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City of Madras
City Council Work Room

February 3, 2020
1:00 p.m.

Pursuant to ORS 192.640, this agenda includes a list of the principal subjects anticipated to be considered at the above referenced meeting; however, the agenda does not limit the ability of the Committee to consider additional subjects. Meetings are subject to cancellation without notice.

This meeting is open to the public and interested citizens are invited to attend. This is an open meeting under Oregon Revised Statutes, not a community forum; audience participation is at the discretion of the Committee. The meeting may be audio taped. Minutes of this and all public meetings are available for review at the Madras City Hall. The meeting place is handicapped accessible. The City of Madras is an Equal Opportunity Provider. Those needing assistance should contact the City Recorder two (2) days in advance of the meeting.

TRANSPORTATION ADVISORY COMMITTEE MEETING AGENDA

- I. **Call to Order**
- II. **Consent Agenda**
 - A. Approval of Minutes from December 14, 2019 TAC Meeting
- III. **Visitor Comments**
- IV. **Educational Outreach Opportunities and Assignments**
- V. **Adjourn**



TRANSPORTATION ADVISORY COMMITTEE OFFICIAL MINUTES

I. Call to Order

Richard Ladeby called the meeting to order at 2:30 pm.

TAC Members Present:

Richard Ladeby, Bartt Brick, Louise Muir, Jennifer Holcomb, Joe Krenowicz and Mack Gardner.

TAC Members Not Present:

Jennifer Schaffner

Staff Present:

Rick Rohach, Jeff Hurd, Gus Burrell, Kristal Hughes, Lysa Vattimo

Visitors:

Paul Rodby and James Westcoat (McDonald's), Rick Brown (Crestar Labs), Claudia Toro and Luis Basaldua (Mazatlan Restaurant), Robin Brown (KFC/A&W), Joe Davis (Black Bear), Rob Birky, Tim Birky, and Kelvin Birky (Eagle Bakery), Pat Abernathy, James Hill, Julie McLean, Maurice Langsev (Residents), Teresa Jackson (Madras Pioneer). Others who did not sign in.

II. Consent Agenda

A. Approval of Minutes from November 13, 2019 TAC Meeting

B. Committee Member Resignations

A MOTION WAS MADE BY BARTT BRICK AND SECONDED BY LOUISE MUIR TO APPROVE THE CONSENT AGENDA. THE MOTION WAS APPROVED 5/0 BY RICHARD LADEBY, BARTT BRICK, LOUISE MUIR, JENNIFER HOLCOMB, AND MACK GARDNER (JOE KRENOWICZ WAS NOT PRESENT FOR THE VOTE).

III. Road Funding Presentation

Public Works Director Hurd provided a presentation to the committee that included the background on the road system, the condition of roads, future road and repair projections, types of road surface repairs, current funding mechanisms and amounts, how fuel tax is calculated, how a prepared food and beverage tax is calculated, how a

transportation utility fee is calculated, etc. For the full presentation, see Attachment "A" to these minutes.

In conclusion of his presentation, he asked the committee if they were ready to make a recommendation to the City Council for one of the three options the committee had settled on:

- 1) Gas Tax;
- 2) Prepared Food & Beverage Tax; or
- 3) Transportation Utility Fee.

The scoring criteria would include:

- A. Which one raises this most funding for the need?
- B. Which is the most sensitive towards those who can least afford it?
- C. Which one is shared among all road users?
- D. Which one keeps up with inflation?
- E. Which one is most supported by the community?

Whatever the committee recommends, Staff will bring that before Council at the December 10th meeting for them to review and discuss.

Mack Gardner asked if the 35 miles of road referenced in Mr. Hurd's presentation are referencing repairing current paved roads, bringing them up to standard, maintaining them, etc.

Public Works Director Hurd replied that he is correct – that is improving the existing paved roads within town. Not the construction of new roads.

Jennifer Holcomb wanted clarification that the funding can only be used for roads, nothing else.

Public Works Director Hurd replied that this funding would be designated specifically for taking care of roads, maintenance and construction.

Louise Muir stated that she is in favor of any choice that will allow voters to choose.

Joe Krenowicz asked about new construction paying for new roads, and this funding be used for repair of existing roads.

Public Works Director Hurd explained that is how it works now. Developers are required to build new roads to serve their projects. In some instances, the Madras Redevelopment Commission assists with certain projects at their discretion. But once a new road is constructed, the road becomes the responsibility of the City to maintain it.

Joe Krenowicz asked for clarification on subdivisions.

Public Works Director Hurd responded that developers install roads, curbs, sidewalks, etc., but once a subdivision is completed, they turn the right-of-ways over to the City. Once the City takes ownership, the City takes responsibility for the maintenance, repair, snow plowing, etc. (with the exception of snow plowing in the Pines subdivision because those streets are private).

Bart Brick asked if the committee were to make a proposal to Council and they send something to the ballot that the voters approve, would it be written so it sunsets in six to ten years and the citizens could see what has been completed with the funds, whether the City has been good stewards, what the impact has been on businesses, etc.

Public Works Director Hurd responded that the proposal for a tax going to the voters would be a 10-year plan. If it passes, it would not be enacted until about nine months to a year in, in order to allow time for businesses to get ready to collect the tax. After the 10 years is up, the City can ask voters if they like how it worked, if they want to renew the tax, or do something different.

IV. Visitor Comments

James Westcoat, McDonald's 28 NE Oak Street, stated that the report from EcoNorthwest shows 21 restaurants in Madras, but Yelp shows there are 38 restaurants. This would increase the estimated sales percentage (5 percent) to about \$1.25M per year on those 38 restaurants (soft estimate) on \$25M in sales. EcoNorthwest was reporting \$21M in sales so it's not too far off, but that would increase the City's budget to \$1.5M. So the numbers are still a little off.

Additionally, the report states that about 70% of the people are transient traffic. What will happen to the budget if they decide not to stop in Madras anymore due to a 5% tax?

In addition, there were no restaurant people on the Transportation Advisory Committee. Bend is looking at transportation funding right now and there was an article in the Bend Bulletin that talked about gas tax. The article stated that a gas tax would be more equitable to all parties involved and a restaurant tax is an optional tax for people who eat out, but what happens if people choose not to eat out? If they choose not to eat out, the City's income will go down. He doesn't think the long-term impact is being looked at as it relates to the businesses in town. If he doesn't have more sales, he can't keep employees.

Joe Krenowicz responded that this project began well over a year ago and there were more members than there are now. He's not sure if any were any restaurant owners early on.

Mr. Westcoat replied that comparing Madras to Ashland is faulty because Ashland's average income is \$75,000 and Madras' is in the \$40,000 range. Ashland has a lot of expensive restaurants and only four fast food restaurants. Lower income folks will be impacted by this tax.

Richard Ladeby replied that one of the things the committee discussed at length was the impact of any tax or fee to the community. Because of fixed incomes, many committee members were against the utility fee. He has been in the food industry 49 years and

involved in sales tax and, in his opinion, he doesn't believe that \$0.50 on a \$10.00 food bill will impact whether or not people will go out to eat or not. He feels that the prepared food and beverage tax has the least impact on City residents. Fixed income residents cannot afford \$30 more on their utility bills.

Mr. Westcoat responded that he agreed with Mr. Ladeby on the utility fee. However, the price of gas goes up and down so often, a five-cent gas tax wouldn't even be noticed anymore. Comparing to Ashland isn't fair because of all their high-dollar restaurants, and their average income is almost double that of Madras.

Public Works Director Hurd responded that the City of Ashland reported that the lower priced locations generated the most tax – specifically a deli was their highest producer. Both Ashland and Yachats were used in the comparison because they are the two cities that have a prepared food and beverage tax in place.

Mr. Westcoat replied that he still feels that the numbers in the reports are incorrect and that more work should be done on that. In addition, he thinks that the majority of Madras is made up of service industry people and if those people are impacted, other businesses will be impacted and jobs will be lost.

Bart Brick responded that when the committee originally began meeting, a rough estimate of what it was thought that a prepared food and beverage tax might generate was \$350,000 per year – that number was not used to imply what was needed to make repairs. His perception, based on the research, is that if you look at a flat tax on a necessity (like gas) versus a percentage tax on a non-necessity (like prepared food), a flat tax on a necessity is a more regressive tax, in that, overall it has a larger negative impact on lower income people. That is what moved him over to a progressive tax, because he felt it would be more fair – given that Madras has a lower income than the average. He asked if McDonald's has evidence that a \$0.50 increase in a meal reduces business by "x" amount?

Mr. Westcoat replied that he does have data. Every time they challenge their prices, it reduces visits.

Paul Rodby, Owner of McDonald's, 28 NE Oak Street, believes that about 90% of the people that visit their restaurant use the highways to get in and out of their location – they don't use city streets. ODOT (Oregon Department of Transportation) should be providing lots of funds based on the tax dollars they spend with ODOT.

Richard Ladeby responded that is part of the reasoning behind a proposal for any tax that shares the cost and doesn't put the burden on just the City residents.

Mr. Rodby agreed that no one wants a tax, but he felt a gas tax would be the most equitable way. He didn't believe people will notice a \$0.05/gallon tax on fuel. There's so many other taxes on gas already.

Louise Muir stated that one of the reasons she is considering the food tax is because she is amazed at how many people make choices to go to Starbucks, go out and eat, etc., and that extra 5% isn't probably going to stop them. She believes that people will continue to choose to go out and eat. People will continue to go where they feel comfortable, like the food, etc. If the State is going to increase the gas tax, she doesn't think people will want to add a local gas tax.

James Hill, 11th Street Resident, stated that he lives on a really rough street and has lived there for 20 years. As much as he would like to see his street repaired, he is low-income and only receives a three percent raise on his disability each year. He owns a wood truck to haul firewood. He would prefer to pay a \$0.05/gallon gas tax than a prepared food tax. He thinks it would be hardly noticeable. People driving over from Portland would get here and need to gas up without knowing what the prices are in Redmond. It will still impact locals, but it won't impact a lot of the low income people because many of them don't drive.

Richard Ladeby added that many low income people don't go out to eat either, but whether they pay five percent on a \$10 meal or five cents on ten gallons of fuel, the impact is the same.

Mr. Hill responded that if a low-income person doesn't drive, they won't have to pay a fuel tax, but if they want to go out and eat, they will.

Pat Abernathy, Madras Resident, stated she believes it takes a lot more overhead to produce a meal than to pump gas, so her preference is that the tax be on fuel.

Richard Ladeby stated that the collection of the five percent on prepared food and beverage would be a pass-through tax to the consumer and five percent of that five percent would be held by the restaurant owner to help with administrative costs. None of the tax would be coming out of the restaurant owner's pocket. The food and labor costs are not affected by that five percent.

City Administrator Gus Burrell added that the committee has convened many times over the last five years and in 2016, reports showed that if anything less than \$600,000 came in, the City would have to focus on paved roads only. We would not be able to look at the unimproved/gravel roads. With the new information coming in, if \$900,000 to \$1M comes in per year, there is the possibility of setting funding aside to address gravel roads. It's another consideration when weighing a gas tax against a prepared food and beverage tax. In the past, it was assumed that there would not be enough funding to address the gravel roads, but with the new information on the amount of funding a prepared food and beverage tax could generate, it's possible we could address those roads. Obviously, we need to focus on the paved roads and not let those roads deteriorate or get worse, lest we have a really negative situation going forward.

Some of the other comments we heard today were about a majority of the people are just passing through on the highways. However, we have a lot of people using the road system regularly who live in the County. They use the roads to travel to work, eat, go to school, church, the hospital, and other services. This measure is trying to share the cost with everyone who uses roads in this area (not just putting it on the people who live in the city) and being sensitive to income levels as well.

As far as the gas tax goes, initially, I think it had the committee's support, but when I consider every 10 to 15 years when my family upgrades a vehicle, I know I purchase more fuel-efficient vehicles. Some people are purchasing all electric vehicles. That means, five to ten years down the road, we'll be chasing dollars at a few pennies per gallon. The State recognizes this also. They're changing the way they get funding to try to make up for those losses also. As a long-term model, a gas tax just can't keep up. It doesn't generate enough funding to even allow us to think about addressing gravel

roads, it doesn't generate enough to stop the amount of deterioration that's happening on our paved roads. The food and beverage tax is the only option that provides those possibilities.

I understand the legitimate concern that restaurants have expressed about losing business. The things we don't control are customer service and quality of product. We do have to control our image as a community and it's important to recognize that we are doing this to improve our community. This is a local tax, local dollars stay here. A lot of our taxes right now get distributed to the State and only a portion come back to us. If the community sees good things being done with the funding. Ashland and Yachats have both done good things with the funding they've raised, and the community has re-voted for the tax because they've seen positive outcomes.

The do nothing scenario is very concerning. Poor road infrastructure will negatively impact our economy and our ability to grow and sustain growth. It's difficult to quantify, but we all know poor roads will have an adverse impact.

The reports distributed today were encouraging. The last time we assessed our road system, if we tried to get all the roads up to good condition at one time, it would require \$14M. So generating funding of \$1M per year over 10 years, will not be wasted. It is needed and it is significant. It's also encouraging that this funding would come from a shared cost of people outside city limits.

He added that when he travels with his family, they make their decisions on where to eat based upon timing, ease of getting in and out, service, quality, etc. An addition of a tax would not sway their decision. He thinks the eating habits will be about the same for about 95% of the people. Some may make a decision not to eat in Madras because of the tax and he acknowledged that concern. The offsetting to that is that the City is working hard to continue to grow the area. The region is continuing to grow and the City is putting effort into housing, the urban renewal district wants to continue efforts to help businesses expand and improve their buildings, and has offered to help upgrade point-of-sale systems, etc. He believes there are several ways the City is trying to be a good partner in this endeavor. The City wants to be sensitive to the concerns of the restaurants and be part of the messaging to show all the good work that can come out of the measure for the community and businesses.

Joe Krenowicz added that he feels it is been narrowed down to a fuel or food tax. His concerns are the inequities between the two including the concern that people would go to Metolious, Culver, or Redmond if they are price sensitive. If other cities in Central Oregon were doing the same thing, there wouldn't be any inequity. At this point in time, we're not there. It has been a difficult process to find a way to fund roads that is good for some businesses, not so good for others, good for the community at large, etc. He believes in user fees. If you're a boater or snow mobiler, you pay fees to use the lake or snow parks. His biggest concerns have been that fuel is a necessity regardless of whether you own a car, pay someone to transport you, or use public transit, plus it's a flat revenue, continuing to decrease which will not solve our community's problems. Prepared food is a choice (not a necessity like fuel), and it is a growth revenue. Naturally, people don't like taxes, but he believes that the Council could've just let this go and pushed the problem into the future. Instead, they'll put it out to a vote and it'll end up being a choice by the community. It's not been comfortable, but the committee has done their due diligence.

Bartt Brick added that this has been a difficult choice because it asks people to pay more. A lot of options were discussed and the reason it came down to fuel and/or food, was because it shared the cost among everyone who uses the roads. He settled on the prepared food tax because it is not a necessity tax. Fuel is not a choice; it's a need. The regressive nature of a fuel tax concerns him. On average, a flat tax on a necessity is a regressive tax in that it has a more negative impact on lower income people than it does on higher income people. We can accomplish a lot if the prepared food tax is passed and are a good partner with the restaurants. There is no choice – we have to raise revenue – and the progressive nature of the prepared food tax and the ability to collect money from people who use the roads were the two deciding factors for him.

V. Recommendation to Council

A MOTION WAS MADE BY LOUISE MUIR AND SECONDED BY JENNIFER HOLCOMB TO TAKE THE FOOD TAX FORWARD TO THE CITY COUNCIL. THE MOTION PASSED UNANIMOUSLY, 6/0.

VI. Adjourn

Richard Ladeby thanked everyone for coming. He encouraged them to attend City Council meetings, or get involved in the City Budget Committee.

The meeting was adjourned at 3:58 pm.

Minutes prepared by:

Lysa Vattimo, City Recorder

Note: There was not a future meeting scheduled for this committee, therefore, these minutes were posted to the City's website without formal approval by the members.

End of Packet