

KALAMA CITY COUNCIL WORKSHOP

March 5, 2020 @ 6PM

STREET FUNDING OPTIONS TRANSPORTATION BENEFIT DISTRICT

Clerk/Treasurer Coni McMaster explained the history of Kalama's Transportation Benefit District (TBD) which the City established in 2012 recognizing a need to maintain the non-arterial streets that were in need of repairs and maintenance to sustain the streets throughout the Community. A TBD provides that all funding received is spent on the streets. The City implemented the Vehicle tab fee of \$20 originally as the most sustainable, fair and predictable method of funding streets as those that own vehicles use the streets. 99% of the fees collected are kept by the City and able to be used directly on streets in the city. The City had to accumulate funding in the first two years of collections, so the first projects were completed in 2015. The City raised the tab fees in 2018 based on new State legislation. I-976 if upheld will remove the tab fees as an eligible source of funding.

Ms. McMaster noted the Council was provided a copy of the current Street Capital Facilities Plan with the projects that could be potentially funded by TBD funds highlighted. Director of Public Works Kelly Rasmussen presented a power point with slides of the many streets in need of maintenance and repairs throughout the City and estimates of costs. There is 300,682 square feet of asphalt to be repaired at an estimated cost of \$601,364 based on \$2 per square foot paving cost. This does not include streets in the subdivisions developed in the last 20 years (Whitney Addition, River Watch/Waters Watch, and Stone Forest) which are beginning to age as well. There was discussion about the road conditions damaging vehicles, what the City use to do, whether it would be advisable to wait for the economy to take a bit of downturn to lower prices. Director Rasmussen noted that the City used to just do pot holing before the TBD funding was available and he has received competitive bids for the paving with fair prices in recent years. Many of the streets have never seen new asphalt after 30 to 40 years. Kalama resident Dan Ohall asked if the City waits and the street conditions deteriorate more won't that increase costs. Director Rasmussen stated that doing a top coat now versus having to grind the pavement later could double the costs. There was discussion on how the streets that have been done and those to be done were picked or prioritized. Director Rasmussen noted the presentation was not in any priority order. In some cases, streets can be done with capital utility projects for water and sewer line replacements such as Date Street and N. Third. City Administrator Adam Smee noted that condition of the street, number of trips, the ability to combine several street projects in the same vicinity, and number of people impacted are all factors considered when making a decision but ultimately the city staff has to exercise judgement to make the decision. The presentation showed the aging of the streets and need to have a plan to address the poor condition. What has been done in recent years has been appreciated by the residents. Kalama resident Jim Bain noted that prioritization is difficult and it would be nice to have a pot of money enough to do them all. He asked about costs for an election and if the Council believed the citizens would vote for a new tax and what is the plan B if it fails. Conditions of streets affects property values of the homes along them. Citizens will feel the impact in one way or another.

Councilmember Steve Kallio proposed undeveloped right-of-way be vacated with funds being used for streets. Administrator Adam Smee explained while this is good outside the box thinking he has concerns and is not sure if this could be done. Vacated right-of-way normally goes to adjacent property owners and the City is compensated, but if the adjacent property owners don't want it, he isn't sure it could be vacated to a third party. He doesn't see that if the adjacent property owner can use the right-of-way and doesn't need to own it, what would incentivize them to purchase it. This would also be in essence selling the future to pay for the present which is not good management. The purchase of right-of-way can be an arduous procedure and would be far more expensive to acquire in the future. Selling assets to pay for operations is not good management nor a sustainable long-term plan. Some of these rights-of-way can be needed for future development as

the City doesn't allow private roads and has standards so the streets are built for the future and for maintaining. There is a process for the vacating of a street which includes some costs for the City, but most are paid by the applicant along with the assessed value of the land to be vacated, so it costs the property owners. He isn't sure the City could approach property owners to incur these costs. This would need more research to consider it and determine if 3rd party could be involved.

Mayor Reuter asked about the increase in the fee in 2018. The legislature updated the laws on TBD's which allowed cities to incorporate them into the City rather than have them as a standalone entity and allow the implementation of an increase up to \$40 in the tab fees if it has previously been established. The City had nothing before 2012 to address streets in poor condition. I-976 takes the entire tab fee funding mechanism away. Clerk/Treasurer McMaster referred to the list of transportation funding sources from Municipal Research. There are only a few of which the City can utilize that they don't already have which include impact fees to developers and parking meters. The City already receives gas taxes which are used for street maintenance and operations and real estate excise tax which is used for capital improvements. Other sources are not available to the City. Under the TBD the City can implement the .02 percent sales tax for streets which requires a vote of the people.

The funding through impact fees places the burden on developers which can limit future growth and could raise the cost of housing. It would not provide a consistent revenue source. The .02 percent sales tax would increase the sales tax rate to 8.1% in Kalama. This would allow all sales in the City to contribute to the revenue stream, but sales taxes are fluid along with the economy. There are two ways the revenues could be used. If approved by the voters, the City could bond say a million dollars and pay the debt with the tax revenues. Bonds are guaranteed by the property taxes and are paid first so if the economy slows down, the debt may not be fully covered by the sales tax source. The other option would be to collect the tax and pay as you go for improvements in the same way we have with the tab fee. The sales tax would be on everything including on-line sales. Businesses in town would not be greatly affected and the City would receive funds on construction projects. It was noted that those are one-time sources that can go away creating a drop in the tax revenues so shouldn't be considered a sustainable source. Councilmember Matthew Merz noted that he would have to spend \$20,000 in Kalama for the sales tax to equal the \$40 tab fee being assessed. In order to begin collecting the tax by January 1, 2021, the sales tax would need to be on the ballot for the primary election in August. It won't be effective until April if it is on the November general election ballot.

There was discussion on how a bond could be put in place and payments covered and it can't without a revenue source. If we lose the car tabs and don't have the additional sales tax there isn't any funding to secure the debt unless the City makes cuts to other services. Street funding comes from general revenues competing with library, police, finance and administration. Creating local improvement districts for various areas will be an increase in property taxes to those residents. Excess property tax levies or levy lid lifts are also increases to taxes and require a vote of the people. If you can't get more revenues then you have to look at how you cut the pie. To pass the sales tax measure the City can supply the information to the public, but it doesn't guarantee the passage of the tax.

Mayor Reuter adjourned the meeting at 6:58 p.m. These minutes are not verbatim. A copy of the recording for this meeting is available for review upon request.

Mike Reuter – Mayor

Coni McMaster - Clerk/Treasurer