local sale tax contribution to this fund reduced from 4% to 1% for 2020 Proposed Budget. In 2020, it is anticipated that there will be a transfer in of \$49,530 from the General Fund, with expenditures of \$208,520. The estimated fund balance at the end of 2020 is \$54,510.

Building Abatement Fund (Fund 004)

The Building Abatement Fund was established by the City Council in 2017 for the purpose of removing hazards to public health and safety and potentially address aesthetic concerns related to abandoned buildings in our community. The 2020 budget includes a \$45,000 transfer back to the General Fund as a one-time fix to help reduce the gap between revenue projections and increasing costs estimated for 2020. The estimated fund balance at the end of 2019 is \$59,665.

LEOFF1 OPEB Reserve Fund (Fund 005)

The LEOFF1 OPEB Reserve Fund is created with the 2020 Budget adoption to provide funding for the LEOFF 1 retiree medical benefits. The pension levy at 22.5 cents per \$1,000 assessed

value is the main source of the funding, which is restricted by law and must be used to pay LEOFF 1 medical benefits. The 2020 Budget includes transfer in of \$166,049 from the General Fund for pension levy and \$67,500 from the Firemen's Pension Fund, with expenditures of \$223,500.

Arterial Street Fund (Fund 102)

The Arterial Street Fund is a special revenue fund that accounts for the state distributed motor vehicle fuel tax (MVFT) that is restricted to be used for city street purposes. The MVFT distribution is based on population. The MVFT is the only revenue source for this fund. The City uses this fund primarily for the "oiling and chip sealing" program for our city streets. The 2020 revenue is projected at \$162,399, which is a \$3,105 or 1.9% decrease from the 2019 budget.

Transportation Benefit District Fund (Fund 103)

On February 14, 2017, the voters of Chehalis approved a 0.2% increase to the sales tax to fund the Transportation Benefit District. The increase went into effect in July 2017. The use of these funds is restricted by law and must be used for specific transportation projects contained in the City's transportation improvement plan. Improvements can range from roads and transit service to sidewalks and transportation demand management. Projects may also include the operation, preservation, and maintenance of these facilities or programs.

2020 revenue is estimated at \$1,174,960 which is a \$182,442 or 18.4% increase from the 2019 budget. Total project costs budgeted in 2020 is \$1,500,000, and the estimated fund balance at the end of 2020 is \$1,695,340.

Tourism Fund (Fund 107)

The Lodging Tax Advisory Committee (LTAC) requested funding for organizations that advertise and promote tourism in the City and "put heads in beds". The sole revenue source (except for interest earnings on the fund balance) for this fund is the local Hotel/Motel sales tax and special local Hotel/Motel tax. 2020 revenue is projected at \$243,6305, which is a \$17,645 or 7.8% increase from the 2019 budget. The Council approved the 2020 recommendations of the LTAC on October 14, 2019. The 2020 approved expenditures are \$342,831, including \$63,396 for the debt service payment of the 2019 L.T.G.O. for the Recreation Park renovation project. LTAC reserves will be used to fund the difference between the proposed revenues and expenditures, per the recommendation of the LTAC. The estimated fund balance at the end of 2020 is \$114,417.

Compensated Absences Reserve Fund (Fund 110)

The Compensated Absences Reserve Fund was established in 1985 for the purpose of setting aside funds to be used for compensation of employees for cash outs for unused accrued leaves, approved disability leaves, approved unemployment benefits, and authorized severance pay. During the great recession of 2007-2009 and the subsequent long recovery, all funds had been expended. During 2019, the Council approved a transfer of \$100,000 to this fund from the General Fund. Ideally, an amount of money would be set aside every year to more effectively manage the one-time payments for retiring General Fund employees and potential unemployment benefit liabilities. Unfortunately, no additional funding is planned for 2020 due to financial constraints. Additionally, the 2020 Budget includes \$71,488 expenditures and \$3,640 interest revenue. The estimated fund balance at the end of 2020 is \$128,914. Additional funding

will be needed as the City anticipate several general fund employees retiring in 2021 with significant amount of cash out values.

Community and Housing Development Block Grant Funds (Funds 195 and 197)

The CDBG and HUD Block Grant Funds are used to provide home rehabilitation loans which were funded by the Community Development Block Grant and the Department of Housing & Urban Development Grant. The balance of the loans will be received by the City as ownership of these properties are transferred to anyone other than the loan holder. As of September 1, 2019, the outstanding loan principal on CDBG loan and HUD loan were \$81,963.91 and \$38,148.94, respectively.

No revenues are projected for 2020. The estimated fund balance for the CDBG and HUD Grant funds at the end of 2020 are \$23,958 and \$87,559, respectively. There are no plans to spend the remaining balances in 2020; however, the Council Budget Committee would like to explore how the City might best use these funds in the future consistent with any legal restriction on their use.

G.O. Bond - Debt Service Fund (Fund 200)

The Debt Service Fund was created to record the payments on the 2011 General Obligation Bonds. Additionally, in 2019, the City issued Limited Tax General Obligation (LTGO) Bond, 2019 for the Recreation Park renovation project. The General Fund and the two REET funds provide funds to cover the 2011 LTGO debt service and the Tourism fund provides the funds for the 2019 LTGO debt service. For 2020 total debt service expenditures are \$160,915.

Public Facilities Reserve Fund (Fund 301)

The Public Facilities Reserve Fund was established many years ago to set aside money over time to prepare for significant maintenance, repairs and renovation of the City's buildings, which are used to provide public services to our community. However, during the great recession of 2007-2009, and the subsequent long recovery, money was not set aside in this fund for future public facilities improvements due to a lack of funds.

During 2019, the Council approved a transfer of \$284,000 to this fund from the General Fund to set aside for future fire station land acquisition and other major facilitate maintenance or repairs. Ideally, an amount of money would be set aside every year to more effectively manage the one-time payments for vehicles and large equipment. Unfortunately, the City is facing financial constrains again as it enters 2020, there is no additional funding is provided in the 2020 Proposed Budget.

The 2020 Proposed Budget includes \$911,393 expenditures to complete the Recreation Park renovation project. The estimated fund balance at the end of 2020 is \$343,702, which is assigned for the repairs at the Library, Fire Station land acquisition, and other major general city facility maintenance.

Automotive/Equipment Reserve Fund (Fund 302)

This fund was established for the purpose of setting aside money on a regular basis to be able to replace the City's vehicles and equipment as needed. However, after the recession of 2007-

2009, and the subsequent long recovery, all funds had been expended. During 2019, the City Council approved the transfer of \$181,780 from the General Fund into this fund to replenish \$81,780 that was used in 2019 plus \$100,000 set aside for future needs.

Unfortunately, the City is facing financial constraints again as it enters 2020. Not only there is no additional funding provided but also a \$181,083 budget request from police and fire for vehicles and equipment were moved to this fund, with the Council Budget Committee recommendation to close the funding gap in the General Fund.

The 2020 Proposed Budget includes \$181,083 expenditures to purchase three vehicles: one police patrol car (\$40,000); one police admin car (\$25,000), and a one-ton brush fire truck (\$40,000) to reduce potential damage to the other fire engines which are not designed for off-street terrain; and an electric gurney (\$45,306) and Hurst tool (\$30,777) for the fire department

The estimated fund balance at the end of 2020 is \$50,525.

First and Second Quarter Percent REET Funds (Funds 305 and 306)

The First and Second Quarter Percent Real Estate Excise Tax (REET) Funds were established in accordance with state requirements to account for real estate excise taxes which have specific criteria for usage.

The 2020 Proposed Budget includes transfers out to fund the debt service for the 2011 General Obligation Bonds, which was issued to fund the city hall acquisition cost.

The 2019 projected revenues and expenditures for the First Quarter Percent REET fund are \$112,980 and \$39,982, respectively, with an estimated fund balance of \$200,975 at the end of 2020.

The 2020 projected revenues and expenditures for the Second Quarter Percent REET fund are \$113,300 and \$33,156, respectively, with an estimated fund balance of \$224,228 at the end of 2020.

Garbage Fund (Fund 402)

This fund is used to account for the revenues and expenditures associated with the City's organic waste disposal site at Stan Hedwall park. For 2020, the projected revenue is \$6,730 and expenditures is \$6,610, with an ending fund balance of \$8,336.

Wastewater Fund (Fund 404)

The 2020 revenues for the Wastewater Fund are projected to be \$5,580,395, and expenditures are projected to be \$5,124,563. The projected fund balance at the end of 2020 is \$5,245,881.

Water Fund (Fund 405)

The 2020 revenues for the Water Fund are projected to be \$3,208,280, and expenditures are projected to be \$4,672,394 which includes one-time expenditures of \$2,043,965 for capital projects. The projected fund balance at the end of 2020 is \$5,731,957.

Storm & Surface Water Utility Fund (Fund 406)

The Storm & Surface Water Utility Fund provides planning, construction, operation and maintenance of the City's storm drainage system. In 2020, the projected revenues are \$735,695 with planned expenditures of \$682,833, including one-time expenditures of \$175,200 for capital outlays. The projected fund balance at the end of 2020 is \$1,444,407.

Airport Fund (Fund 407)

This fund is dedicated and restricted to the operation of the Chehalis-Centralia Airport. In 2020, the projected revenues are \$4,423,173, including one-time FAA grant funding for the Taxiway Realignment project in the amount of \$2,644,795. Total expenditures are estimated at \$4,429,286, including one-time expenditures of \$2,939,678 for the Taxiway Realignment grant funded project as well as capital equipment acquisition. The estimated fund balance at the end of 2019 is \$516,969.

Firemen's Pension Fund (Fund 611)

This fund is restricted to payments for supplemental or "excess pension benefits" to retirees who had pre-LEOFF service credits. LEOFF is the acronym for Law Enforcement Officers' and Fire Fighters' Retirement System.

In October 2019, an actuarial valuation of the City of Chehalis Firefighter's Pension Fund was performed by Milliman, Inc. The actuarial valuation report provided that the current assets as of January 1, 2019 is sufficient to pay all future FPF pension benefits and that the Fund is larger than the value of the expected FPF pension benefits, and a portion of the excess could be used to pay these benefits. The report further recommended that use of the excess fund limited to \$78,000 per year over the next 10 years.

The 2020 Proposed Budget includes \$12,770 for pension benefits and \$67,500 transfer out to the LEOFF1 OPEB reserve fund for medical benefits. The pension levy is no longer received in this fund as the actuarial valuation provided that the Fund has sufficient fund to pay all future pension benefits, thus, with the Council Budget Committee recommendation, the 2020 projected pension levy is budgeted in the LEOFF1 OPEB reserve fund. The fire insurance premium tax is budgeted for \$13,550.

The projected fund balance at the end of 2020 is \$970,716.

City Agency Fund (Fund 633)

This fund was established to account for the funds received by the Municipal Court that are owed to a person or an agency. They are held in this fund until it can be determined what disbursements need to be made and to whom. The fund was first established when the City converted to the cash basis of accounting. For 2020, projected revenues and expenditures are \$275,340 and \$272,510, respectively, with the estimated balance of \$12,734 at the end of 2020.

#####

ORDINANCE NO. 1003-B

**AN ORDINANCE OF THE CITY OF CHEHALIS,
WASHINGTON, ADOPTING THE BUDGET OF THE CITY
OF CHEHALIS FOR THE YEAR 2020 AND PROVIDING
FOR THE EFFECTIVE DATE HEREOF.**

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

Section 1. Attached hereto and identified as Exhibit "A," in summary form, are the total of estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined for the budget of the City for 2020, and by this reference said Exhibit "A," showing a total estimated ending fund balance of \$19,071,355 is incorporated herein as if set forth in full and the same is hereby adopted in full.

Section 2. This ordinance is a legislative act delegated by statute to the City Council of the City of Chehalis, is not subject to referendum and shall take effect the ____ day of _____, 2019.

PASSED 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:

City Clerk

Approved as to form and content:

City Attorney

**Ordinance 1003-B
Exhibit "A"
2020 BUDGET SUMMARY - ALL FUNDS**

FUND NO.	FUND NAME	ESTIMATED BEGINNING FUND BALANCE 01/01/2020	REVENUES	TRANSFER IN	TOTAL RESOURCES	EXPENDITURES	TRANSFER OUT	ESTIMATED ENDING FUND BALANCE 12/31/2020	INCREASE (DECREASE) IN FUND BALANCE	% CHANGE
001	General Fund	\$ 1,099,370	\$ 9,932,976	\$ 45,000	\$ 11,077,346	\$ 10,084,859	\$ 239,959	\$ 752,528	\$ (346,842)	-31.5%
003	Dedicated Street Fund	203,450	3,050	49,530	256,030	201,520	-	54,510	(148,940)	-73.2%
004	Building Abatement Fund	103,065	1,600	-	104,665	-	45,000	59,665	(43,400)	-42.1%
005	LEOFF 1 OPEB Reserve Fund	-	-	233,549	233,549	223,500	-	10,049	10,049	0.0%
102	Arterial Street Fund	122,264	162,399	-	284,663	166,019	-	118,644	(3,620)	-3.0%
103	Transportation Benefit District Fund	2,020,380	1,174,960	-	3,195,340	1,500,000	-	1,695,340	(325,040)	-16.1%
107	Tourism Fund	213,618	243,630	-	457,248	279,435	63,396	114,417	(99,201)	-46.4%
110	Compensated Absences Reserve Fund	196,762	3,640	-	200,402	71,488	-	128,914	(67,848)	-34.5%
195	Community Development Block Grant Fund	24,478	480	-	24,958	1,000	-	23,958	(520)	-2.1%
197	HUD Block Grant Fund	87,839	1,720	-	89,559	2,000	-	87,559	(280)	-0.3%
200	General Obligation Bond Fund	1	-	160,914	160,915	160,915	-	-	(1)	-100.0%
301	Public Facilities Reserve Fund	1,246,695	8,400	-	1,255,095	911,393	-	343,702	(902,993)	-72.4%
302	Automotive/Equipment Reserve Fund	227,968	3,640	-	231,608	181,083	-	50,525	(177,443)	-77.8%
305	First Quarter REET Fund	127,977	112,980	-	240,957	-	39,982	200,975	72,998	57.0%
306	Second Quarter REET Fund	144,084	113,300	-	257,384	-	33,156	224,228	80,144	55.6%
402	Garbage Fund	8,216	6,730	-	14,946	6,610	-	8,336	120	1.5%
404	Wastewater Fund	4,790,049	5,580,395	-	10,370,444	5,124,563	-	5,245,881	455,832	9.5%
405	Water Fund	7,196,071	3,208,280	-	10,404,351	4,672,394	-	5,731,957	(1,464,114)	-20.3%
406	Storm and Surface Water Fund	1,391,545	735,695	-	2,127,240	682,833	-	1,444,407	52,862	3.8%
407	Airport Fund	1,403,454	1,872,094	-	3,275,548	1,483,238	-	1,792,310	388,856	27.7%
611	Firemen's Pension Fund	1,019,936	31,050	-	1,050,986	12,770	67,500	970,716	(49,220)	-4.8%
633*	Agency Fund	9,904	275,340	-	285,244	272,510	-	12,734	2,830	28.6%
TOTALS		\$ 21,637,128	\$ 23,472,359	\$ 488,993	\$ 45,598,478	\$ 26,038,130	\$ 488,993	\$ 19,071,355	\$ (2,565,771)	-11.9%

*Fund 633 is an Agency Fund which the city holds funds as a custodian for a period of time. This money does not belong to the City.