

**CITY OF KALAMA
CITY COUNCIL – SPECIAL MEETING
OCTOBER 22, 2014**

PURCHASE OF THE HERITAGE BANK BUILDING & FINANCING

Mayor Pete Poulsen opened the workshop of the Kalama City Council at 6:00 pm. Councilmembers present were Mike Truesdell, Dominic Ciancibelli, Mike Langham, Don Purvis and Mary Putka. City staff present were City Administrator Adam Smee, Superintendent of Public Works Kelly Rasmussen, Clerk/Treasurer Coni McMaster and Police Chief Randy Gibson. Members in the audience are listed on the sign in sheet.

Clerk/Treasurer Coni McMaster noted that at the City Council meeting on September 17, 2014 staff was authorized to pursue funding and move forward to purchase the Heritage Bank building. At this time the City has submitted a complete application to USDA – Rural Development for the funding to purchase and renovate the building. The City is an eligible applicant and the project is eligible under the RD Community Facilities program. The funding proposal is within the RD lending limits. However, the State office is waiting on confirmation of and receipt of funds from the federal government. The City has entered into a purchase/sales agreement with Heritage Bank which will expire on November 1st. The City needs to confirm with the Bank that they are going to complete the purchase and have secured funding by November 1st or they will either lose the deal for the purchase or potentially be charged a fee for violating the agreement. The RD funding will not likely be available by that date, so in order to move the project forward the City needs to consider short-term interim funding either from a bank or from the utility reserves. Short-term would be from 90 to 120 days at which time the loan would be paid in full. The loan would be for the purchase cost of \$350,000 only. City Administrator Adam Smee added the City did seek funding from commercial banks including Heritage, but because they cannot foreclose on public property, the banks will not provide a loan. So the City can do a bridge loan, which RD has stated they will allow, from the water/sewer I&I reserves to the General Fund to purchase the building and meet the deadlines in the agreement and avoid losing the earnest money. The loan would include interest at 1%. The RD funding will then repay the loan in full when received. The renovation portion of the loan is on hold until we can confirm the purchase as the City would have to expend resources to get an architect to do drawings and design that RD is requesting to meet the terms for that portion of the funding. The City doesn't want to spend that kind of money on a building it doesn't own.

Councilmember Dominic Ciancibelli made a motion the City Council authorizes the Mayor and/or City Administrator and staff to complete the purchase of the Heritage Bank Building using short-term interim funding to avoid any penalty or fees in not meeting the terms set forth in purchase/sale agreement. Councilmember Mary Putka seconded, and the motion carried.

Ordinance 1347

Ordinance No. 1347 was read by Title: An Ordinance of the City of Kalama, Washington amending the 2014 Budget to include unanticipated revenues and expenditures related to purchase of the Heritage Bank Building and authorizing an short-term interfund loan to avoid penalties increasing the Budget in the amount of \$700,000.00. Clerk/Treasurer Coni McMaster explained that the amendment includes the loan at \$350,000 and then the building purchase cost of \$350,000, which is why it appears to be double the amount. Councilmember Don Purvis made a motion the

Council adopt Ordinance No. 1347 as read. Councilmember Mike Langham seconded, and the motion carried.

Ms. Joanna Boatman asked now that the purchase has been confirmed, when will the renovation and move in begin as it is related to her work on starting a museum. It was explained that the plan for the museum display area would be a part of the lobby area at the bank building, which will not require a lot of renovation to move into. There will be some time delay as the City staff looking and work in both buildings to determine the best way to utilize the space, so it could be 2016 before any major renovations are made.

Mayor Poulsen adjourned the meeting at 6:18 pm. These minutes are not verbatim. A copy of the tape can be made available for listening.

Pete Poulsen - Mayor

Coni McMaster - Clerk/Treasurer

DRAFT