

**The July 13 City Council meeting will be open to the public.**

**Through a proclamation, Governor Inslee announced that public agencies in counties currently in Phase 3 may now hold in-person meetings.**

**SOCIAL DISTANCING AND THE USE OF MASKS WILL BE REQUIRED.**

**CHEHALIS CITY COUNCIL AGENDA**

CITY HALL  
350 N MARKET BLVD | CHEHALIS, WA 98532

Dennis L. Dawes, Position at Large  
Mayor

Jerry Lord, District 1  
Daryl J. Lund, District 2  
Dr. Isaac S. Pope, District 4

Anthony E. Ketchum Sr., District 3  
Chad E. Taylor, Position at Large, Mayor Pro Tem  
Robert J. Spahr, Position at Large

**Regular Meeting of Monday, July 13, 2020  
5:00 p.m.**

1. Call to Order. (Mayor)
2. Pledge of Allegiance. (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.

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<b>NEW BUSINESS</b>		
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<b>ADMINISTRATION AND CITY COUNCIL REPORTS</b>		
10. <u>Administration Reports.</u>	INFORMATION ONLY	- - -
a. City Manager Update. (City Manager)		
11. <u>Councilor Reports/Committee Updates.</u> (City Council)	INFORMATION ONLY	- - -

<b>EXECUTIVE SESSION</b>
12. Pursuant to RCW:
a. 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate
b. 42.30.110(1)(c) – Sale/Lease of Property
c. 42.30.110(1)(g) – Review Performance of a Public Employee
d. 42.30.110(1)(i) – Potential Litigation

**THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA.  
NEXT REGULAR CITY COUNCIL MEETING IS MONDAY, JULY 27, 2020.**

June 22, 2020

The Chehalis city council met in regular session on Monday, June 22, 2020, in the Chehalis city hall. Mayor Dennis Dawes (present in the council chambers) called the meeting to order at 5:05pm with the following council members present via Zoom: Jerry Lord; Daryl Lund; Dr. Isaac Pope; Bob Spahr; and Chad Taylor. Councilor Tony Ketchum was absent (excused). Staff present in the council chambers included: Jill Anderson, City Manager; Ken Cardinale, Fire Chief; Caryn Foley, City Clerk; Erin Hillier, City Attorney; Trent Lougheed, Public Works Director; and Brandon Rakes, Airport Operations Coordinator. Due to orders from the Governor's office relating to COVID-19, members of the public and the press were restricted from the meeting room but were able to view the meeting via live streaming and were provided a process for submitting comments prior to the meeting.

1. **Public Hearing – 2021-2026 Six-Year Transportation Improvement Program (TIP)**. Mayor Dawes recessed the regular meeting and opened the public hearing at 5:06 pm.

Trent Lougheed stated the purpose of the public hearing was to comply with the annual requirement of the Washington State Department of Transportation to approve the six-year TIP and to provide the public an opportunity to provide input. In order for a project to be eligible for grant funding, the project must be listed on the adopted six-year TIP. Once a project receives funding, it is added to the state TIP and the city may move forward with construction and design of the project. He stated the proposed TIP was included in the agenda.

Caryn Foley stated no public comments were received prior to the meeting.

Mayor Dawes stated that due to the fact that the council was not able to have a normal meeting, the TIP could be posted on the city's website and if anyone wanted to comment they could contact the Public Works Department. He stated the TIP could be brought back to the council at any time. Trent Lougheed stated the TIP could be modified at any time, but it had to be adopted by July 1 each year.

Mayor Dawes closed the public hearing and reopened the regular meeting at 5:10 pm.

2. **Recognition of Fire Captain Casey Beck**. Mayor Dawes presented a plaque to Fire Captain Casey Beck upon his retirement after 33+ years of service to the city.

3. **Recognition of Fire Chief Ken Cardinale**. Mayor Dawes presented a plaque and read a proclamation in recognition of Chief Cardinale's five years of service to the city. Chief Cardinale introduced Tedd Hendershot as the city's Interim Fire Chief until a permanent chief is found.

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

- a. Minutes of the regular city council meeting of June 8, 2020; and
- b. June 15, 2020 Claim Vouchers No. 129227 – 129356 and Electronic Funds Transfer Nos. 520201, 520202, and 520203 in the amount of \$362,923.69.

The motion was seconded by Councilor Taylor and carried unanimously.

5. **Resolution No. 8-2020, First and Final Reading – Adopting the 2021-2026 Six-Year Transportation Improvement Program**. Trent Lougheed stated this was an annual requirement from the Washington State Department of Transportation to get projects funded. He noted that just because a project was included on the list did not guarantee funding, but allowed the city to apply for funding. Additionally, the TIP could be amended at any time.

Councilor Taylor moved to adopt Resolution No. 8-2020 on first and final reading. The motion was seconded by Councilor Pope and carried unanimously.

6. **Regional 911 Consolidation Feasibility Study and Memorandum of Understanding for Cost-Sharing Agreement**. City Manager Anderson stated staff had been working to address concerns about 911, both relating to technology and performance. Through that, a county-wide agreement for services was developed, and also an effort to look at new ways of providing 911 service. The feasibility study would assess whether or not Lewis County could be better served by consolidating

June 22, 2020

with TCOMM (Thurston County Communications). The cities of Centralia and Chehalis have been working with Riverside Fire Authority (RFA) and Lewis County on the feasibility study. A scope of work was developed for a nation-wide search for a consultant. The firm selected was DELTAWRX. A recommendation to proceed with the study using DELTAWRX was being presented to the council, along with a cost sharing memorandum of understanding (MOU) between the four major partners. The city's equal share of the study was \$26,730.50 (\$24,230.50, plus a contingency of \$2,500). She stated a change to the proposed MOU was received by the county around 4:00 pm today. The county requested that instead of making a full payment, the county will make monthly payments to the consultant. City Manager Anderson expected the study to be completed by the end of the year.

Councilor Spahr moved to approve the Memorandum of Understanding for Cost Sharing Agreement to conduct a feasibility study of consolidating 911 services with TCOMM; to authorize the expenditure of up to \$26,730.50 to fund the 911 regionalization feasibility study, which includes a contingency of \$2,500; and to authorize the City Manager to execute documents related to the project, including the cost sharing MOU with Lewis County, City of Centralia, and RFA, including the change in the MOU relating to monthly payments to the county. The motion was seconded by Councilor Taylor and carried unanimously.

**7. Administration Reports.**

a. **City Manager Update.** City Manager Anderson welcomed Tedd Hendershot as the city's Interim Fire Chief. She announced that Lewis County was now in phase 3 of the COVID reopening, so city offices have been opened back up to the public. People are still encouraged to continue to call ahead to make sure that the appropriate staff are in the office or to save themselves a trip if services can be provided via email, by phone, or on-line. Municipal Court and the Police Department will be open from 10:00 am to 3:00 pm during this transition time. Staff is looking at July 15 for the grand opening of the Chehalis Sports Complex in anticipation of the county being in phase 4. If the county is not in phase 4, adjustments will be made. Penny Playground is coming along and the grand opening of that facility was being planned for mid-August.

Mayor Dawes asked about progress on the pool. He asked staff to call the contractor to get the project completed. Trent Lougheed stated three days of dry weather is needed prior to shooting quick crete onto the sides of the pool. With significant rains this past Saturday, the contractor should be on site tomorrow at the earliest.

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

a. **Councilor Lund.** Councilor Lund stated the Chehalis-Centralia Railroad started last weekend. Repairs to the steam engine are in the works.

b. **Councilor Taylor.** Councilor Taylor stated vehicle sales were doing okay. The biggest problem was a shortage in the supply chain from manufacturers being shut down due to COVID.

8. **Executive Session.** Mayor Dawes announced the council would be in executive session pursuant to RCW 42.30.110(1)(b) – Selection of Site or Acquisition of Real Estate and RCW 42.30.110(1)(c) – Sale/Lease of Property, not to exceed 6:30 pm and there would be no action following conclusion of the executive session. Mayor Dawes closed the regular meeting at 5:44 pm. The executive session began at 5:45 pm. Following conclusion of the executive session, the regular meeting was reopened at 6:30 pm and immediately adjourned.

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Dennis L. Dawes, Mayor

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Caryn Foley, City Clerk

Approved:  
Initials: \_\_\_\_\_

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director  
Michelle White, Accounting Tech II

**MEETING OF:** July 13, 2020

**SUBJECT:** Vouchers and Transfers – Accounts Payable in the Amount of \$206,411.66

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**ISSUE**

City Council approval is requested for Vouchers and Transfers dated June 30, 2020. In addition to the Vouchers and Transfers, approval is requested for voided Electronic Funds Transfer Check No. 901, 902 and 903, original issue date June 30, 2020, which results in an increase to the General Fund balance in the amount of \$794.20.

**DISCUSSION**

The June 30, 2020 claim vouchers have been reviewed by a committee of three councilors prior to the release of payments. The administration is requesting City Council approval for Claim Vouchers No. 129357 – 129476 and Electronic Funds Transfer Check Nos. 901, 902 and 903 in the amount of \$207,205.86 dated June 30, 2020 and voided Electronic Funds Transfer Check Nos. 901, 902 and 903 in the amount of \$794.20 for the net total transfer of \$206,411.66 as follows:

- \$ 74,935.63 from the General Fund
- \$ 2,519.22 from Dedicated Street Fund – 4% Sales Tax
- \$ 18,209.85 from Transportation Benefit District Fund
- \$ 2,711.02 from the LEOFF 1 OPEB Reserve Fund
- \$ 22,095.70 from the Public Facilities Reserve Fund
- \$ 21,546.85 from the Wastewater Fund
- \$ 8,637.10 from the Water Fund
- \$ 134.51 from the Storm & Surface Water Utility Fund
- \$ 55,701.01 from the Airport Fund
- \$ 714.97 from the Firemen’s Pension Fund
- \$ 207,205.86 Total Vouchers for June 30, 2020
- \$ <794.20> Voided checks for June 30, 2020
- \$ 206,411.66 Net Total Transfers

**RECOMMENDATION**

It is recommended that the City Council approve the June 30, 2020 Claim Vouchers No. 129357 – 129476 and Electronic Funds Transfer Check Nos. 901, 902 and 903 in the amount of \$207,205.86 and voided Electronic Funds Transfer Check Nos. 901, 902 and 903 in the amount of \$794.20.

**SUGGESTED MOTION**

I move that the City Council approve the June 30, 2020 Claim Vouchers No. 129357 – 129476 and Electronic Funds Transfer Check No. 901, 902 and 903 in the amount of \$207,205.86 and voided Electronic Funds Transfer Check Nos. 901, 902 and 903 in the amount of \$794.20.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director  
Betty Brooks, Payroll Accountant

**MEETING OF:** July 13, 2020

**SUBJECT:** Vouchers and Transfers – Payroll in the Amount of \$964,447.11

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**ISSUE**

City Council approval is requested for Payroll Vouchers and Transfers dated June 30, 2020.

**DISCUSSION**

The administration requests City Council approval for Payroll Vouchers No. 41328-41361, Direct Deposit Payroll Vouchers No. 12242-12353, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 299-302 dated June 30, 2020 in the amount of \$964,447.11, which include the transfer of:

- \$664,907.12 from the General Fund
- \$7,618.38 from the Arterial Street Fund
- \$5,940.00 from the LEOFF1 OPEB Reserve Fund
- \$100,125.22 from the Wastewater Fund
- \$107,176.90 from the Water Fund
- \$44,663.10 from the Storm & Surface Water Utility Fund
- \$34,016.39 from the Airport Fund

**RECOMMENDATION**

It is recommended that the City Council approve the June 30, 2020 Payroll Vouchers No. 41328-41361, Direct Deposit Payroll Vouchers No. 12242-12353, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 299-302 in the amount of \$964,447.11.

**SUGGESTED MOTION**

I move that the City Council approve the June 30, 2020, Payroll Vouchers No. 41328-41361, Direct Deposit Payroll Vouchers No. 12242-12353, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 299-302 in the amount of \$964,447.11.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Jill Anderson, City Manager

**MEETING OF:** July 13, 2020

**SUBJECT:** Agreement with Lewis Economic Development Council to Provide Economic Development Services

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**ISSUE**

The current agreement with the Lewis Economic Development Council (EDC) has expired.

**DISCUSSION**

The City has been a member of the EDC for many years. The agreement between the city and the EDC to provide economic development services during calendar years 2018-2019 has expired. The proposed agreement provides that the EDC actively recruit business and industry to Chehalis and the greater community; provide business retention outreach to businesses in Chehalis and the greater community; support efforts by the city to recruit new retail businesses to Chehalis; and conduct briefings to the City Council and/or city personnel as requested.

Some of the specific services provided by the EDC over the past year included:

- Coordinated flood funding that supported the important work that J. Vander Stoep is doing to create a solution to basin-wide flooding;
- Provided assistance to the Port of Chehalis that led to the construction of a new 20,000 square foot building at the Port of Chehalis;
- Supported the construction funding of the SWIFT building; a workforce training facility at Centralia College. Construction of the building began early this year;
- Developed a funding strategy for future projects for Lewis County Flood Control District # 1;
- Distributed \$200,000 in business grant funding through the WA State Department of Commerce that included businesses located in Chehalis; and
- EDC has been asked by Lewis County to distribute an additional \$200,000 in grant funding to businesses throughout the County.

**FISCAL IMPACT**

Annual payments to the EDC have fluctuated over the years. The following provides a history of contributions from the city to the EDC:

<b>Year(s)</b>	<b>Annual Payment</b>
2008	\$ 15,000
2009 – 2012	\$ 6,000
2013 – 2014	\$ 4,000
2015 – 2017	\$ 6,000
2018 – 2019	\$ 8,000

The 2020 Adopted Budget includes \$8,000 for EDC economic development services.

**RECOMMENDATION**

It is recommended that the City Council approve the agreement with the Lewis Economic Development Council to provide economic development services for 2020 and 2021.

**SUGGESTED MOTION**

I move that the City Council approve the agreement with the Lewis Economic Development Council to provide economic development services in 2020 and 2021.

**AGREEMENT FOR ECONOMIC DEVELOPMENT SERVICES**

**THIS AGREEMENT**, made and entered into this \_\_\_\_ day of \_\_\_\_\_, 2020, by and between the **LEWIS ECONOMIC DEVELOPMENT COUNCIL**, a nonprofit Washington corporation, herein referred to as EDC, and the **CITY OF CHEHALIS, WASHINGTON**, a municipal corporation, herein referred to as City.

W I T N E S S E T H:

For and in consideration of the mutual covenants and promises herein contained, the parties agree as follows:

**A. Services.**

1. EDC will perform the following services:

- a) Actively recruit business and industry to Chehalis and the greater community.
- b) Provide business retention outreach to businesses in Chehalis and the greater community.
- c) Support efforts by City to recruit new retail businesses to the City of Chehalis. This includes research and expertise as requested by City staff.
- d) Conduct informative briefings for the City Council and/or City personnel, as requested by the City Manager.

2. EDC shall provide City with quarterly written reports and provide oral reports annually. Each quarterly report shall explain how contract deliverables are being accomplished.

**B. City Payment.** City agrees to pay \$8,000.00 for services rendered in 2020 and 2021. Payments may be made in equal quarterly installments of \$2,000.00 each, made at the end of each quarter upon receipt of invoice.

**C. Termination.** Either party may terminate this Agreement by giving the other party notice of such intent no later than thirty (30) days prior to the effective date of termination. In the event of termination, the City's obligation to pay for services provided shall be pro-rated to the date of termination.

**D. Renewal.** This Agreement may be renewed by the parties upon authorization by the Chehalis City Council of the appropriation of funds in the City's annual budget for the fee to be paid to EDC for services rendered.

CITY OF CHEHALIS, WASHINGTON,  
a municipal corporation

LEWIS ECONOMIC DEVELOPMENT COUNCIL,  
a non-profit corporation

By: \_\_\_\_\_  
Its City Manager

By: \_\_\_\_\_  
Its Executive Director

Attest: \_\_\_\_\_  
Its City Clerk

By: \_\_\_\_\_  
Its President

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director

**MEETING OF:** July 13, 2020

**SUBJECT:** Resolution No. 9-2020, First and Final Reading – Adopting an Interfund Loan Policy

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**ISSUE**

A policy is needed to provide guidelines for the borrowing of cash or other assets using interfund loans. The City Council has the authority to approve interfund loans. Attached is Resolution No. 9-2020, which includes the Interfund Loan Policy.

**DISCUSSION**

The City may find insufficient cashflow in one fund while having sufficient funds in a different fund of the City. A loan from one fund to another is permissible but requires City Council approval by a resolution prior to an actual loan transaction.

The Municipal Research and Services Center (MRSC) suggests that governments may be able to provide “blanket” authority for interfund loans to staff in response to temporary cashflow concerns. However, limitations, conditions, and reporting must be included in any “blanket guidance.”

Due to the COVID-19 pandemic, the City’s General Fund is experiencing significant disruption in the receipt of sales tax and other fee revenues. This is largely due to the reduction of the economic activity that creates the revenues used to fund the City’s public services. Another factor impacting the City’s revenue stream is the payment deferral options given to the businesses that generate sales tax revenue to ease the impact of the mandated shut-down of businesses in March and April due to COVID-19. The full extent of the financial impact on the City is unknown at this time; however, significant revenue losses are expected and there is a potential for short-term cashflow deficiencies in the City’s General Fund to cover immediate operating expense obligations.

The proposed Interfund Loan Policy provides guidelines for the borrowing of cash or other assets using interfund loans, including a delegation of authority to the City Manager to authorize the Finance Director to make a temporary interfund loan transfer without prior approval from the City Council, subject to subsequent reporting to City Council.

In the event that revenue shortfall necessitates an immediate and temporary transfer of funds from other funds in keeping funds solvent, the proposed policy would allow the City Manager to authorize the Finance Director to make such necessary interfund loans without prior approval of City Council. The

purpose of such a temporary interfund loan transfer is to cover an immediate operating expense obligation when revenue fluctuation is severe and unpredictable, creating cashflow deficiency, thus necessitates an immediate transfer of funds in keeping funds solvent. A report to City Council must be provided at the first regularly scheduled City Council meeting following the transfer, together with a Resolution for approval of transfer, loan period, and repayment terms.

**FISCAL IMPACT**

None.

**RECOMMENDATION**

It is recommended that the City Council adopt Resolution No. 9-2020 on first and final reading to adopt the City's Interfund Loan Policy.

**SUGGESTED MOTION**

I move that the City Council adopt Resolution No. 9-2020 on first and final reading to adopt the City's Interfund Loan Policy.

**RESOLUTION NO. 9-2020**

**A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON,  
ESTABLISHING AN INTERFUND LOAN POLICY, PROVIDING  
AUTHORITY AND PROCEDURE FOR IMMEDIATE AND TEMPORARY  
TRANSFERS, AND PROVIDING FOR AN EFFECTIVE DATE HEREOF.**

**WHEREAS**, the City of Chehalis, from time to time, may have unrestricted funds that remain inactive or exceed anticipated cash needs, that are legally available for investment, which can be loaned to other municipal funds; and

**WHEREAS**, the City of Chehalis has an interest in establishing a policy to provide proper procedures and authority for borrowing cash or other assets using interfund loans; and

**WHEREAS**, the City's Finance Director has presented the City Council with a proposed financial policy and procedure for the use of interfund loans; and

**WHEREAS**, the City Council has reviewed said policy; and

**WHEREAS**, the City Council has determined that it is in the best interest of the City of Chehalis to establish procedures and authority for interfund loan transfers pursuant to a written policy; now, therefore,

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

**Section 1.** The City Council does hereby approve and adopt the Interfund Loan Policy (Attachment A) as recommended by the Finance Director.

**Section 2.** The City Council does hereby authorize the City Manager, in circumstances where revenue shortfall necessitates immediate and temporary transfer of funds to remain solvent, to approve the Finance Director to make such necessary transfer subject to subsequent reporting to Council and repayment procedures according to the Interfund Loan Policy.

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

**ADOPTED** by the City Council of the City of Chehalis, Washington, and **APPROVED** by its Mayor, at a regularly scheduled open public meeting thereof this \_\_\_\_\_ day of \_\_\_\_\_, 2020.

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Mayor

Attest:

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City Clerk

Approved as to form and content:

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City Attorney



## City of Chehalis Interfund Loan Policy

Adopted by Council		Effective Date:	
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### I. PURPOSE

A policy is needed to provide guidance for the borrowing of cash or other assets using interfund loans. The City of Chehalis is a non-charter code city. As such, the legislative body may exercise its power to approve interfund loans.

### II. POLICY

This policy applies to all loans made between two or more city funds. Only that portion of a given fund which is clearly inactive or in excess of anticipated cash needs throughout the duration of the loan and legally available for investment may be loaned to other municipal funds.

All interfund loans must be approved by City Council by resolution.

Interfund loans are temporary or short-term borrowing of cash or other assets and may be made for the following reasons:

- To offset timing differences in cash flow.
- To offset timing differences between expenditures and reimbursements, typically associated with grant funding.
- To provide funds for interim financing in conjunction with obtaining long-term financing.
- For short-term borrowing in place of external financing.
- For other needs as deemed appropriate by City Council.

The Interfund loan monies may only be used for the purpose identified in the authorizing resolution. Appropriate accounting records will be maintained to reflect the balances of loans in every fund affected by such transactions. A reasonable rate of interest, based on market rates, will be paid.

### III. PROCEDURE

It is permissible to make interfund loans of those municipal monies which are clearly inactive or in excess of current needs for the anticipated length of the loan and legally available for investment (i.e., no restrictions). The Finance Director and City Attorney will determine which money may or may not be available for interfund lending, since the special character of some money involves commitments and restrictions which would require individual consideration.

The requirements for making and accounting for interfund loans are as follows:

The City Council must approve by resolution all interfund loans. The resolution will include the lending and borrowing funds, a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest to be paid to the lending fund. The planned schedule of repayment should specify the due date(s) of payment(s) needed to repay the principal and interest on the loan.

1. The following guidelines should be used in establishing the rate of interest:
  - a. Not lower than the "opportunity cost" if the funds were otherwise invested, such as the LGIP (Local Government Investment Pool) rate or a bank CD rate for a similar term.
  - b. Treasury yields or short-term bond yields for a similar term.
  - c. Not higher than the external rate available to the municipality.
2. Interest should be charged in all cases, unless the following circumstances apply:
  - a. The borrowing fund has no independent source of revenue other than the lending fund; or
  - b. The borrowing fund is normally funded by the lending fund. (For example, General Fund is used to fund streets and capital project funds.)
  - c. The lending fund is the General Fund, which, being unrestricted, can loan interest-free, except to a proprietary fund (i.e., enterprise funds such as Water and Sewer).
3. The borrowing fund must anticipate sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments as required in the authorizing resolution.
4. The term of the loan may continue over a period of more than one year but must be "temporary" in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. A loan that continues longer than three years may be scrutinized for a "permanent diversion" of moneys. (Note: these restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)
5. Appropriate accounting records will be maintained to reflect the balances of loans in every fund affected by such transactions.
  - a. Interfund loans receivable and interfund loans payable will be reconciled periodically.
  - b. No debt instrument issued by one fund and held by another fund can be considered an investment.

- c. The original interfund loan and repayments of the loan principal are recorded as nonexpenditure disbursements (other decrease in fund resources) and nonrevenue receipts (other increase in fund resources).
- d. Loan interest on an interfund loan will be recorded as revenue to the loaning fund, and an expenditure of the fund receiving the loan.

#### **IV. IMMEDIATE INTERFUND TRANSFERS – DELEGATION OF AUTHORITY**

If at any time revenue shortfall necessitates an immediate and temporary transfer of funds from other funds to keep funds solvent, the City Manager is authorized to approve the Finance Director to make such necessary interfund loans without prior approval of City Council, subject to subsequent reporting to City Council and repayment procedures according to the Interfund Loan Policy.

The purpose of such a temporary interfund loan transfer is to cover an immediate operating expense obligation when revenue fluctuation is severe and unpredictable, creating cash flow deficiency. The period of the interfund loan shall not exceed thirty (30) days and is subject to repayment within the 30-day period.

A report to City Council shall be provided at the first regularly scheduled City Council meeting following the transfer, together with a Resolution for approval of the transfer, loan period, and repayment terms.

#### **V. REFERENCES**

- State Auditor's Office Budget, Accounting and Reporting System (BARS) Manual.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Jill Anderson, City Manager

**BY:** Trent Lougheed, Public Works Director

**MEETING OF:** July 13, 2020

**SUBJECT:** Temporary Emergency Fire Station Update – Request for Additional Authority for Site Preparation Work and the Addition of a Temporary Apparatus Bay

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**ISSUE**

The City is in the process of site preparation for the temporary emergency fire station location at 710 Arkansas Way due to the decision of Lewis County Fire District #6 to terminate the station use agreement with the City. Currently, no protection is available for fire apparatus. Due to the value of the apparatus and weather impacts, a temporary apparatus bay is needed to protect and secure the equipment.

**INTRODUCTION**

The City is working to complete site preparations for a temporary fire station site located at 710 Arkansas Way after site approval was granted at the June 8, 2020 City Council meeting. At that meeting, the City Council assigned the City Manager emergency contracting authority of up to \$150,000 for Temporary Emergency Fire Station preparation, which was intended to pay for all costs associated with the Temporary Fire Station, not including a temporary apparatus bay building.

The costs associated with the work to date have exceeded estimates and additional financial authority is needed to pay for the temporary emergency fire station and add a temporary apparatus bay to the project scope. In addition, there is a need to build a temporary apparatus building at the emergency fire station site or the permanent site if the purchase of the property is complete or near complete by the time the building materials become available.

**COST SUMMARY**

In order to provide greater clarity, the Site Preparation costs, which are being paid by the Airport, and the costs with creating a temporary emergency fire station have been broken out for your information.

***Site Preparation Work***

The Site Preparation costs are being paid for based on “Time and Material” by the Airport Fund as the improvements will increase the future rent of improved property. The Site Preparation work (costs associated with site improvements that can be utilized by future tenants) is now complete including:

- Filling/grading

- Stormwater conveyance
- Paving
- Striping of parking areas and installation of concrete parking stops in a portion of the paved area
- Concrete driveway approaches
- Power and auxiliary conduits for power and communication utility installation
- Water and Sewer connections to serve the site

During the Site Preparation portion of the project, the Contractor was required to over-excavate unsuitable soils at the northwest corner of the property and install filter fabric with an additional 12" of crushed rock in order to prevent damage to the pavement when fire apparatus enter the site at this location. Additionally, our Contractor was required by LCPUD to install all power conduits from the transformer adjacent to the Electric Vehicle Charging Stations to the temporary transformer location and then to the electrical panels, which was previously anticipated to be completed as part of the LCPUD service request.

Based on a "Time & Materials" Contract, the anticipated Site Preparation costs are \$199,700. These costs will be paid by the Airport Fund, allowing the property to be leased in the future as "improved property."

#### ***Temporary Emergency Fire Station Set-Up***

The status of Temporary Fire Station preparation work components are as follows:

- Delivery and set-up of the structures is complete with the exception of platforms and ADA access, which is scheduled to be completed by 7/17/20
- Day Wireless has installed radio equipment
- Temporary fencing will be delivered to the site on as soon as possible and will be installed for protection of apparatus until an apparatus building is erected
- Garbage service has been coordinated
- Internet service has been ordered
- Water and Sewer service lines extended to mobile structure (including yard hydrant for vehicle washing extended to the apparatus building location)
- Temporary power installation including transformer, service set, and generator transfer switches for the temporary apparatus structure and mobile units with service lines to each

The total cost of the Fire Station preparation work to date is approximately \$27,000, including a budget estimate of \$3,000 for the radio equipment installation (final figures have not been received).

#### ***Temporary Apparatus Bay***

A temporary structure that will serve as an apparatus bay is necessary to protect and secure fire department vehicles. A building with a steel frame is recommended, as a steel structure would be much easier and inexpensive to move to a new site and could eventually be used by the Police Department for evidence storage. Cost estimate for apparatus bay building is estimated at \$171,000 (including sales tax), which is higher than previously anticipated and includes:

- 60' x 68' engineered steel structure
- 8 each, 12'x14' bay doors with automatic openers
- 1 each, man door

- 8 each, high bay lights
- 3 each, outdoor flood lights
- 2 each, 24" exhaust fans

Authorization is being sought in the amount of \$175,000 for the apparatus shelter, as well as an additional \$30,000 for the emergency fire station set-up, which includes:

- The delivery and set-up of the Pacific Mobile Structures
- Temporary power service
- Day Wireless radio installation
- Temporary Water & Sewer Capital Facilities Charges and Connection Fees

A standby generator has been ordered for the Public Works building and will be available for use at this site when delivered. This generator is included in the 2020 budget.

### **FISCAL IMPACT**

***Airport Fund Costs:*** The total anticipated costs associated with Site Preparation work is \$199,100 and is substantially complete. Staff is requesting signing authority of \$205,000 for this work in case additional unforeseen work is necessary. These costs will be paid by the Airport Fund.

***General Fund Costs:*** The total anticipated costs associated with the Temporary Emergency Fire Station and Temporary Apparatus Building is \$201,000. In addition, we are in the process of identifying a tent-like cover for the engine for the short term, which is expected to be as much as \$6,500, in order to provide as much coverage as possible, as soon as possible. This item, like the apparatus bay, can be used at the temporary emergency site and then moved to the permanent site or used in another capacity if not needed by the Fire Department.

Signing authority of \$220,000 is requested for this work, which would cover the estimated expenditures of \$207,500 plus a contingency of 12,500 (5.6%) in case additional unforeseen work is necessary. These costs would be paid by the General Fund. This expenditure will have a significant negative impact on the City's general fund reserve; however, they are eligible for payment by bond proceeds if the City Council elects to issue Councilmanic Bonds to pay for the permanent fire station site and include an amount for the eligible temporary emergency fire station expenses, such as the apparatus bay.

***Future Potential Expense:*** In order to meet the deadline to vacate LCFD #6, which has been extended by the LCFD #6 Board of Commissioners to July 17, 2020, the City has been focused on getting an emergency fire station site established, using temporary mobile structures for living and administrative quarters. It is anticipated that a long-term interim fire station will be needed at the property being purchased for the permanent site.

The plan is to return to the City Council at a future meeting to request authority to purchase a mobile home that can be customized for administrative and living quarters. This would be a one-time purchase and be less expensive than paying the monthly rental fees for the mobile structures over the next several years while the permanent fire station is designed, funded, and constructed. It takes approximately 4 months for a mobile home to be constructed and delivered. The anticipated cost is \$150,000, which could be paid for from the proceeds from the Councilmanic Bonds that are being considered as one way to pay for the permanent site.

## **RECOMMENDATION**

It is recommended that the City Council authorize the City Manager to:

- 1) Approve an increase in signing authority for the Temporary Fire Station with \$70,000 of additional spending authority, increasing the "Not-to-Exceed" amount from \$150,000 to \$220,000, which would be General Fund Expenditures; and
- 2) Establish signing authority for Site Preparation in a "Not-to-Exceed" amount of \$205,000, which would be Airport Fund expenditures; and
- 3) Acknowledge that this work is being done under the emergency authority granted by City Council by adoption of Resolution 7-2020 on June 8, 2020, which expires on September 6, 2020.

## **SUGGESTED MOTION**

I move that the City Council: authorize the City Manager to:

- 1) Authorize the City Manager to spend an additional \$70,000, increasing the project spending authority for the Emergency Temporary Fire Station and Apparatus Shelters from \$150,000 to \$220,000, which would be General Fund Expenditures; and
- 2) Establish signing authority for Site Preparation in a "Not-to-Exceed" amount of \$205,000, which would be Airport Fund expenditures.
- 3) Acknowledge that this work is being done under the emergency authority granted to the City Manager for all work related to the establishment of an Emergency Temporary Fire Station by City Council adoption of Resolution 7-2020 on June 8, 2020, which expires on September 6, 2020.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

**TO:** The Honorable Mayor and City Council

**FROM:** Jill Anderson, City Manager

**BY:** Chun Saul, Finance Director

**MEETING OF:** July 13, 2020

**SUBJECT:** Financing Options for New Fire Station Land Purchase and Temporary Fire Station

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**ISSUE**

This report has been prepared to provide an overview of the possible financing options for the new fire station land acquisition and to receive preliminary direction regarding the financing amount and options.

**BACKGROUND**

The City is in the process of buying a site for a new fire station. The City has submitted a purchase offer on a piece of property and is in the process of assessing the feasibility of the site, including assessing the geotechnical and environmental conditions.

The City has also contracted with the architectural firm of Rice Fergus Miller to assist with the evaluation of the proposed property, assess specific alternatives, and prepare the preliminary design and engineering documents.

The City administration is hoping to have a finalized purchase agreement within the next two weeks and present it at the next scheduled Council meeting on July 27, 2020 for approval.

Upon signing of the purchase agreement, the City is to pay an earnest deposit of \$35,000 and then pay the remaining balance due at an agreed upon date, estimated to be 60 days, from the date of the agreement, and the City would have possession of the property sometime this fall.

The purchase price of the land is about \$1.2 million. In addition, the City expects to incur additional costs approximately \$300,000 for purchase of mobile homes and a fire apparatus building that are needed for a temporary fire station.

Total of \$1.525 million financing is to be provided to cover purchase of the land and costs of a temporary fire station, plus \$25,000 for bond issuance cost.

If the purchase of the land is approved by the City Council on July 27, the City will need the funding by October 1, 2020. A bond issue process through a private placement offering will take about eight

weeks. Therefore, preliminary work for a bond issue needs to start as soon as possible. This includes signing a professional services agreement with a private placement agent and with a bond council to prepare a preliminary bond ordinance. The bond ordinance provides the certain parameters, including, maximum principal amount, issuance date no later than certain date; maximum interest rate, and final maturity term. The bond ordinance also appoints a designated representative of the City and delegates the authority to approve the final terms of the bond sales.

Staff will present a bond ordinance prior to the bond issue for consideration and approval.

## **DISCUSSION**

The City administration considered a few financing options including LOCAL Program, public offering, and a private placement offering. Below are brief summaries of each financing option:

**LOCAL Program** is structured as a financing contract (lease) offered through the Office of the State Treasurer (OST), to finance equipment and/or real estate projects, including property acquisition and construction of new facilities. OST pools the various lease agreements across all LOCAL participants and packages them as a security called a Certification of Participation (COP). COPs are similar to municipal bonds in that they are structured with regular principal and interest payments and sold to investors.

**Pros:** No upfront costs.

**Cons:** Timing restriction. OST controls the funding schedule. Funding is provided three times a year (March, June and October). Also, there is a 10-year no-call period.

**Public Offering** is a bond issued to finance a public agency's capital equipment, real property, infrastructure, or working capital. Securities are made available for sale on the open market to any type of investor, registered with the Securities and Exchange Commission, and traded on a public exchange.

**Pros:** Allows fixed rate for a longer maturity term. Recommended for a larger issue.

**Cons:** Extensive disclosure and longer process. Requires an official statement, continuing disclosure, more staff time, and approximately \$15,000 more upfront costs.

**Private Placement Offering** is typically a debt obligation arranged between a municipality and a single sophisticated institutional investor. When a bond isn't listed on a public exchange, it's called private placement. The investor can be a bank, insurance company, finance company, hedge fund, or high-net worth individual.

**Pros:** Requires less financial disclosure, lower legal fees, less staff time, greater payment option flexibility, and competitive tax-exempt rates. City has control of timing and process can be expedited (8 to 10 weeks).

**Cons:** It is recommended a 15-year maximum maturity for lower interest rate and to attract more bidders, as there are many more bank purchasers that can only go out 15 years or less.

Given the size of the debt and the need for flexibility of timing of funding and early call option, a private placement offering is likely the best option for financing the fire station land purchase.

## **FISCAL IMPACT**

Annual debt service payment is proposed to be provided with REET funds. Currently REET funds (REET 1 & 2) provide a two-third (2/3) of the 2011 LTGO annual debt service payments in the average of \$76,720. The 2011 LTGO bonds will mature in December 2026. The average annual REET tax revenues for the last 10-year period (2010-2019) and for the last 7-year period (2013-2019) are \$143,182 and \$177,501, respectively.

A projection using the lower of the two annual REET tax revenues provides that REET funds will have sufficient fund balance each year to cover the required debt service payments for both the 2011 LTGO and this new proposed bond for the next 15 years (2021-2035). The estimated fund balance in REET funds at the end of 2035 is \$271,360.

The following table provides estimated debt service scenarios for \$1.525 million bond proceeds for 15-year, 20-year, and 25-year terms:

Private Placement	15-yr term	20-yr term	25-yr term
Bond Proceeds, Par	1,525,000.00	1,525,000.00	1,525,000.00
True Interest Cost (TIC)	2.00000%	2.50000%	2.50000%
All-In TIC	2.21573%	2.67079%	2.64103%
Average Coupon Rate	2.00000%	2.50000%	2.50000%
Cost of Issuance:			
Placement Agent Fee*	12,000.00	12,000.00	12,000.00
Bond Council*	6,413.00	6,413.00	6,413.00
Bank Fee*	6,027.63	6,027.63	6,027.63
Total Cost of Issuance*	24,440.63	24,440.63	24,440.63
Deposit to Project Fund (net proceeds)	1,500,559.37	1,500,559.37	1,500,559.37
<i>*Fee is for a private placement (Appx \$15K more if a public offering)</i>			
<b>Debt Service Summary:</b>			
Par Amount	1,525,000.00	1,525,000.00	1,525,000.00
Bond Proceeds	1,525,000.00	1,525,000.00	1,525,000.00
Total Interest	255,200.00	431,325.00	544,350.00
Total Debt Service	1,780,200.00	1,956,325.00	2,069,350.00
Maximum Annual Debt Service	119,220.00	98,375.00	83,200.00
Average Annual Debt Service	118,680.00	97,816.25	82,774.00
<b>Debt service payment comparisons: 15-yr term vs. 20-yr and 25-yr terms:</b>			
Increase in Total Interest Costs		176,125.00	289,150.00
Maximum Annual Debt Service		(20,845.00)	(36,020.00)
Average Annual Debt Service		(20,863.75)	(35,906.00)

It is more difficult in private placement to fix the interest rate for maturities greater than 15 years. Some banks that buy long maturities may propose a reset after that period. In addition, earlier call feature can be negotiated with a private placement, but it will also make it difficult to get longer than 15-year financing.

Alternatively, a public offering would allow fixed rates for 25 years, but it would need an official statement, continuing disclosures, more staff time, and approximately \$15,000 more upfront costs.

If the City can afford the required annual debt service payments for a 15-year term financing, a 15-year term is recommended. Total interest cost savings for a 15-year term compared with a 20- and 25-year terms are \$176,125 and \$289,150, respectively.

The City’s debt management policy limits the City’s annual debt service on non-voted long-term obligation debt to 4.2% of general fund operating revenues or \$420,000, whichever is greater. The following table illustrates current year debt service requirements and remaining capacity.

General Fund	Amount
2020 Adopted Budget - Operating Revenues	\$9,932,976
Greater of 4.2% of Operating Revenue budget and \$420,000	\$420,000
2020 Debt service amount for all non-voted debt outstanding	\$323,135
Remaining annual debt payment capacity	\$96,865

Since this is a councilmanic (non-voted) general obligation, it is subject to the City’s Debt Management Policy limit. The City’s Debt Management Policy may need to be updated in 2021.

**RECOMMENDATION**

It is recommended that the City Council authorize the City Manager to start preliminary work related to a bond issue, with a preliminary direction for a councilmanic debt issue not to exceed \$1.525 million dollars, for a maximum term of 15 years through a private placement financing process. This recommendation is made with the assumption that purchase of the property is completed and REET funds would be used to make the debt service payment.

**SUGGESTED MOTION**

I move that the City Council authorize the City Manager to start preliminary work related to a bond issue, with a preliminary direction for a councilmanic debt issue not to exceed \$1.525 million dollars, for a maximum term of 15 years through a private placement financing process.