

CALL TO ORDER

Mayor Paul Helenberg called the April 10, 2012 city council special workshop meeting to order at 6:00 p.m. followed by the Pledge of Allegiance. The following councilmembers were present: Ray Teter, Glenn Pingree, Earl Queen, Mike Davis and Ellen Rose.

Staff present: Public Works Director David Vorse and Clerk-Treasurer Ryana Covington

Purpose of the meeting: to investigate and discuss financial options available for repair and maintenance of city streets. Mayor Helenberg stated that the majority of street funding comes from general tax dollars. These funds are very weak at this time, however with the condition of many of the city streets; the need for street repairs and maintenance is apparent.

Cowlitz Street West upgrades were approximately 99% grant funded and those resources were restricted by the granting agencies to be used specifically for that project and could not be used for any other street project.

Mayor Helenberg stated the city continues to apply for grants to fund street upgrades, however these are highly competitive. He would like to develop a funding plan for street maintenance projects, before the streets become so bad that they cannot be driven on.

The following handouts were distributed;

- A summary of street improvement projects from 1982 through 2011; a list of residential paved and gravel streets that will require capital investment; the 2008 street survey results; a map showing grant funded street projects; and an outline showing work completed by the street maintenance position and how the position is funded.
- Sections from the Transportation Resource Manual summarizing the transportation taxes that have been authorized by the Legislature for use by local governments
- A summary of the city's current revenue resources compared to operating costs for streets for the period 2007-2011; General Fund revenues 2007-2011, Real Estate Excise Tax revenues 2007-2011; General Fund government service costs, including transfers to support street related costs; and survey results outlining resources used by other cities to fund street repairs/maintenance operations.

Public Works Director David Vorse summarized that over the past thirty years, the city has completed over ninety projects. Some of those streets were completed more than once, especially when grant funding was awarded for those projects.

Vorse explained that only one grant opportunity through Washington State Transportation Improvement Board (TIB) is currently available for residential streets. The intent of this Pavement Preservation Grant program is to assist with good streets. TIB has a rating system

that streets must meet in order to qualify for this grant program. Of the seventeen city streets listed for capital investment, thirteen would not meet the TIB rating for acceptability for the grant program. The last time the city received this grant was in 2006 and TIB made the decision as to which streets would be included in the funding. The city submits an application for this funding annually.

Periodically the city conducts a street survey to assess conditions based on various elements. The last survey was in 2008 and Vorse reviewed results of street work priority. Of those on the list, a portion of Pioneer Avenue and Roake Avenue have received work.

Vorse stated the city has only one position funded for street work. This position is funded 50% from the stormwater funds, 35% from the street fund and 15% from dredge spoil funds and the position provides services to each in each of those areas.

Mayor Helenberg noted the state-shared motor vehicle tax revenues have declined since 2007. The real estate excise tax funds (REET) are available only for capital projects. REET funds are generated from the sale of real estate and this resource has dramatically declined. To do any street overlays, the city must save up the REET resources to fund a project; which may take two or three years. For example, an overlay on Roake Street is estimated to cost approximately \$20,000. At that rate, some of the worse streets in town will not have the chance to get paved. Even if the city is able to get into a rotation for street repairs, the good streets would be greatly deteriorated before their next maintenance is scheduled. For this reason, Mayor Helenberg feels it is important to find a way to fund street maintenance – and for cities, the options are quite limited. The city does not have the same authority as the county, which assesses approximately \$1.80/\$1000 valuation to use for street maintenance projects. Even with that, the county has now extended their rotation cycle from every five years to every seven years.

Mayor Helenberg asked for assistance in finding some funding source that would not be a burden on the retired people of this community.

Betty McGee, resident, stated Warren Street surface is fairly in good condition; however there is not adequate drainage. She noted that everyone in the city limits pays a monthly storm drain fee and asked how those funds were used. Mayor Helenberg explained that most of the revenues received from monthly storm drainage charges support the levee system and paid for the recent certification. Certification of the levee means that residents would not be required to purchase flood insurance. Castle Rock is only one of the very few in the State of Washington to get their levee system certified. The mayor stated a neighboring diking district estimates that it will cost that district \$200 million dollars to obtain certification. In addition, the city is also putting aside funds into a reserve fund, in case funds are needed for either of the two pump stations.

Mrs. McGee stated the corner of Fifth and Warren Street retains water, which children must walk through to get to school. Vorse explained that a french drain system was installed in 1980 and throughout the years those drains have become blocked and sealed in by residents. There are no clean-outs along the line and the repair would require extensive work. French drain systems are also located south of Warren Street and westward from Fourth Avenue.

Don Miller noted that Cowlitz View Court also retains water on the roadway and he believes there is a storm drain installed for that area which needs to be cleared. Vorse stated culverts and an old ditch line is the only system to support drainage from that roadway. Mr. Miller stated the standing water undermines the road base and eventually will wash out the road. Vorse stated last year the city cleaned the ditch and removed the ivy that was blocking drainage.

Joan Anderson, resident at Fifth/Warren Street, stated the standing water at that intersection creates potholes in the roadway. Mayor Helenberg explained that the stormwater fee also is used to support the levee and pump systems.

Mayor Helenberg stated he is aware of the condition of city streets and for this reason he would like to focus on a solution for funding the needed repairs. He estimated the city needs \$50,000/year for capital improvements to meet current needs.

Councilmember Pingree noted that the decrease in car tabs resulting from the Eyman initiatives negatively impacted funding for street projects. Vorse noted this also negatively impacted availability of grant opportunities.

Mark Kerr asked if the city is considering establishing a taxing district to raise funds for the streets. Covington stated the city's options are limited by State law. Based on the overview outlined in the Transportation Resource Manual, cities can either impose a commercial parking tax or develop a Transportation Benefit District. The parking tax is mostly used by larger cities to fund general transportation needs.

The Transportation Benefit District (TBD) is a local option tax which can be established city wide up to county wide. State legislators provided for this option in 2007 and after formation, the district has the ability to implement additional levy taxes, a sales/use tax and provides a wider leeway for directly funding transportation projects. The impact to customers could be an increase in sales taxes or in motor vehicle license fees. Covington stated she was tasked with researching funding options, in addition, she contacted various cities to ascertain if any they were using any other funding not yet identified. Covington recommends that if city council wants to move toward establishing a TBD, that additional

research be completed on the subject. Castle Rock City Council had considered a TBD in 2007, however nobody else in the county as interested in the concept and it was not pursued because City Councilmembers did not want to be the only city in Cowlitz County with higher fees for licensing motor vehicles. Vorse added that Cowlitz County would have supported the option, if all of the cities would participate.

In answer to Councilmember Teter's question, Covington stated she does not have an estimated number of qualifying vehicles within the city limits that would be affected by the additional licensing fee. This would be an issue that needs further research.

Councilmember Pingree asked if it would be possible to contact the bulk plant owner, Wilcox and Flegel, to see if they would be agreeable to fixing that portion of the roadway; considering the impact of their heavy truck traffic. Covington stated the city does have an option for a local improvement district (LID). An LID is an agreement signed by the property owners to share the cost for road repairs. The cost would be divided between those properties fronting the roadway and be based on the road frontage. Councilmember Pingree questioned why a resident would want to share costs to repair damage from truck traffic generated by a business. Vorse noted that years ago, the city designated that roadway to be a truck route.

Covington stated that counties planning under the Growth Management Act can impose impact fees to developers to offset those impacts created by the development. However Cowlitz County does not plan under that option.

Roy Henson, resident, stated he feels the city has two options; increase income or cut expenses. From his perspective, he would be opposed to the city seeking ways to raise income, especially through a tax. He feels businesses are already struggling and adding additional taxes would deter shopping in the city. Mr. Henson stated he has several suggestions where expenses can be decreased and he would be happy to discuss those with the mayor. He recommended looking for ways to decrease small amounts in several ways, which will eventually add up to a significant savings. Mr. Henson suggested that not allowing police officers to take their vehicles home would result in a significant savings. Councilmember Queen explained that many officers do not live in the city and take their vehicles home to allow them to respond quicker, when needed. Mr. Henson suggested that at \$4 to \$5 per gallon for gasoline, it would be prudent to allow only the officer on call to take a vehicle home, leaving the other vehicles in town.

Lee Kessler, resident, asked why other cities can increase sales taxes. Covington explained that the legislature has restrictions on those increases. Additional sales/use taxes can be assessed to support transit services, such as Longview CUBS, to support criminal justice, for high capacity transit. Counties can impose additional sales/use taxes to finance emergency

operations systems, jails or a public facility district, such as the county Expo Center. Covington stated it would make sense to allow sales/use taxes for street infrastructure because both residents and visitors impact those services. Mr. Kessler agreed, noting that people do not decide where to shop, based on whether they are paying an extra .1% or .2% in sales taxes. However, people would notice if those living in town would be required to pay additional fees to license their vehicles. Kessler stated the conditions of the streets cannot continue to go without maintenance, and cited C Street as an example. He added that people are reticent about new taxes. As far as cutting budgets, he noted that the city already has made cuts and he feels the budget is whittled down to nothing. He stated that he has reviewed the budget line by line and there are not further areas to reduce. Kessler stated even in the police department, taking home cars is a cost effective way to allow for better police coverage and response. Kessler suggested that a TBD be established as a temporary solution until adequate funds are built up to sustain street improvements. He asked if the \$25 tab fee increase is mandatory, or if a lesser tab increase is possible. Covington stated that the Transportation Resource Manual lists cities that have formed a TBD. Most of those cities have incorporated a \$20 tab fee, with one city adopting a \$10 tab fee. Covington added that she does not know if formation of a district can be temporary.

In answer to Mr. Kessler's question, Covington stated city councils have the authority to create a TBD; however any taxes, such as sales tax, would need to be approved by the voters within the proposed district. Kessler noted that if a TBD is formed, it will take some time for enough funds to do all of the streets. Mayor Helenberg stated even if the TBD could accrue \$20,000 to \$25,000 per year; this would enable work on some of the streets.

Kessler added that he just purchased rock to put in front of his residence because the city just does not have the funds to maintain that area.

In answer to Councilmember Teter's question, Covington stated the district does have authority to impose up to .2% sales and use tax with voter approval, for up to a ten year period. TBD also has the ability to impose an excess tax, with voter approval.

Covington noted that the city is currently researching excess levy issues pertaining to library services. Usually those levies are limited to a one-year term; however Councilmember Teter recently read that the City of Seattle was asking the voters for a seven-year excess levy for their library services. As of this date, Municipal Research has not responded to the city's inquiry on the time period.

Councilmember Teter stated if the city is considering a tax, he would prefer a sales and use tax to support transportation improvements because it broadens the base of who uses the roadway. This is only available if a TBD is formed and voters approve the added sales and use tax.

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Covington stated the quarter has just closed and she will be providing a report to council comparing 2011 and 2012 first quarter revenues. At the end of last year, two major changes occurred that affected tax based revenues for the city; 1) the city annexed in the westside area, adding commercial properties and 2) results from the 2010 federal census showed the city lost population. Mayor Helenberg stated the city lost approximately 114 people in the last census and this could not be challenged under the federal guidelines. Covington stated the city could conduct their own independent census; however this is very costly and must be done by federal standards.

Councilmember Pingree stated he does not want to impose a tax on anybody unless voters are given the chance to say that streets are important to them and they support paying additional dollars for that purpose. If voters do not want to support a TBD, then councilmembers will need to again address the issue. Councilmember Queen agreed with asking voters for their input. Mayor Helenberg also agreed, adding that putting off decisions are hurting citizens even more. Either streets will need to close, or go back to using only gravel.

Buck Savage, resident, stated he lived in the City of Kelso for 35 years and during that time, his residential street was never worked on. Mayor Helenberg felt that the public works director and city engineer have developed a good plan for addressing street needs and estimated costs. Once those streets are done, a street maintenance rotation could be adopted so that all city streets receive some kind of maintenance. The mayor stated this issue is not a critical point at this time, however within the next ten to fifteen years, this will become a critical issue, which will be more difficult to address.

Councilmember Pingree agreed with the point made by Betty McGee relating to the lack of drainage for many roads. He added that the city already has a fund for financing stormwater issues and now needs to create funds for street repairs. Councilmember Davis added that both sources could then be used together to fund projects. Mr. Vorse stated that would be possible only if a total street reconstruction is done. In 1982, 1984 and 1986, the city received state funds to do a total reconstruction of Fourth and Fifth Avenues. This involved new street base and drainage. Since that time, the city has done a couple of overlays and a chip seal on Fourth Avenue and this is still one of the city's better streets. He noted other areas where overlays have been completed. Addressing drainage issues require installation of catch basins and other engineering; however it does add life to the street. Vorse stated many of the streets were originally developed on sandy soil by grading the area, adding some rock and chip sealing the surface.

In answer to Councilmember Queen's question, Vorse stated the only grant available for residential streets is through the Transportation Improvement Board and most of the city's streets would not qualify due to their condition. That grant is intended to keep good streets good; not fix streets in poor condition. Covington stated there is one other funding source through Public Works Trust Fund; however this is only a low-interest loan. Vorse stated Rural Development also offers loan funds for infrastructure improvements, however the city would still need to find funding for repayment of the loan.

Joan Anderson stated that C Street, near Front Avenue has always been bad. Mr. Savage added that he has seen places where the paving is very thin. Vorse stated those streets were never paved; they were a rock base covered by a rock/oil surface. Vorse stated many county roads were also developed in that same way, however the county has a road tax to fund addressing drainage issues on county roads and funding a program to rotate maintenance of the county road surface every seven years.

Mr. Kerr asked if this problem could be address through a property tax. Covington stated the city does not have the authority to fund this through a property tax. She noted that if voters were to have the option of approving a one-year excess tax, it would need to be for a specific project.

Vorse suggested the city could impose a city-wide Local Improvement District (LID). Covington stated that all property owners would need to sign an agreement for the LID, and assessment would need to be done to establish frontage value for all properties. Those property owners would then be paying back the city for the improvements based on their individual property assessment share. Properties not fronting a road would not be participating in paying into the LID.

In answer to Mayor Helenberg's question, Covington stated the city does not have the authority to increase the sales and use tax, however if a TBD is formed, it becomes it's own entity and has the authority; providing that voters approve the increase.

Councilmember Teter noted that funds from the TBD would not be placed into the city's General Fund – it would be managed by the TBD for street improvements only. Covington added that state shared motor vehicle fuel tax revenues that the city currently received also does not go into the General Fund; it goes directly into a separate Street and Arterial Street Fund.

Councilmember Davis suggested the city could ask for a \$2.50/month donation that is sent along with the utility billing. He estimated that if 1000 people donated, the city could receive \$30,000 within one year. Councilmember Teter stated this is a good idea; however he questioned accountability for the donation. Councilmember Davis suggested using a

checkbox system, where the donation can be checked off and mailed back in with the donation.

Mayor Helenberg stated the city's utility rates are not as high as some other cities and he provided examples.

Covington stated the City of Longview's public works director has already made a presentation to their council regarding TBD and possibly they could share this information with our city. In addition, the City of Kalama's clerk has been asked by their city council to also research TBD as an alternative funding resource.

In answer to Mr. Kessler's question, Vorse stated that completing the seventeen paved streets identified in his report as requiring capital investment, would cost approximately \$400,000 to overlay those streets. Kessler stated, based on the addition of a .2% sales and use tax, the city would receive approximately \$50,000 annually.

Mr. Kerr stated he does not buy anything in town where he pays sales and use taxes and he questions the projections from this source. He feels that something must be done right away before costs are inflated.

Councilmember Teter suggested that more research should be done to ascertain proceeds from a .2% addition to the sales and use tax. Mr. Kessler stated if the sales tax is a percentage of the cost, it will increase with the inflation.

Vorse suggested if there is a revenue source, possibly the city could bond against the proceeds and do more projects sooner. Councilmember Teter suggested the city could also secure a Public Works Trust Fund, at a low interest rate. Covington stated the interest rate for that loan is a fixed rate and ranges from .5% to 1.5% based on the city's match offer. Vorse stated this year the Public Works Trust Fund has adequate funding, however each fiscal cycle state legislators change allocations for this program, which makes it difficult to plan projects. In addition, the funds are a state-wide competitive program.

Councilmember Teter requested more information be provided to councilmembers regarding the process of forming a TBD and projections for additional sales and use tax funds. Councilmembers did not favor obtaining funds through vehicle license tabs. Covington added that she does not know if formation of a TBD can be done on a temporary basis.

Mayor Helenberg asked Dave Vorse to contact David Cameron, City of Longview Public Works Director to obtain information he may have regarding a TBD. Councilmember Teter stated it would make sense to be able to have a funding source in place to repay loans for street repair, so that projects can be completed and the taxpayer does not need to wait for a

long period to time before they see any improvements being done.

Mayor Helenberg thanked everyone for their input.

ADJOURNMENT

There being no further business, Mayor Helenberg adjourned the meeting at 7:30 p.m.

Mayor Paul Helenberg

Clerk-Treasurer Ryana Covington