

November 12, 2019

The Chehalis city council met in regular session on Tuesday, November 12, 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, Dr. Isaac Pope, and Bob Spahr. Councilor Chad Taylor arrived at 5:15 pm. Councilor Daryl Lund was absent (excused). Staff present included: Jill Anderson, City Manager; Tammy Baraconi, Planning & Building Manager; Caryn Foley, City Clerk; Melody Guenther, Court Administrator; Erin Hillier, City Attorney; Andrew Hunziker, Parks & Facilities Manager; Trent Lougheed, Public Works Director; Dale McBeth, Municipal Court Judge; Devlan Pool, Wastewater Superintendent; Brandon Rakes, Airport Operations Coordinator; Chun Saul, Finance Director; Glenn Schaffer, Police Chief; Judy Schave, HR/Risk Manager; Don Schmitt, Street/Storm Superintendent; Dave Vasilauskas, Water Superintendent; Lilly Wall, Recreation Manager; and Patrick Wiltzius, Wastewater Superintendent. Members of the news media included Steve George of KMNT Radio and Celine Fitzgerald of *The Chronicle*.

1. **Proclamation – Recognition of Retiring Wastewater Superintendent Patrick Wiltzius**. Patrick Wiltzius was recognized with a proclamation read by Mayor Dawes and presented by Mayor Pro Tem Harris. Patrick's wife, Lynn, and his son, Phillip were also in attendance. Patrick thanked past and present councils, city managers, and city staff. He stated his appreciation for the opportunities given to him during his career. He stated the city was a great place to work.

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

- a. Minutes of the regular City Council meeting of October 28, 2019;
- b. October 31, 2019 Claim Vouchers No. 127247-127379 in the amount of \$776,842.82;
- c. 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.
- d. Adoption of federal grant management policy;
- e. Resolution No. 16-2019, first and final reading – approval for application of Community Aviation Revitalization Loan Program for airport improvements – hangars; and
- f. Additional Lodging Tax Advisory Committee recommendations for 2020 tourism funds – Chehalis-Centralia Railroad and Museum for steam locomotive repairs.

The motion was seconded by Councilor Pope.

Mayor Dawes asked for clarification that the money being allocated to the steam train would be used to get the steam locomotive back up and running. Councilor Harris stated it would be used strictly for repairs to the locomotive.

The motion carried unanimously.

3. **Citizens Business – Request to Adopt a Resolution in Support of Refugees**. Sarah Brown, Washington State Area Coordinator for Amnesty International, requested that the city adopt a resolution in support of refugees. She stated they had a program called IDEA (Inclusion, Diversity, Equity, and Accessibility). The resolution would be non-binding and would show support for refugee resettlements. Refugees leave their countries because of conflict or fear of their government. The resolution would basically say that Chehalis was welcoming of refugees. She explained that refugees go through a rigorous process before being admitted into the United States. Once here, resettlement agencies sponsor them, and they have 90 days to find a job and place their children in school.

4. **Public Hearing – Proposed 2020 Budget, Revenue Sources, Taxes, and Levies**. City Manager Anderson thanked the council, the council budget committee, staff, and specifically Finance Director Chun Saul for their work on preparing the proposed budget. She noted ongoing trends, which were concerning for the future, and the cost of providing services was going up higher and faster than the revenues that support it. People are required to provide those services and about 50% of the city's budget goes to police and fire services, and 70% for salaries and wages. When you talk about all city funds, the vast majority (20 out of 21) are restricted by policy or law. City Manager Anderson stated the two public hearings related to proposed 2020 revenues and the proposed 2020 budget.

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Mayor Dawes closed the regular meeting and opened the public hearing at 5:17 pm on proposed 2020 revenues.

All Funds – Chun Saul provided an overview on revenue projections for the 2020 budget, overall property tax assessments, and explained the process in preparing and adopting the budget. With estimated revenues of \$23,961,352 and estimated expenditures of \$26,527,123, \$2,565,771 would be used from the beginning fund balance. Other than general funds, use of reserves related to one-time capital expenditures.

General Fund – Ms. Saul stated estimated expenditures were \$10,324,818, while revenues were \$9,977,976. The budget was balanced using \$346,842 from General Fund reserves (beginning cash), which was about 7.5% of the General Fund's revenue budget. She noted the council's policy goal was to maintain 10% reserves in the General Fund. Ms. Saul summarized General Fund revenues and noted that about 87.5% came from taxes.

Tax Levies – Ms. Saul noted most revenues were external to the city, but property taxes could be increased on a limited basis with council approval. Cities with less than 10,000 population could increase their levy amount by 1% without a vote, plus the value of new construction, annexation, and other adjustments added to the tax roll. Voter approval was needed beyond the 1% maximum allowed. The maximum statutory levy rate was \$3.60 per \$1,000 assessed value, minus the Library District at approximately \$0.40, plus Firemen's Pension Fund levy at \$0.225, leaving a maximum statutory levy rate at approximately \$3.425. She stated the city had not taken the 1% allowed increase for many years, and the proposed budget would use no banked capacity. Ms. Saul reviewed property tax distributions, noting that several taxing districts/agencies may tax the same property. The 2020 budget included a total levy amount of \$1,946,389 (\$1,616,190 for the regular levy and \$330,199 for the EMS levy). The overall percentage of change in property taxes from 2019 was 1.129408% (1.152110% for the regular levy and 1.018375% for the EMS levy). The estimated tax increase amount for every \$100,000 of assessed value was \$2.86 to the city's portion of the property tax.

Mayor Dawes asked if any members of the public wished to comment on 2020 proposed revenues. There being no public comment, the public hearing was closed and the regular meeting was reopened at 5:39 pm.

Mayor Dawes closed the regular meeting and opened the public hearing at 5:39 pm on the proposed 2020 budget.

Mayor Dawes noted that during the previous public hearing, Ms. Saul talked about using \$2.5 million in reserves. He wanted to make sure it was understood that was for large projects in the Enterprise Funds. He explained that reserves are built to use for large projects (e.g., a water line).

All Funds – Chun Saul stated the 2020 proposed budget was balanced using \$2.6 million from the beginning fund balance. With the exception of general governmental funds, use of the beginning fund balance was related to one-time capital expenditures. Total estimated expenditures were \$26.5 million.

General Fund – Ms. Saul provided a General Fund budget overview, noting the 2020 proposed budget was balanced using \$346,842 of General Fund reserve (beginning cash). The 2020 estimated General Fund ending fund balance was \$752,528 or 7.5% of total revenues. She noted the council goal of maintaining 10% in reserves and noted the GFOA (Government Finance Officers' Association) best practice was to maintain two months of operating expenditures in the General Fund, which is 16.7%. Ms. Saul noted the average one-month payroll was \$627,000. The proposed revenue budget was estimated at \$9,977,976. Ms. Saul provided a two-year General Fund budget trend showing revenues to be less than expenditures, making the budget not structurally balanced. One-time reductions or revenue will fill the gap in 2020; however, a significant infusion of new revenues or a reduction in expenses would be needed in 2021 and beyond. She noted sales tax was the largest revenue source for the General Fund and the projected increase in sales tax was about 0.1% from the amended 2019 budget. She noted sales tax was bolstered in 2017 and 2018 by significant construction spending, but as of October 2019, sales tax from construction spending decreased by \$169,845 or 41% from 2018. She stated sales tax growth was projected to level off in the coming year. The combined sales tax rate was 8.2%, with only 0.85% coming to the city's general services. The Chehalis Transportation District receives 0.2%. Ms. Saul stated 2020 expenditures totaled \$10,324,818, noting some of the planned expenditures that were included and some that were not included in the budget.

City Manager Anderson stated there were budget trends that were of concern, including projected retirements and their associated cash-outs in 2021, which is estimated at over \$300,000. She stated we should start planning for 2021 and beyond. In 2020, the council budget committee plans to meet quarterly and hold a city council workshop in the first half of 2020 to develop long-term planning to improve fiscal stability; develop a plan for structurally balanced budgets in 2021 and 2022; and identify

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potential new revenues. She stated the city's fee schedule needs to be reviewed; positions need to be revisited as people retire; watch economic and revenue trends; and continue to monitor revenues and expenditures carefully.

Discussion was held about the city having to pay for utilities (water/sewer) used by various city buildings from the General Fund to Enterprise Funds. City Attorney Erin Hillier stated that in general, under the law and according to the State Auditor, it was required. City Manager Anderson stated staff was looking at ways to reduce those costs.

Mayor Dawes asked if any members of the public wished to comment on the 2020 proposed budget. There being no public comment, the public hearing was closed and the regular meeting was reopened at 6:14 pm.

5. Ordinance No. 1001-B, First Reading – Determining and Fixing the Amounts of Revenue to be Raised by Ad Valorem Taxes During 2020; Ordinance No. 1002-B, First Reading – Stating the Dollar Amounts and Percentages of Change in Property Tax Levies for 2020; and Ordinance No. 1003-B, First Reading – Adopting the Proposed 2020 Budget. Councilor Ketchum moved to pass Ordinance Nos. 1001-B, 1002-B, and 1003-B on first readings. The motion was seconded by Councilor Harris. The motion carried 5 to 1. Councilor Ketchum voted against the motion, stating he thought the city should be using some of its banked capacity.

6. Administration Reports.

a. **City Manager Update.** City Manager Anderson again recognized Patrick Wiltzius for all his contributions to the city. She stated the Chehalis Foundation's annual gala was November 23.

7. Councilor Reports/Committee Updates.

a. Councilor Harris stated he and the city manager attended a meeting with Governor Inslee to talk about affordable housing. He was able to attend the Sounders championship win!

b. Councilor Spahr stated the EDC was holding a planning session on Thursday.

c. Councilor Taylor stated he attended the Seahawks game in California against the 49ers. He stated it was an amazing game!

d. Mayor Dawes attended the November mayors meeting, which was a legislative roundtable. Items discussed related to a regional 911 center, flooding, water treatment plant and water rights, Chamber railroad bridge, and downtown revitalization. He thought the next legislative session would have much focus on the recent car tab initiative.

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)(g) – Review Performance of a Public Employee, not to exceed 6:45 pm and there would be no decision following conclusion of the executive session. Mayor Dawes closed the regular meeting at 6:26 pm. The executive session began at 6:31 pm. Following conclusion of the executive session, the regular meeting was reopened and immediately adjourned at 6:44 pm.

Dennis L. Dawes, Mayor

Caryn Foley, City Clerk

Approved: 11/25/2019

Initials: cf