

**MINUTES OF THE SPECIAL MEETING OF THE  
HAILEY CITY COUNCIL  
HELD TUESDAY, NOVEMBER 29, 2005  
IN THE HAILEY TOWN CENTER MEETING ROOM**

The regular meeting of the Hailey City Council was called to order at 4:00 p.m. by Mayor Susan McBryant. Present were Council members Rick Davis, Martha Burke, Don Keirn, and Carol Brown. Staff present included City Attorney Ned Williamson and City Clerk Heather Dawson.

**MANAGEMENT PARTNERS ANNEXATION STUDY ON CUTTERS**

Williamson said the application for annexation of Cutters had been noticed for public hearing. The city is at the stage, under its annexation ordinance, of hearing the results of a fiscal impact analyses. This study has been prepared by Management Partners, with a report outlining the basis of a recommendation for a fee.

Andy Belknap of Management Partners offered to review the annexation study methodology and fee recommendations. He introduced Tom Gardner, the lead consultant on the project.

Belknap said this is not a development impact fee study. Growth can and should be expected to pay for itself, but under Idaho law that is limited. The approach of this study is conservative and tries to protect the city's interest that annexation will not create a financial burden upon the city. From the standpoint of a builder or developer, the value of annexation is in the capital assets that have been maintained over the years, the service the city is able to provide, and the quality of life in Hailey. Annexation into the city makes life more valuable. A development impact assessment of any kind, particularly in an area of high housing costs, raises the argument that the city is increasing the cost of housing. That cost is market driven, not based on fees. People buy and sell houses based on market forces, and development also is based on market forces.

The study establishes a service population, and conducts a financial impact analyses. The fee methodology assesses a contribution to current assets, a share of future capital, and a share of operating deficiencies.

Tom Gardner said this is not an accounting issue; it is a policy and budgetary issue. We've put numbers together to arrive at a value, and reasonable people can disagree with a piece or part or element of the value. A new annexation will benefit from current assets, and will tax those assets. The city has future capital needs that are unmet. The operating deficit is discussed at two different levels, revenues against expenses each year and programs which don't meet a benchmark. Every area and program is not benchmarked. A chart showed a summary of fee calculations with the Cutter's annexation apportioned out. Three percent (3%) of these needs would be addressed by Cutters through a fee. That fee, however, is a one time payment, and doesn't allow the

city to reach out over 20 to 30 years to keep it going. The calculations are translated into single family and multi-family units, with water and wastewater hookups. The recommended fee derived by the study is \$15,499 per single family and \$13,167 for multifamily unit.

The fiscal analyses shows an ongoing shortfall of revenues to expenses over the last three years. The consultants went as far back as 1997 to determine if this is a consistent pattern, and looked at both audited figures and budget figures. The report includes two tables, a city-wide table and one that represents what the cost per household would be for service levels on the newly annexed area. Benchmark areas include police, building, planning, library, and parks. A new development would use, as part of daily life, its share of the city's 11 million dollars of assets. Future capital plans of the city total 23 million dollars, and are shown by department. The questions as to how an annexation contributes to the future capital problem might be asked. The future capital problem is not caused by the annexation, and the annexation may, in fact, contribute to solving that problem. Operating deficiencies are shown in a more conservative approach by using the financial statements.

The recommended annexation fee is about 2.5% of the current market value for a single family unit. That percentage won't be an influence upon market values. He didn't feel anyone would argue that the fee should be smaller than that, although some might argue that it be greater.

The mayor then asked what type of action is required of the city council. Williamson said this study is one component on an annexation application process, and he viewed this hearing as focused largely on the annexation fee recommendation. The mayor asked the public to make comments upon the study itself, rather than upon the annexation at large.

Keirn asked if the \$625,000 units would be taxed at that full rate. Gardner said there is an assumption that there would be a 50% homeowner's exemption, and the tax is factored with the exemption in mind.

Jim Speck, attorney for the applicants, distributed an email that comments on the aspects and mechanics of the study. The applicants have had lengthy discussions with Management Partners. They have done an extensive, well-thought out job on this project, and he thanked them for their hard work. He said his clients don't agree with all the various points of how the number was derived. However, the number for the market value for units is fair as far as an annexation fee. They concurred with that. There will be some work that needs to be done in terms of a development agreement and credits toward Cutters as part of the annexation. Future capital improvement portions of the study are well described, and the city currently has \$450,000 in reserve, and his client will have contributed toward this fee. The money in the future may need to be raised through some other venues – this property will have already paid and shouldn't be paying twice. The number is nevertheless an acceptable number. The number is more acceptable the quicker we can speed through this process, since time is of the essence.

Brad Bjorsness of 125 South Hiawatha asked if people building within the Cutters Subdivision will be charged a hookup as everyone else. The mayor said they will.

Davis asked if arriving at these figures involved input from city staff. Hellen described how staff has been involved in this study. He said it is fair to say that there was an awful lot of research put into the study. Dawson explained that the study still, however, does not have all of city staff's ideas incorporated into the final figure. For example, there had been an attempt to include the city's land acquisition plan into the future capital plan, but the cost of snow storage areas and some other land costs are not contained within the final figure. The parks capital improvement plan had been revised to current needs by Parks and Lands Board Becki Keefer, but the revised figures were not included because the consultants preferred to use the plan previously reviewed by the city council. She suggested some revisions for accuracy should be forthcoming, which would moderately increase the final figure. She also said it is important to consider these annexation fees, no matter what methodology they are derived from, as one-time annexation fees, discretionary to the council. They should not be used as credits against future development impact fees or any other fee uniformly assessed against properties within the city. The annexation fee is applied prior to property being admitted into the city's boundaries; after such admittance, properties should be subject to the same fees as other properties within the city. Williamson added that if the property is annexed it should be covered under other city ordinances.

McBryant said the council needs to determine what value it will give this document, such as a base line guide for the city council during annexation negotiations. Brown said she came here to think about this one component, not the entire annexation. Based on what she has read, she would be comfortable in accepting this financial component. She did not give credence to Speck's argument about the methodology and future credits. She agreed with what the clerk said and the attorney reinforced. She advised the council to keep in mind not what the annexation will cost Cutters, but what it will benefit them.

Burke said she would like to accept this report in its form. In itself, the report was well done and she understood the methodology. It built upon what the staff has given, and she trusted staff explicitly to give good information.

Keirn was well aware of how much work the staff was putting in to this project, which gave him confidence. The methodology is standard and well done, and he was looking at a financial base line. He saw no reason to go less, and the council can decide where to go with the rest of it. The council needs to make sure its current citizens are protected.

Brown said she had been caught off guard by the reference to multifamily units. McBryant also questioned whether the multifamily units would be affordable. She asked the staff to present any omissions that they are aware of, such as snow storage land acquisition areas. She wanted a listing of that given to the clerk who would distribute the lists to the council.

Williamson said at a future meeting, the city council will have to make findings of fact to approve, conditionally approve, or deny the application.

Belknap said it is important to have a comfort level with the methodology. Burke and Keirn expressed approval of the study methodology. Belknap said his plan has an objective such that staff could keep this updated. Dawson added that the city council will approve changes to the capital improvement plan in the future. Gardner said all the numbers will change, and he preferred to accept addendums rather than redo the entire report. Belknap recommended revisiting the plan once per year as part of the budget process. Keirn said the other 97% is of great interest to the council. Gardner said capital index adjustments could be made annually. There are three components, adopting an annual budget, including within that a capital budget, and discussing during budget deliberations deficiencies and benchmarks. The city should clearly identify where it is under funded. The financial statements are the third component that makes up the model.

There being no further business, the Mayor adjourned the meeting at 5:00 p.m.