

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

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

Regular Meeting of Monday, August 24, 2015

5:00 p.m.

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

CITIZENS BUSINESS		
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.		

PRESENTATIONS / PROCLAMATIONS		
3. <u>Proclamation Declaring September as Prostate Cancer Awareness Month in Chehalis.</u> (Mayor, Arnie Guenther – Us TOO Southwest Washington Prostate Cancer Support Group)	---	

CONSENT CALENDAR

4. <u>Minutes of the Regular Meeting of August 10, 2015.</u> (City Clerk)	APPROVE	1
5. <u>Vouchers and Transfers.</u> (Finance Manager)	APPROVE	7
6. <u>Appoint Heather Beard to the Chehalis Historic Preservation Commission for a Three-year Term Expiring August 31, 2018.</u> (City Manager, Community Development Director)	APPOINT HEATHER BEARD TO THE CHEHALIS HISTORIC PRESERVATION COMMISSION FOR A 3-YEAR TERM EXPIRING AUGUST 31, 2018	8
7. <u>Resolution No. 10-2015, First and Final Reading – Surplus of City Property.</u> (City Manager, City Clerk)	ADOPT	10
8. <u>Authorize City Manager to Execute Bank Promissory Note with Security State Bank for the Purchase of a 2016 Pierce Dash Class I Engine Pumper.</u> (City Manager, Finance Manager)	AUTHORIZE CITY MANAGER TO EXECUTE PROMISSORY NOTE WITH SECURITY STATE BANK FOR NEW FIRE APPARATUS	13

ADMINISTRATION AND CITY COUNCIL REPORTS

9. <u>Administration Reports.</u>		
a. July financial report. (Finance Manager)	INFORMATION ONLY	36
10. <u>Council Reports.</u>		
a. Councilor reports. (City Council)	INFORMATION ONLY	
b. Council committee reports. (City Council)	INFORMATION ONLY	

UNFINISHED BUSINESS

11. <u>Ordinance No. 944-B, Second and Final Reading – Addressing Panhandling in the City of Chehalis.</u> (City Manager, Police Chief, City Attorney)	PASS	42.
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THE CITY COUNCIL MAY ADD AND TAKE ACTION ON
OTHER ITEMS NOT LISTED ON THIS AGENDA

NEXT REGULAR CITY COUNCIL MEETING WILL BE ON MONDAY, SEPTEMBER 14, 2015

August 10, 2015

The Chehalis city council met in regular session on Monday, August 10, 2015, in the Chehalis city hall. Mayor Dawes called the meeting to order at 4:30 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, and Chad Taylor. Councilor Ketchum was absent (excused). Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney, Judy Schave, City Clerk; Dennis Osborn, Community Development Director; and Glenn Schaffer, Police Chief.

1. **Executive Session.** Mayor Dawes announced the council would be in executive session pursuant to RCW 42.30.110(1)(i) – potential litigation for approximately 30 minutes and there would be no decision following conclusion of the executive session.

Mayor Dawes closed the executive session at 5:10 p.m. and announced the council would take a short recess and reopen the regular meeting at 5:13 p.m. Additional staff included: Judy Pectol, Finance Manager; Peggy Hammer, Human Resources Administrator; Don Schmitt, Acting Public Works Director/Street and Stormwater Superintendent; and David Fleckenstein, Airport Manager. Members of the media included Dameon Pesanti from *The Chronicle*.

2. **Special Business.** The council interviewed Heather Baird who submitted an application to be considered for appointment to the Chehalis Historic Preservation Commission.

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

- a. Minutes of the regular meeting of July 27, 2015;
- b. Claim Vouchers No. 113162-113299 in the amount of \$206,066.91 dated July 31, 2015; and Payroll Vouchers No. 38229-38318, Direct Deposit Payroll Vouchers No. 6234-6322 and Electronic Federal Tax Payment No. 150 in the amount of \$745,231.45 dated July 31, 2015; and
- c. Adopt Resolution No. 07-2015 on first and final reading – revising Title 17 Appendix Chapter "A" (schedule of fees and charges) of the Uniform Development Regulations.

The motion was seconded by Councilor Pope and carried unanimously.

4. **Administration Reports.**

a. **Update on Activities at the Chehalis-Centralia Airport.** City Manager MacReynold introduced Airport Manager David Fleckenstein and asked him to talk briefly about his background and to report on the various activities happening at the airport. He stated the city is very fortunate to have Mr. Fleckenstein as our new airport manager.

Mr. Fleckenstein reported he's a 25-year Veteran from the United States Army (Army Aviator), and just transitioned this summer. He noted he has two children who are both scholars and athletes and highly energetic, and his wife is a chemistry teacher at Tumwater High School.

Mr. Fleckenstein provided updates on the retail area and talked briefly about what they have going on at the airport itself. He noted the Arkansas Way Extension Project is underway, adding the fill is going well and they are meeting with the construction team twice a month with city officials and public works to sync the ongoing efforts. Mr. Fleckenstein reported RB Engineering, Inc., is the lead on the project and is backed up by Sterling Breen Crushing, Inc., the contractor for the project. He noted they will start boring under I-5 on Wednesday, adding if all goes according to schedule they should finish the project in October as opposed to the set date of December 2.

Mr. Fleckenstein reported they have two signed leases on the adjacent property along Arkansas Way (Sonic Drive-In and Dutch Bros. Coffee). He noted both companies are trying to synchronize their efforts with the construction teams, so they don't have to tear up more than they need to after the pavement is laid down.

Mr. Fleckenstein reported they have an additional ground lease contract under review by the city attorney, adding they're close to getting that lease signed.

August 10, 2015

Mr. Fleckenstein reported they also have an interest in the lot between the Arkansas Way Extension and I-5 Toyota. He noted he talked with the realtor of the interested party, but wasn't sure where it would go at this point.

Mr. Fleckenstein stated once he has a good handle on what they're doing with the Arkansas Way Extension he'll start working on a strategic plan for the area surrounding the airport that's synchronized with the City Manager and the city council.

Mr. Fleckenstein reported they're mainly working on infrastructure projects inside the airport, to include painting and cleaning up one of the hangars purchased from PCLI, so they can look at leasing it later in the year. He noted the airport improvement projects are on track to begin construction next year, adding the next step is to get bids out for the apron, tie-down, and taxiway projects.

Mr. Fleckenstein reported their next priority will be to look at completing some projects that have been started. One of those projects is to increase the capacity of their fuel truck. He noted the team has been working on a used vehicle that was purchased for this project. Mr. Fleckenstein stated they have a bid to complete the remaining work; however, they're holding off until they see what their budget looks like as they get closer to the end of the year.

Councilor Lund stated he thought they already bought a fuel truck.

Mr. Fleckenstein reported the fuel truck they purchased was used for a different type of fuel and needed to be modified to deliver aviation fuel. He noted the team has been doing the modifications on their own, but they have reached the limit of their expertise. Mr. Fleckenstein stated for them to go out and purchase a brand new fuel truck it would have cost almost \$200,000. He noted it's substantially less for them to modify the one they purchased, plus they should be able to sell the old fuel truck.

Mr. Fleckenstein reported they have a B-17 coming in on August 31, which will be here for approximately one week.

Councilor Lund inquired as to where it was coming from.

Mr. Fleckenstein reported it would be coming out of Arizona.

Mayor Dawes asked if the B-17 would be fully functional.

Mr. Fleckenstein believed it would be, noting he thought it was the same one that was here three or four years ago.

Councilor Taylor inquired about the underground fuel tanks at the airport and the delivery of fuel.

Mr. Fleckenstein reported the truck they're working on will deliver jet-A fuel to the larger business jets and helicopters. He noted the underground tanks are for customers who just want to refuel their airplanes.

5. Council Reports.

a. **Update From Councilor Pope.** Councilor Pope asked if they could take a look at the various reports, such as the Hyett Palma and Chehalis Renaissance Plan at their next workshop. He noted, with regard to the recommendations made for the downtown area, the last report suggested they look at putting in businesses on the ground level with apartments upstairs.

Councilor Pope stated he was still a little put out by all of the dilapidated buildings in our area, noting some of them are becoming fire hazards. He asked, "If a building is permitted for one thing and they don't bring it up to code, can they create an ordinance to get rid of it?"

City Manager MacReynold reported one of the goals that come out of the council advanced meeting was to look at code enforcement. He indicated they will do that and bring back a process for the council to review and discuss. City Manager MacReynold believed they have clear authority for enforcement, but deferred to the city attorney.

City Attorney Hillier reported, a number of years ago, the city adopted the uniform code for the abatement of dangerous buildings. He noted the uniform code allows the city, if funds are available, to go in and seek an order of condemnation and we

August 10, 2015

can abate the nuisance by tearing the building down. City Attorney Hillier stated the issue is it would be on the city's dime and we don't have a fund to pay for that right now. He noted the law is already in place, so we don't have to worry about creating any new ordinances.

Councilor Spahr asked, "If we do tear a building down can we put a lien on the property?"

City Attorney Hillier stated yes, but our experience has been that we're second or third lien holder to institutions that are ahead of us and we end up getting pennies versus dollars back on those transactions.

Community Development Director Dennis Osborn reported they have a draft letter ready to send off to the property owner of one of the buildings they've received complaints about. He noted there are a variety of potential issues out there and as they take them on they need to figure out what they want to do, whether it's cleaning it up, abating dangerous buildings, or putting funds aside to demo and lien the property.

City Attorney Hillier reported they did have one success story, which was the abatement of the nuisance on West Street. He noted we were able to clean it up and recoup our funds.

Councilor Pope asked, "If a building is out of code, can the city demand they bring it back up to code for the purpose it was permitted for, or is there some kind of penalty the city can impose?"

Mr. Osborn stated probably not, noting if it's an allowed use and they let that use expire, and it's not a dangerous building, it's just an expired use and the city cannot compel them to have that use back in place.

City Attorney Hillier reported the zoning controls the use and it can allow for a number of uses. He noted the city only has the ability to make them compliant with code requirements that were in place at the time the building was constructed.

Councilor Lund stated the building that Councilor Pope talked about earlier is owned by an older citizen. He suggested they go talk to her rather than sending a letter, adding that might get better results.

Mr. Osborn stated he was open to that approach, noting they did that on a complaint received a couple of years ago and had good results.

Mayor Dawes stated, as the council budget committee meets, he would like to take a look at setting up a fund to cover demolition costs, in case they have to take down some buildings in the future. He suggested they could do a title search on the properties first to find out if there are other liens that would take place ahead of us.

b. **Update From Councilor Lund.** Councilor Lund reported the Tacoma rail group that's been studying the Tacoma rail line between Chehalis and Maytown hired Tangent Services to do a feasibility study. He noted they have a core group that meets every two weeks to go over the information and findings of the consultants, so they can determine if the line is worth purchasing.

Mayor Dawes asked if there was a timeline in which they'll complete the study.

City Manager MacReynold thought they were within a few weeks of being done.

c. **Update From Mayor Dawes.** Mayor Dawes reported he attended a ribbon cutting at Maruices on July 31, as well as the third installment of Music in the Park. He noted the citizens seem to enjoy that evening out and hoped it would be something the city can continue in the years to come.

6. **Ordinance No. 943-B, Second and Final Reading – Amending the 2015 Budget.** Ms. Pectol first followed up on a question that was asked at the previous meeting regarding the Office 365 project. She reported the payback period would be fairly short, noting if we don't spend the money now we would have to include \$66,000 in the 2016 budget to upgrade a couple of our servers and related software. Ms. Pectol stated by changing over to Office 365 we'll save \$27,500. She noted the licenses

August 10, 2015

for the new system will cost approximately \$24,000, adding if we stay with what we currently have the licenses will run about \$48,000.

Ms. Pectol reported she made a few additions to the budget amendment since it passed on first reading. She noted the pool concessions were overestimated, so she will be lowering the revenue for that line item. Ms. Pectol stated the pool admission fees are pretty close to what they budgeted; however, depending on the weather and how long staff is available, they may end up with more than what they projected. She reported the revenue for swim lessons is also up over \$2,000. Ms. Pectol reported on the expenditures, noting salaries will be over budget due to the new layout of the pool, which requires more staff.

Councilor Taylor asked if they would come close to breaking even this year with the pool, or is the city still covering some of the costs.

Ms. Pectol stated they would not break even once the overhead costs are added in.

Mayor Dawes suggested staff give a final report at the end of the season to see where we're at.

City Manager MacReynold stated that was a good idea, adding they'll need to know that information for next year's budget, as well.

City Manager MacReynold reported there's a serious commitment by the council and direction to the administration that we are committed to the pool and we will make it work. City Manager MacReynold stated the Chehalis Foundation did an incredible job making the pool a much better facility and over time we will better understand what the costs are for operating it. He noted the pool is an affordable family facility that provides many people an important recreation.

Mayor Dawes stated he didn't believe there's ever been a year when the pool has fully funded itself, or if it ever will. He noted it would be nice to know if the increased use has helped reduce the amount that the city has to cover.

Councilor Harris stated this community will profit for decades to come because of the aquatics center.

Councilor Lund suggested, in order to find out where people are coming from to use the pool, staff should ask for their zip code when they check in.

City Manager MacReynold stated that was a good recommendation.

Councilor Spahr moved to pass Ordinance No. 943-B on second and final reading.

The motion was seconded by Councilor Lund and carried unanimously.

7. Resolution No. 8-2015, First and Final Reading – Authorizing the City Manager to Apply for and Accept the Washington State Department of Transportation Grant Supplementing AIP Project Number: 3-53-0012-016 in the Amount of \$10,550; and Resolution No. 9-2015, First and Final Reading – Authorizing the City Manager to Execute the FAA Grant Offer for AIP Project Number: 3-53-0012-016 in the Amount of \$189,900. Mr. Fleckenstein reported the grant from the state is a supplement to the FAA Grant as a part of the Airport Improvement Program (AIP). He noted under the AIP the FAA pays for 90 percent of the approved projects with the remaining costs split between the state and the sponsor (city). Mr. Fleckenstein reported the state grant will encompass the design fee and engineering services during construction.

Mr. Fleckenstein reported the federal grant for \$189,900 will cover design fees and engineering services during construction to repair the apron, reconfigure the tie-down, and realign the taxiway. He noted the next step would be to come back to the council at a future date to discuss the bid for the actual construction team that will start in 2016.

Councilor Spahr inquired about the numbers for the project being different on the two applications.

Mr. Fleckenstein reported the application to the state was based on the initial estimate that came back, adding it was revised on the second application for the FAA grant.

August 10, 2015

Councilor Harris moved adopt Resolution No. 8-2015 on first and final reading authorizing the city manager to apply for and accept the Washington State Department of Transportation grant supplementing AIP Project Number: 3-53-0012-016 in the amount of \$10,550; and adopt Resolution No. 9-2015 on first and final reading authorizing the city manager to execute the FAA grant offer for AIP Project Number: 3-53-0012-016 in the amount of \$189,900.

The motion was seconded by Councilor Pope and carried unanimously.

8. Ordinance No. 944-B, First Reading – Addressing Panhandling in the City of Chehalis. Police Chief Glenn Schaffer reported, at the May 26 council meeting, Councilor Taylor requested the administration research a panhandling ordinance similar to the one previously passed by the city of Centralia.

Chief Schaffer reported panhandling is a constitutionally protected form of speech, noting the ordinance before the council does not prohibit panhandling. He noted the Supreme Court did say, "The city has a right to enact reasonable time, place and manner restrictions as long as they are narrowly tailored to serve a significant interest and leave upon sufficient alternative channels for communications of the speech," Chief Schaffer believed the ordinance being presented does just that.

Chief Schaffer reported the ordinance defines "coercive" means, and prohibited conduct, to include: coercive solicitation - solicitation within 25 feet to the entrance of any building unless the property owner or manager of that building gives permission to do so; panhandling within 25 feet of a persons parked vehicle while a person is loading or unloading; and after sunset and before sunrise.

Chief Schaffer reported they looked at the history of complaints received for panhandling and the number of traffic accidents within the city. He noted the area that is Chamber Way from State Street all the way over to Louisiana Avenue, and Louisiana Avenue from K-Mart to Home Depot makes up 45 percent of city-wide traffic accidents over the last three years.

Chief Schaffer reported the ordinance is specific to certain locations, adding they identified the on-ramps and/or off-ramps to I-5 at all three of the interchanges within the city, as well as 300 feet of the entrances to parking lots located between the 1200 block to the 2100 block of Louisiana Avenue, as well as existing and future businesses on Arkansas Way. He noted the ordinance also addresses the sale of goods, services, publications, or distributing items in those areas.

Chief Schaffer reported there was one change made to the first draft of the ordinance under Section 3. a. First Offense. He noted a First Offense constitutes a Class I civil infraction with a monetary penalty of \$250. Chief Schaffer reported subsequent violations by the same individual would constitute a misdemeanor charge.

Councilor Taylor asked if trespassing agreements would still be necessary with business owners.

Chief Schaffer stated yes, adding panhandling is not the only form of trespassing. He noted they're seeing a lot of people who are taking up shelter and living in alleys. They also have people who are being disorderly, but not necessarily asking for funds. Chief Schaffer reported phase two of the project is the 'Trespass Authorization Letter.' He noted they plan to take it by hand into the different businesses to explain what it can and cannot do for them, adding the business owners will need to decide whether they want to sign onto the program, or not.

Mayor Dawes asked if they should include the property owned by the city across from I-5 Toyota, or just change it to the city limits.

Chief Schaffer stated without any businesses or panhandling in that area, there's not a lot of argument to prohibit it.

City Manager MacReynold suggested they can amend the ordinance at any time.

Councilor Spahr stated he receives more contacts about this issue than anything else going on in town.

Councilor Spahr moved to pass Ordinance No. 944-B on first reading.

The motion was seconded by Councilor Taylor and carried unanimously.

August 10, 2015

9. **Customer Service Appreciated.** Councilor Lund reported he appreciated the customer service he received from Acting Public Works Director Don Schmitt who investigated an issue he had with a recent rental purchase.

10. **Chip Sealing Equipment.** Mayor Dawes asked if there is a timeline for the chip sealing equipment to be back up and running.

Mr. Schmitt reported when the equipment initially broke down they sent the gear box off for a remanufactured replacement. He noted after three more breakdowns the machine is now back up and running and they plan to start work the following morning.

Mayor Dawes asked what a new chip spreader would cost.

Mr. Schmitt reported the entry level equipment runs about \$190,000. He noted their chip spreader is 35 years old, so these problems may not end.

Mayor Dawes stated they recently identified money to expand the chip sealing program and if they don't have the equipment it's not going to get done. He suggested this might be something they have to bite the bullet on.

Mayor Dawes asked Mr. Schmitt if he thought they would get everything done that they planned on doing this year.

Mr. Schmitt stated as long as they don't have any more breakdowns they will fully complete the chip sealing. The only question will be is whether they have significant staff to do all of the crack sealing they intend to do.

Councilor Spahr inquired about the cost of the recent repairs to the chip sealer.

Mr. Schmitt reported the initial estimate was \$12,000 with a \$10,000 core charge. He noted it's sounding like they won't see much of that core charge returned, so it's probably going to run about \$24,000 bare bones.

There being no further business to come before the council, the meeting adjourned at 6:04 p.m.

Mayor

Attest:

City Clerk


SUGGESTED MOTION


I move that the council approve the minutes of the regular city council meeting of August 10, 2015.

CITY OF CHEHALIS
AGENDA REPORT

DATE: August 14, 2015

TO: The Honorable Mayor and City Council

FROM: Judy Pectol, Finance Manager 

PREPARED BY: Michelle White, Accounting Tech II 

SUBJECT: Vouchers and Transfers

ISSUE

Council approval is requested of the following:

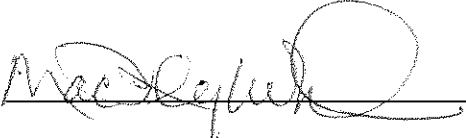
Claim Vouchers No. 113300 through 113474 and Electronic Funds Transfer No. 72015 in the amount of \$991,931.21 dated August 14, 2015 and the transfer of \$733,469.10 from the General Fund, \$3,120.59 from the Dedicated Street Fund - 4% Sales Tax, \$25,060.77 from the Arterial Street Fund, \$16,809.85 from the Tourism Fund, \$953.61 from the Automotive Equipment Reserve Fund, \$308.72 from the Garbage Fund, \$55,595.68 from the Wastewater Fund, \$107,775.40 from the Water Fund, \$5,593.95 from the Storm & Surface Water Utility Fund and \$43,243.54 from the Airport Fund.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council approve the August 14, 2015 Claim Vouchers No. 113300 through 113474 and Electronic Funds Transfer No. 72015 in the amount of \$991,931.21.

SUGGESTED MOTION

I move to approve the August 14, 2015 Claim Vouchers No. 113300 through 113474 and Electronic Funds Transfer No. 72015 in the amount of \$991,931.21.

Reviewed by:  _____, City Manager

**CITY OF CHEHALIS
AGENDA REPORT**

DATE: August 11, 2015
TO: The Honorable Mayor and City Council
FROM: Dennis Osborn, Community Development Director
SUBJECT: Chehalis Historic Preservation Commission Appointment

ISSUE

The city has three vacancies on the Chehalis Historic Preservation Commission (HPC) that need to be filled. The city received an application from Heather Baird who is interested in being considered for appointment.

DISCUSSION

On Monday, August 10, 2015, the council interviewed Ms. Baird for consideration of appointment to the HPC.

The council had no objections or concerns regarding Ms. Baird's ability to serve on the Commission.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council appoint Heather Baird to the Chehalis Historic Preservation Commission for a 3-year term expiring August 31, 2018.

SUGGESTED MOTION

I move that the council appoint Heather Baird to the Chehalis Historic Preservation Commission for a 3-year term expiring August 31, 2018.

Reviewed:  _____, City Manager

City of Chehalis APPLICATION FOR APPOINTMENT

Date July 11, 2015

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

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

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

Please print

Name Heather Beard

Present employer N/A

Employer address N/A Phone No. _____

Fax No. N/A E-mail heather-beard@yahoo.com

Home address 311 S.W. William Ave, Chehalis Home Phone No. 360-920-8993

Have you previously or are you now serving on any of the above mentioned? Yes No

If yes, please explain _____

Date available for appointment immediately

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

Approximately how many hours each month can you devote to city business? 20

Brief statement of qualifications for position and reason for requesting appointment.

Lead research & written portions of the Historic Lewis County Courthouse application to the WA DHP. Serve as Secretary of the Lewis County Historical Society. I have performed extensive research on Chehalis and Lewis County history. I am organized, an excellent oral and written communicator. I am also involved with Chehalis schools as the PTA Legislative Advocate.

Signature [Handwritten Signature]

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

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

CITY OF CHEHALIS
AGENDA REPORT

DATE: August 17, 2015
TO: The Honorable Mayor and City Council
FROM: Judy Schave, City Clerk
SUBJECT: Resolution No. 10-2015 - Surplus of City Property

ISSUE

The wastewater department has certain property that is no longer used or needed. State law requires that property must first be declared surplus by the city council before being sold or disposed of.

DISCUSSION

A resolution has been prepared for the council's consideration. Most of the items listed on Exhibit "A" (attached) have no retail value due to their non-working condition, or they are no longer cost effective to repair. The chipper, Chevy C-2500 Pickup and lawn mower will be sold at auction to the highest bidder. The administration has a potential buyer for the sewer vac/jet unit. Per Chapter 36.34 RCW, "Cities do not have required procedures for the disposal of surplus property; therefore, property can be sold to a specific individual."

RECOMMENDATION / COUNCIL ACTION DESIRED

The administration recommends that the council adopt Resolution No. 10-2015 on first and final reading.

SUGGESTED MOTION

I move that the council adopt Resolution No. 10-2015 on first and final reading.

REVIEWED BY:  _____, City Manager

RESOLUTION NO. 10-2015

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

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

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

Wastewater Treatment Plant:

1. See Exhibit "A" attached.

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

ADOPTED by the City Council of the city of Chehalis, Washington, and **APPROVED** by its Mayor, at a regularly scheduled open public meeting thereof this 24th day of August, 2015.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

PUBLIC WORKS SURPLUS LIST

EXHIBIT "A"

DESCRIPTION	DEPT	SERIAL NUMBER	COMMENTS
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D7NV	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D27B	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DT3V	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769CYNX	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DV9B	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D0VN	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DSTP	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769CZWR	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769CYPN	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DTJH	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DT5T	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C7694B6T	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DVAK	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D0SD	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D0KT	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DV3J	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D0CR	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769D07D	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DTGF	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DTIEN	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C762173B	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DTZX	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769CZJV	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769CQJE	Push to talk no longer operable/No chargers
AT&T Samsung Rugged Push to Talk Cell	PW- W/WWW/ST/STM	R21C769DTPL	Push to talk no longer operable/No chargers

VEHICLE	DEPT	MILEAGE	YEAR	VIN NUMBER or SN	COMMENTS
WW-26	WW/ST	n/a	1997	4HAEB1007UC00087	No Known Issues
WW-6	WW	193,161	1994	1GFC24HXRE22992	Bad Wiring Harness
None	WW	n/a	Inventory sticker #06242	012400A001498	Bad Transmission
WW-3	WW	40,674	1992	1HTGCN6T6NH459002	In OK Operating Condition

**CITY OF CHEHALIS
AGENDA REPORT**

TO: The Honorable Mayor and City Council
FROM: Judy Pectol, Finance Manager
DATE: August 10, 2015
SUBJECT: Security State Bank Promissory Note for Purchase of 2016
Pierce Dash Class I Engine Pumper

ISSUE

We are asking for Council consideration and approval for the City Manager to execute the attached Promissory Note and related documents necessary to obtain a loan from Security State Bank to be used to finance the purchase of previously approved fire apparatus.

DISCUSSION

As approved at the City Council's July 27th meeting, the City's Fire Department has contracted with Pierce Manufacturing for the purchase and manufacturing of a 2016 Pierce Dash Class I Engine Pumper. In order to finance the cost of this piece of equipment, the administration approached five financial institutions with a request for quotes on a \$650,000 loan to finance a fire engine. Security State Bank offered the most favorable terms. As the fire department worked with Pierce Manufacturing and refined the specifications, the purchase price became \$631,761.55.

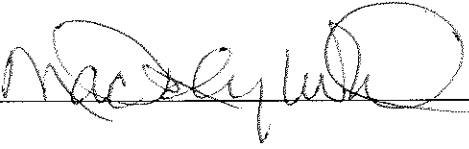
Attached are the loan documents from Security State Bank for your consideration.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends that the council authorize the City Manager to execute all necessary documents related to this loan for the purchase of a 2016 Pierce Dash Class I Engine Pumper with Security State Bank.

SUGGESTED MOTION

I move that the council authorize the city manager to execute the Promissory Note in the amount of \$631,761.55, the Business Loan Agreement, the Commercial Security Agreement and all other related documents required by Security State Bank for the purpose of purchasing a 2016 Pierce Dash Class I Engine Pumper.

Reviewed by:  _____, City Manager

PROMISSORY NOTE

Principal	Loan Date	Maturity	Loan No	Call Coll	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	110	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Borrower: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

Principal Amount: \$631,761.55

Interest Rate: 3.000%

Date of Note: August 25, 2015

PROMISE TO PAY. CITY OF CHEHALIS ("Borrower") promises to pay to SECURITY STATE BANK ("Lender"), or order, in lawful money of the United States of America, the principal amount of Six Hundred Thirty-one Thousand Seven Hundred Sixty-one & 55/100 Dollars (\$631,761.55) or so much as may be outstanding, together with interest on the unpaid outstanding principal balance of each advance, calculated as described in the "INTEREST CALCULATION METHOD" paragraph using an interest rate of 3.000% per annum based on a year of 360 days. Interest shall be calculated from the date of each advance until repayment of each advance. The interest rate may change under the terms and conditions of the "INTEREST AFTER DEFAULT" section.

PAYMENT. Borrower will pay this loan in accordance with the following payment schedule:

\$8347.67 PER MONTH INCLUDING INTEREST BEGINNING 09/25/15 AND MONTHLY THEREAFTER ON THE 25TH DAY OF EACH MONTH UNTIL 08/25/22 WHEN PRINCIPAL AND INTEREST ARE PAYABLE IN FULL.

Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any unpaid collection costs; and then to any late charges. Borrower will pay Lender at Lender's address shown above or at such other place as Lender may designate in writing.

INTEREST CALCULATION METHOD. Interest on this Note is computed on a 30/360 simple interest basis; that is, with the exception of odd days before the first full payment cycle, monthly interest is calculated by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by a month of 30 days. Interest for the odd days before the first full month is calculated on the basis of the actual days and a 360-day year. All interest payable under this Note is computed using this method.

PREPAYMENT. Borrower may pay without penalty all or a portion of the amount owed earlier than it is due. Early payments will not, unless agreed to by Lender in writing, relieve Borrower of Borrower's obligation to continue to make payments of accrued unpaid interest. Rather, early payments will reduce the principal balance due. Borrower agrees not to send Lender payments marked "paid in full", "without recourse", or similar language. If Borrower sends such a payment, Lender may accept it without losing any of Lender's rights under this Note, and Borrower will remain obligated to pay any further amount owed to Lender. All written communications concerning disputed amounts, including any check or other payment instrument that indicates that the payment constitutes "payment in full" of the amount owed or that is tendered with other conditions or limitations or as full satisfaction of a disputed amount must be mailed or delivered to: SECURITY STATE BANK, P O BOX 1050, CENTRALIA, WA 98531.

LATE CHARGE. If a payment is 10 days or more late, Borrower will be charged 5.000% of the unpaid portion of the regularly scheduled payment or \$5.00, whichever is greater.

INTEREST AFTER DEFAULT. Upon default, including failure to pay upon final maturity, the total sum due under this Note will continue to accrue interest at the interest rate under this Note. If judgment is entered in connection with this Note, interest will continue to accrue after the date of judgment at the rate in effect at the time judgment is entered.

DEFAULT. Each of the following shall constitute an event of default ("Event of Default") under this Note:

Payment Default. Borrower fails to make any payment when due under this Note.

Other Defaults. Borrower fails to comply with or to perform any other term, obligation, covenant or condition contained in this Note or in any of the related documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Borrower.

False Statements. Any warranty, representation or statement made or furnished to Lender by Borrower or on Borrower's behalf under this Note or the related documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Death or Insolvency. The death of any Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the loan. This includes a garnishment of any of Borrower's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Borrower as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Borrower gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the indebtedness or any guarantor, endorser, surety, or accommodation party dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any guaranty of the indebtedness evidenced by this Note.

Adverse Change. A material adverse change occurs in Borrower's financial condition, or Lender believes the prospect of payment or performance of this Note is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Borrower has not been given a notice of a breach of the same provision of this Note within the preceding twelve (12) months, it may be cured if Borrower, after Lender sends written notice to Borrower demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to the compliance as soon as reasonably practical.

PROMISSORY NOTE
(Continued)

Loan No: 108119560

Page 2

LENDER'S RIGHTS. Upon default, Lender may declare the entire unpaid principal balance under this Note and all accrued unpaid interest immediately due, and then Borrower will pay that amount.

ATTORNEYS' FEES; EXPENSES. Lender may hire or pay someone else to help collect this Note if Borrower does not pay. Borrower will pay Lender that amount. This includes, subject to any limits under applicable law, Lender's attorneys' fees and Lender's legal expenses, whether or not there is a lawsuit, including attorneys' fees, expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), and appeals. If not prohibited by applicable law, Borrower also will pay any court costs, in addition to all other sums provided by law.

GOVERNING LAW. This Note will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Note has been accepted by Lender in the State of Washington.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the indebtedness against any and all such accounts.

COLLATERAL. Borrower acknowledges this Note is secured by Purchase Money Security Interest in a 2015 FIRE TRUCK - PIERCE PUMPER MOUNTED ON A DASH CHASSIS ASSEMBLED BY PIERCE MANUFACTURING INC .

LINE OF CREDIT. This Note evidences a straight line of credit. Once the total amount of principal has been advanced, Borrower is not entitled to further loan advances. Advances under this Note may be requested only in writing by Borrower or as provided in this paragraph. All communications, instructions, or directions by telephone or otherwise to Lender are to be directed to Lender's office shown above. The following person or persons are authorized, except as provided in this paragraph, to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: **MERLIN MACREYNOLD, CITY MANAGER of CITY OF CHEHALIS. WIRE TO PIERCE MANUFACTURING INC AS REQUESTED IN WRITING.** Borrower agrees to be liable for all sums either: (A) advanced in accordance with the instructions of an authorized person or (B) credited to any of Borrower's accounts with Lender. The unpaid principal balance owing on this Note at any time may be evidenced by endorsements on this Note or by Lender's internal records, including daily computer print-outs.

SUCCESSOR INTERESTS. The terms of this Note shall be binding upon Borrower, and upon Borrower's heirs, personal representatives, successors and assigns, and shall inure to the benefit of Lender and its successors and assigns.

NOTIFY US OF INACCURATE INFORMATION WE REPORT TO CONSUMER REPORTING AGENCIES. Borrower may notify Lender if Lender reports any inaccurate information about Borrower's account(s) to a consumer reporting agency. Borrower's written notice describing the specific inaccuracy(ies) should be sent to Lender at the following address: SECURITY STATE BANK, P O BOX 1050, CENTRALIA, WA 98531.

GENERAL PROVISIONS. If any part of this Note cannot be enforced, this fact will not affect the rest of the Note. Lender may delay or forgo enforcing any of its rights or remedies under this Note without losing them. Borrower and any other person who signs, guarantees or endorses this Note, to the extent allowed by law, waive presentment, demand for payment, and notice of dishonor. Upon any change in the terms of this Note, and unless otherwise expressly stated in writing, no party who signs this Note, whether as maker, guarantor, accommodation maker or endorser, shall be released from liability. All such parties agree that Lender may renew or extend (repeatedly and for any length of time) this loan or release any party or guarantor or collateral; or impair, fail to realize upon or perfect Lender's security interest in the collateral; and take any other action deemed necessary by Lender without the consent of or notice to anyone. All such parties also agree that Lender may modify this loan without the consent of or notice to anyone other than the party with whom the modification is made. The obligations under this Note are joint and several.

PRIOR TO SIGNING THIS NOTE, BORROWER READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. BORROWER AGREES TO THE TERMS OF THE NOTE.

BORROWER ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THIS PROMISSORY NOTE.

BORROWER:

CITY OF CHEHALIS

By: _____
MERLIN MACREYNOLD, CITY MANAGER of CITY OF CHEHALIS

GOVERNMENTAL CERTIFICATE

Principal	Loan Date	Maturity	Loan No.	Call Coll.	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	110	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Entity: CITY OF CHEHALIS 1321 S MARKET BLVD CHEHALIS, WA 98532	Lender: SECURITY STATE BANK P O BOX 1050 CENTRALIA, WA 98531
---	---

I, THE UNDERSIGNED, DO HEREBY CERTIFY THAT:

THE ENTITY'S EXISTENCE. The complete and correct name of the governmental entity is CITY OF CHEHALIS ("Entity"). The Entity is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws and regulations of the State of Washington. The Entity has the full power and authority to own its properties and to transact the business and activities in which it is presently engaged or presently proposes to engage. The Entity maintains an office at 1321 S MARKET BLVD, CHEHALIS, WA 98532. The Entity shall do all things necessary to preserve and to keep in full force and effect its existence, rights and privileges, and shall comply with all regulations, rules, ordinances, statutes, orders and decrees of the Entity and any other governmental or quasi-governmental authority or court applicable to the Entity and the Entity's business activities.

CERTIFICATES ADOPTED. At a meeting of the appropriate governing body of the Entity, duly called and held on _____, at which a quorum was present and voting, or by other duly authorized action in lieu of a meeting, the resolutions set forth in this Certificate were adopted.

OFFICIAL. The following named person is an Official of CITY OF CHEHALIS:

<u>NAMES</u>	<u>TITLES</u>	<u>AUTHORIZED</u>	<u>ACTUAL SIGNATURES</u>
MERLIN MACREYNOLD	CITY MANAGER	Y X	[REDACTED]

ACTIONS AUTHORIZED. The authorized person listed above may enter into any agreements of any nature with Lender, and those agreements will bind the Entity. Specifically, but without limitation, the authorized person is authorized, empowered, and directed to do the following for and on behalf of the Entity:

Borrow Money. To borrow, as a cosigner or otherwise, from time to time from Lender, on such terms as may be agreed upon between the Entity and Lender, such sum or sums of money as in his or her judgment should be borrowed, without limitation.

Execute Notes. To execute and deliver to Lender the promissory note or notes, or other evidence of the Entity's credit accommodations, on Lender's forms, at such rates of interest and on such terms as may be agreed upon, evidencing the sums of money so borrowed or any of the Entity's indebtedness to Lender, and also to execute and deliver to Lender one or more renewals, extensions, modifications, refinancings, consolidations, or substitutions for one or more of the notes, any portion of the notes, or any other evidence of credit accommodations.

Grant Security. To mortgage, pledge, transfer, endorse, hypothecate, or otherwise encumber and deliver to Lender any property now or hereafter belonging to the Entity or in which the Entity now or hereafter may have an interest, including without limitation all of the Entity's real property and all of the Entity's personal property (tangible or intangible), as security for the payment of any loans or credit accommodations so obtained, any promissory notes so executed (including any amendments to or modifications, renewals, and extensions of such promissory notes), or any other or further indebtedness of the Entity to Lender at any time owing, however the same may be evidenced. Such property may be mortgaged, pledged, transferred, endorsed, hypothecated or encumbered at the time such loans are obtained or such indebtedness is incurred, or at any other time or times, and may be either in addition to or in lieu of any property theretofore mortgaged, pledged, transferred, endorsed, hypothecated or encumbered.

Execute Security Documents. To execute and deliver to Lender the forms of mortgage, deed of trust, pledge agreement, hypothecation agreement, and other security agreements and financing statements which Lender may require and which shall evidence the terms and conditions under and pursuant to which such liens and encumbrances, or any of them, are given; and also to execute and deliver to Lender any other written instruments, any chattel paper, or any other collateral, of any kind or nature, which Lender may deem necessary or proper in connection with or pertaining to the giving of the liens and encumbrances.

Negotiate Items. To draw, endorse, and discount with Lender all drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Entity or in which the Entity may have an interest, and either to receive cash for the same or to cause such proceeds to be credited to the Entity's account with Lender, or to cause such other disposition of the proceeds derived therefrom as he or she may deem advisable.

Further Acts. In the case of lines of credit, to designate additional or alternate individuals as being authorized to request advances under such lines, and in all cases, to do and perform such other acts and things, to pay any and all fees and costs, and to execute and deliver such other documents and agreements as the Official may in his or her discretion deem reasonably necessary or proper in order to carry into effect the provisions of this Certificate. The following person or persons are authorized, except as provided in this paragraph, to request advances and authorize payments under the line of credit until Lender receives from the Entity, at Lender's address shown above, written notice of revocation of such authority: MERLIN MACREYNOLD, CITY MANAGER of CITY OF CHEHALIS. WIRE TO PIERCE MANUFACTURING INC AS REQUESTED IN WRITING.

ASSUMED BUSINESS NAMES. The Entity has filed or recorded all documents or filings required by law relating to all assumed business names used by the Entity. Excluding the name of the Entity, the following is a complete list of all assumed business names under which the Entity does business: None.

NOTICES TO LENDER. The Entity will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (A) change in the Entity's name; (B) change in the Entity's assumed business name(s); (C) change in the structure of the Entity; (D) change in the authorized signer(s); (E) change in the Entity's principal office address; (F) change in the Entity's principal residence; or (G) change in any other aspect of the Entity that directly or indirectly relates to any agreements between the Entity and Lender.

CERTIFICATION CONCERNING OFFICIALS AND CERTIFICATES. The Official named above is duly elected, appointed, or employed by or for the Entity, as the case may be, and occupies the position set opposite his or her respective name. This Certificate now stands of record on the books of the Entity, is in full force and effect, and has not been modified or revoked in any manner whatsoever.

CONTINUING VALIDITY. Any and all acts authorized pursuant to this Certificate and performed prior to the passage of this Certificate are

GOVERNMENTAL CERTIFICATE
(Continued)

Loan No: 108119560


Page 2

hereby ratified and approved. This Certificate shall be continuing, shall remain in full force and effect and Lender may rely on it until written notice of its revocation shall have been delivered to and received by Lender at Lender's address shown above (or such addresses as Lender may designate from time to time). Any such notice shall not affect any of the Entity's agreements or commitments in effect at the time notice is given.

IN TESTIMONY WHEREOF, I have hereunto set my hand and attest that the signature set opposite the name listed above is his or her genuine signature.

I have read all the provisions of this Certificate, and I personally and on behalf of the Entity certify that all statements and representations made in this Certificate are true and correct. This Governmental Certificate is dated August 25, 2015.

CERTIFIED TO AND ATTESTED BY:

X 
MERLIN MACREYNOLD, CITY MANAGER of CITY OF
CHEHALIS

NOTE: If the Official signing this Certificate is designated by the foregoing document as one of the officials authorized to act on the Entity's behalf, it is advisable to have this Certificate signed by at least one non-authorized official of the Entity.

Lexipho, Ver. 13.1.10.038 Copr. © 4-H USA Corporation 1997, 2015. All Rights Reserved. - WA - C:\Users\Pro\CP\PL\AC22\FC TR-13601 FR-10

BUSINESS LOAN AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Gal./Coll.	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	110	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

THIS BUSINESS LOAN AGREEMENT dated August 25, 2015, is made and executed between CITY OF CHEHALIS ("Borrower") and SECURITY STATE BANK ("Lender") on the following terms and conditions. Borrower has received prior commercial loans from Lender or has applied to Lender for a commercial loan or loans or other financial accommodations, including those which may be described on any exhibit or schedule attached to this Agreement. Borrower understands and agrees that: (A) in granting, renewing, or extending any Loan, Lender is relying upon Borrower's representations, warranties, and agreements as set forth in this Agreement; (B) the granting, renewing, or extending of any Loan by Lender at all times shall be subject to Lender's sole judgment and discretion; and (C) all such Loans shall be and remain subject to the terms and conditions of this Agreement.

TERM. This Agreement shall be effective as of August 25, 2015, and shall continue in full force and effect until such time as all of Borrower's Loans in favor of Lender have been paid in full, including principal, interest, costs, expenses, attorneys' fees, and other fees and charges, or until such time as the parties may agree in writing to terminate this Agreement.

ADVANCE AUTHORITY. The following person or persons are authorized, except as provided in this paragraph, to request advances and authorize payments under the line of credit until Lender receives from Borrower, at Lender's address shown above, written notice of revocation of such authority: MERLIN MACREYNOLD, CITY MANAGER of CITY OF CHEHALIS. WIRE TO PIERCE MANUFACTURING INC AS REQUESTED IN WRITING.

CONDITIONS PRECEDENT TO EACH ADVANCE. Lender's obligation to make the initial Advance and each subsequent Advance under this Agreement shall be subject to the fulfillment to Lender's satisfaction of all of the conditions set forth in this Agreement and in the Related Documents.

Loan Documents. Borrower shall provide to Lender the following documents for the Loan: (1) the Note; (2) Security Agreements granting to Lender security interests in the Collateral; (3) financing statements and all other documents perfecting Lender's Security Interests; (4) evidence of insurance as required below; (5) together with all such Related Documents as Lender may require for the Loan; all in form and substance satisfactory to Lender and Lender's counsel.

Borrower's Authorization. Borrower shall have provided in form and substance satisfactory to Lender properly certified resolutions, duly authorizing the execution and delivery of this Agreement, the Note and the Related Documents. In addition, Borrower shall have provided such other resolutions, authorizations, documents and instruments as Lender or its counsel, may require.

Payment of Fees and Expenses. Borrower shall have paid to Lender all fees, charges, and other expenses which are then due and payable as specified in this Agreement or any Related Document.

Representations and Warranties. The representations and warranties set forth in this Agreement, in the Related Documents, and in any document or certificate delivered to Lender under this Agreement are true and correct.

No Event of Default. There shall not exist at the time of any Advance a condition which would constitute an Event of Default under this Agreement or under any Related Document.

REPRESENTATIONS AND WARRANTIES. Borrower represents and warrants to Lender, as of the date of this Agreement, as of the date of each disbursement of loan proceeds, as of the date of any renewal, extension or modification of any Loan, and at all times any Indebtedness exists:

Organization. Borrower is a governmental entity which is, and at all times shall be, duly organized, validly existing, and in good standing under and by virtue of the laws of the State of Washington. Borrower is duly authorized to transact business in all other states in which Borrower is doing business, having obtained all necessary filings, governmental licenses and approvals for each state in which Borrower is doing business. Borrower maintains an office at 1321 S MARKET BLVD, CHEHALIS, WA 98532. Unless Borrower has designated otherwise in writing, the principal office is the office at which Borrower keeps its books and records including its records concerning the Collateral. Borrower will notify Lender prior to any change in the location of Borrower's state of organization or any change in Borrower's name.

Assumed Business Names. Borrower has filed or recorded all documents or filings required by law relating to all assumed business names used by Borrower. Excluding the name of Borrower, the following is a complete list of all assumed business names under which Borrower does business: None.

Authorization. Borrower's execution, delivery, and performance of this Agreement and all the Related Documents have been duly authorized by all necessary action by Borrower and do not conflict with, result in a violation of, or constitute a default under (1) any provision of any agreement or other instrument binding upon Borrower or (2) any law, governmental regulation, court decree, or order applicable to Borrower or to Borrower's properties.

Properties. Except as contemplated by this Agreement or as previously disclosed in Borrower's financial statements or in writing to Lender and as accepted by Lender, and except for property tax liens for taxes not presently due and payable, Borrower owns and has good title to all of Borrower's properties free and clear of all liens and security interests, and has not executed any security documents or financing statements relating to such properties. All of Borrower's properties are titled in Borrower's legal name, and Borrower has not used or filed a financing statement under any other name for at least the last five (5) years.

AFFIRMATIVE COVENANTS. Borrower covenants and agrees with Lender that, so long as this Agreement remains in effect, Borrower will:

Notices of Claims and Litigation. Promptly inform Lender in writing of (1) all material adverse changes in Borrower's financial condition, and (2) all existing and all threatened litigation, claims, investigations, administrative proceedings or similar actions affecting Borrower or any Guarantor which could materially affect the financial condition of Borrower or the financial condition of any Guarantor.

Financial Records. Maintain its books and records in accordance with accounting principles acceptable to Lender, applied on a consistent basis, and permit Lender to examine and audit Borrower's books and records at all reasonable times.

Financial Statements. Furnish Lender with the following: **18**

Annual Statements. As soon as available after the end of each fiscal year, Borrower's balance sheet and income statement for the

**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 108119560

Page 2

year ended, prepared by Borrower in form satisfactory to Lender.

Tax Returns. As soon as available after the applicable filing date for the tax reporting period ended, Borrower's Federal and other governmental tax returns, prepared by a tax professional satisfactory to Lender.

All financial reports required to be provided under this Agreement shall be prepared in accordance with GAAP, applied on a consistent basis, and certified by Borrower as being true and correct.

Loan Proceeds. Use all Loan proceeds solely for Borrower's business operations, unless specifically consented to the contrary by Lender in writing.

Taxes, Charges and Liens. Pay and discharge when due all of its indebtedness and obligations, including without limitation all assessments, taxes, governmental charges, levies and liens, of every kind and nature, imposed upon Borrower or its properties, income, or profits, prior to the date on which penalties would attach, and all lawful claims that, if unpaid, might become a lien or charge upon any of Borrower's properties, income, or profits. Provided however, Borrower will not be required to pay and discharge any such assessment, tax, charge, levy, lien or claim so long as (1) the legality of the same shall be contested in good faith by appropriate proceedings, and (2) Borrower shall have established on Borrower's books adequate reserves with respect to such contested assessment, tax, charge, levy, lien, or claim in accordance with GAAP.

Performance. Perform and comply, in a timely manner, with all terms, conditions, and provisions set forth in this Agreement, in the Related Documents, and in all other instruments and agreements between Borrower and Lender. Borrower shall notify Lender immediately in writing of any default in connection with any agreement.

Operations. Maintain executive and management personnel with substantially the same qualifications and experience as the present executive and management personnel; provide written notice to Lender of any change in executive and management personnel; conduct its business affairs in a reasonable and prudent manner.

Compliance with Governmental Requirements. Comply with all laws, ordinances, and regulations, now or hereafter in effect, of all governmental authorities applicable to the conduct of Borrower's properties, businesses and operations, and to the use or occupancy of the Collateral, including without limitation, the Americans With Disabilities Act. Borrower may contest in good faith any such law, ordinance, or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Borrower has notified Lender in writing prior to doing so and so long as, in Lender's sole opinion, Lender's interests in the Collateral are not jeopardized. Lender may require Borrower to post adequate security or a surety bond, reasonably satisfactory to Lender, to protect Lender's interest.

Inspection. Permit employees or agents of Lender at any reasonable time to inspect any and all Collateral for the Loan or Loans and Borrower's other properties and to examine or audit Borrower's books, accounts, and records and to make copies and memoranda of Borrower's books, accounts, and records. If Borrower now or at any time hereafter maintains any records (including without limitation computer generated records and computer software programs for the generation of such records) in the possession of a third party, Borrower, upon request of Lender, shall notify such party to permit Lender free access to such records at all reasonable times and to provide Lender with copies of any records it may request, all at Borrower's expense.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Borrower fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Borrower's failure to discharge or pay when due any amounts Borrower is required to discharge or pay under this Agreement or any Related Documents, Lender on Borrower's behalf may (but shall not be obligated to) take any action that Lender deems appropriate on any Collateral and paying all costs for insuring, maintaining and preserving any Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Borrower. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity.

NEGATIVE COVENANTS. Borrower covenants and agrees with Lender that while this Agreement is in effect, Borrower shall not, without the prior written consent of Lender:

Continuity of Operations. (1) Engage in any business activities substantially different than those in which Borrower is presently engaged, (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other entity, change its name, dissolve or transfer or sell Collateral out of the ordinary course of business, or (3) make any distribution with respect to any capital account, whether by reduction of capital or otherwise.

Agreements. Enter into any agreement containing any provisions which would be violated or breached by the performance of Borrower's obligations under this Agreement or in connection herewith.

CESSATION OF ADVANCES. If Lender has made any commitment to make any Loan to Borrower, whether under this Agreement or under any other agreement, Lender shall have no obligation to make Loan advances or to disburse Loan proceeds if: (A) Borrower or any guarantor is in default under the terms of this Agreement or any other agreement that Borrower or any guarantor has with Lender; (B) Borrower or any guarantor dies, becomes incompetent or becomes insolvent, files a petition in bankruptcy or similar proceedings, or is adjudged a bankrupt; (C) there occurs a material adverse change in Borrower's financial condition, in the financial condition of any guarantor, or in the value of any collateral securing any Loan; or (D) any guarantor seeks, claims or otherwise attempts to limit, modify or revoke such guarantor's guaranty of the Loan or any other loan with Lender; or (E) Lender in good faith deems itself insecure, even though no Event of Default shall have occurred.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Borrower's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Borrower holds jointly with someone else and all accounts Borrower may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Borrower authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Borrower fails to make any payment when due under the Loan.

Other Default. Borrower fails to comply with any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents.

False Statements. Any representation or statement made by Borrower to Lender is false in any material respect.

Death or Insolvency. The death of any Borrower or the dissolution or termination of Borrower's existence as a going business, the insolvency of Borrower, the appointment of a receiver for any part of Borrower's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Borrower.

**BUSINESS LOAN AGREEMENT
(Continued)**

Loan No: 108119560

Page 3

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Borrower or by any governmental agency against any collateral securing the Loan.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any Guarantor of any of the Indebtedness or any Guarantor dies or becomes incompetent, or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Insecurity. Lender in good faith believes itself insecure.

EFFECT OF AN EVENT OF DEFAULT. If any Event of Default shall occur, except where otherwise provided in this Agreement or the Related Documents, all commitments and obligations of Lender under this Agreement immediately will terminate (including any obligation to make further Loan Advances or disbursements), and, at Lender's option, all Indebtedness immediately will become due and payable, all without notice of any kind to Borrower, except that in the case of an Event of Default of the type described in the "Insolvency" subsection above, such acceleration shall be automatic and not optional. In addition, Lender shall have all the rights and remedies provided in the Related Documents or available at law, in equity, or otherwise. Except as may be prohibited by applicable law, all of Lender's rights and remedies shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Borrower or of any Grantor shall not affect Lender's right to declare a default and to exercise its rights and remedies.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code. Accounting words and terms not otherwise defined in this Agreement shall have the meanings assigned to them in accordance with generally accepted accounting principles as in effect on the date of this Agreement:

Advance. The word "Advance" means a disbursement of Loan funds made, or to be made, to Borrower or on Borrower's behalf on a line of credit or multiple advance basis under the terms and conditions of this Agreement.

Agreement. The word "Agreement" means this Business Loan Agreement, as this Business Loan Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Business Loan Agreement from time to time.

Borrower. The word "Borrower" means CITY OF CHEHALIS and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all property and assets granted as collateral security for a Loan, whether real or personal property, whether granted directly or indirectly, whether granted now or in the future, and whether granted in the form of a security interest, mortgage, collateral mortgage, deed of trust, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien, charge, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever, whether created by law, contract, or otherwise.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

GAAP. The word "GAAP" means generally accepted accounting principles.

Grantor. The word "Grantor" means each and all of the persons or entities granting a Security Interest in any Collateral for the Loan, including without limitation all Borrowers granting such a Security Interest.

Guarantor. The word "Guarantor" means any guarantor, surety, or accommodation party of any or all of the Loan.

Guaranty. The word "Guaranty" means the guaranty from Guarantor to Lender, including without limitation a guaranty of all or part of the Note.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Borrower is responsible under this Agreement or under any of the Related Documents.

Lender. The word "Lender" means SECURITY STATE BANK, its successors and assigns.

Loan. The word "Loan" means any and all loans and financial accommodations from Lender to Borrower whether now or hereafter existing, and however evidenced, including without limitation those loans and financial accommodations described herein or described on any exhibit or schedule attached to this Agreement from time to time.

Note. The word "Note" means the Note dated August 25, 2015 and executed by CITY OF CHEHALIS in the principal amount of \$631,761.55, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Loan.

Security Agreement. The words "Security Agreement" mean and include without limitation any agreements, promises, covenants, arrangements, understandings or other agreements, whether created by law, contract, or otherwise, evidencing, governing, representing, or creating a Security Interest.

Security Interest. The words "Security Interest" mean, without limitation, any and all types of collateral security, present and future, whether in the form of a lien, charge, encumbrance, mortgage, deed of trust, security deed, assignment, pledge, crop pledge, chattel mortgage, collateral chattel mortgage, chattel trust, factor's lien, equipment trust, conditional sale, trust receipt, lien or title retention contract, lease or consignment intended as a security device, or any other security or lien interest whatsoever whether created by law, contract, or otherwise.

**BUSINESS LOAN AGREEMENT
(Continued)**


Loan No: 108119560

Page 4

BORROWER ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS BUSINESS LOAN AGREEMENT AND BORROWER AGREES TO ITS TERMS. THIS BUSINESS LOAN AGREEMENT IS DATED AUGUST 25, 2015.

BORROWER:

CITY OF CHEHALIS

By: 
MERLIN MACREYNOLD, CITY MANAGER of CITY
OF CHEHALIS

LENDER:

SECURITY STATE BANK

By: _____
Authorized Signer

COMMERCIAL SECURITY AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call/Coll	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	110	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Grantor: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

THIS COMMERCIAL SECURITY AGREEMENT dated August 25, 2015, is made and executed between CITY OF CHEHALIS ("Grantor") and SECURITY STATE BANK ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means the following described property, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located, in which Grantor is giving to Lender a security interest for the payment of the Indebtedness and performance of all other obligations under the Note and this Agreement:

Purchase Money Security Interest in a 2015 FIRE TRUCK - PIERCE PUMPER MOUNTED ON A DASH CHASSIS ASSEMBLED BY PIERCE MANUFACTURING INC PER THE DETAILS LAID OUT IN PURCHASE AGREEMENT DATED _____.

In addition, the word "Collateral" also includes all the following, whether now owned or hereafter acquired, whether now existing or hereafter arising, and wherever located:

- (A) All accessions, attachments, accessories, replacements of and additions to any of the collateral described herein, whether added now or later.
- (B) All products and produce of any of the property described in this Collateral section.
- (C) All accounts, general intangibles, instruments, rents, monies, payments, and all other rights, arising out of a sale, lease, consignment or other disposition of any of the property described in this Collateral section.
- (D) All proceeds (including insurance proceeds) from the sale, destruction, loss, or other disposition of any of the property described in this Collateral section, and sums due from a third party who has damaged or destroyed the Collateral or from that party's insurer, whether due to judgment, settlement or other process.
- (E) All records and data relating to any of the property described in this Collateral section, whether in the form of a writing, photograph, microfilm, microfiche, or electronic media, together with all of Grantor's right, title, and interest in and to all computer software required to utilize, create, maintain, and process any such records or data on electronic media.

CROSS-COLLATERALIZATION. In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

GRANTOR'S REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. With respect to the Collateral, Grantor represents and promises to Lender that:

Perfection of Security Interest. Grantor agrees to take whatever actions are requested by Lender to perfect and continue Lender's security interest in the Collateral. Upon request of Lender, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral, and Grantor will note Lender's interest upon any and all chattel paper and instruments if not delivered to Lender for possession by Lender. This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

Notices to Lender. Grantor will promptly notify Lender in writing at Lender's address shown above (or such other addresses as Lender may designate from time to time) prior to any (1) change in Grantor's name; (2) change in Grantor's assumed business name(s); (3) change in the structure of the entity Grantor; (4) change in the authorized signer(s); (5) change in Grantor's principal office address; (6) change in Grantor's principal residence; (7) conversion of Grantor to a new or different type of business entity; or (8) change in any other aspect of Grantor that directly or indirectly relates to any agreements between Grantor and Lender. No change in Grantor's name will take effect until after Lender has received notice.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

Enforceability of Collateral. To the extent the Collateral consists of accounts, chattel paper, or general intangibles, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing

Location of the Collateral. Except in the ordinary course of Grantor's business, Grantor agrees to keep the Collateral at Grantor's address shown above or at such other locations as are acceptable to Lender. Upon Lender's request, Grantor will deliver to Lender in form

**COMMERCIAL PLEDGE AGREEMENT
(Continued)**

Loan No: 108119560

Page 2

Income and Proceeds from the Collateral. Lender may receive all Income and Proceeds and add it to the Collateral. Grantor agrees to deliver to Lender immediately upon receipt, in the exact form received and without commingling with other property, all Income and Proceeds from the Collateral which may be received by, paid, or delivered to Grantor or for Grantor's account, whether as an addition to, in discharge of, in substitution of, or in exchange for any of the Collateral.

Application of Cash. At Lender's option, Lender may apply any cash, whether included in the Collateral or received as Income and Proceeds or through liquidation, sale, or retirement, of the Collateral, to the satisfaction of the Indebtedness or such portion thereof as Lender shall choose, whether or not matured.

Transactions with Others. Lender may (1) extend time for payment or other performance, (2) grant a renewal or change in terms or conditions, or (3) compromise, compound or release any obligation, with any one or more Obligors, endorsers, or Guarantors of the Indebtedness as Lender deems advisable, without obtaining the prior written consent of Grantor, and no such act or failure to act shall affect Lender's rights against Grantor or the Collateral.

All Collateral Secures Indebtedness. All Collateral shall be security for the Indebtedness, whether the Collateral is located at one or more offices or branches of Lender. This will be the case whether or not the office or branch where Grantor obtained Grantor's loan knows about the Collateral or relies upon the Collateral as security.

Collection of Collateral. Lender at Lender's option may, but need not, collect the Income and Proceeds directly from the Obligors. Grantor authorizes and directs the Obligors, if Lender decides to collect the Income and Proceeds, to pay and deliver to Lender all Income and Proceeds from the Collateral and to accept Lender's receipt for the payments.

Power of Attorney. Grantor irrevocably appoints Lender as Grantor's attorney-in-fact, with full power of substitution, (a) to demand, collect, receive, receipt for, sue and recover all Income and Proceeds and other sums of money and other property which may now or hereafter become due, owing or payable from the Obligors in accordance with the terms of the Collateral; (b) to execute, sign and endorse any and all instruments, receipts, checks, drafts and warrants issued in payment for the Collateral; (c) to settle or compromise any and all claims arising under the Collateral, and in the place and stead of Grantor, execute and deliver Grantor's release and acquittance for Grantor; (d) to file any claim or claims or to take any action or institute or take part in any proceedings, either in Lender's own name or in the name of Grantor, or otherwise, which in the discretion of Lender may seem to be necessary or advisable; and (e) to execute in Grantor's name and to deliver to the Obligors on Grantor's behalf, at the time and in the manner specified by the Collateral, any necessary instruments or documents.

Perfection of Security Interest. Upon Lender's request, Grantor will deliver to Lender any and all of the documents evidencing or constituting the Collateral. When applicable law provides more than one method of perfection of Lender's security interest, Lender may choose the method(s) to be used. Upon Lender's request, Grantor will sign and deliver any writings necessary to perfect Lender's security interest. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. This is a continuing Security Agreement and will continue in effect even though all or any part of the Indebtedness is paid in full and even though for a period of time Grantor may not be indebted to Lender.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

LIMITATIONS ON OBLIGATIONS OF LENDER. Lender shall use ordinary reasonable care in the physical preservation and custody of the Collateral in Lender's possession, but shall have no other obligation to protect the Collateral or its value. In particular, but without limitation, Lender shall have no responsibility for (A) any depreciation in value of the Collateral or for the collection or protection of any Income and Proceeds from the Collateral, (B) preservation of rights against parties to the Collateral or against third persons, (C) ascertaining any maturities, calls, conversions, exchanges, offers, tenders, or similar matters relating to any of the Collateral, or (D) informing Grantor about any of the above, whether or not Lender has or is deemed to have knowledge of such matters. Except as provided above, Lender shall have no liability for depreciation or deterioration of the Collateral.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Insolvency. The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Page 3

Loan No: 108119560

for payment of the insurance premiums required to be paid by Grantor. The responsibility for the payment of premiums shall remain Grantor's sole responsibility.

Insurance Reports. Grantor, upon request of Lender, shall furnish to Lender reports on each existing policy of insurance showing such information as Lender may reasonably request including the following: (1) the name of the insurer; (2) the risks insured; (3) the amount of the policy; (4) the property insured; (5) the then current value on the basis of which insurance has been obtained and the manner of determining that value; and (6) the expiration date of the policy. In addition, Grantor shall upon request by Lender (however not more often than annually) have an independent appraiser satisfactory to Lender determine, as applicable, the cash value or replacement cost of the Collateral.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement.

GRANTOR'S RIGHT TO POSSESSION. Until default, Grantor may have possession of the tangible personal property and beneficial use of all the Collateral and may use it in any lawful manner not inconsistent with this Agreement or the Related Documents, provided that Grantor's right to possession and beneficial use shall not apply to any Collateral where possession of the Collateral by Lender is required by law to perfect Lender's security interest in such Collateral. If Lender at any time has possession of any Collateral, whether before or after an Event of Default, Lender shall be deemed to have exercised reasonable care in the custody and preservation of the Collateral if Lender takes such action for that purpose as Grantor shall request or as Lender, in Lender's sole discretion, shall deem appropriate under the circumstances, but failure to honor any request by Grantor shall not of itself be deemed to be a failure to exercise reasonable care. Lender shall not be required to take any steps necessary to preserve any rights in the Collateral against prior parties, nor to protect, preserve or maintain any security interest given to secure the Indebtedness.

LENDER'S EXPENDITURES. If any action or proceeding is commenced that would materially affect Lender's interest in the Collateral or if Grantor fails to comply with any provision of this Agreement or any Related Documents, including but not limited to Grantor's failure to discharge or pay when due any amounts Grantor is required to discharge or pay under this Agreement or any Related Documents, Lender on Grantor's behalf may (but shall not be obligated to) take any action that Lender deems appropriate, including but not limited to discharging or paying all taxes, liens, security interests, encumbrances and other claims, at any time levied or placed on the Collateral and paying all costs for insuring, maintaining and preserving the Collateral. All such expenditures incurred or paid by Lender for such purposes will then bear interest at the rate charged under the Note from the date incurred or paid by Lender to the date of repayment by Grantor. All such expenses will become a part of the Indebtedness and, at Lender's option, will (A) be payable on demand; (B) be added to the balance of the Note and be apportioned among and be payable with any installment payments to become due during either (1) the term of any applicable insurance policy; or (2) the remaining term of the Note; or (C) be treated as a balloon payment which will be due and payable at the Note's maturity. The Agreement also will secure payment of these amounts. Such right shall be in addition to all other rights and remedies to which Lender may be entitled upon Default.

DEFAULT. Each of the following shall constitute an Event of Default under this Agreement:

Payment Default. Grantor fails to make any payment when due under the Indebtedness.

Other Defaults. Grantor fails to comply with or to perform any other term, obligation, covenant or condition contained in this Agreement or in any of the Related Documents or to comply with or to perform any term, obligation, covenant or condition contained in any other agreement between Lender and Grantor.

False Statements. Any warranty, representation or statement made or furnished to Lender by Grantor or on Grantor's behalf under this Agreement or the Related Documents is false or misleading in any material respect, either now or at the time made or furnished or becomes false or misleading at any time thereafter.

Defective Collateralization. This Agreement or any of the Related Documents ceases to be in full force and effect (including failure of any collateral document to create a valid and perfected security interest or lien) at any time and for any reason.

Insolvency. The insolvency of Grantor, the appointment of a receiver for any part of Grantor's property, any assignment for the benefit of creditors, any type of creditor workout, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against Grantor.

Creditor or Forfeiture Proceedings. Commencement of foreclosure or forfeiture proceedings, whether by judicial proceeding, self-help, repossession or any other method, by any creditor of Grantor or by any governmental agency against any collateral securing the Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender shall have all the rights of a secured party under the Washington Uniform Commercial Code. In addition and without limitation, Lender may exercise any one or more of the following rights and remedies:

24

Accelerate Indebtedness. Lender may declare the entire Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

**COMMERCIAL PLEDGE AGREEMENT
(Continued)**

Loan No: 108119560

Page 4

services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Washington.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Preference Payments. Any monies Lender pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Grantor as provided in this Agreement.

Notices. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Waiver of Co-Obligor's Rights. If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

Agreement. The word "Agreement" means this Commercial Pledge Agreement, as this Commercial Pledge Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Pledge Agreement from time to time.

Borrower. The word "Borrower" means CITY OF CHEHALIS and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

Grantor. The word "Grantor" means CITY OF CHEHALIS.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Income and Proceeds. The words "Income and Proceeds" mean all present and future income, proceeds, earnings, increases, and substitutions from or for the Collateral of every kind and nature, including without limitation all payments, interest, profits, distributions, benefits, rights, options, warrants, dividends, stock dividends, stock splits, stock rights, regulatory dividends, subscriptions, monies, claims for money due and to become due, proceeds of any insurance on the Collateral, shares of stock of different par value or no par value issued in substitution or exchange for shares included in the Collateral, and all other property Grantor is entitled to receive on account of such Collateral, including accounts, documents, instruments, chattel paper, investment property, and general intangibles.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Agreement.

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Page 5

Loan No: 108119560

beginning of this Agreement. Any party may change its address for notices under this Agreement by giving formal written notice to the other parties, specifying that the purpose of the notice is to change the party's address. For notice purposes, Grantor agrees to keep Lender informed at all times of Grantor's current address. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, if there is more than one Grantor, any notice given by Lender to any Grantor is deemed to be notice given to all Grantors.

Power of Attorney. Grantor hereby appoints Lender as Grantor's irrevocable attorney-in-fact for the purpose of executing any documents necessary to perfect, amend, or to continue the security interest granted in this Agreement or to demand termination of filings of other secured parties. Lender may at any time, and without further authorization from Grantor, file a carbon, photographic or other reproduction of any financing statement or of this Agreement for use as a financing statement. Grantor will reimburse Lender for all expenses for the perfection and the continuation of the perfection of Lender's security interest in the Collateral.

Waiver of Co-Obligor's Rights. If more than one person is obligated for the Indebtedness, Grantor irrevocably waives, disclaims and relinquishes all claims against such other person which Grantor has or would otherwise have by virtue of payment of the Indebtedness or any part thereof, specifically including but not limited to all rights of indemnity, contribution or exoneration.

Severability. If a court of competent jurisdiction finds any provision of this Agreement to be illegal, invalid, or unenforceable as to any circumstance, that finding shall not make the offending provision illegal, invalid, or unenforceable as to any other circumstance. If feasible, the offending provision shall be considered modified so that it becomes legal, valid and enforceable. If the offending provision cannot be so modified, it shall be considered deleted from this Agreement. Unless otherwise required by law, the illegality, invalidity, or unenforceability of any provision of this Agreement shall not affect the legality, validity or enforceability of any other provision of this Agreement.

Successors and Assigns. Subject to any limitations stated in this Agreement on transfer of Grantor's interest, this Agreement shall be binding upon and inure to the benefit of the parties, their successors and assigns. If ownership of the Collateral becomes vested in a person other than Grantor, Lender, without notice to Grantor, may deal with Grantor's successors with reference to this Agreement and the Indebtedness by way of forbearance or extension without releasing Grantor from the obligations of this Agreement or liability under the Indebtedness.

Survival of Representations and Warranties. All representations, warranties, and agreements made by Grantor in this Agreement shall survive the execution and delivery of this Agreement, shall be continuing in nature, and shall remain in full force and effect until such time as Grantor's Indebtedness shall be paid in full.

Time is of the Essence. Time is of the essence in the performance of this Agreement.

DEFINITIONS. The following capitalized words and terms shall have the following meanings when used in this Agreement. Unless specifically stated to the contrary, all references to dollar amounts shall mean amounts in lawful money of the United States of America. Words and terms used in the singular shall include the plural, and the plural shall include the singular, as the context may require. Words and terms not otherwise defined in this Agreement shall have the meanings attributed to such terms in the Uniform Commercial Code:

Agreement. The word "Agreement" means this Commercial Security Agreement, as this Commercial Security Agreement may be amended or modified from time to time, together with all exhibits and schedules attached to this Commercial Security Agreement from time to time.

Borrower. The word "Borrower" means CITY OF CHEHALIS and includes all co-signers and co-makers signing the Note and all their successors and assigns.

Collateral. The word "Collateral" means all of Grantor's right, title and interest in and to all the Collateral as described in the Collateral Description section of this Agreement.

Default. The word "Default" means the Default set forth in this Agreement in the section titled "Default".

Environmental Laws. The words "Environmental Laws" mean any and all state, federal and local statutes, regulations and ordinances relating to the protection of human health or the environment, including without limitation the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9601, et seq. ("CERCLA"), the Superfund Amendments and Reauthorization Act of 1986, Pub. L. No. 99-499 ("SARA"), the Hazardous Materials Transportation Act, 49 U.S.C. Section 1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901, et seq., or other applicable state or federal laws, rules, or regulations adopted pursuant thereto.

Event of Default. The words "Event of Default" mean any of the events of default set forth in this Agreement in the default section of this Agreement.

Grantor. The word "Grantor" means CITY OF CHEHALIS.

Guaranty. The word "Guaranty" means the guaranty from guarantor, endorser, surety, or accommodation party to Lender, including without limitation a guaranty of all or part of the Note.

Hazardous Substances. The words "Hazardous Substances" mean materials that, because of their quantity, concentration or physical, chemical or infectious characteristics, may cause or pose a present or potential hazard to human health or the environment when improperly used, treated, stored, disposed of, generated, manufactured, transported or otherwise handled. The words "Hazardous Substances" are used in their very broadest sense and include without limitation any and all hazardous or toxic substances, materials or waste as defined by or listed under the Environmental Laws. The term "Hazardous Substances" also includes, without limitation, petroleum and petroleum by-products or any fraction thereof and asbestos.

Indebtedness. The word "Indebtedness" means the indebtedness evidenced by the Note or Related Documents, including all principal and interest together with all other indebtedness and costs and expenses for which Grantor is responsible under this Agreement or under any of the Related Documents. Specifically, without limitation, Indebtedness includes all amounts that may be indirectly secured by the Cross-Collateralization provision of this Agreement.

Lender. The word "Lender" means SECURITY STATE BANK, its successors and assigns.

Note. The word "Note" means the Note dated August 25, 2015 and executed by CITY OF CHEHALIS in the principal amount of \$631,761.55, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

COMMERCIAL SECURITY AGREEMENT
(Continued)


Loan No: 108119560

Page 6

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL SECURITY AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AUGUST 25, 2015.

GRANTOR:

CITY OF CHEHALIS

By: 
MERLIN MACREYNOLD, CITY MANAGER of CITY
OF CHEHALIS

COMMERCIAL PLEDGE AGREEMENT

Principal	Loan Date	Maturity	Loan No	Call Coll	Account	Officer	Initials
\$631,767.55	08-25-2015	08-25-2022	108119560	0044	200515	110	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Grantor: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

THIS COMMERCIAL PLEDGE AGREEMENT dated August 25, 2015, is made and executed between CITY OF CHEHALIS ("Grantor") and SECURITY STATE BANK ("Lender").

GRANT OF SECURITY INTEREST. For valuable consideration, Grantor grants to Lender a security interest in the Collateral to secure the Indebtedness and agrees that Lender shall have the rights stated in this Agreement with respect to the Collateral, in addition to all other rights which Lender may have by law.

COLLATERAL DESCRIPTION. The word "Collateral" as used in this Agreement means Grantor's present and future rights, title and interest in and to the following described investment property, together with any and all present and future additions thereto, substitutions therefor, and replacements thereof, and further together with all Income and Proceeds as described herein:

Purchase Agreement (together with all attachments), made and entered into by and between Pierce Manufacturing Inc., a Wisconsin corporation, and the City of Chehalis a Municipality dated _____ for the purchase of a 2015 Fire Truck further described as a PIERCE PUMPER #AK555 MOUNTED ON A DASH CHASSIS and further referenced on Invoice #M46839.

CROSS-COLLATERALIZATION. In addition to the Note, this Agreement secures all obligations, debts and liabilities, plus interest thereon, of Grantor to Lender, or any one or more of them, as well as all claims by Lender against Grantor or any one or more of them, whether now existing or hereafter arising, whether related or unrelated to the purpose of the Note, whether voluntary or otherwise, whether due or not due, direct or indirect, determined or undetermined, absolute or contingent, liquidated or unliquidated, whether Grantor may be liable individually or jointly with others, whether obligated as guarantor, surety, accommodation party or otherwise, and whether recovery upon such amounts may be or hereafter may become barred by any statute of limitations, and whether the obligation to repay such amounts may be or hereafter may become otherwise unenforceable.

RIGHT OF SETOFF. To the extent permitted by applicable law, Lender reserves a right of setoff in all Grantor's accounts with Lender (whether checking, savings, or some other account). This includes all accounts Grantor holds jointly with someone else and all accounts Grantor may open in the future. However, this does not include any IRA or Keogh accounts, or any trust accounts for which setoff would be prohibited by law. Grantor authorizes Lender, to the extent permitted by applicable law, to charge or setoff all sums owing on the Indebtedness against any and all such accounts.

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO THE COLLATERAL. Grantor represents and warrants to Lender that:

Ownership. Grantor is the lawful owner of the Collateral free and clear of all security interests, liens, encumbrances and claims of others except as disclosed to and accepted by Lender in writing prior to execution of this Agreement.

Right to Pledge. Grantor has the full right, power and authority to enter into this Agreement and to pledge the Collateral.

Authority; Binding Effect. Grantor has the full right, power and authority to enter into this Agreement and to grant a security interest in the Collateral to Lender. This Agreement is binding upon Grantor as well as Grantor's successors and assigns, and is legally enforceable in accordance with its terms. The foregoing representations and warranties, and all other representations and warranties contained in this Agreement are and shall be continuing in nature and shall remain in full force and effect until such time as this Agreement is terminated or cancelled as provided herein.

No Further Assignment. Grantor has not, and shall not, sell, assign, transfer, encumber or otherwise dispose of any of Grantor's rights in the Collateral except as provided in this Agreement.

Enforceability of Collateral. To the extent the Collateral consists of promissory notes or other instruments, as defined by the Uniform Commercial Code, the Collateral is enforceable in accordance with its terms, is genuine, and fully complies with all applicable laws and regulations concerning form, content and manner of preparation and execution, and all persons appearing to be obligated on the Collateral have authority and capacity to contract and are in fact obligated as they appear to be on the Collateral. There shall be no setoffs or counterclaims against any of the Collateral, and no agreement shall have been made under which any deductions or discounts may be claimed concerning the Collateral except those disclosed to Lender in writing.

No Defaults. There are no defaults existing under the Collateral, and there are no offsets or counterclaims to the same. Grantor will strictly and promptly perform each of the terms, conditions, covenants and agreements, if any, contained in the Collateral which are to be performed by Grantor.

No Violation. The execution and delivery of this Agreement will not violate any law or agreement governing Grantor or to which Grantor is a party.

Financing Statements. Grantor authorizes Lender to file a UCC financing statement, or alternatively, a copy of this Agreement to perfect Lender's security interest. At Lender's request, Grantor additionally agrees to sign all other documents that are necessary to perfect, protect, and continue Lender's security interest in the Property. Grantor will pay all filing fees, title transfer fees, and other fees and costs involved unless prohibited by law or unless Lender is required by law to pay such fees and costs. Grantor irrevocably appoints Lender to execute documents necessary to transfer title if there is a default. Lender may file a copy of this Agreement as a financing statement.

LENDER'S RIGHTS AND OBLIGATIONS WITH RESPECT TO THE COLLATERAL. Lender may hold the Collateral until all Indebtedness has been paid and satisfied. Thereafter Lender may deliver the Collateral to Grantor or to any other owner of the Collateral. Lender shall have the following rights in addition to all other rights Lender may have by law:

Maintenance and Protection of Collateral. Lender may, but shall not be obligated to, take such steps as it deems necessary or desirable to protect, maintain, insure, store, or care for the Collateral, including paying of any liens or claims against the Collateral. This may include such things as hiring other people, such as attorneys, appraisers or other experts. Lender may charge Grantor for any cost incurred in so doing. When applicable law provides more than one method of perfection of Lender's security interest, Lender may choose the method(s) to be used.

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 108119560

Page 2

satisfactory to Lender a schedule of real properties and Collateral locations relating to Grantor's operations, including without limitation the following: (1) all real property Grantor owns or is purchasing; (2) all real property Grantor is renting or leasing; (3) all storage facilities Grantor owns, rents, leases, or uses; and (4) all other properties where Collateral is or may be located.

Removal of the Collateral. Except in the ordinary course of Grantor's business, Grantor shall not remove the Collateral from its existing location without Lender's prior written consent. Grantor shall, whenever requested, advise Lender of the exact location of the Collateral.

Transactions Involving Collateral. Except for inventory sold or accounts collected in the ordinary course of Grantor's business, or as otherwise provided for in this Agreement, Grantor shall not sell, offer to sell, or otherwise transfer or dispose of the Collateral. Grantor shall not pledge, mortgage, encumber or otherwise permit the Collateral to be subject to any lien, security interest, encumbrance, or charge, other than the security interest provided for in this Agreement, without the prior written consent of Lender. This includes security interests even if junior in right to the security interests granted under this Agreement. Unless waived by Lender, all proceeds from any disposition of the Collateral (for whatever reason) shall be held in trust for Lender and shall not be commingled with any other funds; provided however, this requirement shall not constitute consent by Lender to any sale or other disposition. Upon receipt, Grantor shall immediately deliver any such proceeds to Lender.

Title. Grantor represents and warrants to Lender that Grantor holds good and marketable title to the Collateral, free and clear of all liens and encumbrances except for the lien of this Agreement. No financing statement covering any of the Collateral is on file in any public office other than those which reflect the security interest created by this Agreement or to which Lender has specifically consented. Grantor shall defend Lender's rights in the Collateral against the claims and demands of all other persons.

Repairs and Maintenance. Grantor agrees to keep and maintain, and to cause others to keep and maintain, the Collateral in good order, repair and condition at all times while this Agreement remains in effect. Grantor further agrees to pay when due all claims for work done on, or services rendered or material furnished in connection with the Collateral so that no lien or encumbrance may ever attach to or be filed against the Collateral.

Inspection of Collateral. Lender and Lender's designated representatives and agents shall have the right at all reasonable times to examine and inspect the Collateral wherever located.

Taxes, Assessments and Liens. Grantor will pay when due all taxes, assessments and liens upon the Collateral, its use or operation, upon this Agreement, upon any promissory note or notes evidencing the indebtedness, or upon any of the other Related Documents. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized in Lender's sole opinion. If the Collateral is subjected to a lien which is not discharged within fifteen (15) days, Grantor shall deposit with Lender cash, a sufficient corporate surety bond or other security satisfactory to Lender in an amount adequate to provide for the discharge of the lien plus any interest, costs, attorneys' fees or other charges that could accrue as a result of foreclosure or sale of the Collateral. In any contest Grantor shall defend itself and Lender and shall satisfy any final adverse judgment before enforcement against the Collateral. Grantor shall name Lender as an additional obligee under any surety bond furnished in the contest proceedings. Grantor further agrees to furnish Lender with evidence that such taxes, assessments, and governmental and other charges have been paid in full and in a timely manner. Grantor may withhold any such payment or may elect to contest any lien if Grantor is in good faith conducting an appropriate proceeding to contest the obligation to pay and so long as Lender's interest in the Collateral is not jeopardized.

Compliance with Governmental Requirements. Grantor shall comply promptly with all laws, ordinances, rules and regulations of all governmental authorities, now or hereafter in effect, applicable to the ownership, production, disposition, or use of the Collateral, including all laws or regulations relating to the undue erosion of highly-erodible land or relating to the conversion of wetlands for the production of an agricultural product or commodity. Grantor may contest in good faith any such law, ordinance or regulation and withhold compliance during any proceeding, including appropriate appeals, so long as Lender's interest in the Collateral, in Lender's opinion, is not jeopardized.

Hazardous Substances. Grantor represents and warrants that the Collateral never has been, and never will be so long as this Agreement remains a lien on the Collateral, used in violation of any Environmental Laws or for the generation, manufacture, storage, transportation, treatment, disposal, release or threatened release of any Hazardous Substance. The representations and warranties contained herein are based on Grantor's due diligence in investigating the Collateral for Hazardous Substances. Grantor hereby (1) releases and waives any future claims against Lender for indemnity or contribution in the event Grantor becomes liable for cleanup or other costs under any Environmental Laws, and (2) agrees to indemnify, defend, and hold harmless Lender against any and all claims and losses resulting from a breach of this provision of this Agreement. This obligation to indemnify and defend shall survive the payment of the indebtedness and the satisfaction of this Agreement.

Maintenance of Casualty Insurance. Grantor shall procure and maintain all risks insurance, including without limitation fire, theft and liability coverage together with such other insurance as Lender may require with respect to the Collateral, in form, amounts, coverages and basis reasonably acceptable to Lender and issued by a company or companies reasonably acceptable to Lender. Grantor, upon request of Lender, will deliver to Lender from time to time the policies or certificates of insurance in form satisfactory to Lender, including stipulations that coverages will not be cancelled or diminished without at least ten (10) days' prior written notice to Lender and not including any disclaimer of the insurer's liability for failure to give such a notice. Each insurance policy also shall include an endorsement providing that coverage in favor of Lender will not be impaired in any way by any act, omission or default of Grantor or any other person. In connection with all policies covering assets in which Lender holds or is offered a security interest, Grantor will provide Lender with such loss payable or other endorsements as Lender may require. If Grantor at any time fails to obtain or maintain any insurance as required under this Agreement, Lender may (but shall not be obligated to) obtain such insurance as Lender deems appropriate, including if Lender so chooses "single interest insurance," which will cover only Lender's interest in the Collateral.

Application of Insurance Proceeds. Grantor shall promptly notify Lender of any loss or damage to the Collateral, whether or not such casualty or loss is covered by insurance. Lender may make proof of loss if Grantor fails to do so within fifteen (15) days of the casualty. All proceeds of any insurance on the Collateral, including accrued proceeds thereon, shall be held by Lender as part of the Collateral. If Lender consents to repair or replacement of the damaged or destroyed Collateral, Lender shall, upon satisfactory proof of expenditure, pay or reimburse Grantor from the proceeds for the reasonable cost of repair or restoration. If Lender does not consent to repair or replacement of the Collateral, Lender shall retain a sufficient amount of the proceeds to pay all of the indebtedness, and shall pay the balance to Grantor. Any proceeds which have not been disbursed within six (6) months after their receipt and which Grantor has not committed to the repair or restoration of the Collateral shall be used to prepay the indebtedness.

Insurance Reserves. Lender may require Grantor to maintain with Lender reserves for payment of insurance premiums, which reserves shall be created by monthly payments from Grantor of a sum estimated by Lender to be sufficient to produce, at least fifteen (15) days before the premium due date, amounts at least equal to the insurance premiums to be paid. If fifteen (15) days before payment is due, the reserve funds are insufficient, Grantor shall upon demand pay any deficiency to Lender. The reserve funds shall be held by Lender as a general deposit and shall constitute a non-interest-bearing account which Lender may satisfy by payment of the insurance premiums required to be paid by Grantor as they become due. Lender does not hold

**COMMERCIAL PLEDGE AGREEMENT
(Continued)**

Loan No: 108119560

Indebtedness. This includes a garnishment of any of Grantor's accounts, including deposit accounts, with Lender. However, this Event of Default shall not apply if there is a good faith dispute by Grantor as to the validity or reasonableness of the claim which is the basis of the creditor or forfeiture proceeding and if Grantor gives Lender written notice of the creditor or forfeiture proceeding and deposits with Lender monies or a surety bond for the creditor or forfeiture proceeding, in an amount determined by Lender, in its sole discretion, as being an adequate reserve or bond for the dispute.

Events Affecting Guarantor. Any of the preceding events occurs with respect to any guarantor, endorser, surety, or accommodation party of any of the Indebtedness or guarantor, endorser, surety, or accommodation party dies or becomes incompetent or revokes or disputes the validity of, or liability under, any Guaranty of the Indebtedness.

Adverse Change. A material adverse change occurs in Grantor's financial condition, or Lender believes the prospect of payment or performance of the Indebtedness is impaired.

Insecurity. Lender in good faith believes itself insecure.

Cure Provisions. If any default, other than a default in payment, is curable and if Grantor has not been given a notice of a breach of the same provision of this Agreement within the preceding twelve (12) months, it may be cured if Grantor, after Lender sends written notice to Grantor demanding cure of such default: (1) cures the default within fifteen (15) days; or (2) if the cure requires more than fifteen (15) days, immediately initiates steps which Lender deems in Lender's sole discretion to be sufficient to cure the default and thereafter continues and completes all reasonable and necessary steps sufficient to produce compliance as soon as reasonably practical.

RIGHTS AND REMEDIES ON DEFAULT. If an Event of Default occurs under this Agreement, at any time thereafter, Lender may exercise any one or more of the following rights and remedies:

Accelerate Indebtedness. Declare all Indebtedness, including any prepayment penalty which Grantor would be required to pay, immediately due and payable, without notice of any kind to Grantor.

Collect the Collateral. Collect any of the Collateral and, at Lender's option and to the extent permitted by applicable law, retain possession of the Collateral while suing on the Indebtedness.

Sell the Collateral. Sell the Collateral, at Lender's discretion, as a unit or in parcels, at one or more public or private sales. Unless the Collateral is perishable or threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender shall give or mail to Grantor, and other persons as required by law, notice at least ten (10) days in advance of the time and place of any public sale, or of the time after which any private sale may be made. However, no notice need be provided to any person who, after an Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. Grantor agrees that any requirement of reasonable notice as to Grantor is satisfied if Lender mails notice by ordinary mail addressed to Grantor at the last address Grantor has given Lender in writing. If a public sale is held, there shall be sufficient compliance with all requirements of notice to the public by a single publication in any newspaper of general circulation in the county where the Collateral is located, setting forth the time and place of sale and a brief description of the property to be sold. Lender may be a purchaser at any public sale.

Sell Securities. Sell any securities included in the Collateral in a manner consistent with applicable federal and state securities laws. If, because of restrictions under such laws, Lender is unable, or believes Lender is unable, to sell the securities in an open market transaction, Grantor agrees that Lender will have no obligation to delay sale until the securities can be registered. Then Lender may make a private sale to one or more persons or to a restricted group of persons, even though such sale may result in a price that is less favorable than might be obtained in an open market transaction. Such a sale will be considered commercially reasonable. If any securities held as Collateral are "restricted securities" as defined in the Rules of the Securities and Exchange Commission (such as Regulation D or Rule 144) or the rules of state securities departments under state "Blue Sky" laws, or if Grantor or any other owner of the Collateral is an affiliate of the issuer of the securities, Grantor agrees that neither Grantor, nor any member of Grantor's family, nor any other person signing this Agreement will sell or dispose of any securities of such issuer without obtaining Lender's prior written consent.

Foreclosure. Maintain a judicial suit for foreclosure and sale of the Collateral.

Transfer Title. Effect transfer of title upon sale of all or part of the Collateral. For this purpose, Grantor irrevocably appoints Lender as Grantor's attorney-in-fact to execute endorsements, assignments and instruments in the name of Grantor and each of them (if more than one) as shall be necessary or reasonable.

Other Rights and Remedies. Have and exercise any or all of the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, at law, in equity, or otherwise.

Application of Proceeds. Apply any cash which is part of the Collateral, or which is received from the collection or sale of the Collateral, to reimbursement of any expenses, including any costs for registration of securities, commissions incurred in connection with a sale, attorneys' fees and court costs, whether or not there is a lawsuit and including any fees on appeal, incurred by Lender in connection with the collection and sale of such Collateral and to the payment of the Indebtedness of Grantor to Lender, with any excess funds to be paid to Grantor as the interests of Grantor may appear. Grantor agrees, to the extent permitted by law, to pay any deficiency after application of the proceeds of the Collateral to the Indebtedness.

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection

**COMMERCIAL SECURITY AGREEMENT
(Continued)**

Loan No: 108119560

Page 4

Assemble Collateral. Lender may require Grantor to deliver to Lender all or any portion of the Collateral and any and all certificates of title and other documents relating to the Collateral. Lender may require Grantor to assemble the Collateral and make it available to Lender at a place to be designated by Lender. Lender also shall have full power to enter upon the property of Grantor to take possession of and remove the Collateral. If the Collateral contains other goods not covered by this Agreement at the time of repossession, Grantor agrees Lender may take such other goods, provided that Lender makes reasonable efforts to return them to Grantor after repossession.

Sell the Collateral. Lender shall have full power to sell, lease, transfer, or otherwise deal with the Collateral or proceeds thereof in Lender's own name or that of Grantor. Lender may sell the Collateral at public auction or private sale. Unless the Collateral threatens to decline speedily in value or is of a type customarily sold on a recognized market, Lender will give Grantor, and other persons as required by law, reasonable notice of the time and place of any public sale, or the time after which any private sale or any other disposition of the Collateral is to be made. However, no notice need be provided to any person who, after Event of Default occurs, enters into and authenticates an agreement waiving that person's right to notification of sale. The requirements of reasonable notice shall be met if such notice is given at least ten (10) days before the time of the sale or disposition. All expenses relating to the disposition of the Collateral, including without limitation the expenses of retaking, holding, insuring, preparing for sale and selling the Collateral, shall become a part of the Indebtedness secured by this Agreement and shall be payable on demand, with interest at the Note rate from date of expenditure until repaid.

Appoint Receiver. Lender shall have the right to have a receiver appointed to take possession of all or any part of the Collateral, with the power to protect and preserve the Collateral, to operate the Collateral preceding or pending foreclosure or sale, and to collect the rents from the Collateral and apply the proceeds, over and above the cost of the receivership, against the Indebtedness. The receiver may serve without bond if permitted by law. Lender's right to the appointment of a receiver shall exist whether or not the apparent value of the Collateral exceeds the Indebtedness by a substantial amount. Employment by Lender shall not disqualify a person from serving as a receiver.

Collect Revenues, Apply Accounts. Lender, either itself or through a receiver, may collect the payments, rents, income, and revenues from the Collateral. Lender may at any time in Lender's discretion transfer any Collateral into Lender's own name or that of Lender's nominee and receive the payments, rents, income, and revenues therefrom and hold the same as security for the Indebtedness or apply it to payment of the Indebtedness in such order of preference as Lender may determine. Insofar as the Collateral consists of accounts, general intangibles, insurance policies, instruments, chattel paper, choses in action, or similar property, Lender may demand, collect, receipt for, settle, compromise, adjust, sue for, foreclose, or realize on the Collateral as Lender may determine, whether or not Indebtedness or Collateral is then due. For these purposes, Lender may, on behalf of and in the name of Grantor, receive, open and dispose of mail addressed to Grantor; change any address to which mail and payments are to be sent; and endorse notes, checks, drafts, money orders, documents of title, instruments and items pertaining to payment, shipment, or storage of any Collateral. To facilitate collection, Lender may notify account debtors and obligors on any Collateral to make payments directly to Lender.

Obtain Deficiency. If Lender chooses to sell any or all of the Collateral, Lender may obtain a judgment against Grantor for any deficiency remaining on the Indebtedness due to Lender after application of all amounts received from the exercise of the rights provided in this Agreement. Grantor shall be liable for a deficiency even if the transaction described in this subsection is a sale of accounts or chattel paper.

Other Rights and Remedies. Lender shall have all the rights and remedies of a secured creditor under the provisions of the Uniform Commercial Code, as may be amended from time to time. In addition, Lender shall have and may exercise any or all other rights and remedies it may have available at law, in equity, or otherwise.

Election of Remedies. Except as may be prohibited by applicable law, all of Lender's rights and remedies, whether evidenced by this Agreement, the Related Documents, or by any other writing, shall be cumulative and may be exercised singularly or concurrently. Election by Lender to pursue any remedy shall not exclude pursuit of any other remedy, and an election to make expenditures or to take action to perform an obligation of Grantor under this Agreement, after Grantor's failure to perform, shall not affect Lender's right to declare a default and exercise its remedies.

MISCELLANEOUS PROVISIONS. The following miscellaneous provisions are a part of this Agreement:

Amendments. This Agreement, together with any Related Documents, constitutes the entire understanding and agreement of the parties as to the matters set forth in this Agreement. No alteration of or amendment to this Agreement shall be effective unless given in writing and signed by the party or parties sought to be charged or bound by the alteration or amendment.

Attorneys' Fees; Expenses. Grantor agrees to pay upon demand all of Lender's costs and expenses, including Lender's attorneys' fees and Lender's legal expenses, incurred in connection with the enforcement of this Agreement. Lender may hire or pay someone else to help enforce this Agreement, and Grantor shall pay the costs and expenses of such enforcement. Costs and expenses include Lender's attorneys' fees and legal expenses whether or not there is a lawsuit, including attorneys' fees and legal expenses for bankruptcy proceedings (including efforts to modify or vacate any automatic stay or injunction), appeals, and any anticipated post-judgment collection services. Grantor also shall pay all court costs and such additional fees as may be directed by the court.

Caption Headings. Caption headings in this Agreement are for convenience purposes only and are not to be used to interpret or define the provisions of this Agreement.

Governing Law. This Agreement will be governed by federal law applicable to Lender and, to the extent not preempted by federal law, the laws of the State of Washington without regard to its conflicts of law provisions. This Agreement has been accepted by Lender in the State of Washington.

Preference Payments. Any monies Lender pays because of an asserted preference claim in Grantor's bankruptcy will become a part of the Indebtedness and, at Lender's option, shall be payable by Grantor as provided in this Agreement.

No Waiver by Lender. Lender shall not be deemed to have waived any rights under this Agreement unless such waiver is given in writing and signed by Lender. No delay or omission on the part of Lender in exercising any right shall operate as a waiver of such right or any other right. A waiver by Lender of a provision of this Agreement shall not prejudice or constitute a waiver of Lender's right otherwise to demand strict compliance with that provision or any other provision of this Agreement. No prior waiver by Lender, nor any course of dealing between Lender and Grantor, shall constitute a waiver of any of Lender's rights or of any of Grantor's obligations as to any future transactions. Whenever the consent of Lender is required under this Agreement, the granting of such consent by Lender in any instance shall not constitute continuing consent to subsequent instances where such consent is required and in all cases such consent may be granted or withheld in the sole discretion of Lender.

Notices. Subject to applicable law, and except for notice required or allowed by law to be given in another manner, any notice required to be given under this Agreement shall be given in writing, and shall be effective when actually delivered, when actually received by telefacsimile (unless otherwise required by law), when deposited with a nationally recognized overnight courier, or, if mailed, when deposited in the United States mail, as first class, certified or registered mail postage prepaid, directed to the addresses shown near the

COMMERCIAL PLEDGE AGREEMENT
(Continued)

Loan No: 108119560

Page 5

Lender. The word "Lender" means SECURITY STATE BANK, its successors and assigns.

Note. The word "Note" means the Note dated August 25, 2015 and executed by CITY OF CHEHALIS in the principal amount of \$631,761.55, together with all renewals of, extensions of, modifications of, refinancings of, consolidations of, and substitutions for the note or credit agreement.

Obligor. The word "Obligor" means without limitation any and all persons obligated to pay money or to perform some other act under the Collateral.


Property. The word "Property" means all of Grantor's right, title and interest in and to all the Property as described in the "Collateral Description" section of this Agreement.

Related Documents. The words "Related Documents" mean all promissory notes, credit agreements, loan agreements, environmental agreements, guaranties, security agreements, mortgages, deeds of trust, security deeds, collateral mortgages, and all other instruments, agreements and documents, whether now or hereafter existing, executed in connection with the Indebtedness.

GRANTOR HAS READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS COMMERCIAL PLEDGE AGREEMENT AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AUGUST 25, 2015.

GRANTOR:

CITY OF CHEHALIS

By: 
MERLIN MACREYNOLD, CITY MANAGER of CITY
OF CHEHALIS

AGREEMENT TO PROVIDE INSURANCE

Principal	Loan Date	Maturity	Loan No.	Call/Call	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	130	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.

Grantor: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

INSURANCE REQUIREMENTS. Grantor, CITY OF CHEHALIS ("Grantor"), understands that insurance coverage is required in connection with the extending of a loan or the providing of other financial accommodations to Grantor by Lender. These requirements are set forth in the security documents for the loan. The following minimum insurance coverages must be provided on the following described collateral (the "Collateral"):

Collateral: 2015 FIRE TRUCK (PIERCE PUMPER MOUNTED ON A DASH CHASSIS ASSEMBLED BY PIERCE MANUFACTURING INC) .
Type: All risks, including fire, theft and liability.
Amount: Full Insurable Value.
Basis: Replacement value.
Endorsements: Lender loss payable clause with stipulation that coverage will not be cancelled or diminished without a minimum of 10 days prior written notice to Lender.
Latest Delivery Date: By the loan closing date.

INSURANCE COMPANY. Grantor may obtain insurance from any insurance company Grantor may choose that is reasonably acceptable to Lender. Grantor understands that credit may not be denied solely because insurance was not purchased through Lender.

INSURANCE MAILING ADDRESS. All documents and other materials relating to insurance for this loan should be mailed, delivered or directed to the following address:

SECURITY STATE BANK
P.O. BOX 1050
CENTRALIA, WA 98531

FAILURE TO PROVIDE INSURANCE. Grantor agrees to deliver to Lender, on the latest delivery date stated above, proof of the required insurance as provided above, with an effective date of August 25, 2015, or earlier. Grantor acknowledges and agrees that if Grantor fails to provide any required insurance or fails to continue such insurance in force, Lender may do so at Grantor's expense as provided in the applicable security document. The cost of any such insurance, at the option of Lender, shall be added to the indebtedness as provided in the security document. GRANTOR ACKNOWLEDGES THAT IF LENDER SO PURCHASES ANY SUCH INSURANCE, THE INSURANCE WILL PROVIDE LIMITED PROTECTION AGAINST PHYSICAL DAMAGE TO THE COLLATERAL, UP TO AN AMOUNT EQUAL TO THE LESSER OF (1) THE UNPAID BALANCE OF THE DEBT, EXCLUDING ANY UNEARNED FINANCE CHARGES, OR (2) THE VALUE OF THE COLLATERAL; HOWEVER, GRANTOR'S EQUITY IN THE COLLATERAL MAY NOT BE INSURED. IN ADDITION, THE INSURANCE MAY NOT PROVIDE ANY PUBLIC LIABILITY OR PROPERTY DAMAGE INDEMNIFICATION AND MAY NOT MEET THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY LAWS.

AUTHORIZATION. For purposes of insurance coverage on the Collateral, Grantor authorizes Lender to provide to any person (including any insurance agent or company) all information Lender deems appropriate, whether regarding the Collateral, the loan or other financial accommodations, or both.

GRANTOR ACKNOWLEDGES HAVING READ ALL THE PROVISIONS OF THIS AGREEMENT TO PROVIDE INSURANCE AND AGREES TO ITS TERMS. THIS AGREEMENT IS DATED AUGUST 25, 2015.

GRANTOR:

CITY OF CHEHALIS

By: [Redacted Signature]
MERLIN MACREYNOLD, CITY MANAGER of CITY OF CHEHALIS

FOR LENDER USE ONLY INSURANCE VERIFICATION	
DATE: _____	PHONE _____
AGENT'S NAME: _____	
AGENCY: _____	
ADDRESS: _____	
INSURANCE COMPANY: _____	
POLICY NUMBER: _____	
EFFECTIVE DATES: _____	
COMMENTS: _____	
_____ 33 _____	

DISBURSEMENT REQUEST AND AUTHORIZATION

Principal	Loan Date	Maturity	Loan No	Call / Coll	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	110	
References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item. Any item above containing "****" has been omitted due to text length limitations.							

Borrower: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

LOAN TYPE. This is a Fixed Rate (3.000%) Nondisclosable Draw Down Line of Credit Loan to a Government Entity for \$631,761.55 due on August 25, 2022.

PRIMARY PURPOSE OF LOAN. The primary purpose of this loan is for:

- Personal, Family, or Household Purposes or Personal Investment.
- Business (Including Real Estate Investment).

SPECIFIC PURPOSE. The specific purpose of this loan is: PURCHASE FIRE TRUCK.

DISBURSEMENT INSTRUCTIONS. Borrower understands that no loan proceeds will be disbursed until all of Lender's conditions for making the loan have been satisfied. Please disburse the loan proceeds of \$631,761.55 as follows:

Undisbursed Funds:	\$631,761.55
Note Principal:	\$631,761.55

FINANCIAL CONDITION. BY SIGNING THIS AUTHORIZATION, BORROWER REPRESENTS AND WARRANTS TO LENDER THAT THE INFORMATION PROVIDED ABOVE IS TRUE AND CORRECT AND THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN BORROWER'S FINANCIAL CONDITION AS DISCLOSED IN BORROWER'S MOST RECENT FINANCIAL STATEMENT TO LENDER. THIS AUTHORIZATION IS DATED AUGUST 25, 2015.

BORROWER:

CITY OF CHEHALIS

By:
MERLIN MACREYNOLD, CITY MANAGER of CITY
OF CHEHALIS

NOTICE OF FINAL AGREEMENT

Principal	Loan Date	Maturity	Loan No.	Call / Coll.	Account	Officer	Initials
\$631,761.55	08-25-2015	08-25-2022	108119560	0044	200515	110	

References in the boxes above are for Lender's use only and do not limit the applicability of this document to any particular loan or item.
Any item above containing "****" has been omitted due to text length limitations.

Borrower: CITY OF CHEHALIS
1321 S MARKET BLVD
CHEHALIS, WA 98532

Lender: SECURITY STATE BANK
P O BOX 1050
CENTRALIA, WA 98531

ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

By signing this document each Party acknowledges receipt of the above notice. In addition (and not as a limitation on the legal effect of the notice), by signing this document each Party represents and agrees that: (a) The written Loan Agreement represents the final agreement between the Parties, (b) There are no unwritten oral agreements between the Parties, and (c) The written Loan Agreement may not be contradicted by evidence of any prior, contemporaneous, or subsequent oral agreements or understandings of the Parties.

As used in this Notice, the following terms have the following meanings:

Loan. The term "Loan" means the following described loan: a Fixed Rate (3.000%) Nondisclosable Draw Down Line of Credit Loan to a Government Entity for \$631,761.55 due on August 25, 2022.

Loan Agreement. The term "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, relating to the Loan, including without limitation the following:

LOAN DOCUMENTS

- Governmental Certificate: CITY OF CHEHALIS
- Promissory Note
- WA Commercial Pledge Agreement: Collateral owned by CITY OF CHEHALIS
- Agreement to Provide Insurance
- Disbursement Request and Authorization
CRA INFORMATION FORM W/GEO CODE INFO
- Business Loan Agreement
- WA Commercial Security Agreement: Collateral owned by CITY OF CHEHALIS
- WA National UCC Financing Statement (Rev. 04/20/11):
Collateral owned by CITY OF CHEHALIS
- Notice of Final Agreement

Parties. The term "Parties" means SECURITY STATE BANK and any and all entities or individuals who are obligated to repay the loan or have pledged property as security for the Loan, including without limitation the following:

Borrower: CITY OF CHEHALIS
Grantor(s): CITY OF CHEHALIS

Each Party who signs below, other than SECURITY STATE BANK, acknowledges, represents, and warrants to SECURITY STATE BANK that it has received, read and understood this Notice of Final Agreement. This Notice is dated August 25, 2015.

BORROWER:

CITY OF CHEHALIS

By: _____
MERLIN MACREYNOLD, CITY MANAGER of CITY
OF CHEHALIS

LENDER:

SECURITY STATE BANK

X _____
Authorized Signer

To: The Honorable Mayor and Council
 Via: Merlin MacReynold, City Manager
 From: Judy Pectol, Finance Manager
 Prepared by: Betty Brooks, Payroll Accountant
 Date: August 17, 2015
 Subject: Monthly Financial Reports for July

City of Chehalis
 Comparative Financial Reports
 July 2014 and 2015

GENERAL FUND (#001) REVENUES	A July 2014		B		C=B/A		D		E		F=E/D		G		H^		I=F-G	
	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd*	Budget	Actual	% Rec'd	% Rec'd*	Expected	% Rec'd	Expected	Varinc from Expected	% Variance			
General Property Taxes	\$1,262,000	\$681,918	\$1,268,579	\$707,131	54.0%	55.7%	\$1,268,579	\$707,131	55.7%	58.3%	58.3%	55.7%	58.3%	(\$32,451)	-2.6%			
EMS Property Taxes	239,500	129,148	238,157	132,953	53.9%	55.8%	238,157	132,953	55.8%	58.3%	58.3%	55.8%	58.3%	(5,893)	-2.5%			
Sales & Use Tax	3,265,000	2,014,619	3,762,844	2,064,758	61.7%	54.9%	3,762,844	2,064,758	54.9%	58.3%	58.3%	54.9%	58.3%	(128,980)	-3.4%			
Electricity Tax	430,000	286,991	440,000	288,802	66.7%	65.6%	440,000	288,802	65.6%	58.3%	58.3%	65.6%	58.3%	32,282	7.3%			
Gas/Natural Gas Tax	222,000	148,711	221,000	109,507	67.4%	49.6%	221,000	109,507	49.6%	58.3%	58.3%	49.6%	58.3%	(19,336)	-8.7%			
Criminal Justice Tax	91,000	56,944	110,000	59,936	62.6%	54.5%	110,000	59,936	54.5%	58.3%	58.3%	54.5%	58.3%	(4,194)	-3.8%			
Water/Sewer Tax	415,834	246,582	445,000	246,319	59.3%	55.4%	445,000	246,319	55.4%	58.3%	58.3%	55.4%	58.3%	(13,116)	-2.9%			
Garbage Tax	60,000	45,513	61,000	47,778	75.9%	78.3%	61,000	47,778	78.3%	58.3%	58.3%	78.3%	58.3%	12,215	20.0%			
Cable Tax	94,000	74,799	104,000	77,867	79.6%	74.9%	104,000	77,867	74.9%	58.3%	58.3%	74.9%	58.3%	17,235	16.6%			
Telephone Tax	318,000	157,896	270,500	145,882	49.7%	53.9%	270,500	145,882	53.9%	58.3%	58.3%	53.9%	58.3%	(11,820)	-4.4%			
Leasehold Excise Tax	38,000	19,675	39,500	18,922	51.8%	47.9%	39,500	18,922	47.9%	58.3%	58.3%	47.9%	58.3%	(4,107)	-10.4%			
Timber Excise Tax	40	37	40	39	92.5%	97.5%	40	39	97.5%	58.3%	58.3%	97.5%	58.3%	16	39.2%			
Total Tax Revenues	6,435,374	3,863,833	6,960,620	3,899,894	60.0%	56.0%	6,960,620	3,899,894	56.0%	58.3%	58.3%	56.0%	58.3%	(158,147)	-2.3%			
Licenses & Permits	69,980	59,857	168,116	97,141	85.5%	57.8%	168,116	97,141	57.8%	58.3%	58.3%	57.8%	58.3%	(871)	-0.5%			
Intergov't Grants/Entitlements	167,950	139,925	421,400	633,363	83.3%	150.3%	421,400	633,363	150.3%	58.3%	58.3%	150.3%	58.3%	387,687	92.0%			
Charges for Goods and Svcs.	332,800	201,240	408,295	216,225	60.5%	53.0%	408,295	216,225	53.0%	58.3%	58.3%	53.0%	58.3%	(21,811)	-5.3%			
Fines and Forfeitures	151,875	76,298	163,739	84,170	50.2%	51.4%	163,739	84,170	51.4%	58.3%	58.3%	51.4%	58.3%	(11,290)	-6.9%			
Interest Earnings	11,760	4,179	9,990	10,900	35.5%	109.1%	9,990	10,900	109.1%	58.3%	58.3%	109.1%	58.3%	5,076	50.8%			
Rents & Royalties	71,350	42,659	88,472	42,669	59.8%	48.2%	88,472	42,669	48.2%	58.3%	58.3%	48.2%	58.3%	(8,910)	-10.1%			
Donations/Contributions	40,475	6,056	0	4,775	15.0%	100.0%	0	4,775	100.0%	58.3%	58.3%	100.0%	58.3%	4,775	0.0%			
Misc. Revenue/Insurance	11,850	40,167	11,850	99,648	339.0%	840.9%	11,850	99,648	840.9%	58.3%	58.3%	840.9%	58.3%	92,739	782.6%			
Non-Revenues	4,225	2,119	4,225	24,820	50.2%	587.5%	4,225	24,820	587.5%	58.3%	58.3%	587.5%	58.3%	22,357	529.2%			
Total Non-Tax Revenues	862,265	572,500	1,276,087	1,213,711	66.4%	95.1%	1,276,087	1,213,711	95.1%	58.3%	58.3%	95.1%	58.3%	469,752	36.8%			
Operating Transfers-In	1,000,000	772,936	0	279,466	77.3%	0.0%	0	279,466	0.0%	58.3%	58.3%	0.0%	58.3%	279,466	0.0%			
Total Other Financing Sources	1,000,000	772,936	0	279,466	77.3%	0.0%	0	279,466	0.0%	58.3%	58.3%	0.0%	58.3%	279,466	0.0%			
TOTALS	\$8,297,639	\$5,209,269	\$8,236,707	\$5,393,071	62.8%	65.5%	\$8,236,707	\$5,393,071	65.5%	58.3%	58.3%	65.5%	58.3%	\$591,071	7.2%			

Key:
 * The expected percentage is calculated as follows: since the report is for the 7th month of the year, 7 is divided by 12-the number of months in the year.
 ^To calculate the dollar variance between expected and actual expenditures, the following formula is used:
 H=(D*G) -E (i.e.(annual budgeted amount x expected % expended) - actual expenditures.)

City of Chehalis
Comparative Financial Reports
July 2014 and 2015

GENERAL FUND (#001) EXPENDITURES	A July 2014		B Actual	C=B/A		D July 2015		E Actual	F=E/D		G Expected % Exp*		H^ Varnc:from Expected	I=G-F % Variance
	Budget	Actual		% Exp'd	Budget	% Exp'd	% Exp'd		% Exp'd					
City Council	\$93,551	\$50,147	\$50,147	\$111,811	53.6%	\$64,100	\$64,100	57.3%	58.3%	\$1,086	1.0%			
Municipal Court	340,304	193,600	193,600	380,000	56.9%	213,837	213,837	56.3%	58.3%	7,703	2.0%			
City Manager	270,131	165,146	165,146	266,410	61.1%	219,307	219,307	82.3%	58.3%	(63,990)	-24.0%			
Finance	183,331	113,311	113,311	203,500	61.8%	201,736	201,736	99.1%	58.3%	(83,096)	-40.8%			
City Clerk	74,986	42,569	42,569	78,816	56.8%	56,003	56,003	71.1%	58.3%	(10,053)	-12.8%			
Non-Departmental	1,302,246	972,379	972,379	461,773	74.7%	242,664	242,664	52.6%	58.3%	26,550	5.7%			
Human Resources	90,033	54,290	54,290	85,969	60.3%	72,791	72,791	84.7%	58.3%	(22,671)	-26.4%			
Police	2,573,370	1,520,793	1,520,793	2,717,426	59.1%	1,599,051	1,599,051	58.8%	58.3%	(14,792)	-0.5%			
Fire	1,657,866	960,227	960,227	1,902,335	57.9%	1,052,364	1,052,364	55.3%	58.3%	56,697	3.0%			
Public Works - Streets	469,060	330,184	330,184	731,360	70.4%	335,365	335,365	45.9%	58.3%	91,018	12.4%			
Community Development	1,228,727	722,223	722,223	1,396,330	58.8%	920,155	920,155	65.9%	58.3%	(106,095)	-7.6%			
TOTALS	\$8,283,605	\$5,124,869	\$5,124,869	\$8,335,730	61.9%	\$4,977,373	\$4,977,373	59.7%	58.3%	(\$117,642)	-1.4%			

Net Budget/Income/Variance: \$14,034 \$84,400

(\$99,023) \$415,698

\$473,428

Key:

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

City of Chehalis
Comparative Financial Reports
July 2014 and 2015

WASTEWATER FUND (#404) REVENUES	A July 2014		B Actual		C=B/A		D Budget		E July 2015		F=E/D		G Expected		H [^] Var'nc from Expected		I=F-G	
	Budget	Actual	% Rec'd	Budget	Actual	% Rec'd*	Budget	Actual	% Rec'd	Expected % Exp*	Expected % Rec'd	Var'nc from Expected	%	Expected % Rec'd	Var'nc from Expected	%		
Wastewater Fees	\$4,364,408	\$2,652,643	60.8%	\$4,968,202	\$2,833,702	57.0%	10,000	22,119	221.2%	58.3%	58.3%	-\$62,760	-1.3%	16,289	162.9%			
Sewer Connection/Misc. Fees	10,000	103,585	1035.9%	3,545	3,545	100.0%	4,000	2,131	53.3%	58.3%	58.3%	1,478	41.7%	(201)	-5.0%			
Rentals	3,323	3,545	106.7%	0	0	0.0%	0	63	100.0%	58.3%	58.3%	63	N/A					
Misc. Revenues/Insurance	3,300	4,457	135.1%	0	0	0.0%	0	1,342	100.0%	58.3%	58.3%	1,342	100.0%	860	87.3%			
Non-Revenue Tax Receipts	0	0	0.0%	985	1,434	145.6%												
Proceeds of Long-Term Debt	300	156	52.0%															
Interest Earnings	\$4,381,331	\$2,764,386	63.1%	\$4,986,732	\$2,864,336	57.4%												
Totals:																		

WASTEWATER FUND (#404) EXPENSES	A July 2014		B Actual		C=B/A		D Budget		E July 2015		F=E/D		G Expected		H [^] Var'nc from Expected		I=G-F	
	Budget	Actual	% Exp'd	Budget	Actual	% Exp'd	Budget	Actual	% Exp'd	Expected % Exp*	Expected % Rec'd	Var'nc from Expected	%	Expected % Rec'd	Var'nc from Expected	%		
Operating Expenses	\$2,550,559	\$1,449,891	56.8%	\$2,666,292	\$1,325,200	49.7%	253,000	35,087	13.9%	58.3%	58.3%	\$229,248	8.6%	112,412	44.4%			
Capital Outlay	67,000	41,423	61.8%	1,832,390	915,891	50.0%	24,524	12,293	50.1%	58.3%	58.3%	152,392	8.3%	2,004	8.2%			
Debt Principal	1,552,598	775,999	50.0%	83,784	0	0.0%	\$4,859,990	\$2,288,471	47.1%	58.3%	58.3%	48,846	58.3%	\$544,903	11.2%			
Interest Expense	27,480	13,496	49.1%															
Interfund Loan Repayment	83,332	0	0.0%															
Totals:	\$4,280,969	\$2,280,809	53.3%	\$126,742	\$575,865													

Net Budget/Income/Variance: \$100,362 \$483,577 \$501,974

Key:

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

City of Chehalis
Comparative Financial Reports
July 2014 and 2015

WATER FUND (#405) REVENUES	A		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
	Budget	July 2014 Actual	% Rec'd	Budget	July 2015 Actual	% Rec'd	Budget	July 2015 Actual	% Rec'd	Expected % Rec'd*	Var'nc from Expected	%	Expected % Rec'd	Var'nc from Expected	%			
Water Sales	2,566,160	1,465,407	57.1%	2,566,160	1,402,368	54.6%	10,000	36,953	369.5%	58.3%	(93,703)	-3.7%	58.3%	31,123	311.2%			
Water Connection/Misc. Fees	10,000	77,228	772.3%	83,332	0	0.0%	1,000	14,117	1411.7%	58.3%	(48,583)	-58.3%	58.3%	13,534	1353.4%			
Interfund Principal Repayment	83,332	0	0.0%	1,000	0	0.0%	0	41	N/A	150.0%	41	N/A	150.0%	41	N/A			
Misc. Revenues/Insurance	1,000	1,169	116.9%	11,073	3,424	30.9%	11,073	3,424	30.9%	58.3%	(3,032)	-27.4%	58.3%	(3,032)	-27.4%			
Non-Revenue Tax Receipts	0	0	N/A	0	0	N/A	0	0	N/A	58.3%	(3,032)	-27.4%	58.3%	(3,032)	-27.4%			
Interest Earnings	11,073	4,633	41.8%	11,073	3,424	30.9%	11,073	3,424	30.9%	58.3%	(3,032)	-27.4%	58.3%	(3,032)	-27.4%			
Totals:	\$2,671,565	\$1,548,437	58.0%	\$2,671,565	\$1,456,903	54.5%	\$2,671,565	\$1,456,903	54.5%	58.3%	(\$100,619)	-3.8%	58.3%	(\$100,619)	-3.8%			

WATER FUND (#405) EXPENSES	A		B		C=B/A		D		E		F=E/D		G		H^		I=G-F	
	Budget	July 2014 Actual	% Exp'd	Budget	July 2015 Actual	% Exp'd	Budget	July 2015 Actual	% Exp'd	Expected % Exp'd*	Var'nc from Expected	%	Expected % Exp'd	Var'nc from Expected	%			
Operating Expenses	\$1,834,545	\$1,020,255	55.6%	\$1,819,713	\$1,089,463	59.9%	979,400	191,007	19.5%	58.3%	(\$28,570)	-1.6%	58.3%	379,983	38.8%			
Capital Outlay	525,333	73,537	14.0%	133,077	20,000	15.0%	26,185	5,400	20.6%	58.3%	57,584	43.3%	58.3%	9,866	37.7%			
Debt Principal	132,077	19,000	14.4%	420,000	0	0.0%	420,000	0	0.0%	58.3%	244,860	58.3%	58.3%	244,860	58.3%			
Interest Expense	19,225	6,375	33.2%	\$3,378,375	\$1,305,870	38.7%	\$3,378,375	\$1,305,870	38.7%	58.3%	\$418,863	19.6%	58.3%	\$418,863	19.6%			
Transfers Out	0	0	0.0%	0	0	0.0%	0	0	0.0%	58.3%	0	0.0%	58.3%	0	0.0%			
Totals:	\$2,511,180	\$1,119,167	44.6%	\$3,378,375	\$1,305,870	38.7%	\$3,378,375	\$1,305,870	38.7%	58.3%	\$418,863	19.6%	58.3%	\$418,863	19.6%			

Net Budget/Income/Variance: \$160,385 \$429,270 (\$706,810) \$151,033 \$318,243

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

City of Chehalis
Comparative Financial Reports
July 2014 and 2015

STORM FUND (#406) REVENUES	A July 2014		B		C=B/A		D		E July 2015		F=E/D		G		H^		I=F-G	
	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd	Budget	Actual	% Rec'd	% Rec'd*	Expected % Rec'd	% Rec'd	Var'nc from Expected	% Rec'd	Expected % Rec'd	Var'nc from Expected	% Rec'd	Expected % Rec'd
Storm & Surface Water Fees	\$470,284	\$275,898	0	4,068	58.7%	57.7%	\$506,772	\$292,437	57.7%	58.3%	58.3%	57.7%	-\$3,011	58.3%	58.3%	-\$3,011	58.3%	58.3%
Storm Connection/Misc. Fees	0	4,068	0	276	100.0%	391.2%	1,000	3,912	391.2%	58.3%	58.3%	3,329	3,329	58.3%	58.3%	3,329	58.3%	58.3%
Misc. Revenues/Insurance	0	276	0	0	100.0%	178.8%	825	1,475	178.8%	58.3%	58.3%	994	994	58.3%	58.3%	994	58.3%	58.3%
Interest Earnings	300	0	300	0	0.0%	25.8%	1,300	336	25.8%	58.3%	58.3%	(422)	(422)	58.3%	58.3%	(422)	58.3%	58.3%
Totals:	\$470,584	\$280,242	\$470,584	\$280,242	59.6%	58.5%	\$509,897	\$298,160	58.5%	58.3%	58.3%	58.5%	\$890	58.3%	58.3%	\$890	58.3%	58.3%

STORM FUND (#406) EXPENSES	A July 2014		B		C=B/A		D		E July 2015		F=E/D		G		H^		I=G-F	
	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Budget	Actual	% Exp'd	% Exp'd	Expected % Exp'd	% Exp'd	Var'nc from Expected	% Exp'd	Expected % Exp'd	Var'nc from Expected	% Exp'd	Expected % Exp'd
Operating Expenses	\$452,358	\$215,089	15,000	0	47.5%	39.9%	\$442,590	\$176,535	39.9%	58.3%	58.3%	39.9%	\$81,495	58.3%	58.3%	\$81,495	58.3%	58.3%
Capital Outlay	15,000	0	18,000	0	0.0%	16.9%	18,000	3,045	16.9%	58.3%	58.3%	16.9%	7,449	58.3%	58.3%	7,449	58.3%	58.3%
Totals:	\$467,358	\$215,089	\$467,358	\$215,089	46.0%	39.0%	\$460,590	\$179,580	39.0%	58.3%	58.3%	39.0%	\$88,944	58.3%	58.3%	\$88,944	58.3%	58.3%

Net Budget/Income/Variance: \$3,226 \$65,153 \$49,307 \$118,580 \$89,834

Key:

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City of Chehalis
Comparative Financial Reports
July 2014 and 2015

AIRPORT FUND (#407) REVENUES	A July 2014		B		C=B/A		D		E		F=E/D		G		H ^A		I=F-G	
	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd	Budget	Actual	Budget	Actual	% Rec'd	% Rec'd	Expected	% Rec'd*	Expected	Expected	Expected	% Variance
Intergovernmental Revenues	265,000	0	0	0	0.0%	0.0%	800,000	722	0	0	0.1%	58.3%	(465,678)	58.3%	(465,678)	70,097	70,097	-58.2%
Charges for Goods and Svcs.	500,000	293,041	293,041	109	58.6%	1.4%	520,000	373,257	15,085	7,263	71.8%	58.3%	70,097	58.3%	70,097	(1,532)	3,000	13.5%
Interest Earnings	8,000	0	0	0	N/A	N/A	0	0	0	0	N/A	58.3%	58.3%	58.3%	3,000	3,000	N/A	-10.2%
Licenses & Permits	73,203	41,724	41,724	1,326	57.0%	59.3%	96,000	46,715	879,651	501,844	48.7%	58.3%	(9,253)	58.3%	(9,253)	(10,993)	0	-9.6%
Rents & Royalties	821,918	487,041	487,041	1,730,091	59.3%	103.4%	2,000	486	0	0	0.0%	58.3%	(680)	58.3%	(680)	76	0	0.0%
Capital Lease Receipts	2,000	0	0	0	0.0%	0.0%	420,000	0	0	0	0.0%	58.3%	76	58.3%	76	(244,860)	41.7%	
Misc. Revenues/Insurance	1,672,724	1,730,091	1,730,091	0	103.4%	0.0%	0	52,421	0	0	100.0%	58.3%	(244,860)	58.3%	(244,860)	(\$415,038)	0	-22.2%
Capital Contribution - Airport	0	0	0	0	0.0%	0.0%	0	0	0	0	0.0%	58.3%	0	58.3%	0	0	0	0.0%
Non-Revenue Tax Receipts	0	0	0	0	0.0%	0.0%	0	0	0	0	0.0%	58.3%	0	58.3%	0	0	0	0.0%
Operating Transfers In	0	0	0	0	0.0%	0.0%	0	0	0	0	0.0%	58.3%	0	58.3%	0	0	0	0.0%
Totals:	\$3,342,845	\$2,556,332	\$2,556,332	\$985,708	76.5%	36.1%	\$2,732,736	\$985,708	\$985,708	\$985,708	36.1%	58.3%	(\$415,038)	58.3%	(\$415,038)	(\$415,038)	(\$415,038)	-22.2%

AIRPORT FUND (#407) EXPENSES	A July 2014		B		C=B/A		D		E		F=E/D		G		H ^A		I=G-F	
	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Budget	Actual	Budget	Actual	% Exp'd	% Exp'd	Expected	% Exp*	Expected	Expected	Expected	% Variance
Operating Expenses	941,045	492,200	492,200	1,199,816	52.3%	54.1%	\$1,199,816	\$649,451	1,455,000	20,563	1.4%	58.3%	\$50,042	58.3%	\$50,042	827,702	20,495	4.2%
Capital Outlay	398,500	13,532	13,532	231,992	3.4%	49.5%	1,455,000	114,756	84,215	43,347	49.5%	58.3%	827,702	58.3%	827,702	20,495	5,750	56.9%
Principal - G.O. Bonds	222,285	109,955	109,955	84,215	49.5%	51.3%	231,992	114,756	84,215	43,347	49.5%	58.3%	20,495	58.3%	20,495	5,750	8.8%	
Interest Expense	93,921	48,148	48,148	\$663,835	51.3%	40.1%	84,215	43,347	\$2,971,023	\$828,117	51.5%	58.3%	5,750	58.3%	5,750	\$903,989	6.8%	
Totals:	\$1,655,751	\$663,835	\$663,835	\$157,591	40.1%	30.4%	\$2,971,023	\$828,117	\$2,971,023	\$828,117	27.9%	58.3%	(\$488,951)	58.3%	(\$488,951)	(\$488,951)	(\$488,951)	30.4%

Net Budget/Income Variance: \$1,687,094 \$1,892,497 (\$238,287) \$157,591

Key:

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RECOMMENDATION/COUNCIL ACTION DESIRED

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

Reviewed by  City Manager

**CITY OF CHEHALIS
AGENDA REPORT**

DATE: August 11, 2015
TO: The Honorable Mayor and City Council
FROM: Glenn Schaffer, Police Chief
SUBJECT: Adoption of a Panhandling Ordinance.

ISSUE

Attached is proposed Ordinance No. 944-B regarding panhandling within the City of Chehalis.

DISCUSSION

At the May 26, 2015 Council Meeting, Councilor Taylor requested the administration research a panhandling ordinance similar to the one previously passed by the City of Centralia. At the June 8, 2015 council meeting Police Chief Glenn Schaffer reported back to the Council on this topic, at which point the Council expressed interest the administration developing an ordinance for their consideration. The City of Chehalis is seeing an increase in the number of panhandlers within the city limits, and an increase in the number of complaints from business owners and patrons due to unwanted and at times, coercive and aggressive panhandling. Panhandlers' presence in the driveways and along the roadways on our streets also adds to the traffic hazard and an increase in unsightly litter in these busy areas. The proposed ordinance would provide the City of Chehalis with a means to enforce coercive and aggressive panhandling, protect business owners from unwanted panhandling activity near their businesses, and keep panhandlers from being a further traffic hazard in congested areas, while still providing leeway for peaceful panhandling to occur in non-congested areas of town.

This ordinance was brought before Council on August 10th and was passed on first reading. It is now being presented to council on second and final reading.

RECOMMENDATION/COUNCIL ACTION DESIRED

The administration recommends the council pass Ordinance No. 944-B on second and final reading.

SUGGESTED MOTION

I move that the council pass Ordinance No. 944-B on second and final reading.

Reviewed by:  _____, City Manager

ORDINANCE NO. 944-B

**AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON,
AMENDING CHAPTER 7.04.320 OF THE CHEHALIS MUNICIPAL
CODE "MISCELLANEOUS MISDEMEANORS", BY ADDING A
PROVISION TO DEAL WITH THE REGULATION OF SOLICITATION
(PANHANDLING)**

WHEREAS, the City Council of the City of Chehalis has received numerous communications from citizens, businesses, community organizations, and others regarding serious public harm caused by panhandlers and persons engaged in coercive and aggressive solicitation; and

WHEREAS, the City Council of the City of Chehalis desires to protect citizens of and visitors to the City from the fear and intimidation accompanying certain kinds of solicitation, to promote business and tourism, and to preserve the quality of urban life while providing safe and appropriate venues for constitutionally protected activity; and

WHEREAS, the City Council of the City of Chehalis has determined that it is in the best interests of the City and its citizens that Chapter 7.04.320 of the Chehalis Municipal Code be amended to add a provision to deal with the regulation of solicitation, to regulate and punish acts of coercive and aggressive solicitation, and acts of solicitation that occur at locations or under circumstances specified herein which create an enhanced sense of fear or intimidation in the person being solicited, or pose risk to traffic and public safety; now therefore,

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

Section 1. Chapter 7.04.320 of the Chehalis Municipal Code, the Miscellaneous Misdemeanor provision, shall be, and the same hereby is, amended to add a new section "I" regarding regulation of solicitation:

7.04.320.I. Regulation of Solicitation

1. Definitions:

a. "Coercive" means to do the following with intent:

i. To approach, speak, or gesture to a person in such a manner as would cause a reasonable person to believe that the person is being threatened with a commission of a criminal act upon the person, another person, or property in the person's possession.

- ii. To approach within 1 foot of the person for the purposes of making a solicitation without obtaining said person's initial consent.
 - iii. To persist in a solicitation after the person solicited has given a negative response.
 - iv. To block the passage of a person or pedestrian traffic, or a vehicle or vehicular traffic, while making a solicitation.
 - v. To engage in conduct that would reasonably be construed as intended to compel or force a person being solicited to accede to demands.
 - vi. To make any false or misleading representations in the course of making a solicitation.
 - vii. To willfully provide or deliver, or attempt to provide or deliver, unrequested or unsolicited services or products with a demand or exertion of pressure for payment in return for the service or product to a person.
- b. "Solicitation" and all derived forms of "solicit" for the purposes of this chapter is any means of asking, begging, requesting, or pleading made in person, orally, or in a written or printed manner, for oneself or another person, directed to another person, requesting an immediate donation or payment of money, contribution, alms, financial aid, charity, gifts of items or service of value, or the purchase of an item or service for an amount far exceeding its value, under circumstances where a reasonable person would understand that the purchase is in substance a donation.

2. Prohibited Conduct:

- a. It shall be unlawful for any person or persons to make a coercive solicitation within the city limits of Chehalis.
- b. It shall be unlawful for any person or persons to make any solicitation of persons or pedestrians within 25 feet of the entrance to any building unless specific permission has been given by the business owner or occupant to the person or persons seeking to solicit.
- c. It shall be unlawful for any person or persons to make any solicitation of persons or pedestrians within 25 feet of such person's parked vehicle or while any person is loading or unloading any vehicle.
- d. It shall be unlawful for any person or persons to make any solicitation of persons or pedestrians on public property after sunset or before sunrise.

e. It shall be unlawful for any person or persons to solicit at the following places within the city limits of Chehalis:

i Any on-ramps and/or off-ramps to state routes or interstate highways, and specifically those located at Main Street, 13th Street, and Chamber Way;

ii. Within 300 feet of the following intersections:

a.) Chamber Way and National Avenue;

b.) Chamber Way and State Street; and

c.) Chamber Way and Louisiana Avenue.

iii. Within 300 feet of the entrance to the parking lots of all businesses located between - and to include - the 1200 block to the 2100 block of Louisiana Avenue and all businesses located presently or in the future on Arkansas Way.

f. It shall be unlawful for any person or persons to sell, or offer for immediate sale, goods, services, or publications, or distribute items without remuneration, to a person in a vehicle, at those locations set forth at "c" above.

g. For purposes of this chapter, distance shall be measured by using a straight line, without regard for intervening structures or objects, from the nearest point at which a solicitation is being conducted to the restricted location as set forth above.

3. Penalties: Any person who knowingly violates or fails to comply with any term or provision of any section of CMC 7.04.320.I shall be deemed to have committed the following:

a. First Offense. First Offense constitutes a Class 1 civil infraction with a monetary penalty of \$250.00.

b. Second or Subsequent Offense. Constitutes a misdemeanor, and if found guilty, shall be punished by a fine not to exceed \$1,000, plus costs and assessments, and/or imprisonment not to exceed 90 days, or both a fine and imprisonment. A second offense shall mean a violation of this chapter which is committed within one calendar year of the first offense.

Section 2. If any provision of this Ordinance, or its application to any person or circumstances, is held invalid, the remainder of this Ordinance or application of the provisions to other persons or circumstances shall be unaffected.

Section 3. The City Clerk shall be, and she hereby is, instructed to amend Chapter 7.04.320 of the Chehalis Municipal Code as set forth herein.

Section 4. This Ordinance is effective on September 2, 2015.

PASSED by the City Council of the city of Chehalis, Washington, and **APPROVED** by its Mayor, at a regularly scheduled open public meeting thereof this 24th day of August, 2015.

Mayor

Attest:

City Clerk

Approved as to form and for content:

City Attorney