

CITY OF ALBANY
CITY COUNCIL (WORK SESSION)
Municipal Court Room
Monday, March 7, 2011
4:00 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 4:00 p.m.

ROLL CALL

Councilors present: Councilors Dick Olsen, Jeff Christman, Bill Coburn, Floyd Collins, Bessie Johnson, and Ralph Reid, Jr.

Councilors absent: None.

BUSINESS FROM THE PUBLIC

There was no business from the public.

PROPERTY TAXES 101: CARA AND COMPRESSION

Mark Noakes, Linn County Assessor, passed out *Chapter 5- Tax Increment Financing: Urban Renewal* (see agenda file). Linn County has several urban renewal districts and Noakes is frequently asked why urban renewal tax shows up on North Albany tax bills.

Noakes explained that the theory behind urban renewal is that everyone in the boundary of an agency (or city) benefits from the plan area. Therefore if a person lives within the city boundaries, even if they are not in the urban renewal area, they contribute. Noakes pointed out that taxpayers pay no more or less than they would if the urban renewal area did not exist; it just redirects a portion of the City's share to urban renewal instead. It is called Tax Increment Financing (TIF) and is legally allowed, as the handout explains. The taxes on the incremental increase go to Albany Revitalization Agency (ARA). The increase is then spread across all the properties in the agency. If it wasn't spread out then the properties in the urban renewal area would be paying too much. The frozen value is dispersed among all the taxing agencies – it is only the additional “new” value or exception value that is taxable that is directed to the ARA.

City Manager Wes Hare used the Wheelhouse project as an example of a building that would not exist if there were not ARA money to subsidize it.

Noakes noted that the increased value comes from new construction. ARA also gets increases in value via the automatic 3% allowed by Measure 50. He said that “Summary of Assessments and Levies (SAL)” tables can be found on their website, www.co.linn.or.us, and there is also a sample in the document he provided. The SAL tables provide a good history of where taxes go.

Noakes said that when Central Albany Renewal Agency (CARA) started in 2001, he calculated the base rate, or frozen value, for the plan area.

Noakes explained that compression occurs when real market values plummet and get closer to the assessed values. The assessed value is what taxes are calculated on. As the gap narrows between market values and assessed values, each taxing agency takes a cut proportional to the amount they receive. There is a \$10/1,000 government cap with \$5 for schools. Noakes thinks local government will lose revenue to compression next year; but on a positive note, he thinks values may go up 2%. Residential assessed values always go up 3%, but market values do whatever the market dictates. Oregon has a very complicated tax system already and urban renewal further complicates it. A positive result of Measure 50 is that it helped to stabilize revenues. Noakes said tax collection rates seem to be consistent.

Councilor Floyd Collins asked how long owners can avoid paying taxes before the county takes action. Noakes said it takes four years of non-payment before the property is moved into redemption rights, which extends it for two more years. Discussion followed.

LINN, BENTON, LINCOLN 211

Greg Roe, Executive Director of United Way of Linn County, said the agency has started the process of acquiring a 211 call line for our area. The 211 project connects the people of Oregon with the community resources they need. It was started 15 years ago for health and human service referrals. Roe said this is a project that is spreading across Oregon and it will be discussed at the Legislature next week. Oregon is one of the last states to get it. Linn County volunteered to start promotions and funding for the three counties (Linn, Benton, and Lincoln). Roe said Public Information Officer/Management Assistant Marilyn Smith is the Board President-elect and thought the Council might appreciate a presentation.

Roe gave a PowerPoint presentation titled *Introducing the Oregon 2-1-1 Network* (see agenda file). Their website is www.211info.org. Numbers for Lincoln County are in place; they are currently working to enter Benton County numbers, and Linn County will be started next year.

Collins asked if they will be able to track if someone is traveling the I-5 corridor to work the system for hand outs. Roe said it would be up to the specific agencies to make sure folks are not taking advantage, although there is always the possibility that may happen.

Konopa recalled that implementing 211 was part of the ten year plan to end homelessness. United Way is the lead organization but there are many other agencies involved.

Roe said 211 should be running in July 2012.

TRANSIENT ROOM TAX TASK FORCE UPDATE

Konopa explained the history of how the Transient Room Tax (TRT) Task Force was formed. Non-profits used to present their funding requests at Budget Committee Meetings. The process changed to require non-profits to complete applications which were then passed to the director of the City department that offered services similar to those of the non-profit. Their requests were included in the proposed budget, if the department director chose to do so. The Budget Committee made the final decision when they approved the Proposed Budget. The Council was later approached, outside of the Budget process, by some non-profits requesting a portion of the TRT revenues after the Expo Fair debt was retired. The TRT Task Force was formed to evaluate the best dispersal of the retired debt and the TRT revenues in general.

Konopa reviewed the table at the back of the policy and described how the TRT Task Force came to the decisions about how to categorize the expenditures and allocate the amounts.

Konopa said the motel owners and other participants were excited about using the City's Trolley.

Councilor Ralph Reid Jr. explained why they decided to start the Airport's portion at \$60,000. The fairgrounds were established long ago on City property. Linn County paid no money for that property and by taking 38 acres away from the Airport, they took future revenue-producing property. In order to compensate the Airport for that, and in order to get folks to the Expo Center and into town via the Airport, it needs to be functional and continually improving. He was adamant that a portion be set aside and did not want it to be used as operational funds, but only for projects that will improve the Airport. This will help the Airport on a long-term basis. The City gets requests for grants but has no matching funds, and this would help. It will also pay for water and sewer lines, and prepare the property so that the Federal Aviation Association (FAA) can put in lights.

Councilor Bill Coburn asked Reid what he thinks the Airport property's current value is. Reid said, \$2 million.

Konopa said the Task Force recognized there was some room to add to non-tourism activities, so added the Airport. This current list is almost at the limit and there is little room to add to non-tourism in order to comply with state law.

Konopa explained how increases in the TRT revenue would be distributed based on percentages. The current allocations are based on revenues of \$600,000 which is a conservative number.

Collins asked, if there is a year of extra high revenue do we just give it to them even if they don't need it or would they have to justify why they need the extra revenue? Konopa said the TRT Task Force will meet every six months to evaluate the distributions. If it were a year of high revenues they could consider adding new programs, for example.

Konopa said that Todd Davidson from Travel Oregon liked that the City would have a policy. The motel owners were also pleased but wanted to make sure that the tourism and events are the focus, since they get a lot of revenue from Fair and Expo events.

Councilor Jeff Christman asked, did you consider using a pie to illustrate the percentages? The way the policy is written, if revenues drop the expenditures for Existing Programs are still increased by 3%. But he thinks that if revenues go down, everyone should get proportional cuts. He does not agree with giving certain non-profits increases when the revenues drop. Konopa said they had considered doing that but it made it more difficult for non-profits to budget. Discussion followed. Konopa said that Albany Downtown Association (ADA), Albany Visitors Association (AVA) and Albany Millersburg Economic Development Corporation (AMEDC) took a 5% cut and have had flat rates in recent years, and this is a way to compensate them.

Hare said the City is getting more revenue this year due to the retirement of the Expo Fair bonds. Because of this, the existing agencies will get 3% and the new agencies will also get an increase. Then if revenues decline, a reserve fund would be established to make up for low years. Agencies are guaranteed the 3%, only if the revenue is increasing. Hare noted that TRT revenues are hard to predict; they are volatile.

Christman thinks that if there is a decrease in revenues everyone should share the loss, rather than using reserves to compensate certain agencies. Konopa said the Committee reviews the revenues every six months so it could choose

not to use the reserves and just have all the agencies take a proportional cut. Also, it would be reviewed by the Budget Committee. The purpose of the two funding levels is so that the agencies that the City has traditionally funded are not hurt by the new programs that are being funded.

Coburn wants more information about the new programs. He wants to know where they had been funded before. Discussion followed. The new programs aren't really new, but rather they were costs that were in other funds that are being designated for reimbursement in this policy. It will be done by interfund transfers. Coburn said the policy needs to be clear about which programs truly are new and which programs were historically absorbed by other budgets. He said, it needs to be clearer where the funding, if any, used to come from.

Finance Director Stewart Taylor said that today's work session is a good example of why the TRT Task Force did not try to identify what is or isn't tourism now and in 2003. It is too difficult to come to agreement, along with deciding if the bond retirement counts as new or old revenue. There is no case law in Oregon to help define the statute; so Taylor explained that Delapoe said the most defensible position for him is for the City to state that it will comply with the statute. The question remains about what portion of the Airport or other programs support tourism, and if we want to identify that in the policy; or if we want to state the objectives for the community and our intent to comply with the ORS. The Task Force chose the latter.

Konopa said this policy has already had a public hearing.

Hare said the past system wasn't much of a system and there were disagreements about how much agencies should get. For example, last year we couldn't justify leaving these agencies whole while cutting police officers. This policy has been worked on by numerous parties and creates a roadmap for TRT revenue distribution.

Christman suggested rewording Section V.2. because it leaves no room for a decrease in revenues. Taylor said the Task Force's intent was to protect those programs. Those programs would not be reduced unless the new programs did not receive any funding and the reserve was depleted. Hare said that is his understanding too and confirmed that it was not a belief of the Task Force that we would subsidize these agencies if TRT funds were to dry up.

This item will come back to another Work Session.

COUNCILOR COMMENTS

Collins would like to have the Council send a card to Bill O'Bryan to show support during his illness.

CITY MANAGER REPORT

Hare said the City has reached a tentative settlement with the Firefighters union. It will be voted on this week and will likely go to the Council on March 23, 2011.

Hare will be gone March 14-26, 2011.

Smith said that the city of Tangent is ready to schedule a joint meeting.

ADJOURNMENT

There being no further business, the Work Session adjourned at 6:15 p.m.

Respectfully submitted,

Reviewed by,

Mary A. Dibble, MMC
Deputy City Clerk

Stewart Taylor
Finance Director