

Meridian City Council Work Session

November 24, 2020.

A Meeting of the Meridian City Council was called to order at 4:31 p.m., Tuesday, November 24, 2020, by Mayor Robert Simison.

Members Present: Robert Simison, Luke Cavener, Jessica Perreault, Brad Hoaglund and Liz Strader.

Members Absent: Joe Borton and Treg Bernt.

Also present: Chris Johnson, Bill Nary, Todd Lavoie, Shawn Harper and Joe Bongiorno.

ROLL-CALL ATTENDANCE

<input checked="" type="checkbox"/> Liz Strader	<input type="checkbox"/> Joe Borton
<input checked="" type="checkbox"/> Brad Hoaglund	<input type="checkbox"/> Treg Bernt
<input checked="" type="checkbox"/> Jessica Perreault	<input checked="" type="checkbox"/> Luke Cavener
<input checked="" type="checkbox"/> Mayor Robert E. Simison	

Simison: Council, I will call this meeting to order. For the record it is November 24th, 4:31 p.m. and we will begin this afternoon's work session with roll call attendance.

ADOPTION OF AGENDA

Simison: Our next item is adoption of the agenda.

Hoaglund: Mr. Mayor?

Simison: Councilman Hoaglund.

Hoaglund: I move adoption of the agenda as presented.

Cavener: Mr. Mayor, I will second the motion.

Simison: I have a motion and a second to approve the agenda as -- adopt the agenda as published. Is there any discussion? If not, all in favor signify by saying aye. Opposed nay. The ayes have it and the agenda is agreed to.

MOTION CARRIED: FOUR AYES. TWO ABSENT.

CONSENT AGENDA [Action Item]

- 1. Ameriben Phase II Water Main Easement**
- 2. Victory Commons Lot 2 Water Main Easement No. 2**

3. **Victory Commons Lot 3 Water Main Easement No. 1**
4. **Victory Commons Lot 4 Water Main Easement No. 3**
5. **Final Plat for Sky Mesa Highlands No. 1 (FP-2020-0007) by J-U-B Engineers, Inc., Located at the Northwest Corner of S. Eagle Rd. and E. Lake Hazel Rd.**
6. **Partnership Agreement Between Meridian Police Department and Washington State University**
7. **Resolution No. 20-2244: Authorizing the Mayor to Sign Agreements Between the City of Meridian and Enumerated Recipients of Idaho Rebounds – Municipal Small Business Grant Funds**

Hoaglund: Mr. Mayor?

Simison: Next item is our Consent Agenda. Councilman Hoaglund.

Hoaglund: Yes. I don't think I have heard of any concerns with any of the issues on the Consent Agenda, so I move that we approve the Consent Agenda and the Mayor to sign and Clerk to attest.

Cavener: Mr. Mayor, I will second the motion.

Simison: I have a motion and a second to approve the Consent Agenda. Is there any discussion? If not, all those in favor signify by saying aye. Opposed nay. The ayes have it and the Consent Agenda is agreed to.

MOTION CARRIED: FOUR AYES. TWO ABSENT.

ITEMS MOVED FROM THE CONSENT AGENDA [Action Item]

Simison: There were no items moved off the Consent Agenda.

DEPARTMENT / COMMISSION REPORTS [Action Item]

8. Finance Department: Quarterly Financial Update - November 2020

Simison: So, we move on to Item No. 8, Department Reports, and I will turn this over to Mr. Lavoie to give us the Finance Department quarterly financial update.

Lavoie: Good afternoon. Thank you, Mayor. Good to see all the Council Members. It's been a while, so, hopefully, everyone is doing well. Again, appreciate the opportunity to present to you the quarterly updates for November 2020 regarding really property taxes. I presented this -- or I provided this presentation to you a couple of weeks ago. It's 31

pages of presentation with information that we plan on going over tonight and I know wanted to really really work with you guys today and allow you guys to ask questions about property taxes. This is an opportunity to kind of do a one on one on how property taxes work. I want you guys to be able to dialogue with each other, ask questions anytime. Please do not hesitate to interrupt me. There will be a few slides that I go through pretty quick, because it's more informational purposes and I have provided that information to you. But, again, at any moment in time, please, do not hesitate to interrupt me on a slide, interrupt each other. Let's have dialogue. I want you guys to feel comfortable with how property taxes are managed here at the City of Meridian. So, with that our agenda today is going to cover again property tax 101, a little bit of information on levy rate history. Going to talk to you about a concept called property tax burden. We will show you some information about some comparisons of property taxes amongst homes and, then, among cities as well and, then, I will give you an update on what we will provide in our next quarterly update and, then, save last for questions, but, please, this is an interactive presentation, questions throughout the whole thing would be awesome. I want you guys to really ask questions amongst each other, amongst me. If I can answer them I will do my best. If I can't I will get back to you in a timely matter. But, please, do not hesitate to interrupt and be interactive on this presentation. So, with that property tax 101. Again, this is the same presentation I gave you guys in a PDF form. So, there is nothing new that I will be presenting to you, but we will go over and touch bases on some of these. This slide here is an informational purposes slide. The most important thing here is that the state kind of governs what we do and Ada county kind of governs what we do. The state allows us to have the opportunity to increase our property taxes by three percent for the title and, then, Ada county informs us what our assessed value is and Ada county informs us what our new construction value is. So, again, the top line is our lever. The city has one lever to pull and that's the three percent arm. The second item on the screen that is all controlled and managed by Ada county, we have zero input or decision authority on that second box. So, again, just wanted to let you know that we do follow the state code and the state code is dictating how things are managed here at the City of Meridian. Property tax 101. The calculation. So, how do we determine our levy rate and property taxes? We look at property taxes here at the city combining four components. The first component is what we call our base property taxes. This is following state code. This is determined by looking at our past three fiscal years and being able to capture the highest value of property taxes collected over those past three years and we can consider that our base tax for the upcoming year. So, for fiscal '21 I looked at fiscal '20, fiscal '19 and fiscal '18 and said which of the three years had the highest property tax collections. I captured that value and I made that your base entry for fiscal '21. So, that's how we start there. As a reminder at the City of Meridian we manage the properties -- property taxes to align with what we call our current level of service. So, we -- previously in the fiscal year determined what we wanted to provide our citizens through the budget process and we approved that to the citizens. That became our base budgets for -- for providing services for our customers and our citizens. If all the data is static and we lived in a perfect world where we had no more growth, no more inflation, no more change, those taxes would be able to satisfy all of our services from here to eternity, because we would not need to increase anything or decrease anything per se and we would have

the revenue stream to maintain that level of service. Unfortunately, we all know that we don't live in that static world, we are constantly growing, we are the fastest growing city in the nation, we have inflation, so how do we pay for inflation if this is our base revenue for our base levels of service, how do we pay for the increased fuels, how do we pay for increased healthcare, how do we pay for replacing the baseball field at, you know, Storey Park, how do we pay for those things and, luckily, the state has allowed us to tap into what we call the three percent allowable. This is the one lever that we get to pull to determine whether or not we need additional revenues to help pay for additional things and what I have always promoted here is this is our cost of doing business. We utilize this money to cover our cost of doing business, which includes rise in fuel costs, rise in healthcare, rising rise in wages. I mean we just talked about some of the depreciation or replacement items. We use this cost of doing business, three percent allowable, to help cover those costs, because the base property taxes is what we use to keep the -- keep the level of service going. The three percent allowable is what we use to help cover the cost of doing business for those levels of service. So, that is a practice that we use here at the City of Meridian. That's not a practice that is a -- you know, I can't say that's what all other agencies do, but that's what we do here. We want to make sure we live within our means and that's how we manage the three percent allowable. The third part of the property tax calculation is what's called new construction. Ada county informs us what has been added to our tax rolls since last year and, then, they said, hey, this is now an increase to your city. You have this new customer base or community base that you need the service. So, we get the revenues from this function and we present this to you as Council in the form of usually budget requests. So, this would be the new fire officers, the new police officers, the new community development officers, the new whatnot, because the additional impact to the city by growth has to be serviced in some form or fashion. We use this revenue to get those services to those new construction, those new customers that we have in our city. So, that is how we manage those dollars. Those dollars tonight go to pay for any cost of doing business. Those dollars do not go back to our base to provide the current level of service. We as a city never want to become reliant on growth to pay for our current level of service. We want to live within our means. If we cannot provide the level of service within our base at our three percent, we should not be providing it from a revenue management standpoint. We use new money to pay for new growth directly related and when we -- when we present the budget to you we present it that way as well. You can only use new construction for those new requests. And, then, the fourth piece is annexation, which is a very small piece of our revenues pie. I will show you what those are -- getting there in these slides with you, but we get to obtain some revenue for new annexations -- again, another impact to the city by growing, we allow the city to use those dollars to fund those new resources necessary to meet the demand on the city based on those new additional growth -- growth areas of the city. You put all four of those components together and that is what we get as property taxes, base is for the current level of service, three percent is for cost of doing business, new construction and annexation is for new growth for the City of Meridian. That is how we manage our revenue sources within the property tax calculation. So, how does the county calculate our annual levy rate. Again, it's total property taxes that we just talked about, divided by the total levy -- or total property value that Ada county tells us and that gets us to a

certified annual levy rate. If you did that for fiscal '21 this is what the numbers would look like. Again, we have approved this levy rate, we are now at .002230856 per -- for our levy rates and certainly, again, more informational purposes on how a levy rate is calculated. Again, we manage the revenue side, Ada county revenue -- Ada county manages the assessed value side, and, then, mathematics determines the levy rate. This is an historical picture for you guys on what our levy rate looks like. So, it has been going down every year since 2013. So, it's a good -- good results. I do want to remind everybody, but that the .002230856 is impacted by the state's property tax relief program that the City of Meridian did opt into. Next year the levy rate will be higher than that, because we will no longer be receiving that one time benefit for the city. We estimated that our levy rate should be in the 29 region. If we did not have that benefit from the state, it would be .29, which is still below our current levy rate of .3 -- let's see. Our current levy rate is -- I apologize. I don't have that one memorized. I apologize. 0308. So, again, we are going to go from 0308 to .29 something if we did not have the tax credit, but we are actually down to .223, because of the property tax relief bill that we participated in. So, again, that's the historical look on levy rates as certified by the state. Again, this is -- I'm going to go through these quick. These are just informational purposes. This is your new -- your total taxable value as per state -- as per Ada county. They are the ones who inform us what our value above the ground is for the City of Meridian and you can see we have been growing greatly, which you guys are all familiar with. This is the new construction value. So, this is where Ada county -- Ada county assessor is telling us this is how much you are adding to your tax roll every single year in the new construction. This does not take into consideration inflationary factors of home prices or anything like that. This is like the new new construction added to your tax roll. This is another value of annexation. Remember I mentioned annexation is really not a big impact to us, because we have pretty much annexed most of the city limits. So, this is just going to get smaller and smaller every year as we, you know, annex the rest of the county properties within the city limits and, then, this is now going to go into the actual revenues associated to those values. Again, the base property taxes -- you can see this year we took a reduction, because we were going to be offset by the state's tax relief program. If we did not have the state's tax relief program our revenue this year will be a little bit higher than last year. But, again, we did participate. So, those are the revenues for our fiscal '21 and previous years as assigned. This is your allowable property tax taxes that we have collected over the -- since 2005. Anything that has a blank represents a zero percent allowable. That's that one lever that we get to pull. Those years of '11 and '12 and '21 we decided to pull the lever to zero, so that's why you show those as blank. The next one is going to be kind of an informational slide. I'm going to explain what this represents. This is what you did as a Council on the lever when you pulled the lever. You can see you pulled the lever three percent for a majority of the time and '11 and '12 you said zero, '17 was two. So, you can see that accordingly. I do want to, you know, remind the Council, you guys, that we have this -- this three percent that you can see moves along this red line and the red line represents levy rates. You know, there is some interesting counterintuitive actions that you see in 2004, '5 and '6 and '7 you could see we took the three percent, but the levy rate went down. In fiscal years '11 and '12 you took zero percent and the levy rate went up. In, you know, '14, '15, '16, '17, '18 you have -- you have always increased the

levy -- you always utilized the three percent, but the levy rate went down. So, it's counterintuitive. I just want to reiterate that our three percent lever that we pull really has hardly any impact on the overall levy rate. You know, it's such a minor number -- it's one million dollars out of 37 million. It has a very little impact on the overall calculation of the levy rates. The assessed value of the City of Meridian as determined by Ada county is the largest dictator of our levy rate calculation, it's not three percent allowable by any means. It's such a minor part in it as you can see here. Our decisions don't dictate which way the levy rate goes, because if you would have increased the three percent every single time one would say the leverage should go up every single time. As you can see there is no direct correlation. It's more of a -- I just wanted to share this with you that there is no direct correlation on what we determine as a three percent on the overall impact of the levy rate, it's the assessed value that has the largest determinant factor. This is our actual revenues collected from new construction. This is very important for us as a city. When we are growing at this rate, as the fastest growing city in America, we have a lot of people moving here, which increases demands on all services of the City of Meridian. We have a secondary revenue source called impact fees that we collect from our development community. That development community helps pay for all the infrastructure necessary to support those new services necessary for the new growth. This new construction here represents the operating expense side of managing new growth needs on the city. So, the impact fees assist with the infrastructure necessary to support the additional growth. That is a revenue source that we use. The new construction and annexation represents the operating, the personnel, the lights, the gas, the fuel to help maintain and provide the funding to operate those infrastructure needs for the increased services that the population and development is imposing on the city. So, again, these revenue sources are very important for us to be able to provide the police officers, the fire officers, the community development officers for the new growth that's coming to the City of Meridian. In annexation very little revenue impact to the City of Meridian. Again, it's pretty minor in the grand scheme of things. But, again, we do get some initial revenues for it and we provide the services to these annexation locations in the city. So, those are all the independent revenue sources. When you put them all together you can see property taxes make up the majority of where we get our revenue sources from and, then, new construction is the next piece and you can see allowable and annexation very very very minor in the grand -- in the total accumulation of revenues for the City of Meridian. So, those are property taxes, our property tax sources, how we value, how we generate revenues, how we use our revenues. You know, we piece it into four different pie -- slices of the pie. Again, we want to make sure we manage our revenues correctly, so we can be sustainable long term. Another way we look at the property tax is what we call a burden. Burden is determined by who is paying the property taxes. We work with Ada county, we get their information directly from them and what this tells us is who is paying our property taxes and as you can see it's mostly residential, which probably is not a surprise to you. Again, we are a heavy residential community with commercial in second place. commercial is our second largest contributor. Again another way to look at it is if you portion it out in hundred percents, this year for fiscal '20 is the highest we have ever had for residential burden. We have never been at 68.5 percent burden. That means more and more of the property taxes are being paid by the residential community. We do

have commercial sitting at 28.3 percent, but you can see in some years they were up to 36 percent. Again, not too much of a surprise to you guys. I think you guys approve all the developments, you know you are approving more residential and commercial. This will continue to have a residential burden weighted on the residential side. I personally think it's a great problem. Residential values are very strong and very consistent. The commercial property is more volatile, but, again, from a balancing act for development and planning, I know you need to have some more commercial, but residential is a solid revenue source for the City of Meridian because houses usually don't get up and leave. So, again, it's not a bad problem to have residential homes. They generate a very consistent and static revenue collected for us. We have a collection rate of 99 percent of revenues of taxes, which is amazing. So, we have a one percent kind of delay in collecting revenue. So, we have a very sound property tax base out there, which is a great problem to have. So, again, that's burden. Again, that -- and, you know, there is lots of discussions why is commercial not paying -- or why is commercial last, why is residential growing. Many discussions are being held at the state legislature about this. Again, I'm happy to discuss my opinions and thoughts at a later time with you. But, again, I just wanted to introduce burden -- you know, burden management for the City of Meridian on property taxes. The next item -- the next few slides -- again we are going to go through these kind of faster than we have in the other slides. These are just comparatives. This is from May 2020. I don't get the new data until every May. So, the next set of data won't be until May 21. But this is your general fund tax levy comparison amongst the few cities that we compared here at the city in the Finance Department. We track these other cities every year. For the second largest city in the state of Idaho you are the fourth lowest general fund levy rate. So, congratulations to you guys. I mean you guys are the ones that are let -- allowing this to occur. I think it's amazing what the city does with such a low tax levy rate compared to -- I mean just look at our neighbor to the east, I mean we are half of them and you guys are -- we are providing amazing services for half the revenue source and farther right you go on the slide that's even a better deal. Another way of looking at it is we only have one levy rate here at the City of Meridian. Many other agencies have up to eight levy rates. So, if we took all of those levy rates into consideration we are the fourth. The previous slide only showed what we call the general fund comparison, which is known as -- which is this slide -- which is the general fund line right there. So, I compare just the general fund and, then, I also compare the total property tax levy rate as well. Again, so you can see many cities have multiple levy rates, whereas us, Boise, Kuna, Rexburg, we have all decided to manage ours -- our levy rates with only one. No right or -- that's just how they all manage it. But, again, just wanted to give you the data where we get the data from to show you the graphs. If you had -- if let's say Liz had a home in Meridian and a home in Caldwell and a home in Mountain Home and let's say Liz's three homes were all 200 grand each, she would pay these taxes in each of those homes. So, for her home in Mountain Home she's paying a thousand dollars for that same 200 dollar -- 200,000 dollar home that she's paying 350 in Meridian. So, are we a value? The answer is yes. I think we are doing amazing from a value perspective when compared to other agencies in the state of Idaho and also being the second largest city in the state of Idaho. And more informational purposes, we only represent 26.7 percent of your total levy rates. Again, there is ten other agencies that represents 73 percent of the total levy

rates. I do want to remind everybody that, you know, we -- it's literally impossible for us to say that we can lower your taxes. There is not a person in the state that can ever say that, because we don't manage all 11 agencies. So, please, be careful of saying, hey, we can lower your taxes, because if someone's house goes up 30 percent, it's going to be nearly impossible for you to be able to say you will lower their taxes. So, again, just want to know -- let -- let you know that we only represent 26 percent of the tax bill and that we need to manage it accordingly. Here we are going to get into some math.

Cavener: Sorry, Mr. Mayor and Todd.

Lavoie: Yes.

Cavener: Can we go back two slides?

Lavoie: Yep. No problem.

Cavener: Maybe one more. So, this one here -- I have tried to wrap my head around the comparisons that you were putting together, because the one slide ahead it looks like you have taken kind of a -- all the -- the levy rates from our current tax bill. So, I'm -- I guess what I'm trying to get at is where we sit total property tax payment with all the districts that a Meridian resident pays into versus other municipalities. Does that make sense?

Lavoie: I believe -- I -- it does make sense, yes.

Cavener: But this slide here is the -- the taxes paid comparison, but we don't necessarily have a -- a complete levy rate comparison slide.

Simison: And, Councilman Cavener, if I can also add in, that's a taxes comparison on a -- two equally valued homes.

Cavener: Right.

Simison: The average home in Meridian is not the average home in Pocatello. So, it's not what their --

Cavener: You are kind of getting where I was headed, so --

Simison: Yeah. I'm happy to have a conversation about the purpose of -- or the -- my viewpoint on the levy conversation and its relevance, but that's separate. But this is the least comparative --

Cavener: Okay.

Simison: -- in some aspects.

Lavoie: And, Luke, I'm happy to get you a -- we have that data, if you would like us to present that to you. We have the total tax bill for multiple agencies that we review, so that you can see where the City of Meridian resides from a total tax bill in each city. So, we do track that data as well.

Cavener: Great. I think -- and for -- maybe for a future conversation, I think it would be good to, you know, compare the -- the total levy rate of a district kind of across the state. That to me is just beneficial to kind of wrap my head around -- that's the one thing that at least is somewhat consistent is to know what somebody's property tax payment is in Meridian versus Pocatello, Mountain Home, et cetera.

Lavoie: Yes. No, we have -- I have the data for you. I can easily send it out. We are -- in that analysis we are the second lowest.

Cavener: Okay.

Lavoie: So, I will be happy to send this file out to you guys right after this meeting, so you can see what people pay for their total tax bill as you stated, Luke.

Cavener: Thank you.

Lavoie: Thank you.

Strader: Mr. Mayor?

Simison: Council Woman Strader.

Strader: Thank you. I guess maybe for -- for you, Mayor Simison and Todd. So, I feel like there is some great information here. We don't often see members of the legislature attend these meetings or discuss property taxes with us. You know, we are a debt free city, we save before we spend, and we are planning in ten year increments. I guess I'm curious -- you know, have we ever provided this information proactively to members of the legislature? Are we considering that or is there a way to try to dialogue with them, particularly in light of, you know, the property tax working groups proposals that seem very ill conceived in my opinion. I'm just curious if we are able to, you know, share and try to dialogue with this information.

Lavoie: I can -- oh, go ahead, Robert.

Simison: I believe that the CFO is presenting this to the Council so you all can do that as you see it in your conversations. To be honest, I don't know -- this is very heavy on the levy rate and I don't know that the levy rate is always a good thing to engage the legislature on. It's difficult for people to under -- the biggest -- to get wrapped around the levy rate when the levy rate is really not the answer or this -- the problem or the solution in the conversation. But this is informative and we will see where it goes from here.

Strader: Mr. Mayor?

Simison: Council Woman Strader.

Strader: Thank you. Yeah. I -- you know, I agree, I -- I just -- it feels like, you know, maybe an opportune time to have that dialogue. I certainly will personally open up those channels of communication. I guess I would encourage Council maybe to have, you know, a session or something about -- about that. I'm just -- I'm looking at, you know, a city that's trying to build two fire stations and a police station and we have got some proposals that say, you know, don't do that, just issue debt and I -- and I -- I feel like it would be great to be proactive about that.

Lavoie: I appreciate the questions and, again, we are happy to assist with any data collection that you might need to have those conversations with legislative branch members. Just reach out and let us know. With that the next five slides I'm really not going to go over them much. There is -- I provided them to you for informational purposes only. They are still mortgage comparisons on what a property tax house would look like, how much on average they are paying. Again, it's just more informational purposes only for you. You know, we track six homes to see how we are doing. You know, this is just information that, hey, we are keeping an eye on this, you know, what did the average home price pay in City of Meridian taxes. You can see it went down 19 -- or let's see. Residential went down about -- no. I apologize. Wrong one. About 19.7 percent on that one. So, again, total property taxes paid -- this is what they -- you know, is what we show our six homes are doing. We also track, you know, commercial properties to see how they are doing.

Simison: Mr. Lavoie?

Lavoie: Yes, sir.

Simison: Is that total -- does that take in account the one time change this year?

Lavoie: Are you talking about the property taxes paid?

Simison: Yes.

Lavoie: Yes, Robert, that does take into consideration the current levy rate, which is a one time benefit to the property taxpayer. So, this does take into that consideration of the program that we participated in.

Simison: Would it be possible to show what this is without that one time? Because I think that's a more accurate reflection of where property taxes are.

Lavoie: So, it would be all projected, but we will be happy to calculate that for you. But, please, note that it would be projected.

Strader: Mr. Mayor?

Simison: Council Woman Strader.

Strader: I was kind of thinking along those lines as well. I was hoping for this year, either with, you know, the average home or by some metric we could show what the average would have been -- especially for residential owners if there wasn't the one time governor's property tax relief, just because I feel like residents are getting set up for what could be a huge change in following years. So, it would be great to wrap our heads around a quantum of that.

Lavoie: Yeah, Liz, we will be happy to generate that analysis for you. You are correct, next year is going to be an eye opener when your tax bill comes in without that credit. You are a hundred percent correct. So, we do the same thing for commercial. Like you can see, commercial -- again, they experienced on average -- of our -- of our nine properties -- this is not representing every house and/or commercial property in the city of Idaho -- or Meridian. I just want to make that clear that this only represents nine properties and six other residential properties. So, it's only 15 properties throughout the city. Again, this is just our properties that we always track. Residential went down 19 percent. Commercial went down 25 percent in the same comparatives with the commercial and, then, just want to remind everybody that property tax makes up a majority of our revenue sources at 60 percent. Intergovernmental is our second largest at 15. So, of the 75 percent of your revenue sources that you as Council is responsible for, you have one lever, that's three percent. Everything else is managed by the state, the county, or somebody else. We have one little lever out of 75 percent of your revenue sources. We need to make sure we manage that the best we can. The other revenue sources are under our purview. But, again, that only represents 25 percent. So, again, just wanted to remind everyone that 75 percent is our majority of our revenue sources and we always want to make sure we manage it accordingly.

Cavener: Todd?

Lavoie: Yes. Yes.

Cavener: Sorry. I didn't mean to interrupt. Mr. Mayor, if I may?

Simison: Councilman Cavener.

Lavoie: You're good.

Cavener: Thank you, Mr. Mayor. Todd, I assume that the -- the revenue -- the dollars that came from the state this year, that's covered under the other general revenue at that three percent?

Lavoie: Oh, no. It will be in our property. We threw it in with our property.

Cavener: Okay. Okay. Thank you.

Lavoie: Yeah. No. Thank you for the question. So, yeah, that's the presentation today. That's property tax 101. I just wanted to really allow you guys opportunity to dialogue and have questions about how property taxes work. It's not intuitive all the time. Just wanted to allow you guys to ask questions and, again, next property -- you know, these are the things that we covered today. Next meeting that we will present to you will be in a nonpresentation format, just deliver the answers and results to you, most likely. We will give you the results of 2020, how did we do budget versus actual. Changes to the fund balance. Did we add to the fund balance? Did we decreased to the fund balance? We will let you know what our -- what our top revenue sources are, which you got a glimpse of, which is going to be property taxes and intergovernmental and, then, we will let you know what our top five expenses are for the fiscal year 2020. Again, I would stand or sit for questions and I'm happy to dialogue or obtain any other information that you wish to have, because we think it's timely that we get involved, like Liz stated, about property taxes, because legislators will be -- legislation will be put to the floor and I think if we can be involved, let them know our voices. I think that's very important, kind of like what Liz was talking about, and I'm happy to be a resource for you guys if needed.

Simison: Council, any questions?

Cavener: Mr. Mayor?

Simison: Councilman Cavener.

Cavener: Todd, to Council Member Strader's comments, you know, we heard last week from some of our friends in the legislature talk at great length about their encouraging of municipalities to look at -- at bonding for -- for capital projects.

Lavoie: Yes.

Cavener: You know, 180 degrees to kind of the philosophical view of previous mayors and councils, I'm just curious as our CFO is there a financial argument to be made for supporting the suggestions that are coming from the statehouse? Should we be looking at deviating from the model that we have followed and, if so, what positive impact does that have on -- on property tax bills?

Lavoie: There are a few questions there. I will see what I can do on answering them all. Do I believe taking debt is a good thing for our taxpayers? I would say no, because that only adds interest to the value. So, I don't see how you can save money by adding interest to a debt situation. Don't get me wrong, the debt numbers -- lending numbers are amazing right now, so if you are going to take on debt this is the time you want to do so. But in five years, seven years, what if it's up to seven percent? You know, then, now the state legislature just put all the agencies in a really tough bind, now we are going to be borrowing at seven percent, which is an increase to the property taxpayers at the end of the day. So, yeah, right now it might look great to take on debt, because

the rates are amazing. Ten years no one knows. That could be, you know, changing quickly. I think back in the '80s and '90s it was, what, 17 percent to borrow. So, again, do I think debt is great? Yeah. Only when the rates are great. But not for a long term situation. I don't think it would help the taxpayers at all, to answer your question, Luke. I think it's an increase to our taxpayers. Can we fiscally manage our finances correctly? I think the City of Meridian is an example of, yes, you can. We have done it successfully as one of the fastest growing cities. I think we can be a loud voice in that discussion that, hey, we are an example of, yes, you can make this happen if you properly plan and be involved with long-term planning and get your revenues in the correct place. Can we do it? Ninety-nine percent of the agencies in America have debt. That's how they finance all their construction. We are -- we are the outlier. There is no doubt about it. Is it a good thing? I think it's a great thing. I think it saves the taxpayers. Legislation representatives were talking about, well, the burden is being put on the current homeowners and not the future homeowners and that's what fund does. Funding puts the cost burden on the people who are going to use it, because the future people are paying for the construction of the particular asset. True statement. I cannot argue against that. But that's a short window of view. If you look at it over the next hundred years, all property taxpayers are going to pay some proportionate share of the City of Meridian's infrastructure at some point in time if they all sit here. Again, in that small window, yes, the people in the future will pay for the infrastructure that they are paying for and if they -- but if you look at the long term, the way we do it is you pay -- you save as you go and the current people are paying for the future people, but when the future people get here they will be paying for the future people in the next cycle. So, again, over a hundred years it probably breaks out even, but we just happen to segment our revenue requests from this particular customer group, rather than this customer group. So, again, who is right or who is wrong in this, that's going to be the philosophical debate, but we believe the current City of Meridian property taxpayers are going to pay their infrastructure portion over the long term of the city's growth, not just a small 20 year bond window and that's how my philosophy is. Not to say it's right or wrong, but that's my philosophy is over time all city taxpayers will pay some proportionate share of the growth of the City of Meridian.

Simison: Councilman Cavener, just to put a number to it, what I have traditionally heard from the school district is a bond has a 50 percent cost increase to the asset. So, really, the question would be is how long does it take you to save that asset versus increasing construction costs versus the 50 percent increase if you were to do it immediately. That's generally speaking.

Cavener: Thank you. Thank you, Mr. Mayor. Thank you, Mr. Lavoie. I appreciate your presentation today.

Lavoie: Thank you, Luke.

Cavener: You guys do a great job.

Simison: Council, any additional questions at this time?

Perreault: Mr. Mayor?

Simison: Council Woman Perreault.

Perreault: Todd, would you mind taking us through -- there is -- there is -- you know, there is when a property gets assessed and, then, when the city actually sees the funds come from the county and so if you -- let's say you have new construction that happens in January of this year, that is not added to the county tax rolls until early 2021 and, then, you get that information by June of 2021 and, then, that is included in the expected revenues for fiscal year 2021-22.

Lavoie: '22.

Perreault: '22.

Lavoie: Yes. So, we are about 12 to 18 months in arrears.

Perreault: Okay. So, that's -- so, let's say that there was construction that was built January of 2020. We are not seeing that -- those actual funds from the county until 2022? Collected from the -- from the property owner and sent to the -- sent to the city.

Lavoie: So, if you build something right now is your example?

Perreault: No. I'm talking about if it's -- let's say early in the year.

Lavoie: Okay. Yeah. We don't get that until fiscal -- until 18 months later. Correct.

Perreault: Okay.

Lavoie: Yep. You got that correct.

Perreault: Okay.

Strader: Mr. Mayor?

Simison: Council Woman Strader.

Strader: Just a comment. I just want to thank you, Todd, and especially the previous city councils and mayors that came before us; right? Right now everyone's talking more money today. I feel like I hear that all the time. It doesn't matter what party it is. And I just appreciate the fact that we have saved before we spend, that we have been so thoughtful over the long term, and I just wanted to state my support for how we have -- how we manage our finances historically and I -- I appreciate you presenting this and hope that in the future we will be able to model the impact of some of these proposals, if they feel like they are getting traction, so people can understand exactly what that would mean for them. Thank you, Todd.

Lavoie: I appreciate that and I echo your words to the previous council members. They are the ones who have put us in this successful position. This then -- we didn't get here by chance. There has been a lot of blood, sweat, and tears over the last 30, 40 years to manage the city's growth to where it's at and I agree with you, Liz, a lot of kudos to those previous council members and decision makers.

Simison: Councilman Hoaglund.

Hoaglund: Yes. And I concur with the Council Woman Strader's comments and -- and I think Todd said something very important and that is to live within our means, so we can maintain the level of services and -- and work hard to meet the needs as they arise with the growth and I think we are doing a good job with that and -- and to that comment about, you know, we should -- we should borrow and bond to, you know, put it on future -- future residents, if you will, and with the -- the level of our federal debt, the way it is right now, which is I think unconscionable, I don't think we should be adding a local debt on top of what my children, grandchildren, and their children will be paying for -- for many many many years, so -- I prefer our current method of doing things and, hopefully, with our legislators we can work out something that -- that's a solution that works -- works for everybody. Thank you for that presentation, Todd. Very helpful.

Lavoie: Appreciate that, Brad, and I agree with you. Hopefully legislation can help the school districts and other districts realize they have other revenue tools called impact fees that can really aid in the management of growth and that's where Meridian has been quite successful. We tapped into that revenue source years ago, so that parks, fire and police can build infrastructure to meet the needs of the growth and that's where we have been successful. I think last year you probably saw Nampa increase their rates by 900 percent. You know, that was just a decision that, unfortunately, they did not maximize that revenue opportunity like we did and they are seeing some of the negative impacts with that, where our previous decision, Brad included, has set the city up with a successful impact fee model and that is something that we heavily rely on, because development should pay for their fair share.

Simison: Okay. Council, any further questions? All right. Thank you, Mr. Lavoie.

Lavoie: Thank you.

EXECUTIVE SESSION

9. Per Idaho Code 74-206A(1)(a) To deliberate on a labor contract offer or to formulate a counteroffer.

Simison: Next up is Item 9, Executive Session.

Hoaglund: Mr. Mayor?

Simison: Councilman Hoaglund.

Hoaglund: I move that we go into Executive Session per Idaho Code 74-206A(1)(a).

Cavener: Mr. Mayor, I will second the motion.

Simison: I have a motion and a second to adjourn into Executive Session. Any discussion on the motion? If not, Clerk will call the roll.

Roll call: Bernt, absent; Borton, absent; Cavener, yea; Hoaglund, yea; Strader, yea; Perreault, yea.

Simison: All ayes. Motion carries and we are adjourned into Executive Session.

MOTION CARRIED: FOUR AYES. TWO ABSENT.

EXECUTIVE SESSION: (5:18 p.m. to 6:06 p.m.)

Simison: All right. Do I have a motion?

Hoaglund: Mr. Mayor, I move we come out of Executive Session.

Cavener: Second.

Simison: Motion and second to come out of Executive Session. All those in favor signify by saying aye. Opposed nay. The ayes have it.

MOTION CARRIED: FOUR AYES. TWO ABSENT.

Hoaglund: Mr. Mayor?

Simison: Councilman Hoaglund.

Hoaglund: Move to adjourn.

Cavener: Second the motion, Mr. Mayor.

Simison: Motion and second to adjourn the meeting. All those in favor signify by saying aye. Opposed nay. The ayes have it and we are adjourned.

MOTION CARRIED: FOUR AYES. TWO ABSENT.

MEETING ADJOURNED AT 6:06 P.M.

(AUDIO RECORDING ON FILE OF THESE PROCEEDINGS)

MAYOR ROBERT SIMISON

ATTEST:

DATE APPROVED

CHRIS JOHNSON - CITY CLERK