

CHEHALIS CITY COUNCIL AGENDA

CITY HALL
350 N MARKET BLVD | CHEHALIS, WA 98532

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

Regular Meeting of Monday, February 10, 2020 5:00 p.m.

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

PROCLAMATIONS / PRESENTATIONS
3. <u>Proclamation – 211 Day.</u> (Ryan Cole, Lewis County United Way)

SPECIAL BUSINESS
4. <u>Lewis County Vision 2025.</u> (Larry McGee, Strategic Planning Advisory Committee)

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>

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
CONSENT CALENDAR		
5. <u>Minutes of the Regular City Council Meeting of January 27, 2020.</u> (City Clerk)	APPROVE	1
6. <u>Minutes of the Special City Council Meeting of February 3, 2020.</u> (City Clerk)	APPROVE	6
7. <u>Vouchers and Transfers – Accounts Payable in the Amount of \$607,005.33 Dated January 31, 2020.</u> (City Manager, Finance Director)	APPROVE	7

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ITEM	ADMINISTRATION RECOMMENDATION	PAGE
CONSENT CALENDAR - CONTINUED		
8. <u>Vouchers and Transfers – Payroll in the Amount of \$847,681.49 Dated January 31, 2020.</u> (City Manager, Finance Director)	APPROVE	9
9. <u>Council Committee/Board Assignments.</u> (City Manager, City Clerk)	APPROVE	11

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
NEW BUSINESS		
10. <u>Resolution No. 1-2020, First and Final Reading – Updating the City’s Debt Management and Post Issuance Compliance Policy.</u> (City Manager, Finance Director)	ADOPT	15
11. <u>Resolution No. 2-2020, First and Final Reading – Establishing Fees for Use of Athletic Facilities.</u> (City Manager, Recreation Manager)	ADOPT	35
12. <u>Recreation Park Scoreboard Agreement with L & E Bottling, Inc.</u> (City Manager, Recreation Manager)	APPROVE	43

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

EXECUTIVE SESSION		
15. Pursuant to RCW:		
a. 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate		
b. 42.30.140(4)(b) – Collective Bargaining		

**THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA.
NEXT REGULAR CITY COUNCIL MEETING IS MONDAY, FEBRUARY 24, 2020.**

January 27, 2020

The Chehalis city council met in regular session on Monday, January 27, 2020, in the Chehalis city hall. Mayor Dennis Dawes called the meeting to order at 5:00 pm with the following council members present: Tony Ketchum, Jerry Lord, Daryl Lund, Dr. Isaac Pope, Bob Spahr, and Chad Taylor. Staff present included: Jill Anderson, City Manager; Tammy Baraconi, Planning & Building Manager; Caryn Foley, City Clerk; Erin Hillier, City Attorney; Trent Loughheed, Public Works Director; Brandon Rakes, Airport Operations Coordinator; Chun Saul, Finance Director; and Lilly Wall, Recreation Manager. Members of the news media included Celine Fitzgerald of *The Chronicle*.

1. **Chehalis Basin Strategy Update.** J Vander Stoep, Erik Martin, and Commissioner Edna Fund provided an update on basin activities. The group showed a video of what the planned water retention facility south of Pe Ell would look like, providing an aerial view around the facility under normal flow conditions and then during a flood. The design of the facility mimics very similarly what conditions are currently in the river. The facility would only be used for catastrophic events. Fish will be able to move through the facility in the same way they can today. At the end of February, the state will release their EIS (SEPA) document, which will certainly state that the facility will have a damage to the fishery at that location, but if you look basin-wide, the area is a really small proportion of the fishery in the basin. The whole program involves habitat work up and down the basin that will have a very important net-positive for the fishery far and above any localized impact. In the event of a 100-year flood, or above, the facility will store 65,000-acre feet of water. A \$700 million bill for funding basin projects is being proposed, which won't fully pay for both the dam and all the aquatic species work. Mr. Vander Stoep understood people being shocked by that amount, but noted that according to state analysis, the 2007 flood caused over \$900 million in damages, and about 50% was in Lewis County.

Commissioner Fund stated that Rep. DeBolt has proposed HB 1154 for 14 years for \$700 million. The Lewis County Board of Commissioners are in support of the legislation and will be sending a letter of support. She hoped that the City Council would also support the concept of having dollars earmarked for the Chehalis basin.

Mayor Dawes asked the City Manager to prepare a letter of support for his signature on behalf of the City Council.

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

- a. Minutes of the regular City Council meeting of January 13, 2020;
- b. January 15, 2020 Claim Vouchers No. 127910 - 128018 and Electronic Funds Transfer Nos. 122019 and 1220191 in the amount of \$1,100,454.94 (2019);
- c. January 15, 2020 Claim Vouchers No. 128019 - 128084 in the amount of \$530,016.61 (2020);
- d. Lease of Hangar K to Seaplane Scenics, LLC; and
- e. Resolution No. 1-2020, first and final reading – establishing a policy for accepting credit and debit card payments.

The motion was seconded by Councilor Lund.

Councilor Lord stated he would vote against the motion because he had questions relating to Resolution 1-2020. He stated the agenda report noted there was no fiscal impact to the budget, but some fees were subject to the City Manager as to whether or not they would be passed along. Having a business, he knew how much debit and credit card fees could be.

City Manager Anderson stated the reference to no fiscal impact related to the actual action before the council – adopting the resolution. Staff understood it would ultimately have a fiscal impact relating to convenience fees and costs. She stated the policy provided an administrative process analyze different contracts. She anticipated that each department could have different processes. The policy would allow flexibility to adopt what makes the most sense for the respective business being conducted by each department.

Mayor Dawes recalled the city's situation was a little different than what a general business might be. There is software for utility fees that is less than what you would normally see in the marketplace. The council discussed providing a service to the customers who are the ones that fund and pay the city's utilities. The council also considered the time that staff may spend

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processing credit card payments may be a plus because then you can use that staff to do other things. At the time council directed staff, they felt it was a cost worth bearing for the convenience of the customers.

City Manager Anderson stated staff could bring back to the council on a case-by-case basis as to whether or not a fee is charged.

Councilor Ketchum thought it was the policy of the council to set fees, but the resolution would allow the City Manager to direct fees, which was inconsistent with policy. City Manager Anderson stated what she envisioned was keeping the council updated and if there were options, it would most likely come back to the council. If the council would like it to be revised to indicate the administrative policy, subject to council approval, that could be done.

Councilor Spahr moved to remove item "e" from the Consent Calendar. The motion was seconded by Councilor Lund and carried unanimously. Councilor Spahr moved to approve the consent calendar items "a" through "d." The motion was seconded by Councilor Lund and carried unanimously.

Mayor Dawes asked for clarification on the current process. Chun Saul stated three departments take credit card payments through a third-party vendor. The convenience fees, which vary by department, are charged directly by that vendor to the customer.

3. Naming of Recreation Park Ballfields. Lilly Wall presented applications for the naming of facilities at Recreation Park. The first request was from The Chehalis Foundation for naming the four ballfields at the sports complex after generous community donors -

- Field # 1 - I-5 Toyota for their \$100,000 donation;
- Field # 2 - Pacific Mobile Structures, Inc., for their \$75,000 donation;
- Field # 3 - Dick and Roberta Haakenson for their \$60,000 donation; and
- Field # 4 - The Chehalis Foundation for fundraising over \$2.5 million for the project.

The second request, endorsed by Dr. Pope, was to name the path through the center of the park as the Connie Bode Promenade. The promenade touches all aspects of the park that Connie has supported with her tireless fundraising efforts. With the support of the Chehalis Foundation and Connie's leadership, approximately \$4.5 million was raised in the last few years for the park to create a state-of-the-art facility.

Councilor Pope stated that when he, Joanne Schwartz, and Bill Hillier met many years ago about forming the Chehalis Foundation, they had no idea where it would go, but they wanted to do something to save the taxpayers money and to improve the quality of life. He stated the Foundation has done that, but it has done that because of individuals like Connie. He stated the citizens of Chehalis should be proud to have an individual like Connie who has invested so much in the community. Councilor Pope also recognized Lilly Wall and Tracey Cox for all their hard work.

Councilor Spahr moved to authorize the naming of the ballfields at Recreation Park to Field # 1 - I-5 Toyota; Field # 2 - Pacific Mobile Structures Inc.; Field #3 - Dick and Roberta Haakenson; and Field # 4 - The Chehalis Foundation, and to authorize naming the walkway through the center of the park to Connie Bode Promenade. The motion was seconded by Councilor Pope and carried unanimously.

Mayor Dawes stated there were a number of donors for this project and he wanted to thank them, as well. City Manager Anderson noted a grand opening for the new ballfields would be held on March 19th, prior to the first home game for the Lady Bearcats.

4. Administration Reports.

a. **Finance Report.** Chun Saul provided a 2019 fourth quarter finance report. She provided a budget to actual comparison; a citywide overview for all funds; a General Fund overview; an Enterprise Funds overview; and a treasurer's report. She noted that, overall, all city funds and departments operated within the appropriated budget parameters.

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Mayor Dawes encouraged anyone with questions, to contact the City Manager or Finance Director.

b. **City Manager Update.** City Manager Anderson stated a special City Council meeting was planned for February 3 at 4:30 pm, to hold a joint workshop with Port of Chehalis Commissioners. City Manager Anderson provided follow-up from the last meeting regarding streetlights. She stated lights on metal poles were the city's, while lights on wooden poles belonged to Lewis County PUD. If city staff are contacted by citizens about lights being out on a PUD pole, the city will call PUD. For city-owned lights, the number is 360-748-0238. For PUD lights, the number is 360-748-9261. She noted the city was having difficulties in getting equipment to replace lights. There are also problems with new light heads on old poles, so a contractor will be doing some troubleshooting to fix those which should happen in the next couple of weeks. She stated it takes about a week or two for the city or PUD to replace a light head. She noted the city was moving to LED lights for more cost effective, long-term use.

Councilor Taylor asked if burned out lights could be reported through the city's website. City Manager Anderson stated the city receives various messages through the city's website, and citizens may report a light out through that system. Mayor Dawes suggested it would be nice if citizens could contact departments directly, instead of it going through multiple employees. Councilor Lund thought LED lights were too bright and made it difficult to see. Councilor Spahr preferred the LED lights over the crosswalks.

City Manager Anderson noted there was no need for an executive session this evening.

5. **Councilor Reports/Committee Updates.**

a. Councilor Taylor stated Joe Clark would be attending a future council meeting to provide an in-depth review of Transit activities, such as installing new bus stops on Market; implementing a community van program; enhancing their advertising program; enhancing the appearance and safety of bus stops; offering WiFi on buses; providing an app for bus passes; updating their website, including route maps; implementing a "books on the bus" program; establishing a student bus program with special fares; implementing a summer bus program; and creating an alternative way of purchasing replacement buses. He stated there are a lot of good changes happening.

b. Councilor Lund stated he attended a parks committee meeting. He reminded everyone to buy their tickets for the sweetheart dinner train.

c. Mayor Dawes attended the chamber banquet. He congratulated Alderson's AwardsWest for being named Business of the Year.

d. Councilor Spahr stated this Friday, Fairway Bowling was hosting the district bowling tournament of which three teams will move on to state.

e. Councilor Pope attended the parks committee meeting. He stated he was very happy that Connie Bode was recognized.

f. Councilor Lord stated he attended a Hearings Examiner meeting and he noticed a few things that were lacking in the Chehalis Municipal Code, specifically 7.84.010 (Parking spaces required) and 17.09.130 subsections C and D (Public hearings). He asked that council direct staff to review the codes. He stated the issue related to an application for congregate housing. The code doesn't allow parking as a consideration when there was a proposal to change a use code in the downtown. He stated parking was an issue downtown and he believed parking should be considered. The other issue related to notices. With this hearing, quite a few of the envelopes mailed to people within 300' were empty. There is nothing in the code that addressed that situation. He asked that staff at least look into addressing that.

City Manager Anderson stated these applications go through the Planning Commission and then ultimately, come to the council.

Mayor Dawes stated that sometimes something is done with the best of intentions but may have unintended consequences. He suggested it be directed back to staff to research and bring back to the Planning Commission or council.

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City Manager Anderson stated there were a number of projects pushing the Community Development Department to start the process to update the city's comprehensive plan and then the zoning code update. She suggested incorporating the items mentioned by Councilor Lord into the comprehensive plan and zoning code update process. She stated there was an upcoming medical leave in the Planning & Building Department, which will leave the department short-handed.

Mayor Dawes asked if there was a consensus of the council to carry forward Councilor Lord's concerns. The council concurred.

Councilor Pope stated various studies have been done, which encouraged living units downtown with parking below. The proposed project that Councilor Lord was referring to would provide eight living units. He indicated people living in a downtown helped with revitalization and he didn't want to discourage that. Councilor Taylor agreed, but he didn't like the idea of congregate living. He stated he received calls from business owners, including those receiving empty envelopes.

City Manager Anderson believed the process would start with the Planning Commission. Staff would then prepare the information and provide a recommendation for the council to act on. That would be the process for the Comprehensive Plan, as well.

Tammy Baraconi stated the city was out of compliance with the state when it comes to the city's zoning code and critical areas ordinance, so her first goal was to bring the city back into compliance, so it doesn't interfere with grant/loan applications. They will then look at the Comprehensive Plan in phases over the next couple years. The zoning code would then be reviewed to make sure that it does match the changes made in the Comprehensive Plan. She estimated the process to take about a year-and-a-half. With regard to the issue brought forward by Councilor Lord, she stated it will be taken to the Planning Commission and be incorporated in the overall zoning ordinance update, and ultimately will come before the council. Ms. Baraconi stated that pursuant to state law, the city can only update the Comprehensive Plan once per year, unless there is an emergency, such as an environmental emergency. She hoped to have the first zoning code update to the council in October.

Councilor Taylor asked about the status of the congregate housing project. Ms. Baraconi explained the project already went before the Hearings Examiner and the city's current code does allow for congregate housing in the downtown.

Mayor Dawes asked what would happen if the city were to get a rush on congregate housing requests. If the Hearings Examiner renders a decision to allow the project, would the city's best interests be served by putting a moratorium on this type of project in the downtown until the process is gone through.

Ms. Baraconi stated a moratorium on downtown development was an option. Mayor Dawes clarified he was not saying a moratorium on downtown development, only facilities like congregate housing until it runs through the process.

City Attorney Hillier explained the process. There are two types of hearings – legislative or quasi-judicial. The decisions made by the Hearings Examiner are quasi-judicial. An applicant comes and makes a request. City staff then analyzes the application and what can be done and makes recommendations. A hearing is set and noticed for due process and the right to be heard at a public hearing for anyone who may be affected by a decision. In this scenario, a hearing was set, notice was provided, but there was an error. Her advice to the city was to immediately correct the error, and reissue notice. The Hearings Examiner also extended the comment period for three additional weeks. There is a 90-day turn-around once someone makes application for a variance and then a 30-day turn-around after the hearing for the Hearings Examiner to render their opinion, which then can be appealed beyond that venue. In this case, it has already gone through the process with additional notice and public comment period to rectify the notice error. Going forward with respect to the Councilor Lord's concern that notice be more effective, she would be happy to provide staff with information about standards of notice and what is required on the state level.

With regard to a moratorium on certain developments would require a public hearing. She stated you want to avoid taking issue with people who have property that could be used in this way. It's a process that may be available to the city until things can be figured out, but she would want to look at it.

Councilor Taylor asked how the additional notice was given. City Attorney Hillier stated staff followed the notice requirements outlined in the municipal code. Ms. Baraconi stated notices are sent through the postal service for both the initial notice and the second notice.

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Councilor Lord stated the problem is that there are sometimes multiple occupants in one building, so some occupants would not receive notice. If the owner doesn't occupy the space, then a tenant may not be notified.

There was concern by some council members that the same mailing process was used for the second mailing. Ms. Baraconi stated she ensured that each envelope contained the notice. She stated there were about 100 envelopes went out so it would not have been feasible to mail them through certified mail.

City Attorney Hillier reiterated that the notice, in both instances, went out exactly how the city's regulations required, which go above and beyond state regulations for notice in these instances. She stated the city needed correct the error, which was done, including a three-week extension of the public comment period.

There being no further business to come before the council, the meeting was adjourned at 7:02 pm.

Dennis L. Dawes, Mayor

Caryn Foley, City Clerk

Approved:

Initials: _____

February 3, 2020

The Chehalis City Council met in special session on Monday, February 3, 2020, in the Chehalis city hall. Mayor Dennis Dawes called the meeting to order at 4:30 pm with the following council members present: Jerry Lord, Daryl Lund, Dr. Isaac Pope, and Bob Spahr. Councilors Tony Ketchum and Chad Taylor were absent (excused). Staff present included: Jill Anderson, City Manager; Kiley Franz, Administrative Assistant; Trent Lougheed, Public Works Director; Devlan Pool, Wastewater Superintendent; Brandon Rakes, Airport Operations Coordinator; Don Schmitt, Street/Storm Superintendent; and Dave Vasilauskas, Water Superintendent. Members of the Port present included Commissioners Mark Anders; Mark Giffey; and Ken Kostick; and Randy Mueller, CEO.

1. Joint Workshop with the Port of Chehalis Commissioners. Mayor Dawes began the discussion by expressing his appreciation of the positive working relationship the City shared with the Port.

Randy Mueller gave an update regarding Port activities. He explained the mission of the Port was to grow and diversify the local economy and to foster high quality job creation. While large scale manufacturing is declining, the need for smaller business spaces are on the rise.

City Manager Anderson gave a brief update regarding the major projects that the City is working on including a new fire station, completion of the renovation of Recreation Park, the feasibility of 9-1-1 dispatch being provided by another entity, and updating of the comprehensive plan and zoning ordinance.

Randy Mueller provided an overview of flooding issues at the Port of Chehalis. The negative impacts of flooding on Port businesses and their employees were discussed, as well as needed culvert replacements.

Development challenges with a Port owned industrial site on Bishop Road were briefly discussed. The Port Commissioners asked the City Council if they would prefer business or residential units on the property. Mayor Dawes expressed his belief that City and Port staff could work together to find the best fit for the property.

Trent Lougheed then presented a map of the City's urban growth area. Water treatment, water rights, and capacity were discussed.

The meeting was interrupted by a fire alarm at 5:53 pm and resumed at 6:09 pm. During this time, Councilors Lund, Pope, and Spahr left, resulting in the City Council no longer having a quorum. Mayor Dawes noted the absence of a quorum and that no action would be taken.

There was brief discussion about the city's sewer capacity and future growth in the Port district.

There being no further business to come before the council, the meeting was adjourned at 6:25 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: February 10, 2020

SUBJECT: Vouchers and Transfers – Accounts Payable in the Amount of \$607,005.33
Dated January 31, 2020

ISSUE

City Council approval is requested for Vouchers and Transfers dated January 31, 2020.

DISCUSSION

The January 31, 2020 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. 128085 - 128202 in the amount of \$607,005.33 dated January 31, 2020 which includes the transfer of:

- \$ 157,201.96 from the General Fund
- \$ 3,010.83 Dedicated Street Fund – 4% Sales Tax
- \$ 12.75 from the Transportation Benefit District Fund
- \$ 2,933.18 from the LEOFF 1 OPEB Reserve Fund
- \$ 54,190.84 from the Public Facilities Reserve Fund
- \$ 288,552.66 from the Wastewater Fund
- \$ 42,782.27 from the Water Fund
- \$ 4,293.53 from the Storm & Surface Water Utility Fund
- \$ 53,169.73 from the Airport Fund
- \$ 857.58 from the Firemen’s Pension Fund

RECOMMENDATION

It is recommended that the City Council approve the January 31, 2020 Claim Vouchers No. 128085 – 128202 in the amount of \$607,005.33.

SUGGESTED MOTION

I move that the City Council approve the January 31, 2020 Claim Vouchers No. 128085 - 128202 in the amount of \$607,005.33.

**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: February 10, 2020

SUBJECT: Vouchers and Transfers – Payroll in the Amount of \$847,681.49 Dated
January 31, 2020

ISSUE

City Council approval is requested for Payroll Vouchers and Transfers dated January 31, 2020.

DISCUSSION

The administration requests City Council approval for Payroll Vouchers No. 41179-41208, Direct Deposit Payroll Vouchers No. 11706-11812, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 278-282 dated January 31, 2020 in the amount of \$847,681.49, which include the transfer of:

- \$590,249.61 from the General Fund
- \$6,463.82 from the Arterial Street Fund
- \$5,940.00 from the LEOFF1 OPEB Reserve Fund
- \$91,055.75 from the Wastewater Fund
- \$97,860.52 from the Water Fund
- \$23,594.81 from the Storm & Surface Water Utility Fund
- \$32,516.98 from the Airport Fund

RECOMMENDATION

It is recommended that the City Council approve the January 31, 2020 Payroll Vouchers No. 41179-41208, Direct Deposit Payroll Vouchers No. 11706-11812, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 278-282 in the amount of \$847,681.49.

SUGGESTED MOTION

I move that the City Council approve the January 31, 2020, Payroll Vouchers No. 41179-41208, Direct Deposit Payroll Vouchers No. 11706-11812, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 278-282 in the amount of \$847,681.49.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council
FROM: Jill Anderson, City Manager
BY: Caryn Foley, City Clerk
MEETING OF: February 10, 2020
SUBJECT: City Council Committee/Board Assignments

ISSUE

City Council approval is requested for Council Committee/Board Assignments that were reviewed during the January 13, 2020 City Council meeting.

DISCUSSION

During the January 13 City Council meeting, Council reviewed your committee and board assignments. All assignments were filled as shown on the attached.

The Beautification Committee was omitted from the list but is included in the attached document. Councilors Pope, Spahr, and Taylor comprise the committee.

FISCAL IMPACT

There is no fiscal impact associated with this item.

RECOMMENDATION

If there are no further changes, it is recommended that the City Council approve the committee/board assignments list.

SUGGESTED MOTION

I move that the City Council approve the Council Committee/Board Assignments list.

Council Committee/Board Assignments

Reviewed 1/13/2020

Board/Committee	Council	Staff	Meeting Info
911 Dispatch Committee	Dawes Pope Taylor	City Mgr Police Chief Fire Chief	TBD
Beautification Committee	Pope Spahr Taylor	Planning & Building Mgr Police Chief	TBD
Centralia-Chehalis Transportation Cooperative	Ketchum Spahr Taylor	City Mgr Public Works Dir	Does not currently meet
Chehalis Basin Flood Authority		Public Works Dir	3rd Thurs of each month 9:00 AM
Chehalis Community Renaissance Team	Ketchum Lord Pope	City Mgr City Mgr's Admin Asst	2nd Fri of each month 8:30 AM City Hall
Chehalis Foundation	Pope		3rd Tues of each month 11:30 AM City Hall
Chehalis-Napavine-LCSD No. 4 Sewer Operations	Pope Spahr		As needed
Chehalis Parks Subcommittee	Lord Lund Pope	City Mgr Recreation Mgr	As needed

Board/Committee	Council	Staff	Meeting Info
Chehalis River Basin Partnership	City Rep: Terry Harris	Wastwater Supt Water Supt	4th Fri of each month 9:30 AM Lucky Eagle Casino, Rochester
Council Budget Committee	Dawes Lord Spahr	City Mgr Finance Dir	Quarterly
Council GMA Committee	Pope (Chair) Dawes Ketchum		As needed
Council Voucher Committee	Dawes Pope Spahr		Twice per month to review and sign vouchers Finance Department
Fire Consolidation Subcommittee	Dawes Lund Spahr	City Mgr Fire Chief	As needed 6:00 PM Lewis County Fire District 6 Station
Lewis County Historical Museum Board	Ketchum		3rd Tues of each month 5:00 PM Historical Museum
Lewis County LEOFF Disability Board	TBD		3rd Fri of each month 3:00 PM Lewis County Commissioner' Office
Lewis County Planned Growth (GMA) Committee	Spahr	City Mgr Planning & Building Mgr	Annually

Board/Committee	Council	Staff	Meeting Info
Lewis County Public Transportation Benefit Area Authority (Twin Transit)	Taylor Dawes - alt.		3rd Tues of each month 8:00 AM TransAlta Commons (Centralia College)
Lewis County Solid Waste Advisory Committee	Lord		1st Wed of each month 1:30 PM Lewis County Public Services
Lewis County Solid Waste Disposal District Executive Committee	Lord		Once per year to approve budget
Lewis County Transportation Strategy Council	Taylor Ketchum - alt.	City Mgr	3rd Mon of each month 2:00 PM Lewis County Public Services
Lewis EDC Board	Spahr		2nd Thurs of Jan, Mar, May, Jul, Sept, Nov 7:00 AM Holiday Inn Express
Lodging Tax Advisory Committee	Taylor	City Mgr's Admin Asst	Annually or as needed City Hall
Pt. 09 Committee	Mayor		2nd Fri of Mar, Jun, Sept, Nov 8:30 AM Lewis EDC
Sister City Committee	Ketchum	City Mgr's Admin Asst	Currently suspended
SWW Economic Development Commission	Spahr	City Mgr	Twice per year in Jan, Jun
SWW Regional Transportation Planning Organization Board	Taylor		2nd Wed of Feb, May, Sept, Nov Various member locations

**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: February 10, 2020

SUBJECT: Resolution No. 1-2020, First and Final Reading – Updating the City’s Debt Management and Post-Issuance Compliance Policy Update

ISSUE

The City’s current Debt Management and Post-Issuance Compliance Policy was adopted by motion by the City Council on November 14, 2011. The current Policy limits total annual debt service on non-voted long-term general obligation debt to 3% of the general fund operating revenues. With the issuance of the 2019 Limited Tax General Obligation (L.T.G.O.) Bond for the Recreation Park Renovation Project, the total annual debt service on non-voted general obligation debt exceeds the 3% policy limit, therefore, changes to the current policy are necessary.

DISCUSSION

General obligation debt or liability is one that is secured by a pledge of the full faith and credit of the government and its taxing power. This means that the government would be obligated to repay the debt using all available means (not just a specific revenue source), including raising taxes to the extent allowable by law. This includes long-term bonds, loans, promissory notes, and capital leases (i.e. copiers/printers, vehicles, mowers, etc.).

The City’s Limited Tax General Obligation(L.T.G.O.) Bond, 2019 that was issued for the Recreation Park Renovation Project is a non-voted general obligation debt, even though the City Council and the Lodging Tax Advisory Committee (LTAC) have committed the City’s hotel/motel tax revenues for repayment of the debt.

The total 2020 projected operating revenues for the City’s general fund is \$9,932,976, and 3% of the general fund operating revenues is \$297,989. Total debt service on all non-voted long-term general obligation debt (including equipment leases) in 2020 is \$330,163 or 3.3% of the general fund operating revenues. This exceeds the 3% policy limit amount by \$32,173.

In addition, the City is exploring financing options for acquisition of property for the City’s future fire station in 2020, which could include, but is not limited to, a non-voted general

obligation debt. For the purpose of estimating potential debt service payments, we assume that the City would issue a non-voted long-term debt in the amount of \$1.2 million, with 20-year maturity, at estimated interest rate of 2.75%, with semi-annual payments in June and December. With these assumptions, the estimated semi-annual payment would be about \$39,203 (or about \$78,406 annually). If this potential debt financing were included in the annual debt service limit calculation, total estimated debt service payments on non-voted general obligation debt for 2020 would be about \$408,569 or 4.1% of the general fund operating revenues. This would exceed the 3% policy limit by \$110,579.

If it is assumed that no additional (except the \$1.2 million for the fire station property acquisition) non-voted long-term debt is issued in the next four years and the City's general operating revenue will remain at \$10 million, the estimated total debt service on all non-voted long-term general obligation debt is projected at 4.1%, 4.2%, 3.8%, and 3.0% of the general fund operating revenues in 2020, 2021, 2022, and 2023*, respectively. Again, this assumes that the City does not take any action to replace any major pieces of general funded vehicles or equipment. (*The City's fire truck loan will be paid off at the end of 2022).

A list of current non-voted general obligation long-term debt and their outstanding balances as of 12/31/2019 and future annual debt service payments through year 2025 is attached to this agenda report for additional information.

PROPOSED CHANGE TO EXISTING POLICY

The City administration is proposing the following in setting the annual debt service limit on all non-voted long-term general obligation debt for Council consideration and direction:

Increase the total annual debt service on non-voted long-term general obligation debt from 3% of the general fund operating revenues to 4.2% of the general fund operating revenue or \$420,000 per year, whichever is greater.

It should be noted that City Council approval would be required to issue any future non-voted long-term debt. The debt management policy would certainly be reviewed during the discussion relating to any issuance of non-voted debt. In addition, only the City Council has the authority to place a matter before the voters, including a request for a vote on a proposal to take on voter approved debt.

The attachments to this agenda report include a resolution of adoption, a clean copy of the updated debt policy that reflects the recommendation, as well as a "redlined" copy of the existing policy that notes the changes made, most of which related to grammatical changes and formatting.

FISCAL IMPACT

The City's 2020 debt services on non-voted long-term general obligation debt exceeds the City's Debt Management and Post-Issuance Compliance Policy limit of 3% of the general fund operating revenues, and changes to the policy is necessary to comply with the City's own policy.

At a minimum, the limit needs to increase to 3.3% of the general fund operating revenues for 2020.

In addition, without the policy limit increase beyond 3.3% of the general fund operating revenues, the City administration will be limited for securing financing options for acquisition of property for the City's future fire station.

Any new non-voted general obligation debt issuance will require a close review and City Council approval to ensure that the City's general fund can afford any required debt service obligation(s).

RECOMMENDATION

It is recommended that the City Council adopt Resolution No. 1-2020 on first and final reading, which will increase the total annual debt service on non-voted long-term general obligation debt from 3% of the general fund operating revenues to 4.2% of the general fund operating revenue or \$420,000 per year, whichever is greater and adopt the City's Debt Management and Post-Issuance Compliance Policy.

SUGGESTED MOTION

I move that the City Council adopt Resolution No. 1-2020 on first and final reading.

RESOLUTION NO. 2-2020

A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON, UPDATING THE CITY'S DEBT MANAGEMENT AND POST-ISSUANCE COMPLIANCE POLICY, AND PROVIDING FOR AN EFFECTIVE DATE HEREOF.

WHEREAS, The City of Chehalis adopted its current Debt Management and Post-Issuance Compliance Policy on November 14, 2011; and

WHEREAS, said Policy limits total annual debt service on non-voting long-term general obligation debt to Three Per Cent (3%) of the General Fund operating revenues; and

WHEREAS, current public facilities renovation projects have increased the non-voted long-term obligation to 3.3%, and foreseeable public facilities improvements will likely increase that debt obligation; and

WHEREAS, the Chehalis City Council has been fully advised by City Finance Director and staff on options available to it for adjustment necessary for policy compliance; now, therefore,

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

Section 1. The City Debt Management and Post-Issuance Compliance Policy shall be amended to raise the total annual debt service on non-voted long-term general obligation debt from 3% of the General Fund operating revenues, to Four Per Cent (4.2%) of the General Fund operating revenue or \$420,000, whichever is greater.

Section 2. The City adopts the amended Debt Management and Post-Issuance Compliance Policy.

Section 3. The effective date of this Resolution shall be immediately upon its adoption.

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 _____, 2020.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

DEBT MANAGEMENT and POST-ISSUANCE COMPLIANCE POLICY FOR CITY OF CHEHALIS, WASHINGTON

This Debt Management and Post-Issuance Compliance Policy ("Debt Management Policy") is intended to guide decision making about debt financing and ensure post-issuance compliance for tax-exempt debt issuances made by the City of Chehalis, Washington ("City").

I. THE USE OF DEBT:

- Debt should be used to finance assets with substantial useful lives.
- The term of the debt must not exceed the projected useful life of the asset.
- Nothing under \$100,000 should be financed with bonded long-term debt.
- Current operations and maintenance should not be financed with long-term debt.

II. DEBT PLANNING POLICIES:

- The City's financial management policies should be oriented to maintain a balanced relationship between issuing debt and using pay-as-you-go financing.
- The scheduled maturities of long-term obligations should not exceed the expected useful life of the capital project or asset(s) financed.
- In determining which type of bond to issue, the following factors should be considered:
 - a) The direct and indirect beneficiaries of the project. A significantly larger portion of residents should benefit from projects financed by general obligation bonds.
 - b) The revenues that may be raised by alternative types of user charges.
 - c) The cost-effectiveness and equity of user charges.
 - d) The effect of the proposed bond issue on the City's ability to finance projects of potentially higher priority in the future.
 - e) The interest cost of each type of bond.
 - f) The impact on the City's financial condition and credit rating.
 - g) The additional cost for operations and maintenance or the cost savings that will result from the new facility or equipment.

III. TYPES OF DEBT:

A. General Obligation Bonds:

R.C.W. 39.36.020 limits the City's long-term general obligation debt (this is debt which pledges the full faith and credit of the City for repayment, not just a specific revenue source).

The City is limited to one and a half percent (1.5%) of the value of taxable property on "councilmatic"

bonds, or bonds that can be issued without voter approval through an election. With the approval of three-fifths of the voters voting at an election held for that purpose, there is a limitation of two and one-half percent (2.5%) of the value of the taxable property. Whether the debt issued is a combination of "councilmatic" bonds and voter approved bonds, or only voter approved bonds, the two and one-half percent (2.5%) limitation still applies.

The City may, with such approval, become indebted to larger amounts, but not exceeding two and one-half percent (2.5%) each for supplying the City with water or sewer services (utilities), and for acquiring or developing open space and park facilities.

This debt must be repaid from the general operating revenues of the City unless the ballot measure also authorizes an excess property tax levy. In other words, the authority of the City to issue non-voter approved bonds does not imply the authority to exceed property tax limits.

R.C.W. 84.52.056 authorizes the City to levy additional property taxes for capital improvement purposes only (the replacement of equipment is prohibited), and this levy must also be approved by three-fifths of the voters.

Policies for General Obligation Bonds:

- General obligation debt should be used to finance only those capital improvements and long-term assets which have been determined to be essential to the maintenance or development of the City.
- General obligation debt should be used only after considering alternative funding sources, such as project revenues, federal and state grants, user fees, and special assessments.
- Bond proceeds should only be used for the following: construction project costs, acquisition of other expensive fixed assets (such as a street sweeper or fire truck), bond issuance costs, and the refunding of outstanding bond issues.
- Annual debt service on non-voted long-term general obligation debt should not exceed 4.2% of general fund operating revenues or \$420,000 per year, whichever is greater.

B. Revenue Bonds:

Revenue bonds are bonds whose principal and interest are payable exclusively from the earnings of an enterprise fund. Revenue bonds are secured by the income of the utility. A rate covenant is established, which pledges that rates will be maintained sufficient to meet the cost of operations and maintenance, pay debt service, create reserves, and meet contingencies. The "debt service coverage" provides a margin of safety for the bond holders. Revenue bond interest rates are usually higher than general obligation bonds, but they do not require voter approval.

Policies for Revenue Bonds:

- A financial feasibility study should be performed for each project to determine whether it is in the best interests of the City to issue debt or use existing reserves.
- Bond proceeds should only be used for the following: project construction costs, acquisition of other fixed assets, bond issue costs, debt service requirements, and refunding of outstanding bond issues.

C. Special Assessment Bonds:

Special assessment bonds are bonds payable from the proceeds of special assessments. They are used for Local Improvement Districts or Utility Local Improvement Districts, which are usually neighborhood-based or which have defined geographic boundaries in any case.

Policies for Special Assessment Bonds:

- Bond proceeds should only be used for the following: project construction costs, acquisition of other fixed assets, bond issue costs, debt service requirements, and refunding of outstanding bond issues.

D. Government Loans:

There exist a wide variety of Federally and State funded loan programs. The listing below is neither intended to be comprehensive nor exhaustive. When contemplating entering into a loan with a government agency, some key aspects of a loan which should be considered: a) whether it is to be a General Obligation debt or a Revenue debt; b) interest rates; c) debt covenants; d) debt maturity; and e) special requirements.

a) CERB Loans:

The state's Community Economic Revitalization Board (CERB) funds public infrastructure that will result in specific private developments or expansions in manufacturing, production, food processing, assembly, warehousing, industrial distribution, recycling facilities, or businesses that substantially support the trading of goods and services outside the state's borders. CERB requires job creation or retention.

Applications must include evidence that a private development or expansion is ready to occur and will only occur if CERB funds are provided.

Applicants must demonstrate that no other timely source of funds is available at reasonable similar rates. Interest rates generally match the most current rate of Washington State bonds but do not exceed ten percent (10%). The repayment term is up to twenty (20) years.

b) PWTF Loans:

Public Works Trust Fund (PWTF) loans provide financial assistance for a variety of projects.

In the area of planning, capital facilities plans and comprehensive system plans (e.g., water system plans) are eligible for funding. However, these funds are only available for new plans, not for routine updates.

In the area of construction, PWTF loans provide financial assistance for the construction of new or expanded infrastructure facilities (road, bridge, domestic water, sanitary sewer, and storm sewer). This construction must meet existing standards.

PWTF loans have an interest rate range from zero to three percent (3%) and a maximum loan term of twenty (20) years. To qualify for a reduction on the loan rate, there must be extraordinary financial hardship, significant local financial commitment, or other valid reasons.

c) Local Option Capital Asset Lending (LOCAL)

The LOCAL program is an expanded version of the state agency lease/purchase program. The program was originally created by the Legislature in 1989 ([RCW 39.94](#)) to provide the lowest

cost financing for state agency purchases by pooling funding needs into larger offerings of securities. The Legislature passed legislation in 1998 to provide local governments access to the program. Local government agencies of all types can finance equipment or real estate needs through the State Treasurer's office subject to existing debt limitations and financial considerations.

E. Leases

Leases should only be used as a last resort. They generally carry a higher interest rate and require additional staff time to meet reporting requirements. Therefore, they may not be as cost effective as other means of financing.

Policies on Leases:

- The lease must mature prior to the end of the useful life of the equipment.
- A financial analysis must be made to determine that the cost of the lease does not exceed the value of the asset.

Again, this debt ties back to the General Obligation debt.

IV. POST-ISSUANCE COMPLIANCE FOR TAX-EXEMPT BONDS

1. Purpose. The purpose of this section on post-issuance compliance (the "Compliance Section") for tax-exempt bonds issued by the City is to ensure that the City will be in compliance with requirements of (i) the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied with respect to such bonds (collectively, the "bonds") after the bonds are issued, and (ii) any continuing disclosure undertakings the City has entered into pursuant to Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as applicable to a participating underwriter for the bonds.

2. Responsibility for Monitoring Post-Issuance Tax Compliance. The City Council has the overall, final responsibility for monitoring whether the City is in compliance with post-issuance federal tax requirements. However, by Ordinance No. 878-8, the City Manager of the City (the "City Manager") and the Finance Director of the City (the "Finance Director"), acting under the direction of the City Manager, are authorized and directed to take any actions and to execute documents as in his or her judgment that may be necessary or desirable to carry out the terms of such ordinance, including the proper application, use, and investment of bond proceeds. Accordingly, the Finance Director undertakes the primary operating responsibility of monitoring compliance with post-issuance federal tax requirements for the bonds, including the implementation of this Compliance Section of the City's Debt Management Policy.

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

- (a) confirm the City's compliance with the requirements set forth in paragraphs 4, 5 and 6 below;
- (b) inquire with the principal officers of those departments of the City for which property is financed with proceeds of bonds as to whether the property has experienced any material change

in use that includes "private business use" (as such term is defined in paragraph 5(a) below); and

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

(d) report, at least annually, to the City Manager on actions taken to ensure compliance with the Compliance Section of this policy.

A copy of this Debt Management Policy shall be kept with other City records that are to be readily accessible to any person or officer of the City succeeding the responsibilities of Finance Director during the lifetime of any bonds.

4. Arbitrage Yield Restriction and Rebate Requirements. The Finance Director shall maintain or cause to be maintained records of:

(a) purchases and sales of investments made with bond proceeds (including amounts treated as "gross proceeds" of bonds under Section 148 of the Code) and receipts of earnings on those investments;

(b) expenditures made with bond proceeds (including investment earnings on bond proceeds) in a timely and diligent manner for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

(c) information showing, where applicable for a particular calendar year, that the City was eligible to be treated as a "small issuer" in respect of bonds issued in that calendar year because the City did not reasonably expect to issue more than \$5,000,000 of bonds in that calendar year;

(d) calculations that will be sufficient to demonstrate to the Internal Revenue Service (the "IRS") upon an audit of a bond issue that, where applicable, the City has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

(e) calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and

(f) information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

5. Restrictions on Private Business Use and Private Loans. The Finance Director, shall adopt procedures authorized by the City Manager that are calculated to ensure that the City complies with rules limiting private business use of bond-financed property by educating and informing the principal operating officials of those departments, including utility departments, if any, of the City (the "users") for which land, buildings, facilities, and equipment ("property") are financed with proceeds of bonds about the restrictions on private business use that apply to that property after the bonds have been issued, and of the restriction on the use of proceeds of bonds to make or finance any loan to any person other than a state or local government unit.

In particular, following the issuance of bonds for the financing of property, the Finance

Director shall provide to the users of the property a copy of this Compliance Policy and other appropriate written guidance advising that:

(a) "private business use" means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, nonprofit corporations, natural persons engaged in trade or business activity, and the United States of America and any federal agency, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), output contract for the purchase of electricity or water privately sponsored research contract (except for certain "qualified" research contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar use arrangement that provides special legal entitlements for the use of the property;

(b) under Section 141 of the Code, no more than ten percent (10%) of the proceeds of any bond issue (including the property financed with the bonds) may be used for private business use, of which no more than five percent (5%) of the proceeds of the bond issue (including the property financed with the bonds) may be used for any "unrelated" private business use—that is, generally, a private business use that is not functionally related to the governmental purposes of the bonds; and no more than *the lesser* of \$5,000,000 or five percent (5%) of the proceeds of a bond issue may be used to make or finance a loan to any person other than a state or local government unit;

(c) before entering into any special use arrangement with a nongovernmental person that involves the use of bond-financed property, the user must consult with the City Manager and the Finance Director, provide them with a description of the proposed nongovernmental use arrangement, and they will determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;

(d) in connection with the evaluation of any proposed nongovernmental use arrangement, the City Manager and the Finance Director should consult with nationally recognized bond counsel to the City as may be necessary to obtain federal tax advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any "remedial action" permitted under Section 141 of the Code may be taken by the City as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds that financed the property; and

(e) the Finance Director and the user of the property shall maintain records of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those nongovernmental uses are not inconsistent with the tax-exempt status of the bonds that financed the property.

6. Records to be Maintained for Bonds. It is the policy of the City that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each bond issue for as long as those bonds remain outstanding, plus three (3) years. For this purpose, the bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds.

The records to be maintained include:

- (a) the official Transcript of Proceedings for the original issuance of the bonds;
- (b) records showing how the bond proceeds were invested, as described in paragraph 4(a) above;

(c) records showing how the bond proceeds were spent, as described in paragraph 4(b) above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of "allocations" of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;

(d) information, records and calculations showing that, with respect to each bond issue, the City was eligible for the "small issuer" exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in paragraphs 4(c), (d) and (e) above; and

(e) records showing that special use arrangements, if any, affecting bond-financed property made by the City with nongovernmental persons, if any, are consistent with applicable restrictions on private business use of property financed with proceeds of tax-exempt bonds and restrictions on the use of proceeds of bonds to make or finance loans to any person other than a state or local government unit, as described in paragraph 5 above.

The basic purpose of the foregoing record retention policy for the bonds is to enable the City to readily demonstrate to the IRS upon an audit of any bond issue that the City has fully complied with all federal tax requirements that must be satisfied after the issue date of the bonds so that those bonds continue to be eligible for the applicable tax exemption under the Code.

7. Identification and Remediation of Potential Violations of Federal Tax Requirements for Bonds. If at any time during the life of an issue of bonds, the City discovers that a violation of federal tax requirements applicable to that issue may have occurred, the City Manager and/or Finance Director will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable Internal Revenue Service regulations or to enter into a closing agreement with the Internal Revenue Service under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

8. Education Policy With Respect to Federal Tax Requirements for Tax-Exempt Bonds. As authorized by the City Manager, it is the policy of the City that the Finance Director and his or her staff, as well as the principal operating officials of those departments of the City for which property is financed with proceeds of bonds, should be provided with education and training on federal tax requirements applicable to bonds. The City recognizes that such education and training is vital as a means of helping to ensure that the City remains in compliance with those federal tax requirements in respect of its bonds. The City therefore will enable the Finance Director to attend and participate in educational and training programs offered by, among others, the Washington Finance Officers Association with regard to the federal tax requirements applicable to bonds. The Finance Director will provide training to staff, as appropriate, in order to ensure compliance with tax-exempt federal tax requirements.

V. POLICY ADOPTION

Debt Management and Post-Issuance Compliance Policy is revised and adopted by Resolution No. 2-2020 with an effective date of February 10, 2020. The policy shall be reviewed as deemed necessary and the City Council as a whole must approve any modifications made thereto.

City Debt Management Policy

Annual Debt Service of Non-voted long-term general obligation debt (includes capital leases)

City Policy = Not to exceed 3% of general fund operating revenues

General Fund	Budget		2020 Est.	2021 Est.	2022 Est.	2023 Est.	2024 Est.	2025 Est.
Operating Revenue Budget			9,932,976	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
Annual Debt Service Payment Limit	3%		297,989	300,000	300,000	300,000	300,000	300,000
	Debt Service	O/S Debt	2020 Debt	2021 Debt	2022 Debt	2023 Debt	2024 Debt	2025 Debt
	Paid By	12/31/2019	Svc Pmt	Svc Pmt	Svc Pmt	Svc Pmt	Svc Pmt	Svc Pmt
General Obligation (Non-Voted) Debt			Prin&Int	Prin&Int	Prin&Int	Prin&Int	Prin&Int	Prin&Int
Bonds and Loans:								
2011 LTGO Bond - City hall Acquisition (Mature 2026) ¹	REET/GF	605,000	97,219	99,875	97,375	99,375	96,188	103,000
SSB Loan - Fire Truck (Mature 2022)	GF	257,294	100,172	100,172	67,887	-	-	-
SSB Loan - Chip Spreader (Mature 2024)	GF	189,561	42,780	42,780	42,780	42,780	35,439	-
2019 LTGO Bond - Recreation Park Improvement (Mature 2034) ²	Tourism	894,000	63,396	71,562	71,346	71,094	71,818	71,508
Subtotal for Bonds & Loans - Current		1,945,855	303,567	314,389	279,388	213,249	203,445	174,508
Capital Leases: ³								
John Deere Financial - Mowers - Lease Financing (Ends 2022)	GF	34,248	12,541	12,541	12,541			
Toshiba Color Copier - City hall (Ends 2023)	GF	6,638	2,152	2,152	2,152	1,076		
Sharp Copier Lease - Fire (End in 2022)	GF	7,860	2,921	2,921	2,921			
Savin Color Copier - Finance/Rec/Planning (Ends 2022)	GF	12,678	5,557	5,557	2,779			
Ricoh IMC3500 Color Copier Lease (Police) (Ends 2024)	GF	9,468	2,536	2,536	2,536	2,536	2,536	
Pitney Bowes Digital Mailing System (CD/REC/FI) (Ends 2024)	GF	2,933	888	888	888	888	296	
Subtotal for Capital Leases		73,825	26,596	26,596	23,817	4,500	2,832	-
Total for Current Non-Voted G.O Debt		2,019,680	330,163	340,985	303,205	217,749	206,277	174,508
Total Annual Debt Service Amount (over) under policy limit			(32,173)	(40,985)	(3,205)	82,251	93,723	125,492
Annual Debt Service as % of general fund operating revenues			3.3%	3.4%	3.0%	2.2%	2.1%	1.7%
Potential Additional LTD:								
\$1.2 million LT Debt for Fire Station property acquisition ⁴		Pending	78,406	78,406	78,406	78,406	78,406	78,406
Subtotal for Bonds & Loans - Potential	GF	-	78,406	78,406	78,406	78,406	78,406	78,406
Total for Current and Potential Non-Voted G.O Debt			408,569	419,391	381,611	296,155	284,683	252,914
Total Annual Debt Service Amount (over) under policy limit			(110,579)	(119,391)	(81,611)	3,845	15,317	47,086
Annual Debt Service as % of general fund operating revenues			4.1%	4.2%	3.8%	3.0%	2.8%	2.5%

Foot Notes:

1. Even though REET funds are providing 75% of annual debt service payments, this is included in annual debt service limit for purposes for the City's policy limit, since the City issued it as GO Bond.
1. Even though Tourism fund is providing 100% of annual debt service payments, this is included in annual debt service limit for purposes for the City's policy limit, since the City issued it as GO Bond.
3. Capital leases are regarded as general obligation debt.
4. Assume \$1.2 million at interest rate of 2.75% , for a 20-year maturity, with semi-annual payments.

DEBT MANAGEMENT and POST-ISSUANCE COMPLIANCE POLICY FOR CITY OF CHEHALIS, WASHINGTON

This Debt Management and Post-Issuance Compliance Policy ("Debt Management Policy") is intended to guide decision making about debt financing and ensure post-issuance compliance for tax-exempt debt issuances made by the City of Chehalis, Washington ("City").

I. THE USE OF DEBT:

- Debt should be used to finance assets with substantial useful lives.
- The term of the debt must not exceed the projected useful life of the asset.
- Nothing under \$100,000 should be financed with bonded long-term debt.
- Current operations and maintenance should not be financed with long-term debt.

II. DEBT PLANNING POLICIES:

- The City's financial management policies should be oriented to maintain a balanced relationship between issuing debt and using pay-as-you-go financing.
- The scheduled maturities of long-term obligations should not exceed the expected useful life of the capital project or asset(s) financed.
- In determining which type of bond to issue, the following factors should be considered:
 - a) The direct and indirect beneficiaries of the project. A significantly larger portion of [residents/citizens](#) should benefit from projects financed by general obligation bonds.
 - b) The revenues that may be raised by alternative types of user charges.
 - c) The cost-effectiveness and equity of user charges.
 - d) The effect of the proposed bond issue on the City's ability to finance projects of potentially higher priority in the future.
 - e) The interest cost of each type of bond.
 - f) The impact on the City's financial condition and credit rating.
 - g) The additional cost for operations and maintenance or the cost savings that will result from the new facility or equipment.

III. TYPES OF DEBT:

A. General Obligation Bonds:

R.C.W. 39.36.020 limits the City's long-term general obligation debt (this is debt which pledges the full faith and credit of the City for repayment, not just a specific revenue source).

The City is limited to one and a half 4.5-percent (1.5%) of the value of taxable property on "councilmatic" bonds, or bonds that can be issued without [voter approval through](#) an election. With the approval of three-fifths of the voters voting at an election held for that purpose, there is a limitation of two and one-half percent of the value of the taxable property. Whether the debt issued is a combination of "councilmatic" bonds and voter

approved bonds, or only voter approved bonds, the two and one-half percent (2.5%) limitation still applies.

The City may, with such approval, become indebted to larger amounts, but not exceeding two and one-half percent (2.5%) each for supplying the City with water or sewer services (utilities), and for acquiring or developing open space and park facilities.

This debt must be repaid from the general operating revenues of the City unless the ballot measure also authorizes an excess property tax levy. In other words, the authority of the City to issue non-voter approved bonds does not imply the authority to exceed property tax limits.

R.C.W. 84.52.056 authorizes the City to levy additional property taxes for capital improvement purposes only (the replacement of equipment is prohibited), and this levy must also be approved by three-fifths of the voters.

Policies for General Obligation Bonds:

- General obligation debt should be used to finance only those capital improvements and long-term assets which have been determined to be essential to the maintenance or development of the City.
- General obligation debt should be used only after considering alternative funding sources, such as project revenues, federal and state grants, user fees, and special assessments.
- Bond proceeds should only be used for the following: construction project costs, acquisition of other expensive fixed assets (such as a street sweeper or fire truck), bond issuance costs, and the refunding of outstanding bond issues.
- Annual debt service on non-voted long-term general obligation debt should not exceed 4.23% of general fund operating revenues or \$420,000 per year, whichever is greater.

Commented [CS1]: This needs to be increased to 3.3% at a minimum for 2020. Recommend to increase to 4.2% or \$420,000 per year, whichever is greater.

B. Revenue Bonds:

Revenue bonds are bonds whose principal and interest are payable exclusively from the earnings of an enterprise fund. Revenue bonds are secured by the income of the utility. A rate ~~covenant~~ covenant is established, which pledges that rates will be maintained sufficient to meet the cost of operations and maintenance, pay debt service, create reserves, and meet contingencies. The "debt service coverage" provides a margin of safety for the bond holders. Revenue bond interest rates are usually higher than general obligation bonds, but they don't not require voter approval.

Policies for Revenue Bonds:

- A financial feasibility study should be performed for each project to determine whether it is in the best interests of the City to issue debt or use existing reserves.
- Bond proceeds should only be used for the following: project construction costs, acquisition of other fixed assets, bond issue costs, debt service requirements, and refunding of outstanding bond issues.

C. Special Assessment Bonds:

Special assessment bonds are bonds payable from the proceeds of special assessments. They are used for Local Improvement Districts or Utility Local Improvement Districts, which are usually neighborhood-based or which have defined geographic boundaries in any case.

Policies for Special Assessment Bonds:

- Bond proceeds should only be used for the following: project construction costs, acquisition of other fixed assets, bond issue costs, debt service requirements, and refunding of outstanding bond issues.

D. Government Loans:

There exist a wide variety of Federally and State funded loan programs. The listing below is neither intended to be comprehensive nor exhaustive. When contemplating entering into a loan with a government agency, some key aspects of a loan which should be considered: a) whether it is to be a General Obligation debt or a Revenue debt; b) interest rates; c) debt covenants; d) debt maturity; and e) special requirements.

a) CERB Loans:

The state's Community Economic Revitalization Board (CERB) funds public infrastructure that will result in specific private developments or expansions in manufacturing, production, food processing, assembly, warehousing, industrial distribution, recycling facilities, or businesses that substantially support the trading of goods and services outside the state's borders. CERB requires job creation or retention.

Applications must include evidence that a private development or expansion is ready to occur and will only occur if CERB funds are provided.

Applicants must demonstrate that no other timely source of funds is available at reasonable similar rates. Interest rates generally match the most current rate of Washington State bonds but do not exceed ten 40 percent (10%). The repayment term is up to twenty (20) years.

b) PWTF Loans:

Public Works Trust Fund (PWTF) loans provide financial assistance for a variety of projects.

In the area of planning, capital facilities plans and comprehensive system plans (e.g., water system plans) are eligible for funding. However, these funds are only available for new plans, not for routine updates.

In the area of construction, PWTF loans provide financial assistance for the construction of new or expanded infrastructure facilities (road, bridge, domestic water, sanitary sewer, and storm sewer). This construction must meet existing standards.

PWTF loans have an interest rate range from zero to three percent (3%), and a maximum loan term of twenty (20) years. To qualify for a reduction on the loan rate, there must be extraordinary financial hardship, significant local financial commitment, or other valid reasons.

c) Local Option Capital Asset Lending (LOCAL)

The LOCAL program is an expanded version of the state agency lease/purchase program. The program was originally created by the Legislature in 1989 (RCW 39.94) to provide the lowest cost financing for state agency purchases by pooling funding needs into larger offerings of securities. The Legislature passed legislation in 1998 to ~~provide~~ provide ~~local~~ provide ~~local~~ governments access to the program. Local government agencies of all types can finance equipment or real estate needs through the State Treasurer's office subject to existing debt limitations and financial considerations.

F. Leases

Leases ~~These~~ should only be used as a last resort. They generally carry a higher interest rate and require additional significant staff time to meet reporting requirements. Therefore, they may not be as cost effective as other means of financing.

Policies on Leases:

- The lease must mature prior to the end of the useful life of the equipment.
- A financial analysis must be made to determine that the cost of the lease does not exceed the value of the asset.

Again, this debt ties back to the General Obligation debt. ~~There is a three-quarters-of-one-percent-of the value of taxable property limitation on capital leases.~~

Commented [CS2]: This is no longer valid and to be deleted.

IV. POST-ISSUANCE COMPLIANCE FOR TAX-EXEMPT BONDS

1. Purpose. The purpose of this section on post-issuance compliance (the "Compliance Section") for tax-exempt bonds issued by the City is to ensure that the City will be in compliance with requirements of (i) the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied with respect to such bonds (collectively, the "bonds") after the bonds are issued, and (ii) any continuing disclosure undertakings the City has entered into pursuant to Rule 15c2-12 promulgated by the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, as applicable to a participating underwriter for the bonds.

2. Responsibility for Monitoring Post-Issuance Tax Compliance. The City Council has the overall, final responsibility for monitoring whether the City is in compliance with post-issuance federal tax requirements. However, by Ordinance No. 878-8, the City Manager of the City (the "City Manager") and the Finance ~~Manager-Director~~ of the City (the "Finance ~~Manager-Director~~"), acting under the direction of the City Manager, are authorized and directed to take any actions and to execute documents as in his or her judgment that may be necessary or desirable to carry out the terms of such ordinance, including the proper application, use, and investment of bond proceeds. Accordingly, the Finance ~~Manager-Director~~ undertakes the primary operating responsibility of monitoring compliance with post-issuance federal tax requirements for the bonds, including the implementation of this Compliance Section of the City's Debt Management Policy.

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

(a) confirm the City's compliance with the requirements set forth in paragraphs 4, 5 and 6 below;

(b) inquire with the principal officers of those departments of the City for which property is financed with proceeds of bonds as to whether the property has experienced any material change in use that includes "private business use" (as such term is defined in paragraph 5(a) below); and

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

(d) report, at least annually, to the City Manager on actions taken to ensure compliance with the Compliance Section of this policy.

(d)

A copy of this Debt Management Policy shall be kept with other City records that are to be readily accessible to any person or officer of the City succeeding the responsibilities of Finance Manager/Director, during the lifetime of any bonds.

4. Arbitrage Yield Restriction and Rebate Requirements. The Finance Manager/Director shall maintain or cause to be maintained records of:

(a) purchases and sales of investments made with bond proceeds (including amounts treated as "gross proceeds" of bonds under Section 148 of the Code) and receipts of earnings on those investments;

(b) expenditures made with bond proceeds (including investment earnings on bond proceeds) in a timely and diligent manner for the governmental purposes of the bonds, such as for the costs of purchasing, constructing and/or renovating property and facilities;

(c) information showing, where applicable for a particular calendar year, that the City was eligible to be treated as a "small issuer" in respect of bonds issued in that calendar year because the City did not reasonably expect to issue more than \$5,000,000 of bonds in that calendar year;

(d) calculations that will be sufficient to demonstrate to the Internal Revenue Service (the "IRS") upon an audit of a bond issue that, where applicable, the City has complied with an available spending exception to the arbitrage rebate requirement in respect of that bond issue;

(e) calculations that will be sufficient to demonstrate to the IRS upon an audit of a bond issue for which no exception to the arbitrage rebate requirement was applicable, that the rebate amount, if any, that was payable to the United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS; and

(f) information and records showing that investments held in yield-restricted advance refunding or defeasance escrows for bonds, and investments made with unspent bond proceeds after the expiration of the applicable temporary period, were not invested in higher-yielding investments.

5. Restrictions on Private Business Use and Private Loans. The Finance Manager/Director, shall adopt procedures authorized by the City Manager that are calculated to ensure that the City complies with rules limiting private business use of bond-financed property by educating and informing the principal operating officials of those departments, including utility departments, if any, of the City (the "users") for which land, buildings, facilities, and equipment ("property") are financed with proceeds of bonds about the restrictions on private business use that apply to that property after the bonds have been issued, and of the restriction on the use of proceeds of bonds to make or finance any loan to any person other than a state or local government unit.

In particular, following the issuance of bonds for the financing of property, the Finance Manager/Director shall provide to the users of the property a copy of this Compliance Policy and other appropriate written guidance advising that:

(a) "private business use" means use by any person other than a state or local government unit, including business corporations, partnerships, limited liability companies, associations, *nonprofit corporations*, natural persons engaged in trade or business activity, and

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the *United States of America and any federal agency*, as a result of ownership of the property or use of the property under a lease, management or service contract (except for certain "qualified" management or service contracts), output contract for the purchase of electricity or water, privately sponsored research contract (except for certain "qualified" research contracts), "naming rights" contract, "public-private partnership" arrangement, or any similar use arrangement that provides special legal entitlements for the use of the property;

(b) under Section 141 of the Code, no more than ten percent (10%) of the proceeds of any bond issue (including the property financed with the bonds) may be used for private business use, of which no more than five percent (5%) of the proceeds of the bond issue (including the property financed with the bonds) may be used for any "unrelated" private business use—that is, generally, a private business use that is not functionally related to the governmental purposes of the bonds; and no more than *the lesser of \$5,000,000 or five percent (5%)* of the proceeds of a bond issue may be used to make or finance a loan to any person other than a state or local government unit;

(c) before entering into any special use arrangement with a nongovernmental person that involves the use of bond-financed property, the user must consult with the City Manager and the Finance ~~Manager~~Director, provide them with a description of the proposed nongovernmental use arrangement, and they will determine whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property;

(d) in connection with the evaluation of any proposed nongovernmental use arrangement, the City Manager and the Finance ~~Manager~~Director should consult with nationally recognized bond counsel to the City as may be necessary to obtain federal tax advice on whether that use arrangement, if put into effect, will be consistent with the restrictions on private business use of the bond-financed property, and, if not, whether any "remedial action" permitted under Section 141 of the Code may be taken by the City as a means of enabling that use arrangement to be put into effect without adversely affecting the tax-exempt status of the bonds that financed the property; and

(e) the Finance ~~Manager~~Director and the user of the property shall maintain records of such nongovernmental uses, if any, of bond-financed property, including copies of the pertinent leases, contracts or other documentation, and the related determination that those nongovernmental uses are not inconsistent with the tax-exempt status of the bonds that financed the property.

6. Records to be Maintained for Bonds. It is the policy of the City that, unless otherwise permitted by future IRS regulations or other guidance, written records (which may be in electronic form) will be maintained with respect to each bond issue for as long as those bonds remain outstanding, plus three (3) years. For this purpose, the bonds include refunding bonds that refund the original bonds and thereby refinance the property that was financed by the original bonds.

The records to be maintained include:

- (a) the official Transcript of Proceedings for the original issuance of the bonds;
- (b) records showing how the bond proceeds were invested, as described in paragraph 4(a) above;
- (c) records showing how the bond proceeds were spent, as described in paragraph 4(b) above, including purchase contracts, construction contracts, progress payment requests, invoices, cancelled checks, payment of bond issuance costs, and records of "allocations" of bond proceeds to make reimbursement for project expenditures made before the bonds were actually issued;
- (d) information, records and calculations showing that, with respect to each bond issue, the City was eligible for the "small issuer" exception or one of the spending exceptions to the arbitrage rebate requirement or, if not, that the rebate amount, if any, that was payable to the

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United States of America in respect of investments made with gross proceeds of that bond issue was calculated and timely paid with Form 8038-T timely filed with the IRS, as described in paragraphs 4(c), (d) and (e) above; and

(e) records showing that special use arrangements, if any, affecting bond-financed property made by the City with nongovernmental persons, if any, are consistent with applicable restrictions on private business use of property financed with proceeds of tax-exempt bonds and restrictions on the use of proceeds of bonds to make or finance loans to any person other than a state or local government unit, as described in paragraph 5 above.

The basic purpose of the foregoing record retention policy for the bonds is to enable the City to readily demonstrate to the IRS upon an audit of any bond issue that the City has fully complied with all federal tax requirements that must be satisfied after the issue date of the bonds so that those bonds continue to be eligible for the applicable tax exemption under the Code.

7. Identification and Remediation of Potential Violations of Federal Tax Requirements for Bonds. If at any time during the life of an issue of bonds, the City discovers that a violation of federal tax requirements applicable to that issue may have occurred, the ~~the~~ City Manager and/or Finance ~~Manager-Director~~ will consult with bond counsel to determine whether any such violation actually has occurred and, if so, take prompt action to accomplish an available remedial action under applicable Internal Revenue Service regulations or to enter into a closing agreement with the Internal Revenue Service under the Voluntary Closing Agreement Program described under Notice 2008-31 or other future published guidance.

8. Education Policy With Respect to Federal Tax Requirements for Tax-Exempt Bonds. As authorized by the City Manager, it is the policy of the City that the Finance ~~Manager-Director~~ and his or her staff, as well as the principal operating officials of those departments of the City for which property is financed with proceeds of bonds, should be provided with education and training on federal tax requirements applicable to bonds. The City recognizes that such education and training is vital as a means of helping to ensure that the City remains in compliance with those federal tax requirements in respect of its bonds. The City therefore will enable the Finance ~~Manager-Director~~ to attend and participate in educational and training programs offered by, among others, the Washington Finance Officers Association with regard to the federal tax requirements applicable to bonds. The Finance ~~Manager-Director~~ will provide training to staff, as appropriate, in order to ensure compliance with tax-exempt federal tax requirements.

V. ~~V.~~ POLICY ADOPTION

~~Debt Management and Post-Issuance Compliance Policy~~ is revised and adopted by Resolution No. 2-2020 with an effective date of February 10, 2020. The policy shall be reviewed as deemed necessary and the ~~City~~-Council as a whole must approve any modifications made thereto.

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**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Lilly Wall, Recreation Manager

MEETING OF: February 10, 2020

SUBJECT: Resolution No. 2-2020, First and Final Reading – Establishing Fees for Use of Athletic Facilities

ISSUE

A formal fee structure for the use of the City's athletic facilities needs to be established. This is the ideal time to evaluate the City's current process and develop a fee structure that supports our newly renovated sports complex at Recreation Park and existing facilities at Stan Hedwall Park. The proposed rates reflect the state-of-the-art facility the City now has at Recreation Park, as well as addressing all other athletic facilities the City operates.

BACKGROUND

Currently there is no adopted fee schedule for the use of athletic facilities. Until now, tournaments hosted on City facilities have been offered as a part of the City's recreation program. The renovation of the Chehalis Sports Complex is nearly complete and there is a need to promote the rental of our facility to outside groups and associations to bring in a variety of events throughout the year.

In order to schedule the tournaments, the City needs to establish a fee schedule that reflects the quality of the facility, while being competitive with other facilities with similar amenities. The fees also need to help offset the increased costs of maintaining the City's facilities, particularly the improvements to the ballfields at the Chehalis Sports Complex at Recreation Park. While the proposed fees will not cover all of the direct and indirect costs of maintaining the facilities, it will help.

PROPOSED RATE SCHEDULE

The recommended rate schedule was developed after evaluating a number of factors, including the fees charged by other like facilities and increased maintenance costs associated with the new ballfields at the Chehalis Sports Complex. Thoughtful consideration and an assessment of other like facilities was used to establish fees that support both local users and outside groups that want to rent City facilities for the purpose of hosting athletic events, such as tournaments, leagues, camps, and clinics.

In addition, the City does not currently charge user fees to our resident youth sport organizations. We do require reimbursement for supplies purchased related to each group's specific needs such as, chalk, paint, field dry, etc. However, this does not cover the cost of utilities, cleaning supplies, toilet paper, paper towels, garbage bags, hand soap, or staff time for administrative assistance and facility maintenance. The reasoning behind this practice was 1) The positive benefits available to Chehalis youth through participation in sports, which in turn helps the community over the long-term; and 2) Periodically, the City would partner with the volunteers in the youth sports organizations to make facility improvements, which would often have more value than collecting fees.

While the value of youth sports participation has become more important than ever, the ability of parents and other volunteers to invest time into improvement projects has diminished as the pace of family life has increased. As a result, there has been a steady decline in such partnerships to maintain and/or improve facilities and it is recommended that the City establish a fee schedule for resident users of the City's facilities. The fee schedule proposed includes the option of using the cost of an approved facility improvement project completed in partnership the City to offset the cost of user fees.

The attached proposed fee schedule addresses both Outside User and City Approved non-profit Youth Organizations for the use of athletic facilities. The recommended fee schedule was created by reviewing what other neighboring City's with similar amenities charge. The resident non-profit youth sport fees correlate very closely with the City of Centralia's fee structure.

RECREATION PARK COMMITTEE REVIEW

The City Council's Recreation Park Committee was briefed on the proposal to increase fees and two of the three members met specifically to review the proposed fee schedule in detail. The Committee recommends that the City Council approve the new fees.

FISCAL IMPACT

The fiscal impact of the fee changes for 2020 is uncertain. The impact on revenue and facility use will be evaluated after the first year of incorporating the proposed fee schedule, if approved.

RECOMMENDATION

It is recommended that the City Council adopt Resolution No. 2-2020 establishing fees for the use of Athletic Facilities.

SUGGESTED MOTION

I move that the City Council adopt Resolution No. 2-2020 on first and final reading.

RESOLUTION NO. 2-2020

A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON, ESTABLISHING FEES FOR USE OF ATHLETIC FACILITIES, AND PROVIDING FOR AN EFFECTIVE DATE HEREOF.

WHEREAS, the City does not have a current fee schedule for the use of its public athletic facilities; and

WHEREAS, with the renovation of the Recreation Park facilities, city staff has evaluated the current process and fee structure to support the newly renovated sports complex, as well as other athletic facilities; and

WHEREAS, city staff has given thoughtful consideration and thorough research to propose fees that support both local users and outside groups utilizing the athletic facilities for events, and inform City Council of the same; now, therefore,

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

Section 1. The City shall adopt the fee structure set forth in “Addendum A” hereto, establishing fees for use of city athletic facilities.

Section 2. Said fee structure shall be incorporated into the City Fee Schedule.

Section 3. The effective date of this Resolution shall be immediately upon its adoption.

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 _____, 2020.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

Chehalis Athletic Facility Use Fee's for Outside Users

For private or a non-profit organization not affiliated with a City approved non-profit organization.

Recreation Park - Chehalis Sports Complex (Fields 1, 2, 3, 4)

- Facility Charge - \$200 per day or \$50 per field per day
- Field Rental - \$25 per hour per field
- Lights - \$10 per game
- Gate Admission Fee (if charged by user) - \$25 per field per day
- Vendor Fee - \$25 per day, cannot sell food or drink
- Tournament's require a \$200 non-refundable deposit to reserve facility to be applied toward tournament fees

Stan Hedwall Park - Slowpitch Complex (Fields 1, 2, 3, 4)

- Facility Charge - \$100 per day or \$25 per field per day
- Field Rental - \$20 per game per field
- Gate Admission Fee (if charged by user) - \$25 per field per day
- Vendor Fee - \$25 per day, cannot sell food or drink, unless approved
- Tournament's require a \$100 non-refundable deposit to reserve facility to be applied toward tournament fees

Stan Hedwall Park - Little League Complex (Fields 1, 2, 3, 4)

- Facility Charge - \$100 per day or \$25 per field per day
- Field Rental - \$20 per game per field
- Lights - \$10 per game
- Gate Admission Fee (if charged by user) - \$25 per field per day
- Vendor Fee - \$25 per day, cannot sell food or drink, unless approved
- Tournament's require a \$100 non-refundable deposit to reserve facility to be applied toward tournament fees

Babe Ruth Complex (Fields 1, 2)

- Facility Charge - \$50 per day or \$25 per field per day
- Field Rental - \$20 per game
- Gate Admission Fee (if charged by user) - \$25 per field per day
- Vendor Fee - \$25 per day, cannot sell food or drink, unless approved
- Tournament's require a \$100 non-refundable deposit to reserve facility to be applied toward tournament fees

Stan Hedwall Park Soccer Fields (Full Sized Fields, Mod Fields, Micro Fields)

- Facility Charge for tournaments - \$100 per day or \$25 per field per day
- Full Size Field (U13+) - \$25 per field per game
- Mod Size Field (U12) - \$20 for up to 2 fields per round of games
- Mod Size Field (U10) - \$20 for up to 2 fields per round of games
- Micro Size Field (U6/U8) - \$20 for up to 4 fields per round of games

Stan Hedwall Park Large Batting Cage

- Facility Charge for scheduled use (August – January) must benefit Chehalis youth - \$100, per approved User
- Facility Charge for a Camp or Clinic, must benefit Chehalis youth - \$50 per day
- Outside users will be scheduled ONLY if space allows

Chehalis Athletic Facility Use Fee's for Outside Users Cont.

Camp/Clinic/Other Use Fees – Baseball, Softball or Soccer Fields

- Field Use - \$25 per hour per field – Recreation Park, Sports Complex
- Field Use - \$25 per field per 0-2-hour time period – Hedwall Sport Fields

Additional Amenities—must be requested in advance:

- Portable outfield fencing - \$150 per field (200') plus \$5 per additional panel
- Field drying agent – at cost per bag (currently \$13)
- Field Chalk – at cost per bag (currently \$10)
- Field Paint – at cost to be tracked by supplies purchased and staff time needed to paint
- Press box/sound system (Chehalis Sports Complex, Babe Ruth) – included in facility charge
- Upstairs room (Chehalis Sports Complex) – included in Facility Charge
- Sound system (Chehalis Sports Complex) – included in Facility Charge
- Permanent scoreboard (Chehalis Complex Fields 1 & 2, Babe Ruth Field 1, Little League Fields 1 & 2) – included in facility charge
- Vendors, or sale of concessions or goods – \$25 per day, but by permission only and is subject to restrictions or limitations due to existing concessionaire contracts
- Requests for other amenities or services will be considered and are subject to additional fees

Chehalis Athletic Facility Use Fee's for City Approved Non-profit Youth Organizations

For youth athletic organizations who have entered into a Recreational Service Agreement with the City of Chehalis for the use of City facilities: Chehalis Girls Fastpitch Association, Chehalis Little League, Twin Cities Babe Ruth Association, Chehalis Youth Soccer, Twin Cities Youth Football, select athletic teams/programs formed for the benefit of Chehalis residents.

Chehalis Sports Complex (Fields 1, 2, 3, 4)

- Field Rental - \$15 game
- Lights - \$10 per game or practice - lights are not to be used for practice unless approved

Stan Hedwall Park - Little League Complex (Fields 1, 2, 3, 4)

- Field Rental - \$15 per game per field
- Lights - \$10 per game or practice - lights are not to be used for practice unless approved
- Small Cage – no charge
- Large Cage (February – July) - \$300, per season

Babe Ruth Complex (Fields 1, 2)

- Field Rental - \$15 per game
- Lights - \$10 per game or practice – lights are not to be used for practice unless approved
- Large Cage (February – July) - \$300 per season

Stan Hedwall Park Soccer Fields

- Field Rental - \$10 per game or the cost of field paint, whichever is greater

Stan Hedwall Park Youth Football Practice Facilities

- Practice Field Rental - \$ 200 season fee

Stan Hedwall Park Large Batting Cage

- Facility Charge for scheduled use (August – January) must be affiliated with a Chehalis Youth non-profit organization - \$50, per approved User

Camp/Clinic/Other Use Fees – Baseball, Softball or Soccer Fields

- Field Use - \$25 hour per field per 0-2-hour time period – Chehalis Sports Complex
- Field Use - \$25 per field per 0-2-hour time period – Stan Hedwall Sport Fields

Fees for supplies the city purchases to maintain facilities for league use

- Field drying agent – at cost per bag (currently \$13)
- Field Chalk – at cost per bag (currently \$10)
- Field Paint – at cost to be tracked by supplies purchased. Receipts for purchase of supplies will be provided upon request of reimbursement.
- Press box/sound system (Chehalis Sports Complex, Babe Ruth, Little League) – no charge
- Upstairs room (Chehalis Sports Complex) – no charge
- Sound system (Chehalis Sports Complex) – no charge
- Permanent scoreboard (Chehalis Sports Complex Fields 1 & 2, Babe Ruth Field 1, Little League Field 1 & 2) – no charge
- Requests for other amenities or services will be considered and are subject to additional fees

The cost of an approved facility improvement project completed in partnership with a non-profit youth organization and the City of Chehalis may be used to offset annual facility use fees upon review and approval.

DRAFT

**CITY OF CHEHALIS CITY COUNCIL
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Lilly Wall, Recreation Manager

MEETING OF: February 10, 2020

SUBJECT: Recreation Park Scoreboard Agreement with L&E Bottling

ISSUE

Request approval of the proposed Scoreboard Agreement with L & E Bottling, Inc., which is attached for your review.

DISCUSSION

L & E Bottling, Inc., desires to furnish two Daktronic Baseball/Softball Scoreboards for the newly renovated sports complex valued at approximately \$42,000 total and supply dispensing/cooling equipment along with maintenance and replacement of said beverage equipment. In exchange, L & E Bottling, Inc., requests advertising space on the scoreboard units for their corporate logo, as well as exclusive beverage sales within the park for a 20-year term.

Upon acceptance of the scoreboards, the City will be responsible to install the scoreboards and at this time assume sole exclusive control and ownership of the scoreboards, subject only to the agreed advertising term of 20 years.

Erin Hillier, the City's Acting City Attorney, has been very involved in the drafting of the agreement in cooperation with the legal counsel for L&E. The City Council's Recreation Park Committee has also been briefed on the proposal and recommend City Council approval.

FISCAL IMPACT

The cost to install the scoreboards is included in the Recreation Park Improvement Project Budget. If the agreement is not approved, the City will need to identify and allocate funds to purchase scoreboards. There are no direct costs associated with the agreement and the City and approval would allow the scoreboards to be available this Spring.

Based on the formula used by L & E Bottling for similar contracts, the value assigned to the scoreboards exceeds the exchange in value of the sales and advertising received by L & E

Bottling Inc., by approximately \$22,000. L & E intends to gift and/or donate this portion of the scoreboards value to the City. If L & E elects to claim tax benefits associated with the donated value of \$22,000, the City will provide reasonable written verification of the City's receipt of the donation and the value thereof upon request.

RECOMMENDATION

It is recommended that the City Council approve entering a 20-year term agreement with L & E Bottling, Inc., for the acceptance of two Daktronic Baseball/Softball Scoreboards valued at \$42,000 and dispensing/cooling equipment along with maintenance and replacement of said beverage equipment. In exchange, the City will provide advertising space on the scoreboard units for their corporate logo and exclusive beverage sales within Recreation Park.

SUGGESTED MOTION

I move that the City Council approve entering into a 20-year term agreement with L & E Bottling, Inc., for acceptance of two Daktronic Baseball/Softball Scoreboards, and authorize the City Manager to execute the agreement.

RECREATION PARK SCOREBOARD AGREEMENT

THIS AGREEMENT (this "Agreement") is made this ____ day of _____, 2012, by and between the L & E BOTTLING COMPANY, INC. ("L&E") and the CITY OF CHEHALIS, WASHINGTON, a municipal corporation (the "City").

RECITALS

WHEREAS, the City owns a public park located at _____ 13th Street, Chehalis, Washington, called "Recreation Park" (the "Park"); and

WHEREAS, the City has commenced full renovation of the Park, including ball fields, playgrounds, facilities, and amenities; and

WHEREAS, L&E desires to furnish the City two (2) Daktronic Baseball/Softball Scoreboards for the Park, as set forth more fully below (the "Scoreboards"), and the City desires to accept the Scoreboards; and

WHEREAS, L&E desires to advertise its company logo on the scoreboard for a certain period, and have an exclusive beverage contract and dispensing/cooling equipment of equal value for same limited term;

WHEREAS, the parties desire to set forth the terms and conditions of their intentions in this Agreement.

NOW THEREFORE, for and in good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. The Scoreboards. L&E agrees to furnish the City, and the City agrees to accept from L&E, two (2) Daktronic Baseball/Softball Scoreboards. The Donation shall consist of the following:

**Two (2) Daktronics Inning-by-inning Scoreboards with Identification Panels.
Model BA-2005-A-PV-F
Units include radio transmitters and two ad panels per scoreboard.**

1.1. The City will be responsible for installation of the Scoreboards at the Park location.

1.2. The City, upon acceptance of the Scoreboards, will have sole and exclusive control and ownership of the Scoreboards, subject *only* to the advertising term outlined herein under Section 3.

2. Value. The parties agree that a reasonable estimate of the total value of the Scoreboards is approximately **FORTY-TWO THOUSAND DOLLARS AND 00/100 (\$42,000.00)**.

3. Advertising and Beverage Sales. The City will provide L&E advertising space upon the Scoreboard units for its corporate logo, as well as exclusive beverage sales within the Park for the term of said agreement set forth in Section 4 below. In exchange and in addition to furnishing the Scoreboards, L&E will supply all beverage dispensing and cooling equipment, along with maintenance and replacement of said beverage equipment for the same term.

3.1 Value of Advertising and Exclusive Beverage Rights. The parties agree that a reasonable estimate of the total value of advertising and exclusive beverage rights is approximately **TWENTY THOUSAND AND 00/100 (\$20,000.00)** based upon the formula used by L&E for similar contracts.

4. Donation. The value assigned to the Scoreboards exceeds the exchange in value of sales and advertising received by L&E by approximately **TWENTY-TWO THOUSAND AND 00/100 (\$22,000.00)**. L&E intends to gift and/or donate this portion of the Scoreboards value to the City. If L&E elects to claim tax benefits associated with the donated value, the City agrees, upon request, to provide L&E reasonable written verification of the City's receipt of the donation and the value thereof; provided that the City makes no representations, warranties or guarantees relating to the tax implications of such donation.

5. Term. The agreement for advertising and beverage equipment/sales shall be for twenty (20) year term. This term may be extended for one (1) year for every \$1000.00 additional investment that L&E makes in permanent fixtures installed at the Park. Term extensions must be in writing.

5.1. Upon expiration of the term, the City shall remove L&E's advertised logo from its Scoreboards.

6. Indemnification.

6.1 By L&E. L&E shall protect, defend, indemnify and hold harmless the City, its officers, employees and agents (collectively, the "Indemnified Parties") from any and all costs, claims, liabilities, judgments or awards of damages, including attorney's fees (collectively, the "Claims") arising out of or in any way resulting from L&E's and/or L&E's officers', agents', employees' and subcontractors' performance of this Agreement, except that the City shall be liable for any Claim(s) caused solely by the negligence or willful misconduct of the Indemnified Parties. The foregoing duty is specifically and expressly intended to constitute a waiver of L&E's immunity under Washington's Industrial Insurance Act, RCW Title 51, as respects the City with a full and complete indemnity and defense of claims made by L&E's employees. The parties acknowledge that these provisions were mutually negotiated upon by them.

6.2 By the City. The City shall protect, defend, indemnify and hold harmless the City, its officers, employees and agents (collectively, the "Indemnified Parties") from any and all costs, claims, liabilities, judgments or awards of damages, including attorney's fees (collectively, the "Claims") arising out of our in any way resulting from the City's and/or the City's officers', agents', employees' and subcontractors' performance of this Agreement, except that L&E shall be liable for any Claim(s) caused solely by the negligence or willful misconduct of the

Indemnified Parties. The foregoing duty is specifically and expressly intended to constitute a waiver of the City's immunity under Washington's Industrial Insurance Act, RCW Title 51, as respects L&E with a full and complete indemnity and defense of claims made by the City's employees. The parties acknowledge that these provisions were mutually negotiated upon by them.

7. No Discrimination. L&E shall not discriminate against any employee, applicant for employment, or any other person in the performance of this Agreement because of race, creed, color, national origin, marital status, sex, age, disability, or other circumstance prohibited by federal, state or local law or ordinance, except for a bona fide occupational qualification.

8. Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed to be an original, and all of which together will constitute one and the same instrument.

9. Governing Law. This Agreement is governed by and shall be construed according to the laws of the State of Washington. Venue for any dispute arising hereunder shall be Lewis County, Washington.

10. Binding Effect. This Agreement is binding on the City, L&E, and their respective successors, assigns and legal representatives.

11. Assignment. This Agreement may not be assigned without the express written consent of the parties, which consent shall not be unreasonably withheld.

12. Entire Agreement; Amendment. This Agreement sets forth the final and entire Agreement between the parties hereto and neither they nor their agents shall be bound by any terms, conditions, statements, warranties or representations, oral or written, not herein contained. No amendment or modification of this Agreement will be effective unless in writing and signed by the City and L&E.

13. Notices. All notices required or allowed to be given pursuant to this Agreement shall be in writing, and either (i) delivered in person to the party, or (ii) delivered by U.S. mail or private courier, postage prepaid, or (iii) transmitted by facsimile machine to the facsimile number of the receiving party (if any) stated in this Agreement. Notices will be deemed received the earlier of: (a) when actually delivered, if personally delivered, (b) when transmitted if sent by facsimile or email, or (c) three days after placement in the U.S. Mail or delivery to private courier, properly addressed to the recipient.

If to L&E:

L&E Bottling Company, Inc.

If to the City:

City of Chehalis
Parks and Recreation

Chehalis, Washington 98532

Either party may, by like written notice, designate a new address and/or addresses to which such notices shall be directed.

WHEREFORE, the parties have executed this Agreement as of the date stated above.

DONOR:

**L&E BOTTLING COMPANY, INC.,
a Washington corporation**

By _____
Its _____

THE CITY:

**CITY OF CHEHALIS, Washington,
a municipal corporation**

By _____
Its _____