

SUPPLEMENTAL PACKET

Meeting Date Mar. 21, 2017

Council Action Memo

To: Mayor Bend and Members of the City Council
From: Ron Moorese, City Administrator
Date: March 14, 2017
Re: Public Hearing Regarding the Abatement of Property Taxes Levied by the City to be Redirected to the 2017 Street Improvements Project - **Supplemental/Corrected**

Tax Abatement and Abatement Bonds

Tax abatement is used to reallocate local tax revenue, received from a set of properties, from the general fund to a specific project. Tax abatement involves a reallocation of taxes rather than an exemption from paying taxes. The property for which taxes have been abated will continue to pay their taxes in full. The amount of the abatement, however, is redirected to a specific project (in this case, to pay the debt service on the bonds financing the 2017 Street Improvements Project) rather than going to the general fund. The amount of taxes to be abated is estimated to be not more than \$3,500,000.

Street Improvements Planning

The City Council and Public Works Committee worked for several months in 2016 to develop solutions for meeting the City's deferred street improvement needs. Information describing every road in Afton was keyed into a master spreadsheet which lists the width, length and current condition of each street. The Public Works Committee used this data and additional pavement management data (existing conditions, subgrade, drainage and traffic volumes) to rank each street's condition and group the streets into priorities. Based on this information, along with cost information on the types of improvements needed, the spreadsheet was used to develop and analyze options for meeting street improvement needs, in terms of both timing and funding.

On Wednesday, December 14, 2016, a public information meeting was held to obtain input from residents regarding the timing and funding options for street improvements. The Council then revisited the timing and funding options based on the public feedback, and determined that, to take advantage of low interest rates and to avoid the risk of higher construction costs in future years, the best option was to move forward with improvements to the streets currently in fair to poor condition in 2017, and to finance the improvements with the sale of \$3.5 million of GO Abatement Bonds. This option will address the deferred street maintenance needs and will put the City into a position to fund all future street improvements on a pay-as-you-go basis.

Public Hearing

This is an opportunity for the general public to express their views with respect to the proposed abatement of taxes to fund the 2017 Street Improvements Project.

Council Action Requested

No Action Required