

Work Session Meeting Minutes June 26, 2023

Council President Primmer called the regular meeting to order at 6:00pm. Present were Councilors Barron, Duron, Linton (arrived at 6:01pm), Hardin, McCarthy, and Peterson. Mayor Drotzmann and Councilor Myers were excused. In attendance was City Staff to include: City Manager Byron Smith, Assistant City Manager Mark Morgan, City Attorney Rich Tovey, Finance Director Mark Krawczyk, Chief Edmiston, Planning Director Clint Spencer, and City Recorder Lilly Alarcon-Strong. Student Advisor Julissa Gonzalez-Mendoza was also in attendance.

Transient Room Tax & Airport

Assistant City Manager Morgan presented information and answered Council questions regarding the Municipal Airport and Transient Lodging Taxes AKA Transient Room Tax (TRT) (PowerPoint Presentation attached), to include: Airport history, facility and ground leases, revenues and expenses, current and future airport projections and uses, what and how a TRT is and works, area TRT comparable, TRT revenues and allocations, and the potential options for the future of both the TRT and Airport.

Adjournment

Council President Primmer adjourned the work session meeting at 6:52pm and stated the Council will take a short break before starting the regular City Council meeting at 7:00pm.



Airport History

- 1945: Land (260ac) bought from SID by Chamber of Commerce \$3/ac (\$780)
- 1956: City Deeded Airport to State
- 1959: State Deeded Area "Around" Runway back to City
- 1961: City Deeded area back to State
- 1965: State Deeds back to City minus 500' from runway
- 1973: Entire Airport Deeded back to City



Airport History

- 1945: 2,600' dirt runway
- 1950: Runway graveled
- 1959: Runway & Taxiway paved
- 1965: Hermiston Voters Approve Bond to support Airport
- 1976: Runway extended to 4,000'
- 1991: Runway extended to 4,500'









	2015	2016	2017	2018	2019	2020	2021	2022
Fuel Revenue	\$ 156,837	\$ 106,658	\$ 109,001	\$ 160,406	\$ 154,343	\$ 133,739	\$ 135,440	\$ 179,759
Lease Revenue	\$ 53,563	\$ 72,352	\$ 73,286	\$ 64,716	\$ 66,781	\$ 48,798	\$ 84,507	\$ 59,361
Expense	\$ (241,925)	\$ (218,375)	\$ (165,093)	\$ (245,173)	\$ (261,517)	\$ (261,531)	\$ (329,203)	\$ (265,733)

City Taxpayer Subsidy \$ (31,525) \$ (39,365) \$ 17,194 \$ (20,051) \$ (40,393) \$ (78,994) \$ (109,256) \$ (26,613)

Avg. Annual Subsidy \$ (41,125)

*Does Not Include Overhead



Airport Revenue

- Lease Revenue
 - "Ground Lease"
 - Facility Leases
- Fuel Sales Revenue
 - 100LL: Small Aircraft
 - Jet-A: Jet Fuel







\$0.05/SF = \$43,500ac over 20 years

\$0.17/SF = \$148,000ac over 20 years



"Facility Leases"



18 Enclosed T Hangars 10 Covered Shelters 1 "Box Hangar" 1 Home (3bd, 2ba)



Fuel Sales



- City-Owned
- Avg. Profit*: \$30,000
- Annual Gal.: 20k-25k
- Profit Targets:
 - \$0.75/gal- 100LL
 - \$1.25/gal- Jet-A

*Materials Only. Does not include cost of \$350K Fueling System.





- Materials & Services
- Day to Day Capital Improvements
- Core Mission Capital Improvements



Materials & Services

Wholesale Fuel Purchases:
 Airport Manager (full cost):
 \$ Varies
 \$ 50% of Expenses
 \$85,000
 34% of Expenses

• Liability Insurance: \$18,789 8% of Expenses

• Power/Gas/Internet: \$15,413 6% of Expenses

• Weeds/General Maintenance: \$4,798 ~2% of Expenses





"Day to Day" Capital

- \$15,000 to \$25,000 Per Year
 - Electric Security Gate Repair
 - Terminal Building Furnace
 - Fuel Island Cardlock System Replacement
 - Lighted Wind Sock
 - · Etc.

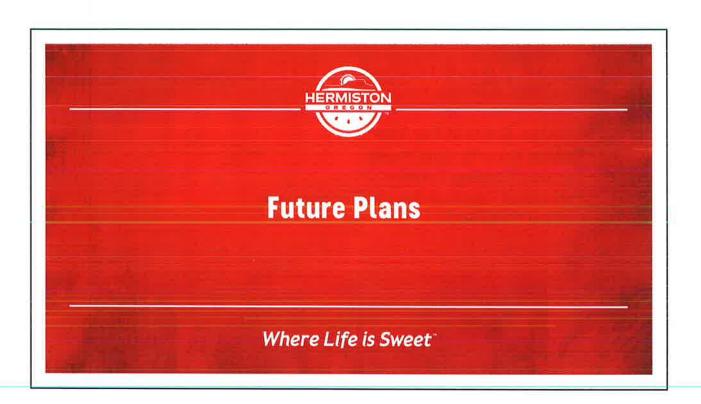


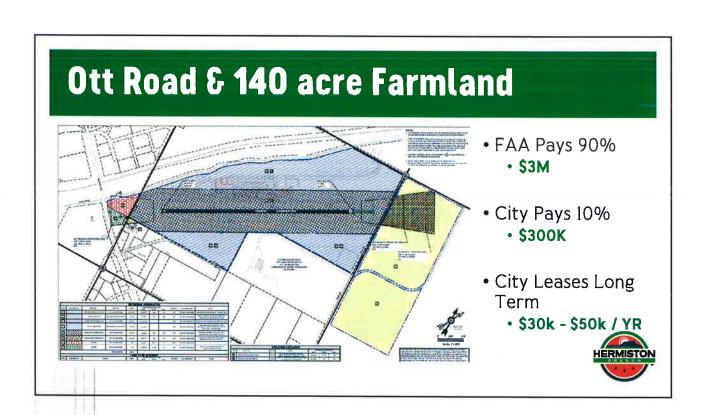


"Core Mission" Capital

- \$15,000 to \$100,000 per Year
- Leverage FAA & ODA Grant Funding
 - Taxiway Rebuild- \$4M Gross
 - Apron Rebuild- \$3M Gross







Replace "Open T" Hangars



Not Popular (Open Spaces) Wait List on Enclosed T's

Replace with Enclosed: Federal BIL Funds (\$950K) Local Match (\$95K)

Annual Net Profit:





Fee Review & Options

Where Life is Sweet

2021 Statewide Rates & Charges



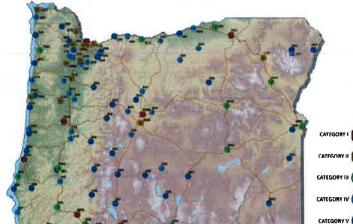
2021 Oragon Airports ride Rates and Charges Survey

- Statewide Facility Rental Rates
- Statewide Ground Lease Rates
- Statewide Nightly Tie-Down Fees
- Statewide "Fuel Flowage Fees"



Airports Not All Created Equal

MAP OF OREGON'S PUBLIC USE AIRPORTS



CATEGORY III

CATEGORY V

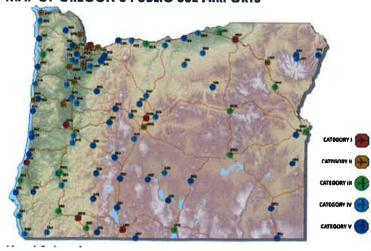
Regional General Aviation:

Support most twin- and singleengine aircraft and may accommodate occasional business jet operations. These airports support regional transportation needs with a large and often sparsely populated service area. The minimum runway length objective is 4,000 feet



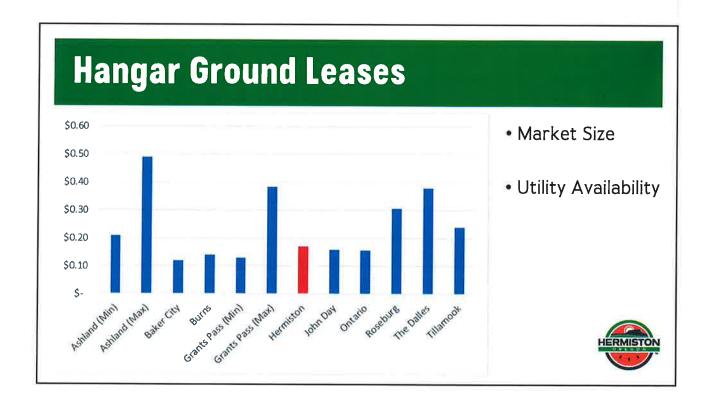
Category III Airports

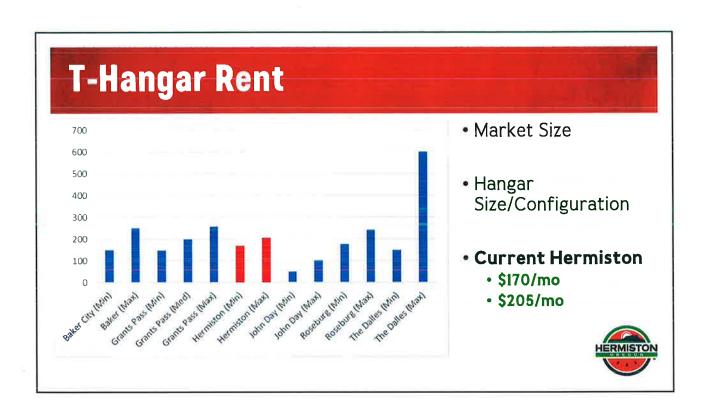
MAP OF OREGON'S PUBLIC USE AIRPORTS

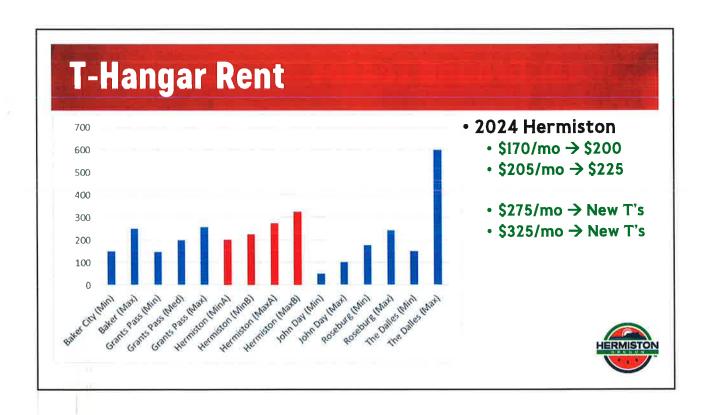


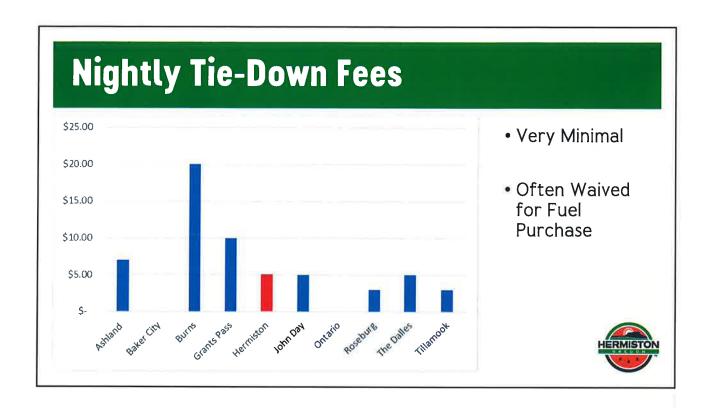
- Ashland
- Baker City
- Burns
- Grants Pass
- Hermiston
- John Day
- Ontario
- Roseburg
- The Dalles
- Tillamook

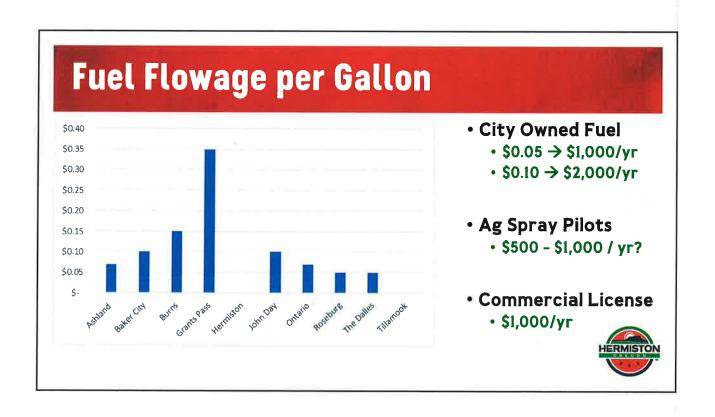














Revenue Adjustments Recap

- Ground Leases Competitive: Keep Pace & Consider Split Rate
- T-Hangars: Actively Increasing
- Tie-Downs Competitive: Very Minimal up-side
- Fuel Flowage
 - City Keeps Profit from City Sales
 - Ag Pilots covered by "Commercial Operator" Fee





Cost Allocation Moving Forward

Where Life is Sweet

Re-Cap Costs

Average Annual City Taxpayer Hard Subsidy:

\$41,000

• Estimated "Soft" Local Subsidy:

\$30,000

- 10% Asst. City Manager
- 10% Financial Clerk
- City Manager, Finance Director, Attorney, etc.

Total All-In Cost to City of Hermiston:

\$71,000



Re-Cap Revenue Projections

• New 140ac Farm Rent Long Term:

\$30,000/yr

- 10yr ROI with 10% FAA Land Acquisition Match
- New Hangars & Rent Adjust Net Long-Term Profit:

\$26,000/yr

- 6yr ROI with 10% FAA match of \$1.1M Project
- Long-Term New Annual Revenue:

\$56,000/yr



Projected Net Subsidy Required

- 2023-2029
 - · (\$41,000)- Hard
 - (\$71,000)- Total
- · 2030 2034
 - (\$15,000)- Hard
 - (\$45,000)- Total
- 2035 Future
 - \$15,000- Hard
 - (\$15,000)- Total

FAA Grant Assurances

#24- Airport Shall Charge Fees to Make the Facility as self-sustaining as possible.

#25- All Airport Revenue must be spent supporting the airport.



Airport Fund vs. General Fund

- General Fund
 - Easily show Net-Subsidy of Airport Over Time
 - Allows GF to easily absorb year-to-year swings (fuel prices, etc.)
 - Can't easily track overhead costs
 - Net drain on GF Resources
- Airport Fund
 - Susceptible to short and long term cash crunch
 - Fully dedicate overhead costs to Airport Fund
 - Full segregation of Airport Revenues/Expenses
 - Better allocate cost of Regional Asset to Regional Taxpayers





Who Uses the Airport?

- Crop Dusters protecting regional Ag Economy
 - Pendleton ← → Boardman
 - Heppner ← → Tri-Cities
- UPS: 3-4 flights per day
 - · Regional package delivery
- Corporate Jets
 - · 3 Mile Canyon Farms
 - RDO Equipment



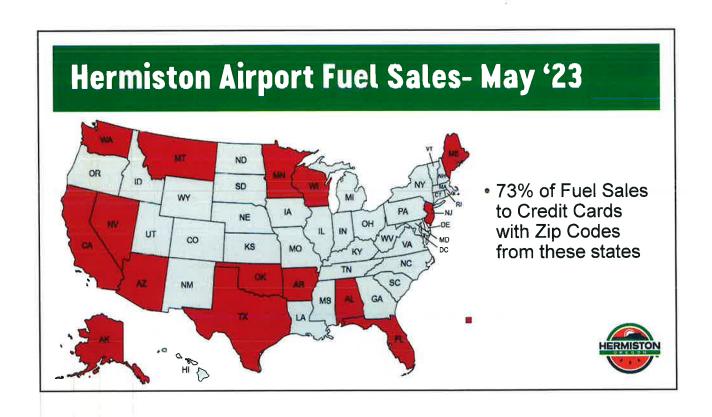


Who Uses the Airport?

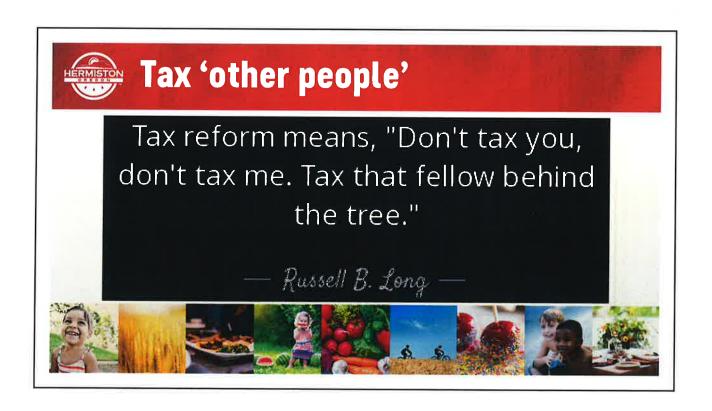
- Life Flight
 - Fixed-Wing transports
- Washington Aircraft Certification
 - Evading 8% sales tax
- General Aviation
 - 42 Based Aircraft













What is Hermiston's TLT?

- Transient Room Tax (TRT)
 - · 8% of Room Rent

Room Rent:

\$100

• TRT:

· Total Room Cost:

\$108

- Tourism Promotion Assessment (TPA)
 - \$2/Room Per Night (hotels)
 - \$1/Space Per Night (RV Parks)



Combined TLT as Percentage

Tax	\$50/night	\$100/night	\$150/night	\$200/night
TRT	\$4	\$8	\$12	\$16
TPA	\$2	\$2	\$2	\$2
Total Tax \$	\$6	\$10	\$14	\$18
Total Tax %	12%	10%	9.3%	9.0%



Hermiston's Total Average TLT: 9.8%

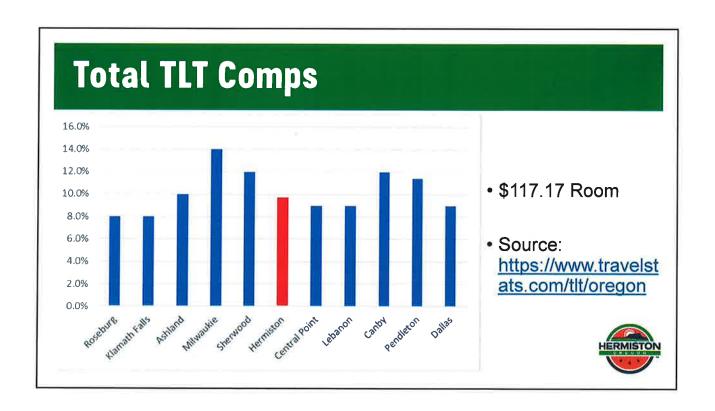
Hotel Stay in Hermiston

		Rate*	TL	T Total \$	TLT Total %		
Oxford Suites	\$	132.00	\$	12.56	9.5%		
Travelodge	\$	81.00	\$	8.48	10.5%		
Holiday Inn	\$	157.00	\$	14.56	9.3%		
Best Western	\$	158.00	\$	14.64	9.3%		
OYO	\$	88.00	\$	9.04	10.3%		
Motel 6	\$	87.00	\$	8.96	10.3%		
Average	\$1	117.17	\$	11.37	9.8%		

*July 10-11, 2023

Source: Expedia.com







State TLT Sideboards

- 2003- Local TLT usage % Frozen
- 70/30 Split- 70% of NEW TLT must go towards "tourism"
- 70/30 Split- 30% of <u>NEW</u> TLT may go toward other services





- What is "Tourism Promotion" or a "Tourism-Related Facility"?
 - What qualifies in Hermiston?
- What was Hermiston's TLT Distribution in 2003?



"Tourism Promotion"

- (7) "Tourism promotion" means any of the following activities:
 - (a) Advertising, publicizing or distributing information for the purpose of attracting and welcoming tourists;
 - (b) Conducting strategic planning and research necessary to stimulate future tourism development;
 - (c) Operating tourism promotion agencies; and
 - (d) Marketing special events and festivals designed to <u>attract</u> tourists.



"Tourism-related facility"

- (9) "Tourism-related facility" means:
 - (a) A conference center, convention center or visitor information center; and
 - (b) Other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting tourism or accommodating tourist activities.



"Tourism Promotion"

- (10) "Tourist" means a person who, for business, pleasure, recreation or participation in events related to the arts, heritage or culture, travels from the community in which that person is a resident to a different community that is separate, distinct from and unrelated to the person's community of residence, and that trip:
 - (a) Requires the person to travel more than 50 miles from the community of residence; or
 - (b) Includes an overnight stay.



Hermiston's 2003 TLT

- TRT = 8% Room Rent Breakdown
 - 37.5%- Aquatic Center Bonds
 - 28.13%- Community Center Operation
 - 15.62%- General Fund (Economic Dev., Taxi Program, etc.)
 - 9.375%- Recreation Programming
 - 9.375%- Park Development





Hermiston's 2003 TLT

- TRT = 8% Room Rent Breakdown
 - 37.5%-
 - 28.13%-
 - 15.62%-
 - 9.375%-
 - 9.375%-

Aquatic Center Bonds

Community Center Operation

General Fund

Recreation Programming

Park Development





Hermiston's 2003 TLT

- TRT = 8% Room Rent Breakdown
 - 37.5%-

Aquatic Center Bonds

• 28.13%-

Community Center Operation

• 65.63%-

"Tourism Related"

• 34.37%-

Available for General Use





Hermiston's 2023 TLT

TRT- 8% Room Rent Breakdown

• 37.5%-

Aquatic Center Bonds

• 25%-

Community Center & EOTEC Operations

• 15%-

General Fund (Econ. Dev., Taxi, etc.)

. 9%-

Recreation Programming

. 9%-

Park Development

• 3%-

Chamber of Commerce ("Visitor's Information")

• 1.5%-

Aquatic Center Maintenance











2023 Hermiston's TPA

• Flat Fee Per Room Per Night

• \$1 & \$0.50: Adopted 2013

•\$2 & \$1: Adopted 2016

• 50%-

EOTEC Promotion

• 50%-

EOTEC Capital Construction









FY22 Total TLT Revenue

• TRT- \$811,172

• TPA- \$255,683

Total- \$1,066,855



FY22 Total TLT Allocations

TRT

• Pool Bonds- \$304,000

• CC & EOTEC-\$203,000

• Gen Fund- \$121,000

• Rec- \$73,000

• Park- \$73,000

• Chamber- \$24,000

• Pool Maint- \$12,000

TPA

• EOTEC Promo- \$128,000

• EOTEC Capital- \$128,000





Collected

• TRT- \$811,172

• TPA- \$255,683

• Total- \$1,066,855

Allocated to "Tourism"

• TRT- \$543,000

• TPA- \$255,683

• Total- \$798,683





Collected

• TRT- \$811,172

• TPA- \$255,683

• Total- \$1,066,855

Allocated to "Tourism"

• TRT- \$543,000

• TPA- \$255,683

• Total- \$798,683

74.8% Current Allocated to "Tourism"





State TLT Sideboards

- 2003- Local TLT usage % Frozen
- 70/30 Split- 70% of NEW TLT must go towards "tourism"
- 70/30 Split- 30% of NEW TLT may go toward other services
- 100% of NEW TLT since 2003 goes to Tourism
 - TPA = EOTEC Promotion & Capital



Approximate Revenue Potential								
TRT %	RAW \$ Increase							
8%	\$0							
9%	\$100,000							
10%	\$200,000							
11%	\$300,000							
12%	\$400,000							
	The state of the s							



TRT %	'23 TRT	'16 TPA	New Tourism \$	New General Fund \$		
9/0	Increase		Tourisiii \$	Fullu 3		
8%	\$0	\$255,000	\$0	\$0		
9%	\$100,000	\$255,000	\$0	\$100,000		
10%	\$200,000	\$255,000	\$63,500	\$136,500		
11%	\$300,000	\$255,000	\$133,500	\$166,500		
12%	\$400,000	\$255,000	\$203,500	\$196,500		





Potential Options

- Airport Subsidy
 \$71,000/yr
 \$100,000/yr
- Airport Subsidy
 \$71,000/yr
 \$200,000/yr
- Gen Fund Subsidy\$129,000/yr





Airport Fund + TRT for Airport

- Guarantees Airport Revenue stays at Airport
- Guarantees Airport Sustainable Revenue to Remain Independent
- Removes \$71,000/yr burden from City Taxpayers alone







Regular Meeting Minutes June 26, 2023

Council President Primmer called the regular meeting to order at 7:00pm. Present were Councilors Barron, Duron, Linton, Hardin, McCarthy, and Peterson. Mayor Drotzmann and Councilor Myers were excused. In attendance was City Staff to include: City Manager Byron Smith, Assistant City Manager Mark Morgan, City Attorney Rich Tovey, Finance Director Mark Krawczyk, Chief Edmiston, Planning Director Clint Spencer, Court Administrator Jillian Viles, and City Recorder Lilly Alarcon-Strong. Student Advisor Julissa Gonzalez-Mendoza was also in attendance. The pledge of allegiance was given.

Citizen Input on Non-Agenda Items

None Given.

Consent Agenda Items

Councilor Duron moved and Councilor McCarthy seconded to approve Consent Agenda items A-I, to include:

- A. Committee Vacancy Announcements
- B. Committee Re-Appointment Confirmation of Mark Gomolski for: Hispanic Advisory Committee Position #1- term ending 06/30/2027
- C. Committee Appointment Confirmation of Albert Munoz for: Hispanic Advisory Committee Position #5-term ending 06/30/2025
- D. Committee Re-Appointment Recommendation of Jennifer Roberts for: EOTEC Advisory Committee Position #4- term ending 06/30/2026
- E. Committee Appointment Recommendation of Drexlyn Bailey for: EOTEC Advisory Committee Position #3-term ending 06/30/2026
- F. Minutes of the May 8th Public Safety Committee Meeting
- G. Minutes of the June 12th City Council and HURA Meeting
- H. Final Plat- Highland Meadows Phase 2 4N2814AA TL 102- 942 E Highland Ave
- I. Final Plat- View Wood Estates Phase 1 4N2814AD TL 902- 920 E View Drive

Motion carried unanimously.

<u>Public Hearing- Exemption from Public Contracting Competitive Bidding Requirement (Construction Manager/General Contractor) – Downtown Projects (See Resolution 2285)-</u> Hearing no conflicts of interest from the Council, City Manager Smith read the hearing guidelines and Council President Primmer opened the hearing at 7:03pm.

City Manager Smith and Scott Rogers, Project Executive for Wenaha Group, gave information regarding the proposed exemption from public contracting to an available alternative method referred to as Construction Manager/General Contractor (CMGC), reviewed the Findings of Fact as supplied in the agenda packet, and answered questions from the Council.

Public Testimony

Neutral

Ryan Severs, Hermiston- Asked if Scott Rogers is the Project Manager and if he would be the liaison between the contractor and City.



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Mr. Rogers stated he is the Project Executive and would be the liaison between the contractor, architect, and City

There were no proponents or opponents present who wished to give public testimony and the hearing was closed at 7:20pm.

Councilor Hardin moved and Councilor Peterson seconded to approve the Findings of Fact as presented. Motion carried unanimously.

Resolution No. 2281- Awarding a contract for the Highland Avenue Overlay Project.

Assistant City Manager Morgan presented information regarding awarding the Highland Ave Overlay Project to Granite Construction.

After further discuss, Councilor McCarthy moved and Councilor Duron seconded to adopt Resolution No. 2281 and lay upon the record. Motion carried unanimously.

<u>Resolution No. 2282 - A resolution supporting submission of a grant application to the State of Oregon TGM</u> <u>program for modernization of the Hermiston Transportation System Plan. -</u> City Manager Smith explained the grant application process to help fund the updates needed for the Transportation System Plan.

After further discussion, Councilor Linton moved and Councilor McCarthy seconded to adopt Resolutions. 2282 and lay upon the record. Motion carried unanimously.

Resolution No. 2283- Establishing "No Parking" on East Fourth Street from Main Street to the alleyways on both the North and South. - Assistant City Manager Mark Morgan gave information regarding the proposed street changes to accommodate the increased traffic in this area.

Public Comment

Michael Dunn, Hermiston-stated he is against the proposed street changes as it would remove the only parking areas for his home as he lives in the residence by the car wash that has been discussed.

Slade Smith, Hermiston- Stated he understands changes are necessary to accommodate growth but would like the Council to install angled parking in other areas if the three parking spaces near his business are to be removed and suggested that the city consider planning for long-term downtown parking lot options as well.

Ryan Servers, Hermiston- Asked that the Council consider not allowing left turns in this area instead of making the other recommended no parking changes.

Phillip Spicerkuhn, Hermiston- stated he is against the proposed street changes as it would remove much needed parking for all businesses who operate in the downtown, including his, and parking in this area provides a safety buffer between vehicles and pedestrians.



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After further discussion, Councilor Hardin moved and Councilor Duron seconded to table Resolution No. 2283 until further study of additional parking options and safety statistics can be obtained and presented. Motion carried unanimously.

<u>Architects</u> City Manager Smith gave information regarding awarding the design contract to Hacker Architects for downtown projects.

After further discussion, Councilor McCarthy moved and Councilor Peterson seconded to adopt Resolution No. 2284 and lay upon the record. Motion carried unanimously.

Resolution No. 2285- - Authorize Alternative Procurement Method (Construction Manager/General Contractor) - Downtown Projects (Public Hearing) - City Manager Smith stated this item was discussed during the Public Hearing.

After further discussion, Councilor Barron moved and Councilor Hardin seconded to adopt Resolution No. 2285 and lay upon the record. Motion carried unanimously.

Authorizes a Lease/Option Agreement with Kayak Public Transit on "Lot 7" at the Airport for the purposes of facilitating construction of a Bus Barn.- Assistant City Manager Morgan gave information regarding authorizing an agreement with Kayak Public Transit to lease approximately 1 acre of light-industrial land located on Airport Way to potentially construct a bus maintenance and storage facility.

After further discussion, Councilor McCarthy moved and Councilor Hardin seconded to approve the lease as presented. Motion carried unanimously.

Renew a Transportation Services Agreement with the Confederated Tribes of the Umatilla Indian Reservation (CTUIR) for the Hermiston HART Bus Route. Assistant City Manager Morgan gave information regarding renewal of the transportation agreement with the Confederated Tribes of the Umatilla Indian Reservation to continue to provide the HART intra-city bus route

After further discussion, Councilor Linton moved and Councilor Duron seconded to renew the Transportation Services Agreement with the Confederated Tribes of the Umatilla Indian Reservation for the Hermiston HART Bus Route. Motion carried unanimously.

May 2023 Financial Report

Councilor McCarthy moved and Councilor Hardin seconded to accept the May 2023 Financial Report as presented by Finance Director Mark Krawczyk. Motion carried unanimously.

Committee Reports

<u>Recreation Projects Fund Advisory Committee</u>- Councilor Barron stated the Committee met, heard presentations from various non-profit organizations, and are recommending awarding various amounts of TRT



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funds to applicants, including the Cinco de Mayo Organization who submitted a late application, for the Council to review and approve.

Council President's Report

Council President Primmer stated for many years the City had placed American flags throughout Hermiston's downtown and other areas during specific times of the year but has not seen that happen this year.

Assistant City Manager Morgan stated the City had previously contracted with Boy Scouts to provide this service but this has changed to the Hermiston High School. He will follow up with the point of contact from the High School for this service.

Council Reports

Councilor Harding asked what the City's plan was for the 4th of July.

City Manager Smith and Councilor McCarthy gave information regarding events at the Aquatic Center, Butte Park, and Firework show.

Councilor Duron thanked the UCFD1 for their efforts to contain the fire on Highway 730.

Councilor Barron thanked Made to Thrive for all they do for people throughout the Community.

Councilor Linton also thanked UCFD1 for their efforts on Highway 730 and all those who participated in the Juneteenth event including Council Myers for her support attending the event.

Youth Advisory Report

Youth Advisor Julissa Gonzalez-Mendoza gave information regarding various activities and volunteer opportunities available for students throughout the community that are involved in school clubs and encouraged youth to participate in these activities for personal growth and development.

City Manager's Report

None given.

Adjourn City Council Meeting

Council President Primmer adjourned the City Council Meeting at 8:35pm as there was no other City business.

HERMISTON

10. 1901

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Doug Primmer, Council President

ATTEST:

Lilly Alarcon-Strong, City Recorder