

**GENERAL FUND
CAPITAL FACILITIES PLAN
FUNDING OPTIONS
POLICE/PUBLIC SAFETY FACILITY**

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**KALAMA CITY COUNCIL WORKSHOP
FEBRUARY 20, 2018 @ 6PM**

A. Parameters for the Workshop

1. Not a Public Hearing – Limited public comments will be allowed regarding the funding options only. Polite and respectful comments are welcomed.
2. Workshops are for providing detailed information to the Council for their consideration. No decisions are finalized at a workshop.
3. Information on the location decision will be presented, but will not be up for discussion.

B. PowerPoint presentation – Overview of Preliminary Locations – Why they didn't work?

C. Elements of a Police Station – Criteria for Building a New Station

D. How the City acquires property

E. Councilmatic – what does it mean?

F. Funding Options – What can be implemented – How it is done – Timing

G. City's Debt Capacity – Bonding Process – Timeline for Building

H. Council – Which funding options they choose to pursue – Final direction to be given at the City Council meeting on February 21, 2018.



SITES CONSIDERED FOR THE POLICE LOCATION

The City looked at many sites as options for locating a new police facility. The City discussed options with architectural and engineering consultants. A commercial appraisal was conducted on one site. Building code and ADA requirements were part of the site review and consideration.

There were three things the Council considered in making the decision:

1. Cost – What will the cost be to the citizens?
2. Will it meet needs of the Department as Kalama grows into the future?
3. How soon can construction begin so as to provide a more safe, secure and adequate space for the Department.

Corner Lot at the South end of First Street (Old Satellite Shop)

The property was appraised at \$340,000. If the owners were willing to sell for that price, then there would be the costs of the site improvements just to make it a buildable lot. A building on this site that would meet the needs for a growing department would most likely have to be two-stories requiring an elevator for ADA access, as well as additional square footage for circulation within the building. While the City really liked this site as well as liked the idea of being able to renovate property at the southern entrance to the City with new landscaping and signage. The purchase along with the site development and construction costs would have been greater than \$3 million dollars.

Note: During the design process a two-story concept was proposed which increased the construction costs 21% from the one-story facility. The additional space was 1440 square feet, but only 670 square feet were usable areas, as the rest was taken up with stairways, hallways and elevator spaces to navigate the building.





Lot on the Corner of Fir and First Street next to Poker Pete's

This lot was considered and dismissed due to the configuration and size. Any facility would have to be multiple stories to provide adequate space which will add to the cost. The lot itself has access issues which would create problems for the department as well as increase costs in developing the site. The limited size and access on First Street would require the building be built over the secure parking facility, driving the cost to the taxpayers substantially higher. This could also be in the potential flood zone.

Property near the City's Public Works Shop

There is a lot just north of the City Shop that was considered but it is set back from the road and has environmental and access issues. Being back from the road would reduce the visibility of the police to the community which added to the fact that this location is not in the downtown area as desired. The environmental issues would also require studies and reviews to obtain necessary permits extending the time to begin construction and adding to the costs. The flag lot access is not desirable for emergency vehicles.





Lots next to the Community Building

These two lots are owned by a private party that approached the City with a concept to have the City help them finance the development of the property and then lease the property back to the City. This was proposed as a concept and did not seem financially feasible to city staff. The property itself would require the homes be demolished and then there would need to be extensive excavation in order for the access to the property from 2nd street with emergency vehicles, creating underground parking at a perceived substantial cost. Zoning for this property is currently unsuited to the development proposed by the property owner.

Lots on Cloverdale Road near the Lions Ball Field

These lots were considered but the location in a residential zone was deemed to be undesirable as the community has indicated they prefer the site in the downtown area. There are also access and zoning issues that would have to be dealt with. The lots are now being developed for residential use.



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Lot next to the Library Building – Former Gas Station

Due to the environmental concerns related to the cleanup of the gas pumps and related ground contamination, this site was dismissed early on as these costs are very prohibitive. It is also in the potential flood zone.

Old Kalama Fairgrounds

Fenced Site North End of First St.

Was considered, but was not available. Site still has potential for flooding.



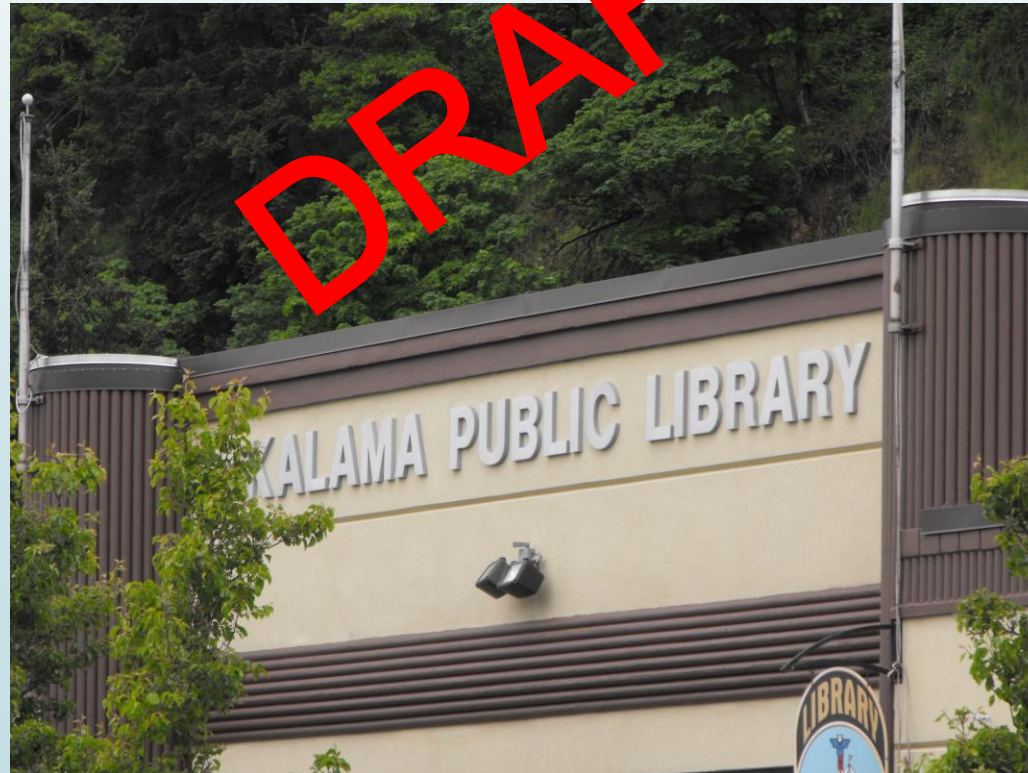
Old Tractor Site On Meeker Drive

Was considered but was not available as an offer was pending. There are also environmental issues on the site that would have to be addressed before it could be purchased which extends the timeline.



Former City Hall – Library – 320 N. First Street

The City did consider changing the use of the building from the Library to the Police, but the building would not provide the sufficient space for the department and allow for future growth. Prior to the flood, the City had committed to enlarging the Library space at the facility which works well in the space. The City would have had to find another site for the Library if the Police were placed here and then it would have been looking for a larger more adequate space for the police some time in 5 to 10 years as it would not meet the future growth needs. The space is also still in the area that flooded and as an emergency facility it needs to be available during emergencies.



Upstairs at the Current City Hall – 195 N. First Street

The City considered building in the parking lot behind the current City Hall as well as refurbishing and updating the upstairs portion of the current building. To refurbish the upstairs becomes a total building rehab as it will require the entire building be retrofitted to meet seismic codes and require ADA access with an elevator. Asbestos was found in the floor tiles on the lower level, so the upper level will also require testing and abatement at an added cost. Any building in the parking lot would again have to be two-story at additional construction costs. The upstairs area would not provide sufficient space needed for a fully functional department. As the City grows so do all departments and the plan when the building was purchased was to expand into the upper floors for administrative use as the departments grow.



ADDITIONAL SITES REVIEWED

Rivertown Antique Building on Elm Street

- Major foundation and structural issues
- Limited parking options
- A very large structure, however significant rehab and tenant improvements would be necessary
- Located on the hill (Elm Street) making snow and ice a significant issue. During most recent snow/ice event Elm Street had to be shut down and police cars all had to be moved to avoid be struck by out-of-control vehicles.

Possible Temporary Locations

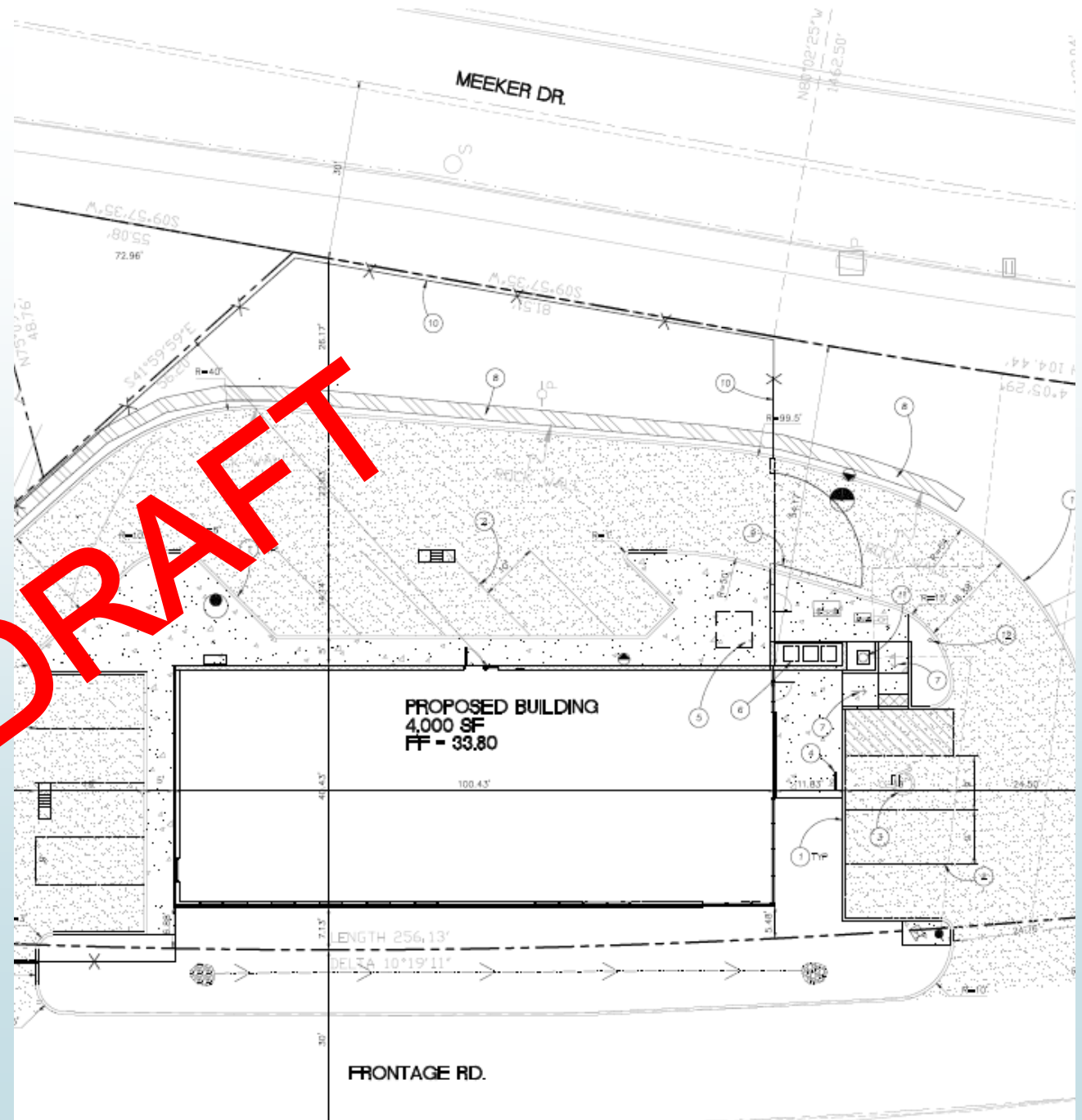
- Judy's Antique Building – Bigger than current station, but space restricted for future growth. Significant rehab and tenant improvements would be necessary for a temporary location. Secondary egress limited for use by the police department (back door access would be limited due to water heaters and other structural infrastructure for upstairs tenants located in a shared space.) Property and evidence room would need to be constructed as a tenant improvement and would not be fortified. This is a significant vulnerability with tenants occupying the space upstairs.
- Frontage Road Vacant Building - Significant rehab and tenant improvements would be necessary for a temporary location. Property and evidence room would need to be constructed as a tenant improvement and would not be fortified. This is a significant vulnerability with tenants occupying the space upstairs.

Maruhn Park

The site is located on the north end of the downtown core. The lot size will accommodate both a one story or two-story facility with adequate on-site parking with easy access to I5 to both north and south ends of town. This site did not flood in 1996 nor in 2015. The site would require improvements or a retaining wall, but other than that there are no extensive site development issues.

When Chief Randy Gibson approached the administration with the idea of using the park, they were very skeptical. However, Chief Gibson laid out the lines in the park and showed the possible footprint and how the space would meet the needs of a growing department. Consulting with the architects even prior to initiating design, the site was a definite possibility.

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The value of having an efficient public safety facility that is adequate for the next 20 to 50 years close to the downtown area was weighed against the value of a park that is used as a wayside for travelers and only on a very limited basis by the citizens of Kalama. In the end, the Council chose to move forward with the design for a facility at Maruhn Park, determining it is the best location available based on the 3 main tenants of consideration:

1. Cost – What will the cost be to the citizens?
2. Will it meet needs of the Department as Kalama grows into the future?
3. How soon can construction begin so as to provide a more safe, secure and adequate space for the Department.





The Mayor and City Council have promised not only the Maruhn family but the entire Community that they will move the memorial and park amenities to the upper area and make a smaller pedestrian friendly park area providing a view of the Columbia River.

CRITERIA FOR MARUHN MEMORIAL RELOCATION

GENERAL: Relocate as many of the existing components as possible from the location off the Frontage Road below (to still provide the functions citizens see being used.)



EXISTING components:

- Automobile "turn-out" (space to get off the road)
- Several parking spaces (2 partially shaded)
- Memorial Plaque
- 1 planter
- 3 flagpoles (with spotlight)
- 3 picnic tables (1 covered)
- 3 benches
- 2 garbage cans
- 2 totem poles
- 1 "peace-pole" sign
- 1 Welcome to Kalama sign
- 6-8 large shade trees

PROPERTY PURCHASES

- ▶ In looking at real estate the City has to operate very cautiously in order to avoid having an effect on the market value of a property which is why discussions are held in executive session (RCW 42.30.110(1)(b)) until a purchase agreement has been reached. The City is only allowed to pay fair market value when purchasing property.
- ▶ Executive Session - RCW 42.30.110(1)(b) To consider the selection of a site or the acquisition of real estate by lease or purchase when public knowledge regarding such consideration would cause a likelihood of increased price

Taxing Authority

- ▶ General taxing authority - The authority for cities to levy various taxes comes from state law. These laws determine the taxing limits, restrictions, exemptions, and collections.

Long-term borrowing

- ▶ **General Obligation Bonds** are backed by full faith and credit of the city. There are two types:
 - ▶ Councilmanic bonds are issued by a vote of the city council, backed by general fund revenues when voters have not been asked to pay increased property taxes. These may be used for any city purpose; they do not have to be for capital projects.
 - ▶ Unlimited General Obligation Bonds must be approved by 60% majority of voters. This option raises property tax to pay for projects, and is only used for capital purposes.

FUNDING OPTIONS

What We Need

- Using an estimated cost of \$3,000,000 at 3.5% interest for a 20 year term, the annual payment will be \$209,000.

What We Have

- The 0.1% sales tax increase approved on the November 2016 ballot generated \$27,184.93 in 2017 which is only 6 months of collections. Using this as an average, the City could collect approximately \$54,000 a year in revenue. This number is variable. As a sales tax, it is based off of the total taxable sales within the jurisdiction. These taxable sales fluctuate with the economy.
- The total amount of the project this sales tax revenue can finance is conservatively estimated at \$500,000 to \$700,000 for a 20-year term.

OTHER FUNDING OPTIONS

Please keep in mind all items listed are options to be considered.
It is not anticipated to implement all options presented.

Utility Taxes – Water/Sewer/Garbage

- ▶ Per RCW 35A.80.020 the City can levy a B&O utility tax. The City is limited to 6% on electric, natural gas and telephone unless approved by the voters. There is no limit on the amount the City can levy on their own utilities – water, sewer, and garbage. Current rate on water/sewer/garbage is 6%. Utility Taxes are applied to all utility customers.
- ▶ If the City raised the rates 3.5% it would generate approximately \$105,035 based on 2018 estimated revenues. **For a \$150 Utility Bill – \$5.25 increase = \$63 yr. \$250 – \$8.75=\$105 yr**
- ▶ 5% would generate approximately \$150,050 - **\$150 Utility Bill \$7.50 increase = \$90 per year \$250 – \$12.50 = \$150**
- ▶ To implement an increase to the utility taxes a public hearing is held before the Kalama City Council on the proposed ordinance. The Council has the authority to adopt the ordinance.
- ▶ The Utility tax ordinance is effective 5 days after its publication and the start date of the tax would be set within the Ordinance.
- ▶ If adoption were to take place in March, staff would recommend the tax start with the issuance of the April bills at the end of April.

OTHER FUNDING OPTIONS - CONTINUED

General Fund Revenues

- Currently the City provides \$100,000 to the Street Fund from General Fund tax revenues, which is 47% of the funding available for Streets. In order to reduce that transfer the City needs to find replacement funding for streets. The City can allocate all of the current State Fuel Tax revenues to Street operations instead of splitting it with Street improvements. (\$18,800)
- Currently the City provides \$47,000 to the Library Fund from General Fund tax revenues, which is 91% of the regular Library revenues. Replacement funding would need to be found to keep the Library in operation.
- General Fund Reserves – Staff has been diligently working to build the reserves to the recommended 20% the City should have on hand to meet any contingences, shortfalls, or emergencies. Some of the reserves were used to complete the Library Renovation. Current level is at 19%.
- Capital Improvement – Real Estate Excise Tax – The City used these funds on the Library Renovation and the Police Design. These funds are used to pay the Bond Debt for the purchase of the Bank Building at \$46,000 annually. Revenues vary depending on property sales and have ranged from \$35,000 to \$100,000 annually over the years. 2018 Beginning Balance was just under \$45,000.

OTHER FUNDING OPTIONS - CONTINUED

City Business and Occupation Tax

- The City can adopt a B&O tax on all business activities (retail, wholesale and service businesses) for up to .2 percent.
- The tax can be structured to allow for a gross receipts limit before it becomes applicable such as \$1,500 per month, \$5000 per quarter or \$20,000 a year in receipts.
- There are exemptions for non-profits, health organizations, day cares, and others.
- Longview and Kelso have .001 B&O taxes in place at this time.
- Revenue estimate is not clear as the City doesn't have information on wholesale and service gross receipts to make an estimate.
- .001 of \$10,000,000 would be \$10,000.

OTHER FUNDING OPTIONS - CONTINUED

Transportation Benefit District

- The City has the ability to raise the current \$20 vehicle tab fee to \$40, which would allow the City to continue to meet street improvement needs. (\$45-50,000)
- Transportation Benefit District funding is only available to be used for Street improvement, so the funding will not apply to the General Fund Capital Improvement Fund and its projects
- Currently the City has allocated a portion of Fuel Tax funds to be placed in reserves which is used for matching funds. If the City reduces the general funds available to street operations, the fuel tax will have to be reallocated to the operating fund.
- Increasing the fee would allow the City to continue making improvements to side streets and allow for matching funds for future grant applications.
- The Fee is not collected until 6 months after its adoption.

OTHER FUNDING OPTIONS - CONTINUED

Property Tax Levy - Failed in the November Election.

- ▶ 2017 Proposition #1 is asking the voters to approve a Property Tax increase up to \$2.2million. Total project bonding is \$2.7million - \$500,000 for the sales tax portion from November 2016 = \$2.2million. If the project costs are less or the sales tax portion is greater, then the city can collect less property tax. However, the state laws require the City Council to ask for and publish in the voter's pamphlet the maximum amount possibly collected from the property owners. The bond will mature in 30 years or less at which time the levy expires. **Cost:** approximately \$.50 per \$1000 of value for a cost of 10.40 per month or \$124.80 annually on a \$250,000 home, after final property tax assessment. **It is an option for the City to put this out for a vote again to be included on the April ballot the City will need to pass a resolution and submit it to elections no later than February 23, 2018. The next elections are not until August and November.**

Operations & Maintenance Levy

- ▶ The City can put to a vote of the people a maintenance and operations levy for general fund purposes. This could be used similar to the one put out annually by Castle Rock for their Public Library. It could be used to fund the facility. This funding could also be used in the future to expand the hours the Library is open to provide services to the public and to be used for on-going maintenance of the facility. It is required to be renewed each year, so is not a good option for securing debt as will be needed for the Police facility.

OTHER FUNDING OPTIONS - CONTINUED

Sales & Use Tax – Public Facilities District

- The City has the ability to form a Public Facilities District and then put before the voters an assessment for a sales tax of .02 percent to fund public facilities throughout the community which could include not only the Police Department, but the City Hall, Community Building and the Library.
- The first step would be for the Council to form a District. Then it would need to establish the board which would consist of citizens chosen from community organizations and the public at large.
- Once established the Board will need to meet, draft bylaws, and proceed with adopting a plan for facility needs of the City.
- Once adopted the Board will need to prioritize the needs and look at funding sources which could include placing a measure on the ballot for a .02 sales tax increase.
- The estimated amount of funds the sales tax increase would raise would be approximately \$100,000 per year.
- The implementation timeline for the District and funding do not meet the necessary timeline to use for the Police Department as the need is urgent.

DEBT CAPACITY

- The amount a city can borrow using general obligation debt and the purposes for which a city can borrow are governed by state laws and the State Constitution. A city's debt limitations or debt capacity are subject to two sets of restrictions.
- First, debt limits set the maximum amount of general obligation debt that a city can have outstanding at any one time.
- Second, debt limits restrict how much of this capacity can be used for various purposes. There are no debt limits for revenue bonds.

City debt can be used for three purposes:

- General government (both voted and councilmanic capacity)
 - Municipally-owned water, sewer, or electric facilities (voted debt capacity)
 - Providing open space and parks (voted debt capacity)
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- In certain circumstances the state will allow cities to access debt through state programs such as the Treasurer's Local Option Capital Asset Lending (LOCAL) program or the Public Works Trust Fund.
 - Cities can borrow up to 2.5% of assessed property valuation, minus the amount of debt already issued, plus certain net assets available for debt service funds. But just because your city is allowed to borrow a certain amount doesn't always mean those limits should be used to their maximum extent.

DEBT CAPACITY

	1.5% of Assessed Valuation
Limited Tax General Obligation (LTGO) Debt Capacity	
2018 Assessed Valuation	\$257,814,654.00
LTGO Debt Capacity	1.50% \$3,867,219.81
	\$3,867,219.81
Outstanding LTGO Debt	
Street Improvement – Cowlitz County Loan	(\$28,825.00)
Heritage Bank Bld.- USDA Rural Development Loan	(\$263,977.53)
	(\$292,802.53)
Remaining LTGO Capacity	\$3,574,417.28

BONDING

City of Kalama - LTGO Bonds - Estimated Payments 2-16-2018.xlsx

City of Kalama - Estimated Payments for Limited Tax General Obligation Bonds for the Police Station

Target an annual payment of \$220,000 or less

Fund Net Proceeds of \$3,000,000 for the Construction Fund

Assume a rating of A+, public bond sale, Bank-Qualified, Delivery Date 9/5/2018

15-years, Level Debt				20-years, Level Debt				25-years, Level Debt			
Date	Principal (1)	Interest (1)	Annual (1)	Date	Principal (1)	Interest (1)	Annual (1)	Date	Principal (1)	Interest (1)	Annual (1)
2019	0	134,296	134,296	2019	0	137,083	137,083	2019	0	146,499	146,499
2020	0	108,400	108,400	2020	0	110,650	110,650	2020	0	118,250	118,250
2021	175,000	108,400	283,400	2021	115,000	110,650	225,650	2021	80,000	118,250	198,250
2022	180,000	103,150	283,150	2022	120,000	107,200	227,200	2022	80,000	115,850	195,850
2023	185,000	97,750	282,750	2023	120,000	103,600	223,600	2023	85,000	113,450	198,450
2024	190,000	92,200	282,200	2024	125,000	100,000	225,000	2024	85,000	110,900	195,900
2025	200,000	84,600	284,600	2025	130,000	95,000	225,000	2025	90,000	107,500	197,500
2026	205,000	76,600	281,600	2026	140,000	89,800	224,800	2026	95,000	103,900	198,900
2027	215,000	68,400	283,400	2027	140,000	84,400	224,400	2027	95,000	100,100	195,100
2028	225,000	59,800	284,800	2028	145,000	78,800	223,800	2028	100,000	96,300	196,300
2029	235,000	50,800	285,800	2029	150,000	73,000	223,000	2029	105,000	92,300	197,300
2030	245,000	41,400	286,400	2030	160,000	67,000	227,000	2030	110,000	88,100	198,100
2031	255,000	31,600	286,600	2031	165,000	60,600	225,600	2031	115,000	83,700	198,700
2032	260,000	21,400	281,400	2032	170,000	54,000	224,000	2032	115,000	79,100	194,100
2033	275,000	11,000	286,000	2033	180,000	47,200	227,200	2033	120,000	74,500	194,500
2034	0	0	0	2034	185,000	40,000	225,000	2034	125,000	69,700	194,700
2035	0	0	0	2035	190,000	32,600	222,600	2035	130,000	64,700	194,700
2036	0	0	0	2036	200,000	25,000	225,000	2036	135,000	59,500	194,500
2037	0	0	0	2037	210,000	17,000	227,000	2037	140,000	54,100	194,100
2038	0	0	0	2038	215,000	8,600	223,600	2038	150,000	48,500	198,500
2039	0	0	0	2039	0	0	0	2039	155,000	42,500	197,500
2040	0	0	0	2040	0	0	0	2040	160,000	34,750	194,750
2041	0	0	0	2041	0	0	0	2041	170,000	26,750	196,750
2042	0	0	0	2042	0	0	0	2042	180,000	18,250	198,250
2043	0	0	0	2043	0	0	0	2043	185,000	9,250	194,250
Total:	2,845,000	1,089,796	3,934,796	Total:	2,855,000	1,442,183	4,297,183	Total:	2,805,000	1,976,699	4,781,699

Est. True Interest Cost %: 3.07%

(1) Preliminary and subject to change.

3.30%

3.65%

PROJECT TIMELINE

- ▶ Final Documents Prepared for Bid by First week in March
- ▶ Request for Published – Bid Opening April 4th Target
- ▶ Funding Package – in Place by June 1
- ▶ Bonding –In Place by September 2018
- ▶ Construction – Begin in June
- ▶ Construction Complete – January 10, 2019

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COUNCIL DISCUSSION

- ▶ Council now has the decision before them as to how to proceed and which options they would like to proceed with. Such decisions can only be made at a Council meeting and cannot be made at a workshop.
- ▶ They will need to direct staff to draft the necessary ordinances for implementing any new taxes or tax rates.
- ▶ They will need to direct staff to draft budget amendments if they chose to make changes to any current allocations.
- ▶ Staff will then draft the documents, publish for the required public hearings, and put out the agenda information for the Council meeting.
- ▶ The public hearings will need to be held prior to any adoption and the public will have the opportunity to comment.