

CHEHALIS CITY COUNCIL AGENDA

CITY HALL

350 N MARKET BLVD | CHEHALIS, WA 98532

Anthony E. Ketchum, Sr., District 3
Mayor

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

Kate McDougall, Position at Large No. 1
Kevin Carns, Position at Large No. 2
Robert J. Spahr, Mayor Pro Tem, Position at Large No. 3

Regular Meeting of Monday, December 12, 2022

5:00 pm

To access this meeting via Zoom:

Meeting ID: 834 4212 6653

Pass Code: 674890

1. **Call to Order** (Mayor Ketchum)
2. **Pledge of Allegiance** (Mayor Ketchum)
3. **Approval of Agenda** (Mayor Ketchum)

PRESENTATIONS

4. **Recognition of Erin Hillier's term as City Attorney**
5. **Recognition of Ed Stanton's 40 years on the Civil Service Commission**

CONSENT CALENDAR

	ADMINISTRATION RECOMMENDATION	PAGE
6. Minutes of the Regular Meeting November 28, 2022 (City Clerk)	APPROVE	1
7. Vouchers and Transfers-Accounts Payable in the Amount of \$1,099,540.14 (Finance Director)	APPROVE	5
8. Vouchers and Transfers- Payroll in the Amount of \$793,865.81 (Finance Director)	APPROVE	7
9. Resolution No. 16-2022, Surplus Property (City Clerk)	APPROVE	9
10. Resolution No. 17-2022, Adoption of Updated Procurement Policies and Procedures (Finance Director/City Clerk)	APPROVE	17
11. Resolution 18-2022, Federal Grant Management Guidelines Policy (Finance Director)	APPROVE	81
12. Addendum to Manager Contract for a Cost-of-Living Adjustment Consistent with Terms of Original Employment Agreement (Human Resources Manager)	APPROVE	91
13. Acceptance of Above Ground Fuel Storage Project as Complete (Airport Operations Coordinator)	APPROVE	95

14. <u>Acceptance and Closeout of the Emergency Fire Station Site Preparation Project at 710 NW Arkansas Way</u> (Fire Chief)	APPROVE	97
15. <u>Amendment Extending the Contract with Gibbs and Olson to Provide Development and Interim City Engineer Services Through December 31, 2023</u> (Building and Planning Manager)	APPROVE	99
16. <u>Appointment of Dennis Dawes to Civil Service Commission to Fill a Vacancy with a Term Expiring December 31 ,2025</u> (City Manager)	APPROVE	103
17. <u>Consider Cancellation of December 26th Council Meeting</u> (City Clerk)	APPROVE	105

CITIZENS BUSINESS (PUBLIC COMMENT)

Individuals 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 – <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 Kassi Mackie at 360-345-1042 or at kmackie@ci.chehalis.wa.us. Public comments will be limited to five (5) minutes.

UNFINISHED BUSINESS

	ADMINISTRATION RECOMMENDATION	PAGE
18. <u>Second and Final Reading of Ordinance No. 1061-B, Amending the FY2022 Budget #3</u> (City Manager, Finance Director)	APPROVE	107

NEW BUSINESS

	ADMINISTRATION RECOMMENDATION	PAGE
19. <u>TransAlta Water Rights Purchase: Addendum to the Centralia Purchase and Sale Agreement with TransAlta Adding the City of Chehalis</u> (City Manager/Public Works Director)	APPROVE	119
20. <u>Amendment to Regional Water Supply Agreement between the City of Chehalis and the City of Centralia</u> (City Manager/Public Works Director)	APPROVE	157
21. <u>Consider Approval of Proposed Westside Park Improvements</u> (Facilities Manager)	APPROVE	163
22. <u>Resolution No. 20-2022, Interlocal Agreement for Use of the Centralia Regional Decant Facility</u> (Public Works Director)	APPROVE	167

ADMINISTRATION AND CITY COUNCIL REPORTS

	ADMINISTRATION RECOMMENDATION	PAGE
23. <u>Administration Reports</u> a. City Manager Update (City Manager)	INFORMATION ONLY	---
24. <u>Councilor Reports/Committee Updates</u> (City Council)		

EXECUTIVE SESSION

Pursuant to RCW:

- a) 42.30.110(1)(c)– Sale/Lease of Real Estate
- b) 42.30.140(4)(b)- Collective Bargaining

THE CITY COUNCIL MAY ADD AND TAKE ACTION ON OTHER ITEMS NOT LISTED ON THIS AGENDA.

NEXT REGULAR CITY COUNCIL MEETINGS

MONDAY, JANUARY 9, 2023- 5:00 P.M.

MONDAY, JANUARY 23, 2023- 5:00 P.M.

Chehalis City Council
Regular Meeting Minutes
November 28, 2022
5:00 p.m.

Council Present: Mayor Ketchum, Councilmember McDougall, Councilmember Spahr, Councilmember Carns, Councilmember Pope, Councilmember Lund (virtual attendance), Councilmember Lord
Council Absent:

Staff Present: Jill Anderson, City Manager; Kassi Mackie, City Clerk; Erin Hillier, City Attorney (virtual attendance); Cassie Frazier, Administrative Assistance; Chun Saul, Finance Director; Brandon Rakes, Airport Operations Coordinator; Lance Bunker, Public Works Director; Celest Wilder, Engineer Tech; Lilly Wall, Parks and Recreation Director; Andrew Hunziker, Facilities Director

Public Present: Lindsey Pollock, Michael Holst, Tim Filer

1. **Call to Order:**
Mayor Ketchum called the meeting to order at 5:00 p.m.
2. **Pledge of Allegiance**
Councilmember Spahr led the flag salute.
3. **Approval of Agenda**
The Executive Session was removed from the agenda.

A motion was made by Councilmember Spahr, seconded by Councilmember Pope, to approve the agenda as amended. Motion carried unanimously.

CONSENT CALENDAR

4. **Minutes of the Regular City Council Meeting of November 14, 2022** (City Clerk)
5. **Vouchers and Transfers- Accounts Payable in the Amount of \$459,990.38 dated November 15, 2022** (Finance Director)
6. **Acceptance of Shaw Aquatics Center Slide Restoration Project as Complete** (Recreation Manager/Parks and Facilities Manager)

A motion was duly made and passed approving the items on the Consent Calendar as though acted on individually.

PUBLIC HEARINGS

7. **2023 Preliminary City Revenue Sources- Property Tax and Levies** (Finance Director)

Mayor Ketchum opened the public hearing at 5:02 p.m.

Michael Holst provided written comment which was read by Mayor Ketchum. Mayor Ketchum and City Manager Anderson provided clarification on the utilization of this tax revenue by the city.

Mayor Ketchum closed the public hearing at 5:12 p.m.

8. **2023 Preliminary Budget** (Finance Director)

Mayor Ketchum opened the public hearing at 5:12 p.m. There being no one wishing to speak, Mayor Ketchum closed the public hearing at 5:13 p.m.

CITIZENS BUSINESS

Tim Filer provided public comment regarding the noise ordinance in Chehalis and lack of direction. Mr. Filer is hoping the Council will consider reviewing the noise ordinance to provide more clear regulations.

UNFINISHED BUSINESS

9. **Second Reading of Ordinance No. 1058-B, Setting the Property Tax Levy Amount and Ordinance No. 1059-B, Changes from 2022 Property Tax Levy** (Finance Director)

A motion was made by Councilmember Spahr, seconded by Councilmember Lord, to adopt Ordinance No. 1058-B and 1059-B on second reading.

The motion carried by the following vote:

***Councilmember Spahr-Aye
Councilmember Lord-Aye
Councilmember Carns-Nay
Councilmember Lund-Aye***

***Councilmember Pope-Aye
Councilmember McDougall-Aye
Mayor Ketchum-Aye***

10. **Second Reading of Ordinance 1060-B, Adopting the 2023 Proposed Budget** (Finance Director)

A motion was made by Councilmember Spahr, seconded by Councilmember Lord, to adopt Ordinance No. 1060-B on second reading. Motion carried unanimously.

11. **Consider Amendment and Extension of Agreement with LeMay Enterprises, Inc. for Collection and Disposal of Solid Waste** (Public Works Director)

Ed Morlan and Thomas Rupert were present on behalf of LeMay Enterprises, Inc. Thomas Rupert provided clarification on the cap of inflation should hyper-inflation occur.

A motion was made by Councilmember Spahr, seconded by Councilmember Pope, to approve the first amendment and extension with LeMay Enterprises, Inc. and add a 10% annual cap on the CPI.

The motion carried by the following vote:

*Councilmember Spahr-Aye
Councilmember Lord-Aye
Councilmember Carns-Nay
Councilmember Lund-Aye*

*Councilmember Pope-Aye
Councilmember McDougall-Nay
Mayor Ketchum-Aye*

NEW BUSINESS

12. **First Reading of Ordinance 1061-B, Amending the FY2022 Budget #3** (City Manager, Finance Director)

Finance Director Chun Saul presented.

A motion was made by Councilmember Spahr, seconded by Councilmember Lord, approve Ordinance 1061-B on first reading. Motion carried unanimously.

13. **Consider Approval of Recreation Park Fencing and Drainage Project-Change Order Request** (Recreation Manager/Parks and Facilities Manager)

A motion was made by Councilmember Pope, seconded by Councilmember Spahr, to authorize the City Manager to manage and execute an additional change order to the existing contract with KBH Construction for work at Recreation Park not to exceed \$16,000, including sales tax and a 10% contingency, increasing the total contract to \$64,848.05. Motion carried unanimously.

14. **Consider Approval of Newaukum River Water Right Appeal- Settlement with Department of Ecology** (City Manager)

Tom MacDonald presented.

A motion was made by Councilmember Pope, seconded by Councilmember Lord, to approve the Stipulation and Motion for Agree to Order of Dismissal, including the Superseding Order on Water Right Change Application No. CS2-SWC1185(LEWI-20-01) and authorize the City Manager to execute all related documents. Motion carried unanimously.

ADMINISTRATION AND CITY COUNCIL REPORTS

15. **City Manager Update**

16. **Marwood Water Rights Acquisition Update**

Tom MacDonald provided an update on the Marwood and Trans Alta Water Rights Acquisition and the current stage of the process to approval for municipal use.

City Manager Anderson reminded the Council and public of the upcoming events in Chehalis.

17. **Councilor Reports/Committee Updates**

Councilmember Pope requested that the Council take time to read the MRSC Handout on current events.

Councilmember McDougall provided information on the upcoming tree lighting, caroling, ornament making and other holiday festivities in downtown Chehalis.

Mayor Ketchum attended Flood Committee Meeting and Transportation Committee Meetings in the previous weeks.

ADJOURNMENT

Mayor Ketchum adjourned the meeting 6:07 p.m.

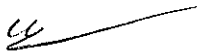
Anthony Ketchum, Sr., Mayor

Attest: Kassi Mackie, City Clerk

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director 
Clare Roberts, Accounting Tech II

MEETING OF: December 12, 2022

SUBJECT: 2022 Vouchers and Transfers – Accounts Payable in the Amount of
\$1,099,540.14

ISSUE

City Council approval is requested for 2022 Vouchers and Transfers dated November 30, 2022.

DISCUSSION

The November 30, 2022, 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 including Electronic Funds Transfer Checks No. 2468 - 2502 and 82, and Voucher Checks No. 135556 - 135640 in the amount of \$1,100,550.54 dated November 30, 2022 and voided Checks No. 135531 and 129921-132076 for the net total of \$1,099,540.14 as follows:

- \$ 59,807.92 from the General Fund
- \$ 15,416.54 from the Street Fund
- \$ 75,221.54 from the Transportation Benefit District Fund
- \$ 2,631.40 from the LEOFF 1 OPEB Reserve Fund
- \$ 10,353.32 from the Public Facilities Reserve Fund
- \$ 294.60 from the Garbage Fund
- \$ 881,714.99 from the Wastewater Fund
- \$ 9,353.29 from the Water Fund
- \$ 842.95 from the Storm & Surface Water Utility Fund
- \$ 39,684.54 from the Airport fund
- \$ 4,899.30 from the Airport Capital Fund
- \$ 191.40 from the Firemen's Pension Fund

- \$ 138.75 from the Custodial Other Agency fund
- \$ 1,100,550.54 Total Vouchers for November 30, 2022
- \$<363.56> Voided Check for November 21, 2022
- \$<646.84> Voided Checks for November 17, 2022
- \$ 1,099,540.14 Net Total Transfers

RECOMMENDATION

It is recommended that the City Council approve the Claim Vouchers including Electronic Funds Transfer Checks No. 2468 - 2502 and 82, and Voucher Checks No. 135556 - 135640 in the amount of \$1,100,550.54 dated November 30, 2022 and voided Checks No. 135531 and 129921-132076 for the net total of \$1,099,540.14.

SUGGESTED MOTION

I move that the City Council approve the Claim Vouchers including Electronic Funds Transfer Checks No. 2468 - 2502 and 82, and Voucher Checks No. 135556 - 135640 in the amount of \$1,100,550.54 dated November 30, 2022 and voided Checks No. 135531 and 129921-132076 for the net total of \$1,099,540.14.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director
Deri-Lyn Stack, Payroll Accounting

MEETING OF: December 12, 2022

SUBJECT: Vouchers and Transfers – Payroll in the Amount of \$793,865.81

ISSUE

City Council approval is requested for Payroll Vouchers and Transfers dated November 30, 2022.

DISCUSSION

The administration requests City Council approval for Payroll Vouchers No. 42124-42142, Direct Deposit Payroll Vouchers No. 15625-15738, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 449-456 dated November 30, 2022, in the amount of \$793,865.81, which include the transfer of:

- \$503,580.39 from the General Fund
- \$33,302.55 from the Street Fund
- \$5,197.50 from the LEOFF1 OPEB Reserve Fund
- \$24,509.29 from the Federal Advance Grant Control
- \$93,970.68 from the Wastewater Fund
- \$91,540.00 from the Water Fund
- \$18,980.95 from the Storm & Surface Water Utility Fund
- \$22,784.45 from the Airport Fund

RECOMMENDATION

It is recommended that the City Council approve the November 30, 2022, Payroll Vouchers No. 42124-42142, Direct Deposit Payroll Vouchers No. 15625-15738, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 449-456 in the amount of \$793,865.81.

SUGGESTED MOTION

I move that the City Council approve the November 30, 2022, Payroll Vouchers No. 42124-42142, Direct Deposit Payroll Vouchers No. 15625-15738, Electronic Federal Tax and DRS Pension/Deferred Comp Payments No. 449-456 in the amount of \$793,865.81.

I, THE UNDERSIGNED, OF THE CITY OF CHEHALIS WASHINGTON DO HEREBY CERTIFY UNDER PENALTY OF PERJURY THAT THE PAYROLL-RELATED SERVICES HAVE BEEN RENDERED OR THE LABOR PERFORMED AS DESCRIBED HEREIN AND THAT THE CLAIM IS A JUST, DUE AND UNPAID OBLIGATION AGAINST THE CITY OF CHEHALIS, AND THAT I AM AUTHORIZED TO AUTHENTICATE AND CERTIFY TO SAID CLAIM.

PAYROLL OFFICER

FINANCE DIRECTOR

CHECK NOS. 42124 THROUGH 42142, DIRECT DEPOSIT CHECK NOS. 15625 THROUGH 15738, ELECTRONIC FEDERAL TAX AND DRS PENSION/DEFERRED COMP PAYMENTS NOS. 449-456 ARE HEREBY APPROVED FOR PAYMENT IN THE TOTAL AMOUNT OF \$793,865.81 THIS _____ DAY OF _____, 2022.

MAYOR

001	GENERAL FUND	\$503,580.39
003	STREET FUND	33,302.55
115	LEOFF1 OPEB	5,197.50
199	FREDRAL ADVANCE GRANT	24,509.29
404	WASTEWATER FUND	93,970.68
405	WATER FUND	91,540.00
406	STORM & SURFACE UTIL FUND	18,980.95
407	AIRPORT FUND	<u>22,784.45</u>
	TOTAL	\$793,865.81

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Kassi Mackie, City Clerk

MEETING OF: December 12, 2022

SUBJECT: Resolution No.16-2022, First and Final Reading – Declaring Surplus Property

ISSUE

The Chehalis Police Department and City Hall have multiple items are no longer being used. State law requires that municipal property must first be declared surplus by the City Council before being sold, transferred, or disposed of.

DISCUSSION

The Police Department has one K-9 kennel that is no longer necessary, as the K-9 Officer has been retired effective September 12, 2022. They are also in possession of a Crown Victoria that is obsolete.

City Hall has held a large display case housing Sister City Memorabilia for many years. The Lewis County Historical Museum is interested in exhibiting items from the Sister City Commission and would like to utilize the case as well. This case would not be sold for a reasonable amount, and therefore staff is requesting to donate the item instead.

FISCAL IMPACT

Any proceeds will be deposited to the general fund.

RECOMMENDATION

It is recommended that the City Council adopt Resolution No. 16-2022.

SUGGESTED MOTION

I move that the City Council approve Resolution No. 16-2022 on the first and final reading.

RESOLUTION NO. 16-2022

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

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

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

Chehalis Police Department	Identifying Information
<ul style="list-style-type: none">• K-9 Kennel• 1997 Ford Crown Victoria	<ul style="list-style-type: none">• 2FALP71W9VX163751
City Hall	Identifying Information
<ul style="list-style-type: none">• Display Case	<ul style="list-style-type: none">• 01017

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

ADOPTED by the City Council of the city of Chehalis, Washington, and **APPROVED** by its Mayor, at a regularly scheduled open public meeting thereof this 12th day of December 2022.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

Surplus Property Form

Please complete this form and submit to the City Clerk. Property will be surplussed on a quarterly basis during the second City Council meetings of March, June, and September, and the first meeting of December.

Item:

1997 Ford Crown Victoria

Identifying Information:

City Tag #	
Serial #	
Model #	
VIN #	2FALP71W9VX163751
License Plate	Exempt 19434D

Date Purchased (if known)

Purchase Price (if known)

unknown	\$ unknown
---------	------------

What was the property used for and why is it being disposed of? (Stress condition of property)

This vehicle was used by Municipal Court as a transport vehicle. It is now having mechanical issues making it expensive to repair and maintain.

How will the property be disposed of?

- | | |
|---|---|
| <input type="checkbox"/> Sell | <input type="checkbox"/> Donate |
| <input type="checkbox"/> Trade-in | <input type="checkbox"/> Dispose of |
| <input checked="" type="checkbox"/> Auction | <input type="checkbox"/> Other (please explain) |

Surplus Property Form

Please complete this form and submit to the City Clerk. Property will be surplussed on a quarterly basis during the second City Council meetings of March, June, and September, and the first meeting of December.

Item:

K-9 Kennel

Identifying Information:

City Tag #	
Serial #	
Model #	
VIN #	
License Plate	

Date Purchased (if known)

Purchase Price (if known)

unknown	\$ 249
---------	--------

What was the property used for and why is it being disposed of? (Stress condition of property)

This kennel was used for our K-9. We no longer have a K-9 unit.

How will the property be disposed of?

- | | |
|--|---|
| <input checked="" type="checkbox"/> Sell | <input type="checkbox"/> Donate |
| <input type="checkbox"/> Trade-in | <input type="checkbox"/> Dispose of |
| <input type="checkbox"/> Auction | <input type="checkbox"/> Other (please explain) |

Surplus Property Form

Please complete this form and submit to the City Clerk. Property will be surplus on a quarterly basis during the second City Council meetings of March, June, and September, and the first meeting of December.

Item:

Display Case

Identifying Information:

City Tag #	01017
Serial #	N/A
Model #	N/A
VIN #	N/A
Other	

Date Purchased (if known)

Purchase Price (if known)

--	--

Current Fair Market Value (if item is to be sold) \$400.00

What was the property used for and why is it being disposed of? (Stress condition of property)

Displaying Sister City Memorabilia. The Lewis County Historical Museum has shown interest in exhibiting items from the historical Sister City art pieces and donating the display case will allow them to do so. They will continue to utilize the case for other City of Chehalis items after the exhibit has ended. We do not believe we will be able to sell the case for a reasonable amount and request to donate it instead. (Minor scuffs on wood frame.)

How will the property be disposed of?

- | | |
|-----------------------------------|---|
| <input type="checkbox"/> Sell | <input checked="" type="checkbox"/> Donate |
| <input type="checkbox"/> Trade-in | <input type="checkbox"/> Dispose of |
| <input type="checkbox"/> Auction | <input type="checkbox"/> Other (please explain) |

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director
Kassi Mackie, City Clerk

MEETING OF: December 12th, 2022

SUBJECT: Resolution No. 17-2022, Adoption of Updated Procurement Policies and Procedures and Resolution No. 18-2022, Federal Grant Management Guidelines Policy

ISSUE

To revise the previously established grant management, contracting and purchasing guidelines for City Staff.

DISCUSSION

In May 2014, the administration created Administrative Procurement Policies and Procedures to establish guidelines for the procurement of equipment, materials, and services to ensure that public purchases and contracts were open, fair, and at the best value to the public. The policy was never officially adopted by the City Council.

Over time, the State Legislature has increased the bid threshold amounts for procurement types, however, the City never increased the thresholds within our own policy. City Staff determined that updates to the bid thresholds to be consistent with the Revised Code of Washington's (RCW)'s would help streamline purchasing processes for the City.

In review of the 2014 version, staff also determined that additional updates were required to provide clearer direction on procurement procedures to Chehalis staff. As the process moved along, it was determined that a full overhaul of the procurement policy would be of a bigger benefit than making minor revisions to the 2014 version. The attached policy is the product of months-long review and updates completed by staff.

The proposed policy includes but is not limited to the following updates:

- Update formal bid requirement threshold to be consistent with the RCW thresholds. The typical procurement types and their bid thresholds are illustrated in the below table.

Formal Bid Requirement Thresholds		
Procurement Type	City (current)	RCW (current)
Purchase of Materials, Supplies, Equipment (If not using MRSC Vendor List)	\$15,000 & up	\$7,501 & up
Purchase of Materials, Supplies, Equipment (If using MRSC Vendor List)	\$15,001 & up	\$15,001 & up
Public Works - when Small Works Roster is not used (Single Craft or Trade)	\$40,000 & up	\$75,500 & up
Public Works - when Small Works Roster is not used (Multi Craft or Trade)	\$65,000 & up	\$116,155 & up
Public Works - Use of Small Works Roster	Upto \$200,000	Upto \$350,000
Limited Public Works Process	Less than \$35,000	Less than \$50,000

- Adding a clause that in the event that any bid threshold limits in the Revised Code of Washington (RCW) are different from the values listed in the City’s Policy limits, the RCW limits shall control.
- Removal of the E-Verify policy as it is redundant.
- Setting the City Manager’s signing authority amount up to \$40,000. (Current policy: up to \$30,000 or \$40,000 depending on the type of procurement)
- Adding Ethics of Procurement section
- Adding a section for procurements for grants and federal funding.

In addition to the updates on the general Procurement Policy, an update to the City’s Federal Grant Management Policy was necessary to included guidance on procurements involving federal funding. The original Federal Grant Management Policy was adopted by motion by the City Council on November 12, 2019.

Additional updates will be presented to Council in the upcoming months to supplement the new procurement policy.

FISCAL IMPACT

There is no direct financial impact associated with the adoption of the procurement policy; however, it will be used to guide future purchases and projects.

RECOMMENDATION

It is recommended that the City Council adopt both resolutions.

SUGGESTED MOTION

I move that the City Council approve Resolution No. 17-2022 and Resolution No. 18-2022.

RESOLUTION NO. 17-2022

**A RESOLUTION OF THE CITY OF CHEHALIS,
WASHINGTON, ADOPTING PROCUREMENT POLICIES
AND PROCEDURES**

WHEREAS, staff has determined a need to formally adopt procurement procedures for the City that direct the purchase of goods and services at a reasonable cost and at the best value to the public; and;

WHEREAS, the City of Chehalis’s previous procurement policy, created in 2014 has become obsolete, and;

WHEREAS, an open, fair, documented and competitive process is to be used whenever reasonable and possible; and;

WHEREAS, the City is committed to providing a very fair, transparent and equitable process to our purchases,

NOW THEREFORE BE IT RESOLVED, the Chehalis City Council hereby adopts the attached policy “Administrative Procurement Policy & Procedures” as the formal purchasing guidelines for the City of Chehalis.

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 December 2022.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

City of Chehalis



Administrative Procurement Policy & Procedures

Revision Draft

October 24, 2022

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MRSC

Bidding Book
L&I

I. GENERAL

A. Purpose

This document is intended to direct the purchase of goods and services at a reasonable cost and at the best value to the public. An open, fair, documented, and competitive process is to be used whenever reasonable and possible. The purchasing function's integrity, efficiency, and effectiveness are critical elements of sound government.

B. Objectives

The objectives of the city's purchasing program are as follows:

- To provide a uniform system to obtain supplies, materials, equipment, and services in an efficient and timely manner
- To facilitate responsibility and accountability with the use of city resources
- To ensure equal opportunity and competition among suppliers and contractors
- To promote effective relationships and clear communication between the city and its suppliers and contractors
- To comply with the comprehensive State procurement statutes which govern expenditures of public funds
- To promote use of recycled materials and products and dispose of surplus and scrap materials with regards to cost savings and the environment.

C. Scope

These guidelines apply to purchases of:

- Public works projects
- Professional services (including architectural and engineering design)
- Non-professional services
- Supplies, materials, and equipment

The guidelines do not apply to the acquisition, sale, or lease of real property. If grant funding is involved in the proposed purchase, applicable requirements should be obtained from the funding agency. Such requirements may be more restrictive than the city's policy.

D. Controlling Laws

All purchases shall comply with appropriate and relevant federal, state, and city laws and policies. If the appropriate and relevant federal or state laws, regulations, grants, or requirements are more restrictive than these guidelines, such laws, regulations, grants, or requirements should be followed.

In the event any bid threshold limits in the Revised Code of Washington (RCW) are different from the values listed within this Policy, the RCW limits shall control. The City Attorney shall be consulted when questions regarding potential conflicts arise. Applicable laws and regulations will be cited throughout this document.

II. ETHICS OF PROCUREMENT

A. Gifts and Conflicts of Interest

The city is committed to providing a very fair, transparent, and equitable process to our purchases. We ask all staff participating in a solicitation and/or award process to be thoughtful of any perceived or actual conflicts of interest. Many of the situations defined as prohibited conduct or conflicts of interest in the city's [Personnel Policies](#) could arise in the procurement context.

1. Reasonable Person Standard. The city seeks to avoid situations that involve conflicts of interests, or the appearance of such conflicts based on inappropriate opportunities to influence the solicitation and/or award process. The city uses the measures of how a reasonable person would perceive the situation. A reasonable person standard might consider how the situation would appear if covered by a news story or viewed from the perspective of a public interest group. Common questions to ask are: Could you comfortably explain your actions? Would taxpayers believe you were acting in their best interest?
2. Limitations on gifts. City staff should refuse gifts, meals, and invitations to events such as concerts or sporting events, that could be reasonably perceived as: improperly influencing performance of your official duties; a reward for awarding a contract; or offered or given to influence, find favor, or with a reasonable expectation of creating an obligation to the giver.

Vendors are prohibited from offering gifts during the solicitation and ensuing contract award process.

Contact the Legal Department for assistance if you encounter unusual situations.

B. Former Employees as Vendors/Consultants/Contractors

Contact Legal before initiating a contract with former city employees to determine if doing so would create an actual conflict of interest or the appearance of a conflict of interest.

III. ACCOUNTABILITY AND COMMUNICATIONS

City staff involved in specification development must carefully consider conflicts of interest and other public accountability rules. Consider each of the following:

A. Public Disclosure

The city's procurement process, and the submittals, materials, information, decisions, and many of the notes related to that process are all public records subject to public disclosure unless an exemption applies under the Washington Public Records Act (PRA), Chapter [42.56 RCW](#).

- Submittals are subject to disclosure. Certain state law exemptions may apply, and disclosure may be reasonably delayed to avoid unreasonable interference with the evaluation and award decision.
- Your notes are subject to disclosure as they pertain to the city's official business processes and decisions. Do not make remarks or comments that you would not be comfortable sharing with a public audience.
- Keep those notes that help to document the process and decisions and clearly organize them so they can be understood in the future.
- Important notes and materials that are significant to documenting the decision and process should be given to the City Clerk at the end of the process and saved in the event of a public records request.
- The city is not required to create summaries or new public records in response to a PRA request. The city is not required to do research or analysis for vendors under PRA. However, summaries or analyses are subject to disclosure if the city has already created such records.
- Further information regarding public disclosure may be obtained from the City Clerk.

B. Maintain Confidentiality

Documents, decisions, information, and opinions are generally to be kept confidential, except as required to be disclosed under the Public Records Act. Do not share information other than with city staff who are directly involved in the evaluation and selection process. Project Managers, the City Clerk, and in some cases selection advisory committee members, may contact respondents to city solicitations seeking additional information and clarification regarding vendor submittals, as well as to negotiate a contract. However, conversations or contact with respondents regarding details of the evaluation process should otherwise be limited, and care must be taken to maintain the objectivity of the evaluation process. If respondents call with questions, particularly with regard to evaluation or to request documents, refer them to the City Clerk.

C. Fair, Prudent and Thorough Evaluation

The process must be fair to all respondents; be thoughtful and deliberative in order to preserve the integrity of the public bid process.

1. The Project Manager, and city staff invited to assist in specification development, solicitation efforts, and/or award processes, must be considerate of conflicts of interest and other public accountability rules.
2. In the event a member of a RFP selection advisory committee has a conflict of interest, he or she must immediately withdraw from the process. If you have a conflict or perceived conflict of interest, you must consult with the City Attorney.

Use caution:

- a) when discussing any aspect or any opinion you might have of the solicitation process, vendors, bids, or results until the award is complete.
- b) to avoid actions that give, or may be perceived to give, preferential treatment to any vendor.



IV. GRANTS & FEDERAL FUNDING

Are you trying to procure something that involves any type of grant or federal funding? Then STOP!

Purchases or work that have received a grant or federal funding may not be covered by this manual. These types of purchases often have their own procurement requirements.

ALL GRANTS ARE DIFFERENT, so one size does not fit all. Some grants simply require you to use your own procurement rules, while others require you to insert their contracting clauses into your contract. Contact the City Attorney I for advice on how to proceed. We will review your specific grant and guide you on what the next steps are.

The City of Chehalis' internal controls for Federal Grants are detailed in the [Federal Grant Management Policy](#) document.

V. CONTROLLED COMMODITIES

The following items require approval from designated people. They are:

- Cell phones, telephone equipment - **IT Manager**.
- Computers and related equipment, printers, scanners and copiers, and software or systems – **IT Manager and Finance Director**.

VI. DETERMINING CONTRACT VALUE

Contract value refers to the total aggregate value of the contract including all base periods, plus potential renewal periods plus applicable sales and use taxes.

- Example #1: A three-year contract for \$40,000 per year is considered a \$120,000 contract.
- Example #2: A contract originally routed as a one year \$25,000 contract. If a renewal is negotiated for an additional year for another \$25,000, the aggregate value of the contract becomes \$50,000, which will require City Council authorization.
- Example #3: A 60-month copier lease contract for \$500 per month before tax is considered a \$32,460 contract ($\$500 \times 60 = \$30,000$ plus 8.2% sales tax \$2,460).
- Exception: Hardware/software maintenance service agreements are treated as stand-alone agreements and do not need to be aggregated to the original hardware/ software purchase agreement.

VII. BID SPLITTING

The breaking of any project into units, or accomplishing any projects by phases, is prohibited if it is done for the purpose of avoiding compliance with bidding statutes (RCW 35.23.352(1))¹. The Washington Supreme Court has held that a city cannot break a public work into phases for the purpose of estimating the cost of a public works project, even though those phases are performed at different intervals of time. Instead, a city, while completing the actual project in phases, must total the cost of all phases of the public works or purchase. If the aggregate cost exceeds the applicable bid limit, the city must bid each phase of the project even though a single phase may cost less than the bid limit.

To avoid bid splitting:

- A. Combine all phases of a public work project when estimating cost.
- B. Combine the total of foreseen identical items purchased at the same time or within a calendar years' time, in which the cost exceeds competition limits (i.e., office supplies, laundry services, janitorial paper products, etc.)
- C. Items that are designed or intended to be used together (i.e., water meters and covers), and the cost exceeds competition limits should be bid together.

VIII. SIGNATURE AUTHORITY AND APPROVAL

Per [RCW 35A.11.010](#), the City's authority to contract, and be contracted with, is vested in the City Council. City Council has delegated authority to the City Manager to execute contracts and modifications up to \$40,000.

Only the City Manager has the designated signature authority to sign contracts and binding agreements for the City.

City Council approval is required for goods or services contracts that:

- A. Are contracts with a total aggregate value over \$40,000 for single craft or trade and contracts with a total aggregated value over \$65,000 for multi craft or trade
or
- B. Are cost modifications that, either singly or combined with all previous modifications, pushes the total contract amount from under to over the \$40,000 or \$65,000 signature threshold
or
- C. Are cost modifications for contracts with an original value over \$40,000 for single craft or trade or \$65,000 for multi craft or trade that results in a new total contract amount 110% over the original contract amount

Example 1: a \$200,000 contract has a modification for \$18,000 for a new contract amount of \$218,000. The new contract is 109% of the original contract of \$200,000. Since this modification does not result in a new total contract amount 110% over the original contract amount and does not need to be approved by Council.

Example 2: a \$50,000 contract already had modification #1 for \$5,000 approved and executed. Now there is a new modification #2 for \$6,000. The previous modification brought the approved contract amount to \$55,000. The next step is to determine if this modification results in a new contract amount 110% over the previously modified contract amount. Mod 2 of \$6,000 would be 110.9% over the previously approved, so modification #2 does need to be approved by Council.

Example 3: a \$10,000 contract has a modification of \$1,500 for a new contract amount of \$11,500. The modification does not push the total contract amount over the \$40,001 threshold (B),, so it does not need to be approved by Council.

Example 4: a \$35,000 contract has already had a modification #1 of \$1,000 and now has a modification #2 of \$5,000 for a new contract amount of \$41,000. Modification #1 did not meet any of the requirements of B, C, or D so it did not need to be approved by Council. Combined with the previous modification, modification

#2 does push the total contract amount from under to over the \$40,000 signature threshold(B) and so it does need to be approved by Council.

IX. ELECTRONIC SIGNATURES

The City of Chehalis adheres to the standards outlined in the Uniform Electronic Transactions Act RCW 1.80.900.

X. TYPES OF PURCHASES AND PROJECTS

Local government purchases and projects generally fall into one of five categories:

Public works: All work, construction, alteration, repair, or improvement to physical property, other than ordinary maintenance, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein. Ordinary maintenance is defined as maintenance work performed by the employee of the state or municipality.

Architectural and engineering services: Professional services provided by a consultant that fall under architecture, engineering, land surveying, or landscape architecture. (RCW 39.80)

Personal services: Technical expertise provided by a consultant to accomplish a specific study, project, task, or other work statement, mostly intellectual in nature (such as consultants or legal services) and do not include architecture and engineering services.

Purchased services: Services provided by vendors for the repetitive, routine, necessary, or mechanical in nature that support the agency's day-to-day operations and involving minimal decision-making, mostly related to physical work.

Materials, Supplies, and Equipment: Purchases of goods, equipment, supplies, or materials that are not connected with a public works project.



PUBLIC WORKS



XI. PUBLIC WORKS

A. Definition: What is a Public Work?

RCW 39.04.010 defines the term “public work” for bidding purposes as follows: “Public work” means all work, construction, alteration, repair, or improvement **other than ordinary maintenance**, executed at the cost of the state or of any municipality, or which is by law a lien or charge on any property therein.”

The public works statute does not define what is “ordinary maintenance”, however, WAC 296-127-010(7)(6)(b)(ii), which defines “ordinance maintenance” in the context of whether prevailing wages have to be paid as part of the contract, defines as follows: “Ordinary maintenance is maintenance work performed by the regular employees of the state or any county, municipality, or political subdivision created by its laws”.

This covers more than you think: “all work, construction, alteration, repair or improvement other than ordinary maintenance” (RCW 39.04.010) to pretty much any structure or facility the city owns. L&I considers “ordinary maintenance” to be that performed by your own staff, so that means every time you call in a carpenter, plumber, electrician, painter, roofer, elevator repair technician, tree trimmer, fencing company, HVAC repair technician, equipment operator or other person wearing tools who isn’t city staff, the purchase falls under public works procurement rules.

ALL public works in ANY amount requires a written contract, payment of prevailing wages, and insurance.

It is the responsibility of the department managing the project to initiate the Contract Agreement (Exhibit 4) between the City and Contractor and to obtain the necessary compliance documentation prior to awarding any public works contract.

Prevailing wages are also required on all public building maintenance (janitorial) contracts per RCW 39.12.020 and WAC 296-127-023.

One-time projects, less than \$2,500, contractors are allowed to use the no-fee L&I Combined Intent and Affidavit form. Departments are responsible for obtaining the Intent and Affidavit form approved by L&I when submitting an invoice for payment. Payments to contractors will not be made until the L&I approved Combined intent and affidavit form is received by the City.

See Exhibit 5 for Quick Reference Guide to Public Works Contracting and the Matrix of Contract Requirements.

B. THRESHOLDS:

City of Chehalis Contract Requirements (Current)

Yes = Required; No = Optional	Estimated Cost	Quotes	Formal Bids	City Manager Approval	Council Approval
Public Works					
Single Trade or Craft	\$0-\$40,000	1+ verbal (if under \$15K), 3 Written (if \$15K-\$40K)	No	Yes, if \$15K & Over	No
	\$40,001+	Not Allowed	Yes \$75,500+	No	Yes
Multi Trade or Craft	\$0-\$65,000	1+ verbal (if under \$15K), 3 Written (if \$15K-\$65K)	No	Yes, if 15K- \$40K	Yes, if \$40K+
	\$65,001+	Not Allowed	Yes \$116,155+	No	Yes
Using MRSC Small Works Roster	\$0-\$35,000	Minimum of 3 quotes requested	\$49,999+	Yes, if \$15K & Over	No
	\$35,001-\$200,000	On All Roster list or 5+ requested	\$249,999+	Yes, if \$40K or less	if \$40K+
	\$250,000-\$350,000	Allowed: 5+, must notify all contractor on the roster list	\$350,000+	No	Yes
	Over \$350,000	Can't use SWR - See bid requirement above	Yes		

Note: in the event the threshold limits in the Revised Code of Washington (RCW) are different from the values above, the RCW shall control.

"Craft" or "trade" means a recognized construction trade or occupation for which minimum wage categories are established by the Department of Labor and Industries of the State of Washington in the locality of the city's projects or purchases.

C. Day Labor

The city may use our own employees to perform public works projects with an estimated cost up to \$75,500 (single craft) or \$116,155 (multiple craft). For larger projects, you must contract with a responsible contractor. For any project using city workers that costs in excess of \$25,000, the city must publish it in its official newspaper at least fifteen days before beginning the work (RCW 39.04.020).

FIND out from MRSC about chip seal

D. Determining the Cost of a Public Work

The total construction cost of each **project** must be estimated in order to correctly apply bid limit dollar amounts to determine if a public works project must be competitively bid. The

estimate shall include all phases and anticipated contracts for the entirety of the project, and include materials, supplies, equipment, and labor on the construction of that project AND applicable sales and use taxes. However, the value of volunteer labor, material, or equipment need not be included in the cost estimate for a public works project, as these are not a cost to the agency. If the total project amount is over the bid thresholds, then all contracts, no matter the individual dollar amount, must be procured through the bid process. The estimate may be prepared by an outside third party, however the final cost estimate must be validated by the city. The estimate needs to be prepared before any work begins and should be sent to the City Clerk.

E. Procuring Through Quotes

Projects for single craft or multiple crafts with a reasonably anticipated price equal to or less than the dollar thresholds do not require the use of competitive quotes or bids.

- It is recommended the Project Manager make every effort to obtain more than one quote.
- The Project Manager forwards solicitation, quotes, and project information to the City Clerk who administers the contract process.

F. Small Works Roster (SWR) (RCW 39.04.155)

When the estimated cost of a public works project is \$350,000 or less, the city may follow the Small Works Roster (SWR) process for construction of a public work or improvement as an alternative to the general competitive bidding requirements (RCW 39.04.155, authorized by RCW 35.22.620(7) and 35.23.352(4)). The City of Chehalis has contracted with the Municipal Research and Services Center of Washington (MRSC) for the city use of a statewide electronic database for small public works roster and consulting services developed and maintained by MRSC.

Publication:

At least once a year, on behalf of the city, MRSC shall publish in a newspaper of general circulation within the jurisdiction a notice of the existence of the roster or rosters and solicit the names of contractors for such roster or rosters. Responsible contractors shall be added to the appropriate MRSC roster or rosters at any time that they submit a written request and necessary records.

To use the SWR:

- Notifications and postings must emphasize that bids will be accepted only from contractors on the small works roster.
 - Sample text: *In accordance with competitive bid requirements set forth under RCW 39.04.155, Small Works Roster Contract Procedures, the City of Chehalis is pleased to invite you to submit a bid under the subject solicitation. Contractors who bid on this project must be registered on the Small Works Roster by the time that bids are due.*

- Notifications and postings should list if bonds and prevailing wage will be required.
- Project Manager contacts contractors off the Small Works Roster. Invitation for quotations shall include an estimate of the scope and nature of the work to be performed, materials and equipment to be furnished, and the date, time and location to return quote. However, detailed plans and specifications need not be included in the invitation.
- At the time bids are solicited, the city shall not inform a contractor of the terms or amount of any other contractor's bid for the same project.
- No city employee may negotiate with any of the bidders. Some submissions may involve errors, omissions, or other irregularities; contact Legal to decide how to handle them.
- The Project Manager shall make a written record of each contractor's bid on the project and of any conditions imposed on the bid. Immediately after an award is made, the bid quotations obtained shall be recorded, open to public inspection, and available by telephone inquiry.
- The Project Manager initiates the contract process.
- Formal bids are not required.
- Advertising is not required.
- Bid bonds are not required.
- A signed contract IS required.
- Prevailing wage IS required.
- Insurance IS required.
- Retainage may be waived.

Small Works Roster "Limited Public Works Process" – up to \$44,999

If a work, construction, alteration, repair, or improvement project is estimated to cost less than fifty thousand dollars (\$50,000), the city may award such a contract using the limited public works process. (RCW 39.04.155(3))

- minimum of three electronic or written quotations from the appropriate small works roster must be solicited and the contract shall be awarded to the lowest responsible bidder, unless there is a compelling reason to reject all bids and cancel the solicitation (RCW 39.04.350).
- The City must equitably distribute opportunities for limited public works projects among contractors willing to perform in the geographic area of the work.
- Quotations must be made available to public inspection once the contract is awarded and must be available by electronic request.
- The city will maintain a list of the contractors contacted and contracts awarded during the previous 24 months under the limited public works process, including contractor name, the contractor's registration number, amount of contract, brief description of the type of work performed, and the date the contract was awarded.
- The city may waive the payment and performance bond requirements of chapter 39.08 RCW and the retainage requirements of chapter 60.28 RCW. However, the city retains the right of recovery against the contractor for any payments it makes on the contractor's behalf.

The Project Manager and City Clerk administers the contract process. If the contract is over \$40,000, City Council must approve the award.

Small Works Roster Process - Between \$50,000 and \$249,999

- Quotations may be invited from all appropriate contractors on the appropriate small works roster. As an alternative, quotations may be invited from at least five contractors on the appropriate small works roster who have indicated the capability of performing the kind of work being contracted, in a manner that will equitably distribute the opportunity among the contractors on the appropriate roster. The City Clerk administers the contract process and if the contract is required to be approved for award by City Council.

Small Works Roster Process - Between \$250,000 and \$350,000

- Quotations may be invited from all appropriate contractors on the appropriate small works roster. As an alternative, quotations may be invited from at least five contractors on the appropriate small works roster who have indicated the capability of performing the kind of work being contracted, in a manner that will equitably distribute the opportunity among the contractors on the appropriate roster.
- However, if the city chooses to solicit bids from less than all the appropriate contractors on the appropriate small works roster the city must also notify the remaining contractors on the roster that quotations on the work are being sought. The city has the sole option of determining whether this notice to the remaining contractors is made by:
 - publishing notice in a legal newspaper in general circulation in the area where the work is to be done;
 - mailing a notice to these contractors; or
 - sending a notice to these contractors by facsimile or email
- The Project Manager administers the contract process, and the contract is required to be approved for award by City Council.

G. Formal Bid Process – Public Works

Competitive bidding is designed to prevent favoritism in awarding public work contracts and to enable local governments to obtain the best work or supplies at the most reasonable prices. It is also designed to provide a fair forum for bidders and to protect the public interest.

1. The Project Manager submits the project information, including technical specifications, bid and contract timeframes, pre-bid conference dates/times (if applicable), and BARS # to the City Clerk.
2. The City Clerk compiles the bid package.
3. The notice to bid is to be published in the city's official newspaper, or a newspaper of general circulation most likely to bring responsive bids, at least 13 days prior to the

submittal deadline. The notice shall state the nature of the work for which plans, and specs will then be available free of charge online and on file.

4. Bids must be sealed and filed with the City Clerk within the time specified.
5. Each bid requires a bid proposal deposit of 5% or more in the form of cashier's check, postal money order, or surety bond.
6. Public bid opening is required.
7. The Project Manager verifies the bids meet the requirements of the Invitation to Bid and notifies the City Clerk of the lowest responsive bid.
8. The Project Manager verifies the contractor is a responsible bidder.
9. The Project Manager determines contract award approval requirements, and if required, schedules and prepares the City Council documents.
10. The Project Manager administers the contract process.

H. Requests for Bid Documents

The City of Chehalis Procurement Policy requires that the City maintain the integrity of official bid documents sets, provide swift response when incorporating addenda changes, and communicate in a singular, fair, and equitable manner to registered bidders.

I. Unit-Priced Contracts – On-Call and Systemwide Maintenance

A unit-priced public works contract, sometimes called an “on-call” public works contract, is when a local government contracts for an unknown number of small public works projects over a fixed period of time (“indefinite quantity, indefinite frequency”). State statute (RCW 35.23.352(13)(b)) defines a unit-priced contract as:

“[A] competitively bid contract in which public works are anticipated on a recurring basis to meet the business or operational needs of the [agency type], under which the contractor agrees to a fixed period indefinite quantity delivery of work, at a defined unit price for each category of work.”

While traditional public works contracts are awarded for specific projects/scopes with a specific total dollar value, unit-priced contracts are not associated with a particular project, do not guarantee any amount of work, and do not establish a total dollar value (although the contract may cap the dollar value at a certain level over the life of the contract). Instead, the agency agrees to pay a defined “unit price” for certain types of anticipated (but unplanned) work or trades over a certain time period.

The prices for different tasks may be based upon different units. Commonly used units include:

- Weight, such as tons
- Surface area, such as square feet or acres
- Volume, such as gallons or cubic yards
- Length/depth, such as linear feet or vertical linear feet
- Time, such as hours
- Quantity of items

- Lump sum per task

When a specific project is identified, individual work orders are authorized based upon either a “not-to-exceed” time and materials basis or a negotiated lump sum amount using the previously established unit prices. Unit-priced contracts allow the city to contract for multiple or recurring small public works projects over time without having to bid each project separately. This saves the city time and money, especially for unanticipated projects that may arise at the last minutes.

City of Chehalis Unit-Priced On-Call Contract Requirements:

1. Can only be used for activities that are not specifically planned and have no set project-specific budget.
2. The contract shall have a specified total aggregate not-to-exceed value.
3. The initial term of the contract may not exceed three years, with the option to extend or renew the contract for one additional year.
4. Modifications: During the course of a contract, there may be occasions when the original unit prices do not address particular work items that are needed. In those situations, new line items may be added by contract modification.

To Bid a Unit-Priced On-Call Contract:

- Must use the Formal Bid or Small Work Roster procedures applicable to the estimate total aggregate not-to-exceed value of the contract.
- The Invitation to Bid must:
 - Specify that the contract will expire when the work orders total the estimate total aggregate not-to-exceed value including WA sales tax, or the contract term expiration date, whichever occurs first.
 - Specify how work orders will be issued and include a sample work order.
 - State that there is no minimum volume of work guaranteed.
 - Specify that Prevailing Wage rates in effect at the beginning date of contract year must be applied.
 - Specify that Prevailing Wage rates must be updated, and Intents and Affidavits submitted to Labor and Industries annually (12-month contract period).

Unit Priced Systemwide Maintenance and Repair Contracts:

There are also some systemwide maintenance and repair contracts that are sometimes referred to as “on-call contracts” but actually fall under traditional public works contracting as long as the scope is clearly and properly defined.

To qualify as a traditional public works contract instead of an on-call contract, a systemwide maintenance or repair contract must cover specific activities planned in advance and budgeted (as opposed to on-call contracts which cover activities that are not specifically planned and have no set budget).

Examples include:

- Sewer or storm drain “jetting” (cleaning) up to a certain budget amount, but not an

- exact number of linear feet
- Sidewalk/trail construction or reconstruction in relation to the city's pedestrian master plan (not necessarily a fixed quantity), up to a certain budget amount
- Street lighting and signal maintenance and repair in relation to an annual, systemwide work plan
- Storm pond maintenance
- Annual contracts for pavement crack sealing, chip seals, overlays, etc.

These contracts can be structured so that they qualify as public works projects with readily determinable quantities and costs related to a fixed scope. Systemwide maintenance and repair contracts should not cover unanticipated projects or emergency repairs, which would fall under on-call contracting.

J. Withdrawal of Bids – Cancellation of Awards

Bids may be modified or may be withdrawn by written notice received prior to the time set for opening in the office designated in the invitation for bids. After bid opening, withdrawal of bids shall be permitted only to the extent that the bidder can show by clear and convincing evidence presented in a sworn affidavit or declaration submitted no later than 5:00 p.m. on the first business day after bid opening, that a clerical mistake was made and not a mistake in judgment, and the bid price actually intended. All decisions to permit the withdrawal of bids after bid opening, or to cancel awards or contracts based on bid mistakes, shall be made by the City Manager after consulting with legal counsel.

K. Cancellation of Invitations for Quotations or Bids

An invitation for quotations or bids may be canceled at the discretion of the department director. The reasons shall be made part of the contract file. Each invitation for quotations or bids issued by the city shall state that the invitation may be canceled. Notice of cancellation shall be sent to all parties that have been provided with a copy of the invitation. The notice shall identify the invitation for quotations or bids and state briefly the reasons for cancellation.

L. Responsive Bid

Responsive bids are bids that are submitted on time with all of the information the city requested. Bids submitted after the submittal deadline or at the wrong location should be rejected as non-responsive – in other words, the city will neither accept nor open late bids. If a contractor claims extenuating circumstances, refer them to the City Attorney.

Typically, bidders must provide the following information at the time of bidding:

- Sealed bids, with the name of the project and the time and date of the bid opening clearly stated on the outside of the bid packet
- Bid guarantee in the form of a bid bond, cashier's check, certified check, or personal money order
- Lump sums, unit prices, and total prices in the spaces provided on all of the bid forms, including all appropriate sales taxes

- Receipt of addenda acknowledged
- Acknowledgment of attendance at mandatory pre-bid meeting (to be verified)
- Non-collusion affidavit certificate
- Mandatory bidder responsibility questionnaire with all items filled in

While it is possible to do a brief check when the bids are first opened, the city reserves the right to ascertain full compliance with the bid proposal requirements after a more detailed review, generally within a maximum of 30-45 days.

Additional items may be required shortly after bid opening:

- If supplemental bidder responsibility criteria are required (see below), a separate questionnaire must be filled out and submitted within 72 hours after bid opening. However, this questionnaire should only be required of the apparent low bidder and the next two lowest bidders

For projects that cost an estimated \$1 million or more, a list of all subcontractors for HVAC, plumbing, or electrical work must be submitted (RCW 39.30.060). The bidder may also submit itself for any of these categories. This list may either be submitted within one hour after the bid opening (the preferred method) or at the time the bid is submitted.

In addition, [RCW 39.04.350\(2\)](#) allows agencies to adopt additional relevant responsible bidder criteria for individual projects. Supplemental criteria may be on two levels:

- A basic level that may include such things as no delinquent state taxes, no federal debarment, minimal prevailing wages violations, no excessive claims against retainage and bonds, no public bidding violations, no termination for cause or default, and unwarranted lawsuits with respect to public contracting.
- A secondary level whose criteria relate to the nature of a specific project. For example, the city may require that a contractor must have completed three projects of a similar scope and dollar volume within the past five years.

These supplemental criteria and associated evaluation methods must be provided in the invitation to bid or bidding documents.

M. Responsible Bidder

The city is required to award public works contracts to a responsible bidder with the lowest responsive bid (RCW 39.04.010). This applies to informal bidding, such as a small works roster, as well as formal competitive bids.

Responsible bidders (RCW 39.04.010, RCW 39.04.350) must meet a number of mandatory criteria. The bidder must:

- At the time of bidding be a registered contractor in compliance with chapter [18.27 RCW](#)
- Have a current Washington State Unified Business Identifier (UBI) number
- If applicable, have industrial insurance/workers' comp coverage required in [Title 51](#)

[RCW](#)

- Have a Washington State Employment Security Department (ESD) account as required in [Title 50 RCW](#)
- Have a state excise tax registration number as required in [Title 82 RCW](#)
- Not be disqualified from bidding under RCW [39.06.010](#) or [39.12.065\(3\)](#)
- Not have any apprenticeship violations, if applicable
- Certify through a sworn statement that they are not a willful violator of labor laws in reference to [RCW 49.48.082](#).
- Have received training on the requirements related to public works and prevailing wage under chapter [39.04 RCW](#) and chapter [39.12 RCW](#), or received exemption from this requirement by completing three or more public works projects and have had a valid business license in Washington for three or more years;

N. Bid Deposit, Performance and Payment Bond for Public Works Improvement Projects

Whenever competitive quotes or bids are required, a bidder may be required to make a bid proposal deposit in the form of a cashier's check, postal money order, or surety bond an amount equal to not less than five percent (5%) of the total bid, including sales tax (RCW 35.23.352(1)), which percentage shall be specified in the call for bids. As part of any bid submitted, the bidder shall be required to warrant that the bid is a genuine bid, and that he/she has not entered into collusion with any other bidder or any other person. After bids are opened and the contract is awarded, the bid proposal deposits or bid bonds are returned to the unsuccessful bidders. The successful bidder's bid deposit or bond is kept until the bidder enters into a contract with the city and furnishes a performance bond in the full amount of the contract price.

RCW 39.08.010 requires a municipality to have contractors post a performance and payment bond whenever it enters into any public works contract, to ensure that the job will be completed and that all workers, subcontractors, and suppliers will be paid. Prevailing wage claims have priority if there are multiple claims on retainage.

All public works contractors shall furnish a performance bond and a payment bond in an amount equal to the total amount of the contract on a form approved by the City Attorney.

In lieu of a performance bond on contracts of \$150,000 or less, a contractor may request to have 10 percent (10%) of the contract retained for a period of 30 days after the date of final acceptance (RCW 39.08.010). This is intended to help small contractors who may have trouble getting a bond. The request will be evaluated and accepted or rejected by the City Attorney.

However, **bonds are required on any project funded in whole or in part by federal transportation funds**, as RCW 60.28.011(1)(b) prohibits public agencies from withholding retainage on such projects. The bond replaces the protections otherwise provided through retainage.

O. Retainage

For public works project, a municipal government must withhold retainage and must also have a contractor's performance and payment bond on file.

State law (RCW 60.28.011) requires the city to withhold up to five percent (5%) of the public work contract price earned, not including sales tax, by the city's contractor during performance of public work and construction contracts. The withheld amount, known as "retainage," is for the benefit of laborers and material suppliers in the event the contractor fails to pay them. Retainage may also be used to satisfy tax claims by the Department of Revenue and/or the city, prevailing wage related claims by the Department of Labor and Industries, unemployment compensation related claims by the Employment Security Department, and contract performance claims by the city itself. Retainage is not paid ("released") to the contractor until appropriate releases are received from the involved state agencies and city departments/divisions.

A contractor has several options in how retainage will be held (RCW 60.28.011):

1. The most common is to have the city withhold and retain five percent (5%) from each payment made during performance of the contract in a non-interest-bearing fund.
2. A bond in-lieu-of retainage (aka "retainage bond") may be submitted by the contractor on the city's standard form or one that is acceptable to the city for all or any portion of the contract retainage amount from an authorized surety insurer.
3. The amount(s) retained may be deposited by the city in an interest-bearing account. Interests on such monies shall be paid to the contractor and is not subject to withdrawal until after final acceptance of the work.
4. An escrow account may be jointly established by the contractor and the city with a bank. This escrow option must utilize the city's standard forms. The monies placed in escrow must be converted into bonds and securities approved by the city and any interest is paid to the contractor as it accrues.

Instead of having retainage withheld from the contract payments, a contract may opt to submit a retainage bond covering any or all of the amount. Local governments must accept these retainage bonds unless they can demonstrate a good reason for refusing.

Most public improvement contracts require retainage. However federally funded transportation projects are required to rely solely on performance and payment bonds instead.

Retainage requirements are not mandatory for non-public works supplies or services but may be used in the discretion of the department/division. Note that even when the city has required a performance bond for these types of contracts, retainage is not held unless specified in the solicitation and contract. This is rare.

At the conclusion of contract performance, any retainage reserved by the city will be released or otherwise disbursed according to the city's standardized contract close out process.

P. Prevailing Wages

State law requires prevailing wages to be paid by the contractor on all public works projects and all public building service maintenance contracts (RCW 39.12). To see the list of applicable labor categories go to State of Washington Department of Labor and Industries [website](#). Prevailing wage questions may be directed to the Department of Labor and Industries (L&I), Prevailing Wage Section, 360-902-5335.

- There is no minimum dollar amount for public work for prevailing wage. Prevailing wages must be paid for any work, construction, alteration, repair or improvement, other than ordinary maintenance, that the city causes to be performed by a private party through a contract.
- Public works contracts require that each and every employer on the project file a Statement of Intent to Pay Prevailing Wages (Intent), and Affidavit of Wages Paid (Affidavit), regardless of the size of the contract (**Exception for contract under less than \$2,500*) The forms are filed with L&I and, once they are approved, are submitted by the employer to the city's Project Manager.
 - For really small public works projects less than \$2,500, contractors are allowed to use the no-fee Combined Intent and Affidavit Form.
- Owner/Operators that do not have any employees do not need to pay themselves prevailing wages, however, they do still need to file Intents and Affidavits with the Department of Labor and Industries and list in section 3 of the form that they are Owner/Operator.
- For all public works contracts, except janitorial and building service maintenance contracts, the applicable prevailing wage rates shall be those in effect on the submittal due date. These rates shall remain in effect throughout the duration of the contract. If a contract is not awarded within six months of the submittal due date, the applicable prevailing wage rates shall be those in effect on the date the contract is awarded and shall remain in effect for the duration of the contract (WAC 296-127-011).
- For janitorial, building service maintenance contracts, and unit-priced contracts, the prevailing wage rates in effect on the submittal due date are the minimum rates that must be paid for the first year of such contract and thereafter. However, any janitorial, building service maintenance contract, and unit priced contract, of more than one year in duration must include wage increase language specifying that wages will be altered annually to follow the most recent publication of prevailing wage rate (WAC 296-127-023).

- Specification documents must state that workers shall receive the prevailing rate of wage. The specifications must either list all of the applicable prevailing wage rates, or else provide the URL address for L&I's [Prevailing Wage Rates for Public Works Contracts](#) with the exact wage publication date and county. NOTE: Prevailing wage rates are adjusted twice annually – usually in the spring and fall.
- Payments by the city are not allowed when contractors have not submitted an Intent form that has been approved by the L&I industrial statistician. The city may not release retainage until all contractors and subcontractors have submitted an Affidavit form that has been certified by L&I. The requirement to submit these forms should also be stated in the contract.
- Should the city fail to comply the city can be held responsible for any unpaid prevailing wages.

****Federal Prevailing Wage Requirements**

The federal government has its own public works prevailing wage requirements, or wage decisions, established by the Davis-Bacon Act (DBA). For any public works project receiving federal funding, contractors must pay the higher of the state or federal wage rates (WAC 296-127-025). This should also be stated in the bid specifications and contracts.

To look up current federal wage decisions by trade and county, see Wage Determinations Online [Selecting DBA Wage Decisions](#).



SERVICES



XII. SERVICES

The first step in successfully contracting for services is to determine the category of service that you will be contracting for, as there are distinct differences between service types and the manner of solicitation. Distinguishing between services and public work is also important, as services may have different bidding requirements.

A. Architectural and Engineering Services (A&E Services)

Professional architecture and engineering (A&E) services are services provided by any person, other than an employee of the agency, that fall under the general statutory definitions of:

- Architecture (Chapter [18.08 RCW](#))
- Engineering (Chapter [18.43 RCW](#))
- Land surveying (Chapter [18.43 RCW](#))
- Landscape architecture (Chapter [18.96 RCW](#))

Purchases of A & E Services

Architectural and Engineering consultants are initially selected based upon their qualifications, rather than price. The defining characteristic of chapter [39.80 RCW](#) is its strict insistence on qualification-based selection (QBS) of A&E professionals. In contrast to public works contracts, purchases (equipment, materials, and supplies), and purchased service contracts, an agency **cannot consider price** in the selection process for professional A&E services: it must select the most qualified firm, and then negotiate a price for the work contemplated. There are two ways to select an A&E firm based upon their qualifications:

1. Procure using a request for proposals (RFP) process. This process requires the city representative to develop a written scope of the project and any criteria used to select the service provider and then select a qualified contractor from the city's MRSC architectural, landscape architectural, and engineering service roster, following the procedures of [39.80 RCW](#).
2. If the Project Manager does not choose to use the appropriate roster, then a formal Request for Qualification (RFQ) process must be followed, following the procedures of [39.80 RCW](#). Contact the City Clerk for assistance.

The city will negotiate a contract with the most qualified firm at a price which the city determines is fair and reasonable. In making its determination the city shall take into account the estimated value of the services to be rendered as well as the scope, complexity, and professional nature. If the city is unable to negotiate a satisfactory contract with the firm selected at a price the city determines to be fair and reasonable, negotiations shall be terminated, and the city shall begin negotiations with the next highest qualified firm. Forward all documentation to the City Clerk for archiving. Once a firm has been selected, the information will be provided to the Project Manager who then administers the contract process.

B. Personal Services

Services provided by independent consultants that require specialized knowledge, advanced education, professional licensing or certification and where the primary service provided is mental or intellectual, involving the consistent exercise of judgment and discretion. Personal services do not include architecture and engineering services.

- Examples: accountants, attorneys, consultants, graphic artists, strategic planning, studies/analysis, training, certification services

Purchases of Personal Services

1. Send a written solicitation to qualified firms or individuals describing the needed services. The MRSC Consultant Roster can be used if desired. Request prices, schedules, and qualifications.
2. If a formal Request for Proposals is needed, contact the City Clerk for assistance.
3. Submit all proposals and any evaluation documents to the Project Manager who then administers contract process.

C. Purchased Services

Purchased services are those provided by vendors for routine, necessary, and continuing functions of a local government agency, mostly relating to physical activities. These services are usually repetitive, routine, or mechanical in nature, support the agency's day- to-day operations, involve the completion of specific tasks or projects, and involve minimal decision-making.

For most purchased services, the main determinant of award is price and there are no bid limits or requirements for advertising, bonds and/or retainage, or, depending on the specific facts, prevailing wages. Contractors whose work includes only observing, directing, verifying, and reporting would not have a prevailing wage requirement. There are a number of purchased services, however, that hover over that thin gray line between purchased services and public works contracting that prevailing wage. Purchased service contracts require, on the whole, much less paperwork than public works contracts. If a particular contract is very near the gray line, the conservative approach is to consider it a public works contract.

Contact the City Clerk if there is any doubt as to if a project is a purchased service or public work.

- Examples: janitorial services, elevator or equipment inspection (but not *repair*), grounds keeping, pest control, moving services, fire extinguisher inspection, vehicle towing

L&I considers some service contracts, such as HVAC maintenance or road striping, to be public works and subject to public works bidding requirements.

Purchases of Purchased Services

1. Determine if you will procure through obtaining quotes, a formal bid, or RFP. The City Clerk must be involved in the formal bid or RFP process.
2. If obtaining quotes, request quotes from 1 or more qualified firms or individuals describing the desired services. Request prices (including prevailing wage if applicable), schedules, and qualifications.
3. Evaluate the proposals and determine the lowest responsible bidder.
4. Submit proposals and all evaluation documents to the Project Manager who then administers contract process.

D. Publication

[RCW 39.80.030](#) requires that the city shall publish in advance the city's requirement for professional services. The city may comply with this section by (1) publishing an announcement on each occasion when professional services provided by a consultant are provided by the city; or (2) announcing generally to the public its projected requirements for any category of type of professional service to create a Consultant Roster. Advertising for the Consultant Roster must be done at least once a year by MRSC on the city's behalf. The MRSC Consultant Roster will distinguish between professional architectural and engineering services as defined in [RCW 39.80.020](#) and other consulting services. Firms or persons providing consulting services shall be added to the appropriate roster at any time they submit a written request and necessary records. The city reserves the right to publish an announcement on each occasion when professional services or other consulting services are required.



MATERIALS, SUPPLIES, AND EQUIPMENT



XIII. PURCHASING MATERIALS, SUPPLIES, EQUIPMENT

(Unrelated to Public Work/Construction, Services, A&E)

At first glance, one would think there would be no trouble figuring out what purchases fall into the category of “materials, supplies, and equipment” not used in connection with a public work project or improvement. Stationery, rubber bands, fire trucks, and copy machines come to mind. And services should also be pretty easy to identify. But sometimes the situation is ambiguous. Distinguishing between public works and materials, supplies and equipment not used in a public work is important, as different bidding requirements apply to each. Common sense can be a good guide in this area of the law, but sometimes gray areas can create confusion and uncertainty. If you are concerned about a specific situation, consult the City Clerk.

Lease with an Option to Purchase

A lease of personal (or real) property with an option to purchase may require competitive bids, depending on the type of property involved and its cost. RCW 35.42.220 requires a call for bids in accordance with RCW 35.23.352, if the cost of the property to be leased exceeds the amount specified in RCW 35.23.352 (currently \$7,500)

The cost is the total value of the item to be leased, not the yearly lease payment. From a practical standpoint, this provision probably means that every lease with an option to purchase must be bid because the limit is so low. A lease of property without an option to purchase does not require a call for bids.

A. THRESHOLDS and LOCAL PREFERENCE:

City of Chehalis Contract Requirements (Revised)					
Yes = Required; No = Optional	Estimated Cost	Quotes	Formal Bids	City Manager Approval	Council Approval
Materials, Supplies, Equipment (Unrelated to Public Work/Construction, Services, A/E)					
	\$0-\$2,500	1+	No	No	No
	\$2,501-\$7,499	3+	No	No	No
	\$7,500+	Not Allowed	Yes	If \$15K+	If \$40K+
MRSC Vendor List	\$0-\$15,000	3 +	No	No	No
	Over \$15,000	Can't use Vendor List - See bid requirements above			

All dollar limits include freight, handling, set-up cost, and appropriate sales tax. RCW 39.30.040 allows any local sales tax revenue generated by the purchase to be considered in determining the lowest responsive and responsible bid. Any other preferences favoring local

businesses are not permitted during any formal bid process. It is the Department Head's and Division Manager's responsibility to appoint who shall make purchases for their department on the city's behalf under the respective quote limits.

B. Informal Competitive Quotes - Materials, Supplies or Equipment between \$2,501-\$7,499

1. A city representative shall make an effort to contact at least three vendors. Departments are encouraged to attempt to obtain at least one quote from a business within the City of Chehalis. The number of vendors contacted may be reduced if the item being sought is only available from a smaller number of vendors. When fewer than three quotes are requested or if there are fewer than three replies, an explanation shall be attached to the electronic invoice.
2. Whenever possible, quotes will be solicited on a lump sum or fixed unit price basis.
3. At the time quotes are solicited, the city representative shall not inform a vendor of any other vendor's quote.
4. A written record shall be made by the city representative of each vendor's quote on the materials, supplies, or equipment, and of any conditions imposed on the quote by such vendor.
5. It is allowable to use criteria other than cost (e.g., qualifications, available staff, delivery timelines, return policies, etc.) in making an award.
6. Award shall be made to the vendor submitting the lowest and best responsible quote.
7. Whenever there is a reason to believe that the lowest acceptable quote is not the best price obtainable, all quotes may be rejected, and the city may obtain new quotes.
8. Attach all written quotes to the invoice.

Notes:

- In the request for quotes, be sure technical information defines acceptable quality and ensure vendors are quoting on equal and comparable items. All vendors must be provided the same information. If one vendor offers an acceptable alternate, it must be re-quoted using the alternate specifications.
- The city will not pay for any technical information from the vendor. If the information is to be shared with other vendors, it must be stated so up front. If you use a vendor's technical information without their approval, you may find yourself in a legal tangle.
- Staff may arrange on-site demonstrations or delivery of preview/trial merchandise but must keep in mind that just because you have demoed someone's product does not mean you will be able to buy it. Competition may still be required, and it must be made clear to the vendor beforehand that no preferential treatment will be given.
- Obtain freight pricing (FOB Destination, Freight Prepaid).

C. Purchases by Use of MRSC Vendor Roster – Materials, Supplies, or Equipment \$0 -\$15,000

When purchasing materials, supplies, or equipment not connected to a public works project in the amount of \$15,000 or less, the city may award purchasing contracts by a vendor list process (RCW 39-04-190). The City of Chehalis has contracted with the Municipal Research and Services Center of Washington (MRSC) for the city use of a statewide electronic vendor roster developed and maintained by MRSC.

Publication:

At least twice a year, on behalf of the city, MRSC shall publish in a newspaper of general circulation within the district a notice of the existence of a roster(s) of vendors for materials, supplies, and equipment, and shall solicit names of vendors for the roster.

To use the Vendor Roster, the Project Manager:

- Drafts a written description of the specific materials, supplies, or equipment to be purchased, including the number, quantity, quality, and type desired, the proposed delivery date, and any other significant terms of purchase.
- Makes a good faith effort to contact at least three (3) of the vendors on the roster to obtain telephone or electronic solicitation quotations from the vendors for the required materials, supplies, or equipment.
- Doesn't share telephone quotation from one vendor with other vendors solicited for the bid on the materials, supplies, or equipment.
- Saves a written record of each vendor's bid on the material, supplies, or equipment, and of any conditions imposed on the bid by such vendor and attaches them to the electronic invoice.

D. Formal Bid Process – Materials, Supplies, or Equipment \$7,500+

Unless the Vendor Roster process is used, purchases of supplies, goods, materials, and/or equipment over \$7,500 that are not part of a public work contract must call for bids using the formal bid process, with price being the primary factor in the contract award decision. Purchases of custom or specialty goods, and/or products that are subject to proprietary design or similar rights, are sometimes conducted using the Request for Proposal (RFP) process, with price performance criteria as well as price being factors in the contract award decision.

- Unless otherwise specifically approved by the City Council, all contracts relating to the purchase of materials, equipment, or supplies shall be in accordance with the city budget.
- The Project Manager notifies the Finance Department regarding any budget transfers to cover funding.
- The Project Manager submits the project information, including technical specifications, bid and contract timeframes, pre-bid conference dates/times (if applicable), BARS #, as well as a list of potential vendors (if applicable), to the City Clerk.
- The City Clerk compiles the bid package and administers the bid process.
- An invitation for bids shall be issued which shall include the specifications and the

contractual terms and conditions applicable to the procurement.

- Public notice of the invitation for bids shall be published at least once in a newspaper of general circulation. The public notice shall state the date and time of bid opening. Bids not received by the date and time stated for bid opening will not be accepted or considered.
- Bids shall be opened publicly and recorded at the time and place designated in the invitation for bids.
- Withdrawal of Bids - Cancellation of Awards. Bids may be modified, or the bid may be withdrawn by written notice received in the office designated in the invitation for bids prior to the time set for opening. After bid opening, withdrawal of bids shall be permitted only to the extent that the bidder can show by clear and convincing evidence presented in a sworn affidavit or declaration submitted no later than 5:00 p.m. on the first business day after bid opening, that a clerical mistake was made and not a mistake in judgment, and the bid price actually intended. All decisions to permit the withdrawal of bids after bid opening, or to cancel awards or contracts based on bid mistakes, shall be made by the City Manager after consulting with legal counsel.
- The Project Manager verifies the bids meet the requirements of the Invitation to Bid and notifies the City Clerk of the lowest responsible bidder.
- Award. The award of bid shall be made to the lowest responsible bidder whose bid meets the specifications and evaluation criteria set forth in the invitation for bids. The City may reject all bids at its discretion.
- The City Clerk determines contract award approval requirements, and if required, schedules and prepares the City Council documents.
- The Project Manager and City Clerk administers the contract process.

E. Lowest Responsible Vendor

The following factors, in addition to price, may be taken into account by the city in determining the lowest responsible vendor. If any or all of these criteria will be applied during the evaluation process, then they must be included in the Invitation to Bid:

1. The ability, capacity, and skill of the vendor to perform the contract
2. The character, integrity, reputation, judgment, experience, and efficiency of the vendor
3. Whether the vendor can perform the contract within the time specified
4. The quality of performance of previous contracts or services
5. The previous and existing compliance by the vendor with laws relating to the contract
6. Such other information as may be secured having a bearing on the decision to award the contract.

If recommendation for award is being made to anyone other than the lowest bidder, send a memo stating specific reasons why the low bid is not acceptable to the City Clerk for evaluation.

F. Life Cycle Costing

In considering the purchase of materials, equipment, supplies, whenever there is a reason to believe that applying the "life cycle costing" method of quote evaluation would result in the lowest total cost to the City, first consideration shall be given to purchases with the lowest life cycle cost which complies with the specifications.

G. Electronic Data Processing (Computer) and Telecommunications Equipment, Software, or Services – Comparative Negotiations

Recognizing the unique aspects of computer and telecommunication systems, the legislature established an alternative process for making such purchases. [RCW 39.04.270](#), which is available to all municipalities, allows purchases through use of an alternative competitive negotiation process rather than through competitive bidding. At a minimum, the following steps are required:

- A. A request for proposals (RFP) must be published in a newspaper of general circulation at least 13 days before the last date on which the proposals will be received.
- B. The RFP must identify significant evaluation factors, including price, and their relative importance.
- C. The city must provide reasonable procedures for technical evaluation of the proposals, identification of qualified sources, and selection for awarding the contract.
- D. The award must be made to the qualified bidder whose proposal is "most advantageous" to the city with price and other factors considered.
- E. The city may reject all proposals for good cause and request new proposals.

The procurement may be structured on a performance basis, rather than a design specification, so that the City may specify a result, rather than the type or model of equipment.

Requisitions for electronic data processing systems shall be routed through and reviewed by the Finance Director, IT Manager for compatibility certification prior to purchase. This will allow for the appraisal of the present supply of devices and the possible elimination of an unnecessary expenditures of City funds.

H. Lease Agreements / Contracts

A lease of personal (or real) property with an option to purchase may require competitive bids, depending on the type of property involved and its cost. RCW 35.42.220 requires a call for bids in accordance with RCW 35.23.352, if the cost of the property to be leased exceeds the amount specified in RCW 35.23.352 (currently \$7,500). The cost is the total value of the item to be leased, not the yearly lease payment.

All long-term (more than 12-months), non-cancellable lease agreements / contracts must follow the City's general purchases policy. A short-term lease of property without an option to purchase does not require a call for bids.

XIV. EXCEPTIONS TO THE COMPETITIVE PROCESS

The Washington State statutes (RCW 39.04.280, RCW 39.34.030, RCW 39.30.045, RCW 35.21.278) contain exceptions to the previously discussed bidding requirements. Exceptions, when exercised, should make good business sense and be in the best interest of the city. It is important to note that ONLY the requirement for competitive bidding or advertising is waived. It does not waive any contractual requirements, approvals, or insurance requirements.

NOTE: If you think your project or purchase falls under one of the exceptions to the bid law, think again. The bid laws are there for a reason – to try to ensure that cities get the best buy for their money. Many of the projects or purchases that a city might consider to fall within exceptions are in the “gray” area of the law. If there is any doubt, the Finance Director should check with the city’s auditor.

Exemptions to the competitive bidding requirements:

- Purchases that are clearly and legitimately limited to a single source of supply
 - Licensed or patented good or service
 - Items that are uniquely compatible with existing equipment, inventory, systems, programs or services
 - Meets City standards (i.e., water meters)
 - Factory-authorized warranty services
- Purchases involving special facilities or market conditions
 - Item is of special design, shape or manufacture that matches or fits with existing equipment, inventory, systems; used items; auctions
- Purchases in an emergency
- Inter-Governmental Cooperative Purchases
- Purchases of insurance or bonds
- Pollution control facilities and some neighborhood “self-help” projects may be exempt from bidding requirements
- Cities may hire the state or county to do road projects without going out for bids

A. Brand Name and Sole Source Purchases

Brand Name Bidding

Cities may advertise for bids by specifying a particular brand name item as long as the responsible officials have exercised their judgment and determined that a certain brand name is of higher quality or is better suited to the municipality’s needs. In *Smith v. City of Seattle*, the city advertised for bids for incandescent lamps, specifying a particular brand. In a suit brought by a maker of a similar lamp, the court stated that as long as the officials involved exercised their discretion in determining that a particular brand of lamps was more desirable, the city’s procedure was proper in the absence of abuse of discretion or fraud. In this case, the fact that the city had used the specified lamps previously and they had performed satisfactorily provided a rational basis for city authorities to limit the bid advertisement to that specified brand of

lamps, and the court found no abuse of discretion. There is no requirement that bid specifications naming a particular brand also include a phrase such as "or an equal brand." Contact the City Clerk for assistance in determining and documenting the brand name need, and preparation of bidding documents.

Sole Source Purchases

A sole source is a unique exception to the city's purchasing policies. A sole source situation is when it is only feasible to obtain a good or service from one supplier or service provider.

Sole source conditions include such things as: (a) products, systems, information, or services that are subject to patent or other proprietary use rights; (b) supplies or services that only one vendor is capable of providing or authorized to provide; (c) items that are available from a single source and such items are required in order to function with existing equipment, systems, programs, or services; (d) situations where the sole source is the only practical way to meet the city's requirements or delivery deadlines; and/or (e) security requirements or information mandates that limit procurement from only a single vendor.

- Unless a specific sole source condition exists, the department/division and project manager shall follow standard competitive solicitation process.
- If there is any doubt, the department/division should pursue a competitive solicitation.
- Specifications must be expansive as possible to ensure the greatest pool of bidders to compete. There must be a clear and appropriate reason for specifications that narrow the field to a sole source.
- A late start to the project does not justify a sole source.
- Prior contracts with a vendor for work on a project is not necessarily an appropriate reason for a sole source waiver.
- The department/division making such a waiver request must document sufficient information that objectively establishes there is only a single source or that a patented or proprietary use right restriction exists. If you have used expansive specifications and find significant data that indicate a sole source, complete a [Sole Source Justification Form \(Exhibit 2\)](#) and submit to the Finance Director.
- Sole source waivers require a City Council resolution.
- The Project Manager will prepare the City Council documents and administer the contract process.

B. Special Market Conditions

Special Market Conditions – What Are They?

[RCW 39.04.280\(1\)\(b\)](#) provides a "special market conditions" waiver from the bidding requirements for purchases of materials, supplies, or equipment. To use this exemption, the City Council must pass a resolution stating "the factual basis for the exception".

What are special market conditions? No definition is given in the statutes. Some have suggested that if supplies or used equipment are offered at a very favorable price and will be sold before a

city will have a chance to complete the bidding process, there is a special market condition. However, since there have been no court cases or attorney general's opinion on this subject, if an employee wishes to invoke "special market conditions" to waive the bidding requirements, the Project Manager and City Attorney should be consulted.

Auctions (Surplus Property)

Sometimes the city will find exactly what it needs, at a favorable price, at an auction. Obviously, seeking bids would be impossible in an auction setting. [RCW 39.30.045](#) authorizes a city to acquire supplies, materials, and equipment through an auction conducted by the United States or any agency thereof, an agency of the state of Washington, a municipality or other government agency, or any private party, without bids, if the items to be purchased can be obtained at a competitive price. This authority, it would seem, would allow a city to make a purchase on an internet-based auction service, such as eBay, as well as through more traditional, in-person auctions. The Department Head must pre-approve an upper bidding limit, (which must be within the approved city budget), for the person doing the bidding.

C. Emergency Purchases

For purposes of this section "emergency" means unforeseen circumstances beyond the control of the city that either: (a) present a real, immediate threat to the proper performance of essential functions; or (b) will likely result in material loss or damage to property, bodily injury, or loss of life if immediate action is not taken.

In the event of an emergency, the City Manager may act on behalf of the city council to declare an emergency situation exists, waive competitive bidding requirements, and award all necessary contracts to address the emergency situation.

Competitive bidding may be waived subject to the following process:

1. Obtain concurrence of the Department Head or designee that a qualifying emergency requiring immediate acquisition of goods or services exists.
2. The Project Manager must inform the contractor that prevailing wage rates apply, and the paperwork will be required as soon as possible, and before payment is made.
3. Promptly notify the Project Manager of emergency situations by submitting a memo describing the situation as soon as an emergency is known.
4. The Project Manager prepares the contract and City Council documents.
5. Once approved by City Council, the Project Manager sends the contract, bonds and insurance requirements to the contractor. Work may begin without the required documents, but the executed contract must be obtained, along with an executed bond, and insurance documentation, as soon as possible, and before any payment is made.

State law requires that if a contract is awarded without competitive bidding due to an emergency, a written finding of the existence of an emergency must be made by the governing

body or its designee and duly entered of record no later than two weeks following the award of the contract (RCW 39.04.280). If a contract is awarded without competitive bidding due to an emergency, the city council must pass a resolution during an open public meeting to declare the existence of an emergency, no later than two weeks following the award of the contract(s).

Public works and improvements emergencies (e.g., broken water main, washed-out road, sewer main break, etc.) require contract, performance bond, prevailing wages, and insurance. Local, state and federal laws do not exempt these requirements during an emergency.

D. Inter-Governmental Cooperative Purchases and “Piggybacking”

[RCW 39.34.030](#) allows the city to join with other governmental agencies for the purchase of supplies, equipment, or services. This is done by entering into a written Intergovernmental Cooperative Purchasing Agreement (also known as an “interlocal agreement”). Contact the City Clerk for assistance through this process.

Prior to making a purchase under such an agreement, the city must ensure that the procedure used by the agency that originally awarded the bid, proposal, or contract is allowable within the city’s purchasing policy by using the [Cooperative Purchasing Checklist](#). The originating agency must also have fulfilled one of two additional public notice requirements:

- Posted the bid or solicitation notice on a web site established and maintained by a public agency, purchasing cooperative, or similar service provider, for purposes of posting public notice of bid or proposal solicitations.
- Provided an access link on the state's web portal to the notice.

The originating agency’s procurement, advertisement, contract documents, and the completed [Cooperative Purchasing Checklist](#) must be saved with the city’s contract documents.

The other government’s bid process must have been conducted within the previous 12-month period to be valid for use by the City.

Approval and authority for entering into an Interlocal Corporate Purchasing Agreement will be determined by the anticipated cost of the procurement. Blanket Interlocal Cooperative Purchasing Agreements where the costs of the potential purchases are not known will be treated as purchases over \$15,000.

The city may also make a bid call with another government entity as a joint purchase that complies with the procurement requirements of both jurisdictions.

When practical, the city should include language in its solicitations that allows other public agencies to purchase from Chehalis’ contracts, provided that other agencies provide similar rights and reciprocal privileges to the City of Chehalis.

The City Council must approve all Intergovernmental Cooperative Purchasing Agreements.

E. Pollution Control Facilities

Chapter [70.95A RCW](#), relating to pollution control facilities and enacted in 1973, may offer an important exception to bidding requirements. The term “facility” is defined to mean “any land, building, structure, machinery, system, fixture, appurtenance, equipment or any combination thereof . . . which is used or to be used . . . in furtherance of the purpose of abating, controlling, or preventing pollution.” “Pollution” is defined broadly to include water pollution, land pollution, solid waste disposal, thermal pollution, radiation contamination, or noise pollution. To exercise this exemption, the Project Manager must receive a written certification from the Department of Ecology, or applicable regulating agency, that the project is designed to abate, control, and/or prevent pollution.

F. Neighborhood “Self-Help” Projects

The city may contract with certain groups to do neighborhood improvement projects without regard to the competitive bidding laws. These groups include chambers of commerce, service organizations, community, youth, or athletic associations, or other similar associations located in and providing service to the immediate neighborhood. The contracting association may make park and recreation improvements, install equipment and artwork, and provide maintenance services while being reimbursed by the city for its expenses. The consideration received by the city (the improvements, artwork, etc.) must be at least equal to three times the city’s payment to the association. All payments made by the city under the authority of this section for all such contracts in any one year shall not exceed twenty-five thousand dollars or two dollars per resident within the boundaries of the city, whichever is greater.

G. State or County Construction or Repair of Streets (RCW 47.24.050)

By passing a resolution, the City Council may authorize Lewis County to construct, repair, or maintain a city street. The city pays the “actual cost” of the work, with the payment being deposited in the county road fund. The state Department of Transportation may also provide engineering assistance road projects or do the actual construction. The state is reimbursed from the city’s share of the motor vehicle excise tax in the motor vehicle fund. Such agreements with the county or the state do not require competitive bids.

XV. ADDITIONAL/SPECIAL CONSIDERATIONS

When hiring anybody to do anything for the city, there are three main requirements that need to be met.

A. Certificates of Insurance

The contractor or consultant must furnish the city with a Certificate of Insurance, naming the

City of Chehalis as primary and noncontributory **additional insureds with an additional attached endorsement**. Insurance requirements are determined by the City Attorney.

B. Washington State Contractor’s License

It is unlawful for the city to hire *anyone* to perform public work on our property that does not have a valid State of Washington Contractor’s License. If someone is not properly licensed, DO NOT HIRE THEM. You may look up a contractor to determine if they have a valid Contractor’s License at:

- [Department of Labor and Industries](#)
- [Department of Revenue](#)

C. City of Chehalis Business License

A City of Chehalis business license is required for any business working inside the city limits whose annual value of products, gross proceeds of sales, or gross income of the business in the city is more than \$2,000. You may look up business licenses on the [Department of Revenue website](#).

XVI. DISPOSAL OF SURPLUS PROPERTY

The city has a separate policy for the disposal of surplus property. Refer to the [Fixed Asset Policies and Procedures](#) for more information.

XVII. TRADE-INS

Trade-Ins are allowed on new purchases if approved by Legal and Finance in advance. Trade-Ins must be negotiated, documented at “Fair Market Value” by the Project Manager, and declared surplus ahead of time. Fair Market Value can be obtained by finding comparable units that have been sold at online auctions, e.g. www.publicsurplus.com, www.ebay.com, www.rockanddirt.com, www.ironplanet.com or other online sources such as Edmunds.com, Kelley Blue Book, or NADA. www.govdeals.com is a good place to find auction results for comparable.

Trade-Ins may also be requested ahead of time in the Bid Specifications as a “Guaranteed Buy Back”. Work with Legal if you would like to consider this option.

XVIII. SALES TAX AND USE TAX

A. Sales Tax

The City of Chehalis is not sales tax exempt. State law defines which activities are subject to the retail sales tax. Generally, all sales of tangible personal property to consumers for their own use are considered retail sales, as well as a variety of services.

Sales tax is "destination based" for shipped or delivered merchandise and is collected based on the location where the buyer receives or takes possession of the merchandise.

- Destination based tax does not apply to the sales of motor vehicles, trailers, semi-trailers, aircraft, watercraft, modular homes, manufactured and mobile homes, towing services, and florists. Sales tax is based on the seller's location even if the seller delivers the items to customers.
- Sales tax on services are coded to the location where they are performed.
- Over the counter (in person) sales are based on the location of the sale.

To look up tax rates, visit the Washington State Department of Revenue (DOR) [website](#).

B. Use Tax

Use tax is a tax on goods and certain services that are paid to the state when sales tax is owed but was not collected by the seller. For example, if the seller should have collected sales tax on the sale, or sales tax is owed because the seller is out of state and does not collect Washington sales tax, the city still owes the tax and pays it to the state in the form of use tax. Use tax is destination based.

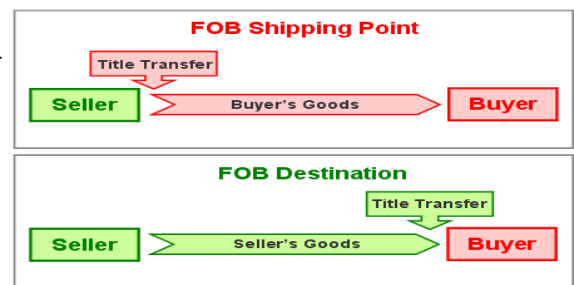
Use tax is due if:

- Goods are purchased in another state that does not have a sales tax or a state with a sales tax lower than Washington's. For example, items purchased from a business in Oregon to be used in Washington are subject to use tax.
- Goods are purchased from someone who is not authorized to collect sales tax. For example, purchases of furniture from an individual through a newspaper classified ad or a purchase of artwork from an individual collector.
- Goods are purchased out of state by subscription, through the Internet, or from a mail order catalog company. Some of these companies collect Washington's sales tax, but if the company from which you order does not, the city still must pay use tax.
- Personal property is acquired with the purchase of real property.

XIX. FREIGHT

A. Shipping Terms

Whenever you are purchasing an item that will incur freight charges, always request that it be shipped Freight-On-Board (FOB) Destination, Freight Prepaid. What this means is that the vendor you ordered the merchandise from owns it until it reaches your door and there won't be a separate invoice for freight. If anything should happen to the merchandise during shipping, the vendor (not the city) is responsible for filing the claims with the carrier. FOB determines at what point the ownership transfers. If an item is FOB origin, the city owns the merchandise from the point of shipping while it is in transit.



Freight prepaid or collect refers to who is responsible for paying shipping charges - the city or the seller.

B. Receiving Freight

It is the responsibility of the individual who signs for the carrier's delivery receipt to properly receive all cartons they are signing for. Anyone who accepts and signs for receipt of goods, acknowledges that the item was received and accepted as delivered.

Get what you sign for

1. Confirm the package or carton is being delivered to the proper location.
2. Verify the number of cartons, crates or pieces is correct according to quantities on the packing slip.
3. Open packages and verify order is correct.

Damaged Cartons

Any person receiving freight must make a notation on the carrier's delivery receipt of apparent damage to packages. State the specific type of damage on the delivery receipt and obtain the driver's signature (not just initials) on your copy of the receipt.

Concealed Damage

If the shipment of goods received showed no sign of damage upon receipt, but damage to the contents is found upon opening, concealed damage exists.

1. Call the carrier immediately upon discovery of the damage and request an inspection. Notate the date and the person contacted.
2. Notify the vendor to file a claim.
3. All shipping cartons should be retained for inspection on any damage.
4. When making a request for an inspection, advise the carrier whenever possible what the value of the damaged goods is. If the value is less than \$50.00, most carriers will frequently waive inspection. Indicate person contacted on the claim form.
5. When an inspection is made, specific damages should be notated by both parties and signed by both on the inspection report. Send the report to the vendor and keep a copy for the city records.

XX. PAYMENTS

Inform all vendors to send invoice(s) to:

City of Chehalis
Accounts Payable
1321 S. Market Blvd
Chehalis, WA 98532-3619

All questions regarding payments should be directed to the city Accounts Payable at: 360-345-3223 or by email to croberts@ci.chehalisa.wa.us

Invoices related to contracts are reviewed and approved by Project Manager

The City of Chehalis offers EFT/ACH deposit for remittances. If a vendor would like to apply they need to complete the [EFT/ACH form](#) and return it to the City of Chehalis Accounts Payable.

Accounts payable checks are paid on the 15th and the last working day of each month. A P-Card is an alternate way to pay for something. See the City's [policy](#) for details and requirements.

XXI. APPENDICES

A. Glossary

Bid

The executed document submitted by a bidder in response to an invitation to bid (ITB), a request for proposals, or a request for quotations.

Bid Bond

A bond or deposit submitted with a bid, for a sum not less than 5% of the bid amount (including sales tax). Designed to help ensure that a bid has been made in good faith and that the bidder will enter into a contract if a bid is accepted.

Bidder

A person or legal entity who submits a bid in response to a solicitation.

Change Order

Work that is added or removed from the original scope of work, as agreed upon in the contract signed by city and contractor before work began. As the work proceeds, either the city or the contractor decides a change is needed to be made to accommodate unforeseen factors.

Change orders can be agreed to by the Project Manager but does not obligate any party until a contract modification is fully executed.

Contract

A verbal or written, legally binding mutual promise between two or more parties.

Contract Modification

Written modification to a contract (sometimes called an amendment). A modification may include one or more change orders and must be fully executed by both parties before it obligates the contractor to render services, or the city to pay for services rendered, in excess to the original contract.

Final Acceptance

Final acceptance occurs when the city formally accepts the work as complete, and it starts the clock for releasing retainage held on the contract. The Notice of Final Acceptance cannot be issued until all requirements of the contract have been met including, but not limited to:

- Intents to Pay Prevailing Wages for the contractor and any subcontractors have been approved by the Department of Labor and Industries
- Final invoice for the project received by the city
- The Project Manager has determined the contractor has completed the required deliveries or performed the required services
- All as-builts have been received by the city

Fully Executed

A document is fully executed when all parties have agreed to the terms and conditions by signing and dating the document and initialing any changes.

Notice of Completion

After final acceptance of any public works project over \$35,000, a public agency must file a Notice of Completion with the Department of Revenue (DOR), Department of Labor and Industries (L&I), and Employment Security Department (ESD) (RCW 60.28.051). Each state agency must approve the Notice of Completion separately, at which point each agency will send a certificate of release certifying that all applicable taxes, premiums, and penalties have been paid. If DOR, L&I, or ESD report that there are unpaid taxes or fees, the agency must pay the missing amount to the state within 10 days and subtract it from the retainage (RCW 60.28.060).

Request for Proposal (RFP)

All documents, whether attached or incorporated by reference, utilized for soliciting competitive proposals. The RFP procedure permits negotiation of proposals and prices, as distinguished from competitive bidding and a notice inviting bids. The procedure allows changes to be made after proposals are opened and contemplates that the nature of the proposals and/or prices offered will be negotiated prior to award.

Request for Quotation/Qualification (RFQ)

A document generally used for obtaining a summary of qualifications from prospective providers of professional services.

Payment Bonds

The purpose of a payment bond is to guarantee that the Contractor shall “pay all laborers, mechanics and sub-contractors.”

Performance Bonds

The purpose of a performance bond is to guarantee that the Contractor shall “faithfully perform all provisions of the contract.”

Sealed Bid

A bid which has been submitted in a sealed envelope to prevent its contents from being revealed before the deadline for the submission of all bids.

Specifications

A description of what the purchaser seeks to buy or accomplish - and consequently what a bidder must be responsive to in order to be considered for award of a contract. May be a description of the physical or functional characteristics, or the nature of a supply or service. May also include a description of any requirements for inspecting, testing, or preparing a supply or service item for delivery.

B. Purchase Quotation Sheet



PURCHASE QUOTATION SHEET

Exhibit 1

Date _____ Employee Name: _____

Purchases from \$1,000 to \$15,000 require three (3) quotations which will become a part of the purchase request. Purchases between \$1,000 to \$7,499 requires three (3) verbal quotes and \$7,500-\$15,000 requires three (3) written quotes.

Description of Item:

Business Name:		Quote:
Contact:		Sales Tax:
Phone Number:		TOTAL

Business Name:		Quote:
Contact:		Sales Tax:
Phone Number:		TOTAL

Business Name:		Quote:
Contact:		Sales Tax:
Phone Number:		TOTAL

C. Sole Source Justification Form



Sole Source Justification Form **Exhibit 2**
For purchase of products, supplies or routine services
(not for Public Works)

This form is required with all requests for a sole source determination or exception of purchasing procedures for the procurement of any equipment, supplies or services. The justifications should clearly indicate why the legally mandated competitive process required for the procurement is not practicable or possible or is not in the best interests of the City. Letters from the manufacturer of the goods or providers of the service are not, by themselves, adequate justification. The form must be complete with any attachments and must be signed by the department head.

Sole Source Purchases - Purchases that are clearly and legitimately limited to a single source of Supply: RCW 39.04.280(2)(a)

A “sole source” is characterized as meeting one or more of the following standards: (a) the City department has conducted a process whereby it can justify purchase of a specific product; (b) the City requires legitimate specifications to which only one vendor can successfully respond; or (c) the product is available only through one manufacturer (or distributor) and the manufacturer so certifies.

If, after conducting a good faith review of available resources, the requesting department manager/director determines that there is only one source of the required materials, supplies, or equipment, a purchase contract may be awarded without complying with established bid requirements.

The requesting department manager/director must submit a written request for sole source procurement to the Finance Manager for review. **(Exhibit 2)** The vendor must also certify in writing that the City is getting the lowest offered price.

To engage in sole source bidding, the city council must pass a resolution that states, “the purchase is clearly and legitimately limited to a single source or supply.”

Describe the item and its function:

Proposed Vendor: _____

Vendor’s Address: _____

Vendor Contact (Name and Phone number) _____

Estimated Cost: _____

Describe Warranty (if applicable): _____

Describe Installation (if applicable): _____

The following section is to explain why only this particular brand, product or service is suitable. Check the boxes and attach detail to make the business case for the product and service you consider to be sole source. Document a convincing case based on one or more of the following reasons, to clearly explain why it is not possible to use an alternate. This should also rely upon the time and expense of training a new vendor to take over the contract duties, because the bid

selection process will have proper ways of factoring that element into the award decision.

- [] Proprietary. The item is licensed, patented, or copyrighted with only vendor. Why is this particular licensed or patented product the only one suitable for your purpose?
- [] Comparability: The purchase is for replacement parts or components of existing equipment, inventory, systems, data, programs, or services. Provide the business case for the standard and attach a copy of the standard if it is written.
- [] Authorized Service Provider, Repair and/or Warranty Services: The Vendor is either a factory authorized warranty service provider or else that particular Vendor is required for Warranty services according to the conditions of a current City Contract. The purchase is for technical service in connection with the assembly installation or servicing of equipment of a technical or specialized nature.
- [] Continuation of work. We now require additional work, additional item or additional service, but we did not know it would be needed when the original order was placed.
- [] Unique design: Requires unique features that are essential aesthetic requirements, or not practical to match to the existing design or equipment, such as artwork. Describe.
- [] Special Bargain: This might include a surplus item, an auction sale, used equipment, returned “open box” purchase, or other similar one-time bargains. Describe.
- [] Delivery Date: Only one supplier can meet required delivery date. Explain why this delivery date is essential. This can only be used in limited circumstances, for delivery deadlines that are the result of an unanticipated situation, and not a circumstance that could have been reasonably anticipated or averted by advance City planning.
- [] Project or Research Continuity: Product, systems, services, or data must comply with an ongoing project, research, data, testing or analysis without a compromise in the integrity of the project. Also, this should be a situation that cannot be replicated by another company because there is a legal or physical obstruction to disclosing the project information to allow another company the opportunity to replicate. Examples include situations where a company has legal and/or proprietary rights to customization such as software code, or to data; or testing or data is collected through a unique measuring instrument that cannot be accurately duplicated and offered by another vendor.
- [] Requirement by Funding Source: Lender, grantor (such as Federal Government) or other provider of funds requires the specific product, service, or system. Attach a copy of the document that clearly shows such a requirement is imposed by the funding source.
- [] Legal Monopoly: Only one supplier, such as electricity, water, or sewage.
- [] Other. Describe

Why is this the only company that can provide the sole source project or service? The previous section explains why a particular product, manufacturer or service is necessary. The section below discusses why the company you request is the only available company.

1. What necessary features does this vendor provide which are not available from other vendors? Be specific.

2. What steps were taken to verify that these features are not available elsewhere?
 - Other brands/manufacturers were examined (list phone numbers and names, and explain why these were not suitable)
 - Other vendors were contacted (list phone numbers and names, and explain why these were not suitable)
 - Other (please explain)

3. Will this purchase obligate the City to a particular vendor for future purchases? Either in terms of maintenance that only this vendor will be able to perform and/or if we purchase this item, will the City need more “like” items in the future to match this one?

4. Explain why the price for this purchase or service is considered to be fair and reasonable and what efforts were made to the best possible price for the taxpayers’ dollars?

5. Explain the consequence(s) to the City or Public, including a dollar amount estimate of the financial impact, if this justification is not approved.

I certified that my department’s recommendation for sole source is based upon an objective review of the good/service being required and appears to be in the best interest of the City. I know of no conflict of interest on my part or personal involvement in any way with this request. No gratuities, favor, or compromising action have been taken place. Neither has my personal familiarity with particular brands, types of equipment, materials or firms been a deciding influence on my request to sole source this purchase when there are other known suppliers to exist.

Signed: Requester	Date
Signed: Department Director or Designee	Date
Reviewed by: Finance Director or Designee	Date
Approved by: City Manager	Date

D. Check List for Small Public Works Projects



Exhibit 3

Check List for Small Public Works Projects \$350,000 or Less
 (This Check List should be used (in sequential order) for all public work excluding ordinary maintenance items)

Project Name: _____

Start Date: _____

- Develop specification and/or scope of work in compliance with standards specifications manual; include prevailing wage, performance and payment bonds, E-Verification, and retainage requirements
- Send specifications and scope of work to at least five (5) contractors listed on the Small Works Roster for projects over \$49,999; and to at least three (3) contractors for projects under \$50,000.

Contractor Name	Phone	Email	Date Contacted	Date Received	Bid Amount

- Document all responses, even non-responses, with date contacted and date received; allow 7 to 14 days for response time for projects over \$49,999
- Award Project to the lowest responsible bidder: _____
- Notify all contractors that were not selected of bid results for projects over \$49,999
- Draft Contracts in compliance with standards specifications manual; include prevailing wage, performance bonds, E-Verification, and retainage requirements
- Have City Manager execute contract agreements
- Obtain L&I Intent to Pay Prevailing Wages Form from Contractor; Alternate process may be used for projects under \$2,500 (Combined Intent & Affidavit Form)

- Obtain Performance Bond (For projects under \$50,000 50% retainage can be used in lieu of Performance Bond)
- Obtain Certificate of Liability Insurance from Contractor
- Verify Contractor has obtained all applicable and required permits
- Issue Notice to Proceed
- Inspect work and materials to ensure it has been completed per the specifications and scope of work
- Obtain invoice to include sales tax
- Process invoice for payment and prepare retainage voucher
Retainage is 5% unless no Performance Bond was obtained for projects under \$50,000
- Send Notice of Completion to Department of Revenue for projects over \$50,000
- Obtain L&I Affidavit of wages paid from contractor, or off of the L&I website
- Obtain Department of Revenue Payment of Excise Taxes by Public Works Contractor
(Projects over \$50,000)
- Obtain Employment Security Department Certificate of Payment of Contributions, Penalties, and interest on public work contracts over \$50,000
- Obtain L&I release for payment on workers' comp. insurance premiums on projects over \$50,000
- Release and pay retainage
- Close and file project per the Washington Secretary of State Records Retention Manual

E. Contract Agreement (all Public Works Contracts)

Exhibit 4

CONTRACT AGREEMENT

THIS CONTRACT AGREEMENT dated the _____ day of _____, _____, by and between the **CITY OF CHEHALIS, WASHINGTON**, (hereinafter called **OWNER**) and _____ (hereinafter called **CONTRACTOR**). **OWNER** and **CONTRACTOR**, in consideration of the mutual covenants hereinafter set forth, agree as follows:

Article 1. WORK.

CONTRACTOR shall complete all Work as specified or indicated. The Work is generally described as follows:

Article 2. PREVAILING WAGE REQUIREMENT.

This is a public works project and requires that prevailing wage be paid as governed by Chapter 39.12 RCW – Prevailing Wages on Public Works, regardless of the contract amount.

Each individual contractor and subcontractor on a public works project must individually file a “Statement of Intent to Pay Prevailing Wages and an Affidavit of Wages Paid” with the Washington State Department of Labor and Industries for each contract. **CONTRACTOR** and subcontractor must provide **OWNER** with compliance documentation.

Article 3. CONTRACT AGREEMENT PRICE.

OWNER shall pay **CONTRACTOR** for completion of the Work in accordance with the Contract Agreement equal to the amounts determined:

Bid/Quote Amount \$ _____

Sales Tax _____

TOTAL \$ _____

CONTRACTOR ACCEPTANCE

By: _____

Title: _____

Date: _____

CITY OF CHEHALIS

By: _____

Title: City Manager

Date: _____

F. Quick Reference Guide to Public Works Contracting

Exhibit 5

Quick Reference Guide to Public Works Contracting

Competitively Bid Public Work Projects **

- Over \$350,000 (But can be for smaller projects) *Note RCW (1 craft \$75.5K+; 2+ craft \$116,155+, unless using small works roster process)
- Formal Advertisement Required (13 days before bid opening)
- Bid Bonds Required
- Sealed Bids Required
- Public Bid Opening Required
- Formal Award Required
- Performance and Payment Bonds Required (RCW: may be waived with 10% retainage if \$150K or less)
- Retainage Required (RWC: 5%, or 10% with Bond Wavier if \$150K or less)
- Payment of Prevailing Wages Required

Small Works Roster Projects **

- Under \$350,000
- No Advertisement Required, Just Notice to Appropriate Contractors on the Small Works Roster
- Bid Bonds Optional
- Electronic, Faxed or Telephone Quotes Allowed
- Informal Quote Opening(s)
- Award Can Be Delegated
- Performance and Payment Bonds Required (RWC: can be waived if \$150,000 or less with 10% retainage)
- Retainage Required (RCW: 5%, or 10% with Bond Waiver if \$150K or less)
- Payment of Prevailing Wages Required

Limited Public Work Projects (Using Small Works Roster) **

- Under \$50,000
- No Advertisement Required, Just Notice to Appropriate Contractors on the Small Works Roster
- Bid Bonds Optional
- Electronic, Faxed or Telephone Quotes Allowed
- Informal Quote Opening(s)
- Award Can Be Delegated
- Performance and Payment Bonds Can Be Waived, But Not Recommended
- Retainage Can Be Waived. But Not Recommended.
- Payment of Prevailing Wages Required

Emergency Contracts

- Under RCW 39.04.280(1) (But Read Parts 2 & 3)
- No Advertisement Required
- Bid Bonds are Impractical
- Electronic, Faxed, or Telephone Quotes Allowed
- Informal Quote Opening(s)
- Award Can be Delegated
- Performance and Payment Bonds Can Be Waived, But Not Recommended
- Retainage May Be Waived.
- Payment of Prevailing Wages Required

Professional Services Contracts

- No Competitive Bid Required – See page 3 & 4 of Administrative Procurement Policy for requirements and selection process

Architectural & Engineering Services

- Advertisement to Request Qualifications Required – See Page 3 & 5 of Administrative Procurement Policy for requirements and selection process**

Jill would like to repeal this Ordinance- and do away with the E-Verify policy.

G. Matrix of Contract Requirements

City of Chehalis Contract Requirements (Current)

Yes = Required; No = Optional	Estimated Cost	Quotes	Formal Bids	City Manager Approval	Council Approval	Advertisement & Formal Bid Opening	Bid Bond	Performance / Payment Bonds	Retainage	Intents & Affidavits	Notice of Final Acceptance	Notice of Completion
Public Works												
Single Trade or Craft	\$0-\$40,000	1+ verbal (if under \$15K), 3 Written (if \$15K-\$40K)	No	Yes, if \$15K & Over	No	No	No	Yes, or Waiver with 10% Retainage	5% or 10% with Bonds Waiver	Under \$2,500 use the no-fee Combined Form; \$2,500+ Yes	Yes	Yes, if \$35K+
	\$40,001+	Not Allowed	Yes \$75,500+	No	Yes	Yes - 13 Days Before Bid Opening	Yes, 5% of Bid	Yes, or Waiver with 10% Retainage if \$150K or less	5%, or 10% with Bonds Waiver if \$150K or less	Yes	Yes	Yes
Multi Trade or Craft	\$0-\$65,000	1+ verbal (if under \$15K), 3 Written (if \$15K-\$65K)	No	Yes, if 15K-\$40K	Yes, if \$40K+	No	No	Yes, or Waiver with 10% Retainage	5% or 10% with Bonds Waiver	Under \$2,500 use the no-fee Combined Form; \$2,500+ Yes	Yes	Yes, if \$35K+
	\$65,001+	Not Allowed	Yes \$116,155+	No	Yes	Yes - 13 Days Before Bid Opening	Yes, 5% of Bid	Yes, or Waiver with 10% Retainage if \$150K or less	5%, or 10% with Bonds Waiver if \$150K or less	Yes	Yes	Yes
Using MRSC Small Works Roster	\$0-\$35,000	Minimum of 3 quotes requested	\$49,999+	Yes, if \$15K & Over	No	No	No	Yes, or Waiver with 10% Retainage	5% or 10% with Bonds Waiver	Yes	Yes	Yes, if \$35K+
	\$35,001-\$200,000	On All Roster list or 5+ requested	\$249,999+	Yes, if \$40K or less	if \$40K+	No	No	Yes, or Waiver with 10% Retainage if \$150K or less	5%, or 10% with Bonds Waiver if \$150K or less	Yes	Yes	Yes
	\$250,000-\$350,000	Allowed: 5+, must notify all contractor on the roster list	\$350,000+	No	Yes	No	No	Yes	5%	Yes	Yes	Yes
	Over \$350,000	Can't use SWR - See bid requirement above	Yes									
Materials, Supplies, Equipment (Unrelated to Public Work/Construction, Services, A/E)												
	\$0-\$1,000	No, but good faith effort to determine price is fair & reasonable	No	No	No	No	No	No	No	No	No	No
	\$1,000-\$7,499	3 Verbal requested	No	No	No	No	No	No	No	No	No	No
	\$7,500-\$15,000	Must Call for Bid	Required if \$7,500	Yes	No	Yes - No Min # of Days	No	No	No	No	No	No
	\$15,001+	Not Allowed	Yes	Yes, upto \$40K	Yes, if \$40K+	Yes - No Min # of Days	No	No	No	No	No	No
MRSC Vendor List	\$0-\$15,000	3+	No	No	No	No	No	No	No	No	No	No
	Over \$15,000	Can't use Vendor List - See bid requirements above										
Personal Services												
May Use MRSC Consultant Roster	Any Amount	1+	No	Yes, if \$5K+	Yes, if \$30K+	No	No	No	No	No	No	No
Purchased Services												
May Use MRSC Vendor List	Any Amount	1+	No	Yes, if \$5K+	Yes, if \$30K+	No	No	No	No*	Possibly*	No	No
* Janitorial Service contracts require I&A. Must receive an Intent before the first payment and receive an Affidavit before the final payment for the service contract period.												
Architectural and Engineering (A/E) Services												
May Use MRSC Consultant Roster	Any Amount	Both a RFQ and RFP Required - No Quotes or Bids	No	Yes, if \$5K+	Yes, if \$30K+	Yes, No Min # of Days	No	No	No	No	No	No

NOTE: All Contracts and Agreements must be excited by the City Manager

References:

To Find out City's Contracting Requirements: (MRSC Online Tool)

<https://mrsc.org/Home/Research-Tools/Contracting-Requirements.aspx>

Washington State Auditor's Resource Library – Procurement – Buying and Bidding:

https://sao.wa.gov/wp-content/uploads/Resource_Library/Bid_Law_Guide.pdf

RESOLUTION NO. 18-2022

**A RESOLUTION OF THE CITY OF CHEHALIS,
WASHINGTON, REVISING THE PREVIOUSLY ADOPTED
CITY OF CHEHALIS FINANCIAL POLICIES AND
RENAMING THE DOCUMENT THE CITY OF CHEHALIS
FEDERAL GRANT MANAGEMENT POLICY**

WHEREAS, staff has determined a need to revise the City of Chehalis Financial Policies for Federal Grant Management Policy adopted by motion on November 12, 2019, and;

WHEREAS, the revised policy addresses that when procuring property and services under a Federal award, the City of Chehalis will follow 2 CFR §200.318 General procurement standards through §200.326 Contract provisions or City of Chehalis purchasing procedures whichever is more restrictive, and;

WHEREAS, staff has renamed this policy the City of Chehalis Federal Grant Management Policy, and;

WHEREAS, the attached document is amended to establish and maintain internal controls that provide reasonable assurance that Federal awards are being managed in compliance with all Federal regulations; and;

WHEREAS, the purpose is to ensure the efficient, fair, and professional administration of federal grant funds in compliance with 2 CFR § 200.112, 2 CFR § 200.318 and other applicable federal and state standards, regulations, and laws,

NOW THEREFORE BE IT RESOLVED, the Chehalis City Council hereby adopts the attached policy “Federal Grant Management Policy” as the formal guidelines for management of Federally funded projects for the City of Chehalis.

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 December 2022.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney



CITY OF CHEHALIS FEDERAL GRANT MANAGEMENT POLICY

Revision DRAFT

October 24, 2022

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City of Chehalis Federal Grant Management Policy

Purpose

Establish and maintain internal controls that provide reasonable assurance that Federal awards are being managed in compliance with all Federal regulations and with the terms and conditions of the award. The City of Chehalis will follow the Uniform Guidance, the Local Agency Guidelines (LAG) distributed by The Washington State Department of Transportation (WSDOT), Government Accountability Office Standards for Internal Control in the Federal Government (the Green Book), and the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Control – Integrated Framework Principles.

Federal Compliance Requirements

The City applies for federal grants where possible and advisable, to fund transportation improvement, law enforcement, fire and emergency management system, airport improvement, water/sewer/storm drainage utility infrastructure, to name a few. When the City receives federal grants, it strives to administer those grants in conformance with 2 CFR 200: Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, when it applies. Key elements for that compliance are:

1. Written Internal Controls over the grant funds and ability to demonstrate that the policies are being followed (2 CFR 200.303).
2. Written procedures to minimize the time lag between advance payments by the granting agency and related disbursements (2 CFR 200.305).
3. Written procedures to avoid conflicts of interest (2 CFR 200.318).
4. Written Procurement Policies (2 CFR 200.320).
5. Oversight and assurance that only Allowed Costs are claimed and ability to demonstrate the oversight (2 CFR 200.403); and
6. Required Certifications (2 CFR 200.415).

Internal Controls

The City's internal controls over federal funds take the "Standards for Internal Controls of the Federal Government" issued by the Comptroller General of the United States or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and strive to be able to demonstrate that it follows Federal statutes, regulations, and the terms and conditions of the Federal awards through oversight or monitoring that it:

1. takes prompt action when noncompliance is identified including noncompliance identified in audit findings,
2. takes reasonable measures to safeguard protected personally identifiable and otherwise sensitive and confidential information consistent with laws regarding privacy and obligations of confidentiality.

The Finance Director is responsible for establishing a system of controls and standard operating procedures to provide reasonable assurance that the City is managing the Federal awards in compliance with Federal statutes, regulations and terms and conditions of the Federal awards.

Advance Payments and Reimbursements

The City strives to acquire grant funds as a reimbursement of expenditures. This means that any grant-eligible invoices and internal labor costs have been paid by the City from City funds and are billed to the granting agency subsequently for reimbursement and in the same amount as previously paid. In the unlikely event of inadequate working capital, the city may submit a request for advance payment with granting agency approval, after eligible costs are incurred but in advance of actual disbursement of City funds.

- Advanced payments must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the City of Chehalis to carry out the purpose of the approved program or project. Any advanced payments must be consolidated to cover anticipated cash needs.
- The City of Chehalis shall minimize the time elapsed between receipt of federal aid funds and subsequent payment of incurred costs.

The timing and amounts of advance payments must be as close as is administratively feasible to the actual disbursements by the City for eligible costs incurred, but not more than the City's one disbursing cycle (15 calendar days). The City will not withhold payment from the City's vendors beyond the time frame addressed in the contract or by local and state law, regardless of the grant or advance payment.

Cost-Sharing or Matching

For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing, or matching when such contributions meet all the criteria outlined in § 200.306 (b).

If the purpose of the Federal award is to assist the non-Federal entity in the acquisition of equipment, buildings or land, the aggregate value of the donated property may be claimed as cost sharing or matching.

Allowable Costs

Federal awards will meet the following general criteria in order to be allowable except where otherwise authorized by statute:

- Be necessary and reasonable for the performance of the Federal award.
- Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- Be consistent with policies and procedures that apply uniformly to both Federally- financed and other activities of the City of Chehalis.
- Be accorded consistent treatment. A cost may not be assigned to a Federal award as

a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.

- Be determined in accordance with generally accepted accounting principles (GAAP).
- Not be included as cost or used to meet cost sharing or matching requirements of any other Federally financed program in either the current or a prior period.
- Be adequately documented.

Procurement Policy

The City’s procurement policies, adopted by Council, require standards of conduct and the absence of its employees, officials, and agents conflict of interest during the selection, award, and administration of contracts, and include disciplinary actions to be taken in the case of a violation.

When procuring property and services under a Federal award, the City of Chehalis will follow 2 CFR §200.318 General procurement standards through §200.326 Contract provisions or City of Chehalis purchasing procedures whichever is more restrictive. The following table outlines procurement requirements when using Federal funds.

Procurement Method	Goods	Services
Micro-Purchase – No required quotes. However, must consider price as reasonable, and, to the extent practical, distribute equitably among suppliers.	<p>\$10,000 federal threshold \$2,500 city threshold</p> <p><i>Must use more restrictive federal threshold</i></p>	<p>\$10,000 federal threshold \$75,500 city threshold <i>(single trade)</i> \$116,155 city threshold <i>(multiple trade)</i></p> <p><i>Must use more restrictive federal threshold</i></p>
Small Purchase Procedures (Informal) – Obtain/document quotes from a reasonable number of qualified sources (at least three).	<p>\$10,001-\$250,000 federal threshold \$2,501-\$7,500 city threshold</p> <p><i>Must use more restrictive city threshold</i></p>	<p>\$10,001-\$250,000 federal threshold \$75,500 city threshold <i>(single trade)</i> \$116,155 city threshold <i>(multiple trade)</i></p> <p><i>Must use more restrictive federal threshold</i></p>
Sealed Bids / Competitive Bids (Formal)	<p>Over \$250,000 federal threshold Over \$7,500 city threshold</p> <p><i>Must use more restrictive city threshold</i></p>	<p>Over \$250,000 federal threshold Over \$75,500 city threshold <i>(single trade)</i> Over \$116,155 city threshold <i>(multiple trade)</i></p> <p><i>Must use more restrictive city threshold</i></p>

<p>Competitive proposals</p>	<p>Used when conditions are not appropriate for the use of sealed bids.</p> <ul style="list-style-type: none"> • Must publicize request for proposals soliciting from an adequate number of qualified sources • Maintain written method for conducting technical evaluations • Contract must be awarded to the responsible firm whose proposal is most advantageous to the program with price and other factors considered • For A&E professional services (qualifications-based procurement, price is not used as selection factor)
<p>Non-competitive proposals</p>	<p>Appropriate only when:</p> <ul style="list-style-type: none"> • Available only from a single source; or • Public emergency; and • Expressly authorized by awarding or pass-through agency in response to written request from the City of Chehalis; or • After soliciting a number of sources, competition is deemed inadequate.

Contracts for more than the simplified acquisition threshold currently set at \$250,000 must address administrative, contractual, or legal remedies in instances where contractors violate or breach contract terms and provide for such sanctions and penalties as appropriate.

Contracts and sub-grants of amounts in excess of \$250,000 requires that the City of Chehalis will comply with all applicable standards, orders or regulations issued pursuant to the Clean Air Act and the Federal Water Pollution Control Act.

The City of Chehalis will monitor procurements to avoid duplicative purchases. The City will also continue to enter into inter-entity agreements to realize cost savings for shared goods and services when possible.

Verify and document that vendors are not suspended or debarred from doing business with the Federal government **before** award the contract. Must maintain a proof. Print out the verification page and keep in your federal grant file.

Single Audit Act

The City of Chehalis, as a recipient of Federal funds, shall adhere to the Federal regulations outlined in 2 CFR §200.501 as well as all applicable Federal and State statutes and regulations.

Closure

A project agreement end date will be established in accordance with 2 CFR §200.309. Any costs incurred after the project agreement end date are not eligible for Federal reimbursement.

Oversight Responsibilities

The department managing a project, which is funded by direct or indirect federal funds, is responsible for the ability to demonstrate that it follows procedures to assure that only allowable costs are claimed.

Federal Grant Process

1. Awareness of Grant
2. Project Manager (PM) reviews grant with Department Head
3. Grant pursued
4. Copy of Grant application forwarded to:
5. Department Head
6. City Attorney
7. City manager
8. Finance Director
9. Project Manager
10. Grant Application submitted to granting agency by the PM
11. Grant Awarded
12. Grant application and grant award agreement forwarded to:
13. Department Head
14. City Manager
15. City Attorney
16. City Council (approve
17. Finance Director and/or Finance Grant Accountant

Project Manager (PM) is responsible for management of activities as required by the grant award, add compliance with grant requirements. PM needs to coordinate with Finance Director for grant billing assistance and/or review of the billing prior to submission to the granting agency. PM is responsible for activity or process reporting to the granting agency. Finance is responsible for all payment entries and grant reporting for audit.

Required Certifications

To assure that expenditures are proper and in accordance with the terms and conditions of the Federal award and approved project budgets, the annual and final fiscal reports or vouchers requesting payment under the agreements must include a certification signed by an official who is authorized to legally bind the City, which reads as follows: "By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise."

The City Council delegates to a person the authority to legally bind the City, for the purpose requesting Federal Grant reimbursement, through adoption of a resolution.

City of Chehalis Code of Conduct

Purpose

The purpose of the Code of Conduct is to ensure the efficient, fair, and professional administration of federal grant funds in compliance with 2 CFR §200.112, 2 CFR §200.318 and other applicable federal and state standards, regulations, and laws.

Application

This Code of Conduct applies to all elected officials, employees or agents of the City of Chehalis engaged in the award or administration of contracts supported by federal grant funds.

Requirements

No elected official, employee or agent of the City of Chehalis shall participate in the selection, award or administration of a contract supported by federal grant funds if a conflict of interest, real or apparent, would be involved. Such a conflict would arise when any of the following has a financial or other interest in the firm selected for award:

- The City employee, elected official, or agent; or
- Any member of their immediate family; or
- Their partner; or
- An organization which employs or is about to employ any of the above.

The City of Chehalis's elected officials, employees or agents shall neither solicit nor accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or subcontractors.

Remedies

To the extent permitted by federal, state, or local laws or regulations, violation of these standards may cause penalties, sanctions, or other disciplinary actions to be taken against the City of Chehalis's elected officials, employees or agents, or the contractors, potential contractors, subcontractors, or their agents. Any potential conflict of interest will be disclosed in writing to the Federal awarding agency or pass-through entity in accordance with applicable Federal awarding agency policy.

Adoption of Policy

The city's federal grant management policy is revised and adopted by Resolution No. **XXXX** with an effective date of _____.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Glenn Schaffer, HR/Risk Manager

DATE: December 12, 2022

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 to her salary upon an annual performance review conducted by the City Council.

DISCUSSION

On November 14, 2022, the City Council met with City Manager Anderson for her annual review, which was positive. 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). The August 2022 Consumer Price Index All Washington (CPI/W) was 9.2% and the first half of 2022 was 8.6%.

While the 2022 CIP/W increase that could apply is 8.6%, Ms. Anderson is requesting a 7% cost of living adjustment (COLA). For perspective, the proposed request is for an amount that is equal to the 7% COLA recently approved for Firefighters and less than the 8.25% COLA authorized for Fire Captains starting in January 2023. In addition, Ms. Anderson chose not to request a COLA last year even though she was eligible to do so based on a positive performance evaluation in October of 2021.

The Administration has prepared an amendment to the employment agreement to reflect a COLA of 7% with the pay period beginning November 25, 2022. This adjustment is 1.6% less than the First Half of 2022 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 \$11,500. The Preliminary 2023 Budget does not include this amount and would need to be amended to accommodate the COLA.

RECOMMENDATION

It is recommended that the City Council amend the Employment Agreement with City Manager Jill Anderson to reflect a seven (7) percent cost of living increase (COLA) effective with the pay period beginning on November 25, 2022, which is paid on December 30, 2022.

SUGGESTED MOTION

I move that the City Council to approve the proposed addendum to the City Manager Employment Contract to reflect a seven (7) percent cost of living increase (COLA) effective November 25, 2022.

Addendum to City Manager Employment Agreement

THIS ADDENDUM is made and entered into this 12th day of December, 2022 by and between the CITY OF CHEHALIS, WASHINGTON, a municipal corporation, hereinafter referred to as “City” and 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 Sixty-Six Thousand, One Hundred Sixty Two Dollars and no/100 Dollars (\$166,162.00), payable in equal monthly installments on the last working day of each month of the year effective November 25, 2022. 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, including previously approved amendments.

CITY OF CHEHALIS, WASHINGTON

Tony Ketchum, Mayor

Jill Anderson, City Manager

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council
FROM: Jill Anderson, City Manager
BY: Brandon Rakes, Airport Operations Coordinator
MEETING OF: December 12, 2022
SUBJECT: Above Ground Fuel Storage Project Acceptance as Complete

ISSUE

The work related to the Above Ground Fuel Storage Project consisting of the purchase and delivery of fuel tanks from Mascott Equipment Co. and the site work preparations to be carried out by Quigg Bros. Inc at the Chehalis-Centralia Airport is complete.

DISCUSSION

In January of 2020, the City Council of the City of Chehalis authorized the City Manager to execute a contract with Mascott Equipment Co. for the purchase of two twelve-thousand-gallon above-ground fuel storage tanks, fuel dispensing equipment, and appurtenances. This project was necessary to replace the underground fuel storage facilities, as the current tanks were reaching the end of their useful life expectancy, increasing the risk of an environmental hazard due to fuel leaking. \$750,000 of the work was funded by a low-interest loan granted by the WA Community Airport Revitalization Board and the remainder was included in the Airport's 2021 budget. The fuel tanks were delivered to the site in late 2021 by Mascott and installed in 2022.

Then in June of 2021, the City Council of the City of Chehalis authorized the City Manager to execute a contract with Quigg Bros. Inc for all necessary site work required to install the above-ground tanks Site work consisting of the removal of contaminated soil, cement work, paving, storm drain improvements, and pavement marking was completed by Quigg Bros. in the summer of 2022 and shortly thereafter the fuel system was deemed operational.

All work outlined in the contracts for this project have been completed, and all required documentation has been received.

FISCAL IMPACT

The purchase of the Above-Ground Fuel System cost was \$449,503. The tanks came in exactly on budget despite substantial inflation and increasing costs.

The on-site improvements performed by Quigg Bros. totaled \$752,779.08. This is \$18,702.92 under the expected amended contract amount approved by the City Council on July 25, 2022, of \$771,482. The primary reason for the change order was to provide for the cleanup of contaminated soil discovered during the construction process.

Overall, staff is pleased with the project. Contractors performed well and met budget goals.

RECOMMENDATION

The administration recommends that the City Council accept the Above Ground Fuel Storage Project as complete.

SUGGESTED MOTION

I move that the City Council accept the Above Ground Fuel Storage Project as complete.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chief Hendershot, Fire Chief

MEETING OF: December 12, 2022

SUBJECT: Acceptance and Closeout of the Emergency Fire Station Site Preparation Project at 710 NW Arkansas Way

ISSUE

The City had to construct an Emergency Fire Station when Lewis County Fire District #6 terminated the Fire Station Use Interlocal Agreement Temporary Fire Station, effective July 5, 2020. The City constructed an Emergency Station on non-aeronautical Airport land located at 710 NW Arkansas Way. It is recommended that the City Council accept the project as complete and release retainage to KBH Construction in the amount of \$16,890.70 after all the statutory requirements have been met.

DISCUSSION

On June 15, 2020, KBH Construction was awarded the Emergency Fire Station Site Preparation Project for an original contract of \$271,753.09 under the emergency authority granted by City Council by adoption of Resolution 7-2020 on June 8, 2020. The project, as amended and approved by the City Council on July 13, 2020, added the purchase and construction of an apparatus bay. The project was further amended on August 9, 2021, to include construction of the Apparatus Bay at the City's recently purchased property at State Avenue and Chamber Way. This required the preparation and pouring of concrete footings and slab; and the purchase and installation of R-20 insulation to meet the WA State Energy Code to allow the building to meet permanent building standards.

These changes added expenses to the project which are summarized below:

- Change Order #1- Time and materials for footing over excavation in the amount of \$7,409.16
- Change Order #2- Time and materials for slab and prep and cap break in the amount of \$11,395.90
- Change Order #3- Bay door insulation, perimeter insulation west and east, temporary fencing for 2 months, additional cost for R-36 roof insulation and liner, interior ceiling outlets, interior wall outlets, exterior wall outlets, electricians cost increases for wiring building, cost to move building from KBH yard to site in the amount of \$28,707.20
- Change Order #4- Asphalt patching for electric service and the addition of 2 Modine heaters in the amount of \$18,548.73

FISCAL IMPACT

The Emergency Fire Station Project at 710 NW Arkansas Way was funded by the Public Facilities Reserve Fund:

Project Costs	\$337,814.08
Sales tax total	<u>\$27,700.75</u>
For a total of	\$365,514.83

RECOMMENDATION

It is recommended that the City Council accept the Emergency Fire Station Site Preparation and Apparatus Bay Project as complete and authorize the release of retainage in the amount of \$16,890.70 after all the statutory requirements have been met.

SUGGESTED MOTION

It is recommended that the City Council accept the Emergency Fire Station Site Preparation and Apparatus Bay Project as complete and authorize the release of retainage in the amount of \$16,890.70 after all the statutory requirements have been met.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Tammy Baraconi, Planning and Building Manager

MEETING OF: December 12, 2022

SUBJECT: **Amendment Extending the Contract with Gibbs & Olson to Provide Development and Interim City Engineer Services Through December 31, 2023.**

ISSUE

The City has been using the engineering firm Gibbs and Olson to provide engineer-based development review services and to act in the capacity as the interim City Engineer. Our current contract expired at the end of November 30, 2022.

DISCUSSION

The City continues to grow and develop at a fast pace. Many of these developments require review of on-site stormwater management to ensure compliance with State regulations. Because the majority of these plans are designed by civil engineers, it is important to ensure we provide the same level of review. For the past year the City has used Gibbs and Olson's on-call services to fill this need.

Our current contract with Gibbs and Olson expired on November 30, 2022. The amendment would extend the contract until December 31, 2023.

FISCAL IMPACT

The adopted 2023 budget includes funds for contract engineering services. Gibbs and Olson is not asking for a rate increase with this extension, so the 2022 rates would remain in effect through the next year if the contract is approved.

RECOMMENDATION

It is recommended that the City Council approve the one-year extension for the Gibbs and Olson contract and authorize the City Manager to execute all necessary documents.

SUGGESTED MOTION

I move the City Council approve the one-year extension of the Gibbs and Olson contract and authorize the City Manager to execute all necessary documents.

AMENDMENT NO. 2

This Amendment No. 2 modifies the Agreement for On-Call Professional Engineering Services (Agreement) between Gibbs & Olson, Inc. (Engineer) and the City of Chehalis, Washington (Client) executed on November 23, 2022, and amended by Amendment executed in February 2022.

The following modifications are made to the Agreement and all other terms and conditions in the original Agreement remain in full force and effect.

1. The term of the contract is extended through December 31, 2023.

IN WITNESS WHEREOF this Amendment No. 2 is made and executed this _____ day of December, 2022.

GIBBS & OLSON, INC.

CITY OF CHEHALIS, WASHINGTON

By: Richard A. Gushman, PE - President

By: T. Jill Anderson, City Manager

December 2, 2022

Date

Date

END OF AMENDMENT 1

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Kassi Mackie, City Clerk

MEETING OF: December 12, 2022

SUBJECT: Appointment of Dennis Dawes to the Civil Service Commission to Fill a Vacancy with a Term Expiring December 31, 2025

ISSUE

Ed Stanton has resigned from the Civil Service Commission after 40 years of service leaving a vacancy on the commission for the remainder of his term expiring December 31, 2025.

DISCUSSION

The City received notification from Ed Stanton of his resignation from his 40 years of service on the Civil Service Commission effective November 1, 2022. Beginning his term on January 4, 1982, Mr. Stanton has faithfully attended and fully participated as needed, and the City is grateful for his service.

The municipal code and state law spell out the requirements for appointees to the Civil Service Commission. The Commission consists of three members who are recommended for appointed by the City Manager and approved by City Council. Members serve six-year terms without compensation, and must be:

- a citizen of the United States;
- a resident of the city for at least three years immediately preceding such appointment; and
- registered to vote in Lewis County

The Civil Service Commission reviews and updates the Civil Service Rules and Regulations; certifies eligibility lists for candidates for the Police and Fire Departments; and serves as the appeal process if a rule is broken.

The vacancy was advertised for two weeks in the paper of circulation and on the City of Chehalis website. One application was received from Mr. Dennis Dawes and as he is qualified to serve, the City Manager is recommending his confirmation by the Council per section 2.56.010 of the Chehalis Municipal Code.

RECOMMENDATION

It is requested that the City Council confirm the City Manager's appointment of Dennis Dawes to the remainder of the term on the Civil Service Commission ending on December 31, 2025.

SUGGESTED MOTION

I move that the City Council confirm the City Manager's appointment of Dennis Dawes to fill the remainder of the vacant six-year term on the Civil Service Commission expiring December 31, 2025.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Kassi Mackie, City Clerk

MEETING OF: December 12, 2022

SUBJECT: Consider Cancellation of December 26th Council Meeting

ISSUE

It is proposed that the City Council cancel the second meeting in December consistent with its tradition.

DISCUSSION

The City Council has historically cancelled the second meeting in December, which falls on a recognized City Holiday in observance of Christmas in 2022. In recognition of the City's tradition and the likelihood that most of the community will be focused on family and holiday festivities, the City Council is being asked to consider cancelling the December 26th meeting. Should the need for action on a matter arise between the meeting the City Council meeting on December 12th and the meeting on January 9th, the City Council can convene a special meeting with 24-hour notice to the public.

FISCAL IMPACT

There is no fiscal impact associated with the proposed meeting cancellation.

RECOMMENDATION

It is recommended that the City Council cancel the December 26, 2022, City Council meeting.

SUGGESTED MOTION

I move that the City Council cancel the December 26, 2022, City Council meeting.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Chun Saul, Finance Director

MEETING DATE: December 12, 2022

SUBJECT: Ordinance No. 1061-B, Second and Final Reading – Amending the 2022 Budget #3

ISSUE

Ordinance No. 1061-B amending the 2022 Budget, is hereby submitted to reflect the changes in estimates and actual activities of the City since the adoption of the 2022 Budget. This is the third amendment to the 2022 Budget. The first reading of the ordinance occurred at the November 28, 2022, Council meeting and no changes have been made since the first reading.

Throughout the year, adjustments to the budget become necessary as a result of City Council actions, changes in estimates, activity levels that were not anticipated during budget development, and grant awards or other receipts of outside funding. Historically, the budget has been amended two or three times per year prior to the conclusion of the fiscal year on December 31st.

DISCUSSION

A summary for the proposed amendment, including beginning fund balances, revenues, transfers-in, expenditures, transfers-out, and estimated ending fund balances and a detailed list of proposed budget amendment items are attached to the proposed Ordinance No. 1061-B as Exhibit “A” and Exhibit “A-1”.

The proposed budget amendments by fund are summarized as follows:

General Fund

The proposed budget amendment increases the General Fund’s revenues by \$10,847 and increases appropriations by \$10,847, resulting in no changes in the fund balance.

Total revenue and appropriation budget increase of \$10,847 is for a new Federal Treasury Grant that is passed-through the Washington Department of Commerce for Utility Residential Customer Arrearages Program.

Utility customers who had signed up for the City’s COVID-19 payment plan are eligible to receive assistance from this fund for their remaining unpaid balances. As of 11/8/2022, there were 19 eligible customers with Covid19 payment plan balances remaining. The grant contract has been signed by the City Manager, and an invoice requesting the funding was submitted to Commerce on 11/22/2022. The

money is expected to be received within a week, at which time the City’s utility will apply the funds to the eligible utility customers’ accounts directly.

The beginning fund balance was adjusted to reflect the actual balance amount.

A summary of changes from the current 2022 Budget to the 2022 Proposed Amended Budget #3 for the General Fund is provided below:

General Fund	2022 Amended Budget #2	2022 Amended Budget #3	Change Increase (Decrease)	Change %
Revenues	\$ 11,946,536	\$ 11,957,383	\$ 10,847	0.1%
Transfers-In	457,340	457,340	-	0.0%
Expenditures	11,485,001	11,495,848	10,847	0.1%
Transfers- out	1,987,219	1,987,219	-	0.0%
Net Revenues Over (Under) Expenditures	(1,068,344)	\$ (1,068,344)	-	0.0%
Beginning Fund Balance	2,719,202	2,713,504	(5,698)	-0.2%
Estimated Ending Fund Balance	\$ 1,650,858	\$ 1,645,160	\$ 246,770	17.6%
Est. Ending Fund Balance % of Revenues	13.8%	13.8%		

Transportation Benefit District Fund

The proposed budget amendment decreases the Transportation Benefit District Fund’s appropriations by \$457,700 to reflect more to the actual project activities.

- A) Decrease appropriations by \$1,200,000 for the projects that have been deferred to budget year 2023:

Main Street Resurfacing construction: \$600,000 budget was approved in the 2022 Adopted Budget, but the construction is scheduled to start in 2023. The construction budget is included in the 2023 Preliminary Budget; thus, it is being removed from the 2022 budget.

Downtown Market Boulevard Reconstruction: \$600,000 was approved in the 2022 Adopted Budget. However, the project has been deferred until 2023. A budget of \$300,000 is included in the 2023 Preliminary Budget for preliminary and design work in 2023. Thus \$600,000 is being removed from the 2022 budget.

- B) Increase for new and/or additional appropriations by \$742,300 for the following projects:

Pacific Avenue Reconstruction: \$111,000 budget is requested to cover the expenses incurred in 2022. This project was anticipated to be completed in 2021 when the 2022 Budget was adopted. The first two 2022 budget amendments did not carry over the previous years’ budget balance.

Chehalis Avenue Reconstruction: \$631,300 budget increase is requested to reflect actual construction bid award and contingency budget that was approved by the City Council on May 9, 2022, and the remaining engineering services contract to complete the project.

Park Improvement Fund

The proposed budget amendment increases the Park Improvement Fund's appropriations by \$16,000 for additional costs of wing fence install and concrete mow strip on filed #4 at the Recreation Park.

Wastewater Fund

The proposed budget amendment increases the Water Fund's revenues by \$146,300 and increases transfers out by \$146,300. This is due to changes in budgeting process and has no impact to the fund balance.

Background Information: The 2022 rate revenues are split and budgeted in the Wastewater Fund and Wastewater Capital Fund. The portion of rate revenues budgeted in the Wastewater Capital Fund represents the 2022 excess revenue over the 2022 operating and debt service budget plus 3-1/2 months of operating reserves in the Wastewater Fund (O&M). However, it was determined that tracking all rate revenues in one fund provides more efficiency for accounting and budget monitoring as well as financial information reporting throughout the year. Thus, this budgeting process was changed with the preparation of the 2023 Preliminary Budget. All rate revenues are budgeted in the Wastewater O&M Fund and then the portion that can be moved to the Wastewater Capital Fund is budgeted as transfers out from the Wastewater Fund and transfers in by the Wastewater Capital Fund.

This proposed budget amendment is to reflect the changes in the budgeting process.

This change in budgeting process is applicable for all enterprise funds including Wastewater, Water, Storm & Surface Water, Airport, Wastewater Capital, Water Capital, Storm and Surface Water Capital, and Airport Capital fund.

Water Fund

The proposed budget amendment increases the Water Fund's revenues by \$351,600 and increases transfers out by \$351,600. This is due to changes in budgeting process and has no impact to the fund balance.

Storm and Surface Water Fund

The proposed budget amendment increases the Storm and Surface Water Fund's revenues by \$134,700 and increases transfers out by \$134,700. This is due to changes in budgeting process and has no impact to the fund balance.

Airport Fund

The proposed budget amendment increases the Airport Fund's revenues by \$459,000, increases appropriations by \$70,000, and increases transfers out by \$289,000, resulting in a net increase in fund balance by \$100,000.

The proposed revenue increase of \$459,000 includes the following:

- \$57,500 increase in fuel sales to reflect the year-to-date actual revenues and new estimates for December revenues.
- \$8,278 increase in hangar and capital leases to reflect the year-to-date actual revenues and new estimates for December revenues.

- \$4,222 increase in car rentals and interest earnings to reflect more to actual.
- \$389,000 increase is for a portion of fuel sales and lease revenues that is budgeted in the Airport Capital Fund and is being moved to the Airport O&M Fund.

The proposed increase in appropriation of \$70,000 includes the following:

- \$110,000 increase in the fuel purchase for sale to reflect more to actual
- \$40,000 decrease in the professional services budget to reflect more to actual

The proposed increase in transfers out of \$289,000 is for the access fund balance over the desired operating reserves in the Airport O&M Fund to the Airport Capital Fund.

Wastewater Capital Fund

The proposed budget amendment decreases the Wastewater Capital Fund's revenues by \$146,300 and increases transfers in by \$146,300. This is due to changes in budgeting process and has no impact to the fund balance.

Water Capital Fund

The proposed budget amendment decreases the Water Capital Fund's revenues by \$351,600, increases transfers in by \$351,600, and increases appropriations by \$158,500, resulting in net decrease in fund balance by \$158,500. The decrease in revenue \$351,600 is offset by increase in transfers in for the same amount.

The proposed increase in appropriation of \$158,500 includes the following:

A) Decrease appropriations by \$126,000 for the projects that have been deferred to budget year 2023:

- -\$35,000: Replacement of window and ceiling at Water Filter Plant
- -\$60,000: Chehalis Raw Water Pump Line Feasibility Study and Design
- -\$31,000: Greenwood/SE Prospect Waterline Replacement

B) Increase for new and additional appropriations by \$284,500 for the following projects:

Pacific Avenue Reconstruction: \$9,500 increase to cover the expenses incurred in 2022. This project was anticipated to be completed in 2021 when the 2022 Budget was adopted. The first two budget amendments did not carry over the previous years' budget balance.

Chehalis Avenue Reconstruction Waterline Replacement: \$235,000 increase to reflect actual construction bid award and contingency budget approved by the City Council on May 9, 2022, and the remaining engineering service contract to complete the project.

Bishop Road Water Loop Project: \$15,000 new appropriation is requested for a preliminary work to prepare for request for proposal

Water rights related expenditures: \$25,000 increase to reflect more to actual expenditures to-date.

Storm and Surface Water Capital Fund

The proposed budget amendment decreases the Storm and Surface Water Capital Fund’s revenues by \$134,700, increases transfers in by \$134,700, and increases appropriations by \$12,905, resulting in net decrease in fund balance by \$12,905. The decrease in revenue \$134,700 is offset by increase in transfers in for the same amount.

The proposed increase in appropriation of \$12,905 includes the following:

Pacific Avenue Reconstruction: \$9,405 requested to cover the expenses incurred in 2022. This project was anticipated to be completed in 2021 when the 2022 Budget was adopted. The first two budget amendments did not carry over the previous years’ budget balance.

Chehalis Avenue Reconstruction: \$3,500 increase to reflect actual construction bid award and contingency budget approved by the City Council on May 9, 2022, and the remaining engineering service contract to complete the project.

Airport Capital Fund

The proposed budget amendment decreases the Airport Capital Fund’s revenues by \$389,000 and increases transfers in from the Airport O&M Fund by \$289,000, resulting in a net decrease in fund balance by \$100,000.

City-Wide Summary

The proposed budget amendment revises the budgeted amount by a combined net total increase in the fund balance by \$270,295 and total estimated ending fund balance at 12/31/2022 to \$27,589,460 as provided below:

	2022 Amended Budget #2	2022 Amended Budget #3	Change Increase (Decrease)	Change %
City-wide (All Funds)				
Revenues	\$ 30,668,194	\$ 30,749,041	\$ 80,847	0.3%
Transfers-In	14,219,484	15,141,084	\$ 921,600	6.5%
Expenditures	30,058,628	29,869,180	\$ (189,448)	-0.6%
Transfers-out	14,219,484	15,141,084	\$ 921,600	6.5%
Net Revenues Over (Under) Expenditures	\$ 609,566	\$ 879,861	\$ 270,295	135.7%
Beginning Fund Balance	26,715,297	26,709,599	\$ (5,698)	0.0%
Estimated Ending Fund Balance	\$ 27,324,863	\$ 27,589,460	\$ 264,597	1.0%

RECOMMENDATION

It is recommended that the City Council adopt Ordinance No. 1061-B on second reading.

SUGGESTED MOTION

I move that the City Council adopt Ordinance No. 1061-B on second and final reading.

ORDINANCE NO. 1061-B

AN ORDINANCE OF THE CITY OF CHEHALIS, WASHINGTON, AMENDING THE 2022 FISCAL YEAR BUDGET ADOPTED BY ORDINANCE NO. 1025-B BY REVISING THE BUDGETED AMOUNTS BY A COMBINED TOTAL OF TWO HUNDRED EIGHTY-ONE THOUSAND EIGHT HUNDRED NINETY-FIVE DOLLARS (\$281,895) FOR THE GENERAL FUND, TRANSPORTATION BENEFIT DISTRICT FUND, PARKS IMPROVEMENT FUND, WASTEWATER FUND, WATER FUND, STORM AND SURFACE WATER FUND, AIRPORT FUND, WASTEWATER CAPITAL FUND, WATER CAPITAL FUND, STORM AND SURFACE WATER CAPITAL FUND, AND AIRPORT CAPITAL FUND AND DIRECTING THE FINANCE DIRECTOR TO EFFECT THE BUDGET AMENDMENTS HEREIN PROVIDED.

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

Section 1. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to increase the General Fund's revenues by \$10,847 and increase appropriations by \$10,847.

Section 2. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to decrease the Transportation Benefit District Fund's appropriations by \$469,300.

Section 3. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to increase the Park Improvement Fund's appropriations by \$16,000.

Section 4. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to increase the Wastewater Fund's revenues by \$146,300 and increase transfers out by \$146,300.

Section 5. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to increase the Water Fund's revenues by \$351,600 and increase transfers out by \$351,600.

Section 6. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to increase the Storm and Surface Water Fund's revenues by \$134,700 and increase transfers out by \$134,700.

Section 7. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to increase the Airport Fund's revenues by \$459,000, increase appropriations by \$70,000, and increase transfers out by \$289,000.

Section 8. The annual budget of the city for the calendar year 2022 shall be, and the

same hereby is, amended so as to decrease the Wastewater Capital Fund's revenues by \$146,300 and increase transfers in by \$146,300.

Section 9. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to decrease the Water Capital Fund's revenues by \$351,600, increase transfers in by \$351,600, and increase appropriations by \$158,500.

Section 10. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to decrease the Storm and Surface Water Capital Fund's revenues by \$134,700, increase transfers in by \$134,700, and increase appropriations by \$12,905.

Section 11. The annual budget of the city for the calendar year 2022 shall be, and the same hereby is, amended so as to decrease the Airport Capital Fund's revenues by \$389,000 and increase transfers in by \$289,000.

Section 7. Attached hereto and identified as Exhibit A, in summary form, is the total of estimated revenues, transfers-in, expenditures, and transfers-out for each separate fund and the aggregate totals for all such funds combined for the city for the amended 2022 budget which shows a total estimated ending fund balance of \$27,701,060.

PASSED by the City Council of the City of Chehalis, Washington, and **APPROVED** at a regularly scheduled open public meeting thereof this _____ day of December, 2022.

Mayor

Attest:

City Clerk

Approved as to form and content:

City Attorney

**CITY OF CHEHALIS "THIRD " AMENDED 2022 BUDGET
2022 BUDGET SUMMARY REVISED WITH ORDINANCE NO. 1061-B
Original Adopted Budget: Ordinance No. 1025-B**

Fund No.	Fund Name	Beginning Fund Balance				Estimated Ending Fund Balance 12/31/2022	Change in Fund Balance Increase (Decrease)	% Change	
		01/01/2022	Revenues	Transfers In	Expenditures				Transfers Out
001	General Fund	\$ 2,713,504	\$ 11,957,383	\$ 457,340	\$ 11,495,848	\$ 1,987,219	\$ 1,645,160	\$ (1,068,344)	-39.4%
003	Street Fund	287,980	162,873	912,828	1,079,576	-	284,105	(3,875)	-1.3%
004	Building Abatement Fund	51,659	50	-	-	-	51,709	50	0.1%
102	Arterial Street Fund	96,855	-	-	-	90,828	6,027	(90,828)	-93.8%
103	Transportation Benefit District Fund	3,071,696	4,401,100	-	3,230,700	-	4,242,096	1,170,400	38.1%
107	Tourism Fund	140,104	235,070	-	149,300	108,686	117,188	(22,916)	-16.4%
110	Compensated Absences Reserve Fund	247,014	240	-	61,700	-	185,554	(61,460)	-24.9%
115	LEOFF 1 OPEB Reserve Fund	66,077	100	205,800	156,700	-	115,277	49,200	74.5%
195	Community Development Block Grant Fund	24,613	25	-	1,000	-	23,638	(975)	-4.0%
197	HUD Block Grant Fund	88,501	85	-	2,000	-	86,586	(1,915)	-2.2%
199	Federal Grant Control Fund	1,068,806	1,075,593	-	10,830	420,000	1,713,569	644,763	60.3%
200	General Obligation Bond Fund	5	-	299,516	299,515	-	6	1	20.0%
301	Public Facilities Reserve Fund	477,066	250	485,000	425,000	180,000	357,316	(119,750)	-25.1%
302	Automotive/Equipment Reserve Fund	283,253	100	450,000	-	-	733,353	450,100	158.9%
303	Parks Improvement Fund	-	20,750	180,000	114,850	-	85,900	85,900	0.0%
305	First Quarter REET Fund	288,772	126,400	-	-	130,494	284,678	(4,094)	-1.4%
306	Second Quarter REET Fund	367,156	126,475	-	-	73,257	420,374	53,218	14.5%
402	Garbage Fund	8,449	6,110	-	7,000	-	7,559	(890)	-10.5%
404	Wastewater Fund	5,468,851	5,553,200	-	5,536,494	2,146,300	3,339,257	(2,129,594)	-38.9%
405	Water Fund	7,866,126	3,338,801	-	2,848,809	6,751,600	1,604,518	(6,261,608)	-79.6%
406	Storm and Surface Water Fund	1,516,682	719,070	-	581,020	1,429,700	225,032	(1,291,650)	-85.2%
407	Airport Fund	1,543,750	1,947,160	-	1,549,423	1,823,000	118,487	(1,425,263)	-92.3%
414	Wastewater Capital Fund	-	1,500	2,146,300	542,000	-	1,605,800	1,605,800	0.0%
415	Water Capital Fund	-	6,000	6,751,600	999,500	-	5,758,100	5,758,100	0.0%
416	Storm and Surface Water Capital Fund	-	700	1,429,700	70,805	-	1,359,595	1,359,595	0.0%
417	Airport Capital Fund	-	1,054,526	1,823,000	682,210	-	2,195,316	2,195,316	0.0%
611	Firemen's Pension	1,032,680	15,480	-	13,300	-	1,034,860	2,180	0.2%
TOTALS		\$ 26,709,599	\$ 30,749,041	\$ 15,141,084	\$ 29,857,580	\$ 15,141,084	\$ 27,601,060	\$ 891,461	3.3%

*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.

Original Budget	24,554,668	28,374,422	13,448,484	28,166,738	13,448,484	24,762,352	207,684
Amended Budget #1	26,715,297	29,789,814	14,183,484	29,590,668	14,183,484	26,914,443	199,146
Amended Budget #2	26,715,297	30,668,194	14,219,484	30,058,628	14,219,484	27,324,863	609,566
<i>Changes from Amended Budget #2</i>	<i>(5,698)</i>	<i>80,847</i>	<i>92,160</i>	<i>(201,048)</i>	<i>92,160</i>	<i>276,197</i>	<i>281,895</i>

Fund No. and Name	Account Name	Reason for Amendment	2022 Amended Budget	Revenue Increase (Decrease)	Transfers In	Expenditures Increase (Decrease)	Transfers Out	Ending Fund Balance Increase (Decrease)	Proposed Amended Budget
Fund 001 - General Fund									
Revenues:									
001.333.021.02	Fed Indirect - US Treasury CSLFRF	New granT Award for utility covid-19 arrearage assistance	-	10,847				10,847	-
Total General Fund Revenues & Transfers In			12,403,876	10,847	-	-	-	10,847	12,414,723
Expenditures:									
001.G1.518.063.40.21	Grant Pass-Thru Pmt - UT Assist	Chehalis Utility Customer Covid19 Arreages Payment Assistance	-			10,847		10,847	10,847
subtotal for Non-Departmental			2,270,469	-	-	10,847	-	10,847	2,281,316
Total General Fund Expenditures & Transfers Out			13,472,220	-	-	10,847	-	10,847	13,483,067
Total for General Fund				10,847	-	10,847	-	-	
Fund 103 - Transportation Benefit District Fund									
Expenditures:									
103.03.595.030.65.30	Construction	Main Street Resurfacing Construction - Project Moved to 2023				(600,000)		(600,000)	(600,000)
103.03.595.010.65.41	Engineering	Downtown Market Blvd Reconstruction - Modified in the 2023 Budget				(600,000)		(600,000)	(600,000)
103.03.595.030.65.30	Construction	Pacific Avenue Reconstruction - 2021 Project PE#6&7. Not budgeted in 2022				111,000		111,000	111,000
103.03.595.030.65.30	Construction	Chehalis Avenue Reconstruction - Reflect Actual Bid & Remaining Contract				441,600		441,600	441,600
103.03.595.010.65.41	Engineering	Chehalis Avenue Reconstruction - Reflect to Actual Remaining Contract				178,100		178,100	178,100
Total Transportation Benefit District Fund Expenditures & Transfers Out			3,700,000	-	-	(469,300)	-	(469,300)	3,230,700
Total for Transportation Benefit District Fund				-	-	(469,300)	-	469,300	
Fund 303 - Park Improvement Fund									
Expenditures:									
303.70.594.076.63.01	Other Improvements - Rec Park	Rec Park Fencing and Field 3&4 Drain Project Additional Work	53,850			16,000		16,000	69,850
Total Park Improvement Fund Expenditures & Transfers Out			98,850	-	-	16,000	-	16,000	114,850
Total for Park Improvement Fund				-	-	16,000	-	(16,000)	
Fund 404 - Wastewater Fund									
Revenues:									
404.343.050.21	Residential	Budgeting Change. Combine % rate revenues budgeted in 414 Fund to 404	2,289,600	23,100				23,100	2,312,700
404.343.050.22	Commercial	Budgeting Change. Combine % rate revenues budgeted in 414 Fund to 404	2,278,200	23,000				23,000	2,301,200
404.343.050.30	Sewer Connection - CFC	Budgeting Change. Combine % rate revenues budgeted in 414 Fund to 404	-	100,200				100,200	100,200
Total Wastewater Revenues & Transfers In			5,406,900	146,300	-	-	-	146,300	5,553,200
Expenditures:									
404.11.597.009.55.14	Transfer Out - Fund 414 Capital	Transfer Out Portion of 2022 Rate Revenues to Capital Fund 414	2,000,000				146,300	146,300	2,146,300
Total Wastewater Fund Expenditures			7,536,494	-	-	-	146,300	146,300	7,682,794
Total Wastewater Fund				146,300	-	-	146,300	-	
Fund 405 - Water Fund									
Revenues:									
405.343.040.21	Residential	Budgeting Change. Combine % rate revenues budgeted in 415 Fund to 405	1,039,500	96,600				96,600	1,136,100
405.343.040.22	Commercial	Budgeting Change. Combine % rate revenues budgeted in 415 Fund to 405	1,569,100	145,800				145,800	1,714,900
405.343.040.30	Water Connection - CFC	Budgeting Change. Combine % rate revenues budgeted in 415 Fund to 405	-	109,200				109,200	109,200
Total Water Fund Revenues & Transfers In			2,987,201	351,600	-	-	-	351,600	3,338,801
Expenditures:									
405.10.597.009.55.15	Transfer Out - Fund 415 Capital	Transfer Out Portion of 2022 Rate Revenues to Capital Fund 415	6,400,000				351,600	351,600	6,751,600
Total Water Fund Expenditures			9,248,809	-	-	-	351,600	351,600	9,600,409
Total for Water Fund				351,600	-	-	351,600	-	

Fund No. and Name	Account Name	Reason for Amendment	2022 Amended Budget	Revenue Increase (Decrease)	Transfers In	Expenditures Increase (Decrease)	Transfers Out	Ending Fund Balance Increase (Decrease)	Proposed Amended Budget
Fund 406 - Storm & Surface Water Fund									
Revenues:									
406.343.010.01	Single Family Residential	Budgeting Change. Combine % rate revenues budgeted in 416 Fund to 406	170,900	37,500				37,500	208,400
406.343.010.02	Closed Non-Single Family Residential	Budgeting Change. Combine % rate revenues budgeted in 416 Fund to 406	300,600	66,000				66,000	366,600
406.343.010.03	Open Non-Signle Family Residential	Budgeting Change. Combine % rate revenues budgeted in 416 Fund to 406	77,900	17,100				17,100	95,000
406.343.010.30	Stormwater Connection - CFC	Budgeting Change. Combine % rate revenues budgeted in 416 Fund to 406	-	14,100				14,100	14,100
Total Storm Water Fund Revenues & Transfers In			584,370	134,700	-	-	-	134,700	719,070
Expenditures:									
406.06.597.009.55.16	Transfer Out - Fund 416 Capital	Transfer Out Portion of 2022 Rate Revenues to Capital Fund 415	1,295,000				134,700	134,700	1,429,700
Total Stormwater Fund Expenditures			1,876,020	-	-	-	134,700	134,700	2,010,720
Total Stormwater Fund				134,700	-	-	134,700	-	
Fund 407 - Airport Fund									
Revenues:									
407.344.050.00	Fuel Sales	Budgeting Change. Combine % revenues budgeted in 417 Fund to 407	513,500	136,500				136,500	650,000
407.344.060.03	Hangars Lease	Budgeting Change. Combine % revenues budgeted in 417 Fund to 407	94,800	25,200				25,200	120,000
407.344.060.04	Capital Lease	Budgeting Change. Combine % revenues budgeted in 417 Fund to 407	855,200	227,300				227,300	1,082,500
407.344.050.00	Fuel Sales	Relect more to new estimates		57,500				57,500	57,500
407.344.060.03	Hangars Lease	Relect more to new estimates		6,500				6,500	6,500
407.344.060.01	Rental Car Fees	Relect more to actual	500	520				520	1,020
407.344.060.07	Capital Lease - LET Exempt	Relect more to actual	14,230	1,778				1,778	16,008
407.361.011.00	Interest Earning	Relect more to actual	4,550	3,702				3,702	8,252
Total Airport Fund Revenues & Transfers In			1,488,160	459,000	-	-	-	459,000	1,947,160
Expenditures:									
407.09.546.010.33.00	Fuel Purchase for Resale	Reflect more to actual.	525,000			110,000		110,000	635,000
407.09.546.010.41.00	Profession Services	Reflect more to actual.	110,000			(40,000)		(40,000)	70,000
407.09.597.010.55.17	Transfer Out - Fund 417 Capital	Transfer Out Portion of 2022 Rate Revenues to Capital Fund 417	1,534,000				289,000	289,000	1,823,000
Total Airport Fund Expenditures			3,013,423	-	-	70,000	289,000	359,000	3,372,423
Total for Airport Fund				459,000	-	70,000	289,000	100,000	
Fund 414 - Wastewater Capital Fund									
Revenues:									
414.343.050.21	Residential	Change Budgeting process. To record all rate revenues in 404 Fund	23,100	(23,100)				(23,100)	-
414.343.050.22	Commercial	Change Budgeting process. To record all rate revenues in 404 Fund	23,000	(23,000)				(23,000)	-
414.343.050.30	Sewer Connection -CFC	Change Budgeting process. To record all rate revenues in 404 Fund	100,200	(100,200)				(100,200)	-
414.397.030.04	Transfer In - Fund 104	Transfer in Portion of 2022 Revenues from Fund 404	2,000,000		146,300			146,300	2,146,300
Total Wastewater Capital Fund Revenues & Transfers In			2,147,800	(146,300)	146,300	-	-	-	2,147,800
Total for Wastewater Capital Fund				(146,300)	146,300	-	-	-	
Fund 415 - Water Capital Fund									
Revenues:									
414.343.050.21	Residential - Replacement Sales	Change Budgeting process. To record all rate revenues in 405 Fund	96,600	(96,600)				(96,600)	49,200
414.343.050.22	Commercial - Replacement Sales	Change Budgeting process. To record all rate revenues in 405 Fund	145,800	(145,800)				(145,800)	(36,600)
414.343.050.30	Utility Hook up/Connection	Change Budgeting process. To record all rate revenues in 405 Fund	109,200	(109,200)				(109,200)	90,800
414.397.010.05	Transfer In - Fund 404	Transfer in Portion of 2022 Revenues from Fund 405	200,000		351,600			351,600	351,600
Total Water Capital Fund Revenues & Transfers In			6,757,600	(351,600)	351,600	-	-	-	6,757,600
Expenditures:									
415.10.594.034.62.00	Building	Replace window and ceiling at WFP - project move to 2023	35,000			(35,000)		(35,000)	-
415.10.594.034.65.00	Construction	Pacific Avenue Reconstruction - 2021 Project PE#6&7. Not budgeted in 2022	-			9,500		9,500	9,500
415.10.594.034.65.00	Construction	Chehalis Avenue Reconstruction - Reflect Actual Bid & Remaining Contract	600,000			235,000		235,000	835,000
415.10.594.034.65.40	Engineering	Chehalis Raw Water Pump Line - Feasibility Study & Design - Moved to 2023	-			(60,000)		(60,000)	(60,000)

Fund No. and Name	Account Name	Reason for Amendment	2022	Revenue	Transfers	Expenditures	Transfers	Ending Fund	Proposed
			Amended Budget	Increase (Decrease)	In	Increase (Decrease)	Out	Balance Increase (Decrease)	Amended Budget
415.10.594.034.65.40	Engineering	Greenwood/SE Prospect Waterline Replacement - Moved to 2023	-			(31,000)		(31,000)	(31,000)
415.10.594.034.65.40	Engineering	Preliminary work on Bishop Road Water Loop Project RFP preparation	-			15,000		15,000	15,000
415.10.594.034.66.00	Water Rights	Marwood & TransAlta Water Rights	75,000			25,000		25,000	100,000
Total Water Capital Fund Expenditures			841,000	-	-	158,500	-	158,500	999,500
Total for Water Capital Fund				(351,600)	351,600	158,500	-	(158,500)	

Fund 416 - Storm & Surfacewater Capital Fund

Revenues:

416.343.010.01	Single Family Residential	Change Budgeting process. To record all rate revenues in 404 Fund	37,500	(37,500)				(37,500)	-
416.343.010.02	Closed Non-Single Family Residential	Change Budgeting process. To record all rate revenues in 404 Fund	66,000	(66,000)				(66,000)	-
416.343.010.03	Open Non-Single Family Residential	Change Budgeting process. To record all rate revenues in 404 Fund	17,100	(17,100)				(17,100)	-
416.343.010.30	Utility Hook Up/Connection	Change Budgeting process. To record all rate revenues in 404 Fund	14,100	(14,100)				(14,100)	-
416.397.020.06	Transfer In - Fund 406	Change Budgeting process. Transfer In Portion of 2022 Rate Revenue from 406 F	1,295,000		134,700			134,700	1,429,700
Total Storm & Surfacewater Capital Revenues & Transfers In			1,430,400	(134,700)	134,700	-	-	-	1,430,400

Expenditures:

416.06.594.031.65.00	Construction	Pacific Avenue Reconstruction - 2021 Project PE#6&7. Not budgeted in 2022	-			9,405		9,405	9,405
416.06.594.031.65.00	Construction	Chehalis Avenue Reconstruction - Reflect Actual Bid & Remaining Contract	46,300			15,100		15,100	61,400
416.06.594.031.65.41	Engineering	Chehalis Avenue Reconstruction - No budget needed for this project	11,600			(11,600)		(11,600)	-
Total Storm & Surfacewater Capital Fund Expenditures			57,900	-	-	12,905	-	12,905	70,805

Total for Storm & Surfacewater Capital Fund				(134,700)	134,700	12,905	-	(12,905)	
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Fund 417 - Airport Capital Fund

Revenues:

417.344.050.00	Fuel Sales	Change Budgeting process. To record all revenues in 407 Fund	136,500	(136,500)				(136,500)	-
417.344.060.03	Hangars Lease	Change Budgeting process. To record all revenues in 407 Fund	25,200	(25,200)				(25,200)	-
417.344.060.04	Capital Lease	Change Budgeting process. To record all revenues in 407 Fund	227,300	(227,300)				(227,300)	-
417.397.080.07	Transfer In - Fund 407	Change Budgeting process. Transfer in Portion of 2022 Revenues	1,534,000		289,000			289,000	1,823,000
Total Airport Capital Fund Revenues & Transfers In			2,977,526	(389,000)	289,000	-	-	(100,000)	2,877,526

Total for Airport Capital Fund				(389,000)	289,000	-	-	(100,000)	
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Total Amendment for City-wide All Funds			80,847	921,600	(201,048)	921,600	281,895		
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**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

MEETING OF: December 12, 2022

SUBJECT: **TransAlta Water Rights Purchase: Addendum of the Centralia Purchase and Sale Agreement with TransAlta Adding the City of Chehalis**

INTRODUCTION

Documents that will facilitate the City of Chehalis' purchase of water rights from the TransAlta Water Bank have been prepared for consideration by the City Council. These include an Addendum to a Purchase and Sale Agreement (PSA) between the City of Centralia and TransAlta adding the City of Chehalis as a party to the agreement and a direct purchaser of the water rights. Tom McDonald, Esq., of Cascadia Law, who represents the City in this matter, will be at the City Council meeting to provide a presentation on the proposed Addendum.

SUMMARY

On September 13, 2021, the City of Chehalis approved a Regional Water Supply Agreement with the City of Centralia to participate in the purchase of water rights from the TransAlta Water Bank for the purpose of mitigating a new water right to supply Chehalis and Centralia water service areas.

The agreement commits the City to purchase 3,360 acre feet of water which is equivalent to 3 million gallons a day (MGD). The purchase price of the water from the Water Bank is \$1,500 per acre foot for a total of \$5,040,000. The original agreement was based on a Purchase and Sale Agreement (PSA) that the City of Centralia was negotiating with TransAlta, so the City of Chehalis did not have a direct agreement with TransAlta.

Over the last 15 months, there have been discussions and negotiations regarding how to add the City of Chehalis as a party to the PSA that Centralia executed with TransAlta so that the City of Chehalis would directly purchase and separately own the rights to the 3 MGD or 3360 acre feet that it committed to purchase through the City of Centralia in September 2021.

Earlier this year, the Office of the Chehalis Basin started to discuss and study the potential removal of the TransAlta dam and reservoir, also known as the Skookumchuck Dam, which is a key element to the TransAlta Water Bank. If the dam and reservoir were removed, the long-term viability of the water rights would be threatened. Therefore, the Cities also began negotiating additional terms in the Addendum to obtain assurance from TransAlta that it will seek to maintain the reservoir and to ensure the Cities have authority to challenge any attempt to remove the reservoir.

These negotiations have produced a proposed Addendum that will make the following key amendments to the PSA: 1) Add the City of Chehalis as party to the PSA, which provides for the City to directly purchase water from the TransAlta Water Bank; and 2) providing terms to protect both Cities from the recent studies regarding removal of the TransAlta reservoir, which could negatively impact the water purchased by the Cities from the TransAlta Water Bank. If the Addendum is approved, the City of Chehalis will be subject to the terms of the PSA between the City of Centralia and TransAlta.

BACKGROUND ON THE WATER RIGHTS

The water from the TransAlta Water Bank will be used to mitigate impacts to the Chehalis River below the confluence of the Skookumchuck River caused by the withdrawal of water under a new water right permit. Centralia originally applied for the right to withdraw 8 million gallons of water per day (MGD) from well fields near the confluence of the Skookumchuck and Chehalis Rivers. Of the 8 MGD, Centralia designated 3 MGD for use by Chehalis. Although the 3 MGD would be available to Chehalis, the original agreement would put Centralia in the ownership position with control of the water right permit under the original PSA.

At the time Centralia and TransAlta began negotiations on the Addendum, Centralia and Chehalis began discussions regarding the 3 MGD allocated to Chehalis. Chehalis and Centralia agreed that Chehalis should have its own water right for the 3 MGD, and Chehalis would purchase its own mitigation water from TransAlta for the 3 MGD. To accomplish this, Centralia assigned 3 MGD of its water right application to Chehalis. Chehalis then became involved in negotiating the Addendum to include Chehalis as a party to the PSA and as the direct purchaser of the 3 MGD from the TransAlta Water Bank for mitigation. Based on Ecology's request, the City has filed an application for the Mitigation Water Right under Application No. G2-30862. The Notice of Application for publication and the SEPA Checklist and Threshold Determination should be completed within the next 60 days.

SKOOKUMCHUCK DAM REMOVAL BEING STUDIED

Earlier this year, the Cities discovered that the Office of the Chehalis Basin was studying the potential removal of the TransAlta dam and reservoir, also commonly referred to as the Skookumchuck Dam. This reservoir is a key element to the TransAlta Water Bank and therefore could compromise the reliability of the mitigation water that is necessary for the Cities' respective water right permits. As a result, the Cities began negotiating terms in the Addendum to obtain assurance from TransAlta that it will seek to maintain the reservoir and to ensure the Cities have authority to challenge any attempt to remove the reservoir.

TransAlta has now agreed to additional language in the Addendum that provides as much protection as currently possible for the Cities if any future actions are taken to remove the dam, which is becoming more remote as the studies continue. TransAlta has also stated publicly that it has no intentions to remove the Dam as long as the company owns it. The Addendum also provides for an assignment of interest and easements granted to the Cities from TransAlta on the reservoir which will be recorded with the County and attach to the parcel where the reservoir is located. This is meant to provide the Cities with an interest in the actual water supply and standing to defend the mitigation purchased by the Cities if there is any action taken to remove the dam.

FISCAL IMPACT

The proposed addendum would reinforce the City's previous commitment to purchase water mitigation rights to access 3,360 acre feet of water from the TransAlta Water Bank by establishing the City as a direct owner. The purchase price of the water from the Water Bank is \$1,500 per acre foot for a total of \$5,040,000, not including legal and other related fees. The City Council previously approved the purchase in September 2021. It is expected that the City will issue bonds in the second half of 2023 to finance the purchase.

ATTACHMENTS

The following documents are attached to this report:

- 1) Addendum to the Purchase and Sale Agreement
- 2) Water Rights Purchase and Sale Agreement and Joint Escrow Instructions
- 3) Water Mitigation Assignment of Interest and Easement

RECOMMENDATION

It is recommended that the City Council:

- 1) Approve the Addendum to the purchase and sale agreement, which makes the City subject to the terms of the Purchase and Sale Agreement.
- 2) Approve the Water Mitigation Assignment and Interest of Easement.
- 3) Authorize the City Manager to execute the agreement and related documents.

SUGGESTED MOTION

I move that the City Council:

- 1) Approve the Addendum to the purchase and sale agreement.
- 2) Approve the Water Mitigation Assignment and Interest of Easement.
- 3) Authorize the City Manager to execute the agreement and related documents.

Addendum to Purchase and Sale Agreement

This Addendum to the Purchase and Sale Agreement (PSA) between the City of Centralia (City or Centralia) and TransAlta, dated December 15, 2020, is dated March 22, 2022. This addendum introduces a new Buyer definition that includes City of Centralia and City of Chehalis.

On August 23, 2021, the Department of Ecology (Ecology) approved TransAlta's application for change CS2-14966@1 to create a mitigation bank, whereby TransAlta can issue mitigation certificates pursuant to a trust water agreement with Ecology, including the mitigation credits and certificate contemplated by the PSA. Ecology's August 23, 2021 decision approving change CS2-14966@1 noted the following with regard to the Skookumchuck Dam and Reservoir:

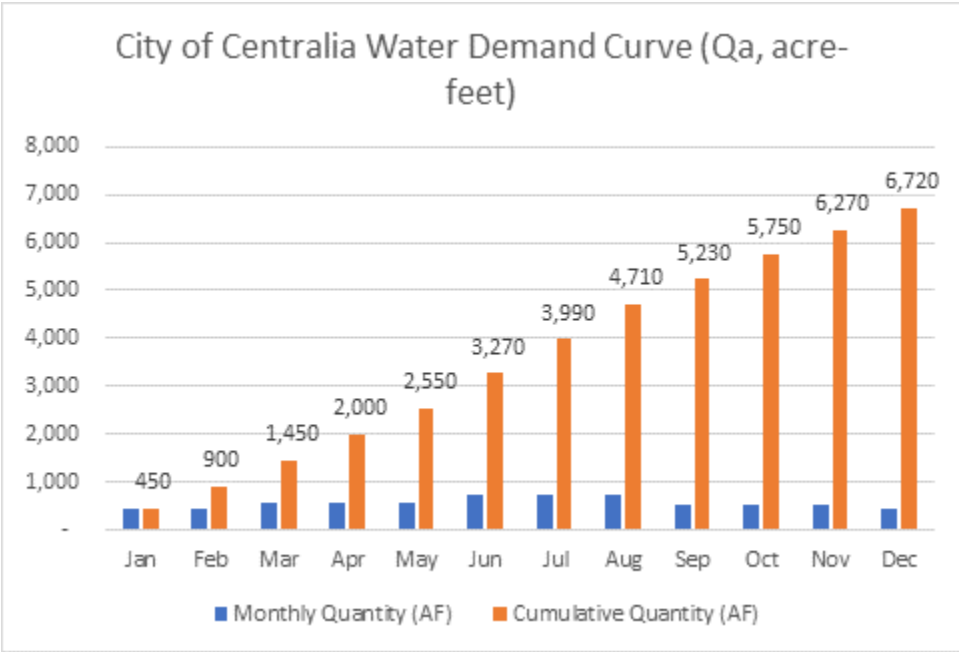
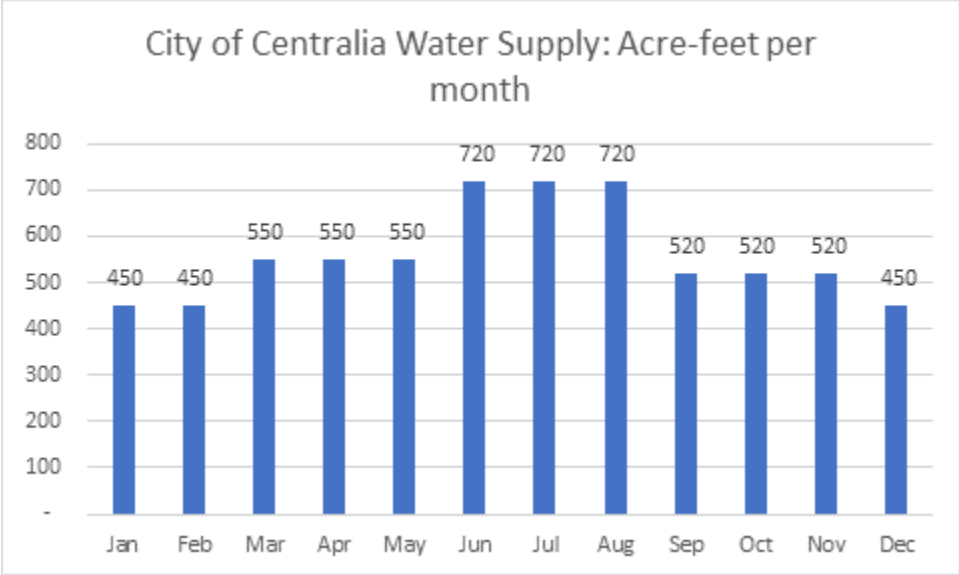
"The Skookumchuck Dam is a prominent component of the TransAlta water supply system. The dam was built in 1970 and stores water for the Centralia Steam-Electric Power Plant, provides some flood control, and furnishes hydroelectric power. The storage capacity is 34,800 acre-feet with a surface area of 550 acres when full.

"The Skookumchuck Dam serves to regulate flow in the river, when natural inflow drops below 95 cfs, the dam contributes up to 50 cfs to maintain minimum flows to compensate for the downstream diversion of water. No changes are being proposed to the operation of the Skookumchuck Dam as a result of this request, and the dam is needed to maintain flows in the river."

Centralia entered into a Regional Water Supply Agreement (RWSA) with City of Chehalis (Chehalis) in September 2021. The RWSA specifies how Chehalis's 3 MGD portion of the City's projected future regional water demand (and the associated mitigation credits) will be managed between them, including Centralia's agreement to assign a portion of its pending groundwater application and a portion of its mitigation credit purchase rights under this PSA to Chehalis, subject to TransAlta's approval.

To meet Centralia's and Chehalis's projected demand, to accommodate monthly reporting requirements by Ecology from the Mitigation Bank, and to account for Centralia's RWSA with Chehalis, this Addendum to the PSA provides the following amendments, as consented to by the Parties' signatures below per Section 17 of the PSA:

- 1) The mitigation credit to be provided by TransAlta's Water Bank for benefit of Centralia's Application defined in the original Purchase and Sale Agreement will be apportioned as reflected in the following graph and table. This distribution of mitigation offset will be reflected in the City's pending application and future mitigation credits, and TransAlta will work with Ecology to monitor this disbursement on an annual basis to ensure no exceedances.



Season	Winter (Dec - Feb)	Spring (Mar - May)	Summer (Jun - Aug)	Fall (Sept - Nov)
Acre-feet per month	450	550	720	520
Approximate Average CFS¹	7.5	9.1	11.9	8.6

1. Approximate Average CFS based on 30.4 days per month.

- 2) This Addendum confirms that, per Schedule I, Section 1.a of the Purchase and Sale Agreement, the Purchase Price shall be \$1500.00 per acre-foot for 6,720 acre-feet representing 6 million gallons per day.
- 3) The additional two million gallons per day in the Application is intended as a reserve for future industrial development in the region (“Industrial Reserve”). Seller agrees to negotiate in good faith and on the most favorable terms with Centralia for the sale of additional mitigation credits, limited to the quantity of mitigation credits available. For purposes of this section of the Agreement, “most favorable terms” means a price of \$1500/acre foot to be paid by December 31, 2023. Most favorable terms as defined here will not extend past December 31, 2023; however TransAlta will negotiate new terms after December 31, 2023 in good faith and fair dealing based on the mutually beneficial relationship between TransAlta and Centralia.
- 4) The original PSA contemplated the conveyance of “Mitigation Rights” to Centralia following approval by Ecology of the “City Application.” The City Application includes a 3 MGD water supply intended for Chehalis. As a consequence of the RWSA, Centralia has assigned 3 MGD of the City Application to Chehalis and Chehalis has agreed to submit its own Application for that 3 MGD (“Chehalis Application”) to Ecology. Centralia also agreed to amend the PSA so that Chehalis could acquire its own 3 MGD of Mitigation Rights from TransAlta. This Addendum recognizes Centralia’s partial assignment to Chehalis, Chehalis’s intent to submit its own application to Ecology based on that assignment, and Chehalis's desire to purchase its own mitigation credits from TransAlta pursuant to the PSA. Together, the Centralia and Chehalis water right applications are referred to herein as the “City Applications”. Consequently:
 - a. The term “City Application” in the PSA shall be inclusive of the both the Centralia application after the assignment to Chehalis and the Chehalis application, which are separate applications although they may be processed simultaneously.
 - b. The term “Buyer” in the PSA shall include Chehalis in regard to the purchase of 3,360 acre feet of Mitigation Rights as defined in the PSA. At such time and under such conditions as provided in the PSA, TransAlta shall assign and convey Mitigation Credits directly to Chehalis for the Chehalis Application as approved by Ecology.
- 5) Final Approval by Ecology of the City Applications, or either of them, including the mitigation credits to be issued by TransAlta to Centralia and Chehalis, is required as a Condition Precedent to Closing for either city, but one city’s failure to obtain Final Approval does not prevent the other city from Closing on their own purchase of Mitigation Credits.
- 6) PSA Revised Section 5 – Water Right Processing Considerations
 - a. The parties anticipate that Final Approval of the City Applications will be accomplished by December 31, 2022, which is an extension of the originally anticipated timeline.

Parties will continue to prosecute their applications in good faith and with reasonable haste, consistent with fair business activities. All Parties continue to agree to reasonable extensions provided that 15 days' notice is given in writing in advance of the start of the extension period.

7) PSA Revised Section 7– Non-Compete Clause

Section 7 is revised to read as follows: “Contingent on Closing and unless agreed to by Centralia, who shall not unreasonably withhold consent, Seller will not convey any interest or negotiate to sell any of the Water Rights or Mitigation Credits based on changes to the Water Rights to the entities listed in Exhibit B to this Addendum. Centralia may also seek exclusivity with other potential municipal water suppliers (as that term is defined in RCW 90.030.015) by specifically identifying each potential customer to Seller. The Parties will negotiate in good faith to accommodate Centralia’s request for exclusivity. This clause shall terminate once Centralia has entered into water supply contracts committing it to supply at least 1 million gallons per day to the customers listed above or subsequently identified to Seller, or December 31, 2052 whichever comes first.

8) PSA Revised Section 10 – Closing Date

The Parties intend to close within five (5) months of Ecology’s Final Approval of the Buyer’s respective Applications. The Parties anticipate that the closings will occur within or before the third quarter of 2023. This date may be extended by the Seller if it determines that justifiable delays have occurred through no fault of the Buyer.

9) PSA New Section 31 – Post-Closing Obligation to Maintain Dam and Reservoir.

The Parties recognize that the current and future availability of the Water Rights for diversion and beneficial use, including the Buyer’s intended use for mitigation purposes, is made possible by the maintenance of the Skookumchuck Reservoir, pursuant to Reservoir Certificate R11862 (the “Reservoir”), which is owned and maintained by the Seller. Seller assures Buyer that Seller shall maintain future operation and maintenance of the Reservoir in accordance with Applicable Law. Seller makes no guarantee against uncontrollable forces that may affect the future operation and maintenance of the Reservoir, including but not limited to flood, earthquake, storm, fire, lightning, extreme drought and other natural catastrophes, epidemic, pandemic, war, civil disturbance, strike, sabotage, restraint by order of a court or regulatory agency and action or non-action by, or failure to obtain the necessary authorizations or approvals from a federal government agency or authority. Seller shall comply with the conditions of approval of the Mitigation Bank Application and with the Trust Water Agreement entered into between Ecology and Seller. In the event that Ecology’s approval of the City Application includes conditions relating to the future operation and maintenance of the Reservoir, Seller shall in good faith comply with such conditions of approval and assist Buyer with

BUYER CITY OF CENTRALIA, a municipal corporation

By _____

Rob Hill

City Manager

ATTEST

City Clerk

APPROVED AS TO FORM _____

City Attorney

BUYER CITY OF CHEHALIS, a municipal corporation

By _____

Jill Anderson

City Manager

ATTEST

City Clerk

APPROVED AS TO FORM _____

City Attorney

|

**WATER RIGHTS PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**

This Water Rights Purchase and Sale Agreement (the "Agreement") is made this 15 day of Dec, 2020, by and between **THE CITY OF CENTRALIA, WASHINGTON**, a Washington municipal corporation ("City" or "Buyer") and **TRANSALTA CENTRALIA GENERATION, LLC**, a Washington Limited Liability Company ("TransAlta" or "Seller"). Buyer and Seller are each a "Party" and collectively the "Parties."

BACKGROUND AND PURPOSE

This Agreement memorializes the terms and conditions under which Buyer has agreed to purchase certain water rights from Seller to supply the Buyer with water rights to meet future growth demands within Buyer's boundaries and surrounding regions.

WHEREAS, the City and TransAlta and TransAlta's predecessor agreed in 1967 that the City would assign its senior pending application to TransAlta's predecessor in exchange for a commitment to design the Skookumchuck reservoir to provide at least two million gallons per day of storage capacity to meet the City's future needs and a right of first refusal to acquire its water rights and reservoir once coal-fired generation or related uses ceased at the facility located at 913 Big Hanaford Rd, Centralia, WA 98531;

WHEREAS, this water rights exchange has been documented through multiple resolutions and correspondence between the City and TransAlta's predecessor, including several meetings with the Washington State Department of Ecology ("Ecology") to facilitate the plan for future development of the water rights;

WHEREAS, in its current water system planning and a 2018 population study, the City has forecasted a future water supply capacity requirement of at least 8 million gallons per day (MGD) in combined retail and wholesale water needs;

WHEREAS, on January 31, 2020 the City filed application G2-30763 with Ecology for 8,337 gallons per minute ("gpm") and 8,961 acre-feet per year ("afy") to meet these future demand requirements from a new groundwater source inside the City (the "City Application");

WHEREAS, TransAlta holds a valid, state-issued water right in the amount of 54 cubic-feet per second ("cfs") and 28,033 afy from the Skookumchuck River, a major tributary of the Chehalis River, generally located in Lewis County, in Township 15, Range 1, West Section 30;

WHEREAS, in compliance with state laws, TransAlta is transitioning away from coal-fired power generation and, therefore, requires less water to run the Centralia plant operations;

WHEREAS, TransAlta wishes to fulfill the water rights exchange with the City and make additional water available to meet regional needs. To accomplish these goals, TransAlta has filed

application for change CS2-14966@1 to create a trust water mitigation bank (“Mitigation Bank Application”); and

WHEREAS, the City and TransAlta wish to advance the agreement between the City and TransAlta’s predecessor regarding these water rights through processing of a Mitigation Bank Application and the City Application and the subsequent conveyance of “Subject Mitigation Rights” via a “Mitigation Credit” from TransAlta to the City;

THEREFORE, the City and TransAlta memorialize the terms of this agreement below.

THE WATER RIGHTS AND SUBJECT MITIGATION RIGHTS

Seller is the owner of certain water rights more fully described in Exhibit A attached hereto and incorporated herein by this reference (the “Water Rights”). The Water Rights authorize the use of water from the Skookumchuck River under Water Right Certificate Number S2-149662C for power generation and supporting uses in the amount of 51.6 cubic feet per second (“cfs”), and 28,033 afy. The Water Rights are currently appurtenant to Seller’s real property (“Seller’s Property”), but the Parties contemplate that the attributes of the Water Rights will change prior to Closing, pursuant to the Mitigation Bank Application attached hereto and incorporated herein as Exhibit B. Upon final approval and implementation of the Mitigation Bank Application, the Seller’s post-approval Water Rights will become “Mitigation Rights” assignable by Seller to Buyer and useful to Buyer for the mitigation of impacts necessary to obtain approval of the City Application.

Seller’s Mitigation Bank Application seeks Ecology’s approval to change the purpose and place of use of the Water Rights to instream flow and mitigation to offset new water rights to be used for any lawful purpose within the Chehalis River Basin downstream of the historical point of diversion and associated groundwater. The legal mechanism for assigning a portion of the Seller’s Water Rights (or Mitigation Rights) to the Buyer will be established by a trust water agreement to be executed between Seller and Ecology. A draft Trust Water Agreement, which is an agreement that facilitates putting the water into trust is attached hereto as Exhibit C. When finalized and executed by Ecology and Seller, the Trust Water Agreement will provide for Seller’s issuance of a Mitigation Credit that assigns a portion of Seller’s Mitigation Rights to the Buyer. A sample Mitigation Credit is attached as Exhibit D hereto. The Water Rights documentation, the Mitigation Bank Application, the Trust Water Agreement, the Mitigation Credit and the other documents submitted to Ecology in connection with the Mitigation Bank Application are hereafter referred to as the “Water Rights Documents.”

Subject to the terms and conditions of this Agreement, Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller a portion of the post-approval Mitigation Rights (such portion, the “Subject Mitigation Rights”) needed for Buyer to obtain approval from Ecology of its pending City Application. The Parties agree and acknowledge that the Seller’s Water Rights are currently appurtenant to Seller’s Property and that both the Seller’s Mitigation Bank Application and the Buyer’s City Application must be approved by Ecology before the Buyer can legally use the Subject Mitigation Rights for Buyer’s intended purpose.

1. **Purchase Price Adjustments.** The consideration to be paid to Seller by Buyer for the Subject Mitigation Rights (the “Adjusted Purchase Price”) will be adjusted as to “Unit Price” and “Purchase Quantity” based on Schedule 1, attached hereto. The Adjusted Purchase Price equals the Unit Price times the Purchase Quantity and shall be payable, once deposited with the designated escrow agent, at Closing (as hereinafter defined) unless Buyer and Seller elect to use a payment plan, agreed upon in advance of Closing.
2. **Earnest Money.** Within 30 days following mutual execution of this Agreement, Buyer shall deposit with the designated escrow agent \$80,000.00 (the “Earnest Money”) to be held and released in accordance with the terms of this Agreement in a non-interest bearing account.
3. **Conditions Precedent to Closing.** The obligation of Buyer to consummate the purchase and sale of the Subject Mitigation Rights shall be subject to satisfaction or waiver by Buyer, on or before the Termination Date, of the following conditions:
 - a. **Ecology Approval Contingencies.** This purchase and sale of the Subject Mitigation Rights is subject to, and contingent upon, Final Approval by Ecology of the Mitigation Bank Application and the City Application.
 - i. “Final Approval” by Ecology of the Mitigation Bank Application is defined as final approval, and the expiration of applicable appeals periods and final conclusion of appeals, if any, including(a) a change of purpose and place of use of the Water Rights to instream flow and mitigation to offset new water rights to be used for any lawful purpose within the Chehalis River Basin downstream of the historical point of diversion and associated groundwater; (b) an executed and enforceable trust water agreement between TransAlta and Ecology that anticipates and allows Seller’s assignment of the Subject Mitigation Rights to the Buyer; (c) execution and recording of a deed to the Water Rights to the Trust Water Program; and (d) issuance of a superseding water right certificate or certificates for the Water Rights demonstrating their suitability for mitigation of the City Application.
 - ii. “Final Approval” by Ecology of the City Application is defined as final approval of the City Application and the expiration of applicable appeals periods and final conclusion of appeals, if any, including: (a) a municipal water supply purpose of use, points of withdrawal within the City of Centralia acceptable to the Buyer; (b) a place of use/service area that allows the Buyer to provide both retail and wholesale water supply consistent with its most recently approved water system plan; (c) identification of the quantity of Mitigation Rights required for mitigation of the impacts of withdrawing the full quantity of municipal groundwater; and (d) other conditions and provisions acceptable to Buyer and Seller.
 - b. **Water Availability Contingency and Agreement.** The Parties recognize that the current and future availability of the Water Rights for diversion and beneficial use, including the Buyer’s intended use for mitigation purposes, is made possible by the construction and maintenance of the Skookumchuck Reservoir, pursuant to Reservoir

Certificate R11862 (the "Reservoir"), which is owned and maintained by the Seller. Seller shall provide reasonable assurance to Buyer that Seller and its successors shall maintain future operation and maintenance of the Reservoir. Seller makes no guarantee against uncontrollable forces that may affect the future operation and maintenance of the Reservoir, including but not limited to flood, earthquake, storm, fire, lightning, extreme drought and other natural catastrophes, epidemic, pandemic, war, civil disturbance, strike, sabotage, restraint by order of a court or regulatory agency and action or non-action by, or failure to obtain the necessary authorizations or approvals from a federal government agency or authority, which by exercise of due diligence and foresight such Party could not have reasonably have been expected to overcome. In the event that Ecology's approval of either the Mitigation Bank Application or the City Application, or the Trust Water Agreement entered into between Ecology and TransAlta, includes conditions relating to the future operation and maintenance of the Reservoir, Seller shall in good faith comply with such conditions of the Mitigation Bank Application approval and assist Buyer with compliance with such conditions of the City Application approval. If such conditions require Seller actions extending beyond the Closing Date, the Parties shall negotiate and execute a Skookumchuck Dam compliance agreement prior to Closing that reasonably addresses this water availability contingency.

c. Financing Contingency. The Buyer shall have three months from the later of the "Final Approval" date of the Mitigation Bank Application and the City Application to study the financing options for closing the purchase of the Subject Mitigation Rights at the Adjusted Purchase Price, including time for bond counsel due diligence. The Buyer shall have two additional months to complete the required documentation, including the legal opinion that the City has the authority to purchase the Subject Mitigation Rights, and funding with the intent to close within at least five months from Final Approval. If, on or before the final day of this financing contingency, the City obtains a legal opinion from its bond counsel that the City lacks the authority to purchase the Subject Mitigation Rights or to finance the Adjusted Purchase Price, the City may elect to terminate this Agreement by giving written notice to the Seller, which results in a break fee of half of the Earnest Money (\$40,000.00), payable to the Seller upon written notice that the City lacks authority to purchase the Subject Mitigation Rights or to finance the Adjusted Purchase Price.

d. Seller Deliveries. Seller shall have delivered or caused to be delivered all items set forth in Section 10 to be delivered by Seller to Buyer or Escrow Agent.

e. Seller Performance. Seller shall have performed or complied with, in all material respects, all agreements and covenants required by this Agreement to be performed or complied with by Seller on or prior to the Termination Date.

4. Seller Financing. [reserved]

5. Water Right Processing Considerations. Seller shall prosecute the Mitigation Bank Application with diligence to facilitate the sale of the Subject Mitigation Rights to the City. This will include required notices, SEPA review, and coordination with the Ecology. Buyer will work diligently to support the processing of the Mitigation Bank Application

including the production of any needed technical data in a timely manner. The target deadline for the issuance of a decision by Ecology on the Mitigation Bank Application is within one (1) year of signing this document. The City will process the City Application in parallel with the Seller's Mitigation Bank Application to the extent reasonably feasible. Seller will work diligently to support the processing of the City Application, including the production of any needed technical data in a timely manner. Both Parties will process their Applications in good faith and with reasonable haste, consistent with fair business activity, with the intent to obtain approval of the Mitigation Bank Application by March 2021 and approval of the City Application by November 2021. Both Parties agree to commercially reasonable extensions provided that 15 days' notice is given in writing in advance of the start of the extension period.

6. **Title and Form of Conveyance Documents.** Seller must show clear title to the Water Rights, free of defects, liens or encumbrances, conveyed to Ecology pursuant to the Mitigation Bank Application and Trust Water Agreement, so that no liens, encumbrances or title defects will impact the suitability or availability of the Water Rights for mitigation purposes. Mitigation Credits assigned by the Seller to the Buyer must be suitable for and accepted by Ecology as mitigation for the City Application. In order to ensure that the interest being conveyed is properly established and documented, the associated Mitigation Credit or other mutually agreed upon form of assignment/conveyance document for the Subject Mitigation Rights from Seller to Buyer ("Mitigation Credit") must convey all of Seller's interest in the Subject Mitigation Rights to the Buyer clear of title defects or encumbrances and be accepted by Ecology as adequate evidence of mitigation for the City Application.
7. **Non-Compete Clause.** Contingent on Closing and unless agreed to by Buyer, Seller will not convey any interest or negotiate to sell any of the Water Rights or Mitigation Credits based on changes to the Water Rights to other municipal water suppliers (as that term is defined in RCW 90.03.015) located within five miles of Buyer's water distribution system or within its wholesale service area. This limitation on Seller expires in 2040, subject to extension if agreed upon in writing between Buyer and Seller. Buyer must notify Seller one year prior to expiration if Buyer wishes to extend this non-compete limitation.
8. **Seller's Duty to Avoid Relinquishment or Abandonment.** Seller acknowledges that water rights are subject to being lost by either statutory relinquishment (complete or partial non-use of water for five successive years) or common law abandonment. Seller agrees to work in good faith to prevent relinquishment or abandonment of the Water Rights while the Applications are pending.
9. **Representations and Warranties.** Buyer and Seller acknowledge and agree that the validity and scope of the Water Rights, and the quantity and suitability of the Subject Mitigation Rights will be determined by Ecology as part of its decisions on the Mitigation Bank Application and the City Application. Seller does not provide any representations or warranties of the validity and scope of the Water Rights other than those set forth in this Agreement. Because Buyer's obligation to purchase the Subject Mitigation Rights is also

limited by Ecology's approval of the Applications, Buyer is not relying on any representations or warranties of the Seller.

10. **Closing Date.** The Parties intend to close within five (5) months of the later of either of Ecology's Final Approval of the Applications, as defined in Section 2. The Parties intend that this date will fall within the first quarter of 2022. This date may be extended by the Seller if it determines that justifiable delays have occurred through no fault of the Buyer.
11. **Closing Documents.** Prior to the Closing Date, Seller and Buyer shall deposit in escrow the following:
 - a. **Seller Documents.** Seller shall deposit a copy of an executed Trust Water Agreement between Seller and Ecology providing for the issuance of mitigation Credits to the City, a fully executed Mitigation Credit from Seller to the City as described in Section 5 conveying Seller's assignable interest in the Subject Mitigation Rights to the Buyer in a form approved by the Buyer, a REET affidavit [if required], the Trust Water Certificate issued by Ecology following approval of the Mitigation Bank Application, a copy of the Final Approvals by Ecology on the City Application as defined in Section 2, and all other instruments necessary to complete the purchase and sale and transfer of the Subject Mitigation Rights in accordance with this Agreement.
 - b. **Buyer Documents.** Buyer shall deposit the legal opinion of City authority to purchase the Subject Mitigation Rights; and the Adjusted Purchase Price or the designated initial sum if the Parties have agreed upon a payment plan.
 - c. **Earnest Money.** Buyer shall deposit Earnest Money in the amount determined.
 - d. **All other instruments necessary to complete the purchase and sale and transfer of the Water Rights in accordance with this Agreement.**
12. **Closing Costs.** Seller shall pay the Real Estate Excise Tax, if required, one-half of the Escrow Agent's fee and one-half of the recording fees, if any. Buyer shall pay one-half of the Escrow Agent's fee and one-half of the recording fees, if any.
13. **Further Assurances.** The Parties agree that all documents to be delivered at Closing shall be in form and substance reasonably acceptable to Seller and Buyer and necessary to carry out the intent of the Parties hereto. The Parties further agree to execute such other documents and instruments not listed above as may be reasonably necessary to carry out the intent hereof.
14. **Joint Escrow Instructions.** Buyer and Seller jointly instruct the Escrow as follows:

Upon deposit by Buyer or Seller of the closing documents described in Section 11 of this Agreement, Escrow Agent shall release the Adjusted Purchase Price (or the designated initial sum agreed upon in any payment plan) to the Seller and shall release the original

executed Mitigation Credit to the Buyer with a copy to Ecology. If recording of the Mitigation Credit is required, the Escrow Agent shall record the Mitigation Credit in the real property records of Lewis County prior to releasing the Purchase Price to the Seller.

15. **Condemnation.** Seller shall promptly notify Buyer of any condemnation or eminent domain proceeding which affects the Seller's Property. In the event of any condemnation or eminent domain proceeding, or a deed in lieu or under threat thereof, which affects all or a material portion of the Seller's Property, Buyer and Seller shall cooperate in negotiating an agreement whereby the condemnor shall convey the Subject Mitigation Rights to Buyer as set forth in this Agreement or agrees to take Seller's Property subject to the terms of this Agreement as it relates to the Water Rights. If agreement cannot be reached with the condemnor, Buyer may elect either to terminate this Agreement by notice to Seller in writing, or to purchase the Subject Mitigation Rights or the Water Rights in the condition existing on the Closing Date without adjustment of the Purchase Price. If Buyer elects to terminate this Agreement as provided herein, the Earnest Money deposit and any portion of the Purchase Price deposited with the Escrow Agent shall be returned to Buyer. If Buyer elects to purchase the Subject Mitigation Rights or the Water Rights, Seller shall not be liable to restore the Water Rights, nor shall Buyer be entitled to any condemnation award or payment in lieu thereof payable to Seller, provided, however, Buyer may sue for or otherwise seek payment of any condemnation award or payment in lieu thereof to which Buyer may be independently entitled under applicable law.

16. **Default.**

a. **Seller Default.** If the transaction contemplated hereby does not close by reason of a default by Seller in any of the terms hereof, and such default is not cured within ten (10) days after written notice of said default is given by Buyer to Seller, or, if the default is not curable within ten (10) days, then Seller has commenced to cure the said default within ten (10) days after written notice of said default is given by Buyer to Seller, then Buyer may (as Buyer's sole and exclusive remedy) either: (a) terminate this Contract, in which case, Buyer shall receive a return of the Earnest Money, and thereafter, the Parties shall have no further rights or obligations hereunder except for obligations which expressly survive the termination of this Contract; or (b) waive the condition and proceed to Closing.

b. **Buyer Default.** If the Closing fails to occur by the Closing Date as a result of Buyer's default in the performance of its obligations under this Contract (subject to Seller's notice and cure rights), Seller shall have the right to terminate this Contract and retain the Earnest Money as full, agreed, and liquidated damages, as Seller's sole legal and equitable remedy with respect to such Buyer default.

Seller's Initials MSD
LS

Buyer's Initials RLH

17. **Entire Agreement.** This Agreement contains the entire agreement and there are no other agreements, warranties, or understandings, written or oral between the Parties except as referred to herein. Amendments to this Agreement shall be written and signed by both Parties.

18. **Dispute Resolution; Expedited Arbitration.**

a. **Informal Resolution.** The parties shall attempt in good faith to resolve any dispute arising out of or relating to this Agreement promptly by negotiation between representatives who have authority to settle the controversy. Any party (the “**Requesting Party**”) may give the other party (the “**Non-Requesting Party**”) written notice of any dispute not resolved in the ordinary course of business. Within ten (10) business days after delivery of the notice, the Non-Requesting Party shall submit to the Requesting Party a written response. The notice and response shall include with reasonable particularity: (a) a statement of each party’s position and a summary of arguments supporting that position, and (b) the name and title of the representative of that party and of any other person who will accompany the representative. Within ten (10) calendar days after delivery of the notice, the representatives of each party shall meet in person at a mutually acceptable time and place. Unless otherwise agreed in writing by the negotiating parties, the above-described negotiation shall end at the close of the meeting described above (the “**First Meeting**”). At no time prior to the First Meeting shall either side initiate an arbitration related to this Agreement. If the negotiation is not successful, unless otherwise agreed upon in writing by the parties, the dispute shall be resolved by binding arbitration conducted pursuant to Section (b) below and the parties give up their right to have any dispute decided in court by a judge or jury.

b. **Expedited Arbitration.** If binding arbitration is required to resolve a dispute, the dispute shall be resolved by referring the same to a panel of two neutral arbitrators according to the terms, conditions and procedures set forth in this Section (the “**Expedited Arbitration**”). The arbitrators shall be attorneys with substantial experience practicing in Washington State and at least ten (10) years’ experience in water resources law and/or real estate law. The arbitration shall take place in Lewis County, Washington, and be governed by the rules of the American Arbitration Association and amendments thereto, to the extent not inconsistent with the terms and provisions stated herein. Within five (5) business days after the matter is submitted to Expedited Arbitration, the Requesting Party shall provide the Non-Requesting Party with a list of four (4) arbitrators from the American Arbitration Association meeting the qualifications set forth in this Section. Within five (5) business days after such Requesting Party’s notice, the Non-Requesting Party shall either (i) select two arbitrators from such list to preside over the dispute or (ii) notify the Requesting Party that it rejects all four (4) proposed arbitrators. If the Non-Requesting Party rejects all four (4) proposed arbitrators, the Non-Requesting Party and the Requesting Party shall each select an arbitrator from the American Arbitration Association meeting the qualifications set forth in this Section, and those two arbitrators shall select two arbitrators from the American Arbitration Association meeting the qualifications set forth in this Section who shall preside over the arbitration. If, within such five (5) business day period the Non-Requesting Party fails to respond in writing to

the Requesting Party with two arbitrators from the list or notification of its rejection of all proposed arbitrators, the Requesting Party shall have the right to designate two arbitrators from the list. The arbitrators shall select the date for the arbitration which shall be as soon as reasonably possible following submission of the dispute to Expedited Arbitration, it being the intent of the parties that the disputes submitted to Expedited Arbitration be resolved as quickly as possible (preferably within ten (10) calendar days of submission). The Requesting Party shall state the nature of the claim or dispute with reasonable specificity and the parties shall grant the arbitrators access to such records as are reasonably necessary for the arbitrators to make his or her decisions. The decision rendered by the arbitrators shall be final, and judgment may be entered upon it in accordance with applicable law in any court having jurisdiction thereof.

c. Fees and Costs. In any arbitration arising out of or related to this Agreement, the arbitrators are not empowered to award punitive, exemplary, incidental, indirect or consequential damages. The arbitrators shall award the substantially prevailing party, if any, the costs and attorneys' fees reasonably incurred by the substantially prevailing party in connection with the arbitration. In the event there is no substantially prevailing party, each party shall bear their own costs and fees and shall share equally the costs of the arbitrators.

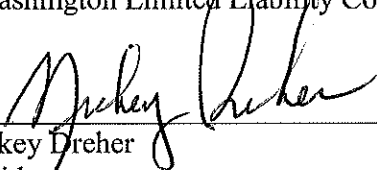
19. Representation. Each Party has had the opportunity to have this agreement reviewed by their own counsel. This Agreement and each of the terms and provisions hereof are deemed to have been explicitly negotiated between, and mutually drafted by the Parties, and the language in all parts of this Agreement shall, in all cases, be construed according to its fair meaning and not strictly for or against any Party.
20. Governing Law and Venue. The laws of the State of Washington shall govern the validity, enforcement, and interpretation of this Agreement. The venue of any legal action shall be in Lewis County, Washington.
21. Assignment. Buyer's rights under this Agreement are not assignable and Buyer covenants not to assign its rights hereunder without the prior written consent of Seller which may be conditioned, granted, or withheld in Seller's sole discretion.
22. Signature Authority. Each of the individuals signing below represent and warrant that they have the authority to sign this Agreement and that the Agreement is binding on the entity for which they are signing.
23. Nonmerger. The terms and provisions of this Agreement shall not merge in, but shall survive, the Closing of the transaction contemplated hereunder and the deed to be delivered pursuant hereto.
24. Commissions. Seller and Buyer each represent to the other that they have not dealt with any real estate broker or finder in connection with the negotiations leading to this Agreement. Seller and Buyer each agree to indemnify and hold each other harmless from

30. **Effective Date.** The effective date of this Agreement shall be the date of the last signature below.

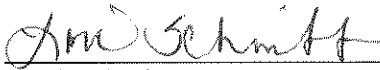
IN WITNESS WHEREOF, the Parties have entered into this Agreement as of the day and year first above written.

SELLER:

TRANSALTA CENTRALIA GENERATION, LLC
a Washington Limited Liability Company

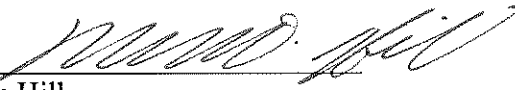
By 
Mickey Dreher
President

ATTEST:

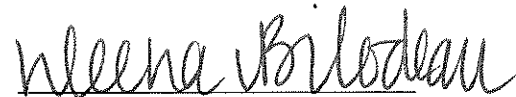

Lori Schmitt
Secretary

BUYER:

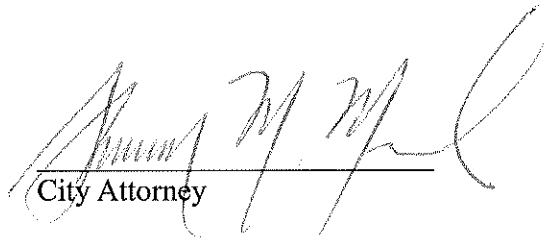
CITY OF CENTRALIA, a municipal corporation

By 
Rob Hill
City Manager

ATTEST:


Neena Borlodeau
City Clerk

APPROVED AS TO FORM:


City Attorney

When Recorded Return To:

Document Title(s) (or transactions contained therein):

Water Mitigation Assignment of Interest and Easement

Reference Number(s) of Documents assigned or released:

N/A

Grantor(s) (Last name first, then first name and initials):

TransAlta Centralia Generation LLC

Skookumchuck Dam LLC

Grantee(s) (Last name first, then first name and initials):

Chehalis, City of

Legal description of water rights source:

Skookumchuck Reservoir and Dam, Sec. 22, T. 15N, R. 02W, NE 1/4 NE 1/4

Full legal description is on page(s) 1 of document.

Assessor's Property Tax Parcel/Account Numbers:

21517110000

WATER MITIGATION ASSIGNMENT OF INTEREST AND EASEMENT

This Water Mitigation Assignment of Interest and Easement (the "Assignment") is entered into by and between TRANSALTA CENTRALIA GENERATION LLC, a Washington limited liability company and Skookumchuck Dam LLC, also a Washington limited liability company ("Grantors"), and the CITY OF CHEHALIS, a Washington municipal corporation ("Grantee"). For and in consideration of mutual benefits and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Grantors hereby assign, grant, and convey to Grantee a limited property interest in and to the following described rights:

1) That portion of Certificate of Trust Water Right No. CS2-14966@1 ("Trust Water Right" attached hereto as Exhibit A) described in the Water Mitigation Credit, attached hereto as Exhibit B, which secures a mitigation right conveyed by Grantors to Grantee in the amount of _____ gallons per minute and _____ acre feet per year, pursuant to the Purchase and Sale Agreement dated December 8, 2020, as amended, between TransAlta Centralia Generation LLC and the Cities of Centralia and Chehalis, for the purpose of satisfying the mitigation requirements of Water Right Permit No. G2-30862. The rights of the Grantee are a portion of the "Mitigating Rights" as defined and authorized in the Trust Water Right Agreement between TransAlta and the Washington Department of Ecology, dated August 23, 2021, attached hereto as Exhibit C.

The source location for the Trust Water Right, attached hereto as Exhibit D, is described as follows:

THAT PORTION OF SECTION 17, TOWNSHIP 15 NORTH, RANGE 1 EAST,
W.M., RECORDS OF THURSTON COUNTY, WASHINGTON DESCRIBED AS
FOLLOWS:

COMMENCING ON THE EAST LINE OF SAID SECTION 17, THAT IS SOUTH
02°20'51" EAST 1,836.31 FEET FROM THE NORTHEAST CORNER OF SAID
SECTION 17;
THENCE NORTH 85°36'44" WEST 132.92 FEET;
THENCE NORTH 02°21'01" EAST 128.11 FEET;
THENCE NORTH 23°07'41" WEST 325.96 FEET;
THENCE NORTH 03°45'27" EAST 318.32 FEET;
THENCE NORTH 85°40'34" WEST 162.58 FEET;
THENCE SOUTH 28°26'02" WEST 320.98 FEET;
THENCE SOUTH 03°48'36" WEST 182.46 FEET;
THENCE SOUTH 22°25'40" EAST 232.05 FEET;
THENCE NORTH 80°33'24" WEST 258.57 FEET;
THENCE NORTH 65°21'10" WEST 287.74 FEET;
THENCE SOUTH 69°12'12" WEST 394.31 FEET;
THENCE NORTH 35°32'27" WEST 752.13 FEET;
THENCE SOUTH 66°44'11" WEST 199.85 FEET;
THENCE NORTH 79°30'27" WEST 173.22 FEET;
THENCE NORTH 66°00'29" WEST 114.86 FEET;
THENCE NORTH 77°32'52" WEST 350.23 FEET;

WATER MITIGATION ASSIGNMENT OF INTEREST AND EASEMENT – EXHIBIT A

THENCE SOUTH 62°54'49" WEST 169.14 FEET;
THENCE SOUTH 33°05'59" WEST 584.71 FEET;
THENCE SOUTH 74°11'20" WEST 845.70 FEET;
THENCE NORTH 72°17'34" WEST 1,186.61 FEET;
THENCE NORTH 47°40'31" WEST 156.06 FEET MORE OR LESS TO A
POINT ON THE WEST LINE OF SAID SECTION 17 THAT IS SOUTH 00°19'55"
WEST 1,415.45 FEET FROM THE NORTHWEST CORNER OF SAID
SECTION 17;
THENCE SOUTHERLY ALONG THE WEST LINE OF SAID SECTION 17 TO
THE SOUTHWEST CORNER OF THE NORTHWEST QUARTER OF THE
SOUTHWEST QUARTER OF SAID SECTION 17; THENCE EASTERLY,
ALONG THE SOUTH LINE OF THE NORTH HALF OF THE SOUTH HALF OF
SAID SECTION 17, 402.17 FEET TO A POINT;
THENCE ALONG THE FOLLOWING COURSES AND DISTANCES IN SAID
SECTION 17; THENCE NORTH 79°25'38" EAST 846.57 FEET;
THENCE SOUTH 51°56'54" EAST 123.58 FEET;
THENCE SOUTH 85°51'31" EAST 166.81 FEET;
THENCE NORTH 02°52'28" WEST 272.18 FEET;
THENCE NORTH 62°14'10" EAST 317.25 FEET;
THENCE SOUTH 52°28'44" EAST 313.04 FEET;
THENCE NORTH 65°55'38" EAST 105.35 FEET;
THENCE NORTH 87°57'47" EAST 703.00 FEET;
THENCE SOUTH 83°31'25" EAST 427.31 FEET;
THENCE NORTH 58°18'40" EAST 460.38 FEET;
THENCE SOUTH 39°38'57" EAST 360.74 FEET;
THENCE SOUTH 87°17'54" EAST 129.02 FEET;
THENCE SOUTH 46°56'40" EAST 474.08 FEET;
THENCE NORTH 71°34'04" EAST 236.69 FEET;
THENCE SOUTH 88°48'09" EAST 232.44 FEET;
THENCE NORTH 71°34'25" EAST 453.41 FEET MORE OR LESS TO A POINT
ON THE NORTH- SOUTH SECTION LINE COMMON TO SECTIONS 16 AND
17 THIS SOUTH 02°20'51" EAST 3,799.98 FEET FROM THE NORTHEAST
CORNER OF SAID SECTION 17 AND THE END OF THIS LEGAL
DESCRIPTION.

Situs Address: 10540 Skookumchuck Road SE, Rainier, WA 98576
Tax Parcel ID No. 21517110000

2) Grantors hereby grant a non-exclusive easement to Grantee over a portion of the parcel described above, which portion is depicted in Exhibit D between the western parcel boundary and the red line to the east of the Skookumchuck Dam attached hereto (the "Easement Area"), which easement shall run with the land and obligate Grantors' successors and assigns, for the purpose stated below.

The property interest and easement created pursuant to this assignment and conveyance are intended to provide notice to protect Grantee's Water Right Permit No. G2-30862 from the inability to satisfy the mitigation conditions of said Permit No. G2-30862 due

WATER MITIGATION ASSIGNMENT OF INTEREST AND EASEMENT – EXHIBIT A

to modification or other change to the Skookumchuck Dam and Reservoir caused or compelled by a government or other public agency, and for no other purpose. Identifiable employees, agents or contractors of Grantee shall have the right, upon at least seven (7) business days prior written notice to Grantors, to enter upon the Easement Area not more than once per calendar year to observe the Skookumchuck Dam and Reservoir and for no other purpose whatsoever. Grantee shall not have the right to make, nor to request Grantors to make, any alterations to any improvements located within the Easement Area or to otherwise disturb the Easement Area. Grantors may reasonably deny access for any reason, including but not limited to safety concerns or if undertaking major maintenance.

Grantors reserve the right to use the Easement Area for any purpose not inconsistent with the rights granted to Grantee herein.

Grantee will defend, indemnify and hold harmless Grantors from any loss, claim, liability or suit, including reasonable attorneys' fees, on behalf of any party for any bodily injury or property damage occurring in, on or about the Easement Area or Grantors' adjacent real property to the extent the damage or injury was caused by Grantee or its agents, employees, clients, contractors, or invitees.

Notice. Any notice permitted or required to be given by either party to this Assignment shall be given in writing and may be effected by certified United States mail, with return receipt requested, properly addressed, postage prepaid, by reputable overnight delivery service, or by personal delivery, as follows:

If to Grantors: _____

Attn: _____

If to Grantee: _____

Attn: _____

or to such other address or to such other person's attention of which notice was given in accordance with this section.

Each party to this Assignment, and each individual signing on behalf of each party, hereby represents and warrants to the other that it has full power and authority to enter into this Assignment and that its execution, delivery, and performance of this Assignment has been fully authorized and approved, and that no further corporate approvals or consents are required to bind such party.

If either party shall bring an action to enforce the terms of this Assignment, in any such action the prevailing party shall be entitled to an award of its reasonable attorneys' fees and reasonable costs. Said costs and attorneys' fees shall include, without limitation, costs and attorneys' fees incurred in any appeal or in any proceedings under any present or future federal bankruptcy, forfeiture or state receivership or similar law.

[signatures on the following pages]

WATER MITIGATION ASSIGNMENT OF INTEREST AND EASEMENT – EXHIBIT A

Dated this _____ day of _____, 2022.

TRANSALTA CENTRALIA GENERATION LLC

By: _____

Name: _____

Title: _____

STATE OF WASHINGTON)
) ss
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and said person acknowledged that s/he signed this instrument, on oath stated that s/he was authorized to execute the instrument and acknowledged it as the _____ of **TransAlta Centralia Generation LLC** to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

Dated: _____

Notary name printed
or typed: _____

Notary Public in and for the State of _____

Residing at _____

My appointment expires: _____

SKOOKUMCHUCK DAM LLC

By: _____

Name: _____

Title: _____

STATE OF WASHINGTON)

WATER MITIGATION ASSIGNMENT OF INTEREST AND EASEMENT – EXHIBIT A

**Exhibit A to Assignment of Interest and Easement – Certificate of Trust
Water Right No. CS2-14966@1**

Trans Alta Centralia Generation
 913 Big Hanaford Road
 Centralia WA 98531



**STATE OF WASHINGTON
 CERTIFICATE OF WATER RIGHT**

Document Title: Certificate of Water Right

Agency: Department of Ecology
 Southwest Regional Office
 P.O. Box 47775
 Olympia, WA 98504-7775

Applicant: Trans Alta Centralia Generation
 913 Big Hanaford Road
 Centralia, WA 98531

Reference Number:

PRIORITY DATE	APPLICATION NUMBER	PERMIT NUMBER	CERTIFICATE NUMBER
November 28, 1966	19990	14966	S2-14966C

This is to certify that the herein named applicant has made proof to the satisfaction of the Department of Ecology of a right to the use of the public waters of the State of Washington as herein defined, and under and specifically subject to the provisions contained in the Permit issued by the Department of Ecology, and that said right to the use of said waters has been perfected in accordance with the laws of the State of Washington, and is hereby confirmed by the Department of Ecology and entered of record as shown, but is limited to an amount actually beneficially used.

PUBLIC WATERS TO BE APPROPRIATED

SOURCE	TRIBUTARY OF (IF SURFACE WATERS)	
Skookumchuck River	Chehalis River	
MAX. CUBIC FEET PER SECOND	MAX. GALLONS PER MINUTE	MAX. ACRE-FEET PER YEAR
51.6		28,033

QUANTITY/TYPE OF USE/PERIOD OF USE

28,033 acre feet per year Power generation and supporting uses Year-Round

LEGAL DESCRIPTION OF LOCATION OF DIVERSION/WITHDRAWAL

1/4 ¼	SECTION	TOWNSHIP N	RANGE (E. OR W.) W.M.	W.R.I.A.	COUNTY
NE1/4 NE1/4	22	15	2W	23	THURSTON

PARCEL # 12522110400 Lat/Long: 46.777349, -122.910742

ADDITIONAL LEGAL IS ON PAGE 2

LEGAL DESCRIPTION OF PROPERTY ON WHICH WATER IS TO BE USED

1/4 1/4	SECTION	TOWNSHIP N.	RANGE (E. OR W.) W.M.	W.R.I.A.	COUNTY
WEST ½	29	15	1W	23	LEWIS
NE1/4	31	15	1W	23	"
	30	15	1W	23	"
	17,19,20	15	2W	23	"

PARCEL # Lewis County Parcels: Steam Plant and associated facilities located at 023355001004, 023340004000, 023340002001, 023355001002 and 023345000000; Big Hanaford Project located at: 023340003000

CONTINUED LEGAL DESCRIPTION FOR LOCATION OF DIVERSION/WITHDRAWAL

CONTINUED LEGAL DESCRIPTION FOR PROPERTY ON WHICH WATER IS TO BE USED

[Click [here](#) or press Keyboard DELETE and type Legal Description.]

PROVISIONS

All conditions and requirements contained in reports of examination or permits previously issued apply to this certificate unless specifically noted below.

An approved measuring device shall be installed and maintained for each of the sources identified by this water right in accordance with the rule "Requirements for Measuring and Reporting Water Use", Chapter 173-173 WAC.

Water use data shall be recorded weekly. The maximum monthly rate of diversion/withdrawal and the monthly total volume shall be submitted to Ecology by January 31st of each calendar year. Ecology is requiring submittal of monthly meter readings to collect seasonal information for water resource planning, management and compliance.

Reported water use data shall be submitted via the Internet. To set up an Internet reporting account, access <https://fortress.wa.gov/ecy/wrx/wrx/Meteringx/>. If you do not have Internet access, contact the Southwest Region for forms to submit your data.

WAC 173-173 describes the requirements for data accuracy, device installation and operation, and information reporting. It also allows a water user to petition the Department of Ecology for modifications to some of the requirements. Installation, operation and maintenance requirements are enclosed as a document entitled "Water Measurement Device Installation and Operation Requirements".
<http://www.ecy.wa.gov/programs/wr/measuring/measuringhome.html>

Department of Ecology personnel, upon presentation of proper credentials, shall have access at reasonable times, to the records of water use that are kept to meet the above conditions, and to inspect at reasonable times any measuring device used to meet the above conditions.

The right to use of the water aforesaid hereby confirmed is restricted to the lands or place of use herein described, except as provided in RCW 90.03.380, 90.03.390, and 90.44.100.

This certificate of water right is specifically subject to relinquishment for non-use of water as provided in Chapter 90.14 RCW.

Given under my hand and the seal of this office at Olympia, Washington,
this 15th day of September, 2009.

Jay Manning, Director
Department of Ecology

By Thomas Loranger
Thomas Loranger, Section Manager

OK JM

Exhibit B to Assignment of Interest and Easement – Water Mitigation Credit

Upon Recording Return to:

DOCUMENT TITLE: **GROUNDWATER MITIGATION CREDIT**

GRANTOR: **TRANSALTA CENTRALIA GENERATION LLC**

GRANTEES:

PARTIAL LEGAL DESCRIPTION

ASSESSOR'S TAX PARCEL NO:

GROUNDWATER MITIGATION CREDIT

THE GRANTOR, **TransAlta Centralia Generation Station LLC**, for and in consideration of mutual promises in hand paid, conveys and quit claims to _____, Grantee, all rights, title and interest the Grantor to _____ acre-feet of water annually, arising under or related to Trust Water Certificate CS2-14966@1, more fully described in Exhibit A attached hereto and incorporated herein by reference, and as authorized under the Trust Water Right Agreement entered into on August 23, 2021 between Grantor and the Washington State Department of Ecology.

The Groundwater Mitigation Credit entitles the Grantee to mitigation for water use with its water service area situated in Lewis County, State of Washington, as defined and authorized by the issuance of the City of _____'s Groundwater Certificate _____.

THIS GROUNDWATER MITIGATION CREDIT shall become and remain appurtenant to the City's water service area unless otherwise agreed to in writing by the Grantor.

Dated this ____ day of _____, 2023

TransAlta Centralia Generation LLC

By: _____

For TransAlta Centralia Generation LLC

STATE OF WASHINGTON)
)ss.
COUNTY OF _____)

I certify that I know or have satisfactory evidence that _____ is the person who appeared before me, and that person acknowledged signing this instrument, on oath stated their authority to execute the instrument as the authorized agent of the Land Lloyd Development Company and acknowledged it to be the free and voluntary act of such party for the uses and purposes mentioned in the instrument.

SUBSCRIBED and SWORN to before me this ____ day of _____, 2023.

Name:
NOTARY PUBLIC in and for the State of
Washington, residing at _____.
My Commission expires:_____

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

MEETING OF: December 12, 2022

SUBJECT: Amendment to Regional Water Supply Agreement between the City of Chehalis and the City of Centralia

ISSUE

The Regional Water Supply Agreement with the City of Centralia approved on September 13, 2021, needs to be amended to reflect that Chehalis, at the request of Department of Ecology, has now filed a separate water application for its portion of the water rights originally applied for as a co-applicant with Centralia. This is a positive development that advances the City of Chehalis' desire to have direct ownership of the water rights it is in the process of purchasing. In addition, there is a timeline in the document that needs to be revised.

BACKGROUND

On September 13, 2021, the City Council approved a Regional Water Supply Agreement with the City of Centralia. The Agreement formalized arrangements to proceed with the process to acquire water rights from TransAlta. These water rights are available by purchasing offsetting mitigation credits from TransAlta. So, by purchasing the mitigation credits the Cities would acquire the water rights to groundwater from the Centralia Outwash Gravel Aquifer. This area would be developed as a water well field by the City of Centralia near the confluence of the Skookumchuck and Chehalis Rivers.

The agreement commits the City of Chehalis to purchasing 3,360 acre feet of water which is equivalent to 3 million gallons a day (MGD). The purchase price of the water from the Water Bank is \$1,500 per acre foot for a total of \$5,040,000, not including legal and processing fees. The original agreement was based on a Purchase and Sale Agreement (PSA) that the City of Centralia was negotiating with TransAlta, so the Chehalis did not have a direct agreement with TransAlta.

Initially, The City of Centralia applied to the Department of Ecology (Ecology) for up to 8 million gallons per day (MGD) of additional groundwater rights sourced in the Centralia Outwash Gravel Aquifer, which underlies the confluence area of the Skookumchuck and Chehalis Rivers. This 8 MGD supply is needed to meet the projected future 50-year water demands for the Centralia retail water service area; the Chehalis retail water service area; the Centralia UGA; and other nearby water systems that could become wholesale customers; plus a 2 MGD reserve for future commercial/industrial development.

Over the last 15 months, there have been discussions and negotiations regarding how to add the City of Chehalis as a party to the PSA that Centralia executed with TransAlta so that the City of Chehalis would directly purchase and separately own the rights to the 3 MGD or 3,360 acre feet that it committed to

purchase through the Agreement with the City of Centralia in September 2021. The negotiations have been productive involving cooperation between Chehalis, Centralia, Department of Ecology, and TransAlta. Centralia and Chehalis have filed an assignment of 3.0 MGD of the Pending Application to Chehalis with Ecology with the intent of Chehalis becoming a co-applicant on the Pending Application for the 3.0 MGD. The assignment provided notice to Ecology that the Cities would prefer separate water right permits upon approval of the Pending Application. However, based on Ecology's request, Chehalis has now filed a separate application consistent with the terms of the Assignment. The City of Chehalis application will be provided with the benefits and subject to the terms of the Agreement as if Chehalis were a co-applicant on the Pending Application. This approach works well for Chehalis and Centralia.

AMENDMENTS NEEDED

The September 2021 Regional Water Supply Agreement needs to be amended to reflect the change in the proposed ownership structure described above. It also needs to be amended to reflect new timeframes for the preparation of a draft Cost Sharing Agreement (CSA) between the City of Chehalis and the City of Centralia for the delivery of the water from the Centralia wellfields to the City of Chehalis water distribution system.

The City of Chehalis and Centralia have formed a working group and have presented the City Managers a preliminary outline of the infrastructure components that would need to be addressed in a potential CSA, including proposed division of costs, as set forth in the Regional Water Supply Agreement. Additional work is needed to refine the proposal so that an agreement can be drafted in language that is sufficiently clear while protecting both cities now and in the future.

The current agreement indicates that the Working Group shall submit the proposed CSA to the City Manager of each City by August 1, 2022, for subsequent approval by each City Council. It is proposed that the new date be August 1, 2023. This will provide additional time to refine the work done to date, further evaluate cost-sharing formulas, and prepare an agreement that can be considered by each City Council later next year.

FISCAL IMPACT

Approval of the amendment to the Regional Water Supply with the City of Centralia does not have a direct financial impact. It will further clarify the process that the City is pursuing to secure water rights needed to serve the growth that is projected to occur in the City over the next fifty years.

RECOMMENDATION

It is recommended that the City Council approve the First Amendment to the Regional Water Supply Agreement between the City of Centralia and City of Chehalis and authorize the City Manager to sign the agreement.

SUGGESTED MOTION

I move that the City Council approve the First Amendment to the Regional Water Supply Agreement between the City of Centralia and City of Chehalis and authorize the City Manager to sign the agreement.

FIRST AMENDMENT TO REGIONAL WATER SUPPLY AGREEMENT

This First Amendment to Regional Water Supply Agreement (“Amendment”) is entered into between the City of Centralia, a Washington municipal corporation (“Centralia”), and the City of Chehalis, a Washington municipal corporation (“Chehalis”) (individually “City”, collectively the “Cities”), regarding the development of a regional water supply and is effective as of the date signed below.

RECITALS

WHEREAS, the City of Centralia, a Washington municipal corporation (“Centralia”), and the City of Chehalis, a Washington municipal corporation (“Chehalis”) (individually “City”, collectively the “Cities”), entered into a Regional Water Supply Agreement as of September --, 2021 (“Agreement”).

WHEREAS, the Agreement provided for cooperation on a regional water supply development project between the Cities regarding the development of water rights under Water Right Application G2-30763 (“Pending Application”).

WHEREAS, upon Ecology receiving the partial Assignment of the Pending Application under section 2.2. of the Agreement, Ecology requested Chehalis file a new application consistent with the partial Assignment, which application has been submitted to Ecology by Chehalis (“Chehalis Application”).

WHEREAS, the Cities do not intend the terms of the Agreement to be otherwise altered based on filing the Chehalis Application other than to interpret the terms consistent with each City having its own application.

WHEREAS, the Agreement provided for the creation of a Working Group to determine the allocation of costs between the Cities based on each City’s proportionate use of the facilities and delivery of water under the Water Right Permit issued pursuant to the Pending Application, and to develop a cost sharing agreement (“CSA”).

WHEREAS, under section 2.6.6. of the Agreement, the Working Group was to submit the proposed CSA to the City Manager of each City by August 1, 2022, for subsequent approval by each City Council.

WHEREAS, based on delays in the Pending Application process, the Working Group has not completed the CSA, and the Cities desire to extend the time for submittal of the CSA to the City Managers.

NOW, THEREFORE, in consideration of the above Recitals, the Cities agree to amend the Agreement as follows:

Section 2.2. of the Agreement is stricken and replaced with the following:

2.2. Partial Assignment of Application. Centralia and Chehalis have filed with Ecology an assignment of 3.0 MGD of the Pending Application to Chehalis with the intent of Chehalis becoming a co-applicant on the Pending Application for the 3.0 MGD. The assignment provided notice to Ecology that the Cities request separate water right permits upon approval of the Pending Application. However, based on Ecology’s request, Chehalis has filed a separate application consistent with the terms of the Assignment, and such application will be provided with the benefits and subject to the terms of this Agreement as if Chehalis were a co-applicant on the Pending Application.

Section 2.6.6. of the Agreement is stricken and replaced with the following:

2.6.6. The Working Group shall submit the proposed CSA to the City Manager of each City by August 1, 2023, for subsequent approval by each City Council.

EFFECTIVE as of the ___ day of _____, 2022.

CITY OF CENTRALIA

CITY OF CHEHALIS

City Manager
Attest: _____
Dated: _____

City Manager
Attest: _____
Dated: _____

Approved as to form:

Approved as to form:

City Attorney

City Attorney

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Lilly Wall, Recreation Manager
Andrew Hunziker, Parks and Facility Manager

Meeting Date: December 12, 2022

SUBJECT: Consider Approval of Proposed Westside Park Improvements

ISSUE

The City's Westside Park is in need of improvements. A project proposal has been prepared for City Council consideration in collaboration with the recently formed non-profit, Friends of the Westside Park, which is a neighborhood based group formed to support and improve the park.

BACKGROUND

Due to the years of use and damage, it had become apparent that the Westside Park needed improvements, specifically replacement of play equipment and fencing. The play equipment at Westside Park that was meant for children in the 2-5 age group had to be removed several years ago due to age and damage. This equipment has not been replaced and the area that it occupied is unused at this time. Unfortunately, the ability to proceed with the improvements was hampered by funding limitations, so the project had remained in the conceptual phase until recently.

In 2020, the neighborhood surrounding the City's Westside Park, located at 800 NW West Street, began gathering to develop a plan to improve the park. In support of this effort and the groups attempts to secure grants, the City Council made an allocation of \$20,000 in May of 2021 specifically for the park. Since that time, the group has become a separate non-profit, Friends of the Westside Park to formalize its activities and raise funds for the park. It has also worked through several potential improvement plans for the park with the neighborhood. Members of the City Council and staff have attended meetings of the group, providing input at various points in the process.

PARK IMPROVEMENT PROJECT PROPOSAL

The Friends of Westside Park group and city staff have determined the greatest need is for new playground equipment for children ages 2-5, fencing, and parking. At this time, there is a proposal for a project that would focus on these key components and the related engineering and environmental work.

The key project component is a piece of play equipment that is sold and manufactured by the same company the Penny Playground equipment was purchased from as an option under the State's Contract. The equipment at Penny Playground has been well received by the community and has held up well with an incredible amount of use. This play equipment would revitalize the 2-5-year-old section of the park and add the much-needed play value back into the park.

The second big concern is the deteriorated condition of the existing fence and the need for additional fencing. City staff would like to contract the work to fence three sides of the park with 4ft black chain link and install a concrete mow strip under the fence for easy maintenance. This will help ensure the safety of the kids as they play in the park as the adjoining road to the park is notorious for speeding cars and is a major concern for the patrons that use the park.

Lastly, the lack of parking and absence of ADA parking spaces causes concern for park patrons. The NW Ohio Street side of the park creates a perfect location to expand parking. As a requirement triggered by the new play equipment, the City must have an ADA compliant concrete parking pad and pathway to provide access to the new playground equipment. This would be installed by the playground installer.





FISCAL IMPACT

The estimated cost of the project is:

• Engineering and environmental reports related to the project	\$10,000
• Playground equipment installation with ADA concrete parking and pathways	\$65,000
• Concrete mow strip with fencing installed	\$30,000
<hr/>	
Project total (estimated)	\$105,000
Contingency to this project for unexpected expenses	\$10,000
Total Request	\$115,000

FUNDING SOURCE

Based on the information found to date, this project has been deemed eligible for funding by the City’s allocation of American Rescue Act (ARPA) funds. The one concern is that the use of ARPA funds triggers federal reporting requirements. While the total cost of the project makes the extra requirements worth navigating, they do add several extra steps to the process for staff and contractors. The most challenging piece is to insure that the State’s bid process is compliant with the applicable federal procurement standards.

RECOMMENDATION

It is recommended that the City Council:

- 1) Proceed with the Westside Park Improvement Project with the intent to use ARPA funds, if all components of the project meet federal requirements with the understanding that if an alternative funding source is needed, staff will return to the City Council to request additional direction regarding how to fund the project.
- 2) Authorize the purchase of playground equipment; construction of an ADA accessible parking space; installation of new fencing; and the project related engineering and environmental reports in the amount not to exceed \$115,000.
- 3) Authorize city manager to sign and execute the documents related to the project.

SUGGESTED MOTION

I move that the City Council:

- 1) Proceed with the project with the intent to use ARPA funds, if all components of the project meet federal requirements with the understanding that if an alternative funding source is needed, staff will return to the City Council to request additional direction regarding how to fund the project.
- 2) Authorize the purchase of playground equipment; construction of an ADA accessible parking space; installation of new fencing; and the related project engineering and environmental reports in the amount not to exceed \$115,000.
- 3) Authorize city manager to sign and execute the documents related to the project.

**CHEHALIS CITY COUNCIL MEETING
AGENDA REPORT**

TO: The Honorable Mayor and City Council

FROM: Jill Anderson, City Manager

BY: Lance Bunker, Public Works Director

MEETING OF: December 12, 2022

SUBJECT: Resolution No. 20-2022, Interlocal Agreement for use of the Centralia Regional Decant Facility

INTRODUCTION

A decant facility is used to process, treat, and dispose of stormwater materials and other street debris. The City of Chehalis does not have a decant facility to collect and process vactor truck and street sweeper debris in accordance with applicable regulations. A draft of an Interlocal with the City of Centralia for the use of its Regional Decant Facility located at 2600 Reynolds Road in Centralia has been prepared for consideration by the City Council.

OPPORTUNITY

The City has the opportunity to buy access into the City of Centralia’s Regional Decant Facility for a one-time contribution of \$50,000, plus ongoing disposal costs based on the amount of debris Chehalis delivers to the facility. The 2023 Adopted Budget includes the \$50,000 contribution to assure the City of Chehalis ongoing access at the facility. This will allow the City to deposit material collected by the City’s vactor (vacuum truck) truck and street sweeper debris at the facility. The 2023 Adopted Budget also includes an amount to cover the cost per yard disposal fee that supports the ongoing operations of the facility.

The cost of operations and disposal will be periodically reviewed and adjusted based on the cost of operations.

HOW DOES A DECANT FACILITY WORK?

When road crews clean catch basins, drainage pipes and street sweepings within the City, there needs to be a place for the material to be placed in compliance with applicable regulations. Vactor trucks and sweepers will release excess water from their trucks at the facility, which drains to the sewer system. Solid waste is then screened out of the dried material and disposed of at Centralia’s approved landfill. Once the material is dewatered, tested, and screened for solid waste the City of Chehalis will provide permitted fill sites and haul the processed material to said site. Therefore, a decant facility allows the separation, processing, reuse and/or disposal of liquid and solid waste collected and then deposited at the facility.

THE AGREEMENT

A draft of the interlocal agreement with Centralia for use of the Regional Decant Facility is attached for your information. The City Attorney had not had an opportunity to review the agreement prior to the preparation of the City Council Agenda packet. Therefore, it is recommended that the City Council review the terms and authorize the City Manager to sign the agreement if there are no changes to the financial arrangements, after the City Attorney has reviewed it and provided legal/non-substantive edits, if any.

FISCAL IMPACT

The cost to the City will be a onetime contribution of \$50,000 to purchase access to the City of Centralia's Regional Decant Facility. Additionally, a \$26.00 per yard of material deposited will be paid to Centralia. The costs associated with the contract are included in the 2023 Adopted Budget. In future years, the City's Street/Stormwater Budget will include the deposit/disposal fees associated with use of the facility.

RECOMMENDATION

It is recommended that the City Council approve Resolution No. 20-2022 authorizing participation in the Centralia Regional Decant Facility Interlocal Agreement and authorize the City Manager to execute the related agreements subject to review by the City Attorney if there are no changes to the financial arrangements.

SUGGESTED MOTION

I move that the City Council approve Resolution No. 20-2022 authorizing participation in the Centralia Regional Decant Facility Interlocal Agreement and authorize the City Manager to execute the related agreements subject to review by the City Attorney if there are no changes to the stated financial arrangements.

RESOLUTION NO. 20-2022

A RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN INTERLOCAL AGREEMENT WITH THE CITY OF CENTRALIA FOR USE OF A DECANT FACILITY AT 2600 REYNOLDS ROAD

WHEREAS, the Decant Facility at 2600 Reynolds Road is maintained and operated by the City of Centralia; and

WHEREAS, the City of Chehalis collects vacuum truck material and/or sweeper debris and has a need for a permanent location to process the liquids and materials collected in accordance with State and Federal Environmental Regulations; and

WHEREAS, the City of Centralia has agreed to enter into a Interlocal Agreement to provide the decant facility for storage of material and debris collected by City of Chehalis staff; and

NOW, THEREFORE, IT BE RESOLVED by the City Council of the City of **Chehalis** the City Manager is authorized to execute the interlocal agreement with the City of Centralia for use of the decant facility at 2600 Reynolds Road attached hereto as Exhibit A.

PASSED by the City Council of Chehalis, Washington, and approved by its Mayor this _____ day of December 2022.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

Regional Decant Facility Interlocal Agreement

Agreement No. _____

This Agreement is for the use of a decant facility (Facility) constructed by the City of Centralia Stormwater Department at 2600 Reynolds Road.

Whereas, the Facility shall be maintained and operated by the City of Centralia Stormwater Department; and

Whereas, the City of Chehalis collects vacuum truck material and/or sweeper debris and has a need for a permanent location to process the liquids and material collected in accordance with State and Federal environmental regulations; and

Whereas, the Facility may be used by the City of Chehalis, hereafter referred to as the "Party",

Now, therefore the City of Chehalis agrees to the following:

1. The City of Chehalis shall contribute \$50,000 towards the use of the Facility to assure access to deposit vacuum truck material and/or sweeper debris.
2. The City of Chehalis agrees to pay for each yard of material they deposit at the Facility. The cost per yard will be based upon the total cost of operations and maintenance of the Facility including the disposal cost of any portion of the combined debris that cannot be recycled as fill and must be disposed of in a suitable landfill site.
3. The cost of operations and maintenance of the Facility and cost of disposal of debris after processing will undergo periodic review by the Stormwater Department and an adjustment will be made to the cost charged for each yard of material deposited, if necessary.
4. The Parties understand and agree that other outside agencies may use this Facility. Outside agencies will be charged a fee that is commensurate with the quantity and type of materials deposited at the Facility.
5. The City of Chehalis agrees that disposal of material is important to the overall operation of the decant facility and the City of Chehalis will provide permitted fill sites within the City of Chehalis jurisdiction and will be responsible to locate said sites and provide hauling to those sites.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement Number _____ as of the Party's date signed last below.

CITY OF CHEHALIS PUBLIC WORKS DEPARTMENT	CITY OF CHEHALIS CITY MANAGER
By:	By:
Name: Lance Bunker	Name: Jill Anderson
Title: Public Works Director	Title: City Manager
Date:	Date:

	ATTEST
	By:
	Name: Deena Bilodeau
	Title: City Clerk
	Date:
CITY OF CENTRALIA	APPROVED AS TO FORM
By:	By:
Name: Rob Hill	Name: Shannon Murphy-Olson
Title: City Manager	Title: City Attorney
Date:	Date: