



AGENDA REPORT

City Council Meeting

TODAY'S DATE: August 2, 2024

MEETING DATE: August 7, 2024

TO: City Council

FROM: Mayor Grimm

SUBJECT: Proposed Local Option Tax to Fund Street & Sidewalk Construction

Honorable Councilmembers,

As we work through the annual budgeting process, you are now likely aware of the limited general fund property tax revenue that is available to meet the needs of our growing population. Due to the 3% statutory cap on our annual increase in property tax revenue, we are faced with few solutions to address the significant backlog of deferred road maintenance and repair. Once cost of living adjustments (COLA) and healthcare or related benefits for our employees are accounted for, we are hard-pressed to find new revenue to allocate to our streets. Absent additional investment into our streets, existing pavement conditions will continue to deteriorate, putting us in a situation where repair will be out of the question, and even more costly total reconstruction will be required.

This issue is not new, and in an effort to address the problem the City successfully passed a 7% increase in our lodging tax on November 8, 2022. Although the additional revenue is helpful in slowing the rate of decline, we remain in a situation where our streets are degrading faster than we can fund repairs. Barring a radical change, it is reasonable to expect - confirmed through engineering and pavement condition analysis - the future condition of Sandpoint streets will continue to deteriorate, impacting residents, businesses and the general public welfare. All told, the estimated cost to address our road condition in town ranges from \$44 Million to over \$340 Million. (See **Figure 3**, *Total Reconstruction*, **Figure 4**, *Total Rehabilitation*, and **Figure 5**, *Rehabilitation to 20% of national standards*.)

Idaho Code § 50-1045 provides Resort Cities (designated incorporated areas with a population of 10,000 or less) the opportunity to levy non-property taxes if approved by a simple majority (60%) of the voters. Sandpoint has utilized this available option to address capital needs, to offset the impact of tourism on our emergency services, and for other specific projects in the past. Our neighboring city, Ponderay, has an existing 1% local sales tax and will be asking the voters to extend this tax in November. Having considered the limited availability of funding and lacking other ways to pay for the road improvements needed in Sandpoint, I ask for your support to present a 1% Local Option Tax to the voters of Sandpoint this November 5th.

To help inform you and the public, I have aggregated some data that I believe is beneficial and compelling as you consider this decision.

Figure 1 provides the monthly Local Option Tax collections for the most recent year it was imposed in Sandpoint (used to fund War Memorial Field Improvements). The collection data is broken out by month. As is shown, there was significant variability in monthly tax collection, with the lowest collections occurring during "Mud Season" the month of April (\$80,761.00), and the highest monthly collections occurring during what is clearly our peak tourist season (June, July, August, September and December). If we

assume that April collections represent mostly area residents, we can then consider the elevated collections during other months as being attributed to visitors to the area. Using this logic, it would appear that, if enacted, approximately 34% of the tax would be paid by non-Sandpoint residents.

Figure 2 shows total Lodging Tax collected throughout Bonner County by month in 2023. This figure confirms that the summer "Peak Tourist" season aligns and is consistent with the former local option tax collections that we have received. 53% of all Bonner County Lodging Tax collected by the State of Idaho is generated from activities in the four months of June, July, August and September.

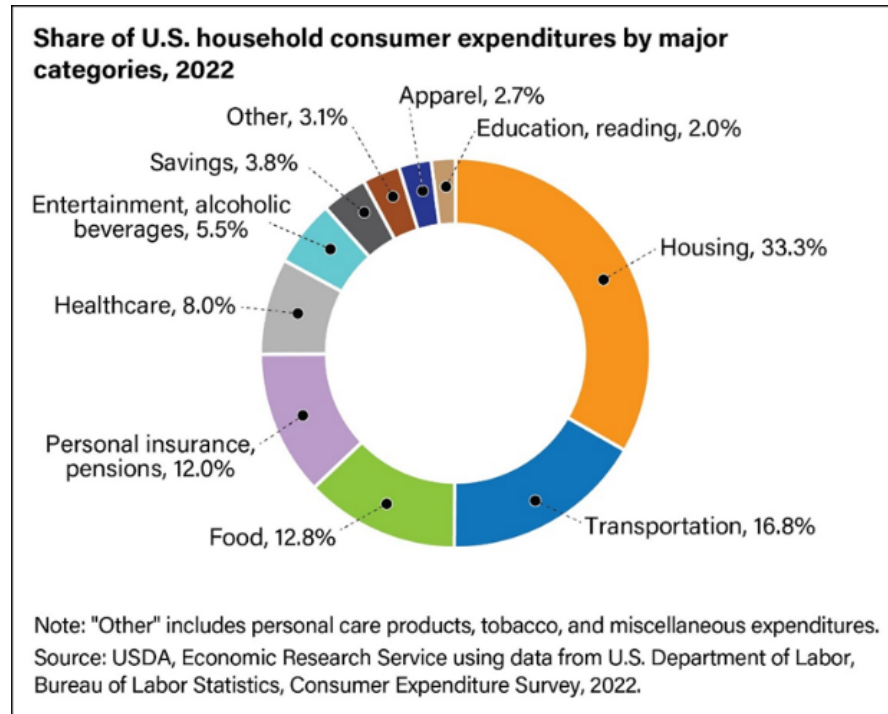
The takeaway here is that the local option tax provides a way for visitors and county residents to pay for and support the infrastructure that they use in town.

Figures 3 through 5 present the results of our recent pavement condition analysis. These figures show the forecasted cost to repair or reconstruct roads in Sandpoint at varying levels, ranging from a full rebuild with stormwater, curb, sidewalk, and proper base materials (\$340+M) to the minimal funding required to bring Sandpoint to national standards (where just 20% of our roads are in a backlog maintenance condition).

Finally, **Figure 6** shows the existing road revenue applied to the known need. Failing to come up with an alternative funding stream shows a continued backlog of over \$26M at the end of 25 years. Lower rows on this figure show how revenue from a 1% sales tax would provide funding to not only rehabilitate our roads to national standards but also under the "Rehab All Streets with Sidewalks & Sewer Laterals" projection, allow the City to pay for sidewalk construction throughout town and address and replace all sewer laterals. This option would once and forever put to rest the prickly and inequitable situation surrounding sidewalk construction being funded by adjacent property owners.

Of course, one of the greatest considerations is what will be the cost to our residents if this local option tax is approved. Based on the recent imposition of the Local Option Tax, the City can categorize the sectors and industries generating the revenue in Sandpoint. Unfortunately, grocery sales are the largest contributor to retail sales tax collections in Sandpoint. As a point of reference, according to the U.S. Census Bureau, in 2022, the median household income in Sandpoint was \$60,208. Based on the below data, the typical household spends 12.8% of household income on food. As would follow, a typical Sandpoint household spends approximately \$7,706 on food per year, and a 1% tax would amount to an additional \$77 per year or \$1.48 per week.

[see chart – next page]



In closing, Staff and I will be presenting additional information during the meeting on August 7th and look forward to answering your questions. In order to meet statutory requirements, the City will need to approve and pass along ballot language to Bonner County by September 6, 2024. **I will be asking for your formal action on this item on August 21, 2024.**

I look forward to our discussion.


Sincerely,

Jeremy Grimm
Mayor of Sandpoint
jgrimm@sandpointidaho.gov
(208) 205-7085

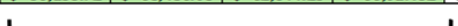
Mayor Grimm's Memo on Proposed Local Option Tax to Fund Street & Sidewalk Construction
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FIGURE 1

Sandpoint Local Option Sales Tax by Month													
% of Annual LOT Collections	January	February	March	April	May	June	July	August	September	October	November	December	Total
	6.30%	6.20%	7.50%	5.50%	7.30%	9.40%	10.20%	9.90%	10.10%	8.20%	7.50%	11.90%	100%
Amount Collected	\$ 92,166.68	\$ 89,884.64	\$ 108,935.64	\$ 80,761.38	\$ 107,126.70	\$ 136,945.10	\$ 149,197.46	\$ 143,705.61	\$ 146,778.70	\$ 120,018.30	\$ 108,733.40	\$ 174,113.38	\$ 1,458,366.99
% collections above "Mud Season" level	0.80%	0.70%	2.00%	0.00%	1.80%	3.90%	4.70%	4.40%	4.60%	2.70%	2.00%	6.40%	34.00%
\$ above "Mud Season" level	\$ 11,405.30	\$ 9,123.26	\$ 28,174.26	\$ -	\$ 26,365.32	\$ 56,183.72	\$ 68,436.08	\$ 62,944.23	\$ 66,017.32	\$ 39,256.92	\$ 27,972.02	\$ 93,352.00	\$ 489,230.43



Mud Season (Locals)



Peak Tourist Season

FIGURE 2

Bonner County Lodging Tax by Month													
	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Total
Total Lodging Tax Bonner	\$ 3,214,049.00	\$ 3,806,699.00	\$ 4,102,637.00	\$ 3,180,714.00	\$ 1,891,361.00	\$ 2,514,543.00	\$ 5,379,479.00	\$ 8,558,842.00	\$ 7,655,340.00	\$ 5,739,402.00	\$ 2,482,109.00	\$ 2,214,453.00	\$ 50,739,628.00
% of Year Activity	6.33%	7.50%	8.09%	6.27%	3.73%	4.96%	10.60%	16.87%	15.09%	11.31%	4.89%	4.36%	100%

Mud Season (Locals)

Peak Tourist Season
(53% of Total Lodging Tax Collected)

Source:

https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fcommerce.idaho.gov%2Fcontent%2Fuploads%2F2024%2F07%2FFY24_Final-Collections-Report.xlsx&wdOrigin=BROWSELINK

Estimated Road Funding Need Sandpoint

FIGURE 3

Full Reconstruction All				
	Unit Price	Unit	Qty	Estimate
Hard Costs				
Roadway Reconstruction				\$ 172,827,560
Local	\$ 1,362,690	Lane Mile	88	\$ 119,916,720
Collector	\$ 1,490,980	Lane Mile	20	\$ 29,819,600
Arterial	\$ 1,924,270	Lane Mile	12	\$ 23,091,240
Stormwater Improvements	30% of Construction Cost			\$ 51,848,268
Sidewalk	\$ 70	Linear Ft	330,000	\$ 23,100,000
Sewer Lateral + Connection	\$ 2,700	Each	1250	\$ 3,375,000
Contingency	10% of Construction Cost			\$ 25,115,082.80
Total				\$ 276,265,910.80
Soft Costs				
Design	8% of Hard Cost			\$ 22,101,272.86
Engineer of Record Services	5% of Hard Cost			\$ 13,813,295.54
Total				\$ 35,914,568.40
10% Reserves				\$ 31,218,047.92
TOTAL				\$ 343,398,527.12
		Per Lane Mile	\$	2,861,654.39

FIGURE 4

Rehab All		
	Assumptions	Estimate
Hard Cost		
Road Rehabilitation	Per Condition Assessment	\$ 24,000,000
Assessment Contingency	30% of Road Rehab Cost	\$ 7,200,000
Stormwater Improvements	30% of Road Rehab Cost	\$ 9,360,000
Sidewalk	330,000 lf \$70/lf	\$ 23,100,000
Sewer Lateral + Connection	1,250 laterals + connections @ \$2,700 each	\$ 3,375,000
Contingency	10% of Construction Cost	\$ 6,703,500.0
Total		\$ 73,738,500
Soft Costs		
Design	8% of Hard Cost	\$ 5,899,080
Engineer of Record Service	5% of Hard Cost	\$ 3,686,925
Total		\$ 9,586,005
10% Reserves		\$ 8,332,451
TOTAL		\$ 91,656,956

FIGURE 5

Rehab to National Average (backlog from 20% to 15% no sidewalk, no sewer laterals)		
	Assumptions	Estimate
Hard Cost		
Road Rehabilitation	Per Condition Assessment	\$ 18,000,000
Assessment Contingency	30% of Road Rehab Cost	\$ 5,400,000
Stormwater Improvements	30% of Road Rehab Cost	\$ 7,020,000
ADA Improvements	10% Road Rehab	\$ 2,340,000
Contingency	10% of Construction Cost	\$ 3,276,000.0
Total		\$ 36,036,000
Soft Costs		
Design	8% of Hard Cost	\$ 2,882,880
Engineer of Record Services	5% of Hard Cost	\$ 1,801,800
Total		\$ 4,684,680
10% Reserves		\$ 4,072,068
TOTAL		\$ 44,792,748

FIGURE 6

Example of Street Revenue/Progress on Backlog											5 year increments>>>>			
Year of Tax	Base Year	1	2	3	4	5	6	7	8	9	10	15	20	25
Year	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2039	2044	2049
Existing Revenue														
General Fund Streets	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
RCT Streets	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000	\$ 500,000
Backlog Rehab to National Standards	\$ 44,792,748	\$ 43,792,748	\$ 42,792,748	\$ 41,792,748	\$ 40,792,748	\$ 39,792,748	\$ 38,792,748	\$ 37,792,748	\$ 36,792,748	\$ 35,792,748	\$ 34,792,748	\$ 31,792,748	\$ 29,292,748	\$ 26,792,748
With 1% LOT Tax*	\$ 2,000,000	\$ 2,000,000	\$ 2,040,000	\$ 2,080,800	\$ 2,122,416	\$ 2,164,864	\$ 2,208,162	\$ 2,252,325	\$ 2,297,371	\$ 2,343,319	\$ 2,390,185	\$ 2,638,958	\$ 2,913,622	\$ 3,216,874
Backlog Rehab to National Standards	\$ 44,792,748	\$ 41,792,748	\$ 38,792,748	\$ 35,752,748	\$ 32,671,948	\$ 29,549,532	\$ 26,384,668	\$ 23,176,506	\$ 19,924,181	\$ 16,626,810	\$ 13,283,491	\$ (4,155,128)	\$ (22,888,369)	\$ (43,050,977)
Rehab All Streets & Sidewalks & Sewer Lateral	\$ 91,656,956	\$ 88,656,956	\$ 85,656,956	\$ 82,616,956	\$ 79,536,156	\$ 76,413,740	\$ 73,248,876	\$ 70,040,714	\$ 66,788,389	\$ 63,491,018	\$ 60,147,699	\$ 42,709,080	\$ 23,975,839	\$ 3,813,231

*2% annual increase of collections factored in.