

## REGULAR COUNCIL MEETING

**February 4, 2015**

**Officials in Attendance:** Mayor Dorothy Knauss; Councilmen John May, Payton Norvell and John Wight; Councilwomen Sharon Ludwig, Carra Nupp, Roberta McMillin and Krisan LeHew.

**Staff Present:** City Administrator Mike Frizzell, Mike Waters of McGrane & Schuerman (for absent City Attorney Charles Schuerman), Clerk/Treasurer Pamela McCart

The Mayor called the meeting to order at 6:30 PM.

**Audience Comments:** None.

### Announcements/Appointments, including:

- Mayor's Youth Award to Shahana Jones.
- The Mayor stated that at the last meeting we talked about our discussions with DNR with regard to trying to purchase the airport or securing enough years ahead so we could still obtain grant funding to improve it. Mike and I told you we were running into some roadblocks, at which time the Council gave us permission to proceed higher up the chain at DNR. I've been working with Mary May, Regulatory Improvement Consultant with the Governor's Office of Regulatory and Innovative Assistance. Her boss is going to meet with DNR tomorrow -- we should get some word as to whether we can cut through some of this red tape. Every time we apply for grant money, we have to sign an assurance that we will continue to operate the airport for 20 years - we only have 21 years left on our lease with DNR right now - that means that we will not be able to apply for anymore grants unless we can either get an extension on that lease or a new lease. DNR can't extend their leases by just a year so we would perhaps ask to negotiate a new lease that would give us 55 years. So I'll keep working on that.
- The Association of Northeast Washington Mayors has formed a coalition and we sent a letter to our Northeastern Washington Legislative Delegation stating that our joint priorities are for the state to restore shared revenue to cities, to stop raiding money in the Public Works Trust Fund, and to enact a state transportation funding package. The letter details the loss in liquor profits/taxes, in fuel taxes that we haven't been getting and the fact that they've gutted the Public Works Trust Fund which was a source of funding for infrastructure. We're hoping we'll get some traction in Olympia.

**Presentations:** None.

### Consent Agenda:

Motion by Councilwoman Ludwig approving Consent Agenda consisting of:

>January 7th Regular Minutes

>January Payroll and Claim Vouchers/Supplemental December Claim Vouchers

Seconded by Councilwoman Nupp. Roll call vote taken with all votes in favor. Motion carried.

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### Committee/Commission Reports:

- Hotel Motel Tax/Councilwoman McMillin: The C/A has sent out funding applications to seven previous recipients. These applications have to be properly completed and submitted by February 23<sup>rd</sup>.
- Civic Center/Councilwoman LeHew: Mainly working on policy with regard to renters' responsibilities - there have been issues with keeping it clean and having it clean enough for the next user - looking into finding someone who can come in and clean at random times. Discussion regarding upgrades/bathrooms.

- Finance/Councilwoman Ludwig: Talking about wages, thinking ahead for next year already; rentals, the different units that rent this building – Mike will elaborate on that. The municipal flower beds will be looked at and worked on this summer.
- \*Mayor: I tasked the Facilities Committee with reviewing all of the buildings/land that the City owns to see if there's a way to liquidate or trade assets in order to operate more efficiently. I met with the committee only one time during which I shared my vision for the community. When I was elected many people asked me what I was going to do to bring some jobs in and move Chewelah forward. I have a longer vision as to what will help the economy and move the City ahead. I truly believe that if we are going to have economic revitalization, the City government needs to be at the head of that because we can pull people together to get different ideas and merge in order to work for a better community for all of us. One of our consistent issues is bringing people here, keeping them here and, if we do keep them here, what can they do? So with that background, I asked the committee to take a look at this proposal that we liquidate a couple of our buildings and build a new shop in another place . . . .

Facilities: Councilman Wight read the following report/recommendation of the committee:

- The Mayor asked our committee to review all the City facilities and the efficiency of their current use.
- Although PACA's offer was the immediate reason for putting this committee together, it is not the primary purpose or the only reason for doing so.
- We had a party look at the valuation of the Armory and the Main St. buildings which were valued at \$140,000 and \$195,000. The valuation of the Armory building was verified when the Mayor asked an official, licensed appraiser to value the Armory and it came within \$500 of the previous valuation.
- When reviewing the use of the Webster St. building, we determined that it was originally designed to house all public works and electric department workers and believe that all can operate efficiently out of that building by simply moving some of the electric department storage to a new facility.
- If we built a new facility down at the Wastewater Treatment Plant similar to the new county shop south of town, it would provide a new finished shop space of 3,400 sq. ft. with 3 bays, a heated equipment storage area that is 5,000 sq. ft. and 6,400 sq. ft. of covered area that would house every other piece of equipment that the City owns. The City does not currently have the ability to store all their equipment under cover.
- The site of the new facility would provide extensive room for growth as new storage and buildings were necessary like the area at the county yard that is currently being used for storage of water, sewer, and electrical supplies.
- Our committee also determined that the City owns other properties that should be considered surplus and sold.
- Moving the shop to a new location would provide space in the core of Chewelah that could be used for cultural activities rather than commercial/industrial uses.
- Considering immediate and long term needs of the City, the majority of this committee recommends that the City make a counter offer to PACA and move forward with the sale of the Armory and Main St. buildings and consolidate to one new facility at the Wastewater Treatment Plant. There is a price tag associated with this proposal and we would like Mike to explain how the process will work financially.

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\*C/A: The proposal of the majority of this group is to move forward with the sale of both buildings. If we were to do that, we would get \$140,000 for the Armory building and \$195,000 for the Main St. building, totaling \$335,000. We would then turn around and rent back the Armory facility for up to 18 months for \$15,000 -- that sounds like a lot of money but to put it in perspective, we rent our own facilities to ourselves – for instance the Main St. building is rented by the General Fund to the Water and Sewer Funds for \$42,000/year. As John mentioned, even with \$335,000 we would not have enough to build the new facility -- a facility similar to that of the county shop with about half of it finished shop space would cost somewhere between \$500,000 – \$600,000. This deficit would require that we set up interfund loans from the utility funds to the General Fund. We would design the specs and put the project out to bid. When the price tag becomes known, we would then set up the interfund loans. Pay back of the interfund loans would be accomplished in two different ways. First, the committee will continue to look at other properties that we have to sell. Second, when this new facility is built it will be rented back to the utilities. So the General Fund is currently receiving \$42,000 in rent from water/sewer – obviously, it would no longer receive that but the rent for the new facility would be about \$90,000, the difference to be used to repay the loan. There's almost no risk. There a lot of wheels that will make this project work. In the end, if the committee continues to work and recommend sale of other properties we'll come out far ahead of where we are right now. We will make that if we move forward with this, it will not raise utility costs for the customer. We will not raise rates to pay for this venture. In the end, all we are doing is trading assets.

This committee has already met four times and discussed this in great depth. The Mayor asked for a motion before further discussion. Motion by Councilwoman LeHew to proceed with recommendation of Facilities Committee and make a counter offer to PACA and move forward with the sale of the Armory and Main St. buildings and consolidate to one new facility at the Wastewater Treatment Plant, seconded by Councilman May.

*\*Councilwoman McMillin:* I know that you got a qualified person to put a cost on the building. I think that it is a little low. When I researched what we sold the property on Main Street across from Sety's -- the assessed value was \$95,000 and it sold for \$80,000. I know that property values go up and down. I think that's pretty far off for that building. When I went over and looked at it I saw that the land goes clear back to the creek -- that's prime property. So is it possible to put a lot line or whatever and just sell the building and leave the land? That land is pretty valuable.

*\*C/A:* The land that they're proposing to buy for the facility that they plan on using -- they're going to need all that land for required parking for a facility of that size. That's the primary purpose behind that. Regarding the sale of that Main Street property -- that value of \$95,000 was actually based on the City's total investment in the property, cost plus cleaning up the trailers -- I thought we had asked Steve what the value of that was but that is not the case.

*\*Councilwoman McMillin:* It just seems like an awful low bid for that size of building -- it's like a bomb shelter in there.

*\*Councilwoman Nupp:* So you're feeling we should have a second appraisal just to make sure it's the same size?

*\*Mayor:* Dave Sitler is the only commercially licensed appraiser in Stevens County. The appraisal cost us \$1,800. They have to sign all kinds of assurances -- they're not going to put a funny value on that and put their license at risk. I'm very comfortable that the value they put on it is exactly what it's worth. That's my opinion.

*\*Councilman Norvell:* (to Tom Bristol or Sharon) if we do sell it do you have the money to do a major remodel to make it happen -- do we have a guarantee that we will get a theatre out of this? My concern is that it will wind up in someone's personal collection like a lot of other buildings.

*\*Councilwoman Nupp:* We did talk about contingency, didn't we?

*\*Councilman Norvell:* I mean if we get the purchase price but then they can't afford to . . .

*\*Councilwoman Ludwig:* It can't become a private person's because it is being bought by a non-profit. We have the funding promised to us to purchase it. In the past, we have had to turn down or have not applied for several grants because we did not have a building. We're very confident. . .

*\*Tom Bristol:* There's no guarantee . . . the intention is that it will be a humble start. It will be cleaned out. It may not run for four seasons to begin with because there's zero insulation in the walls. But if you get started, then you can go for some grants -- there are a lot of opportunities. It can energize the community to move forward -- there are a lot of people who want to put effort and value into the community.

*\*Councilman May:* In trying to generate this recreational pathway between here and the park -- cultural district -- if this thing flunks and the building ends up empty and PACA owns it and they sell it, who's it going to go to? I hope it doesn't go to a pig farmer.

*\*Councilwoman Nupp:* Wasn't there a contingency that it reverted back to the City?

*\*Mayor:* I think it was pointed out to us by our attorney that when you sell something, it's sold -- you can't take it back. If you lease it to them, that's different.

*\*C/A:* In the original proposal they had proposed to purchase it in thirds and so at any point if they could not raise the last third, the property would have had to revert back to us.

*\*Councilman May:* I believe this area is designated as . . .

*\*C/A:* Retail business.

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*\*Councilman May:* Okay, it wouldn't be a pig farmer. It could be someone making bicycles. I just wanted to make sure that was out there in the open – that it is possible that it won't work. Just because it worked someplace else . . .

*\*Councilman Norvell:* Tom, have you considered building a new facility over here in the empty field next to City Hall? It seems like it would be cheaper to build a new facility perfectly suited to a theatre.

*\*Tom Bristol:* There are a lot of good things about the Armory -- specifically it's location to the creek and the fact that we're cleaning up a lot of equipment between the building and the creek that probably shouldn't be there. It's a solid building. It needs a major remodel to turn it into something efficient. It could use a facelift. Those are the things we're offering. I can understand a little skepticism that it may or may not happen. But I personally know a lot of people who already put a lot of effort, money and sweat equity into making it happen. We'll keep this project around until we do receive grant money.

*\*Mayor:* I'd like to remind the Council that our duty is not to talk PACA into something different. Our duty is to consider the offer that is before us.

*\*Councilman May:* As far as the real estate is concerned, I tried to look at this thing from every aspect I could think of. I didn't think about 'I wonder when the City bought that property on Sand Canyon' – it was before I was on the Council in '75. I imagine the City bought it for future development. What better future development than to sell it now for a goodly sum of money and build a nice shop.

*\*Mayor:* When I came on the City in '79 we owned all kinds of stuff. We owned timberlands. We sold 6 parcels of timbered land after we logged them twice when I came on Council. I don't know how the City ended up with all that property.

*\*C/A:* That was purchased in preparation for the new water system. In the early/mid 1940's our surface water right up here was failing and the new regulations required that we do something else. So that was in preparation for that which is where the wells out there came from as well as the subsurface collection system and the reservoir. But we can sell everything around that by breaking that up into pieces and doing lot line adjustments while still protecting that water system.

*\*Councilwoman McMillin:* You already have architectural plans drawn up for the new shop building?

*\*C/A:* No, it all has to happen in a certain order. Just to have the discussion we needed a base plan. We looked at the county shop. I called the county engineers and asked them to send me the drawings of that specific shop. We made that drawing fit to what our needs would be if that happened.

*\*Councilwoman McMillin:* With the amount of square footage that would go into that . . . and it would be a metal building . . . You think right now it would be \$600,000?

*\*C/A:* It would be a wood structure with a metal skin. Cost between \$500,000 – \$600,000. But if we sell both buildings we would have \$320,000 in our pocket – the rest would be accomplished with interfund loans.

*\*Councilwoman McMillin:* My concern is -- down the road is there any way that the citizens would have to eat the cost if the price goes up? Will the sale of the two buildings and the interfund loans cover everything?

*\*C/A:* The property will cover it along with the increased revenue from the facility that we're going to build. Actually on its own the increased revenue will probably pay off the loans but selling other property will guarantee that.

*\*Councilwoman McMillin:* So that won't fall on anybody here or in the community -- the cost of building this new facility?

*\*C/A:* No.

*\*Councilman May:* The number one discussion right off the bat was that if we build a new building, it won't cost the citizens a penny. We can pay for this without raising any rates. If we raise rates it won't be to build that building.

*\*Councilwoman McMillin:* Do we know what the timeline of this is going to be?

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\*C/A: Hectic and in this order if it is the wish of the council: to surplus, to sell, to design the new facility, come up with bid documents, deal with wetland issues where the new building would go, do lot line adjustments for the current shop building -- all in preparation for actually putting it out to bid which would hopefully be no longer than a month and a half. Any longer than that and the contractors will be busy and if we want to lock anyone in this year we would be paying a premium for it. The goal is to get design done as soon as possible and to complete sales of both buildings so we have money in our pocket. Part of the bid requirement would be completion by late fall or whatever time period we put on it. Once it's built, of course, then we have to move from the facilities we're currently in to the new building. Best case scenario one year from this point until it's completely done. If the council wishes to move forward, you'll see that in the counter proposal to PACA we requested up to 18 months to stay in the Armory building just in case things arise.

\*Councilwoman LeHew: So we still have to counter PACA, they have to accept it - do we have a buyer for the Main St. building?

\*C/A: The person who is interested in the Main St. building has their check in hand - that's a guaranteed sell. We would have to hear back from PACA to see if they accept.

\*Councilwoman McMillin: Why are you surplus both buildings at once?

\*C/A: The counter proposal states that both properties must be surplus and sold in order to build the new facility -- because instead of having \$320,000 in our hands, we would have half or less, depending on which building was sold. The plans for the new building would be impossible. Is it possible to surplus only one property - yes but the plans would completely change and we would have to look into it further. Half of the new facility would be a new shop and half would be heated indoor storage for all the large trucks. On the outside would be two shed roofs to house every other piece of equipment owned by the City with the ability to be plugged in and have the lights on. We currently don't have that ability. We will be going from two buildings down to one. Another benefit would be that with the shop there, every piece of equipment is surrounding the mechanic. There are a lot of benefits but there's a lot that goes along with the plan.

\*Councilwoman Nupp: With the discussion of surplus, if there's a higher offer that comes in?

\*C/A: That's another concern of Roberta's. When we surplus property we are under no obligation to sell it a certain way - we can choose to do a private sale, bid it out - I asked MRSC that specific question. We're under no obligation to put it out to public bid. The positive side to that is we might get more money, but what you risk is the guaranteed use of the property. One of the reasons for doing this is the ability to maintain the downtown core for cultural use rather than commercial/industrial use. By bidding it out, especially after this meeting - everyone knows what the value is - anyone could bid \$500 more than what we currently propose and their use, as long as it fits within the zone of retail business would be the use of that facility. There's value in guaranteeing what the use of that property will be.

\*Mayor: Payton, I know that you had some concerns. Would you like to voice any of those? I want everyone to have their say and have their opinion heard. I don't want to hold anybody back from discussing.

\*Councilman Norvell: I think I've voiced them.

Roll call vote taken with abstention by Councilwoman Ludwig, Councilman Norvell voting against, remaining votes in favor. Motion carried.

#### City Administrator Report:

- Motion by Councilman May to declare Main Street Building and Armory Building surplus, seconded by Councilman Wight. Roll call vote taken with abstention by Councilwoman Ludwig, Councilman Norvell voting against, remaining votes in favor. Motion carried.
- The Clerk read Counter Proposal to PACA regarding Armory Building Purchase. It established the selling price at \$140,000 for the Armory Building and the 150' strip of land south of the

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museum and little league field from 3<sup>rd</sup> Street East to the creek. City retains an easement for installing a pathway within 50' of the creek in the future if funding is available. Includes use of the Armory building by the City for a period of up to but not to exceed 18 months for \$15,000. Contingent upon sale of Main St. property.

- When we were developing the budget for 2015, we expected the beginning balances to be smaller than what they are now anticipated to be. We leaned pretty hard on general fund uses – street, law and fire. Police Chief Anderson is requesting an increase in his budget to replace the 2004 Ford Crown Victoria with a 2013 Ford all-wheel drive sedan available on State bid at a cost of \$30,000. This cost does not include sales tax, stickers, light bar and a console to hold the radio and siren boxes. Troy is asking for \$35,000, \$10,000 of which would come from the Impact Mitigation Funds which the City received from the Spokane Tribe of Indians this past December. Fire Chief DeVeau has found a deal on SCBA's (self contained breathing apparatus). We're not in desperate need of those, but close to it. This request would replace all the SCBA's on the two primary engines. He is asking for \$4,000 increase in his operating supplies along with use of IMF funds which his department received this past December. Motion by Councilwoman Nupp approving requested amendments to police and fire budgets for the purchase of a police vehicle and SCBA's, seconded by Councilwoman LeHew. Roll call vote taken with all votes in favor. Motion carried. The C/A added that Public Works Superintendent Gary Nussbaum, acknowledging that the Council had stepped up with the purchase of the hybrid tractor, refrained from asking for anything at this time.

**Old Business:** None.

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**New Business:**

- The Clerk read Resolution 15-02. Motion by Councilman May to adopt Resolution 15-02 Establishing Rental Rates for the Chewelah Municipal Building, seconded by Councilman Norvell.

*\*Councilwoman LeHew:* I think that the square footage rate is very reasonable after looking at what else is in town. As a business owner and as a voice for the community, I have a problem with the \$.09/square foot for utilities as it seems very low – I think the average Main Street utility is probably \$.20 to \$.30/square foot. I'm not saying that we should raise the rates but businesses on Main Street feel like the City is kind of undercutting them because the City is able to rent property with lower utility costs. I think we could be hurting small businesses. I had this conversation with Mike and I understand that the City doesn't need to charge as much here. Anyway, I've had conversations with other people around town and thought maybe we could clarify. I just want to have a conversation so the public knows why we chose to charge \$.09. I know that we're going to be starting some other discussions about utilities, metering and hook-ups and all that so I just wanted to say my peace now because it will have bearing on future conversations.

*\*Councilman May:* We're already heating the building. We heat it if its empty and I think that that's a fair share. If I had a building out here that I wanted to rent out, it probably wouldn't be heated. The renter would have to pay for the heat. This is already heated whether anyone is upstairs or not. It's not like it's extra for them because it's just their fair share for keeping the place warm.

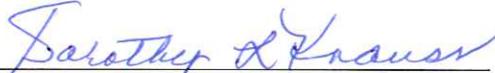
*\*C/A:* This resolution matches what our current leases are. The auditor has asked us to review this on an annual basis which is the reason for this resolution. We took the total cost of utilities for this building which is fairly easy to do and we took the total square footage of the building – then we simply divided it out to determine our actual costs. Krisan is right because our actual costs are actually less than a utility customer because we pay a wholesale rate. This

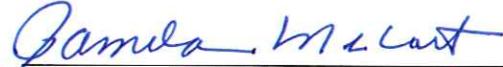
conversation will probably continue in November when we review the leases for the next year as to whether they will increase or not. When we combined all the rental costs (rent/utility/leasehold taxes) we were right in the middle. There are a lot of considerations. Some who are charging more for locations on 395 -- there's a value in having a sign on that frontage. We felt comfortable we weren't truly undercutting anyone -- as long as we're in the middle we're pretty safe. We'll continue to look at that every year.

*\*Mayor:* Every once in a while I'll get a call from the regional auditor manager in Pullman who receives calls on a regular basis that the City is competing with others. She repeatedly tells this person that the City is not breaking any laws. We're perfectly within our right to do that but I can see the ethical/moral argument that Krisan is putting forth. Some businesses use more electricity -- we basically have offices here. If you have a business that uses more electricity I think that would make a difference.

Roll call vote taken with all votes in favor. Motion carried.

The Mayor adjourned the meeting at 7:38 PM.

  
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Mayor Dorothy L. Knauss

  
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Clerk/Treasurer Pamela McCart