

WORKSHOP MEETING MINUTES
SISTERS CITY COUNCIL
520 E. CASCADE AVENUE
JULY 16, 2009

MEMBERS PRESENT:

Lon Kellstrom	Mayor
Bill Merrill	Council President
Sharlene Weed	Councilor
Pat Thompson	Councilor
Jerry Bogart	Councilor

STAFF PRESENT:

Eileen Stein	City Manager
Steve Bryant	City Attorney
Brad Grimm	Public Works Director
Lisa Young	Finance Director
Eric Porter	Comm. Dev. Director
Lynne-Fujita-Conrads	Finance Analyst
Liz Majury	Finance Admin Assist
Kathy Nelson	City Recorder

GUESTS:

John Wren	Pumphouse/Pacific Pride
John Schaefer	Sisters Oil Co.
Robin Rodgers	Mainline Station
Steve Rodgers	Mainline Station
Yacoub Bedaywi	Space Age Fuel

The meeting was called to order by Mayor Kellstrom at 8:01 a.m. Introductions were made around the room.

1. Street Maintenance Program/Motor Vehicle Fuel Tax Draft Ordinance

Manager Stein informed the attending fuel dealers that she would provide background and history on street maintenance, Public Works Director Grimm will provide an overview of street maintenance needs in Sisters, Finance Director Young will provide Street Fund and General Fund budget and five year projections and City Attorney Bryant will answer any questions related to the ordinance.

Manager Stein explained the City is trying to keep well-maintained streets while making the Street Fund independent from the General Fund. She stated that other needs such as environmental compliance, economic development, housing, and public safety are all beginning to compete for General Fund dollars. She stated the City is trying to create revenue streams for the Street Fund to minimize General Fund transfers. She reviewed past efforts to infuse revenue into the Street Fund including transferring cell tower lease revenue as well as instituting franchise fees on the City's own water and sewer utilities. To date, the City has transferred up to \$100,000 into the Street Fund each year; but in FY 09/10, \$200,000 is needed from the General Fund in order to keep up with street maintenance needs. Manager Stein stated she expects that trend to continue as new investments in street maintenance are needed so that maintenance is not deferred.

Manager Stein stated that although a majority of the streets in Sisters are relatively new it is time to make a critical investment to maintain them. She explained that most streets received a new overlay of asphalt nine years ago when the sewer lines were installed which in turn allowed a lot of growth and development to occur. She explained that maintaining the streets is a much more cost effective than waiting until that time when the only option is to rebuild streets.

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Manager Stein provided a brief history of the state gas tax noting that the City receives approximately \$70,000 a year in revenue or half of the estimated annual need for street maintenance. She stated the state tax has not kept pace with inflation in construction costs and many cities have been forced to consider a local fuel tax, street maintenance fee, or both to offset rising costs. She stated that the new state gas tax, even when fully implemented, will still not provide adequate funding for the Street Fund. She explained that besides street maintenance, other programs such as storm water management, snow removal, street lighting and street sweeping are also paid for by the Street Fund. She stated a recent endangered species act (ESA) assessment indicated the City will be required to improve its storm water management efforts to insure that run-off into Whychus Creek is clean and does not impact steelhead habitat.

Manager Stein stated the fuel tax needs to be considered at this time for the following reasons; 1) other General Funds needs as noted, 2) to protect strategic investments in new street construction, 3) a four year moratorium is about to go into effect, and 4) the City Charter does not require a vote on this matter. She stated that after lengthy discussion, the Council realized that the fuel tax is the most fair and equitable way to pay for road maintenance as it collects from everyone who use city roads and does not place the entire burden on city residents who already pay via their property taxes as long as the General Fund continues to subsidize the Street Fund.

Director Grimm stated he would explain how the streets were evaluated and how an annual amount for street maintenance was derived using best management practices. He stressed that if the City does not begin regular street maintenance then roads will only last 20 years as opposed to 75 years with regular maintenance. His slide presentation showed roads in various states of disrepair, and showed how crack sealing, chip sealing and overlay can provide more years of use prior to needed a complete street rebuild. He stated the City already saves money by performing most street maintenance in-house.

Director Grimm stated he and Project Coordinator Bertagna went through the entire street system in Sisters and rated each section of road on a scale of one to ten, with ten being the highest rating. He explained that by the time a road gets to a rating of seven it is time to begin maintenance. He discussed the average costs for road maintenance needed per year. He stated that in order for the City to receive the same amount of needed revenue as it will from a fuel tax, the City will need to charge each property owner \$9.50 a month as opposed to \$21 a year for the average driver if a fuel tax is imposed.

Steve Rodgers, owner of Mainline Station asked if the scale used to indicate road wear was the same scale used for larger cities where there would be much more wear and tear. **Director Grimm** explained there are different road volumes that can be used and he used a low volume road use scale when determining road maintenance needs. He stated there are 42 lane miles of road in Sisters and the schedule he created is for a 30 year time period.

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Finance Director Young provided an overview of the current state of the Street Fund and General Fund and five year projections for each. She stated the projections are updated continually. She explained the concept of restricted funds and how the revenue from each enterprise fund must stay within that fund and only be used for projects related to that particular fund. She stated 15% of expenditures should be held in an operating contingency fund. She stated that Reserve Funds are set aside for large capital improvements and unexpected needs.

Yacoub Bedaywi, owner of Space Age Fuel asked if the projections include grant funds. **Director Young** explained that the City does a great job at soliciting grant funds but those funds are for specific projects and cannot be used for general street maintenance.

Mayor Kellstrom asked the fuel dealers if they had process questions. **Mr. Rodgers** stated he understands the needs of the street system but does not want to be put at a competitive disadvantage with other dealers in Central Oregon and would like to see the tax go to a vote. **Mayor Kellstrom** explained the timing of the new state gas tax and how there is not adequate time to do so prior to the four year moratorium coming into play. He stated he has been on the Council for 11 years and he has always been against a gas tax when it was considered previously. He stated he reluctantly changed his mind when he realized that property owners are already paying for street maintenance through their property tax payments and it is grossly inadequate for funding all the maintenance needs. He stated what also changed his mind was the comprehensive maintenance plan and schedule that Director Grimm compiled. He stated the substantial cost to the City if a maintenance schedule is not put into place and instead deferred, is unacceptable and stated the Council was not elected to “kick the maintenance can down the road.”

Councilor Weed stated the staff report mentions the ordinance could be referred to the voters if sufficient signatures were collected and asked what will happen if that occurs. **City Attorney Bryant** explained that if the ordinance is referred then the moratorium would come into play before the election occurs. **Mr. Rodgers** stated he and other fuel station owners will pursue getting the necessary signatures for a referral. **Mayor Kellstrom** reiterated that the General Fund cannot continue to fund the Street Fund and this tax is trying to correct the continuing drain the Street Fund has on the General Fund. He stated that Sisters is in good shape relative to Bend and Redmond and that Sisters is trying not to spend its reserve funds. **Director Grimm** added that the \$140,000 a year for street maintenance does not include the funds needed for capital improvements, personnel services and debt service.

John Wren, owner of the Pump House and Pacific Pride stated he is impressed that the City is trying to head off street maintenance woes but fuel dealers have had two bad years and the volume of customers that will divert purchasing gas to Bend and Redmond will have a tremendously negative impact on local dealers. He stated fuel dealers will lose customers and that will result in the need to charge even higher prices.

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Mayor Kellstrom stated that research on other cities with a fuel tax has shown there has not been a reduction in gallons pumped and all Sisters Country folks that use the roads need to contribute towards the upkeep of the roads. He suggested the dealers speak to owners of cities that have a local gas tax. He stated he doesn't think anyone will drive to Bend or Redmond just to buy gas. He stated there are already some people that make a point to buy gas elsewhere but local dealers haven't had those customers to begin with. **Director Grimm** pointed out that there is often a difference of up to ten cents even between the various dealers within Sisters. **Mr. Bedaywi** stated that is because local dealers are charged more by the distributors. **Mr. Wren** stated that with the loss of contractors working in the area because of the economic downturn, there are fewer people buying gas and he is concerned this will slow the dealers down even more. He stated local dealers want to be a part of the community but this is asking a lot of the fuel dealers. He stated it will hurt dealers in Sisters.

Councilor Merrill stated that if price was the determining factor on where people buy gas there would only be one gas station in Sisters as opposed to five. He asked what alternative there is because if the City defers street maintenance the cost will become prohibitive.

Mr. Wren stated he does not have a suggestion for an alternative but everyone is in a recession and needs to tighten their belt to get through this tough time. **Councilor Weed** stated the alternative is to wait four years and put the tax to a vote of the people. She stated she is in favor of waiting. **Councilor Merrill** stated that according to the League of Oregon Cities (LOC), regardless of need, a gas tax has never been passed. **Councilor Weed** stated she doesn't think that will happen if residents know they will have to pay a monthly street maintenance fee instead.

Mr. Wren stated that if Bend and Redmond were adopting similar local gas taxes it wouldn't hurt as much but he fears it will affect transient purchasers as well if local dealers can't be competitive. He stated the administrative fee being offered by the City is not enough to make up the difference. **Mayor Kellstrom** asked if the administrative fee were higher if it would help. **Mr. Wren** replied that it still would not allow local dealers to be competitive.

Mr. Rodgers stated it will only take the signature of 10% of Sisters registered voters to refer the ordinance and there are 30 days to do so. **City Attorney Bryant** stated the total time is 30 days but the City will need time to approve the ballot title and the County will need to verify the signatures within that time frame. He stated signers must reside within city limits.

Mayor Kellstrom thanked the fuel dealers for their input and for attending the meeting.

Mayor Kellstrom called for a recess at 9:35 a.m. **Mayor Kellstrom** reconvened the workshop at 9:40 a.m.

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2. Preview 7/23/09 Agenda

City Recorder Nelson previewed the agenda for the July 23rd workshop and regular meeting.

3. City Manager Update

Community Development Director Porter provided an overview of the seven grants the City has applied for. He reported the City received four of the grants, did not receive two of the grants and had come in first on another grant but was not given it in favor of the grant being given to a regional entity versus the City. He reported one park grant is still pending.

Director Grimm reported that Sisters is the only city in Oregon to receive any *Quick Fix* grant funds.

The meeting was adjourned at 9:55 a.m.

Respectfully submitted,

Kathy Nelson, City Recorder

Lon Kellstrom, Mayor