

A regular meeting of the Astoria Budget Committee was held at the above place at the hour of 5:30 pm.

Committee Members Present: Mayor LaMear, City Councilors Warr, Herzig, Nemlowill, and Price, Loran Mathews, Shel Cantor, David McElroy, Janet Miltenberger.

Committee Members Excused: Richard Hurley.

Staff Present: City Manager Estes and Finance & Administrative Director Brooks. The meeting is recorded and will be transcribed by ABC Transcription Services, Inc.

Finance & Administrative Director Brooks gave an overview of the City's budget, finances, legal requirements, and the budget planning process. She distributed copies of a sample agenda, the Budget Calendar, budget information from the League of Oregon Cities, a memorandum from Director Cook about water and sewer rates, and the proposed FY2016-2017 Budget, which included budgets for the East and West Urban Renewal Districts. She described new document formatting and additional information in the documents intended to prevent some of the confusion that occurred during the previous year.

Shel Cantor confirmed that minutes from previous Budget Committee meetings were available from Staff, but were not available online. He asked if the Committee would be reviewing financial reports from the organizations that were granted Promote Astoria Funds during FY2015-2015. Finance & Administrative Director Brooks said she would provide this information to the Budget Committee and noted the financial reports had already been reviewed by the Community Organization Subcommittee and Arts and Cultural Subcommittee. The City did not require detailed receipts, just financial information. She confirmed that the required financial information was received from all organizations on time.

Mr. Cantor said he did not understand the fundamentals of the urban renewal districts. He believed the districts functioned like typical funds with resources from tax receipts. He confirmed the districts had a maximum indebtedness that could be increased by City Council, which indicated they functioned different from typical funds. He said he would appreciate a tutorial on how the urban renewal districts functioned with specific emphasis on the implications to the budgeting process.

City Manager Estes explained that urban renewal funds are also referred to as tax increment financing. When a district is created, property taxes on properties within the district are used to determine how much money goes into the district over time. Districts do not have compression like special assessments because no additional taxes are charged. Property taxes would increase over time just like properties outside of the district. However, as the taxes increase within the district, the additional amount goes into the urban renewal fund and the base amount would still go toward governmental services. The Astoria Development Commission administers the urban renewal funds and can use the money for redevelopment projects within the districts. Each district has an urban renewal plan, which includes a maximum indebtedness, the maximum amount that can be spent on projects within the district before the district needs to be closed. Increasing the maximum indebtedness allows the district to accommodate more redevelopment. Once a district has closed, the full amount of the property taxes is put towards governmental services. He added that the districts are intended to spur investment and raise property values.

Ms. Miltenberger understood urban renewal projects were private endeavors that the City helped get started and asked if the fund loaned money to private companies. City Manager Estes said the districts have funded public improvements and private investments. Some of the private investments have received loans and grants from the fund and all loan payments are deposited back into the fund. He listed several public and private projects, noting which ones received grants and loans. Both loans and grants are available because they have been built into the urban renewal plans. Each community gets to structure their own districts. He briefly reviewed an urban renewal district in Albany, noting how its requirements were different from Astoria's.

Councilor Nemlowill noted that the taxing districts suffer when they fund non-profit projects because non-profits do not pay taxes. However, the businesses surrounding the non-profit might receive indirect benefits if they

increase in value. City Manager Estes added that investments in private properties allow the fund to recoup an increased tax level, which will ultimately benefit the City.

Councilor Price asked how urban renewal districts were created. City Manger Estes described the process, which included establishing boundaries, estimating future tax revenue generated by a district, a comment period to take feedback from the taxing districts, and many meetings with various entities. The Astor East Urban Renewal District (AEURD), established in the late 1970s, currently has too many public and non-profit properties, so the fund is not as robust at the Astor West Urban Renewal District (AWURD). Staff has begun planning an expansion of the AWURD to facilitate the opening of Bond Street.

Mr. Matthews said the AWURD was originally created to help the Port of Astoria build a convention center. Even though the project fell apart, the district remained.

City Manager Estes confirmed for Councilor Nemlowill that urban renewal districts were intended to cure urban blight, which is specifically defined in State law. Properties that are not contributing to the overall community could be considered blight. Although, most people believe blight refers to how a property looks.

Mr. Cantor stated Director Cronin is pursuing policies intended to increase Astoria's population and Director Cook has indicated the infrastructure would need to be upgraded to accommodate a population of 10,000 or more. He believed the Committee needed to know how much these infrastructure upgrades would be. City Manager Estes said estimating these costs would be difficult because Staff cannot anticipate ODOT's standards for certain upgrades. However, he would speak with Director Cook about some rough estimates. The proposed policies intended to increase population were directed by City Council to address affordable housing.

Mr. Cantor clarified he was referring to Director Cronin's general philosophy, not ordinances. He believed City Council needed to be aware of where the efforts might lead if they result in major infrastructure costs. Last year, Director Cook said he was concerned about necessary upgrades to the water main system and the ability to dial in various additives. When Director Cook began talking about the water system, Mr. Cantor became concerned about the sewer system and the CSO project, which is approaching \$50 million. Even if the water system upgrades only cost \$3 million, the City is already struggling.

Councilor Warr believed that plans for any infrastructure upgrades would move forward very slowly, as they have in the 44 years he has lived in Astoria. Additionally, he did not believe any member of Staff had a personal goal to increase population. Even if Astoria wanted an additional 10,000 or 15,000 people, the city would need an economy that could accommodate that growth. He did not believe Astoria would have much population growth over the next 15 or 20 years.

Councilor Herzig understood that if Astoria appears to be marshalling resources to cover increased costs incurred by a population in excess of 10,000, the City could lose its ability to request assistance. Setting up a fund to deal with expenses could be held against the City in the future by state and federal agencies that will refuse assistance because the City has already set aside the money.

Mr. Cantor clarified he was not suggesting the City set up a fund.

Councilor Herzig believed the City should refrain from discussing the potential need for additional funds.

Mr. McElroy understood that the effect from the Environmental Protection Agency (EPA) would be so devastating that the City just would not be able do it [comply with new standards/requirements]. Astoria does not have a plan for the next level of population at this time. He was surprised that the City had not studied how the impact of the population exceeding 10,000 would have so the financing and other measures are ready for a population over 10,000 so that the City could get funding for sewer and water upgrades. He remembered the Budget Committee discussing this last year. City Manager Estes explained that if new regulations were implemented, the City would have to figure out how to transition to meet the new standards. The State understands that a transition period would be necessary.

Mr. McElroy understood, but said that just like last year, the Budget Committee has questions about capital planning projects not included in the budget and wants to know what projects are planned for the next three to five years. Waiting until a project starts is too late.

Councilor Price said the population would be based on the 2020 census and the federal and state governments would not come down on the City immediately if the census indicated a population over 10,000. She believed Astoria would be given a decade or two to comply. She has researched this issue and has found no indication that the government would come down hard if a city is 1,000 over the limit. Additionally, if Astoria plans for growth, it will not qualify for a grant.

Mr. McElroy as for confirmation that creating the reserves, not doing the planning, is what could potentially disqualifies the City from grant funding.

Councilor Nemlowill did not know if population growth had a place in this meeting, but wanted to discuss it further. The State requires Astoria to have a 20-year buildable supply of employment and housing land. The City will always have to justify its supply of land and one way to do this is to create density so that the urban growth boundaries do not have to be expanded as quickly.

Councilor Warr agreed that infill is not a Budget Committee item, but Astoria is 15 acres short of residential land. City Manager Estes added that the State has not yet mandated the City to expand its urban growth boundaries. However, Astoria does not currently meet the 20-year land supply requirement.

Mr. Matthews said 40 years ago, the County did a study that indicated Astoria would have a higher cost of living, which is exactly what happened. A lot of housing developments are now being built in Warrenton because their land is cheap.

Ms. Miltenberger asked if the budget included funds for restoring water services after a disaster. City Manager Estes said at the last City Council meeting, Council authorized a grant to fund a study that will identify what is necessary to build a water line that could survive an earthquake. The existing water line passes through several landslide areas. The results of the study will allow Astoria to apply for funds to build a new water line.

Councilor Nemlowill added the City has already done a study on the dam that holds water in the City's reservoir.

City Manager Estes explained that the biggest challenge to resiliency measures is the land movement's effect on clay, tile, concrete, or plastic pipe. Plastic pipe can be made with welded seams that give it more flexibility.

ADJOURNMENT

There being no further business, the meeting was adjourned at 7:15 pm.

ATTEST:



Finance Director

APPROVED:



City Manager