

MINUTES

**McCall City Council
Special Meeting
Idaho First Bank Community Room
475 E. Deinhard Lane
October 28, 2014**

Agenda

Call to Order and Roll Call
Work Session
Adjournment

CALL TO ORDER AND ROLL CALL

Mayor Aymon called the Special meeting of the McCall City Council to order at 6:05 p.m. Mayor Aymon, Councilor Giles, Councilor Scott, Councilor Swanson, and Councilor Witte answered roll call.

City staff members present were Gene Drabinski, City Manager; Michelle Groenevelt, Community Development Director; Linda Stokes, City Treasurer; Dennis Coyle, Parks and Recreation Director; Peter Borner, Public Works Director; David Simmonds, Information Systems Manager; Nathan Stewart, City Engineer; Erin Roper, Communications Coordinator; Garrett Mapp, GIS Analyst; and BessieJo Wagner, City Clerk.

There were 13 non staff attendees

PUBLIC FORUM

Public Forum – 1% Sales Tax Initiative

Gene Drabinski, City Manager, began the presentation by illustrating the poor condition of the City's streets and infrastructure. He then discussed the various approaches to paying for improvements. The City will either have to cut the budget, borrow the money, or find a new source of revenue. Mr. Drabinski stated that the Capital Improvement Committee studied the past eight years of the City's budget, only to discover that the City had consistently underfunded capital projects. He stated that this group decided that the need was too large to find the money by cutting the budget as doing so would take a very long time to quantify, and the need for capital improvements to the City infrastructure is critical. Mr. Drabinski stated that the Capital Improvement Committee then looked at the possibility of borrowing the money and the option of forming a local improvement district. He stated that both options would be paid fully with property taxes. He continued stating that grants could also provide some revenue, but the City would need matching funds. The Council started looking at a local option tax opportunity to raise more revenue. Mr. Drabinski stated he brought to the Council the Capital Improvement Group's recommendation to pursue a 1% sales tax to fund street projects. He stated that the Capital

Improvement Group wanted to make project-by-project decisions on whether to take out a bond or fund a local improvement district, but the group wanted to first get the revenue coming in, and then make project-by-project decisions on how to levy the money.

Mr. Drabinski explained that the tax would apply to everything that is currently taxed at 6% in the City of McCall, stating that the sales tax for 10 years would be 7%. He stated that for the tax to be approved at the November 5, 2014 election, 60% of the vote would be required. He further explained that changing, extending, or modifying the tax, once adopted, would once again require 60% of the vote. He stated that the 1% tax would only be used for the following purposes:

1. Street replacement or resurfacing (not paving, no crack sealing), only for rebuilding streets.
2. Improvement or creation of sidewalks, including ADA compliance.
3. Repair, replacement, or new underground utility infrastructure where needed.
4. Addition of pathways for safe pedestrian and bicycle activity along major roads.

Mr. Drabinski added that the City could use the money as matching funds to leverage grant funding (grant matching), repay a General Obligation Bond for downtown, that would have to be tied to property taxes, but the bond could be paid off with the 1% sales tax.

Mr. Drabinski next discussed how the City would decide which streets to fix. He stated that the City has on its web site a Ten-Year Streets Plan. He stated that each street was assessed and prioritized from an operational perspective regarding its remaining service life and how much traffic the street carries. Mr. Drabinski stated that the City would appoint seven independent members to a voluntary Capital Infrastructure Advisory Committee that would review the Ten-Year Plan, receive public comment, and then make recommendations to Council.

Question and Answer Discussion:

A member of the audience asked about an example of underground utilities, which Mr. Drabinski explained would be fiberoptic cable or fiberoptic conduit. Mr. Drabinski introduced David Simmonds, Information Systems Manager, who explained how fiberoptic cable is used and the merit of placing it underground for future use. He also discussed leasing the conduit for revenue as needed.

Another audience member asked about the ditches on Park Street. Peter Borner, Public Works Director, explained that the ditches were put in place to alleviate the groundwater infiltrating the sewer system.

Another audience member asked about how the work would be contracted. Mr. Drabinski answered that the City would consider building roads in-house versus contracting the work. He stated that contracting forces the City to choose the lowest bid, and the quality may not be the best. He stated that Park Street was a good example because it was built with significant contribution from the City's Streets Department instead of a contractor. He clarified that the City would have to assess time, resources, and critical need for quality to determine if having the Streets Department do the work would be a better choice or have it contracted.

In response to a question of how the amount to be collected by the 1% sales tax was determined, Mr. Drabinski explained that the State Tax Commission collects and reports sales tax numbers at the county level. He stated that both the City and the Valley County Economic Development Council came up with the same estimate of about \$700K a year would be collected from a 1% sales tax in McCall, but the \$700K does not include sales tax that is remitted from a company's headquarters that are outside of Valley County, such as Paul's, Ridley's, ProBuild, and Rite-Aid who report their sales tax outside the county and so that amount is not known. Mr. Drabinski explained that in addition to the \$700K would be sales tax from Ridley's, Paul's, ProBuild, Rite-Aid, etc to reach the estimate of \$1,000,000.

A member of the audience asked who would be in charge of collecting the tax. Mr. Drabinski stated that the State Tax Commission could collect and administer this tax for the City, but the State would charge the City about \$160K a year to do so. Mr. Drabinski added that in talking to other communities that have the sales tax he found that the cities collect the tax locally. The City could create an administrative position for a fraction of the cost of the State Tax Commission fees to collect the tax and that person would administer the tax, which is what every other Idaho community with a sales tax has chosen to do.

Another audience member asked if there was anything else the increased sales tax could be used for over a 10-year timeframe, something besides infrastructure? Mr. Drabinski stated that there would most likely be something that would come up within the next 10 years that would be appropriate to use sales tax money for, but the recommendation of the Citizens Advisory Group was to only focus on streets and infrastructure.

Another audience member asked what kind of enforcement would be used to make sure all businesses are actually paying? BessieJo Wagner, City Clerk, illustrated how the City enforces collection of the 3% accommodation tax. She also stated that many bigger companies who do business in McCall already contact the City and ask about paying local option taxes. She continued by stating that the City has a list of every business in the City of McCall as they are required to have a business license. Mrs. Wagner explained that every one of those businesses would be notified with a letter and a coupon book and instructions on how to remit the taxes they collect. Mr. Drabinski added that the City would also get the State's collection.

Sherry Maupin, a member of the Citizens Advisory Group, commented on future placement of fiberoptic cable and partnering with local utility companies. She stated that when the Citizens Advisory Group looks at a project and they see that money can be saved by partnering with utility companies, the Citizens Advisory Group would then have the ability to recommend to the City Council that they partner with the utility. The advisory group would have a lot of control over where those funds would be spent.

Councilor Scott asked Mr. Drabinski to clarify what has already been determined by the passing of the ordinance and what is still up for discussion. Mr. Drabinski explained that the Budget Group made recommendations, which he and the Citizens Advisory Group then took to the Council and it was deliberated. He stated that the City Council then had a public hearing and put out an online survey, asking for opinions. After that the Council drafted an ordinance and had a public forum, after which the Council made some modifications, then voted on and passed the

ordinance, which is now on the ballot. Mr. Drabinski explained that despite the question of whether this tax could have been 0.5% or 1.5%, it is already on the ballot and nothing in terms of the ballot measure can be modified. The ballot measure needs to get 60% of the vote or it will not pass and the City will have to wait a full calendar year before putting another ordinance on the ballot.

Councilor Scott stated that a recurrent topic that came up was in regard to excluding groceries. She stated that charging an additional sales tax on groceries is something that could really impact people with very limited means. Councilor Scott clarified that at this point the City cannot exclude taxing groceries. She stated that it was decided to include groceries because it is a significant chunk of the spending habits of the town, and it was in the ordinance to be included.

In response to a question, Mayor Aymon responded by stating that the City had two surveys of all of the streets over two years to determine how much longer the streets could be useful. She stated that it was determined that in order to maintain the streets in their current condition, not rebuild or rehabilitate them, the City would have to pay \$700 to \$800K a year just to maintain the streets. She stated that the City's current street maintenance budget is \$200 to \$300K a year and that the City was currently operating at about a \$500K to \$600K annual deficit. Mayor Aymon continued stating that the City cannot cut its budget to fix the streets. She stated that a conservative estimate to fix the streets was a million dollars a mile. As an example, Park Street, which is a quarter mile, cost about \$700K dollars to rebuild. She stated that rebuilding the streets was going to cost the City a lot of money, so that is why cutting the budget to find money was not going to help at all since the City was already so far behind. An audience member asked if the million dollars a mile included underground infrastructure and utilities. Mayor Aymon responded that it does include tearing up the street, fixing what is underneath, and relaying it.

Another audience member asked that if the ordinance did not pass, then what happens? Does the City ground up the broken pavement and go back to dirt roads? Mayor Aymon responded that that has been entertained, but it depends on how the City wants to be represented. She stated that the City has a Comprehensive Plan that states dirt roads are not how McCall should be portrayed. She stated that there are certain roads that probably would go back to dust; Spruce Street is already on its way. Mayor Aymon stated that the Council's goal was not to let the quality of McCall go down as an economic driver, and declining infrastructure is an economic development driver, and also a health and safety issue. She stated that the Council would have to craft another plan, whether the Council looks at a bond or redrafting the ordinance. She stated that the Council must come up with a plan because the condition of the City's infrastructure was not going to improve on its own.

Mayor Aymon continued stating that the beauty of the sales tax was that 70% of the money would come from visitors. She states that the money cannot be raised entirely on the backs of property owners. She explained that a 3% property tax increase would generate \$140K for the City which is just a drop in the bucket of what is needed. She stated that if a bond was issued the City could probably borrow 10 million dollars, but the property owners would also have to pay for the bond which would cause rents to go up and would adversely affect the poor. Mayor Aymon stated that passing the 1% sales tax makes sense and that the Council should work as

hard as possible to get this voted in because it is money that the City needs and it is money that the visitors are going to help pay for to rebuild the City's declining infrastructure.

Sherry Maupin, a member of the Citizens Advisory Group, commented that the committee looked at how they could least impact the property owners of McCall, and that was by adding the sales tax, by having the visitors pay their share for the cost of these improvements. She stated that this was a large discussion on how to least impact the property owners.

Another audience member asked about what budget items were looked at. He stated that he had heard rumors from people on the street that probably were not true. For example, the public perception is that grant money that could have been used elsewhere was spent on Centennial Plaza when in actuality it was funded primarily by brick sales and the work was done by volunteers. There are wrong perceptions that cause people to think money is being spent improperly.

Sherry Maupin explained that the City's budget is very complex. The Citizens Advisory Group looked at the important things. They looked at the budget and recognized that poor decisions were made in the past, which cannot be changed. She stated that at this point in time the City has to be forward-thinking and hold itself accountable and make sure that 10 years from now this same conversation is not being held again.

Mayor Aymon added that the City has a lot of "warts." She stated that these defects have been ignored for many reasons. The Mayor added that it was the Council's job to shine light on these problems and then fix them, but the effort really involves everyone – the Council, the City, and its residents. She commented that Citizens Advisory Group worked so hard, 13 people who work full-time and have jobs and families. She stated that these people sacrificed their time, effort, and intellectual capability to help fix this problem. Mayor Aymon stated that she appreciated the process and the people because they took ownership of this problem. Mayor Aymon also acknowledged that the City is essentially run by many volunteers and she is thankful for all of them, stating that without the volunteers there would be no Winter Carnival, beautiful parks, etc. Mayor Aymon also admonished that everyone needed to get on board with the 1% sales tax.

An audience member commented that leveraging of money was very important. Mayor Aymon added that the Third Street project last year was a typical example of how grants work. She stated that the project was just a few blocks of sidewalks, stormwater, etc. that cost a million dollars but \$500K of it was paid with a grant, and the City came up with the other \$500K primarily in in-kind work, etc. She stated that is how grants are leveraged and the City was able to get the grant because they had \$500K in matching funds. She stated that there is a Federal grant called a Tiger Grant that is \$6.5 million that two cities in the state of Idaho have received in the past. The City is going to be very competitive and go after that grant. She stated that if the City was awarded that million dollar grant match, it would turn that million dollars into \$7.5 million and a lot of work could be done. She stated that the City has very capable staff and grant writers who do an excellent job and they go after every penny. Mayor Aymon stated that she has full confidence that the City would win that grant.

Sherry Maupin expressed her gratitude for the way the entire project was handled. She appreciated the openness of the Council in allowing the Citizens Advisory Group to examine the City's budget. She added that it was important to stop some of the conversations going on that are misleading others in the community. Another audience member agreed and stated that there was so much misinformation that could derail the voters or quite possibly keep people from voting. Mayor Aymon stated that was the reason for the public meetings, so that the word gets out.

An audience member questioned the amount necessary to fix the roads with the current miles of road needing replacement. Mayor Aymon stated that it may not be enough, even with the additional leveraged funds, but she hoped that it was enough to fix the critical roads. The cost depends on how bad the infrastructure is underneath it and surprises usually cost more. She stated that the cost would depend on the age of the street, the age of the infrastructure, and what lies beneath, which would not be known until it was dug up. Councilor Giles stated that on a positive note, some of the road is new and will not require as much work.

Another audience member asked how often the money would be spent -- all in one lump, etc. Mayor Aymon answered that Local Option Tax has to be budgeted in the same year it is collected and if not spent it could be carried over.

An audience member asked if the Council considered borrowing the entire amount with a loan or a bond, paying it back over 10 years with the sales tax revenue, and thus rebuilding the streets immediately instead of wasting money on low-level repairs over the next 10 years. Mr. Drabinski responded that this was discussed with the Citizens Advisory Group. He stated that a bond requires a vote of 66-2/3% of the vote and the advice coming from the Citizens Advisory Group was to first get the 1% sales tax revenue coming in and then make project-by-project decisions. He also stated that there is only a very short building window in McCall, so only so much can be done at one time, but the idea was to first get the money coming in, and then make project-by-project decisions. Mr. Drabinski also stated that Citizens Advisory Group considered getting a bond for \$8 million and then paying it back with the revenue that comes in. Also, as the Mayor pointed out, another option would be to use a million dollars of the grant match to get a significantly larger grant and do a larger project at the time; however, all of this would not be determined until the revenue started coming in, so the advice was to start with the 1% tax and make these decisions over time.

Councilor Swanson added to keep in mind that if the voters pass the 1% sales tax and a \$10 million bond is issued, 100% of the anticipated revenue is dedicated directly to the bond, meaning that the money cannot be used for grant matching and is essentially tied up. He stated that another thing to be wary of is that it is not a guaranteed amount of \$1 million a year and sales tax revenue fluctuates with the economy, so sales tax collections go up and go down. Councilor Swanson felt that being conservative with the City's funds, keeping appropriate budgets, and accurate forecasting, especially two years for construction projects, is the best way to manage these dollars. Councilor Swanson encouraged the Council to look at what kind of grant opportunities exist in different areas, understand the requirements of those grants, and determine where the overall condition of the infrastructure lines up with those grants. Councilor Swanson felt that the City should not borrow any money to get these projects done, but rather

take them on as they come and keep the City out of debt as much as possible, and be honest and transparent about each project undertaken.

An audience member who is a business owner stated his concern that with economy fluctuations the additional 1% sales tax would adversely affect his business. He worried that it would create a stigma for the City of McCall where some of the tourist dollars would be lost because people made collective decisions to go elsewhere. He gave the example that at times he has decided to stay in hotels in Meridian instead of Boise because Meridian has a much lower tax rate on hotel rooms, thus saving a few dollars by staying in Meridian. He stated that this is a very real thing that people think about when they make those decisions. The business owner asked the Council to consider if that 1% would drive potential customer money from his store to an Ontario business or to an online sale to purchase something that his store may have been able to sell. He stated that business owners deal with this and have to address it in their competitive pricing structure, and all those taxes add up. He may have to adjust the price on something because it can be bought cheaper online or out of the area, and thus it affects the profit margin. The business owner also stated that getting the roads fixed and beautifying the downtown area might possibly result in bringing more people here, so the effect may be just the opposite.

Mayor Aymon stated that she did not believe that that the additional 1% sales tax will dissuade people from traveling to McCall. She thought that people would still come to McCall whether there is a 7% sales tax or a 6% sales tax. However, Mayor Aymon felt that the poor condition of the City's streets and infrastructure has a negative impact on the local economy, and in contrast, future improvements would have a hugely positive impact on the economy. The members on the Citizens Advisory Group are business owners and they understand the cost of doing business, and they are on board. This is what they unanimously supported.

Mayor Aymon thanked the audience for coming, encouraged them to vote in support of the 1% sales tax, and encouraged communication with herself and the Council.

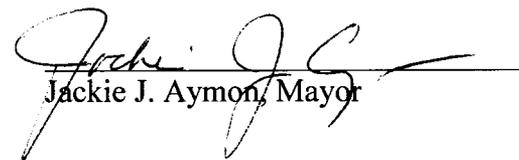
ADJOURNMENT

Without further business, Mayor Aymon adjourned the meeting at 7:51 p.m.

ATTEST:


BessieJo Wagner, City Clerk




Jackie J. Aymon, Mayor