

Castle Rock City Council
July 18, 2012

Special Meeting/Public Hearing
Location: Castle Rock Senior Center

Mayor Paul Helenberg convened the Special Meeting at 7:30 p.m., followed by the Pledge of Allegiance. Councilmembers present included: Ray Teter, Glenn Pingree, Earl Queen, Mike Davis and Ellen Rose. Staff present: City Attorney Frank Randolph, Public Works Director Dave Vorse and Clerk-Treasurer Ryana Covington. Members of the public attending: Lee Kessler and Roy Henson.

Purpose of the meeting: to take public testimony to consider creation of a Transportation Benefit District (TBD) comprising the corporate limits of the City for the purpose of funding improvements to and maintenance of city streets.

Public Works Director Dave Vorse distributed a copy of his Power Point presentation. He noted that street maintenance can be deferred, however deterioration of the streets continues. Currently there are approximately 17.2 miles of residential streets in Castle Rock. The replacement cost for those streets is estimated to be \$18 million dollars.

The city's current pavement condition rating (PCR) is 68.6. If the city continues to defer maintenance, the PCR is estimated to decrease to 49 by year 2017.

Vorse noted that in 1991 the city staffed one full-time employee and one seasonal employee to work on the street network. By 2011, this staffing had been reduced to .3 FTE (full time equivalent) hours. Vorse listed services provided by that position, ranging from repair, signage, sidewalk inspection, street cleaning, snow removal, street landscaping, to right-of-way maintenance.

The current maintenance strategy has been to overlay one section of street every two years. Pothole repairs are done as soon as possible, with priority given to higher used streets. He noted that street condition complaints have doubled within the last six years.

Vorse summarized the pavement maintenance funding shortfall as follows:

ANNUAL FUNDING	
Current maintenance capital fund (from Real Estate Excise Tax funds)	\$ 10,000
Funding needed to maintain the city street current PCR levels	\$605,440
Annual funding deficit	\$595,440

He noted the current pavement maintenance budget is only .6%/year of the street network value, adding that the maintenance budget should be over 1% of the street network value.

If the city continues to use the same street maintenance strategy, the following immediate impacts will result:

- Network value is dropping at a rate of 1.3%/year
- The PCR is dropping 2 units/year

- 150% of every dollar ‘saved’ by deferring maintenance is immediately lost in declining network value of city streets; and much of that loss is irrecoverable. Pavements that may have cost 65¢/square yard to protect fifteen years ago, now will cost \$85 to rebuild.
- Driving on roads in poor to mediocre condition costs motorists \$324/year.

By 2017, the pavement maintenance shortfall will have the following effects:

- The network will lose \$936,000 in value
- The asphalt network will drop from ‘marginal’ to ‘poor’ condition
- The backlog of streets listed in ‘poor’ condition will increase from 19% to over 37%
- Home resale values decrease a minimum of 5% when located on a ‘poor’ condition street
- There are approximately 150 street sections within the city limits. Out of the city’s total street sections, only 45 streets would qualify under the ‘broader scope’ for funding agencies and only 4 streets would qualify within the targeted scope to obtain funding for overlay or chip sealing grants. The other sections do not qualify because they are either exceed the qualifications, or their condition is so poor that they do not meet minimum qualifications.

Vorse stated the city has continued to find ways to reduce expenses. In 2012, the estimated values are:

Proceeds from State shared Motor Vehicle Fuel Tax:	\$30,000
General Fund contribution:	\$14,506
Capital Project (Real Estate Excise Tax proceeds)	<u>\$20,000</u> (a two-year accumulation)
Total:	\$64,506

The capital project is slated to be used for Roake Street this year and cannot be used for general street maintenance costs. For this reason, only \$44,506 is available in 2012 for operations/maintenance expenses.

Vorse stated that staff was directed to research options for funding street maintenance expenses. One option is the formation of a Transportation Benefit District (TBD). Funding options available for a TBD include the following:

Non-voter approved (TBD assessed):

Annual vehicle fee – up to \$20

Adoption of transportation and impact fees on commercial and industrial buildings.

Voter approved (TBD would need to request voter approval to impose):

Property tax increases (voters can only approve for a one-year period)

Annual vehicle fee – up to \$100

Vehicle toll

Sales and Use Tax – up to 0.2% increase; for a period of 10 years.

A Transportation Benefit District can be formed by city council through adoption of an ordinance. This action is subject to referendum, requires adoption of a transportation plan and required annual reporting. Currently there are 21 Transportation Benefit District that have been formed throughout the state. Of those, 13 impose a \$20 vehicle license fee, 1 imposes a \$10 vehicle license fee, and 7 have obtained voter approval to increase their Sales and Use tax an

additional 0.2%.

Vorse compared the city's current Sales and Use tax with other entities in Cowlitz and Lewis Counties. If voters approved a 0.2% increase in the city's Sales and Use tax, Castle Rock's rate would still be lower than Longview, Kelso, Chehalis and Centralia; and would be comparable with Kalama and Woodland.

Vorse noted if the TBD is formed, the city could consider applying for a Public Works Trust Fund (PWTF) loan to allow a larger number of streets to be repaired at one time. The PWTF loan would be for 15 years at 0.75% interest rate. It is estimated that revenues from the TBD would be adequate enough to repay the loan and still have funds available for maintenance work.

Vorse presented the following summary:

Loan Term (years)	Interest Rate	Estimated Annual Repayment
10	0.50%	\$44,294
15	0.75%	\$30,487
20	1.00%	\$23,884

The Street Committee formed by the mayor supported a 15-year loan.

Estimated cost of on-going chip seal program:

Total residential road length: 90,816 feet
Assumed typical road width: 20 feet
Total residential road area: 201,813 square yards
Total cost to chip seal: \$605,440
Annual cost on a 15 year cycle: \$40,363
Annual cost on a 10 year cycle: \$60,544
Annual cost on a 7 year cycle: \$86,491

Vorse estimated the additional Sales and Use tax would be approximately \$57,000 per year. He suggested if the city is able to obtain the 15 year loan, there would be adequate funds available, after the loan payment to be applied toward a sustainable maintenance street plan.

Alternative strategies outlined by Vorse included:

- Let some streets continue to deteriorate:
 - Maintain arterials and collectors in good condition
 - Provide only minor maintenance to local streets
 - Many complaints generated by condition of local streets
- Require new street standards
 - Require new streets to be concrete
 - Require new asphalt streets to be a minimum of 6" thick; current standard is 2"; dramatic life increase with 6" surface, but this increases the cost of new development.
- Develop new funding source to preserve pavement, such as a TBD
 - Maintain \$18 million dollar asset at current PCR. Reduce poor rated streets backlog to less than 10%. Currently the backlog is 19%

Vorse stated the benefits of a TBD, funded by a 0.2% Sales and Use tax would be:

- generates revenue for residential street improvements where little funding is available;
- provide an estimated annual street revenue increase of \$57,000;
- cost is shared by all users (including visitors);
- a Public Works Trust Fund loan at 0.75% interest rate, over a 15 year period would require an annual loan payment of approximately \$31,000. This would leave approximately \$26,000 annually for street maintenance expenses.
- could provide funding for a large street repair project of 17 to 23 sections of roadway (dependent on condition and use). Provides an economy of scale to reduce overall costs.
- sales and use tax revenues would increase as the local economy improves.

Vorse stated this option will not take care of everyone's street problems, however it provides a means to address a large majority of the issues.

Concerns over increasing the sales and use tax might include the following issues:

- would raise the sales tax in the city
- could affect businesses who deal in large volumes. Vorse stated he has not received any negative feedback regarding this issue.
- voters might be apprehensive about funds being absorbed within the General Fund. Vorse noted that State law mandates the funds to be used only for street related expenses and cannot be used for any general government type expenses.
- Public Works Trust Fund is a loan and needs to be repaid.

Vorse stated that the city has recently completed paperwork that may decrease the interest rate to 0.25%. The city will not find out if they meet the eligibility until they are awarded the loan.

Councilmember Davis noted that Pioneer Avenue has been patched numerous times. He wondered how much the city has expended for those repairs. Davis noted that on his street he has seen patch work lasting only three months. He supports seeking a plan to support street maintenance.

Vorse stated longevity of patching is dependent on weather conditions, drainage and traffic. He noted that patching not only costs the city in material, but also in labor costs.

Mayor Helenberg stated he hates to see an increase in the Sales and Use tax, however there are street sections needing attention. One of his goals this year was to adopt a program for ongoing street maintenance issues.

Vorse noted that new street ratings were released today. He stated that some of the facts stated in tonight's presentation may change as new information becomes available.

In answer to Councilmember Queen's question, Vorse stated the city has developed a list of streets needing repair, based on a rating system that took into consideration such factors as traffic, pedestrian travel and condition. He recommends prioritizing the streets that do not qualify for any other funding due to their condition and make improvements to those streets so they will qualify as future grant funds become available. Mayor Helenberg stated before that is

done, councilmembers need to re-evaluate that list and come up with a consensus on which streets to repair. Vorse stated the last time the street list was re-evaluated as in 2009. Mayor Helenberg requested a copy of that list to be available at the next city council meeting.

Roy Henson, Larsen Lane SW, stated he does not support increasing taxes. He recommends the city needs to do what all other citizens need to do; cut their expenses. Mayor Helenberg stated he appreciates Mr. Henson's concerns, but he is trying to come up with a solution to retain the street that we have that would be the least impact to the city's residents.

Henson stated the lower sales and use tax rate is an incentive for people to shop in town and this undermines the city's 'buy local' campaign.

Councilmember Davis remarked that he does a lot of business in the city. He would rather pay a higher sales tax on items purchased, than to take a 5% decrease on his home's value because of the street condition. He feels this would be a lesser impact to him.

Mr. Henson stated he will do his best to make sure this does not pass. He feels this is not the time to increase taxes.

Councilmember Teter noted that now is the time to take advantage of the Public Trust Fund low interest loan, to allow at least 17 streets to be worked on at one time and to create a funding source to sustain other street projects. It would increase the sales tax a small amount and spreads the cost over all users. Castle Rock's sales and use tax would still be lower than Longview and Kelso.

Henson felt it is an issue of 'principle'. If the city creates a Transportation Benefit District, there is still the option of assess a fee on vehicle licensing; which does not require voter approval. He stated that while this council may not support the vehicle license fee, future elected officials may choose to enact it. Mr. Henson stated, as an example, two years ago the city increased the fees for business licenses and promised to re-evaluate if the higher fee is still warranted. These fees were never reduced. He added that his issue is not with this current council; it is with their predecessors.

Councilmember Queen stated the city has made as many reductions as they can and they need to maintain the current workforce in order to meet work demands. Henson countered that many businesses are facing the same dilemma of reducing their workforce to reduce their costs and there are many businesses in Castle Rock already struggling. Councilmember Teter stated that businesses also fail if they don't invest in their capital structure and they lose efficiency.

Henson stated he personally does not borrow money that he cannot pay back. Councilmember Teter stated that while the voter-approved Sales and Use Tax funding resource is limited to a ten year period, he feels the city still would be able to meet their repayment commitment on the loan.

Councilmember Rose stated she supports the increase because it would be viable only if voters approve the issue.

Councilmember Pingree stated formation of a Local Improvement District (LID) also has been used for infrastructure funding. Henson stated this is a legitimate option, because those directly impacted are paying for the upgrade to their street. Covington commented that the disadvantage of an LID is that the city needs to have enough capital to pay for the improvements. Property owners paying on the LID sometime take over 20 years to repay. This is providing the city fully recovers all debt from participants.

Pingree agrees that the sales and use tax increase will spread costs over a larger base of users.

Mayor Helenberg thanked Mr. Henson for his comments.

Lee Kessler, Clearwood Court resident, stated often it is easy to expect services, but not pay for them. Also, people don't speak up; noting that only two citizens appeared at this meeting. He supports development of a Transportation Benefit District and the option for voters to voice their opinion on a proposed to increase sales and use tax to support street maintenance. He feels the only viable solution is the one that is less intrusive, which is by increasing the sales and use tax. Kessler countered that increasing the sales and use tax would benefit the city's 'buy local' campaign because the proceeds would go directly back to street improvements. This brings an added benefit to the citizens. He added that he does not determine where to shop, based on the amount charged for sales taxes.

Mr. Kessler stated he has looked at the city budget and there are no other areas to cut. He felt now is the time to take action; especially if the city could secure the PWTF loan. He has watched Clearwood Court deteriorate in the past years. He has also used his own money to purchase rock to fill holes. He feels the sales and use tax increase is the most just option to pay for street maintenance; especially since this is determined by the people. Kessler stated he would adamantly campaign for it.

Mayor Helenberg stated councilmembers want voters to have the ability to review this option and make a choice. Councilmembers opposed implementing the \$20 vehicle license fee because voters would not be given the opportunity to share in this decision. The mayor stated he appreciates hearing both sides.

Vorse stated a summary of the RCW addressing implementation of Transportation Benefit Districts was provided to the councilmembers, along with a timeline for meeting the RCW requirements and still being able to place the issue on the General Election ballot.

City Attorney Frank Randolph advised that he has reviewed the ordinance and timeline; both comply with State statute.

Side - B

Councilmember Pingree made a motion, seconded by Queen to approve Ordinance No. 2012-03, an ordinance to form a Transportation Benefit District incorporating the city limits, on first reading. By roll call vote, unanimous 'Aye'.

Mayor Helenberg directed that a Special Meeting will be required for adoption of a resolution to place on the General Election ballot measure asking voters to approve a 0.2% increase in the Sales and Use tax to fund Transportation Benefit District street projects. That meeting will be held on July 30th at 6:00 p.m. at the Castle Rock Senior Center.

Mayor Helenberg adjourned the meeting at 8:30 p.m.

Mayor Paul Helenberg

Clerk-Treasurer