



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of **October 10, 2022**

Title/Subject

Resolution #2238 LTREZ Distribution Agreements

Summary and Background

This resolution establishes a policy for the administrator of the Greater Hermiston Enterprise Zone to follow in managing disbursement of revenue which accrues to the zone. This formal policy directive is necessary to establish since the GHEZ is jointly managed by the City of Hermiston and Umatilla County; with Mark Morgan being the formally appointed administrator of the GHEZ. There are examples of other zones across the state which, once they begin to receive revenue, quickly break down in to in-fighting over distribution of the fees. Establishing a clear, transparent, formulaic distribution model up-front will help head-off those types of challenges from arising in the GHEZ.

Currently, the only funds generated by the GHEZ are payments of \$1 million per year by Lamb Weston, tied to their Long-Term Rural Enterprise Zone (LTREZ) abatement approved in 2017. That agreement with the company specifically lists out that the annual fee payment will be split equally between the City and the County, and as such, Lamb Weston cuts two separate checks; one to the City and one to the County and sends them directly to each sponsor.

The existing LTREZ that the zone has in place with Amazon Data Services routes things a little differently. That agreement requires all fees to be paid to the zone itself which then distributes the funds accordingly. This type of a setup creates a much more transparent process, as all funds must pass through a single point and from there can only be distributed with the consent of both sponsors on the zone. This agreement establishes the directives for how to distribute those funds moving forward.

You can see the fund distribution in the agreements; which are fairly straight forward and simple, but it is good to have them spelled out in a little more detail for future use.

1. Annual Improvement Payments (AIP) will be split equally between the City and Umatilla County.
2. Additional Annual Fee (AAF) will be sent to all of the existing underlying taxing jurisdictions according to their percentage of the existing tax rate.

3. Public Safety Impact Fee (PSIF) will be sent directly to Umatilla County Fire District #1.
4. The Student Success Fee (SSF) will be sent to the Hermiston School District for PDX138 and PDX245; while the SSF will be sent to the Stanfield School District for PDX146. This is because, while PDX138 & 245 are in the Hermiston City Limits, they are located within the Stanfield School District. Therefore, the SSD will receive their portion of the AAF on those two campuses. Meanwhile, PDX146 is physically located within HSD's boundary, and therefore HSD will receive the AAF from that one. Therefore, it only seemed fair that, since HSD received the SSF on 138 & 245, then SSD should receive the SSF from 146.
5. The Community Development Contribution (CDC) was intended by the company to benefit capital improvement projects relatively proximate to the community where the campus is being built. However, it is worded in such a way in the agreement which could technically allow CDC funds to be spent in Baker County. I don't believe that it is anyone's intention to do that however, so it will be contingent upon GHEZ staff to ensure that CDC funds are generally spent within the greater Hermiston area.
6. The two new LTREZ Agreements include an application processing fee of \$120,000 which will be paid soon after the LTREZ agreements are finalized. It is the intention of the City and County that those fees will simply be split 50/50.

I will simply finish by pointing out that, although there are a lot of funds contemplated in these agreements, the vast majority of those funds won't begin rolling in to the GHEZ until probably November, 2026, or later. So I would just encourage fiscal restraint over the coming years. There is no need to begin spending money that they City does not yet actually have.

Tie-In to Council Goals

Fiscal Prudence.

Fiscal Information

This agreement will have the effect of significantly inflating the City's top-line annual budget, while simultaneously committing it to significant expenses. On balance, it doesn't really impact the City's budget from the standpoint of risking obligations that we can't cover, because we're simply sending funds out if we have them, but it will inflate the budget by approximately 20%.

The current all-funds City Budget is \$65 million. At full build-out, these three LTREZ agreements will pass approximately \$14 million per year in revenue through the City's budget; with more than half of that obligated to be sent to other agencies. These will all be accounted for through the dedicated Enterprise Zone Fund.

Alternatives and Recommendation

Alternatives

1. Approve the Resolution.

2. Reject the Resolution
3. Amend the Resolution

Recommended Action/Motion

Motion to approve the resolution.

Submitted By:

Mark Morgan