

MINUTES

**McCall City Council
Special Meeting
McCall Donnelly High School Commons
August 13, 2014**

Agenda

Call to Order and Roll Call
Public Forum
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; and BessieJo Wagner, City Clerk.

PUBLIC FORUM

Infrastructure Information Presentation

Gene Drabinski, City Manager, explained how the Council arrived the decision to propose the 1% Local Option Tax. Mr. Drabinski brought together a group from the community to analyze the needs of the City and look at the budget. They came up with a proposal to take to Council that later ended up as a draft ordinance.

Description of City Infrastructure. Mr. Drabinski described the City's infrastructure stating that there are 42 miles of paved streets, 40 miles of sewer, 2 miles of pressure mains, 13 lift stations, and different types of pipe used in the collection system (some old outdated types).

The problem. Mr. Drabinski outlined the problem that needed solving. He stated that the City has critical infrastructure needs, which could not be reasonably addressed with the current available revenue. He stated that infrastructure repairs have been put aside for many years and underground infrastructure has been ignored and now much of the above-ground infrastructure is deteriorating. Mr. Drabinski stated that streets are at the end of the remaining service life and a pavement assessment showed some streets are returning to gravel and the average life is about 10-1/2 years. He also stated that the sewer has significant I&I (infiltration and inflow) issues causing flooding.

How did this problem occur? Mr. Drabinski stated that this happened through a series of small decisions over the last 50 years. He stated that degradation happened slowly and that repairs and

maintenance were done as best as the budget would allow but streets and infrastructure were never able to be completely replaced. Mr. Drabinski stated that there were periods of boom or bust where boom served growth and bust left more infrastructure to maintain and fewer resources to do it with.

Mr. Drabinski explained that after eight months of analysis by the Citizens Advisory Group, the clear recommendation was to focus on the worst streets that get the greatest amount of traffic first. He stated that the Ten-Year Operational Streets Plan was put online which showed that streets were prioritized by the remaining service life and how much traffic they carry. Mr. Drabinski went through the Operational Streets Plan as it pertained to individual streets. All of the streets mentioned required rebuilding instead of chip sealing or resurfacing. At the same time as a street would be dug up, the sewer infrastructure underneath would also be rebuilt.

Mr. Drabinski then introduced Cameron Ariel, Financial Advisor, who discussed the different financing options that were presented to the Citizens Advisory Group.

1. General Obligation (GEO) Bond: Essentially a property tax levied on property. It has a good rate of repayment (through taxes), so it has the best interest rates and terms, but requires a majority (66-2/3%) of the vote to pass.
2. Local Improvement District: The properties within a certain geographical district assess a tax on themselves. They all pay a prorated share of that assessment, which pays back the bonds (sometimes known as a Business Improvement District).
3. Urban Renewal Tax Increment Finance: A geographical area is defined and a base value is determined on the properties within that district. As property taxes come in and values increase in that area, that incremental increase above the base goes directly to the Urban Renewal Agency. That revenue can be leveraged to finance bigger projects.
4. Revenue Bonds: The City currently uses this with sewer and water. As revenue is collected it is used to pay bonds or build facilities. Unlike normal credit, this has no collateral. Because it is supported by revenue, there is a lower voter threshold, just 50% majority, or it can be deemed "ordinary and necessary" by a judge without a vote.
5. Local Option Tax: Unique in Idaho, particularly to resort cities. Cities are authorized to levy a sales tax to support the increased visitor traffic that burdens the infrastructure. No collateral, credit is based on the revenue stream, has reserve requirements. With the proposed 1% sales tax, it is estimated that 70% or \$700K of the 1\$ million would be paid by visitors patronizing the businesses. Authorization of the tax would be a majority vote.

How the revenue would be used to fund projects: a) Pay-as-you-go type of approach. Do projects one at a time as the revenue comes in. The pro to this approach is that there is no interest expense. The con is that it is very difficult to fund larger projects. b) Bond against the sales tax. Issue bonds through the Idaho Bond Bank Authority. The State "co-signs" their credit to the City's bonds to get better terms and lower interest rates. Bonding against 10 years of revenue would equate to about \$7.25 million.

6. Combinations of the above options. An example would be a GEO Bond pledge paid with Local Option Tax revenue. This would require authorization through a two-thirds majority vote but the tax is not levied.

Mr. Drabinski stated that the Citizens Advisory Group recommended a 1% Sales Tax Ordinance to fund streets that would allow them to make project-by-project decisions about bonding, local improvement districts, etc. Also they wanted to mandate that from now on the City would budget annually, out of its General Fund, money to be put aside for improvements so that another sales tax after this period would not be necessary again.

Mr. Drabinski then narrated the Draft Ordinance.

1. Items that are currently taxed at 6% will go to 7% for a period of 10 years.
2. The revenue collected from this ordinance would be used for the following:
 - a. Direct costs to collect and administer the tax. The State could do this at significant cost, but the City can do it for less.
 - b. Street replacement and resurfacing.
 - c. Sidewalks along streets in commercial areas to comply with ADA standards.
 - d. Repair and replacement or new underground utility infrastructure including addition of underground fiberoptic cable.
 - e. Pathways for safe pedestrian and bicycle activity along major north-south and east-west streets.
3. The money can be used as matching funds for leveraged grant funding and/or revenue or General Obligation Bonds as approved by the electoral vote.

Mr. Drabinski addressed how the City would decide what streets to rebuild. He stated that the City would appoint seven independent members as volunteers to a Capital Infrastructure Advisory Committee. The members would review the City's Streets Master Plan, updated annually, and use that plan to make recommendations to the City Council for the scheduling of specific projects that satisfy the criteria for spending revenue.

Mr. Drabinski directed the audience to the City's web site for the Ten-Year Streets Plan Interactive Map, the draft ordinance, a review of the community survey responses, and frequently asked questions.

Mr. Drabinski then asked for clarification or informational questions about the draft ordinance.

Mr. Drabinski replied to a question from the audience stating that the committee volunteers would be chosen from a pool and the Council would determine who would be on the committee.

Mr. Drabinski, in response to a question from the audience, affirmed that there had been about \$500K a year in capital expenditures in the City's Budget. He stated that the streets easily get about 50% of that or more, primarily for crack sealing and chip sealing and maintenance of existing streets.

Mr. Drabinski replied to a question from the audience stating that sewer is an Enterprise Fund. He further explained that in the current budget sewer is run from revenue from sewer bills and

water from water bills. He stated that over the years the City neglected to fix problems that became old and were decaying. He stated that revenue from the 1% would go only to the street projects identified already as prioritized by what the Citizens Advisory Group and the City Council. He stated that while the streets are dug up, and where necessary, the City would replace sewer collection and water distribution lines. He stated that the ongoing maintenance of the sewer system is already paid for by sewer and water bills. Otherwise the money would probably come from a Quick Bond that would possibly be a judicial confirmation of a health and safety issue that needed to be fixed.

Peter Borner, Public Works Director, commented that the City's current rate structure did not support the continued long-term maintenance of its water and sewer infrastructure. The money from the 1% Sales Tax would be strictly for repairing and reconstructing streets and infrastructure.

Mr. Drabinski affirmed the question could be answered on a street-by-street basis. The web site has the streets plan for the public to see how much would go to the street, how much would go to the water and sewer infrastructure, and what would go to curbs, gutters, and sidewalks.

Mr. Drabinski stated that he wanted to make sure that the public had a common set of information. He then turned the discussion over to Mayor Aymon and the Council.

Public Comments

Mayor Aymon thanked the public for coming and introduced the Council. Public comments followed.

Thea Belec stated she was concerned about the tax on food and would like food to be exempt from the sales tax. She suggested keeping the bed tax and adding a tax on alcohol.

Alana Shoemaker commented that a tax on food and drugs was already a hardship on the people that live in McCall, and increasing that tax would not be fair. She also suggested starting with a shorter timeframe like five years.

Wayne Dolik commented on national wages going down and agreed that food should not be taxed.

Don Bailey strongly supported the proposal. He was concerned about the comments made by the paper. Mr. Bailey thought the Council should consider the oldest streets first. He named some streets that are the oldest and that had been promised by councils in the past to be paved. He also urged the Council to consider LIDs as a funding option.

Jean Odmark agreed that there should be a local tax, but wondered if it were possible to avoid having the residents pay the additional tax.

Sadie Noah commented in favor of the tax.

Charlie (last name not captured) commented that he felt the sales tax was unfair as 70% of those that would pay the tax do not have a vote and the other 30% that would have to pay the tax would not vote. He referred to the tax as regressive and unfair and stated his opposition.

Thea Belecz agreed that the sales tax is a regressive tax and she suggested letting some streets go back to gravel, even though that may not be a popular decision. She also wondered if there were other alternatives that have yet to be considered.

Rory Veal explained that he was on the Citizens Advisory Committee. He stated that he did not feel the sales tax was regressive at all. He wondered if there was a way that food purchased with food stamps would be exempt from being taxed.

Marlene Bailey stated that the Food Bank was very supportive of those with low income. She added that if the City wanted to attract more businesses and tourism then good streets and infrastructure were needed.

Ken (last name not captured) agreed that imposing an additional sales tax would make it difficult for low income families. He recognized that it is more difficult to find ways to fund the City's needs. He was not opposed this time as he had been in the past and he felt the issues needed to be addressed. He voiced his appreciation for the Council and the difficult decisions they have to make. He urged them to learn from the mistakes of the past and have a plan in place to prevent the same issues from recurring.

Mike Anderson acknowledged that he also was a member of the committee. He noted that the City has more repair issues than it can afford as an unintended consequence of not taking care of problems immediately. He pointed out that 20 years from now the City will be in the same position if they do not put money into street maintenance.

Councilor Swanson recognized that it is a difficult decision. He agreed that sales tax is a regressive tax as it affects everyone equally. An unofficial estimate would seem like the tax on food would generate about 40% of the overall revenue generated from the tax. So, in order to accomplish the revenue goals, it would take another five to six years to reach that revenue goal. He stated that there were other sales tax options, such as luxury goods. Regardless of how the tax would be applied, Councilor Swanson felt that the tax is an absolute necessity. He pointed out that the main reason the Council wanted a sales tax was because it shifts some of the burden off of the property owners that lives in the City Limits. He explained that a large portion of the population does not live within the City but uses the streets and water and sewer every day. Councilor Swanson thought it would not be fair to burden the property taxpayer any more as the City sees so many visitors and it seems logical to capture that revenue from the visitors.

Wayne (last name not captured) asked if it would be possible to increase the tax by only a half of a percent. Councilor Swanson replied that it was an option that was discussed briefly, but the Council was advised by the Citizens Group that a full 1% was needed to raise enough money without having to go into debt. The Council wanted to raise enough revenue to get ahead of the problems instead of just trying to keep up.

Mark Sabin, who was also on the Advisory Committee, agreed that the 1% tax was the most simple way to raise revenue – simple to collect and simple to enforce – and does not create an undue burden on the property taxpayer.

Councilor Witte stated the City did examine the possibility of taxing alcohol by the drink. This was discussed when they were considering the LOT tax for lodging and when it was proposed at the time and there was very strong opposition to taxing alcohol by the drink.

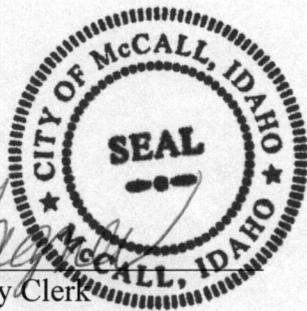
Mayor Aymon delivered closing comments. She mentioned that the State will not be able to offer much help in paying for streets over the coming years. Also, Federal money is not coming in as fast as it did in the past. She stated that some grant money is available, but the City needs funds to leverage along with the grants. Mayor Aymon pointed out that bad roads and bad infrastructure will become even more expensive to fix as time goes by. She stated that it is the Community's responsibility to fix the streets because it is not only a matter of public health and safety but also a matter of economic development. She stated that so much of the City's economy depends on tourists and the tourism industry, which puts a lot of stress on the infrastructure. If a property tax were to be levied on the property owners it would only raise about \$142K, which is simply not enough to help. Mayor Aymon emphasized the need for the Community to fix its own problems by approving this tax and not relying on other sources to provide the money.

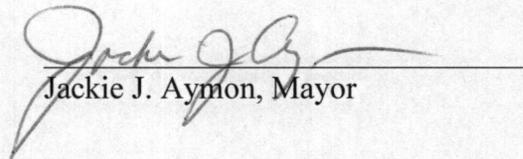
ADJOURNMENT

Without further business, Mayor Aymon adjourned the meeting at 8:30 p.m.

ATTEST:


BessieJo Wagner, City Clerk




Jackie J. Aymon, Mayor