

February 8, 2016

The Chehalis city council met in regular session on Monday, February 8, 2016, in the Chehalis city hall. Mayor Dawes called the meeting to order at 4:00 p.m. with the following council members present: Terry Harris, Dr. Isaac Pope, Bob Spahr, Daryl Lund, and Chad Taylor. Councilor Ketchum arrived at 4:55 p.m. Staff present included: Merlin MacReynold, City Manager; Bill Hillier, City Attorney; Judy Schave, City Clerk; Dennis Osborn, Community Development Director; Glenn Schaffer, Police Chief; Judy Pectol, Finance Manager; Peggy Hammer, Human Resources Administrator; Rick Sahlin, Public Works Director; and David Fleckenstein, Airport Manager. Members of the media included Justyna Tomtas from *The Chronicle*.

1. **Work Session – Recreation Park Improvement Project.** The council held a special work session to discuss funding options for the Recreation Park Improvement Project. Project Manager Tom Skillings with Skillings Connolly, Inc., presented a brief summary of how they got to where they are and provided some funding scenarios for the council to consider.

Mr. Skillings reported one of the components of the recommended concept is the feasibility study to relocate the ballfields. He noted the purpose of the feasibility study is to look at potential sites or facilities that are suitable for relocating the ballfields.

Mr. Skillings reported the Park Committee recommended that the issue be put forth as a ballot measure for an "Excess Levy."

Community Development Director Dennis Osborn shared that the term can be up to 40 years and would not be restricted to the cap of \$3.60 per \$1,000, and would not impact the city's banked capacity.

Mr. Skillings provided the following funding scenario:

- Estimated project cost for excess levy: \$6,210,000
 - Feasibility Study: \$100,000
 - Project Management: \$190,000
 - Funded Amount: \$5,920,000

Mr. Skillings reported he used a term of 30 years at four percent to come up with an annual payment of \$342,354. He noted the four percent is a conservative number that they use for comparison purposes only.

Mr. Skillings reported the current levy rate is \$2.30 per \$1,000. He noted in order to generate sufficient revenue to pay the annual \$342,354 the council will need to increase the levy rate by .55 cents. Mr. Skillings stated, based on a home value of \$157,000, the annual increase would be \$86.37, or \$7.20 per month.

Mr. Skillings stated they will also be looking at other grant opportunities. He reported much of the work being proposed at Recreation Park is eligible for the Washington State Recreation and Conservation Office (RCO) grant. Mr. Skillings noted the Chehalis Foundation and others have expressed interest in participating in the project, but until that funding is in-hand they can't count on it, which is why the Committee recommended the excess levy component as the primary funding source.

Mr. Skillings reported another funding opportunity is the Safe Routes to School grant. He noted this program is now open and would pay for eligible components of road and frontage improvements on 13th Street and at the intersections surrounding Recreation Park. He indicated it's still a competitive process and there's no guarantee that those grants will be awarded to the city.

Mr. Skillings reported he would be meeting with the Chehalis Foundation on Tuesday to present the components of the project, and would be requesting a cash contribution to help pay for the feasibility study, which is not grant eligible. He noted they would also be asking the Foundation to participate in the replacement of Penny Playground.

Mr. Skillings recommended that the feasibility study be conducted immediately to help solidify the total project description. He noted the grant applications are due in May and the deadline to get a council resolution on the August ballot is also in May.

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Mayor Dawes stated he was a little skeptical about the Safe Routes to School grant, noting there's no proximity or connection to the schools. He also didn't see the logic of going out for a \$6 million bond if they plan to try to get grant funding that could potentially cover 50 percent of the project. Mayor Dawes stated it would be nice to know if grant money will be available before they run the bond.

Mr. Skillings reported they looked at the eligibility for the Safe Routes to School grant and they believe the improvements on 13th Street and along William Avenue are in the proximity that qualifies them for the grant. He noted these are 50 percent grants and the city would need to come up with 50 percent matching funds, which are embedded in the cost of the project. Mr. Skillings noted eligible components for the RCO grant include parking, facilities, access, and some aspects of Penny Playground.

Mr. Skillings reported they will not know if they are successful in the two grants until November and/or December. He noted it was the recommendation of the Committee that the levy component be the total project cost, and if they had any success with the grants that money would be put into other identified features of the park that were put on the back burner.

Councilor Spahr inquired about the feasibility study wanting to know if they were looking at moving the ballfields to Stan Hedwall Park, or to another location.

Mr. Skillings reported they would be looking at other locations in addition to Stan Hedwall Park. He reported Hedwall Park was the first obvious choice, but there are questions as to whether or not it's the most cost effective.

Councilor Spahr asked if moving the ballfields to another location would take away a piece of the Safe Routes to School grant.

Mr. Skillings indicated that would need to be evaluated.

Mayor Dawes reported the ballot language will be specific to the project and suggested if they enhance it with grant funding they will need to hold a public hearing.

Mr. Osborn stated if the money is not coming from the bond for the additional features they don't need to go back, but he would get a definitive answer for that. He noted the grant will be specific to the various components, while the question that would go before the voters is very general and does not individually identify each of the components.

City Manager MacReynold reported they cannot do anything outside of what they're asking the voters to approve.

Mr. Skillings reported the grant applications are going to be a small portion of the total project. He noted the maximum he can see being eligible for the RCO grant is probably \$1.1 million and \$400,000-\$500,000 for the Safe Routes to School grant. Mr. Skillings reported if they don't have the levy amount high enough they risk not having enough money to do the project should they not be successful in their grant applications.

City Manager MacReynold reported part of what's driving everything is the timing. He suggested we could wait until we find out if we get the grants, but that would put the project into 2017. City Manager MacReynold stated it could potentially reduce the levy amount, but they would also be losing a lot of energy.

Councilor Taylor felt they needed to get it on the ballot, regardless of any grants that are available. He noted if we are successful in the grants it will only make the project better.

City Manager MacReynold reported his perspective may be a little different than that of the Committee in that if we did receive grants totaling \$1.5 million, could we still in good faith ask the voters to support the full amount of the project?

Mayor Dawes indicated he had concerns about that too. He stated the voters are going to be the ones who make the final decision and he would like to be able to give them the best financial package available.

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Mayor Dawes talked briefly about the ballfields, noting parking is not adequate at the current location for them to be used at their full capacity. He suggested they look at a combined effort, perhaps with the school district, and possibly do some cost sharing.

Councilor Harris reported there have been some ongoing conversations with the school district to possibly partner on the ballfields, adding the Committee will be meeting with the School Board specifically to talk about it.

Councilor Pope reported, with regard to the parking issues at Recreation Park, they did receive a response from Green Hill School and they'll be meeting with them to talk about that, as well.

Mayor Dawes reported he wanted to have all the potential scenarios answered before they take it for a vote.

Mr. Skillings reported if they are successful in receiving grant funding, above and beyond the levy amount, they would identify specifically where that money would be spent within the park.

Mayor Dawes asked that they check to see if they need to hold a public hearing regarding the use of that additional funding. Additionally, if they're successful in forming some type of partnership with regard to the fields, Mayor Dawes stated it would be nice to know if that money can be used on a different piece of property and if a public hearing would be necessary to do that.

The consensus of the council was to continue to move forward.

Mayor Dawes closed the work session at 4:45 p.m. and asked that the room be cleared in order for the council to go into executive session.

2. **Executive Session**. Mayor Dawes announced the council would be in executive session pursuant to RCW 42.30.110(1)(g) – review and evaluate qualifications of an applicant for public employment for approximately 15 minutes and there would be no decision following conclusion of the executive session.

Mayor Dawes closed the executive session at 4:56 p.m. and announced the council would take a short recess and reopen the regular meeting at 5:00 p.m.

Mayor Dawes reported, based on information received from the city attorney, the council would not be taking action on Item No. 10 - Ordinance No. 952-B, but would leave it open for council discussion.

3. **Public Hearing on Proposed Annexation**. Mayor Dawes closed the regular meeting at 5:02:00 p.m. and opened the public hearing.

City Manager MacReynold reported the administration will be presenting a resolution and an ordinance for first reading at the next regular meeting.

City Attorney Hillier noted there would be a three-day period from the time the resolution is adopted to take the information on the proposed annexation to the Lewis County Assessor's Office so they can certify the petition. He noted once that step is complete the ordinance will be brought back for second and final reading. City Attorney Hillier reported there's always a potential for the Boundary Review Board to step in and question our motives and methods, but the administration is on top of it and if there is an issue it will be brought back to the council to get it resolved.

Mayor Dawes reported a letter of support was read into the record on behalf of the Port of Chehalis Commissioners at the public hearing held on January 25. He noted Lewis County Commissioner Bill Schulte was also present at that meeting and stated the county supported the city's annexation 100 percent.

Mayor Dawes closed the public hearing at 5:04:24 p.m. and reopened the regular meeting.

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

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- a. Minutes of the regular meeting of January 25, 2016;
- b. Claim Vouchers No. 114796-114903 in the amount of \$198,935.00 dated January 29, 2016; and Payroll Vouchers No. 38633-38680, Direct Deposit Payroll Vouchers No. 6766-6855 and Electronic Federal Tax Payment No. 156 in the amount of \$768,830.65 dated January 29, 2016;
- c. Adopt Resolution No. 04-2016 on first and final reading for the surplus of city property; and
- d. Accept the Chehalis Avenue Main Street to Pacific Avenue Roadway Improvement Project as complete and release retainage bond to Titan Earthwork LLC, after the city clerk ensures all statutory requirements have been met.

The motion was seconded by Councilor Taylor and carried unanimously.

5. **Council Reports.**

- a. **Update From Councilor Harris.** Councilor Harris reported he's primarily been working with the Chehalis Parks Committee on the Recreation Park Improvement Project.
- b. **Update From Councilor Spahr.** Councilor Spahr reported he received an email from a constituent asking about the city's code regarding bees. He stated the code only allows beehives within 300 feet of a habitable building, which technically means you cannot have beehives in the city. Councilor Spahr noted he provided a copy of the email to the administration to look into it to see if there's a good reason to change it.
- c. **Update From Councilor Lund.** Councilor Lund reported he attended the Parks Committee meeting with Councilors Pope and Harris.
- d. **Update From Councilor Ketchum.** Councilor Ketchum reported he took part in a homeless project at the fairgrounds, noting it was a sobering and learning experience. He stated it turned out to be a great event, adding they were tremendously positive people.
- e. **Update From Mayor Dawes.** Mayor Dawes reported he attended the Taste of Lewis County held at the Hotel Washington on January 31. He also attended the Mayors meeting and two ribbon cuttings: one at the Business Showcase held at the Loft; and the other at the Heritage Kung Fu and Tai Chi on Chehalis Avenue.

Mayor Dawes reported he's noticed a number of car prowls in the police reports and an increase in comments about the number of street lights being out. He reported the city is only responsible for the lights on the metal poles and the lights on utility poles are the responsibility of the Lewis County Public Utility District (PUD). Mayor Dawes stated it would be nice if some of the officers could make a list of the lights that are out and get it sent into the PUD, noting it might lessen the number of vehicle prowls.

Public Works Director Rick Sahlin reported the city has a maintenance agreement with the PUD to take care of the lights in the residential areas. He stated rather than have residents call the PUD he would prefer that they be referred to the public works department, that way we have the information and we can will write up a slip and have the PUD get in touch with the person who called it in. Mr. Sahlin noted he spoke with Street Superintendent Don Schmitt about the issue and asked him to follow up on the reports if they're not repaired.

Councilor Lund asked if the city could send a letter to the PUD Commissioners to ask them to look into getting the lights fixed in a timely manner.

Mr. Sahlin reported the problem is we need to know the location of where the lights are, and we can call them in.

6. **Council Discussion on Proposed Ordinance No. 952-B - Promoting Economic Development.** Mayor Dawes reported the council had expressed support for the proposed ordinance; however, a couple of questions came up in a response the city received from Municipal Research, so no action would be taken on the ordinance at this time.

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Councilor Taylor felt the city had an amazing opportunity to attract a new business that would generate a large amount of sales tax for the city. He noted there's a timeline involved and hoped they could meet the deadline so they don't miss out on this opportunity. Councilor Taylor indicated the city has done things in the past to help businesses in our community, such as the Façade Program in the downtown area. He suggested they have a special meeting next week for the administration and city attorney to bring back a proposal that is legal and will bring this new business to town.

Councilor Harris reported when he first received word about the pushback from Municipal Research he was immediately angry and flabbergasted at our state's almost punishment, of business and industry. He suggested this might be an opportunity to get the ball rolling to get laws developed that will give incentive to communities to be more forward in getting businesses in their community. Councilor Harris agreed with Councilor Taylor that the city needs to figure out a way to make something work.

City Attorney Hillier reported Washington State is controlled by statutory laws that control sales tax and we have no say regarding the assessment, collection, or distribution. He noted the city cannot defer sales tax to a private business, adding that's considered a gifting of public funds. City Attorney Hillier suggested looking at the Business and Occupation (B&O) tax laws, which allows the city to take B&O tax obligations that would go to the state and redirect them to the community.

City Attorney Hillier reported the council could also pass a resolution stating the city will do everything it can to move legislation forward at the state level to create an opportunity for local sales tax to be sent in different directions for development.

Councilor Taylor stated going to the state and lobbying them to pass something is not the timeframe they're working with.

Councilor Ketchum inquired about the sales tax that the city forgave Chehalis Power when they came to town.

City Attorney Hillier noted the city capped the utility tax that we could charge them, but the city never touched the sales tax because we don't have control over that.

City Manager MacReynold asked City Attorney Hillier if council has the authority to reduce the local portion of sales tax.

City Attorney Hillier stated the city can control what we take, but it has to be evenhanded over the city.

Councilor Taylor inquired about the tax break that Boeing receives.

City Attorney Hillier reported the Legislature approved those tax breaks, which is what the city should be pursuing.

Councilor Taylor asked if they could look at putting something together using our utility tax.

Councilor Pope noted the utilities are enterprise funds.

Councilor Lund agreed that this is a good opportunity and it could potentially draw in even more business. He suggested the administration have something put together next week and schedule the special meeting for Friday, rather than wait until Monday.

City Manager MacReynold reported he understood the council's frustration with the state; however, if the council were to pass the ordinance as written we would be challenged and suggested we not do something that we know is not legal. He stated he would be happy to explore the issue to see what we can come up with in a short period of time. He reported he couldn't help but think there might be something around sales tax and that the council can control the city's portion.

Councilor Spahr noted reducing the sales tax is not going to help the businesses, adding it's just a reduction to the citizenry for purchases made at that time. He also had concerns about the proposed ordinance pertaining to one individual business, noting that could potentially put the city in jeopardy. Councilor Spahr stated he didn't have any ideas on how to do what Councilor Taylor is trying to get done, but wished there was a way we could do it.

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Councilor Spahr reported the awnings that Councilor Taylor referred to earlier were paid for through the Community Development Block Grant (CDBG) fund, which was money paid back to the city that couldn't be used for much of anything else.

Mayor Dawes reported between 2008 and 2009 the city suffered a significant loss of about 25 percent of our sales tax revenue. He suggested if we had to cut that by half it could potentially impact us even more than when we had to lay off employees.

Councilor Ketchum stated the council committed four percent of its sales tax to a dedicated street fund and wondered if they could do something similar with the sales tax to help mitigate and support flooded businesses.

City Manager MacReynold believed they could.

City Attorney Hillier reminded the council that the general fund sales tax that was dedicated to the streets is a public obligation. He stated they can't dedicate funds to private industry to improve their property without it being a gifting of public funds.

Councilor Taylor asked if they could dedicate 50 percent of the sales tax that a business produces and put it into a fund and have it available in the event of a flood.

City Attorney Hillier stated it has to serve a public purpose, such as road repairs or city facility improvements.

Councilor Taylor suggested the money used to rebuild the awnings was not a public purpose.

City Manager MacReynold reported those were grants and loans, adding most of that was repaid and went back into the fund to support the program while it was running.

Mayor Dawes reported the CDBG funding was federal money that the city was successful in getting.

Councilor Ketchum suggested they create a flood mitigation program.

Councilor Harris liked the idea of a flood mitigation program, but thought it should have boundaries and include any business within that boundary. He also agreed with Councilor Spahr that they need to look at the financial impact.

Councilor Ketchum suggested it's currently money that doesn't exist and we would be getting 50 percent of something we never had.

Councilor Taylor reported the idea of attracting certain types of businesses to the community can't be something that's forbidden. He noted there are certain industries that cities and counties love to have because they produce good jobs, large amounts of revenue and sales tax and are low impact on city services.

Heidi Pehl stated maybe there is an avenue in which to create a district that is zoned to promote economic development for the city. She suggested a public facility loan program with low to zero percent loans for businesses impacted by flooding that plan to rebuild and reinvest in the city. Ms. Pehl noted when your business is in that situation there are no loan funds available or operating cash coming in.

City Attorney Hillier reported loans are available for cities to make and suggested if they want to set up a loan system for a public private partnership they can do that. He noted the city would have to have funds available to disburse and be able to wait a period of time to collect it.

Councilor Ketchum asked if they could use sales tax to create a fund to produce a loan.

City Attorney Hillier stated yes.

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Mayor Dawes suggested if they have businesses that produce a certain amount perhaps there could be a period of time that a portion of that revenue could be used to build the fund up. He stated he didn't know if they would be able to do zero percent loans, but they could make it a very low interest rate.

Councilor Lund made a motion to direct the city manager to work with the appropriate people to prepare a proposal for council to consider and schedule a special meeting for Monday, February 15 for the council to vote on it.

Councilor Harris seconded the motion.

Mayor Dawes noted since Monday is a holiday they'll schedule the meeting for Tuesday, February 16, at 5:00 p.m. adding the meeting will be open to the public.

The motion carried unanimously.

7. **Update on SE Prospect Street Slide.** Public Works Director Rick Sahlin reported the city received a couple of reports that the slide area on SE Prospect Street seemed to have moved quite a bit in the last 24-48 hours. He noted he was uncomfortable about the way it looked and closed a 100 foot area of the street down to one lane for now. Mr. Sahlin reported he had a contractor look at it on Friday and he also felt it was unstable. He noted any work to repair the slide area would need to be done during the dry season, which will be sometime between late July and September.

Mayor Dawes asked if there was a chance that the slide could go across both lanes.

Mr. Sahlin stated it doesn't look like it. He noted they've been battling this area for over 20 years, off and on, due to the drainage coming down from above that's washing the slope away.

There being no further business to come before the council, the meeting adjourned at 5:50 p.m.

Mayor

Attest:

City Clerk

SUGGESTED MOTION

I move that the council approve the minutes of the regular city council meeting of February 8, 2016.