

MINUTES OF THE CITY COUNCIL OF LAUREL

November 20, 2007

A regular meeting of the City Council of the City of Laurel, Montana, was held in the Council Chambers and called to order by Mayor Ken Olson at 6:30 p.m. on November 20, 2007.

COUNCIL MEMBERS PRESENT:	Emelie Eaton	Doug Poehls
	Kate Hart	Mark Mace
	Alex Wilkins	Chuck Dickerson
		Norm Stamper
COUNCIL MEMBERS ABSENT:	Gay Easton	
OTHER STAFF PRESENT:	Mary Embleton	James Caniglia
	Sam Painter	Steve Zeier, BSEDA

Mayor Olson led the Pledge of Allegiance to the American flag.

Mayor Olson asked the council to observe a moment of silence.

MINUTES:

Motion by Council Member Wilkins to approve the minutes of the regular meeting of November 6, 2007, as presented, seconded by Council Member Dickerson. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

CORRESPONDENCE:

Laurel Chamber of Commerce: Minutes of October 25, 2007; Agenda for November 8, 2007.

Montana Department of Commerce: Letter of November 2, 2007, regarding Consolidated Plan Public Meeting and Joint Housing Application Workshop in Red Lodge on November 15, 2007.

Montana Association of Railroad Passengers: November 2007 Newsletter.

Montana State University: Letter of November 9, 2007, regarding workshops for Municipal Governments.

Council Member Dickerson requested that the information regarding the workshops for municipal governments be discussed at the council workshop on November 27th.

PUBLIC HEARING:

- Ordinance No. O07-11: An ordinance concerning the creation of an urban renewal area within the municipal limits of the City of Laurel and adopting an Urban Renewal Plan including a tax increment provision. (First reading – 11/06/2007)

Mayor Olson asked James Caniglia, City Planner, to introduce the item to the council.

James stated that, as noted at the council workshop on November 13, 2007, the Planning Board did not have a quorum on November 1st. On November 8th, he was pleased to announce, that the Planning Board did have a quorum and met to approve the city's proposed Urban Renewal Plan that is in compliance with the city's Growth Management Plan. The Planning Board recognizes that there are infrastructural needs, green space needs, and lighting needs that deal with public health and safety in the area and that the urban renewal plan would be a way to generate funds to fix a lot of these issues. Tonight's public hearing is for the purpose of taking input from the public. James stated that the city has moved quite a ways on this already, and boundaries have been drawn up. He offered to address any concerns about any of the issues.

Mayor Olson asked the council if there were any questions at this time. There were none.

Mayor Olson opened the public hearing.

Mayor Olson read the rules governing the public hearing.

Mayor Olson asked three times if there were any proponents. There were none.

Mayor Olson asked three times if there were any opponents. There were none.

Mayor Olson stated that he would diverge from the forum at this time. He recognized the fact that the majority of the audience members came to tonight's meeting to become more educated on the TIFD in general. At this time, he encouraged those with a question on the TIFD to approach the podium and state their name.

Mayor Olson stated that the urban renewal plan is an opportunity for accumulation and diversion of incremental funding. He asked Steve Zeier, of Big Sky EDA, to present a brief description of the urban renewal plan.

Steve Zeier gave a brief definition of a tax increment finance district and then explained the process that has been visited. A tax increment finance district is a function of an urban renewal plan, which is a part of the Montana Code that allows for economic and community development within a municipality. It is one of the only economic and urban renewal tools available to municipalities in the State of Montana. It allows for the setting of a base taxable value within a defined geographic area. With any development that occurs within that particular district, the increments in taxable value at the base, versus the taxable value after the development, are then determined. This increment is segregated into another fund at the discretion of the municipality that creates it, which would be the City of Laurel. The requirements for what those tax dollars can be spent on include concrete infrastructure of water, sewer, wastewater, curb, gutter, sidewalk, or anything that would be considered public infrastructure. The process started for Laurel when the Montana Economic Developers Association, the Big Sky EDA, the City of Laurel, and Beartooth RC&D conducted a community assessment, which was funded through the State of Montana Department of Commerce. The program assesses communities with local people who have experience in economic and community developments. It is a very intensive two-day process where the majority of the populous of Laurel can visit and give feedback. One of the big issues was infrastructure. That prompted the realization that a tax increment finance district as a provision of an urban renewal plan would be an excellent fit for the City of Laurel. The district itself has some infrastructure issues, including street issues and storm water issues that need to be addressed. One of the ways to address those issues is to use tax increment financing for funding, as opposed to assessing property owners or using revenue or general funds. The urban renewal plan delineates an urban renewal district, and the tax increment financing provision is a section of the urban renewal plan. The urban renewal plan has specified certain issues, including storm water, green space, and infrastructure issues.

Steve stated that this is not an increase in property taxes. The property taxes of these parcels that have been identified in the urban renewal district would increase due to inflation and the incremental increases that happen every year, but not as a direct result of this particular process. An urban renewal plan does not increase or decrease property taxes. It is a way to provide incentives for businesses and communities to invest in a particular district instead of going to other areas where it might be easier to develop. It is one of a limited number of tools available to local communities for redevelopment.

An audience member (Terri Lambrecht) asked regarding the priority of projects within a district.

Steve stated that the projects would be determined by the area of greatest need. The council and staff have had discussions, but there is no set priority list as of now. A priority list could be amended into the urban renewal plan if and when the list is determined.

An audience member (Janice Lehman) stated that, in her understanding, the monies come from the increase in values of the property in improvements and/or new buildings.

Steve agreed that was correct. The original intent of the law provides for development as a result of a tax increment finance district, which allows infrastructure improvements to be made. Property owners are not assessed for the direct benefit of those improvements and there is not an increase in property taxes. The monies come from the taxes generated within that district, and the funds that are

incrementally increased in that district have to be expended within that district. Statutorily, the city cannot take the funds and expend them in other parts of the city.

An audience member (Janice Lehman) gave the example of Snyder's Western Drug. Funds will come from that property because the store was built recently and the value was increased.

Steve stated that, in most examples, the property goes from a vacant or underutilized land use and then, as in the example of Snyder's, a new building causes a greater value and a higher tax revenue.

The audience member (Janice Lehman) mentioned that Hardee's and Taco John's have made major improvements and therefore the tax value would increase.

Steve agreed and stated that the assessment is done by the Department of Revenue, which is a State office. He stated that the TIFD financing is dependent on the Department of Revenue's assessment process as it establishes taxable values and tax amounts. Properties with significant improvements would realize a change in either real or personal property taxes. Any significant improvements to a property would be counted as part of the increment.

The audience member (Janice Lehman) asked if it would also come in from the increase in personal property taxes.

Steve gave the example of a large building that had some manufacturing equipment. The Department of Revenue depreciates equipment on a ten-year cycle. If a manufacturing company purchased a \$100,000 machine, it would be valued by the Department of Revenue at a certain value, which would impact property taxes.

At this point, Mayor Olson asked Steve to move the podium and microphone so the audience members could use Council Member Poehls' microphone in order to properly record the proceedings.

Mayor Olson asked the first two people who spoke approach the microphone and state their names. Terri Lambrecht, 1507 West Maryland, and Janice Lehman, who represented SEG Federal Credit Union on Southeast 4th Street, spoke previously during the meeting (as noted).

Tim Schroeder, Fox Distribution, 203 Shannon Drive, in Laurel, asked if there was a limitation and if there was such a thing as being grandfathered into this clause.

Steve asked if he was referring to how the values are calculated.

Tim spoke regarding a plant that has manufacturing equipment. Fox Lumber has a large amount of manufacturing equipment, but all of the equipment is old and it has not been updated. As he is trying to sell the equipment, he asked if that would depreciate the value.

Steve stated that it would be dependent upon the scale. It is his understanding that the DOR runs it on a ten-year schedule. If a big piece of equipment were installed tomorrow, that would be valued at a certain value of the price and would be depreciated to 25 percent value over a period of ten years. At that point, it is valued at 25 percent until it is moved or sold. That is his understanding, although he is not a tax assessor.

Tim questioned at what point the value of the property is determined.

Steve explained that it runs from January 1st to January 1st. From January 1, 2007 until January 1, 2008, any improvements made to any property within the specified district will produce increment dollars. The same process will happen from January 1, 2008 to January 1, 2009. Every year on January 1st, whatever is in the ground up until that date is valued accordingly.

Tim asked regarding mobile equipment, such as new trucks.

Steve stated that, to his knowledge, mobile equipment would have no impact as mobile equipment is calculated on a separate process.

Mayor Olson asked if there were any questions for Mr. Zeier. There were none.

Mayor Olson asked Clerk/Treasurer Mary Embleton to present information.

Mary stated that she was glad to see everyone here today and to see public participation. Mary stated that the council asked her to draw up some figures to see what kind of impact this proposal would have on the city's finances, what kind of potential assistance it would have, and the advantages of the creation of an urban renewal plan and tax increment finance district. The first basis is assessment of taxable value, which the Department of Revenue does every year on January 1st. From January 1st of this year until now, there has been tremendous growth and changes within the boundaries of this district. If the city could capture that growth to help encourage more economic growth in the downtown area or infrastructure in the growing area, that could be a very advantageous thing for the citizens of Laurel and the property owners.

Mary evaluated Wal-Mart, which is one major property that was built out there. The overall impact to the General Fund was less than anticipated. The advantage of creating the urban renewal plan and financing it through tax increment would be close to a quarter million dollars of revenue for the purpose of infrastructure within the boundaries. Mary explained how the revenue stream works. It is not an increase or decrease in taxes. Fox Lumber would probably see no difference in tax bills. If their tax bills have remained the same the last several years, they will probably remain the same for this year and throughout the process. People who have built will see a major increase in taxes because they have more property and value and therefore have to pay more taxes. The advantage of this financing tool is that when a person writes the tax check, portions of the money go to the state, the education system, the county, and to the city. The money gets split up to all of these baskets. With tax increment financing, the revenue is diverted into one bucket. Everything from the state, the county, and the schools would be diverted into one bucket for the city to use for infrastructure needs in this district. The only thing that is exempt is the university mills, as they still get that money for the university system. Mary clarified that it is just the increase in taxable value is actually diverted. For example, Wal-Mart will go from about a \$38,000 taxable value to roughly a \$10 million market value, which results in an increment of about \$375,000 increase in taxable value. The dollars that the taxes generate on a \$375,000 increase would go to this district. The monies assessed before the creation of urban renewal and the tax increment financing would still go to the normal buckets, but the increase is what the city is able to capture and divert this one time only into this stream and use for the infrastructure improvements.

Mary stated that the term of the increase for the district can be up to fifteen years. The city could determine it to be longer or shorter, but statute allows for fifteen years. The city would also have the authority to bond that revenue stream in order to get all the money in the beginning and pay it off using the revenue stream. For a \$10 million project, the city would be able to borrow the \$10 million up front and guarantee that the revenue stream from the Tax Increment Finance District will pay the bonds back.

Mayor Olson thanked Mary for the presentation.

Mayor Olson stated that he hoped the audience had received information and would have comments. With the council's permission, he again allowed for public input.

Mayor Olson read the rules governing the public hearing proceedings again.

Mayor Olson asked three times if there were any proponents. There were none.

Mayor Olson asked three times if there were any opponents. There were none.

Mayor Olson closed the public hearing.

Mayor Olson stated that the council has the option to wait at least one week but no longer than the next regularly scheduled meeting before making a decision unless this rule, upon motion and second, is unanimously waived by the council. Then the council could adopt the ordinance the same night as the public hearing.

Motion by Council Member Dickerson to waive the rule and place Ordinance No. O07-11 on tonight's council agenda, seconded by Council Member Stamper. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

Mayor Olson stated that Ordinance No. O07-11 would become item d. under Scheduled Matters on tonight's council agenda.

CONSENT ITEMS:

- **Clerk/Treasurer Financial Statements for the month of October 2007.**
- **Approval of Payroll Register for PPE 11/04/2007 totaling \$139,909.10.**
- **Receiving the Committee Reports into the Record.**
 - Emergency Services Committee minutes of October 22, 2007 were presented.
 - Park Board minutes of November 1, 2007 were presented.
 - City-County Planning Board minutes of November 1, 2007 were presented.
 - Budget/Finance Committee minutes of November 6, 2007 were presented.
 - Special City-County Planning Board minutes of November 8, 2007 were presented.
 - Council Workshop minutes of November 13, 2007 were presented.

The mayor asked if there was any separation of consent items. There was none.

Motion by Council Member Mace to approve the consent items as presented, seconded by Council Member Dickerson. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

CEREMONIAL CALENDAR: None.

REPORTS OF BOARDS AND COMMISSIONS: None.

AUDIENCE PARTICIPATION (THREE-MINUTE LIMIT): None.

SCHEDULED MATTERS:

- **Confirmation of Appointments.**

Laurel Airport Authority:

Mayor Olson appointed Don Schlegelmilch to fill a term ending June 30, 2012 on the Laurel Airport Authority.

Motion by Council Member Hart to approve the appointment of Don Schlegelmilch to the Laurel Airport Authority to fill a term ending June 30, 2012, seconded by Council Member Eaton. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

- **Resolution No. R07-102: Resolution accepting a grant from the Montana Department of Transportation for monies to be spent on the Selective Traffic Enforcement Program (STEP) and authorizing the Mayor to sign said grant.**

Motion by Council Member Poehls to approve Resolution No. R07-102, seconded by Council Member Mace. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

- **Resolution No. R07-103: Resolution to approve a consultant contract between the City of Laurel and MDG Consulting for the provision of Capital Improvement Planning services.**

Motion by Council Member Eaton to approve Resolution No. R07-103, seconded by Council Member Hart. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

- **Ordinance No. 007-11: An ordinance concerning the creation of an urban renewal area within the municipal limits of the City of Laurel and adopting an Urban Renewal Plan including a tax increment provision.** Second reading.

Motion by Council Member Poehls to adopt Ordinance No. 007-11, seconded by Council Member Dickerson. There was no public comment or council discussion. A roll call vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

ITEMS REMOVED FROM THE CONSENT AGENDA: None.

COMMUNITY ANNOUNCEMENTS (ONE-MINUTE LIMIT): None.

COUNCIL DISCUSSION:

Council Member Dickerson requested that replacement of the stop sign at Valley Drive and 12th Street be placed on the November 27th council workshop agenda.

Mayor Olson wished everyone a happy Thanksgiving.

UNSCHEDULED MATTERS: None.

ADJOURNMENT:

Motion by Council Member Stamper to adjourn the council meeting, seconded by Council Member Dickerson. There was no public comment or council discussion. A vote was taken on the motion. All seven council members present voted aye. Motion carried 7-0.

There being no further business to come before the council at this time, the meeting was adjourned at 7:16 p.m.

Cindy Allen, Secretary

Approved by the Mayor and passed by the City Council of the City of Laurel, Montana, this 4th day of December, 2007.

Kenneth E. Olson, Jr., Mayor

Attest:

Mary K. Embleton, Clerk-Treasurer