

City of Selah
Council Minutes
November 27, 2012

Regular Meeting
Selah Civic Center
216 South First Street
Selah, WA 98942

A. Call to Order Mayor Gawlik called the meeting to order at 6:30pm.

B. Roll Call

Members Present: Keith Larson; Paul Overby; John Tierney; Kevin Jorgensen; Allen Schmid; Brooke Finch

Members Excused: Dave Smeback

Staff Present: David Kelly, City Administrator; Bob Noc, City Attorney; Dale Novobicski, Clerk/Treasurer; Jerry Davis, Fire Chief; Rick Hayes, Police Chief; Joe Henne, Public Works Director; Dennis Davison, Community Planner; Jeff Hagler, Parks, Recreation & Tourism Director; Ty Jones, Public Works Utility Foreman; Monica Lake, Executive Assistant

Mayor Gawlik requested that anyone in the audience who wished to speak during the Public Hearing place their name on the sign-up sheet, as names will be called from the list. He noted that those who decline to speak when their name is called simply need to state that.

C. Pledge of Allegiance

Council Member Overby led the Pledge of Allegiance. Pastor Mark Flippen led the opening prayer.

D. Agenda Changes

Add to the Agenda:

1. New Business K-1: Designate a Council Member as the Voting Member for the Naches-Selah Irrigation District

Council Member Schmid joined the meeting.

E. Public Appearances/Introductions/Award Presentations **None**

F. Getting To Know Our Businesses **None**

G. Communications

1. Oral

Mayor Gawlik opened the Public Meeting. Seeing no one else to speak, he closed the Public Meeting.

2. Written **None**

II. Proclamations/Announcements **None**

- I. Consent Agenda

Executive Assistant Lake read the Consent Agenda.

All items listed with an asterisk (*) were considered as part of the Consent Agenda.

- * 1. Approval of Minutes: November 13, 2012 Study Session & Council Meeting

- * 2. Approval of Claims & Payroll:

Payroll Checks Nos. 74722 – 74806 for a total of \$140,096.59
Payroll Checks Nos. 74807 – 74847 for a total of \$105,227.29
Claim Checks No. 61156 for a total of \$ 676.85
Claim Checks Nos. 61157 – 61212 for a total of \$107,753.62

- * 3. Resolution M – 2 Resolution Authorizing the Mayor to Sign an Updated Section 125 Cafeteria Plan

Councilman Tierney moved, and Councilman Schmid seconded, to approve the Consent Agenda as read. By voice vote, approval of the Consent Agenda was unanimous.

- J. Public Hearings

1. Public Hearing to consider amendments to Selah Municipal Code Chapter 4.34, for purpose of increasing the Utility Tax imposed against the City as it relates to City operated utilities and to consider a rate decrease to the consumer for water, sewer, and garbage services

Mayor Gawlik read aloud a brief statement regarding the twofold purpose of having a Public Hearing on this matter, and then opened the Public Hearing.

City Administrator Kelly addressed J-1. He stated that he wants to outline why we're here today, to help everyone understand the decision in front of Council today and hopefully spark some questions and answer some questions. He said that there was some interest in purchasing property in 2002, and quoted former City Supervisor Frank Sweet's comment from the August 27, 2002 Minutes: "He stated the City has looked in the past for property for the Police Department, City Hall, the pool, etc. and that's why this item is before the Council now". He went on to say that at this particular meeting the Council authorized a bid on property, and following the meeting administration secured the opportunity to get bonds and went into debt approximately five million dollars to purchase roughly twenty-five acres of property. He noted that the subject property was found to be too close to the railroad tracks, which meant it was not

feasible for a City Hall and Police Department, so the City Council and former City Supervisor Sweet looked into subdividing the property and selling it off as commercial property. He commented that the City put in one point two million dollars' worth of road improvements during property development, and noted that approximately three point nine million dollars' worth of property was sold between 2002 and 2009. He said that the City has approximately five dollars and seventy-three cents per square foot in that property; some lots were sold for around that amount, some were sold for less. He observed that the difficulty with this whole premise is that if you don't sell the property for ten years than you have interest compounding on that. He stated that the City has paid one point six five million dollars in interest on the bond since 2002, which works out to roughly seven dollars and twenty-five cents per square foot invested in that property to date. He noted that the City still has another ten years left on this bond. He said that when he started employment with the City in July, he saw the debt and the payments that had been made, at which point he started looking at where the money for those payments had come from and discovered the first payments came from the Reserve accounts, and then from some of the proceeds of the bond itself. He remarked that the City had borrowed eight hundred thousand dollars prior to 2002 for improvements to Carlon Park, which was subsequently paid off with bonds proceeds. He noted that the last two items are not acceptable uses of bond monies, and that this has resulted in an IRS fine of one hundred seventy-eight thousand dollars. He mentioned that the City is currently in negotiations with the IRS to possibly reduce the penalty amount. He went on to say that, because of those mistakes, when the City tried to refinance the bonds the bond attorney informed them that they were no longer eligible for tax-free municipal bonds, which will cost the City approximately one hundred eighty-eight dollars over next ten years. He observed that the City currently has exhausted its reserves and has no identified revenue source to pay the loan. He said that the 2012 Budget had earmarked monies from the water, sewer and garbage funds to cover the bond payment; enterprise funds cannot be used to make that payment according to State laws, so we had to take monies out of the General Fund. He commented that the City currently has depleted reserves, we cannot take money out of the water, sewer and garbage funds and we have no revenue stream to sustain payments over the next ten years. He opined that the issue in front of the Council today is a math problem: either we raise revenues, cut expenditures or do a combination of the two. He noted that his job is to propose a balanced budget to the Council; he has suggested raising revenues and selling off the existing surplus property to reduce the debt. He remarked that the City still has approximately four million dollars' of debt to pay off, and that the County Assessor has valued the remaining Marudo properties at roughly one million dollars. He recommended selling the remaining lots as soon as possible, noting that the Council gave him the authority to list those properties at the last Council Meeting. He stated that the City also has other surplus properties to liquidate, which could then be used to make additional payments. He said that the consultant for water and sewer has recommended an annual three percent increase just to keep up with expenses; prior to what has recently happened a three percent increase was anticipated, although the Council is now looking at a seven point two percent increase in a net utility bill instead of the original three percent. He verbally walked through a scenario using a one hundred dollar water bill as the example, referring the audience to the handouts provided so to allow them to easily follow along. He noted that in previous years the utility tax has not been itemized out on the utility bill, which has resulted in a greater tax paid by the City to the State; if the City discloses the utility tax on the utility bills it doesn't have to pay State tax on the utility tax collected. He opined that it is to the City's advantage to disclose this information. He referred back to the examples in the handout, saying that individuals should

look at the example that most closely resembles their circumstance. He commented that the garbage rates will not change significantly; only the water and sewer rates will go up eight point nine percent. He finished by saying that the Council will need to make a decision on how to rectify the situation.

Mayor Gawlik asked if there were any further comments from the Council.

Council Member Tierney noted that the refinance of the bond will cost the City approximately one hundred eighty-eight thousand dollars over the next ten years. He said that that figure is over and above what the City would have gotten had we been able to do another tax exempt bond. He remarked that the interest rate on the new loan is still lower than what we had before, and that it didn't cause the City any additional money to refinance the bonds.

City Administrator Kelly said that, at the last public hearing, Jane Williams had suggested that we talk with the City's insurance company regarding the potential IRS fines and the loss of monies the City could have saved as a potential insurance claim. He went on to say that the insurance company encouraged him to turn these in as an errors & omissions claim against the insurance, but noted that the \$4,000,000 owed on the bonds cannot be submitted as a claim.

Mayor Gawlik opened the Public Hearing.

Roy Sample, 1304 Heritage Hills Place, approached the podium and addressed the Council. He said that he knows we have a problem, and he is speaking because he pays for multiple water, sewer, and garbage bills that will be affected by any utility tax increase. He stated that he will digress a moment to talk about the 2002 land purchase, saying that there is an old adage in the Yakima area real estate business that if you want something to purchase to be appraised at a higher price you hire a Seattle appraiser. He noted that there are several appraisers in the Yakima area who could have done the appraisal rather than using one from Seattle. He remarked that when the land was purchased, the assumption was that land prices would continue to rise in value; the problem resulted from overpaying for the property, which was then developed at City expense at prevailing wage prices. He commented that he has been involved with both large and small subdivisions and is aware of the expenses involved in that undertaking. He observed that there have been positive results of the property purchase, such as several good businesses established there and the widening of North Wenas Avenue. He said that it is a shame we are in this position, saying that things have changed a lot since 2007; the fair market value of property has gone down, resulting in a decrease of accumulated wealth in Selah. He remarked that he reviewed the water rates over the last nine years, and that those rates are compounded, which results in a larger increase each time, and that the compounded interest should be shown to make the proposed increase as clear as possible. He stated that he understands the problem, but feels that the City should look at every possible means for this not to happen. He noted that he doesn't have a solution but suggested that the City tighten their budget and sell off the surplus properties.

Willie Quennell, 1400 Heritage Hills Court, approached the podium and addressed the Council. He stated that he is in favor of transparency. He wondered where the three point nine million dollars from property sales went; what it was used for, and what the thought process was.

City Administrator Kelly responded that it was an excellent question. He said that, under the terms of the bond, the City could not use the three point nine million dollars from property sales to pay off the debt, not could it opt to pay it off sooner as it did not have a call feature for ten years and couldn't be paid off any sooner than January 2013. He went on to say that the Council could have opted to place the money in a bank account or investment vehicle to pay off the bond when they could; instead, one point six million dollars was spent on interest, one hundred seventy-eight thousand dollars was used to refurbish the Police Department building the City currently rents, a Parks shop building was purchased for forty thousand dollars, and one point two million dollars was used to pay down Carlon Park's previous debt and do more refurbishing at Carlon Park. He noted that the City also borrowed one point two million dollars for road infrastructure on the Marudo property and had to start making annual payments of fifty thousand dollars towards that loan. He stated that he is a numbers guy, and if he borrows money he wants to make sure there's a way to pay it off. He concluded by saying he found no identifiable plan in place to pay off the bonds when he came on board in July.

David Fuwell, 1006 W Orchard, approached the podium and addressed the Council. He said that he has not been a Selah resident for very long, and while he understands that some stuff happened in 2002 he wasn't here for that. He remarked that it sounds like shell game to him, which is not how you run a business. He understood that the tax was likely to happen and the information is simply being shared with the citizens. He wondered regarding where the money went in the past, and said that, while this tax increase will create a tax deduction for those who itemize, he was concerned about whether the larger tax increase would only be in effect until the bond was finished or if it would continue indefinitely. He commented that he would like to see some accountability, especially since we are cleaning up a mess from ten years ago. He asked if anything got paid on the principal over the last ten years.

City Administrator Kelly commented that the first four years' worth of payments on the bonds were interest only payments.

Mr. Fuwell replied that it is the same with any loan, and wanted to know if this will end when the bond is paid or if it will continue on.

Mayor Gawlik City asked Administrator Kelly to address Mr. Fuwell's question regarding the length of the tax period.

City Administrator Kelly responded that the Council will have to decide what they wish to do at today's meeting. He stated that we have depleted one point two million out of the reserve accounts, and that the Council could opt to place a sunset clause in the Ordinance. He noted that, unlike the Federal government, the City has to balance their budget each year, and he needs to know whether the Council will decide to raise the rates or not. He said that if the Council opts not to raise the utility tax rate than eight City jobs will be lost; if they decide to go ahead with the tax, then they will need to decide how long the increase will last and whether to add in a sunset clause.

Kevin Impson, 304 Selah Avenue, approached the podium and addressed the Council. He asked why the Council doesn't simply do a three point two increase to deal with the situation at hand, and have it automatically removed in ten years.

City Administrator Kelly replied that a three percent annual increase was what the consultant recommended to take care of business, and that the additional four point two percent would be a one-time addition that will be compounded; i.e. next year another three percent will be added on top of the four point two percent.

Mr. Impson wondered why the rate would not be readjusted at end of ten years when bond is paid, so that the citizens no longer have to pay the higher utility tax rate.

City Administrator Kelly replied that that was an excellent question, saying that the Council will need to decide whether or not to add in a sunset clause tonight.

Mr. Impson remarked that it seems like there is no choice regarding the four point two percent increase; has to be done. He opined that the fair choice is to get the bond taken care of over the next ten years, and then do away with it.

Council Member Jorgensen responded that he is in agreement regarding the sunset clause. He noted that it may not need to ten years in duration, as the City has approximately one to three million dollars' worth of land that can be sold and used to pay off the loan prior to ten years' time. He said that there are several things to be done whether Council opts to insert a sunset clause or not.

Mr. Impson commented that he wanted to know the Council Member's thoughts on the matter. He informed Mayor Gawlik that he voted for him in the election last year.

Steve Shotwell, 705 West Naches Avenue, approached the podium and addressed the Council. He said that someone in the past should have realized what was happening and stopped it, and expressed his disappointment that both board members now present as well as those gone have shown a propensity not to follow the law. He stated that the Police Department should go back to cruisers, not Ford Explorers, as we are not exactly in 4 wheel country in Selah. He suggested keeping one or two for use when the snow is deep. He also expressed concern that people in Selah frequently run red lights, and suggested that the City buy a camera, set it up and ticket them. He asked that the City cease being reactive, but instead be proactive and make some money at the same time.

Mayor Gawlik remarked that the City is diminishing the number of orcas in the Police fleet and going back to police cruisers. He noted that stoplight cameras have been thought of; however, there is still some research to be done to determine if it is legal for the City to utilize cameras on the stoplights for that purpose.

Marcia Shotwell had no comment.

Mayor Gawlik informed Ms. Shotwell that the minutes she had inquired about were available on the City's website.

Ms. Shotwell replied that Executive Assistant Lake had called earlier in the day and given her the information.

David Zanolli, 306 Valleyview Avenue, approached the podium and addressed the Council. He said that he has lived in Selah for thirteen years, and is currently in the process of selling his house. He stated

that he was going to purchase a new house up in Valhalla Heights but is not sure that he will now. He inquired who will be held accountable for what happened in the past.

Mayor Gawlik remarked that the voters put him here and he has a job to do; whatever he inherited he will take care of.

Mr. Zanotelli then asked if the Council Members will take care of the loan, or simply dig deeper holes.

Mayor Gawlik replied that he and the Council are working together on this issue and will find a legal solution.

Mr. Zanotelli said that hundreds of jobs at Yakima County have been lost due to mismanaged funds, including his, and wondered why the taxpayers should pay for mismanagement of funds by people they trusted. He inquired if hiding the utility tax caused the City to pay the State almost all of the tax collected.

City Administrator Kelly responded that the City currently pays approximately eight to ten thousand dollars to the State. He explained that if the City collected one million in revenues they would pay five percent of that to the State; we are currently paying approximately eight thousand dollars that we would not have if the utility tax was disclosed on the utility bills.

Mr. Zanotelli wondered why the City would choose to do that.

City Administrator Kelly replied that that was an excellent question, and one he has also asked.

Mr. Zanotelli asked if this will go away when the bond is done.

Mayor Gawlik responded that Council will discuss that later tonight.

Mr. Zanotelli stated that he is tired of the taxpayers always having to make up the money for City and County mismanagement of funds; Yakima County has done it for years and now the City of Selah is doing it.

Council Member Jorgensen asked if he had a preference for whether the tax should go away or stick around.

Mr. Zanotelli replied that he thinks the City should find another way to pay off the loan; this is wrong and it needs to change.

Robert Harp stated that his question had been answered.

Marvin and Maric Pugh had no comment.

Kathy Hoffert, 606 Southern Ave, approached the podium and addressed the Council. She said that it is a sad day when we find out this kind of a process could happen in Selah; we trusted the government and it blew up in our faces. She requested that quarterly or twice yearly audits be done to make sure that payments are being made out of the right funds, in a proper and lawful manner. She mentioned that she has been as treasurer for her church and other organizations, and that one doesn't borrow from Peter to

pay Paul. She stressed that periodic audits need to be done to ensure that this doesn't happen again. She asked how much money the tax will generate beyond the annual loan payment amount.

City Administrator Kelly replied that it will generate approximately five hundred thousand dollars above the loan payment amount.

Ms. Hoffert asked if this will be used to beef up the reserves.

City Administrator Kelly responded that it will get the reserves back to a respectable amount to allow the City to plan and look to the future.

Ms. Hoffert agreed with the need to replenish the reserves, but recommended that any proceeds from the sales of surplus property go directly to that, so that when the loan is paid off the utility tax increase goes away. She went on to say that typically these things never go away, which is unfair and sets up problems. She reiterated the need to have an audit system in place, saying that the Council Members need to be held accountable for their decisions. She said that the City needs to make sure that the auditors are also held accountable; if they don't do their job then get rid of them. She opined that it is ridiculous to have no accountability.

Mayor Gawlik requested that either City Administrator Kelly or Clerk/Treasurer Novobielski respond to the audit question.

City Administrator Kelly remarked that the City is currently on a two year audit cycle with the State. He said that the preliminary findings for the 2010 and 2011 audit have just come back from the auditor. He observed that a change in staff can be beneficial; a fresh set of eyes can bring things to light. He commented that he knows money from a utility fund cannot be used for General Fund purposes. He noted that Clerk/Treasurer Novobielski looks at the numbers when payments are made, and that he himself will be reviewing those on a monthly basis. He went on to say that he was unsure whether Ms. Hoffert wanted someone in house or out of house to do audits, but this is what they are doing currently. He finished by saying that any money spent on this project will be looked at carefully.

Jane Williams, 701 S 7th St, approached the podium and addressed the Council. She opened by saying that she also spoke at the last Public Hearing, and thanked them for allowing her to speak again. She said that it appears that this tax will adversely affect the both low income seniors and low income disabled, and suggested that if the Council does vote for the increase that they not apply this to those user but instead apply it to the commercial and multi-family users. She asked if they had any idea what the total would be if the tax increase also affected those with a low income.

City Administrator Kelly replied that he would need to do an analysis and also to determine who qualifies for low income status.

Ms. Williams remarked that the low income people are already being charged a reduced rate.

City Administrator Kelly responded that he was unsure what it would save us, and asked Clerk/Treasurer Novobielski if he happened to know.

Clerk/Treasurer Novobielski commented that there are maybe one hundred accounts currently eligible for low income status, which would be roughly eleven hundred dollars on a monthly basis.

Ms. Williams expressed concern that we don't have a better understanding of how decisions were made by the previous city supervisor, and inquired if the City had noted indicating why he made those choices with the funds, such as Carlon Park

Mayor Gawlik responded that there are no notes or paperwork on these matters.

Ms. Williams said that the City has no paper trail showing why this happened, and asked if this had been included in the charges of destroying public records.

Mayor Gawlik responded that he is unable to respond to that at this time.

Ms. Williams asked if the City had discussed this matter with their insurance company, and asked which company it is.

City Administrator Kelly responded that it is CIAW, or Cities Insurance Association of Washington, the same company as 2002.

Ms. Williams wondered if the City looked into filing a claim against the individual employees and Council Members involved when the errors or fraudulent activity occurred

City Administrator Kelly deferred to City Attorney Noe, noting that he spoke to the insurance company today and they told him the City could file a claim for the one hundred eighty-eight thousand dollars lost because of the decisions that were made. He noted that they could also file a claim if the IRS charges the City one hundred seventy-eight thousand dollars in penalties, but one cannot be filed for the entire debt.

Ms. Williams asked for confirmation the City could file a claim for the losses incurred.

City Administrator Kelly replied in the affirmative. He asked City Attorney Noe to confirm that the City would have to go after the specific individuals who made those decisions.

City Attorney Noc responded that the City's insurance would cover acts of City, and that if they opt to go after former employees it would be a civil action on behalf of the City against specific individuals for misappropriation of government funds. He noted that these cases are hard to prove, as it could have simply been an error in judgment.

Ms. Williams inquired if the State auditors were looking into Fund 309 regarding the Marudo property and reviewing every single transaction done.

Mayor Gawlik replied that he cannot speak to that.

City Administrator Kelly responded in the affirmative, saying that they are looking at all of it, and that it has also been forwarded on to the Attorney General's office.

Ms. Williams thanked City Administrator Kelly for his responses. She said that she feels better knowing that what has happened in the past will not happen now, as we have different employees and different

Council Members. She expressed some concern that the City has the same Clerk/Treasurer it did in 2002, as he is responsible for the cash flow in and out of the City. She agreed with Ms. Hoffert that there needs to be a periodic audit, saying that we need to make sure that things are audited correctly, accounts are set up correctly and there is oversight on the transactions.

Bruce Williams, 701 Southern Street, approached the podium and addressed the Council. He stated that he appreciates that this is a difficult task; he can see City Administrator Kelly poring over these figures and trying to figure out what was done and what can be done. He remarked that the Council's task is to decide what needs to be done for the City to take care of this financial problem. He said that he and his wife have lived in Selah not quite six years and have attended many Council meetings over that time period. He commented that they have seen people asking questions and making comments related to purchases and property development that the previous administration did not handle well, and that the concerns people had were not really listened to. He encouraged the Council to respect those who get up to speak and make comments, to take their words to heart, and to use experts when needed while exercising financial restraint. He suggested that they get out in the community and talk to people about upcoming issues. He expressed his support for keeping the rate down for those on a low income and thanked the Council for doing what they are doing.

Dick Graf, 806 Ridgeview, approached the podium and addressed the Council. He said that it is obvious that this needs to be done. He inquired if the payments are overfunded a little bit to pay back the reserves.

City Administrator Kelly responded in the affirmative.

Mr. Graf asked how much the reserves were down.

City Administrator Kelly replied that they are down approximately one point two million dollars.

Mr. Graf remarked that this is close to what the vacant land is worth, and suggested that the City uses the land sales to replenish the reserves rather than raising the utility tax rate to replenish them. He said that, when the original development went in, the theory was that it would create a retail base in Selah and generate sales tax from the businesses that went in there. He suggested taking a portion of that sales tax and applying it to the proposed utility tax increase.

City Administrator Kelly replied that the majority of the money generated from sales tax is already going towards the payments on the loan.

Mr. Graf inquired if the two hundred thousand dollars used to remodel the Police Department came from a different fund.

City Administrator Kelly responded that it came from the General Fund.

Mr. Graf then moved on to the one point two million dollars spent on Carlon Park, asking if there would be any relief from the pool fund that could be applied to this.

City Administrator Kelly replied that, because the pool was taken out from City, it will save the City fifty to sixty thousand dollars a year to put towards other purposes; unfortunately, because of the fiscal

situation this has already been built into the current budget. He went on to say that his thought was to set that money aside but instead the City will have to use that for operating expenses just to get by.

Mr. Graf asked if that applied to the rest of the parks.

City Administrator Kelly stated that the General Fund includes parks, police, planning and administration, and that that money is used to take care of and operate the City.

Mr. Graf asked for confirmation that the fifty to fifty-five thousand dollars got used in this year's budget somehow.

City Administrator Kelly replied in the affirmative.

Mr. Graf recommended taking a hard look at the budget to see if there are any places where cuts can be made, as tough times call for tough measures. He urged the Council to consider a sunset clause on the tax.

City Administrator Kelly remarked that the decision was made at the prior Council meeting to not fill the vacant position left by a retiring employee, but instead hire two part-time workers to augment that. He noted that this will save the City roughly forty thousand dollars per year, saying that attrition is the easiest way to resolve some of that and Council has directed him to do that with at least one position in next year's budget.

Norma Smith had no comment.

Pete Shepard, 211 Heritage Hills Drive, approached the podium and addressed the Council. He asked why the annual utility increase has been set at three percent, since the average inflation rate is two point four percent.

City Administrator Kelly replied that several years ago, during a period when the Council had opted not to raise rates for a number of years, there was a big project that raised the rates thirty percent in one year. He went on to say that it was easier on everyone to simply raise them a small amount each year rather than one big increase after several years without; the City's engineer looked at the various projects planned over the years and then projected an increase amount estimated on what the water and sewer rates should be.

Council Member Jorgensen remarked that the City also has to be in regulatory compliance with the State and the Department of Ecology for water and sewer.

Mr. Shepard responded that we run the risk of not being fair if inflation is going up two point four percent yet the utility increase goes up three percent.

City Administrator Kelly stated that the projected increase is three percent annually; however, the Council gets to decide whether there is an increase and if it is actually three percent. He noted that three percent is simply a good guess based on things such as inflation and regulatory compliance.

Mr. Shepard wondered if the sales tax revenue from the construction of the new school has been baked into that.

David Kelly replied that the City anticipates over four hundred thousand dollars in revenue over the life of the building project.

Clerk/Treasurer Novobielski remarked that there are three buildings in the project, not just one.

City Administrator Kelly went on to say that an additional one hundred thousand dollars has been built into the 2013 budget for additional revenue, which will be used up during 2013, not set aside. He expressed hope these monies can be set aside for rainy day in the 2014 budget.

Bill Teaford had no comment.

Wiley Mills, Yakima, approached the podium and addressed the Council. He started by saying that four Council Members voted in favor of the Marudo property purchase in 2002 and asked any current Council Members who voted for it back then would raise their hands. He noted that one Council Member did so, and said that there are three other former Council Members who should also be held accountable for their bad decision regarding this property. He opined that former City Supervisor Sweet wasn't smart enough to pull this thing off without assistance and that people need to know that what has been going on. He said that he told the Council back then that it was bad policy, yet the City opted to purchase and develop the land regardless. He thought that an audience vote should be taken and motion made to hold the four Council Members who voted in favor of purchasing the property financially accountable.

Mayor Gawlik replied that it would not be appropriate in this particular venue. He went on to say that his position is not to point fingers or call names, but instead to find the best possible legal way to resolve this for betterment of the community. He stated that when he was made aware of the inappropriate activities he consulted with City Attorney Noc and followed his advice regarding notification of the appropriate authorities.

Mr. Mills said that those present do not want to pay for this four million dollar bond out of their pockets because the elected officials weren't doing their jobs.

Mayor Gawlik commented that they were voted back into office.

Mr. Mills remarked he feels the property at the end of Marudo Drive should be put up for sale, as the City has owned it for fifty years now and it will never be a park. He added that he has a latecomer's agreement that should be paid if the City does sell that property.

Kate Fontaine, 510 Southern Ave, approached the podium and addressed the Council. She said that she doesn't want to see anyone lose their job over this, although she is opposed to burdening the low income residents with this burden. She understands that the burden of debt is easier borne by many rather than few; she is still a working individual but she worries about those on a fixed income. She felt that it is a good idea to sell surplus properties pertaining to Marudo or other spaces around town, and would like to see the City sell these at fair or above market value and at minimum equivalent to what City paid for

them initially. She expressed hope that those people who made illegal decision will be held accountable in some fashion, as it is a sad day when you discover the misuse of bonds for municipal projects. She asked if the Carlon Park facility was available for use by local kids, and if out-of-town users pay a fee to use our facility.

Mayor Gawlik responded that Council had a Study Session on surplus properties prior to the last Council Meeting, at which time Public Works Director Henne provided a detailed list of City-owned properties. He went on to say that Council reviewed each parcel and made recommendations to City Administrator Kelly on which properties to dispose of, which included not just Marudo properties but also other parcels owned by the City. He stated that as for the parks activities, he gave a directive to City Administrator Kelly to renegotiate agreements with any associations that use our facilities for legality and potential fee increases.

Brandon Hunt, 400 Appleway, approached the podium and addressed the Council. He asked how many of the Council Member had graduated from high school, saying that as a teacher he knows that negative numbers is a 6th grade standard. He commented that he took salary cuts this year and the prior year, and feels that if he is taking cuts then everybody should be taking cuts, as education is where we should be putting our money. He said that the kids that are graduating will be the ones to change the national debt and the city debt, as well as buying houses. He reiterated that he feels if he is taking a pay cut than a lot of other people should also be taking pay cuts. He wondered if the seven point two percent would be revised after the City employee retires, due to the forty thousand dollars that the City will be saving. He asked if the annual three percent increase will go back into effect next year.

City Administrator Kelly responded that the annual three percent increase was recommended to the Council by the consultant; if the City opts to do a seven point two percent increase next year and no other issues arise, then he would recommend a three percent increase each year.

Mr. Hunt commented that they are getting a break this year on water, sewer, and garbage.

City Administrator Kelly responded that it is not a break; it's more like a penalty.

Mr. Hunt replied exactly.

Patrick Gonzales had no comment.

Seeing no one else rise to speak, Mayor Gawlik closed the Public Hearing.

K. New Business

1. Designate a Council Member as the Voting Member for the Naches-Selah Irrigation District

City Administrator Kelly addressed K-1. He said that the Naches-Selah Irrigation District is requesting that the City designate a voting member to represent the City's interests.

Mayor Gawlik inquired if anyone would care to volunteer for the position.

Council Member Overby asked if the Council needed to make a decision today.

Mayor Gawlik replied in the affirmative, saying that the City is part of the Irrigation District and as such has a vote regarding any actions taken by the District.

Council Member Tierney moved, and Council Member Jorgensen seconded, to appoint Council Member Smcback as the Voting Member for the Naches-Selah Irrigation District. Roll was called: Council Member Larson – yes; Council Member Overby – no; Council Member Tierney – yes; Council Member Jorgensen – yes; Council Member Schmid – no; Council Member Finch – no. Motion failed due to lack of majority vote.

Council Member Schmid stated that he felt the Mayor should represent the City's interests.

Council Member Finch asked Mayor Gawlik if he wanted to be nominated.

Mayor Gawlik replied that he will accept the nomination.

Council Member Schmid moved, and Council Member Larson seconded, to appoint Mayor Gawlik as the Voting Member for the Naches-Selah Irrigation District. Roll was called: Council Member Larson – yes; Council Member Overby – yes; Council Member Tierney – yes; Council Member Jorgensen – yes; Council Member Schmid – yes; Council Member Finch – yes. By voice vote, approval was unanimous.

L. Old Business

I. Council Meeting Times

City Attorney Noe addressed L-1. He said that Council passed an Ordinance earlier this year modifying monthly Council meeting times to 4pm and 6:30 pm respectively, and it expires at the end of this year. He requested direction from the Council as to whether they wish to continue with the split times, revert to the 4pm schedule, or have all meetings in the evening, so that he can put together an Ordinance for that purpose.

Council Member Tierney said that the split meetings appear to have a larger turnout at the 6:30pm session but more students attending the 4pm session. He suggested that they continue with the current schedule

Council Member Schmid remarked that he has made a motion in the past to go to a 6:30pm meeting time, but noted that this is the first time we've had a 6:30pm meeting that had more people attending than those who are usually in attendance regardless of the time the meetings are held. He commented that he is in favor of the split times, as he feels it shows that the Council is making an effort to accommodate community by doing them this way. He requested that those in attendance encourage their friends and neighbors to attend a meeting and see what's going on in the City.

Council Member Finch agreed with Council Member Schmid, saying that she doesn't feel attendance is driven by time but rather by the discussions at hand; if there's a hot topic than more citizens will attend. She encouraged everyone to attend a Council Meeting at least once a month to see the Council working for the citizens.

Council Member Tierney moved, and Council Member Overby seconded, to continue the current Council Meeting schedule of 4pm for the first meeting of the month and 6:30pm for the second meeting of the month through Calendar Year 2013. Roll was called: Council Member Larson – no; Council Member Overby – yes; Council Member Tierney – yes; Council Member Jorgensen – yes; Council Member Schmid – yes; Council Member Finch – no. Motion passed with four yes votes and two no votes.

M. Resolutions

1. Resolution Declaring Police Department Vehicle Surplus and Providing for Disposition of the Same

Police Chief Hayes addressed M-1. He said that he has another vehicle that he would like to surplus, noting that the department recently purchased three sedans to replace some SUVs. He noted that the vehicle he wishes to surplus today is a 2006 Expedition that has been a major financial drain to the department, although he has a few more to surplus at a late date.

Council Member Finch moved, and Council Member Schmid seconded, to approve the Resolution Declaring Police Department Vehicle Surplus and Providing for Disposition of the Same. Roll was called: Council Member Larson – yes; Council Member Overby – yes; Council Member Tierney – yes; Council Member Jorgensen – yes; Council Member Schmid – yes; Council Member Finch – yes. By voice vote, approval was unanimous.

- * 2. Resolution Authorizing the Mayor to Sign an Updated Section 125 Cafeteria Plan

N. Ordinances

1. Ordinance of the City of Selah, Washington, amending sections of Selah Municipal Code Chapter 4.34, relating to Utility Occupation Taxes paid by the City

City Administrator Kelly addressed N-1. He said that this is why we had the public hearing earlier, and that now is the opportunity for Council to make a motion on what we do going forward. He noted that if Council opts not to fill the position being vacated that they could reduce the increase from seven point two percent to six point seven percent.

Council Member Larson commented that he agrees that should be a sunset clause added to the Ordinance to revisit the matter in ten years. He said that he's not sure how to word that, but there should either be an end to this increase or accountability at that point with a decision on whether to continue it.

Mayor Gawlik wondered if it would be appropriate to add an addendum that also revisits the matter if the City is able to pay the loan off prior to the ten years due to property sales.

Council Member Larson agreed, saying that it should be revisited at that point if the loan is paid off sooner.

Council Member Jorgensen asked for clarification that when Marudo debt is retired the utility tax returns to the lower increase.

Council Member Larson replied that he doesn't know what would make sense at that point.

Mayor Gawlik remarked that the annual three percent increase over a period of ten years was recommended by the City's consultant, and asked for clarification that the additional four point two percent increase is the amount that would be subject to a sunset clause.

Council Member Larson responded that the four point two increase is a one year increase taking affect this year, so he is unsure what change you would make in ten years.

Clerk/Treasurer Novobielski said that the City is currently realizing a six percent utility tax that is not broken out on the utility bills, and what is proposed is an additional fifteen percent utility tax that will bring the total tax up to twenty-one percent. He suggested that Council sunset that additional fifteen percent when the debt is paid off.

Council Member Overby suggested that, since we know the additional amount being generated, the sunset clause can reduce the tax rate by four hundred sixty-five thousand dollars once the debt is paid off.

Council Member Larson commented that it addresses his concerns.

Council Member Tierney remarked that we also need to build the reserves up to a manageable level for the rainy day fund, saying that while he hates to increase anyone's taxes, the City needs to be in a good financial condition. He recommended having a sunset in place for when the loan is paid off and the reserves are built back up.

Council Member Overby noted that money for the reserves has already been built into the schedule, and that additional property sales could also be placed in the reserve accounts. He said that people are concerned that the four hundred and seventy-five thousand dollars do not extend long beyond the retirement of that particular debt and that the Council needs to honor in any decision they make.

Council Member Finch said that she agrees with Council Member Tierney. She commented that she is a numbers person like City Administrator Kelly, and when she was handed the current City budget she could see that the City is in a bad financial situation due to several issues. She recommended re-evaluating our financial position after the debt paid and the reserves are replenished,

Council Member Jorgensen agreed with Council Member Finch, adding that Council can decide at the date of sunset whether to continue the tax increase by having a public hearing with the community and specifying how to lay it out.

Council Member Schmid agreed with his fellow Council members to a certain degree, but feels that there should be a sunset clause stating that this tax is not to exceed 10 years or such a point in time as the bond debt is paid off. He observed that Council can then review where the City stands financially, look at the issues at that time and make a decision. He noted that thirty thousand dollars a year will go towards replenishment of the reserves and expressed a concern regarding the state of the General Fund compared to other healthy funds.

Council Member Finch remarked that ten years' worth of annual payments from the tax increase doesn't even come close to replenishing the reserves to where they were ten years ago.

Council Member Overby wondered if the tax would continue on if the reserves were not replenished to the amount specified in the motion.

Council Member Tierney replied that no one at this Council can control what happens in ten years; they can only anticipate and expect future council members to adhere to today's decision.

Council Member Overby observed that they are addressing actions taken ten years ago, and that he isn't comfortable making a decision that a future council will have to deal with ten years from now.

Council Member Tierney responded that the sunset clause would only have an effect on the fifteen percent utility tax increase.

Council Member Tierney moved, and Council Member Finch seconded, to approve the Ordinance of the City of Selah, Washington, amending sections of Selah Municipal Code Chapter 4.34, relating to Utility Occupation Taxes paid by the City with the inclusion of a sunset date of December 31, 2022, on condition that the Marudo property debt is paid in full and the City has replenished \$1.2 million into Reserve Accounts. Roll was called: Council Member Larson – yes; Council Member Overby – no; Council Member Tierney – yes; Council Member Jorgensen – yes; Council Member Schmid – no; Council Member Finch – yes. Motion passed with four yes votes and two no votes.

2. Ordinance to Establish the Amount of Taxes to be Levied upon Real and Personal Property in the City of Selah, Yakima County, Washington, and Fixing the Tax Levy for the Year 2013

Clerk/Treasurer Novobielski addressed N-2. He said that this Ordinance will impose a property tax levy for 2013, and briefly reviewed the difference created by the one percent increase as allowed by law. He noted that approximately sixteen thousand three hundred dollars is additional tax based on projected new construction in the City and explained the allocation breakdown to various City funds.

Council Member Larson moved, and Council Member Jorgensen seconded, to approve the Ordinance to Establish the Amount of Taxes to be Levied upon Real and Personal Property in the City of Selah, Yakima County, Washington, and Fixing the Tax Levy for the Year 2013. Roll was called: Council Member Larson – yes; Council Member Overby – yes; Council Member Tierney – yes; Council Member Jorgensen – yes; Council Member Schmid – yes; Council Member Finch – yes. By voice vote, approval was unanimous.

O. Communications

1. Oral

Mayor Gawlik opened the meeting.

Herb Schmidt, 107 Highland Court, approached the podium and addressed the Council. He noticed that disabled and low-income people were not addressed in the motion and wondered what do with that at this point.

Council Member Tierney replied that they will bring it up for action at the next Council meeting.

Steve Shotwell, 705 West Naches Avenue, approached the podium and addressed the Council. He observed that they just had a presentation on the real estate tax levy, of which sixty-nine percent goes in to the General Fund. He wondered if the utility tax is to add an additional thirty thousand into the General Fund.

Council Member Tierney responded that it is to pay off the Marudo property loan and to replenish the City's reserve fund.

Seeing no one else rise to speak, the Mayor then closed the meeting.

P. Reports/Announcements

1. Mayor

Mayor Gawlik expressed his thanks to those in attendance for their participation in the meeting, for coming forward to make comments and suggestions.

2. Council Members

Council Member Finch commented that she is happy to see the Mayor in better health and back with us.

Mayor Gawlik remarked that he has two people keeping him chained to a chair.

Council Member Finch explained to the audience that the Mayor had recently spent some time in the hospital, and reiterated that she is glad to have him back.

Council Member Schmid had no report.

Council Member Overby had no report.

Council Member Jorgensen had no report.

Council Member Larson had no report.

Council Member Tierney expressed his thanks to the members of the audience for being here tonight to share their views and concerns, saying that their comments did not fall on deaf ears and the Council will do their best to live up to the citizens' expectations.

3. Boards

4. Departmental

Public Works Director Henne had no report.

Police Chief Hayes had no report.

Fire Chief Davis had no report.

Clerk/Treasurer Novobielski had no report.

Parks, Recreation & Tourism Director Hagler had no report.

City Attorney Noe had no report.

City Administrator Kelly had no report.

Q. Executive Session None

R. Adjournment

Council Member Schmid moved, and Council Member Jorgensen seconded, that the meeting be adjourned. By voice vote, approval was unanimous.

The meeting adjourned at 8:42pm.



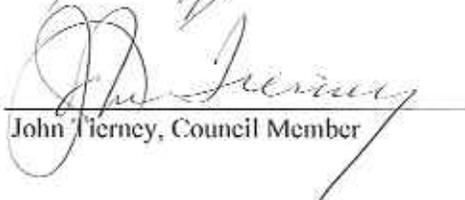
John Gawlik, Mayor



Keith Larson, Council Member



Paul Overby, Council Member



John Tierney, Council Member



Kevin Jorgensen, Council Member

EXCUSED

Dave Smeback, Council Member



Allen Schmid, Council Member



Brooke Finch, Council Member

ATTEST:



Dale E. Novobiocki, Clerk/Treasurer