

**POLSON CITY COMMISSION WORK SESSION MINUTES
CITY HALL – CITY COMMISSION CHAMBERS
MONDAY, AUGUST 10, 2009, 6:00 P.M.**

ATTENDANCE: City Commissioners: Bruce Agrella, Jim Sohm, Jules Clavadetscher, Mike Lies, Elsa Duford, and Fred Funke present. Mayor Lou Marchello presiding. City Manager Todd Crossett and City Attorney James Raymond present.

Mayor Marchello called the work session to order and the Pledge of Allegiance was recited. Mayor Marchello mentioned that all public comments were welcome, but asked that speakers observe the time limit.

APPROVAL OF PROPOSED AGENDA: Commissioner Sohm moved to approve the agenda as proposed, seconded by Commissioner Agrella. The motion carried unanimously.

PROPOSED TOURIST SURCHARGE – DISCUSSION: City Manager Crossett explained that the purpose of the work session was to see how, or if, the surcharge would work for Polson. There were major decision points to discuss, to be on the ballot this November they would need to pass a resolution by the ballot deadline at the end of August. However, they would have until November to work on it with public meetings and he would be available to give presentations. He would also be meeting with the Tribe to discuss the matter. He led the audience in discussion.

Russell Stone expressed that he was for the tax, but he had questions on what would be taxed and how it would be enforced. City Manager Crossett replied that an option would be to base the charge on residency. Luxury items and services would be taxed, building material and necessities would not be included. The businesses that charged it would receive a percentage for an administrative fee, and it would be up to the City to conduct audits of the revenue. Russell Stone wondered what the money would be used for. City Manager Crossed replied that a minimum of 5% of the revenue would have to go to property tax relief, and they would likely use the other funds for infrastructure, making the City more attractive and increase the quality of life for the residents. He noted that the sample resolution was from Whitefish and it was only to be used as an example, they would be shaping to be Polson's own.

Mark Evertz was concerned that organizations, like youth baseball, would be paying a resort tax. Geri Browning added that they have many street festivals in Polson. City Manager Crossett clarified that non-profit organizations would be exempt. Dick Blumberg felt the tax would kill the street festivals and mentioned the farmers market. City Manager Crossett noted that groceries would not be taxed. They would need to devise enforcement mechanisms, so they would be looking to other cities examples. The law states that the tax could be a maximum of 3%. They could start lower, and if successful, raise it when it was back on the ballot. Other cities he had spoken with were all at 3%.

Commissioner Clavadetscher felt the difference between 2% & 3% was not so significant. He would go for 3% based on the other cities experience.

Greg Hertz asked what the projected revenue would be. City Manager Crossett replied that Whitefish had earned close to 3 million the previous year, but Polson would be significantly lower. He pointed out that even if they only raised \$10,000, which was a significant amount of money. And whatever they raised, they could possibly match with a grant.

Dick Blumberg advocated that Polson was not Whitefish. He felt that more research was necessary before putting the vote on the ballot. Mark Evertz felt resort tax was a huge deterrent, citing that he would not stop in Whitefish to purchase anything. Commissioner Clavadetscher felt Polson had the advantage of being more isolated than Whitefish. Berle Tiskus mentioned that she noticed many of the tourists that come to Polson are from out of state, and they are used to paying sales and local option taxes. Commissioner Duford expressed that it was difficult to compare Polson to the areas that have resort tax in Montana. Commissioner Sohm felt that Polson benefited from the other cities experience.

City Manager Crossett polled the audience and Commission to see what percentage would go to property tax relief, and how long of a period before the tax would sunset. The majority felt that it should be in place 5-10 years before it would go back on the ballot, and that at least 20% of the revenue be put towards property tax relief. Geri Browning suggested that they put the minimum towards property tax, and fix the roads and sidewalks. Don Clements pointed out that to sell it to the voters they would need more towards tax relief. It was noted that Tribal members would be exempt from the tax regardless, but they would have to provide a tribal ID. The matter of whether to exclude Polson or County residents was raised. Geri Browning suggested that anyone with 'Polson' listed as their residence on the driver's license be exempt. She thought that would make it easier for the businesses charging the tax. Commissioner Clavadetscher noted that many County residents use City services. Greg Hertz felt that exempting the entire County would make it difficult for the retailers. Mark Evertz expressed that it was not fair to the senior citizens; he felt it was penalizing them for where they lived. City Manager Crossett pointed out that in many of the cities that have resort tax, all residents pay. Karen McMullen felt they should not add any exemptions, aside from Tribal citizens, which are exempt by Montana law. Commissioner Lies advised that they did not know if the Tribe would collect. City Manager Crossett noted that he was in discussion with the Tribe, but if they are not on board the resort tax would probably not succeed. The majority of the audience and Commission agreed that there should be no exemptions, except for those mandated by law.

City Manager Crossett explained that they would need to review the list of taxable items, and decide what would work, and what wouldn't in Polson. The final ordinance would have to be agreed upon, and they needed input. He also wanted to know where the money should be used. Commissioners Agrella and Clavadetscher felt the streets were the highest priorities. Karen McMullen questioned how they would decide which streets

would be improved. City Manager Crossett suggested forming a committee with a strategic plan for the work. Dick Blumberg expressed that they were moving to quickly and making decisions without adequate knowledge. Gil Mangels was very concerned about the tax, adding that many people don't like Whitefish. The majority was in favor of improving the streets with the revenue. The majority was also in favor of providing 20% of the revenue for property tax relief.

Commissioner Clavadetscher suggested that they only spend the previous year's revenue if the resort tax goes into place, that way they cannot spend more than they've received. Geri Browning suggested that they have a class for the businesses that would be affected. Mayor Marchello felt they should not have a seasonal tax; it should be in effect all year. Gil Mangels commented that several businesses were on record against the tax, and administration costs were too high. Commissioner Duford felt that a 12-month tax was a sales tax because they were not a resort community in the winter. She added that she felt they were moving to quickly without enough information. Mayor Marchello pointed out that they had been working on getting resort community status for over a year, and they had been researching it for the last several. The upcoming census may put Polson's population over 5,500. He felt that this was their opportunity.

The meeting adjourned at 8:23 p.m.

Mayor Lou Marchello

Attest: Kala Parker, Assistant City Clerk