

# IMPORTANT NOTICE

Due to regulations pertaining to in-person meetings listed in the Governor's Open Public Meetings Act Proclamation(s), this meeting will be held remotely.

There are two options for viewing/listening to the meeting:

## 1. Live-Stream

View and listen through live streaming by using the following link –

<https://www.ci.chehalis.wa.us/citycouncil/live-streaming-and-demand-viewing-city-council-meetings>

or

## 2. Telephone

Dial: 1-253-215-8782

Meeting ID: 839 7275 1255

Passcode: 871855

Citizens wishing to provide public comments in general and on agenda items should submit comments by 4:00 pm on the day of the meeting. All comments received will be acknowledged by the Mayor under the Citizens Business portion of the meeting agenda. Please use the following form to submit comments – <https://www.ci.chehalis.wa.us/contact>. If you do not have computer access or would prefer to submit a comment verbally, please contact City Clerk Caryn Foley at 360-345-1042 or at [cfoley@ci.chehalis.wa.us](mailto:cfoley@ci.chehalis.wa.us). Citizens Business comments will be limited to five (5) minutes.

If you have any questions about live streaming the meeting or submitting a comment, please contact City Clerk Caryn Foley at [cfoley@ci.chehalis.wa.us](mailto:cfoley@ci.chehalis.wa.us) or 360-345-1042.

**The City truly appreciates the community's cooperation  
and patience during this challenging time.**

# CHEHALIS CITY COUNCIL AGENDA

CITY HALL  
350 N MARKET BLVD | CHEHALIS, WA 98532

Dennis L. Dawes, Position at Large Mayor	Anthony E. Ketchum Sr., District 3 Chad E. Taylor, Position at Large, Mayor Pro Tem Robert J. Spahr, Position at Large	Jerry Lord, District 1 Daryl J. Lund, District 2 Dr. Isaac S. Pope, District 4
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## Regular Meeting of Monday, November 9, 2020 5:00 p.m.

1. <u>Call to Order.</u> (Mayor)
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<b>CITIZENS BUSINESS</b>
Citizens wishing to provide public comments in general and on agenda items should submit comments by 4:00 pm on the day of the meeting. All comments received will be acknowledged by the Mayor under Citizens Business of this meeting agenda. Please use the following form to submit comments – <a href="https://www.ci.chehalis.wa.us/contact">https://www.ci.chehalis.wa.us/contact</a> . If you do not have computer access or would prefer to submit a comment verbally, please contact City Clerk Caryn Foley at 360-345-1042 or at <a href="mailto:cfoley@ci.chehalis.wa.us">cfoley@ci.chehalis.wa.us</a> . Citizens Business comments will be limited to five (5) minutes.

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>CONSENT CALENDAR</b>		
2. <u>Minutes of the Regular City Council Meeting of October 26, 2020.</u> (City Clerk)	APPROVE	1
3. <u>Vouchers and Transfers – Accounts Payable in the Amount of \$427,420.74 Dated October 30, 2020.</u> (City Manager, Finance Director)	APPROVE	3
4. <u>Vouchers and Transfers – Payroll in the Amount of \$758,976.17 Dated October 30, 2020.</u> (City Manager, Finance Director)	APPROVE	5
5. <u>Addendum to Manager Contract for a Cost of Living Adjustment Consistent with Terms of Original Employment Agreement.</u> (City Manager, HR/Risk Manager)	APPROVE	6
6. <u>Resolution No. 12-2020, First and Final Reading - Letter of Support for the Chehalis River Basin Flood Damage Reduction Project Draft NEPA Environmental Impact Statement.</u> (City Manager, Public Works Director)	ADOPT	10

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<b>UNFINISHED BUSINESS</b>		
7. <u>Review of Lodging Tax Advisory Committee Comments Regarding 2021 Funding Allocation Revisions.</u> (City Manager)	APPROVE	22

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>PUBLIC HEARINGS</b>		
8. <u>Proposed 2021 Revenue Sources/Property Taxes, and Levies.</u> (City Manager, Finance Director)	CONDUCT PUBLIC HEARING	28
9. <u>Proposed 2021 Budget.</u> (City Manager, Finance Director)	CONDUCT PUBLIC HEARING	30
<p><b><i>Citizens may submit comments for the public hearings by:</i></b></p> <ol style="list-style-type: none"> <li>1. Submitting through the City website – <a href="https://www.ci.chehalis.wa.us/contact">https://www.ci.chehalis.wa.us/contact</a>.</li> <li>2. Contacting City Clerk Caryn Foley at 360-345-1042 or <a href="mailto:cfoley@ci.chehalis.wa.us">cfoley@ci.chehalis.wa.us</a> to provide verbal comments or to sign up to log-in via Zoom to comment directly to the City Council.</li> </ol>		

ITEM	ADMINISTRATION RECOMMENDATION	PAGE
<b>NEW BUSINESS</b>		
10. <u>Ordinance No. 1011-B, First Reading – Determining and Fixing the Amounts of Revenue to be Raised by Ad Valorem Taxes During 2021 and Ordinance No. 1012-B, First Reading – Stating the Dollar Amounts and Percentages of Change in Property Tax Levies for 2021.</u> (City Manager, Finance Director)	PASS	32
11. <u>Ordinance No. 1013-B, First Reading – Adopting the Proposed 2021 Budget.</u> (City Manager, Finance Director)	PASS	37

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

**EXECUTIVE SESSION**

14. Pursuant to RCW:

- a. 42.30.110(1)(i) – Litigation/Potential Litigation.
- b. 42.30.110(1)(c) – Sale/Lease of Real Estate

**THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA.  
NEXT REGULAR CITY COUNCIL MEETING IS MONDAY, NOVEMBER 23, 2020.**

October 26, 2020

The Chehalis city council met in regular session on Monday, October 26, 2020. Mayor Dennis Dawes (present in the council chambers) called the meeting to order at 5:00 pm with the following council members present via Zoom: Jerry Lord, Tony Ketchum, Daryl Lund, Dr. Isaac Pope, Bob Spahr, and Chad Taylor. Staff present included: Jill Anderson, City Manager; Caryn Foley, City Clerk; Kiley Franz, City Manager's Administrative Assistant; Erin Hillier, City Attorney (Zoom); Trent Lougheed, Public Works Director; and Chun Saul, Finance Director. Due to orders from the Governor's office relating to COVID-19, members of the public and the press were able to view the meeting via live streaming or via telephone through Zoom. The public was also provided a process for submitting comments prior to the meeting.

1. **Proclamation – First Responders Appreciation Day.** Mayor Dawes read a proclamation designating October 28, 2020 as First Responders Appreciation Day.

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

- a. Minutes of the regular city council meeting of October 12, 2020;
- b. October 15, 2020 Claim Vouchers No. 130237 – 130349 and Electronic Funds Transfer Check Nos. 965 – 986, 920200, 920201, 1020200, 1020201, 1020202 and 1020204 in the amount of \$1,597,319.13;
- c. Award bid to KBH Construction Co. in the amount of \$134,698.00 for the 12<sup>th</sup> & William Rechannelization Project; and
- d. Professional services agreement with Parametrix, Inc., for on-call electronics control system technical specialist for the Chehalis Regional Water Reclamation Facility (CRWRF) and collections system.

The motion was seconded by Councilor Taylor and carried unanimously.

3. **Interlocal Agreement for Emergency Management Services with Lewis County.** City Manager Anderson stated the city had contracted with Lewis County for emergency management services for decades. The existing agreement was 20 years old, so the county endeavored to update the agreement, which was before council. Through the arrangement, the county takes the lead on reporting requirements, pre-planning, and responding in an emergency. Ms. Anderson reviewed the scope of the agreement and stated the fees associated with agreement would not change. The agreement was reviewed by appropriate staff and they saw no issues.

Councilor Spahr moved to approve the Interlocal Agreement for Emergency Management Services and authorize the Mayor to sign the document. The motion was seconded by Councilor Pope and carried unanimously.

4. **Administration Reports.**

a. **Finance Report.** Chun Saul provided the third quarter finance report, including a city-wide overview of all funds combined, the General Fund, and Enterprise Funds. Overall, all city funds and departments operated within budget parameters. Ms. Saul reviewed General Fund sales tax collection trends and the impacts of COVID-19. She reported that utility fund revenues were down due to the Governor's proclamation (ratepayer assistance) relating to COVID-19 that was in effect through the end of the year. She provided a treasurer's report for cash, deposits, and investments, which totaled \$23,880,029. She noted that only \$1,564,738 of the total belonged to the General Fund; all other funds were restricted for specific activities and services.

b. **City Manager Update.** City Manager Anderson provided an update on several items:

- Streetlights – Citizens may call city hall at 360-345-1042 to report streetlights that are out. Any reports of lights out on PUD poles will be forwarded to PUD. Metal poles are owned by the city and wood poles are owned by the PUD.
- Street Striping – Striping in the Terrace Hill area will be completed to ensure sufficient room for emergency vehicle access.
- Water Rights – Staff is working with the Department of Ecology to move the point of withdrawal from the Newaukum River to the Chehalis River to maximize the city's available water rights. The city has a lot of rights on the Newaukum, but there is not enough water to fulfill those water rights. Moving the point of withdrawal will provide a more reliable water supply. Trent Lougheed clarified the city was not transferring any water rights, but was adding a point of withdrawal.

October 26, 2020

- Flood Storage Mitigation Project – This relates to the old wastewater treatment plant. Trent Lougheed stated modeling for the project had been completed. A meeting to discuss the results would be held this week. Once the master plan is finished, staff can start applying for construction dollars. The project will include the removal of the old plant.
- Water Rights – Securing additional water rights needed for future development both at the Port and also in areas recently added to the city's UGA. Staff is working with the city of Centralia to purchase water rights that will become available from TransAlta. City Manager Anderson asked, that in evaluating opportunities that may come about to purchase additional water rights for future development, would the council like to create a new committee, use an existing committee, such as the Growth Management Committee, or provide updates to the entire council and potentially hold a workshop. The council agreed to use the Council GMA Committee (Mayor Dawes, and Councilors Ketchum and Pope).

5. Councilor Reports/Committee Updates.

a. Councilor Lord. Councilor Lord reported that information about two recycling events are available on the city website. The events include free tire recycling November 6-7, and a leaf exchange and Styrofoam recycling on November 7 and 21.

b. Mayor Dawes. Mayor Dawes stated he used the city billing service, which was a great service. He received an email from a citizen that he shared with staff regarding the quick response to a crosswalk light that was out.

6. Executive Session. Mayor Dawes announced the council would take a short recess and then be in executive session pursuant to RCW 42.30.110(1)(g) – Review Performance of a Public Employee, not to exceed 6:40 pm and there would be no action following conclusion of the executive session. Mayor Dawes closed the regular meeting at 5:37 pm. The executive session began at 5:38 pm. Following conclusion of the executive session, the regular meeting was reopened at 6:17 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:** November 9, 2020

**SUBJECT:** Vouchers and Transfers – Accounts Payable in the Amount of \$427,420.74

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**ISSUE**

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

**DISCUSSION**

The October 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. 130350 – 130458 and Electronic Funds Transfer Check Nos. 987 - 1007, 920202 and 920203 in the amount of \$427,420.74 dated October 30, 2020 which includes the transfer of:

- \$ 54,071.25 from the General Fund
- \$ 6,518.91 from the Dedicated Street Fund – 4% Sales Tax
- \$ 3,335.50 from the Transportation Benefit District Fund
- \$ 58,354.55 from the Tourism Fund
- \$ 4,279.23 from the LEOFF 1 OPEB Reserve Fund
- \$10,524.75 from the Public Facilities Reserve Fund
- \$ 178,846.83 from the Wastewater Fund
- \$ 28,193.01 from the Water Fund
- \$ 941.48 from the Storm & Surface Water Utility Fund
- \$ 81,640.26 from the Airport Fund
- \$ 714.97 from the Firemen’s Pension Fund

**RECOMMENDATION**

It is recommended that the City Council approve the October 30, 2020 Claim Vouchers No. 130350 – 130458 and Electronic Funds Transfer Check Nos. 987 – 1007, 920202 and 920203 in the amount of \$427,420.74.

**SUGGESTED MOTION**

I move that the City Council approve the October 30, 2020 Claim Vouchers No. 130350 – 130458 and Electronic Funds Transfer Check Nos. 987 – 1007, 920202 and 920203 in the amount of \$427,420.74.



**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:** November 9, 2020

**SUBJECT:** Vouchers and Transfers – Payroll in the Amount of \$758,976.17

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**ISSUE**

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

**DISCUSSION**

The administration requests City Council approval for Payroll Vouchers No. 41465-41491, Direct Deposit Payroll Vouchers No. 12695-12799, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 315-318 dated October 30, 2020 in the amount of \$758,976.17, which include the transfer of:

- \$494,834.49 from the General Fund
- \$5,987.46 from the Arterial Street Fund
- \$5,940.00 from the LEOFF1 OPEB Reserve Fund
- \$101,577.98 from the Wastewater Fund
- \$99,767.51 from the Water Fund
- \$19,569.78 from the Storm & Surface Water Utility Fund
- \$31,298.95 from the Airport Fund

**RECOMMENDATION**

It is recommended that the City Council approve the October 30, 2020 Payroll Vouchers No. 41465-41491, Direct Deposit Payroll Vouchers No. 12695-12799, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 315-318 in the amount of \$758,976.17.

**SUGGESTED MOTION**

I move that the City Council approve the October 30, 2020, Payroll Vouchers No. 41465-41491, Direct Deposit Payroll Vouchers No. 12695-12799, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 315-318 in the amount of \$758,976.17.

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Jill Anderson, City Manager

**BY:** Judy Schave, HR/Risk Manager

**DATE:** November 9, 2020

**SUBJECT:** Addendum to Manager Contract for a Cost of Living Adjustment Consistent with Terms of Original Employment Agreement

**ISSUE**

The employment agreement between the City and City Manager Jill Anderson provides for an annual adjustment of salary upon an annual performance review conducted by the City Council.

**DISCUSSION**

On October 26, the City Council met with City Manager Anderson for her annual review, which was favorable. City Manager Anderson's employment agreement provides for an annual adjustment of salary based upon an annual performance review by the City Council and the Consumer Price Index All Washington (CPI/W).

While the 2020 (August) CIP/W increase is 2.4%, Ms. Anderson is requesting that the City Council consider granting a 2% COLA to be consistent with the 2021 COLA budgeted for the non-represented employees.

**Previously Approved and Proposed Cost of Living Adjustments**

<i>Employee Group</i>	<i>Cost of Living Adjustment 2020/2021/2022</i>	<i>Implementation Date</i>
Police	3%/3%/3% Approved by Council	Retroactive to January 1, 2020
Fire	2%/2%/1.5% Approved by Council	Retroactive to January 1, 2020
Non-Uniformed	2%/2%/1.5% Approved by Council	Approved and Retroactive to January 1, 2020
Non-Represented	2.5%/2%/1.5% Approved for 2020 and Budgeted for 2021	2.5% Effective September 25, 2020 (Not retroactive)

The Administration has prepared an amendment to the employment agreement to reflect a cost of living increase of 2.0% with the pay period beginning October 25, 2020. This adjustment is based on the August 2020 Consumer Price Index All Washington (CPI/W), as outlined in the employment agreement.

**FISCAL IMPACT**

The annual cost of the proposed salary adjustment is approximately \$3,048 and is included in the 2021 proposed budget.

**RECOMMENDATION**

It is recommended that the City Council amend the Employment Agreement with City Manager Jill Anderson to reflect a 2.0% cost of living increase effective October 25, 2020.

**SUGGESTED MOTION**

I move that the City Council approve the proposed addendum to the City Manager Employment Agreement.

**ADDENDUM TO CITY MANAGER EMPLOYMENT AGREEMENT**

**THIS AGREEMENT** is made and entered into this \_\_\_\_\_ day of November, 2020, by and between the **CITY OF CHEHALIS, WASHINGTON, a municipal corporation**, hereinafter referred to as "City", and **TRACIE JILL ANDERSON**, hereinafter referred to as "Manager".

**WITNESSETH:**

**WHEREAS**, City has had an agreement with Manager since 2016 for employment services, which agreement City is desirous of amending; and

**WHEREAS**, the parties have agreed to certain changes to the 2016 City Manager Employment Agreement, which changes should be reduced to writing; now, therefore,

**IN CONSIDERATION** of the above-referenced recitals and other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Paragraph 5.a. of the 2016 City Manager Employment Agreement shall be, and the same hereby is, amended to read as follows:

a. **Base Salary.** For services rendered by Manager, City shall pay a base annual salary of One Hundred Fifty-Five Thousand Two Hundred Ninety-Two and 00/100 Dollars (\$155,292.00), payable in equal monthly installments on the last working date of each month of the year effective November \_\_\_\_\_, 2020. Said pay is subject to normal deductions and withholding as customarily occurs with City employees.

In all other respects, that certain 2016 City Manager Employment Agreement shall remain in full force and effect.

**EXECUTED IN DUPLICATE** on the date and year first above written.

**CITY OF CHEHALIS, WASHINGTON**

**By** \_\_\_\_\_

**Its** \_\_\_\_\_

**CITY**

\_\_\_\_\_  
**Tracie Jill Anderson**

**MANAGER**

**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:** November 9, 2020

**SUBJECT:** Resolution No. 12-2020, First and Final Reading - Letter of Support for the Chehalis River Basin Flood Damage Reduction Project Draft NEPA Environmental Impact Statement (EIS).

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**INTRODUCTION**

The City of Chehalis has historically supported balanced and basin-wide solutions for people, fish, and aquatic species. Further, the City supports the Chehalis River Basin Flood Damage Reduction Project coordinated by the Office of the Chehalis Basin, which identifies a plan to accomplish both which is referred to as the Chehalis Basin Strategy.

The Chehalis Basin Strategy is an ambitious collection of potential actions to address the challenges of extreme flooding and degraded habitat in the Chehalis River Basin; the state's second-largest river drainage system. The basin-wide strategy includes near- and long-term actions as well as small- and large-scale projects designed to achieve a two-pronged objective: Reduce flood-related damage while also restoring aquatic species habitat in the Chehalis River basin. The roots of the strategy go back to 2014.

Building on the success of the earlier Chehalis Basin Work Group, the 2016 Washington Legislature created the Office of Chehalis Basin within Ecology and established the Chehalis Basin Board. The Office of Chehalis Basin (OCB) administers funding and works closely with the Board to aggressively pursue implementation of the Chehalis Basin Strategy. Besides forming the Office of Chehalis Basin, the Legislature also established the Chehalis Basin Board to provide long-term oversight of the strategy. The board is responsible for developing budget recommendations to the Governor's office to implement the strategy. The Office of Chehalis Basin provides support to the board.

The U.S. Army Corps of Engineers has prepared a Draft NEPA Environmental Impact Statement (EIS) for Alternative 1 and Alternative 2 of the Chehalis River Basin Flood Damage Reduction Project for comment, described below; and a Letter of Support has been prepared for City Council review and approval.

## **OVERVIEW OF THE DRAFT EIS**

The Programmatic EIS is an enormous document with multiple attachments (which are almost as equally as large). The following information is intended to provide a summary of the information provided by the Strategy.

The objective of the Chehalis Basin Strategy is to reduce the following conditions caused by a major flood:

- Threats to human health and safety, including access to critical medical facilities
- Flood damage to commercial properties, residential properties, agricultural properties, livestock, and crops
- Disruption in transportation systems, including closures of Interstate 5 and local and regional transportation systems
- Disruption to industry, businesses, and public service

Additional objects of the Strategy are to protect and restore aquatic species habitat function to:

- Improve resiliency of natural floodplain processes and ecosystems from the effects of climate change, including warming stream temperatures, low flows and other effects
- Increase abundance of native aquatic species, including increased populations of healthy and harvestable salmon and steelhead
- Reduce the potential for future Endangered Species Act listings
- Enhance tribal and non-tribal fisheries

## **Alternatives Studied**

Four alternatives (five if you include “no action”) are being considered to address these issues and objectives. The following are a summary of the alternatives identified:

### ***Alternative 1: 2014 Governor’s Work Group Recommendation; includes the following components:***

- Dam and associated reservoir
  - a. Reservoir designed for flood protection only or a larger, permanent reservoir are identified as possibilities in Alternative 1
  - b. Decision on which reservoir, would be made if this is determined to be the preferred alternative
- Airport Levee Improvements
- Aberdeen/Hoquiam North Shore Levee
- Local-Scale Flood Damage Reduction Actions
- Multiple Aquatic Species Habitat Actions

### ***Alternative 2: Structural Flood Protection without Flood Retention Facility; includes the following components:***

- Interstate 5 projects (no dam)
- Airport Levee Improvements
- Aberdeen/Hoquiam North Shore Levee
- Local-Scale Flood Damage Reduction Actions

- Multiple Aquatic Species Habitat Actions
- Actions in this alternative would reduce flood damage in some areas; however, other areas could experience greater damage

***Alternative 3: Nonstructural Flood Protection; includes the following components:***

- Local-Scale Flood Damage Reduction Actions
- Multiple Aquatic Species Habitat Actions
- Does not provide large scale flood protection

***Alternative 4: Restorative Flood Protection; including the following components:***

- Recreating natural flood storage capacity of the Chehalis Basin by relocating of 16,000 acres of current land uses, including farmlands and homes, upstream of the Newaukum River.
- Reduces flood damage to a limited degree in the Chehalis-Centralia area; however, it increases the extent and depth of flooding above the Chehalis River confluence with the Newaukum River.
- Local-Scale Flood Damage Reduction Actions
- Multiple Aquatic Species Habitat Actions, which would substantially increase the abundance of the native aquatic species.

This would be a very costly and lengthy process, if determined to be legally viable. The Lewis County Prosecuting Attorney indicated that components of the plan are in conflict with existing State law and local zoning. There are also questions related to the data used to determine the valuation of the land that would need to be purchased to relocate the people, businesses, and public facilities to assemble the land needed to create the restorative flood capacity.

***No Action Alternative:***

If no action is taken, people and property within the floodplain would continue to be at risk and incur substantial damages during major floods. The EIS indicates that the financial and psychological impacts of flood relief and recovery could hinder the economic growth of the Chehalis Basin. The economic impacts associated with interruptions to the regional and local transportation system, including more closures of I-5, as well as the interruption of public services and utilities would continue to negatively impact the region. The risks to the public safety and the private and public financial impacts associated with the interruptions would continue to have a detrimental impact to the community.

***No action would also lead to the further degradation of the aquatic species habitat, which creates concerns about preservation of multiple fish species in particular.***

**Alternative One is the Recommended Alternative**

After review of the pertinent information provided by the Strategy, it is recommended that the City Council support Alternative 1 as the preferred strategy. In summary, this alternative:

- Provides an upstream reservoir during large rain events intended to provide flood relief for downstream properties
- Improve habitat for aquatic species (also improving wildlife habitat)
- Provides funding for large-scale levee projects
- Maintains funding of local-scale flood damage reduction projects
- This is the “doable” alternative that will provide the largest benefit to the basin



Alternative 1 is the only alternative that provides large scale reduction of flood damage in the Chehalis Basin and significant investment in the restoration of the aquatic species habitat.

### **Public Process**

The first of two public hearings was held on October 18, 2016 in Chehalis. More than 200 people attended and approximately 40 people spoke, almost unanimously in favor of Alternative 1. In addition, there were significant concerns expressed about the legality and practicality of Alternative 4, which would require the relocation of hundreds of residents, thousands of acres of farmland, as well as schools and churches. A second public hearing was held on October 27, 2016 at Montesano City Hall.

The project has now reached the end of the NEPA review phase, and comments are due to the U.S. Army Corps of Engineers on November 17, 2020. By passing the proposed resolution, the City Council finds that the strategies identified in the plan, if adequately funded and implemented, will be sufficient to offset the impacts of future projected growth in the rural area of the Chehalis Basin Watershed on streamflows, and further will support the recovery of endangered salmon species and overall ecosystem health while allowing options for future rural development.

### **Letter of Support**

The attached Letter of Support to the U.S. Army Corps of Engineers is intended to detail the City's support of this project. The letter addresses the comprehensive and thorough analysis and findings of the Army Corps' review of the Project EIS. Specifically, the letter comments on the identified impacts to fish. While we believe the analysis to be credible, i.e., that there will be impacts to fish, our primary comment is that those impacts should be considered at scale and in the context of the many benefits to be gained by advancing the project. More specifically:

1. **Fish impacts at scale** – The Draft NEPA EIS identifies that at a Basin-wide scale the impacts on salmonid abundance from construction and operation of the Project proposal would be “low”. This is because at a Basin-wide scale the number of salmonids above Rainbow Falls in relation to the entire Basin is very small. From WDFW's annual fishery census we see that the Department has found an annual average of 7 Spring-run Chinook spawners identified at and above the facility site and 1,122 at a Basin-wide scale. We know the Project is committed to avoid, minimize, or mitigate impacts to this fishery. While we understand the scale and impact to be mitigated, we are confident that mitigation measures can be taken to minimize any fishery impacts to the system as a whole.
2. **Benefits to be gained** – We believe there is more to be gained than lost by the Project. The proposed Project will deliver significant reductions in catastrophic levels of flooding for Basin communities from Pe Ell to Montesano and further downstream and provide substantial reductions in impact and flood inundation for thousands of valuable structures critical for post-disaster recovery, e.g., essential public infrastructure (wastewater treatment plants, water treatment plants, drinking water supplies, roads, bridges, I-5, etc.), homes, schools, churches, small businesses, business parks, industrial facilities, port districts, hospitals and more. The proposed Project holds back and manages 65,000 acre/feet of water that would otherwise descend with catastrophic consequence on our communities.

The City has previously communicated its full support for the implementation of programs to mitigate the impacts to fish caused by the proposed Project. From the analysis we have been given by the mitigation teams we believe fish impacts can and should be mitigated.

**FISCAL IMPACT**

There are no direct fiscal impacts associated with acting on the resolution.

**RECOMMENDATION**

It is recommended that the City Council adopt Resolution No. 12-2020 on first and final reading, and submit the Letter of Support to the U.S. Army Corps of Engineers.

**SUGGESTED MOTION**

I move that the City Council adopt Resolution No. 12-2020 on first and final reading, and submit the Letter of Support to the U.S. Army Corps of Engineers.

## Executive Summary

Flood control alternatives being considered as part of the Chehalis Basin Strategy include a Flood Retention Expandable (FRE) facility that would be located in the main stem Chehalis River at river mile 108.2 upstream of the town of Pe Ell. Monitoring efforts in the Chehalis River Basin have not historically focused on delineating population trends above vs. below the location of the proposed facility. However, information on spawner abundance and distribution data in this area of the river was identified as a data gap by the Aquatic Species Enhancement Plan Technical Committee of the Chehalis Basin Strategy (Aquatic Species Enhancement Plan Technical Committee, 2014). This study was undertaken to understand the numbers and species of salmonids that would be affected above, within, and below the area backwatered (referred throughout the document as the inundation footprint) by the proposed FRE facility and its associated temporary reservoir. This work also informs fish passage needs should an FRE facility be chosen as a structural solution to control flooding within the Chehalis Basin.

Two different frequencies of survey were used to evaluate salmonid spawners above the proposed FRE site – index surveys were conducted at approximately seven-day intervals throughout the spawning period and supplemental surveys were conducted once during peak spawning. Together, index and supplemental surveys covered the entirety of known spawning habitat for each species. Surveys started the third week of September based on prior knowledge of when fish (spring Chinook) begin spawning and continued on a weekly basis through the spawning seasons for spring and fall Chinook salmon, Coho salmon, and winter Steelhead. Surveys concluded in mid-June when no new redds were observed for two consecutive weeks at the end of the project spawning period. An additional survey of the main stem Chehalis River from river mile 108.2 (proposed FRE facility) downstream to the Newaukum River confluence (RM 75.4) was surveyed four times annually, once during the peak spawn timing for each species and run type. The purpose of these additional surveys was to document the spatial distribution of spawning in the main stem river.

Surveys were conducted either on foot, in pontoon-style boats, or by helicopter. Crews identified and recorded all spawning activity by species per reach segment. Individual redd locations were georeferenced. Live and dead fish counts included the species and sex. Carcass sampling included fin mark sampling (adipose fin clip vs. adipose intact), fish length, coded wire tag (CWT) status, and scale collection for aging Chinook and Steelhead. Tissue samples were taken from Coho for genetic analysis.

Results from the 2018-2019 survey season were collected in a similar manner to the previous five survey seasons (2013-2018) to document the spawning distribution of spring and fall Chinook, Coho, and winter Steelhead in the reaches upstream, within, and below the proposed FRE facility footprint and associated temporary reservoir. Major findings from the 2018/2019 survey season include:

- The majority of spawners observed for all species in this area of the watershed were natural-origin; hatchery fish were rare to absent.
- Abundance of spring and fall Chinook salmon within the study area was estimated to be 3 (spring) and 578 (fall) adult spawners. Chinook spawning activity was observed between September and December. Both spring and fall Chinook spawned primarily in the main stem river, 100% (1/1) and 90% (207/230) of redds, respectively. The percentage of spring Chinook redds found within the FRE facility inundation footprint was 100% (1/1) and fall Chinook 96% (221/230).
- Abundance of Coho salmon within the study area was estimated to be 2,128 adult spawners. Coho spawning activity was observed between late October and February with 25% (270/1062) of redds in the inundation footprint.

- Abundance of winter Steelhead within the study area was estimated to be 956 adult spawners. Steelhead spawning activity was observed between the months of February and June. Percentage of Steelhead redds in the inundation footprint was 33% (194/589).
- On the main stem river from the proposed FRE facility site downstream to Newaukum River, we observed minimal Coho and Steelhead spawning but significant spring and fall Chinook spawning activity. The highest density of fall Chinook occurred between the proposed FRE facility site (RM 108.2) and Elk Creek (RM 100.2). In contrast, spring Chinook spawning distribution was more evenly distributed between the proposed FRE facility site and the Newaukum River.

After six years of intensive monitoring in the Upper Chehalis sub-basin above the proposed FRE facility we found that spawning occurred almost continuously from September through June. The majority of spawning for spring and fall Chinook occurred within the mainstem and inundation footprint. Coho and Steelhead utilize the mainstem habitat in the inundation footprint but a greater proportion of their spawning occurred upstream and in tributaries. There is also a higher density of spawning by spring and fall Chinook in the mainstem below the proposed FRE facility near Pe Ell when compared to other mainstem locations.

During the first four field seasons (2013-2018), Steelhead were the most abundant species utilizing the spawning habitat above the proposed facility. Coho had the next highest abundance followed by fall Chinook and spring Chinook. However, in the last two years of the study (2017-2019) a shift has occurred, and Coho are now exhibiting higher spawner abundances than Steelhead, which have been declining in abundance since 2015. In addition, Coho are exhibiting a brood cycle decrease in abundance every three years that can be traced back to the 2007 flood. Overall, spring Chinook exhibited a ten-fold decline after the first two years of the study. This could be partially attributed to refinement of the method for field identification of spring Chinook to a weight of evidence approach that was formerly implemented during the 2015/2016 survey season. However, there was also a noticeable decline of total spawner abundance in the last week of September and first week of October which indicates that this decline was likely not just due to a refinement of methodology. A way to validate field calls or alternative ways to differentiate spring from fall Chinook spawners needs to be developed. Recent studies on genetics and otoliths holds promise for new and more accurate methods for determining run-type, but there is still work needed to make that information available for field biologists.

The Upper Chehalis sub-basin does not have a large component of hatchery strays for any species but data on the hatchery-origin contribution to the Steelhead run has been uncertain. While snorkel surveys have not confirmed hatchery presence, results from spawning ground surveys revealed two carcasses with adipose fin clips. It is apparent from our data that the convention of using March 15<sup>th</sup> as a cutoff date for hatchery- to natural-origin Steelhead when estimating escapement is not be appropriate for the Upper Chehalis sub-basin and likely not appropriate for other areas in the Chehalis basin. Compared to other species, Steelhead make up the greatest contribution (15.43%) to the entire Chehalis basin spawner abundance. Other species (spring Chinook, fall Chinook, and Coho) contribute less to the Chehalis basin totals at 1.25%, 3.37% and 2.72%, respectively. Though these proportions may seem small relative to the entire Chehalis Basin, genetic data supports that the Upper Chehalis Coho contribute a sizable abundance to a population that is genetically diverse from the rest of the Chehalis basin. Steelhead in the Chehalis basin also have a population structure that is genetically diverse and is comprised of three distinct groups: Willapa Hills, Cascades, and Olympics. Chinook salmon also show genetic diversity between the upper basin and lower basin populations. Genetic diversity as well as habitat heterogeneity is important to the continuation of these species in the face of climate change and anthropogenic impacts. We do not fully understand the extent to which these genetically distinct populations in the Upper Chehalis sub-basin contribute to the Chehalis population. However, all six years of the study demonstrate that spring and fall Chinook, Coho, and Steelhead actively spawn at varying levels of intensity in the area likely to be impacted by the proposed FRE facility.

**RESOLUTION NO. 12-2020**

**A RESOLUTION OF THE CITY OF CHEHALIS, WASHINGTON,  
SUPPORTING THE CHEHALIS RIVER BASIN FLOOD DAMAGE  
REDUCTION PROJECT TO U.S. ARMY CORPS OF ENGINEERS  
DRAFT NATIONAL ENVIRONMENTAL POLICY ACT  
ENVIRONMENTAL IMPACT STATEMENT.**

**WHEREAS**, the City of Chehalis is a significantly impacted by the decision-making process of the Chehalis Basin Strategy; and

**WHEREAS**, the Chehalis Basin Strategy - Chehalis River Basin Flood Damage Reduction Project is in the comment period of the Draft National Environmental Policy Act (NEPA) Environmental Impact Statement (EIS); and

**WHEREAS**, City staff has reviewed the Draft NEPA Environmental Impact Statement prepared by the U.S. Army Corps of Engineers; and

**WHEREAS**, the City continues to support the Chehalis River Basin Flood Damage Reduction Project, specifically Alternative 1 as identified in the EIS, which provides the most benefit to the Chehalis River Basin with the least adverse impacts to the communities within; and

**WHEREAS**, City staff has prepared a letter of support to the U.S. Army Corps of Engineers in response to the Draft NEPA Environmental Impact Statement.

**NOW, THEREFORE, BE IT RESOLVED** that the City of Chehalis hereby supports the Chehalis River Basin Flood Damage Reduction Project as identified in the EIS, and authorizes the Mayor of the City of Chehalis to sign the letter of support (attached hereto) for submittal to the U.S. Army Corps of Engineers.

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

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form and content:

\_\_\_\_\_  
City Attorney

# CITY OF CHEHALIS

350 N. Market Boulevard, Room 101  
Chehalis, Washington 98532  
(360) 345-1042  
www.ci.chehalis.wa.us



November 9, 2020

SENT Via Web Comment Form:

<https://chehalisbasinstrategy.com/eis/nepa-draft-eis-comment-form/>

Chehalis River Basin Flood Damage Reduction Project  
c/o Anchor QEA  
6720 South Macadam Street, Suite 125  
Portland, OR 97219

RE: Proposed Chehalis River Basin Flood Damage Reduction Project

Dear U.S. Army Corps of Engineers:

On behalf of the City of Chehalis, I am writing to comment on the Draft NEPA Environmental Impact Statement (EIS) issued by the U.S. Army Corps of Engineers on September 18, 2020.

The goal of the Chehalis Basin strategy and the goal of our community leaders is to find solutions for catastrophic flood damage and to enhance fish and aquatic species. The Corps NEPA DEIS is an important step forward as a comprehensive and thorough analysis of the Chehalis Basin Flood Control Zone District's proposed Chehalis River Basin Flood Damage Reduction Project. This document is a much deeper and more thorough analysis than the SEPA DEIS released in February. The analysis includes a long summary of the project benefits as well as an objective review of resources and impacts. We were pleased also to see the thorough analysis of 61 potential alternatives. The fact that the only alternatives the Corps found warranted moving forward are those proposed by the project proponent is very encouraging.

Chehalis has been devastated by catastrophic flooding for decades as well as the other communities within the Chehalis River Basin. Families, small businesses, churches, schools, nursing homes as well as public infrastructure are all devastated. Careers and jobs are lost. Our children and their futures suffer. Interstate 5 is covered for days as are State Highways 6 and 12. This threat has hung over our community forever. As a result, the Chehalis Basin Strategy/Office of the Chehalis Basin have identified a measure (emergency water storage above Pe Ell) that will reduce the peak of these catastrophic floods for our communities from Pe Ell to Cosmopolis. The Draft NEPA EIS analysis spells out many benefits including protection for more than 1,300 homes which are disproportionately inhabited by social justice populations. The best science shows that if we take this step along with other local flood measure in the basin, and we aggressively enhance aquatic species habitat, we can find a win-win for both problems of fish decline and flood damage.

On the subject of the impacts identified through your analysis of Alternatives 1 and 2, we'd like specifically to comment on the subject of impacts to fish. We believe your analysis to be credible, i.e., that there will be impacts to fish from both Alternatives. Our primary comment here is that those impacts should be considered at scale and in the context of the many benefits to be gained by advancing the project. More specifically:

1. **Fish impacts at scale** – The Draft NEPA EIS identifies that at a Basin-wide scale the impacts on salmonid abundance from construction and operation of the District’s proposal would be “low”. This is because at a Basin-wide scale the number of salmonids above Rainbow Falls in relation to the entire Basin is very small. From WDFW’s annual fishery census we see that the Department has found an annual average of 7 Spring-run Chinook spawners identified at and above the facility site and 1,122 at a Basin-wide scale (see attached Executive Summary). We know the District is committed to avoid, minimize, or mitigate impacts to this fishery. We appreciate the analysis on pages 118, 126, 132, and 137. It helps us all to understand and scale the impact to be mitigated. We are confident that mitigation measures can be taken to minimize any fishery impacts to the system as a whole.
2. **Benefits to be gained** – We believe there is more to be gained than lost by Alternatives 1 and 2. The District’s proposed project will deliver significant reductions in catastrophic levels of flooding for Basin communities from Pe Ell to Montesano and further downstream and provide substantial reductions in impact and flood inundation for thousands of valuable structures critical for post-disaster recovery, e.g., essential public infrastructure (wastewater treatment plants, water treatment plants, drinking water supplies, roads, bridges, I-5, etc.), homes, schools, churches, small businesses, business parks, industrial facilities, port districts, hospitals and more. The District’s proposed project holds back and manages 65,000 acre/feet of water that would otherwise descend with catastrophic consequence on our communities.

We fully support mitigating all impacts to fish caused by the District’s proposed project. From the analysis we have been given by the mitigation teams we believe fish impacts can and should be mitigated.

In closing, we’d like to add that in 2008 and 2009, the City adopted resolutions in favor of a basin-wide flood plan that included support for a science-based evaluation of a water retention facility above Pe Ell. In 2016, the City adopted a resolution and statement of support favoring a basin-wide solution to flooding that included: flood retention structure; floodproofing structures; improvements to land use management; local projects; flood warning system; and aquatic species habitat restoration. These were also updated and passed with a new resolution in 2020 restating and again affirming their support for a basin-wide solution.

Thank you for your consideration of the perspective of the people and city of Chehalis. We are going to flooded again. We need prompt solutions that reduce the risk of catastrophic flooding for our communities and the other communities and families across the basin with the least amount of adverse impact. Alternatives 1 and 2 are essential to doing this. Please feel free to contact City Management if you have any questions by calling (360) 345-1042 and you will be directed to the appropriate staff.

Sincerely,

Dennis Dawes, Mayor  
City of Chehalis  
(360) 345-1042  
[ddawes@ci.chehalis.wa.us](mailto:ddawes@ci.chehalis.wa.us)

CC: Andrea McNamara Doyle, WA State Office of Chehalis Basin



Chehalis River Basin Flood Authority members  
Chehalis Basin Board members

DRAFT

**CHEHALIS CITY COUNCIL MEETING  
AGENDA REPORT**

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

**FROM:** Lodging Tax Advisory Committee  
Mayor Pro Tem Chad Taylor, Chair  
Alicia Bull, Centralia-Chehalis Chamber of Commerce  
Rick Burchett, Chehalis-Centralia Railroad & Museum  
Todd Chaput, Holiday Inn Express & Suites  
Gloria Choi, OYO Hotel  
Chip Duncan, Veterans Memorial Museum  
Trent Henning, Riverside Golf Club

**BY:** Jill Anderson, City Manager  
Kiley Franz, Administrative Assistant

**MEETING OF:** November 9, 2020

**SUBJECT:** Lodging Tax Advisory Committee Comments Regarding 2021 Funding Allocation Revisions

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**INTRODUCTION**

The Lodging Tax Advisory Committee (LTAC) presented recommendations to the City Council at the September 28, 2020 meeting. After discussion regarding projected revenues and unused funds, it was decided to have the Council Budget Committee review the recommendations from the LTAC. The Council Budget Committee reviewed, revised, and presented to the City Council their lodging tax funding recommendations at the October 12, 2020 City Council Meeting. Per RCW 67.28.1817(2), the City Council returned the revisions to the LTAC for review and comment. The Lodging Tax Advisory Committee met on Friday, October 30, 2020 for this review.

**DISCUSSION**

With a projected beginning fund balance of \$53,148, plus projected revenues of \$219,500, and unused funds in the amount of \$33,900.52, the estimated revenues for 2021 totaled \$306,548.52. A \$50,000 reserve was set aside for projects/activities that may come up during the year. The dedicated debt service fund for the Recreation Park bond payment schedule totaled \$71,563 for 2021. A total of \$184,985.52 estimated revenue was appropriated for lodging tax recipients. After discussion from the Budget Committee, this figure was rounded to \$185,000.

Projected Beginning Fund Balance	\$	53,148
Estimated Unused in 2020	\$	33,901
Estimated Revenue	\$	<u>219,500</u>
<b>Total Estimated Funds</b>	<b>\$</b>	<b>306,549</b>
Recommended Ending Fund Balance	\$	(50,000)
Dedicated Debt Service for Recreation Park	\$	<u>(71,563)</u>
<b>Total Estimated Available Revenue</b>	<b>\$</b>	<b>184,986</b>

The LTAC held discussions regarding the revisions made by the budget committee. Concerns were raised about entities that adapted to change during the pandemic and those that did not. The Committee also discussed how some activities more directly impact the creation of lodging tax revenues.

The Committee unanimously agreed to provide the following comments to the City Council:

<b>Organization</b>	<b>Budget Committee</b>	<b>LTAC Comments</b>	<b>Difference</b>
1. ARTrails	\$ 2,500	\$ 2,500	\$ 0
2. Centralia-Chehalis Chamber	\$ 35,000	\$ 40,000	\$ 5,000
3. Chehalis-Centralia Railroad & Museum – Marketing	\$ 30,000	\$ 30,000	\$ 0
4. Chehalis-Centralia Railroad & Museum – Personnel	\$ 10,000	\$ 10,000	\$ 0
5. Chehalis Community Renaissance	\$ 32,500	\$ 30,000	\$ (2,500)
6. City of Chehalis – RV Park Restrooms	\$ 0	\$ 0	\$ 0
7. City of Chehalis – Youth Athletic Tournaments	\$ 15,000	\$ 15,000	\$ 0
8. Lewis County Historical Museum	\$ 35,000	\$ 30,000	\$ (5,000)
9. Veterans Memorial Museum	\$ 25,000	\$ 27,500	\$ 2,500
<b>Total</b>	<b>\$185,000</b>	<b>\$185,000</b>	<b>\$ 0</b>

#### **ELIGIBLE USES OF LODGING TAX FUNDING**

Lodging tax funds can be used for various non-profit organizations or government entities for marketing, activities, operations, and expenditures designed to increase tourism. Examples include: Tourism marketing; marketing and operations of special events and festivals designed to attract tourists; operations and capital expenditures of tourism-related facilities owned or operated by a municipality; and operations of tourism-related facilities owned or operated by non-profit organizations. (RCW. 67.28.080(6) and RCW.67.28.1816(1))

#### **AWARD PROCESS**

A municipality may award amounts different from the LTAC, but only after satisfying procedural requirements of the state statute. A municipality must submit its proposed change(s) to the advisory committee for review and comment at least 45 days before final action on the proposal. In this time, the LTAC may review the alterations and provide comment.

The attachments to this report include the minutes from the October 30, 2020 LTAC meeting, and a chart for 2021 tourism fund projections and requests.

Upon City Council approval, all recipients must enter into an agreement with the city for use of the funds. They are required to report for reimbursement of funds on a quarterly basis. All expenses are reviewed for accuracy before reimbursements are disseminated.

#### **RECOMMENDATION**

It is recommended that the City Council:

1. Review comments provided by the LTAC; and
2. Approve funding allocations for 2021 tourism funds as presented by the Council Budget Committee on October 12, 2020, **or** as suggested by the LTAC during this meeting.

**SUGGESTED MOTION**

I move that the City Council approve funding allocations for 2021 tourism funds as:

Presented by the Council Budget Committee on October 12, 2020

*or*

Suggested by the LTAC during this meeting.

2021 Chehalis Tourism Fund Projections and Requests

As of: 10/2/2020

Projected Beginning Fund Balance	\$ 53,148
Estimated Unused in 2020	\$ 33,901
Estimated Revenue (revised 10/2/2020)	\$ 219,500
Total Estimated Funds	\$ 306,549
Recommended Ending Fund Balance	\$ (50,000)
Dedicated Debt Service for Recreation Park (Corrected)	\$ (71,563)
Total Estimated Available Revenue	\$ 184,986

Lodging Tax @ 85% of 2019 Actual (Reduction of \$25,800) \$ (25,800)

Corrected from \$63,396 to \$71,563 (difference \$8,167) \$ 8,167

\$ 184,986

	2020 Original Awarded	2020 Possible Adjusted Award	2021 Requests	2021 Secondary Funding Request	2021 LTAC Recommendations	2021 Council Action	Budget Committee Recommendation	Difference from Secondary Request	Comments from LTAC
<b>Facilities</b>									
Chehalis-Centralia Railroad and Museum - Personnel	\$ 15,000.00	\$ 15,000.00	\$ 15,000.00	\$ 10,000.00	\$ 15,000.00		\$ 10,000.00	\$ -	\$ 10,000.00
Lewis County Historical Museum	\$ 40,000.00	\$ 20,000.00	\$ 45,000.00	\$ 40,000.00	\$ 11,000.00		\$ 35,000.00	\$ (5,000.00)	\$ 30,000.00
Veterans Memorial Museum	\$ 30,000.00	\$ 30,000.00	\$ 30,000.00	\$ 25,000.00	\$ 28,000.00		\$ 25,000.00	\$ -	\$ 27,500.00
ARTrails	\$ 5,000.00	\$ 5,000.00	\$ 5,000.00	\$ 2,500.00	\$ 2,500.00		\$ 2,500.00	\$ -	\$ 2,500.00
Chehalis-Centralia Railroad and Museum - Marketing	\$ 35,000.00	\$ 35,000.00	\$ 35,000.00	\$ 30,000.00	\$ 35,000.00		\$ 30,000.00	\$ -	\$ 30,000.00
Chehalis Community Renaissance Team	\$ 27,000.00	\$ 21,000.00	\$ 32,900.00	\$ 24,900.00	\$ 24,852.00		\$ 32,500.00	\$ 7,600.00	\$ 30,000.00
Centralia-Chehalis Chamber of Commerce	\$ 40,000.00	\$ 40,000.00	\$ 50,000.00	\$ 40,000.00	\$ 50,000.00		\$ 35,000.00	\$ (5,000.00)	\$ 40,000.00
Recreation - Youth and Athletic Tournaments	\$ 15,000.00	\$ 8,000.00	\$ 20,000.00	\$ 15,000.00	\$ 20,000.00		\$ 15,000.00	\$ -	\$ 15,000.00
Parks - RV Park Restrooms/Shower Building Renovation	\$ -	\$ -	\$ 20,000.00	\$ -	\$ -		\$ -	\$ -	\$ -
<b>Totals</b>	\$ 562,483.09	\$ 528,582.57	\$ 252,900.00	\$ 258,963.00	\$ 186,352.00		\$ 185,000.00	\$ (2,400.00)	\$ 185,000.00

\$ (14)

Access (deficiency) over Available Funds \$ (1,366.48)

Est. Unused: \$ 33,900.52

Note on Unused Funds/Adjusted Awards

Unused funds include the \$20,000 requested by the Historical Museum as 'carry-over' (Listed as a \$20,000 Adjusted Award)

Adjusted Award amounts reflect what awardees have estimated will remain unused for 2020, bold amounts are those that have predicted unused funds will remain

**Chehalis Lodging Tax Advisory Committee**  
**Meeting Minutes**  
**October 30, 2020**

The Lodging Tax Advisory Committee (LTAC) met on Friday, October 30, 2020 via Zoom to review and provide comment on the recommendations made to the City Council by the City Council Budget Committee regarding the allocations of lodging tax funds in 2021. Members present were: Mayor Pro Tem Chad Taylor, Chair; Alicia Bull, Centralia-Chehalis Chamber of Commerce; Rick Burchett, Chehalis-Centralia Railroad and Museum; Todd Chaput, Holiday Inn; Chip Duncan, Veterans Memorial Museum; and Trent Henning, Riverside Golf Course. Gloria Choi, OYO Motel, was not in attendance. Chehalis administration included Jill Anderson, City Manager, and Kiley Franz, City Manager's Administrative Assistant. Nic Scott of KELA was also in attendance.

The meeting was called to order at 10:15 A.M. by Mayor Pro Tem Taylor.

Mayor Pro Tem Taylor welcomed everyone to the meeting. He began by explaining that concerns about lodging tax fund revenue projections for 2021 and the potential for the funds unused in 2020 to be reallocated in 2021 prompted the City Council to request the City Council Budget Committee to review the original 2021 allocations recommended by the LTAC. The meeting was held to ensure the LTAC an opportunity to review and provide comment to the City Council on the proposed alterations, consistent with RCW 67.28.1817(2).

Jill Anderson explained that there were concerns that the projected 2021 LTAC revenues may have been overstated in the original number provided to the LTAC committee for their meeting on September 22. In addition, it became apparent that funds allocated for use in 2020 were not going to be fully utilized, primarily due to the COVID-19 pandemic. These changes prompted the review by the Budget Committee.

Jill Anderson addressed concerns raised by LTAC members about the Budget Committee's proposed reduction to the LTAC's allocation for the Chamber of Commerce. She indicated that the Budget Committee was concerned about the increase of \$10,000 from the 2019 allocation for an informational kiosk, when the LTAC recommended that funds for other organizations be reduced.

Todd Chaput expressed concern regarding the Budget Committee's reallocation of funding and indicated that it sent a message that the work that the LTAC puts into the recommendations may not be fully appreciated.

Jill Anderson informed the group that no disrespect was intended, and that the City Council understood and appreciated the work of the Committee; however, the questions about available resources in 2021 prompted the review of the original recommendations by the LTAC.

It was agreed by the LTAC that they would recommend that the Chamber of Commerce be allocated their secondary funding request in the amount of \$40,000. Alicia Bull, Executive Director of the Chamber of Commerce, expressed concern regarding the funding request that was recommend by the Budget Committee. She explained that the Chamber of Commerce would be unable to remain open six days a week if funding was cut.

Jill Anderson explained that the City of Chehalis had provided consistent funding for the Chamber over the past several years when other entities had not, making it difficult to justify reductions in the 2021 funding for the other Chehalis non-profits eligible to receive lodging tax funds in order to make up for the lack of ongoing funding available to the Chamber from other entities that also benefit from the Chamber's services. Jill Anderson added that the Budget Committee had suggested that the Chamber request LTAC funds from the County to help the Chamber's tourism support activities. It was also mentioned that the City Council Budget Committee had suggested that if 2021 revenue projections come in higher than expected, that the LTAC Committee could potentially consider another round of requests.

Chip Duncan informed the committee that he was disappointed by agencies that requested funding but had closed during the pandemic. He explained that the Veterans Memorial Museum and the Chehalis-Centralia

Railroad and Museum had worked together to plan COVID restriction compliant activities while other agencies had chosen to remain closed during the epidemic. He also expressed appreciation for those organizations that adjusted their operations in response to the pandemic, including ARTrails, the Chamber, and the CCRT.

Discussion regarding requesting entities and the recommendations of the Budget Committee ensued.

**Comments from LTAC**

The Lodging Tax Advisory Committee unanimously agreed to present to the City Council the following comments regarding funding allocations:

<u>Organization</u>	<u>Budget Committee</u>	<u>LTAC Comments</u>	<u>Difference</u>
1. ARTrails	\$ 2,500	\$ 2,500	\$ 0
2. Centralia-Chehalis Chamber	\$ 35,000	\$ 40,000	\$ 5,000
3. Chehalis-Centralia Railroad & Museum – Marketing	\$ 30,000	\$ 30,000	\$ 0
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6. City of Chehalis – RV Park Restrooms	\$ 0	\$ 0	\$ 0
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8. Lewis County Historical Museum	\$ 35,000	\$ 30,000	\$ (5,000)
9. Veterans Memorial Museum	\$ 25,000	\$ 27,500	\$ 2,500
<b>Total</b>	<b>\$185,000</b>	<b>\$185,000</b>	<b>\$ 0</b>

The meeting concluded at 11:43 A.M.

Minutes respectfully submitted by Kiley Franz, City Manager’s Administrative Assistant.

**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:** November 9, 2020

**SUBJECT:** Public Hearing on the Proposed 2021 Revenue Sources/Property Taxes

**ISSUE**

This agenda item has been scheduled to provide for a public hearing on the City's Proposed 2021 revenue sources and property tax levies that would be included in the budget projections. Ordinance Nos. 1011-B and 1012-B have been prepared in connection with levying property taxes for collection in 2021

**DISCUSSION**

The Proposed 2021 Budget, which includes a summary of anticipated revenues and expenditures, is available for public review at City Hall, the Finance Department, and on the City's website at [www.ci.chehalis.wa.us](http://www.ci.chehalis.wa.us).

**Ordinance No. 1011-B**

Ordinance No. 1011-B establishes the amount of the City's levies of ad valorem taxes (i.e., property taxes) to be collected for general operations and Emergency Medical Services (EMS). The amount of revenue to be raised by ad valorem taxes for 2021 tax year for general operations is \$1,648,617.59 and for emergency medical services is \$336,409.23. The following table shows the amounts of proposed property tax levies to be collected in 2021:

<b>Ordinance No. 1011-B</b>			
<b>2021 Property Tax Levy Amount - City of Chehalis</b>			
	<b>Regular Levy<sup>^</sup></b>	<b>EMS Levy</b>	<b>Total Levy</b>
<b>2020 Tax Year Actual Levy</b>	<b>\$ 1,616,190.00</b>	<b>\$ 330,199.00</b>	<b>\$ 1,946,389.00</b>
Plus Ordinance Increase:			
1% Maximum Allowed Increase over 2020 Highest Lawful Levy (HLL)	\$ 18,485.42	\$ 3,343.12	\$ 21,828.54
<b>Total Increase Over 2020 Levy</b>	<b>\$ 18,485.42</b>	<b>\$ 3,343.12</b>	<b>\$ 21,828.54</b>
Plus Estimated Increase from New Construction	\$ 10,496.83	\$ 2,144.58	\$ 12,641.40
Plus Certification of Administrative Refunds for the 2021 tax year	\$ 3,445.34	\$ 722.53	\$ 4,167.87
<b>Total Increase from New Construction &amp; Other Adjustments</b>	<b>\$ 13,942.17</b>	<b>\$ 2,867.11</b>	<b>\$ 16,809.27</b>
<b>2020 Total Proposed Property Tax Levy Amount</b>	<b>\$ 1,648,617.59</b>	<b>\$ 336,409.23</b>	<b>\$ 1,985,026.81</b>

<sup>^</sup> \$0.225 per \$1,000 assessed value of regular levy is allocated to LEOFF1 OPEB Reserve Fund for LEOFF 1 medical benefits.  
The 2021 Proposed Budget allocates \$166,000 for LEOFF1 retiree medical benefits.



**Ordinance No. 1012-B**

Ordinance 1012-B identifies the changes, in both the dollar amounts and percentage terms, in the City’s regular property tax levy and the EMS levy for next year (2021) compared to this year (2020).

The 1% maximum allowed tax levy increase is estimated at \$21,829. This increase is exclusive of additional revenue resulting from new construction, property improvements, any increase in the value of state assessed property, any annexations that have occurred, or property tax administrative refunds.

The following table shows the tax levy amount and percentage increase from 2020 actual property tax levies from 1% maximum allowed increase, as well as an estimated tax increase amount for property owners, which would be about \$2.86 a year *for every hundred thousand of assessed property value*.

<b>Ordinance No. 1012-B</b>					
<b>Dollar Amounts and Percentage of Changes in Property Tax Levies for 2021 over 2020</b>					
Tax Levy	2020 Actual Levy	1% Maximum Allowed Increase over 2020 Highest Lawful Levy (HLL)	Total Amount Increase in 2021 from 2020 Levy*	Percent Increase from 2020	Estimated Tax increase for Property with \$100,000 Assessed Value
Regular Levy^	\$ 1,616,190.00	\$ 18,485.42	\$ 18,485.42	1.143765%	\$ 2.42326
EMS Levy	\$ 330,199.00	\$ 3,343.12	\$ 3,343.12	1.012456%	\$ 0.43794
<b>Total</b>	<b>\$ 1,946,389.00</b>	<b>\$ 21,828.54</b>	<b>\$ 21,828.54</b>	<b>1.121489%</b>	<b>\$ 2.86120</b>

The cost of providing services to Chehalis residents and businesses continues to rise and it has become necessary to consider the levying of the 1% property tax increase to help offset the increasing costs of general municipal services, including police and fire.

**RECOMMENDATION**

It is recommended that the City Council open the public hearing, accept public comment, close the public hearing and consider this information when taking action on these items, which are scheduled on this meeting agenda under “New Business” with agenda reports that provide additional information on the Budget and the related ordinances.

**SUGGESTED MOTION**

There is no motion needed after the close of the public hearing.

**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:** November 9, 2020

**SUBJECT:** Public Hearing on the Proposed 2021 Budget

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**ISSUE**

This agenda item has been scheduled to provide for a public hearing on the City's Proposed 2021 Budget. Ordinance No. 1013-B has been prepared for provide for the adoption of the budget and is scheduled for the first of two readings at this City Council meeting.

**DISCUSSION**

The Proposed 2021 Budget, which includes a summary of anticipated revenues and expenditures, is available for public review at City Hall, the Finance Department, and on the City's website at [www.ci.chehalis.wa.us](http://www.ci.chehalis.wa.us).

**Ordinance No. 1013-B**

Adoption of the Proposed 2021 Budget requires two public hearing and the adoption of an implementing City Ordinance. The Ordinance, No. 1013-B, has been prepared for consideration by the City Council on first of two required readings. This public hearing is to provide the public an opportunity to present comments and questions about the proposed budget. Typically, this occurs in a meeting that is conducted with in-person participation; however, due to COVID-19 meeting restrictions, the public can provide written comments and/or participate in the public hearing via Zoom.

The City Budget is made up of 21 separate funds that are used to account for the revenues and expenditures associated with the provision of services in the community; however, 20 of the 21 funds are restricted for specific purposes by law or policy. The 21 funds do not include fiduciary funds which are used to account for assets that are held for other individuals, funds, or agencies, including the State of WA. Only the General Fund can be used for general governmental services that include police, fire, and recreation services. As a result, it is important to note that while multiple funds make up the complete City budget, there are limitations on how the individual funds can be used.

As noted above, additional detail on the Proposed 2021 Budget, can be found in the agenda packet for this City Council meeting and online at the City's website: [www.ci.chehalis.wa.us](http://www.ci.chehalis.wa.us).

**RECOMMENDATION**

It is recommended that the City Council open the public hearing, accept public comment, close the public hearing and consider this information when taking action on these items, which are scheduled on this meeting agenda under "New Business" with agenda reports that provide additional information on the Budget and the related ordinances.

**SUGGESTED MOTION**

There is no motion needed after the close of the public hearing.

**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:** November 9, 2020

**SUBJECT:** Ordinance Nos. 1011-B and 1012-B, First Reading - Adoption of Tax Levies

**ISSUE**

Ordinance Nos. 1011-B and 1012-B have been prepared in connection with levying property taxes for collection in 2021. The ordinances are required in order to have Lewis County collect property taxes on behalf of the City.

**DISCUSSION**

The 2021 Proposed Budget, which includes a summary of anticipated revenues and expenditures, is available for public review at City Hall, the Finance Department, and on the City's website: [www.ci.chehalis.wa.us](http://www.ci.chehalis.wa.us).

**Ordinance No. 1011-B**

Ordinance No. 1011-B establishes the amount of the City's levies of ad valorem taxes (i.e., property taxes) to be collected in 2021 for general operations and Emergency Medical Services (EMS). The amount of revenue to be raised by ad valorem taxes for 2021 tax year for general operations is \$1,648,617.59 and for emergency medical services is \$336,409.23. The following table shows the amounts of proposed property tax levies to be collected in 2021:

<b>Ordinance No. 1011-B</b>			
<b>2021 Proposed Property Tax Levy Amount - City of Chehalis</b>			
	<b>Regular Levy<sup>^</sup></b>	<b>EMS Levy</b>	<b>Total Levy</b>
<b>2020 Tax Year Actual Levy</b>	<b>\$ 1,616,190.00</b>	<b>\$ 330,199.00</b>	<b>\$ 1,946,389.00</b>
Plus Ordinance Increase:			
1% Maximum Allowed Increase over 2020 Highest Lawful Levy (HLL)	\$ 18,485.42	\$ 3,343.12	\$ 21,828.54
<b>Total Increase Over 2020 Levy</b>	<b>\$ 18,485.42</b>	<b>\$ 3,343.12</b>	<b>\$ 21,828.54</b>
Plus Estimated Increase from New Construction	\$ 10,496.83	\$ 2,144.58	\$ 12,641.40
Plus Certification of Administrative Refunds for the 2021 tax year	\$ 3,445.34	\$ 722.53	\$ 4,167.87
<b>Total Increase from New Construction &amp; Other Adjustments</b>	<b>\$ 13,942.17</b>	<b>\$ 2,867.11</b>	<b>\$ 16,809.27</b>
<b>2020 Total Proposed Property Tax Levy Amount</b>	<b>\$ 1,648,617.59</b>	<b>\$ 336,409.23</b>	<b>\$ 1,985,026.81</b>

<sup>^</sup> \$0.225 per \$1,000 assessed value of regular levy is allocated to LEOFF1 OPEB Reserve Fund for LEOFF 1 medical benefits. The 2021 Proposed Budget allocates \$166,000 for LEOFF1 retiree medical benefits.

**Ordinance No. 1012-B**

Ordinance No. 1012-B identifies the changes, in both the dollar amounts and percentage of changes, in the City’s regular property tax levy and the EMS levy for next year (2021) compared to this year (2020).

The 1% maximum allowed tax levy increase is estimated at \$21,828.54. This increase is exclusive of additional revenue resulting from new construction, property improvements, any increase in the value of state assessed property, any annexations that have occurred, or property tax administrative refunds.

The following table shows the tax levy amount and percentage increase from 2020 actual property tax levies from 1% maximum allowed increase, as well as an estimated tax increase amount for property owners, which is about \$2.86 a year *for every hundred thousand of assessed property value*.

<b>Ordinance No. 1012-B</b>					
<b>Dollar Amounts and Percentage of Changes in Property Tax Levies for 2021 over 2020</b>					
Tax Levy	2020 Actual Levy	1% Maximum Allowed Increase over 2020 Highest Lawful Levy (HLL)	Total Amount Increase in 2021 from 2020 Levy*	Percent Increase from 2020	Estimated Tax increase for Property with \$100,000 Assessed Value
Regular Levy^	\$ 1,616,190.00	\$ 18,485.42	\$ 18,485.42	1.143765%	\$ 2.42326
EMS Levy	\$ 330,199.00	\$ 3,343.12	\$ 3,343.12	1.012456%	\$ 0.43794
<b>Total</b>	<b>\$ 1,946,389.00</b>	<b>\$ 21,828.54</b>	<b>\$ 21,828.54</b>	<b>1.121489%</b>	<b>\$ 2.86120</b>

\* Does not include current year add-ons such as tax levy for new construction and changes for state-assessed properties.

The cost of providing services to Chehalis residents and businesses continues to increase and it has become necessary to consider an increase in the property tax so that the current level of municipal services, including police and fire, can be maintained.

**RECOMMENDATION**

It is recommended that the City Council pass Ordinance No. 1011-B and Ordinance No. 1012-B on first reading. The second reading of these ordinances will occur at the November 23, 2020 City Council meeting.

**SUGGESTED MOTION**

I move that the City Council pass Ordinance No. 1011-B and Ordinance No. 1012-B on first readings.

**ORDINANCE NO. 1011-B**

**AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON, DETERMINING AND FIXING THE AMOUNT OF REVENUE TO BE RAISED BY AD VALOREM TAXES DURING THE CALENDAR YEAR 2021; AND PROVIDING FOR THE EFFECTIVE DATE HEREOF.**

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

**Section 1.** The amount of revenue to be raised by ad valorem taxes during 2021 for general city operations shall be, and the same hereby is, determined and fixed in the sum of One Million Six Hundred Forty-Eight Thousand Six Hundred Seventeen Dollars and Fifty-Nine Cents. (\$1,648,617.59).

**Section 2.** The amount of revenue to be raised by ad valorem taxes during 2021 for emergency medical services (EMS) shall be, and the same hereby is, determined and fixed in the sum of Three Hundred Thirty-Six Thousand Four Hundred Nine Dollars and Twenty-Three Cents (\$336,409.23).

**Section 3.** The effective date of the ordinance shall be the \_\_\_\_\_ day of December 2020.

**PASSED** by the City Council of the City of Chehalis, Washington during a regularly scheduled open public meeting thereof this \_\_\_\_\_ day of November 2020.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form and content:

\_\_\_\_\_  
City Attorney

**ORDINANCE NO. 1012-B**

**AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON, STATING THE AMOUNT AND PERCENTAGE OF CHANGE IN PROPERTY TAX LEVY IN CALEDAR YEAR 2021.**

**WHEREAS**, the City of Chehalis, Washington, properly gave notice of a public hearing held the 9<sup>th</sup> day of November 2020, to consider the city budget for 2021, including possible property tax increases and other revenues, pursuant to RCW 84.55.120; and,

**WHEREAS**, the City Council of the City of Chehalis has met and considered its budget for the calendar year 2021; and,

**WHEREAS**, the City's actual levy amounts in 2020 for general operations and Emergency Medical Services (EMS) levies were \$1,616,190.00 and \$330,199.00, respectively; and,

**WHEREAS**, the population of the City is less than 10,000; and now, therefore,

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

**Section 1.** An increase in the regular property tax levy and the emergency medical services (EMS) tax levy are hereby authorized for the levies to be collected in the 2021 tax year.

**Section 2.** The dollar amount of the increase for regular property tax levy over the actual levy amount from 2020 tax year shall be \$18,485.42 which is a percentage increase of 1.143765% from 2020 tax year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, solar, biomass, and geothermal facilities, and any increase in the value of state assessed property, any annexations that have occurred and refunds made.

**Section 3.** The dollar amount of the increase for emergency medical services (EMS) tax levy over the actual levy amount from 2020 tax year shall be \$3,343.12 which is a percentage increase of 1.012456% from 2020 tax year. This increase is exclusive of additional revenue resulting from new construction, improvements to property, newly constructed wind turbines, solar, biomass, and geothermal facilities, and any increase in the value of state assessed property, any annexations that have occurred and refunds made.

**PASSED** by the City Council of the City of Chehalis, Washington during a regularly scheduled open public meeting thereof this \_\_\_\_\_ day of November 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



**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:** November 9, 2020

**SUBJECT:** Ordinance No. 1013-B, First Reading – Adopting the 2021 Proposed Budget

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**ISSUE**

Ordinance 1013-B has been prepared for the purpose of adopting the 2021 Proposed Budget. The two property levy ordinances reflected in this budget are being presented to the City Council concurrently as the subject of a separate agenda item.

**SUMMARY OF PROPOSED BUDGET – ALL FUNDS**

The 2021 Proposed Budget, including all funds (General Fund and Restricted Funds), presented in Ordinance 1013-B is summarized as follows:

	2021 Proposed Budget
Budget Summary - All Funds	
Total Estimated Beginning Fund Balance	\$ 19,560,947
Total Revenues and Transfers In	\$ 23,992,276
Total Expenditures and Transfers Out	\$ 25,250,310
Total Estimated Ending Fund Balance	\$ 18,302,913

The total expenditure budget, including all funds, as presented in the 2021 Proposed Budget is \$25,250,310 and is summarized by purposes as follows:

	2021 Proposed Budget
Expenditure Budget Summary - All Funds	
Operating Purposes	\$ 18,461,860
Debt Service Purposes	\$ 2,660,146
Capital Purposes	\$ 3,465,570
Transfers Out	\$ 662,734
Total Expenditures & Transfers Out	\$ 25,250,310

## **GENERAL FUND**

**Background on development of the 2020 proposed budget:** For the General Fund, the 2021 Preliminary Draft Budget that was presented to the City Council Budget Committee for review in October was balanced using \$759,600 beginning fund balance. The projected ending General Fund reserve was only \$330,124 or 3.4% of the General Fund's operating expenditures. This was a significant concern and options for increasing the ending reserve were presented to the City Council Budget Committee, which then provided direction that is discussed below.

**Estimated Beginning Cash:** On September 14, 2020, the 2020 Budget was amended for the second time. Due to the impacts of COVID-19 to the City's General Fund revenues, especially for the sales tax and recreation program revenues, the 2020 General Fund budget was rebalanced. Revenue projection was reduced by \$392,500 including a 5% of \$246,900 reduction in local sales tax and \$145,600 in other revenues. The spending budget was also reduced by \$405,012. Most of the spending budget reduction was possible by keeping several vacant positions unfilled for the remainder of 2020. The estimated beginning cash for the 2021 budget reflects the estimated ending cash balance from the send 2020 budget amendment, which is \$1,089,814.

**Closing the Gap:** After careful review of each budget and considering options to close the gap between proposed revenues and expenditures, the Council Budget Committee concluded that it would be premature to make additional cuts to the budget, recognizing that it would require a corresponding reduction in services by leaving multiple positions unfilled through 2021 and leaving them unbudgeted through 2021. The Committee also concluded that use of a banked capacity in 2021 is not advisable, as the City may have a greater need for it in 2022. The Committee recommended closing the funding gap in the General Fund by:

- *Moving the 2021 retiree cash outs budget of up to \$200,000 to the Compensated Absences Reserve fund*
- *Reducing the 4% sales tax transfer to the Dedicated Street Fund to 2.5% or reduce by \$70,100*
- *Remove \$46,700 (1% local sales tax) transfer to the Automotive/Equipment Reserve Fund to accumulate funds for the City's financial software system upgrade that is needed in 2022*
- *Remove \$46,700 (1% local sales tax) transfer to the Public Facilities Reserve Fund for future major facility repairs and/or improvements.*

These options helped close the gap between the revenues and expenditures by \$363,500. After incorporating these options recommended by the Council Budget Committee and a minor budget adjustment of \$49,490, the gap between the revenues and expenditures was reduced to \$444,680 and establish the projected ending reserve at \$645,134.

The 2021 Proposed Budget for the General Fund is summarized below.

Budget Summary - General Fund	2021 Proposed Budget
Estimated Beginning Fund Balance	\$ 1,089,814
Revenues & Transfers In	\$ 9,693,089
Expenditures & Transfers Out	\$ 10,137,769
Net Revenues Over (Under) Expenditures	\$ (444,680)
Estimated Ending Fund Balance	\$ 645,134

The 2021 Proposed Budget presented before you is balanced using \$444,680 of the General Fund beginning reserve, with the projected ending reserve of \$645,134. However, the 2021 Proposed Budget remains structurally imbalanced, i.e., ongoing expenses are exceeding ongoing revenues. This is of significant concern, because the City is currently relying on one-time revenues to fund ongoing operations, which includes salaries and benefits. This also creates tremendous financial pressure on the City moving forward.

**General Fund Operating Reserve:** If revenues and expenditures are in line with projections, the General Fund operating reserve will be 6.7% of the operating revenue budget at the end of 2021. This is less than the 10% reserve that the City Council has determined to be the policy goal and the 16.7% (2-month) of operating expenses budget that is recommended by Government Finance Officers' Association. Less than 10% is not a healthy annual reserve over the long-term, especially, when the City does not have other dedicated reserves, such as automotive/equipment replacement, major facility repairs or improvement, or reserves for rainy day funds. Therefore, it is recommended that that City Council continue to monitor and assess the City' long-term financial condition and consider options for increasing revenues and reducing costs in the years to come. It is important to do this in 2021 so there is time to develop a reasonable plan to move toward a structurally balanced budget in 2022 and in 2023.

The 2020 Proposed Budget document can be found on the City's website. For the convenience of the reader, the Budget Message that accompanies the 2020 Proposed Budget, dated October 30, 2020, is attached to this agenda report. The Budget Message provides introductory comments regarding the City's current fiscal condition and a brief summary of each fund. Staff will also be available at the City Council meeting to address any questions from the Council and the public hearing regarding the 2021 Proposed Budget. Additional changes may be made to the ordinance prior to its second reading to reflect new information and/or direction from the City Council.

**RECOMMENDATION**

It is recommended that the City Council pass Ordinance No. 1013-B on first reading. The second reading of this ordinance would occur at the November 23, 2020 City Council meeting.

**SUGGESTED MOTION**

I move that the City Council pass Ordinance No. 1013-B on first reading.



# CITY OF CHEHALIS 2021 PROPOSED BUDGET MESSAGE



October 30, 2020

Dear Honorable Mayor Dawes and Members of the City Council,

The 2021 Proposed Budget was prepared in an environment of uncertainty, largely created by the COVID-19 pandemic. The goal was to reflect a realistic assessment of the cost to generally maintain municipal services and the staffing needed to do so with as few reductions as possible. While the majority of the City's 21 separate funds (excluding fiduciary funds) are stable, the condition of the City's General Fund is concerning because the 2021 Proposed General Fund Budget is balanced with one-time revenues. The proposed use of one-time revenues, such as the City's General Fund reserves, is needed because revenue forecasts have been adjusted, primarily downward, due to the indicators that there will be negative ongoing impacts on the economy due to the response to COVID-19. This made the review and analysis of the 2021 preliminary draft budget more challenging for all those involved, particularly the City Council Budget Committee. Mayor Dennis Dawes, Councilor Bob Spahr, and Councilor Jerry Lord invested significant time and effort to provide guidance and insights through the preliminary draft budget review process. Their thoughtful direction through the process balanced the stronger than expected rebound in consumer spending in the third quarter of 2020 and the predictions regarding the negative impacts that COVID-19 may have on the economy in 2021; along with the pressing need to fill positions left vacant in 2020 in order to meet the service needs of Chehalis residents, businesses, and visitors.

As always, a City's budget represents the work done by many members of the staff throughout the organization over the course of several months, as well as the careful review done by the City Council Budget Committee. The City's Finance Director, Chun Saul, deserves special recognition for the large amounts of time and energy that she devoted to the preparation of a complete budget document and the accompanying financial analysis. She worked well with the department directors, managers, and program administrators and their staffs, who did a commendable job of preparing their budgets. Special thanks to Betty Brooks, Accountant; Tim McGuire, Financial Analyst (part-time); Nichole Paulis, Public Works Office Manager; and Kiley Franz, Administrative Assistant to the City Manager for the extra work that went into the preparation of the 2021 Proposed Budget.

## **GENERAL FUND**

### **Background**

The City's General Fund, which funds basic municipal services, including Police and Fire, had been experiencing significant increases in revenues since the depths of the recession; however, it took until 2016 to recover to 2008 sales tax revenues. Sales tax continued to increase in 2017 and 2018, buoyed by significant construction spending on two new schools. In 2019, the City's sales tax revenues began to level off and the City experienced a notable reduction in sales tax related to construction activity. In 2020, we were hit by COVID-19, which had a dramatic impact on revenue stability.

### **Financial Implications of the COVID-19 Pandemic Crisis**

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a new virus (coronavirus COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing

businesses; schools; cancelling public events; prohibiting public and private gatherings; and requiring people to stay home unless they were leaving for essential functions. Since then, the Governor has ordered a "Safe Start" plan, a phased approach to reopening Washington's economy which allows for modifications of business closures and physical distancing measures. While Lewis County is currently in phase 3 of a 4-phase plan, there are still significant restrictions on which business or which activities can be resumed. The directives from the Governor and Health Officials in Lewis County continues to change and evolve in response to the pandemic, which has made the path forward unpredictable.

The COVID-19 crisis has significant impacts on the City's revenues. Sales tax is one of the largest revenue sources for the City's General Fund and makes up more than fifty percent of the General Fund revenues. The City's local sales and use tax revenue declined sharply in April and May by 17.8% and 36.6%, respectively, from a year ago. Chehalis sales tax collection continued to recover in June, July, August, and September following the sharp decline in April and May 2020. However, based on economic forecast outlook and year-to-date sales tax collection status from August, the City revised its sales tax revenue projection downward by 5% (\$246,000) in September. The second amendment to the 2020 budget adopted on September 14, 2020 reduced the General Fund revenues projection by \$392,500 and expenditure budget by \$405,012 with estimated ending fund balance of \$1,089,814. The spending budget reduction was accomplished mostly through hiring freeze on currently vacant positions and adjusting recreation program related expenditures.

Sales tax collections since June has been much stronger than expected in June and has recovered to a level that is about 1.7% or \$61,670 increase from this time last year. The increases came from higher-than-expected taxable activity in retail trade, the result of the allowed opening of non-essential retail establishment and online sales. The September 2020 forecast by Washington State Economic and Revenue Forecast Council (ERFC) provides that the most recent collection period represented taxable activities in July, when a \$600 per week supplemental unemployment benefits and other federal benefits, though winding down, were still present. While income, employment, and housing activity are currently at higher level than expected in June, which will create more revenue going forward; however, the level of uncertainty remains high with the COVID-19 crisis. Therefore, forecast does not expect that collections over the next several months will show the same strength.

The length of time these measures will be in place and the full extent of the financial impact on the City of Chehalis is unknown at this time. A potential for a second wave of COVID-19 cases; continued social distancing; no additional federal fiscal stimulus; and expiration of various payment deferral protections will most likely impact the local, state, and national economy. It is anticipated that the fourth quarter 2020 tax collections may not be as strong as the third quarter.

There is concerns for whether the City will be able to sustain its current service level if the economy does not recover to its pre-COVID19 level in 2021. The 2021 Proposed Budget assumes the sales tax revenue will be at 95% of 2019 level and does not include five General Fund regular positions unfilled in 2021.

Furthermore, costs continue to rise faster than revenues in all areas, particularly in the cost of providing salaries and maintaining benefits at a level near the average for similar size municipal agencies in WA to attract and retain high-quality employees. The State's Revised Code of Washington (RCW) provides legal direction on what agencies are comparable to Chehalis and provides binding arbitration for the settlement of Police and Fire collective bargaining contracts. The cost of services the City uses to conduct business have also increased, such as the cost of the 911 Communications Services which will increase about 7% in 2021.

### **Budget Process**

The process of preparing the budget document begins in late July. At that time, the City departments were directed to prepare their respective draft budgets consistent with the level of service provided in

2020, with reductions in discretionary expenses when possible. After the compilation of the requests by the Finance Director and I met with each department to review their 2021 proposed budget. Modifications to the initial draft budget requests were made and information was updated as more details became available.

The Preliminary Draft Budget was then prepared and distributed to the City Council Budget Committee, which met multiple times to carefully review the budgets for each department, including those that are fully funded by enterprise funds, which can only be used consistent with legal restrictions. In other words, the enterprise funds cannot be used to fund General Fund services like police and fire.

### **Financial Assumptions**

For the General Fund, the 2021 Preliminary Draft Budget that was presented to the City Council Budget Committee for review in October was balanced using \$759,600 beginning fund balance, which means that the proposed expenditures exceed estimated revenues by \$759,690. The projected ending General Fund reserve was only \$330,124 or 3.4% of the General Fund's revenue budget. This was a significant concern, and options for increasing the ending reserve balance were presented to the City Council Budget Committee, which then provided direction that is discussed below.

**Estimated Beginning Cash:** On September 14, 2020, the 2020 budget was amended for the second time. Due to the impacts of COVID-19 to the City's General Fund revenue, especially for the sales tax and recreation program revenues, the 2020 General Fund budget was rebalanced. Revenue projection was reduced by \$392,500 including a 5% or \$246,900 reduction in local sales tax and \$145,600 in other revenues. The spending budget was also reduced by \$405,012. Most of the spending budget reduction was possible by keeping several vacant positions unfilled for the remainder of 2020. The estimated beginning cash for the 2021 budget reflects the estimated ending cash balance from the second 2020 budget amendment.

### **Closing the Gap**

After careful review of each budget and considering options to close the gap between proposed revenues and expenditures, the Budget Committee concluded that it would be premature to make additional cuts to the budget, recognizing that it would require a corresponding reduction in services by leaving multiple positions unfilled through 2021 and leaving them unbudgeted through 2021. The Committee also concluded that use of a banked capacity in 2021 is not advisable, as the City may have a greater need for it in 2022.

The Committee recommended closing the funding gap in the General Fund by:

- *Moving the 2021 retiree cash outs budget of up to \$200,000 to the Compensated Absences Reserve fund*
- *Reducing the 4% sales tax transfer to the Dedicated Street Fund to 2.5% or reduce by \$70,100*
- *Remove \$46,700 (1% local sales tax) transfer to the Automotive/Equipment Reserve fund to accumulate funds for City's financial software system upgrade that is needed in 2022.*
- *Remove \$46,700(1% local sales tax) transfer to the Public Facilities Reserve fund for future major facility repairs and/or improvements.*

The total reduction in the gap from these options is \$363,500. After incorporating these options recommended by the Council Budget Committee and a minor budget adjustment of \$49,490, the gap between the revenues and expenditures was reduced to \$444,680. The 2021 Proposed Budget is balanced using \$444,680 of the General Fund beginning reserve, with the projected ending reserve balance of \$645,134. However, the 2021 Proposed Budget remains structurally imbalanced, i.e. ongoing expenses are exceeding ongoing revenues. This is of significant concern because the City is

currently relying on one-time revenues to fund ongoing operations, which includes salaries and benefits. This also creates tremendous financial pressure on the City moving forward.

**General Fund Operating Reserve:** If revenues and expenditures are in line with projections, the General Fund operating reserve will be 6.7% of the operating revenue budget at the end of 2021. This is less than the 10% reserve that the City Council has determined to be the policy goal and the Government Finance Officers Association recommends 2 months of operating expenses, which is 16.7%. Less than 10 % is not a healthy annual reserve over the long-term, especially, when the City does not have other dedicated reserves, such as automotive/equipment replacement, major facility repairs or improvement, or reserves for rainy day funds. Therefore, it is recommended that that City Council continue to monitor and assess the City' long-term financial condition and consider options for increasing revenues and reducing costs in the years to come. It is important to do this in 2021 so there is time to develop a reasonable plan to move toward a structurally balanced budget in 2022 and in 2023.

### **Looking Ahead**

When planning for the future, there are some uncertainties in the economy that are of concern. The ERFC's June report indicated that the United States officially entered recession in February 2020. It also provides that the Washington economy has begun to recover from the recession from the COVID-19 crisis but remains well below pre-COVID activity. Though the September forecast restores about half of the revenue reduction from the June forecast, expected revenue for the current and subsequent biennia remains substantially weaker than the pre-pandemic outlook.

Sales Tax represents 50.5% of the General Fund's 2021 estimated revenues, making the City particularly vulnerable to economic fluctuations, like those created by the COVID-19 business restrictions. In 2021, we will continue to closely monitor revenues and expenses, along with economic trends to assess any reductions or increases in sales tax revenue associated with changes in consumer spending.

In the unfortunate event that there is a significant increase in unexpected expenditures and/or another drop in revenues, the City will have to carefully assess its financial condition and make adjustments as early as March 2021 after we get the actual numbers from 2020 to close out the books for the 2020 fiscal year. This is particularly difficult because most City services are delivered through people and about 73% of the General Fund budget is attributed to salaries and benefits. Furthermore, 56.5% of total expenditures are related to Police and Fire services. Therefore, if significant reductions are needed to restore structural balance to the budget, it will likely require very difficult decisions related to what level of service can be maintained over the long-term.

While the possibility of revenue reductions is sobering, there are some positive revenue enhancement possibilities projected for 2022 and/or 2023. While the proposed shopping center development did not come to fruition, there is significant interest from new retail developers in the land adjacent to I-5. The one major caveat is that retail development is very sensitive to the economy and could be delayed if the COVID induced recession continues to play havoc with the economy. In addition, the City has a strategic goal to proceed with an annexation plan along its borders in 2021, which when completed would add residential and commercial property to the City leading to some increases in sales and property tax revenue in 2022 or 2023.

### **RESTRICTED FUNDS**

The City's restricted funds, including the City's utility enterprise funds, are generally stable. The enterprise funds, which are legally restricted funds for the operation of the City's utilities and the airport, include budgets for needed capital projects in the City's water, sewer, and airport divisions. The Dedicated Street Fund, which is supported through a transfer from General Fund sales tax revenues



consistent with City Council policy, continues to be used to fund the program for chip sealing and crack sealing of street and road miles within city limits. However, due to financial constraints, the funding level was reduced from 4% to 2.5% for year 2021. The Proposed Budget includes a reserve fund for LEOFF 1 retiree medical benefits (LEOFF 1 OPEB) by dedicating a portion of the general property tax levy at 22.5 cents per \$1,000 assessed valuation. In addition, the City will continue to make street improvements made possible by the Transportation Benefit District, which is funded by a 0.2% increase in the sales tax approved by voters and went into effect in July 2017. Each fund is summarized in the pages that follow this budget message and presented in detail in the body of the budget document.

### **ONGOING BUDGET CONSIDERATIONS**

Unfortunately, the City is addressing its current fiscal issues while the economy is still relatively unstable, and there are some issues that will have significant budget impacts in the coming years, including the following concerns, which are also addressed in the City's Strategic Plan for 2019-2021:

- **Facility Maintenance:** Ongoing maintenance and repair or replacement of the City's aging buildings and facilities, particularly the building of a new permanent fire station, will continue to require investment of very limited General Fund resources. In 2020, the City purchased a property for a for a new fire station with funding through a Limited Tax General Obligation Bond. It is anticipated that a voter approved levy will be needed to construct the new permanent station. The City is currently setting up temporary fire station structures at the new site; however, a permanent station will need to be constructed as soon as financially feasible. In addition, there will need to be an ongoing investment to properly maintain the recently completed improvements at Recreation Park.
- **Vehicle Replacement:** Many of the vehicles used by General Fund activities, particularly Parks and Facilities are more than a decade old, some are nearly 30 years old, and in need of replacement. While Police patrol cars are on a regular replacement schedule, an annual appropriation is still needed and could be compromised if expenses continue to increase faster than revenues.
- **Retirements:** Planning for the tangible and intangible costs associated with the anticipated retirement of 20% of City's workforce in the next two years. This includes payments for vacation and sick leave accruals that are due to long-time employees at the time of retirement; as well as the costs to attract, train, and retain a new generation of workers, particularly those in the fields requiring special training and licenses, such as public safety and public works. The Administration is aware of nine planned retirements in 2021 alone. Six of the nine are General Fund employees, with an estimated cost of \$260,500 for the associated payments due when they leave the City. There are ten more potential retirees in 2022, with five of them being the General Fund employees.
- **911 Dispatch:** In 2020 the City joined Lewis County, City of Centralia, and Riverside Fire Authority to fund and coordinate a feasibility study to determine the potential for regionalization of Lewis County emergency dispatch operations with Thurston County Communications (TCOMM). This study is expected to be done by the end of 2020 or January 2021. Regardless of the path chosen, the costs associated with 911 will increase in the years to come, due to the staffing, technology and infrastructure demands associated with making any changes, including the much-needed replacement of the antiquated equipment currently being used.

### **CLOSING COMMENTS**

The budget challenges identified in the 2021 Proposed Budget are very concerning and I will remain vigilant, along with the Finance Director in monitoring expenditures and revenue trends, including the

potentially complicating factors created by COVID-19. The City Council Budget Committee plans to meet quarterly in 2021, as it did in 2020, to provide careful oversight of the situation and preliminary policy guidance as necessary. As always, financial reports will be provided throughout the year to keep the City Council informed and to obtain policy direction as needed.

I am honored to serve you, the staff, and the community as your City Manager. It is a privilege to be a part of this team, including the City Council, Staff, and a generous community that continued to make significant progress on its major strategic goals in 2020 in spite of the additional challenges created by the response to the COVID-19 pandemic. The most notable include, but are certainly not limited to, substantial completion of the improvements to Recreation Park including new ballfields and a new Penny Playground; advancing the feasibility study regarding the potential for regionalizing 911 services; and completing the purchase of property for the future construction of a new fire station.

Your continued support as we move through the 2021 Budget preparation process and beyond is truly appreciated. While the challenges before us are significant, I look forward to working with you to identify solutions that will serve our community now and in the years to come.

Sincerely,

*Jill Anderson*

Jill Anderson  
City Manager

## **SUMMARIES OF THE GENERAL FUND AND RESTRICTED FUNDS**

### **GENERAL FUND (FUND 001)**

The General Fund budget is \$10,137,769. The budget is balanced with a total revenue projection of \$9,693,089 and use of \$444,680 General Fund reserves (beginning cash).

### **General Fund Revenues**

It is projected that in 2021 overall General Fund revenues will be reduced by \$209,063 or 2.1% from 2020 amended budget. Total tax revenues make up 88.2% of the General Fund revenues.

**Sales tax** is the largest revenue source for the City and makes up 50.5% of the 2021 General Fund revenue budget. The 2021 sales tax is projected at 95% of 2019 actual revenues and up by 0.1% or \$4,600 over the amount estimated in the amended 2020 budget.

Typically, sales tax revenues from construction activities are considered one-time in nature and are recommended to be excluded from future revenue projections unless other economic or financial data can support the continued growth. However, the City has not been able to reserve construction sales taxes as revenues have not been able to support growing expenditures. In 2017 and 2018, sales tax was bolstered by significant construction spending, primarily related to the building of two new elementary schools that were completed in April 2019. Construction sales tax leveled off in 2019. The average construction sales tax over the last ten years is about 5% of total local sales tax, ranging from 2% in 2010 to 10% in 2018. As predicted, construction sales tax in 2020 has declined 23.6% from 2019. At the time the 2021 budget was prepared, no large-scale construction was anticipated to take place in 2021.

**Property tax** is the second largest revenue source for the City and makes up about 20.4% of the 2021 General Fund revenues. Property tax revenue is projected at \$1,980,859, up by \$43,017 or 2.2% from the 2020 amended budget. The proposed budget includes 2019 levy amount of \$1,946,389 plus the 1% statutory maximum allowed increase of \$19,464 and estimated tax levy of \$15,006 for new construction.

**Utility tax** is the third largest revenue source used to fund municipal services. Utility tax revenue is projected at \$1,619,400, which is a \$26,765 or 1.7% increase from the 2020 amended budget. 2021 utility tax revenues are projected using last three-year average collection. Electric utility tax revenue projection shows a \$24,511 increase from the 2020 budget, while telephone utility tax revenue projection is decreased by \$6,658 or 3.2%.

**Intergovernmental grants.** The proposed 2021 budget includes a \$330,437 reduction in intergovernmental grant revenues from 2020. The 2020 budget included one-time awards from RCO for flood storage basin master plan project and \$10,000 award from AOC. There are no confirmed grant awards for 2021.

**Fees for Services.** The proposed budget is increased by \$163,230 or 93% recovery from the 2020 amended budget. Due the COVID-19 pandemic, most recreation facilities and programs were closed and/or cancelled, and 85% (\$179,850) of the original 2020 recreation program revenue budget was reduced. The proposed budget assumes that recreation and pool activities will resume and increase to 120% of 2019 level in 2021.

**Custodial Receipts** are monies collected on behalf of other agencies and remitted to them. This includes state portion of court fines, sales and leasehold excise taxes. Starting 2020, the Washington State Auditor's Office requires that these custodial activities are to be accounted for and reported in a

separate fiduciary fund. Therefore, the 2021 proposed budget does not include these custodial receipts in the General Fund. The third and last amendment to the 2020 budget will adjust the 2020 budget and receipt activities accordingly.

Other revenues are expected to remain relatively stable.

### **General Fund Expenditures**

The proposed budget projects expenditures of \$10,137,769, which is a \$136,693 or 1.33% decrease from 2020 amended budget. The combined budgets of the Police and Fire Departments represent 56.5% of General Fund expenditures in 2021, which reflects the high priority of keeping residents and visitors in Chehalis safe.

Municipal services are delivered primarily through people, which is the largest ongoing cost to the General Fund. Salaries and benefits make up almost 73% of General Fund expenditures. The proposed expenditures reflect increases for health insurance premiums and salary and wage increases for all employees, including non-represented employees, consistent with contracts, collective bargaining agreements, and policy direction consistent with applicable State law. No budget allocations have been made to the City's designated reserve funds, due to the need to use limited resources to maintain existing services.

### **Ending General Fund Balance**

The projected General Fund ending balance, also referred to as fund reserve, is estimated to be 6.7% of General Fund revenues at the end of 2021. This does not meet the City Council policy of maintaining a 10% fund reserve. Reserve funds are necessary to address unforeseen expenses, including equipment and facility repairs, as well as emergencies.

## **SUMMARIES OF RESTRICTED FUNDS**

### **Dedicated Street Fund (Fund 003)**

In 2014, the City Council adopted a policy to allocate 4% of the City's sales tax revenue is transferred to this fund to be used and accumulated for needed City street repairs and improvements. Unfortunately, the City is facing financial constraints as it enters 2021. The Budget Committee has recommended that the local sale tax contribution to this fund reduced from 4% to 2.5% for 2021 Proposed Budget. In 2021, a transfer of \$116,800 from the General Fund is budgeted, with expenditures of \$184,520. The estimated fund balance at the end of 2021 is \$1,224.

### **Building Abatement Fund (Fund 004)**

The Building Abatement Fund was established by the City Council in 2017 for the purpose of removing hazards to public health and safety and potentially address aesthetic concerns related to abandoned buildings in our community. The 2021 budget includes a \$100 interest earnings and no expenditures. The estimated fund balance at the end of 2021 is \$52,732.

### **Arterial Street Fund (Fund 102)**

The Arterial Street Fund is a special revenue fund that accounts for the state distributed motor vehicle fuel tax (MVFT) that is restricted to use for city street purposes. The MVTF distribution is based on population. The MVFT is the only revenue source for this fund. The City uses this fund primarily for the "oiling and chip sealing" program for our city streets. The 2021 revenue is projected at \$160,600, with expenditures of \$166,400.

### **Transportation Benefit District Fund (Fund 103)**

On February 14, 2017, the voters of Chehalis approved a 0.2% increase to the sales tax to fund the Transportation Benefit District. The increase went into effect in July 2017. The use of these funds is restricted by law and must be used for specific transportation projects contained in the City's transportation improvement plan. Improvements can range from roads and transit service to sidewalks and transportation demand management. Projects may also include the operation, preservation, and maintenance of these facilities or programs.

2021 revenue is estimated at \$1,100,000, with total project costs budgeted \$980,850. The estimated fund balance at the end of 2021 is \$2,128,514.

### **Tourism Fund (Fund 107)**

The Lodging Tax Advisory Committee (LTAC) requested funding for organizations that advertise and promote tourism in the City and "put heads in beds". The sole revenue source (except for interest earnings on the fund balance) for this fund is the local Hotel/Motel sales tax and special local Hotel/Motel tax. 2021 revenue is projected at \$219,500, which is a \$24,370 or 12.5% increase from the 2020 amended budget. The proposed budget includes preliminary expenditures of \$256,563, which includes \$71,563 for the debt service payment of the 2019 LTGO Bond for the Recreation Park renovation project. Fund reserves will be used to fund the difference between the proposed revenues and expenditures, per the recommendation of the LTAC. The proposed budget includes an estimated fund balance at the end of 2021 to be \$16,085; however, the estimated ending fund balance is anticipated to be increased to \$49,985, as there will be unused budget from 2020 that will increase the 2021 beginning fund balance.

### **Compensated Absences Reserve Fund (Fund 110)**

The Compensated Absences Reserve Fund was established in 1985 for the purpose of setting aside funds to be used for compensation of employees for cash outs for unused accrued leaves; approved disability leaves; approved unemployment benefits; and authorized severance pay. During the great recession of 2007-2009 and the subsequent long recovery, all funds had been expended. During 2019, the Council approved a transfer of \$100,000 to this fund from the General Fund. Ideally, an amount of money would be set aside every year to more effectively manage the one-time payments for retiring General Fund employees and potential unemployment benefit liabilities. Unfortunately, no additional funding is planned for 2021 due to financial constraints. Additionally, the 2021 Proposed Budget includes \$200,000 expenditures for accrual cash out payments for 2021 retirees. Of the total \$265,500 General Fund retiree cash out budget, \$200,000 was moved to this fund to close the gap in the General Fund. The estimated fund balance at the end of 2021 is \$948. Additional funding will be needed in 2022 as the City anticipates several general fund employees retiring in 2022 with significant amount of cash out values.

### **LEOFF1 OPEB Reserve Fund (Fund 115)**

The LEOFF1 OPEB Reserve Fund is created with the 2020 Budget adoption to provide funding for LEOFF 1 retiree medical benefits. A portion of the regular property tax levy at 22.5 cents per \$1,000 assessed value and \$78,000 annual transfer from the Firemen's Pension Fund are the main sources of the funding. Once the funds are contributed into this fund, the fund balance is restricted by law and must be used to pay LEOFF 1 medical benefits. The 2021 Proposed Budget includes transfer in of \$166,000 from the General Fund for a portion of the regular property tax levy and a \$78,000 transfer from the Firemen's Pension Fund, with expenditures budget of \$168,300. The estimated fund balance at the end of 2021 is \$85,849.

### **Community and Housing Development Block Grant Funds (Funds 195 and 197)**

The CDBG and HUD Block Grant Funds were created to provide home rehabilitation loans which were funded by the Community Development Block Grant and the Department of Housing & Urban Development Grant. The balance of the loans will be received by the City as ownership of these properties are transferred to anyone other than the loan holder. As of September 1, 2020, the outstanding loan principal on CDBG loan and HUD loan were \$81,963.91 and \$38,148.94, respectively.

No loan repayment revenues are projected for 2021. The estimated fund balance for the CDBG and HUD Grant funds at the end of 2021 are \$23,984 and \$85,827, respectively. There are no plans to spend the remaining fund balances in 2021; however, the Council Budget Committee would like to explore how the City might best use these funds in the future consistent with any legal restriction on their use.

### **G.O. Bond - Debt Service Fund (Fund 200)**

The Debt Service Fund was created to record the payments on the 2011 General Obligation Bonds. Additionally, the City issued a Limited Tax General Obligation (LTGO) Bond in 2019 for the Recreation Park renovation project and Limited Tax General Obligation (LTGO) Bond in 2020 for future fire station land acquisition and the temporary fire station project. The General Fund and the two REET funds provide funds to cover the 2011 LTGO and 2020 LTGO debt services payment and the Tourism fund provides funds for the 2019 LTGO debt service payment. 2021 total debt service expenditures are budgeted for \$301,934.

### **Public Facilities Reserve Fund (Fund 301)**

The Public Facilities Reserve Fund was established many years ago to set aside money over time to prepare for significant maintenance, repairs and renovation of the City's buildings, which are used to provide public services to our community. However, during the great recession of 2007-2009, and the subsequent long recovery, money was not set aside in this fund for future public facilities improvements due to a lack of funds.

During 2019, the City Council approved a transfer of \$284,000 to this fund from the General Fund to set aside for future fire station land acquisition and other major facility maintenance projects and repairs. Ideally, an amount of money would be set aside every year to more effectively manage the one-time large expenditures. A portion of the reserve was used for the pool liner replacement project and for the temporary fire station project in 2020. Unfortunately, the City is facing financial constraints again as it enters 2021, there is no additional funding is provided in the 2021 Proposed Budget.

There are no planned projects in 2021. The estimated fund balance at the end of 2021 is \$254,616, which includes unspent donations designated for Recreation Park, future fire station project, and other general city facilities.

### **Automotive/Equipment Reserve Fund (Fund 302)**

This fund was established for the purpose of setting aside money on a regular basis to be able to replace the City's vehicles and equipment as needed. However, after the recession of 2007-2009, and the subsequent long recovery, all funds had been expended. During 2019, the City Council approved the transfer of \$181,780 from the General Fund to set aside for future needs. In 2020, a \$181,083 budget request from police and fire for vehicles and equipment were moved to this fund.

Unfortunately, the City is again facing financial constraints as it enters 2021 and no additional funding is provided in the 2021.

The 2021 Proposed Budget includes \$15,000 expenditures to purchase one used vehicle for the Recreation department. The estimated fund balance at the end of 2021 is \$27,288.

**First and Second Quarter Percent REET Funds (Funds 305 and 306)**

The First and Second Quarter Percent Real Estate Excise Tax (REET) Funds were established in accordance with state requirements to account for real estate excise taxes which have specific criteria for usage.

The 2021 Proposed Budget includes transfers out to the G.O Debt Service Fund to provide funding for the 2011 LTGO Bonds and 2020 LTGO Bond debt service payments.

The 2021 projected revenues and expenditures for the First Quarter Percent REET fund are \$115,100 and \$130,196, respectively, with an estimated fund balance of \$194,151 at the end of 2021.

The 2021 projected revenues and expenditures for the Second Quarter Percent REET fund are \$110,700 and \$75,131, respectively, with an estimated fund balance of \$268,284 at the end of 2021.

**Garbage Fund (Fund 402)**

This fund is used to account for the revenues and expenditures associated with the City's organic waste disposal site at Stan Hedwall park. For 2021, the projected revenue is \$6,115 and expenditures is \$6,100, with an estimated ending fund balance of \$8,137.

**Wastewater Fund (Fund 404)**

The 2021 revenues for the Wastewater Fund are projected to be \$5,513,500, and expenditures are projected to be \$5,645,270 which includes one-time expenditures of \$432,966 for capital projects. The proposed budget is balanced with use of \$131,770 beginning reserves due to one-time capital project expenditures. The projected fund balance at the end of 2021 is \$4,700,270.

**Water Fund (Fund 405)**

The 2021 revenues for the Water Fund are projected to be \$3,263,897, and expenditures are projected to be \$3,619,407 which includes one-time expenditures of \$905,966 for capital projects. The proposed budget is balanced using \$355,510 beginning reserves due to one-time capital project expenditures. The projected fund balance at the end of 2021 is \$5,929,460.

**Storm & Surface Water Utility Fund (Fund 406)**

The Storm & Surface Water Utility Fund provides planning, construction, operation and maintenance of the City's storm drainage system. In 2020, the projected revenues are \$716,465 with projected expenditures of \$889,100, including one-time expenditures of \$339,302 for capital projects. The projected fund balance at the end of 2021 is \$1,331,781.

**Airport Fund (Fund 407)**

The Airport Fund is dedicated and restricted to the operation of the Chehalis-Centralia Airport. In 2021, the projected revenues are \$2,102,911, including \$250,000 financing from CARB loan for above ground fuel storage project. Total expenditures are estimated at \$2,068,865, including one-time capital

expenditures of \$713,500 for the above ground fuel storage project and restroom renovation. The estimated fund balance at the end of 2021 is \$1,564,288.

**Firemen's Pension Fund (Fund 611)**

This fund is restricted to payments for supplemental or "excess pension benefits" to retirees who had pre-LEOFF service credits. LEOFF is the acronym for Law Enforcement Officers' and Fire Fighters' Retirement System.

In October 2019, an actuarial valuation of the City of Chehalis Firefighter's Pension Fund (FPF) was performed by Milliman, Inc. The actuarial valuation report provided that the current assets (fund balance) as of January 1, 2019 is sufficient to pay all future FPF pension benefits and that a portion of the excess asset may be used to pay LEOFF 1 retiree other post-employment benefits (OPEB). The actuarial report further recommended that use of the excess fund be limited to \$78,000 per year over the next 10 years.

The pension levy (22.5 cent per \$1,000 assessed value of regular property tax) is no longer received in this fund, as the Fund has sufficiently funded to pay all future pension benefits. However, the annual fire insurance premium tax will continue to be received in this fund.

The 2021 Proposed Budget includes \$15,480 in revenues, \$13,300 expenditures for pension benefits and \$78,000 transfer out to the LEOFF1 OPEB reserve fund for LEOFF 1 retiree medical benefits.

The projected fund balance at the end of 2021 is \$889,428.

**Custodial Fund (Fund 633 and Fund 634)**

Fund 633 was established to account for the funds received by the Municipal Court that are owed to a person or to other agencies. They are held in this fund until it can be determined what disbursements need to be made and to whom. Starting 2020, only the portion that are due to other entities or to individuals are accounted for in this fund. In 2021, projected receipts and disbursements are \$103,800, with the estimated balance of \$8,830 at the end of 2021.

Fund 634 was established in 2020 to implement a new mandated fiduciary reporting requirement for monies collected for other agencies other than state court. This includes sales and leasehold excise taxes and other fees collected on behalf of other agencies and remitted to them. The 2021 estimated receipts and disbursements are \$206,805. There is no anticipated fund balance at the end of the year, as monies collected are remitted at the close of each month.

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**ORDINANCE NO. 1013-B**

**AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON,  
ADOPTING THE BUDGET OF THE CITY OF CHEHALIS FOR THE YEAR  
2021 AND PROVIDING FOR THE EFFECTIVE DATE HEREOF.**

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

**Section 1.** Attached hereto and identified as Exhibit "A," in summary form, are the total of estimated revenues and appropriations for each separate fund and the aggregate totals for all such funds combined for the budget of the City for 2021, and by this reference said Exhibit "A," showing a total estimated ending fund balance of \$18,302,913 is incorporated herein as if set forth in full and the same is hereby adopted in full.

**Section 2.** This ordinance is a legislative act delegated by statute to the City Council of the City of Chehalis, is not subject to referendum and shall take effect the \_\_\_\_ day of \_\_\_\_\_, 2020.

**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 \_\_\_\_ day of November, 2020.

\_\_\_\_\_  
Mayor

Attest:

\_\_\_\_\_  
City Clerk

Approved as to form and content:

\_\_\_\_\_  
City Attorney

**Ordinance No. 1013-B  
Exhibit "A"**

**CITY OF CHEHALIS  
2021 PROPOSED BUDGET SUMMARY - ALL FUNDS**

FUND NO.	FUND NAME	ESTIMATED BEGINNING FUND BALANCE 01/01/2021	REVENUES	TRANSFERS IN	EXPENDITURES	TRANSFERS OUT	ESTIMATED ENDING FUND BALANCE 12/31/2021	INCREASE (DECREASE) IN FUND BALANCE	% CHANGE
001	General Fund (Current Expense)	\$ 1,089,814	\$ 9,693,089	\$ -	\$ 9,829,925	\$ 307,844	\$ 645,134	\$ (444,680)	-40.8%
003	Dedicated Street	68,794	150	116,800	184,520	-	1,224	(67,570)	-98.2%
004	Building Abatement	52,632	100	-	-	-	52,732	100	0.2%
102	Arterial Street	92,883	160,600	-	166,400	-	87,083	(5,800)	-6.2%
103	Transportation Benefit District	2,009,364	1,100,000	-	980,850	-	2,128,514	119,150	5.9%
107	Tourism	53,148	219,500	-	185,000	71,563	16,085	(37,063)	-69.7%
110	Compensated Absences Reserve	200,548	400	-	200,000	-	948	(199,600)	-99.5%
115	LEOFF 1 OPEB Reserve	10,049	100	244,000	168,300	-	85,849	75,800	754.3%
195	Community Development Block Grant	23,934	50	-	1,000	-	22,984	(950)	-4.0%
197	HUD Block Grant	87,647	180	-	2,000	-	85,827	(1,820)	-2.1%
200	General Obligation Bond	-	-	301,934	301,934	-	-	-	0.0%
301	Public Facilities Reserve	254,116	500	-	-	-	254,616	500	0.2%
302	Automotive/Equipment Reserve	42,188	100	-	15,000	-	27,288	(14,900)	-35.3%
305	First Quarter REET	209,247	115,100	-	-	130,196	194,151	(15,096)	-7.2%
306	Second Quarter REET	232,715	110,700	-	-	75,131	268,284	35,569	15.3%
402	Garbage	8,122	6,115	-	6,100	-	8,137	15	0.2%
404	Wastewater	4,832,040	5,513,500	-	5,645,270	-	4,700,270	(131,770)	-2.7%
405	Water	6,284,970	3,263,897	-	3,619,407	-	5,929,460	(355,510)	-5.7%
406	Storm and Surface Water	1,504,416	716,465	-	889,100	-	1,331,781	(172,635)	-11.5%
407	Airport	1,530,242	2,102,911	-	2,068,865	-	1,564,288	34,046	2.2%
611	Firemen's Pension	965,248	15,480	-	13,300	78,000	889,428	(75,820)	-7.9%
633*	Custodial Fund - Municipal Court	8,830	103,800	-	103,800	-	8,830	-	0.0%
634*	Custodial Fund - Other Agency	-	206,805	-	206,805	-	-	-	0.0%
<b>TOTALS</b>		<b>\$ 19,560,947</b>	<b>\$ 23,329,542</b>	<b>\$ 662,734</b>	<b>\$ 24,587,576</b>	<b>\$ 662,734</b>	<b>\$ 18,302,913</b>	<b>\$ (1,258,034)</b>	<b>-6.4%</b>

\*Funds 633 and 634 are custodial funds which the city holds funds as a custodian for a period of time. This money does not belong to the City.