

CITY OF POLSON COMMISSION PUBLIC HEARING AGENDA

Link to meeting: <https://zoom.us/j/92973812879>-- OR --
dial in by phone: 253-215-8782, meeting ID: 929-7381-2879

Via Zoom August 24, 2020 7:15 P.M.

1. CALL TO ORDER

Mayor Briney

2. PLEDGE OF ALLEGIANCE

Mayor Briney

3. APPROVAL OF PROPOSED AGENDA

Mayor Briney

4. PUBLIC COMMENT ON SIGNIFICANT MATTERS TO THE PUBLIC **NOT ON THE AGENDA (address items to the Chair. Commission takes no action on items discussed)**

NEW BUSINESS

5. RESORT TAX PRESENTATION

City Planner Kyle Roberts

6. PUBLIC Q&A ONLY (TO HELP UNDERSTANDING OF THE RESORT TAX)

7. OPEN PUBLIC HEARING

Mayor Briney

8. PUBLIC COMMENTS

9. CLOSE PUBLIC HEARING

Mayor Briney

10. ADJOURN

The City of Polson encourages public participation in its public meetings and hearings. In doing so the City holds its meetings in handicapped accessible facilities. Any persons desiring accommodations for a handicapping condition should call the City Clerk at 883-8203 for more information.

*The Polson City Commission is holding a virtual meeting as part of the City of Polson's COVID-19 transmission mitigation efforts.

City of Polson
Economic Development Council

Resort Tax Informational Presentation

August 24, 2020

Polson Economic Development Council

Advisory Board to the City Commission

Members:

Rich Forbis, Chair

Gerry Browning, Vice Chair

Becky Dupuis

Brian Cannavaro

Mandy Smith

Kirk Foreman

Bob Martin, City Commission representative

Cindy Dooley, Staff representative

Kyle Roberts, Staff representative





Tonight's Presentation

To the Polson City Commission

1. Provide information on City needs
2. Provide information on the Resort Tax
3. Present Proposal
4. Questions



What is the City's #1 Challenge?

It's all about the Streets!



This was also the Heart & Soul project's #1 governance value concern that came from the neighborhood meetings.



Main Street
Streetscape project
funded by CTEP,
Sidewalk loan fund,
SID and Tax
Increment funding

Current Street Department Funding

- **General Fund (tax dollars) operating expenditures have averaged \$217,095 per year over the last 4 years**
 - **Pays personnel costs**
 - **Pays administrative and operating costs for the department**
 - **Pays utilities, repairs and maintenance**
 - **Pays additional winter costs of snow removal**

Fuel Tax allocation revenue – City receives an average of \$100,785 per year (15-70-101 MCA)

- **Can be used for construction, reconstruction, maintenance and repair of the City's streets and equipment used to maintain the streets**
- **Currently this allocation is just enough each year to snow plow and de-ice the streets, durapatch the potholes, stripe the streets, pay for small paving jobs and set aside some money for future equipment purchases, down payments or debt service**

Special Fuel Tax allocation

- **City started receiving in FY19. Money received is for street maintenance and requires a match from City's budget**



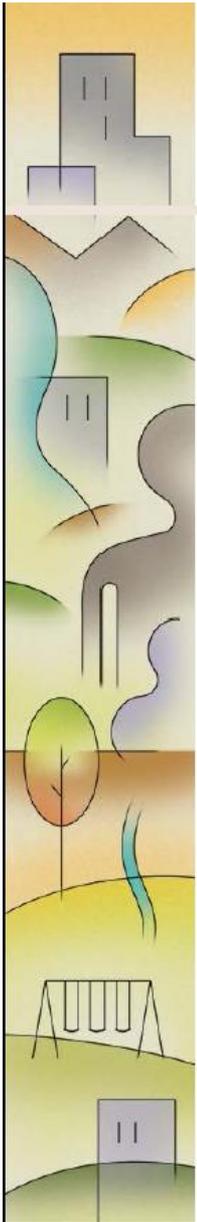
How much does a reconstructed street cost?

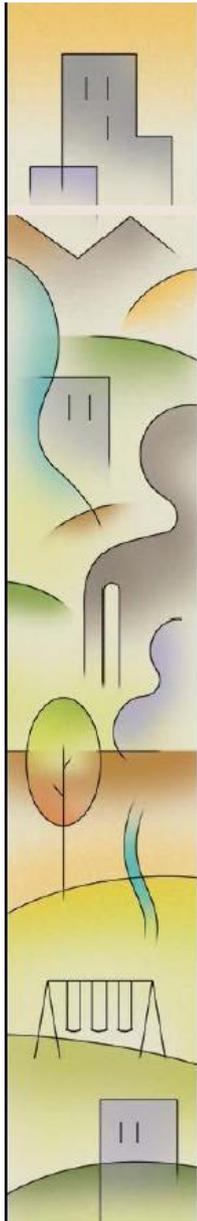
- To rebuild one block of street it costs about \$335,000 including curb, sidewalk, storm drain, asphalt and engineering fees.
- Costs are rising every year
- The current City street department budget does not have enough funding for reconstruction!



What are the options for funding streets?

- Do nothing and allow the streets to disintegrate
 - However, survey results have shown that streets are the #1 concern for citizens
- Raise city taxes through a special levy (requires vote)
 - Only city taxpayers will pay for the street reconstruction and maintenance but others will drive on the street
- Implement SIDs (special improvement districts) on a street-by-street or defined area of streets for street reconstruction
 - Only property owners adjacent to the street will pay the SID but others will drive on the street
- Street Maintenance Districts
 - Property owners adjacent to the street are assessed to maintain the streets for chip sealing, seal coating, overlay, etc.
- Look for other sources of revenue
 - Grant funding is virtually nil for street reconstruction
 - 2 cent gas tax option (requires vote)
 - Montana resort tax option (requires vote)





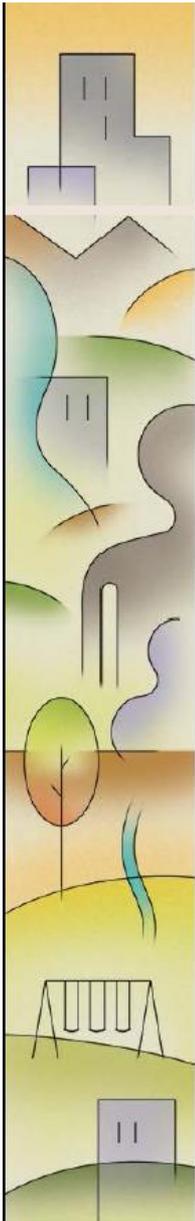
Why does resort tax exist in Montana?

“Resort taxes serve the function of creating a funding source for designated resort areas to finance a variety of services.”

“It allows communities with high numbers of visitors, but relatively few residents, to manage the wear-and-tear on **local infrastructure** without overburdening **local citizens.**”

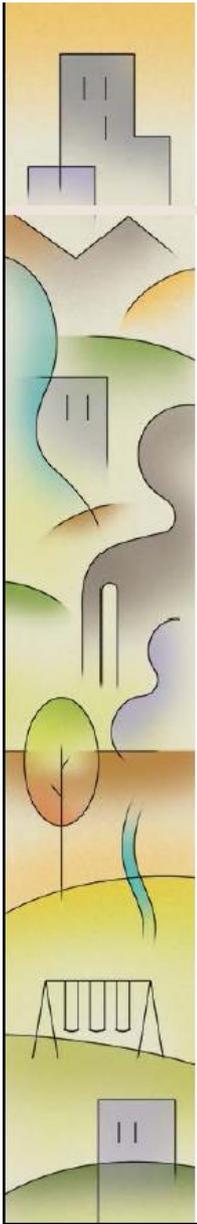
~Northern Rocky Mountain RC&D (Resource, Conservation & Development)

Montana's Resort Tax Areas and Communities



	Year Enacted:	2010 Census	Tax Rate:	Collection period:	FY 2015 Revenue
West Yellowstone	1986	1,271	3%	Year round	\$1,710,600
Virginia City¹	1991	190	3%	April 1-Oct 1	\$65,000
Big Sky	1992	2308	3%	Year round	\$4,104,636
St. Regis	1992	319	3%	Year round	~\$190,000
Whitefish	1996	6,357	3% (2% prior to July 1, 2015)	Year round	\$2,205,563
Red Lodge	1998	2,125	3%	Year round	~\$700,000
Cooke City	2006	75	3%	Year round	~\$150,000
Craig	2010	43	3%	April 1-Nov 15	\$120,406
Gardiner	2014	875	3%	June 1-Sept 30	~\$350,000
Wolf Creek	2014	510 (635 in zip code)	3%	April 1-Nov 15	\$25,338

Columbia Falls 2021 4,688 3% Year round \$450,000 (projected)



Paving projects in West Yellowstone
Public Hearing Resort Tax Agenda Packet Page #11

Montana Resort Tax Law

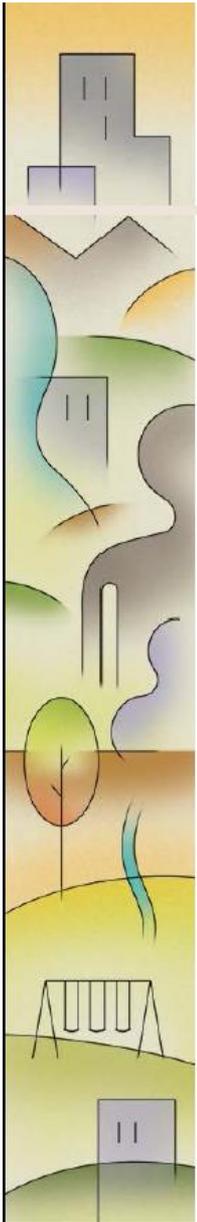
MCA – Title 7, Chapter 6, Part 15

A resort community is defined as:

- an incorporated city with a population of less than 5,500 according to the most recent federal census
- derives the primary portion of its economic well being from employment related to the recreational and personal needs of persons traveling to or through the municipality
- has been designated by the department of commerce (DOC) as a resort community

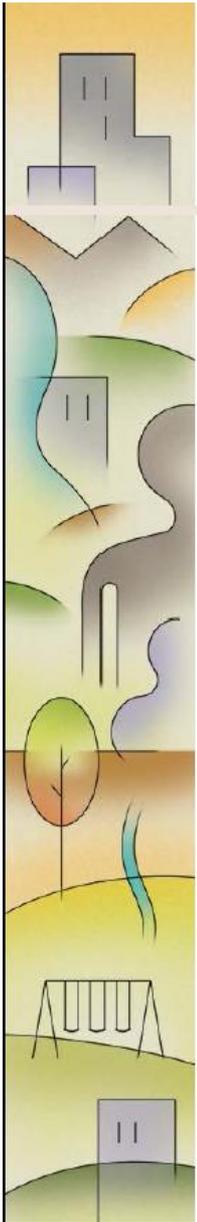
The city of Polson meets these requirements:

- Census estimate population at 2019 is 5,060
- Has tourist related employment as the primary source of economic well being based on DOC analysis
- Received resort community designation on March 20, 2009 and was reaffirmed by DOC on May 21, 2015



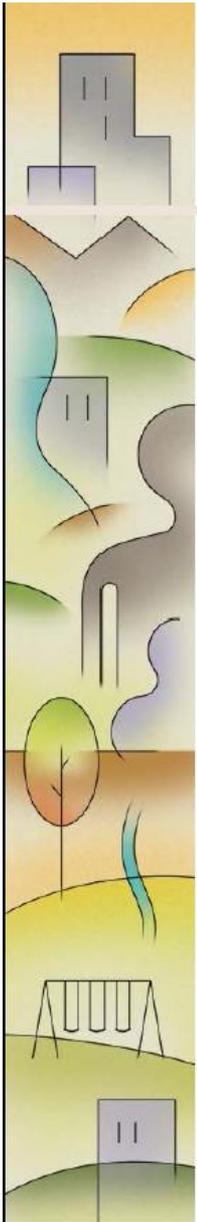
History of Resort Tax in Polson

- A resort tax measure was presented to the City of Polson electorate on November 3, 2009, following several meetings and a public hearing. The measure was presented as a 3% tax for a ten year term, payable by non-exempt persons for use by the City for funding any activity, undertaking or administrative service that the municipality is authorized by law to perform.
- The measure was defeated by a vote of 186 For and 956 Against
- The City paid for a Resort Tax Community Assessment that was completed in June, 2014 that reviewed the cities and districts that currently have a resort tax and their issues faced in getting the tax approved and the implementation challenges and successes since approval. This study is available on the City's website under the [Economic Development Council page](#).
- The EDC reviewed the study and began formulating a renewed presentation on the resort tax in May 2015 as a source of funding for street reconstruction.
- A proposed resort tax ballot measure was presented to the City Commission on August 1, 2016, which failed on a 5-1 vote
- In 2018, a largely-new City Commission identified the resort tax as a priority in the 2018-2021 City Strategic Plan



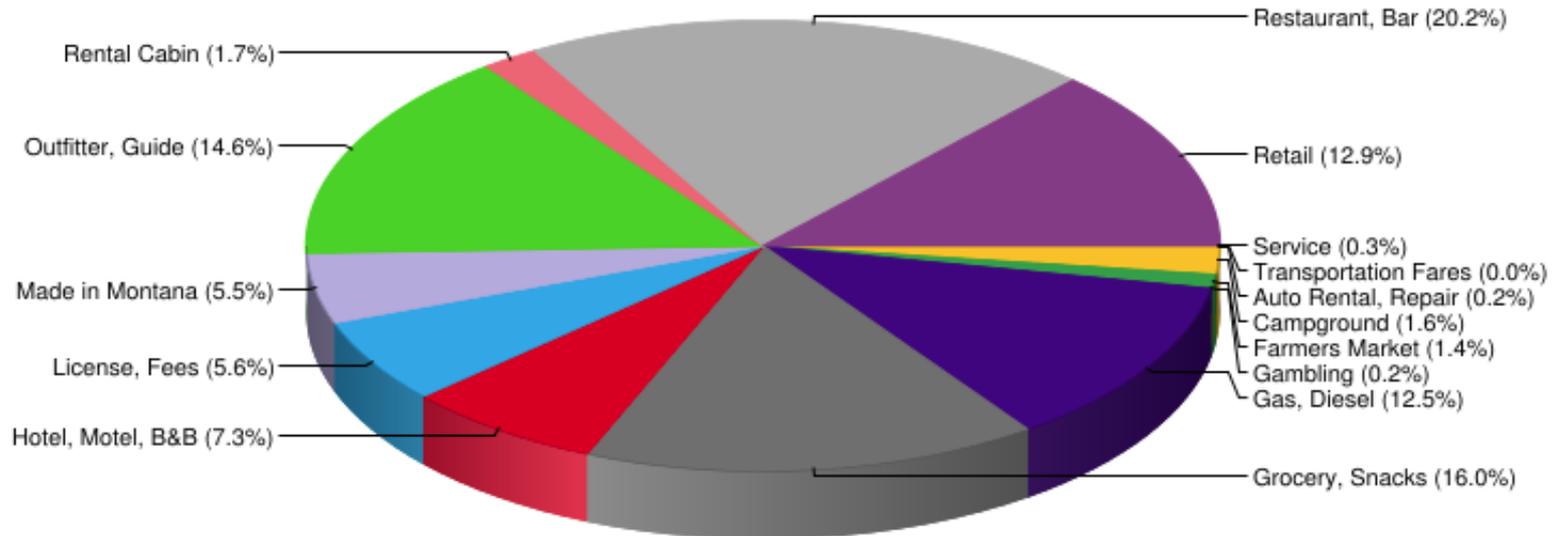
Is Polson a Resort Community?

- Based on the Montana Department of Commerce qualification, Polson sees the most economic benefit from tourist related activity.
- FY2019 Lake County Bed Tax Collections were \$355,002 (4% of the lodging rate) (KwaTaqNuk does not collect the bed tax). The bed tax increased 18% over the FY2018 collections. Since 2011 there has been a 124% increase in bed tax collections for Lake County. Lodging facilities would be subject to a 3% resort tax.
- The biggest expenditures for tourists are restaurants, groceries, outfitters/guides and retail in that order; restaurants and retail would be subject to a 3% resort tax.
- A 2018 report from the University of Montana Institute for Tourism and Recreation Research reported that nonresident traveler spending was \$30,302,000 for Lake County in 2018.



Travelers Expenditures – Lake Co.

2018 Nonresident Expenditures % for Lake County: \$30,302,000



*Data Source: Institute for Tourism and Recreation Research

Top 5:

1. Restaurant/Bar	\$6,128,000	20.2%
2. Grocery & Snack	\$4,855,000	16.0%
3. Outfitter, Guide	\$4,422,000	14.6%
4. Retail	\$3,911,000	12.9%
5. Gas, Diesel	\$3,775,000	12.5%

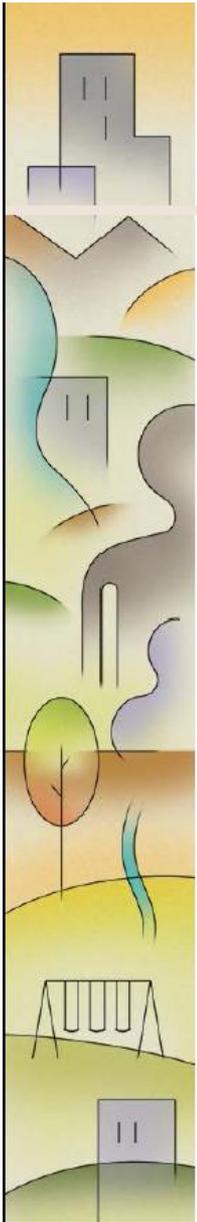
What Items are Taxed by State Law?

The retail value of **all** goods and services sold, except for goods and services sold for resale, by the following establishments:

- Hotels, motels, and other lodging or camping facilities
- Restaurants, fast food stores, and other food service establishments
- Taverns, bars, night clubs, lounges, and other public establishments that serve beer, wine, liquor, or other alcoholic beverages by the drink
- Destination ski resorts or other destination recreational facilities.

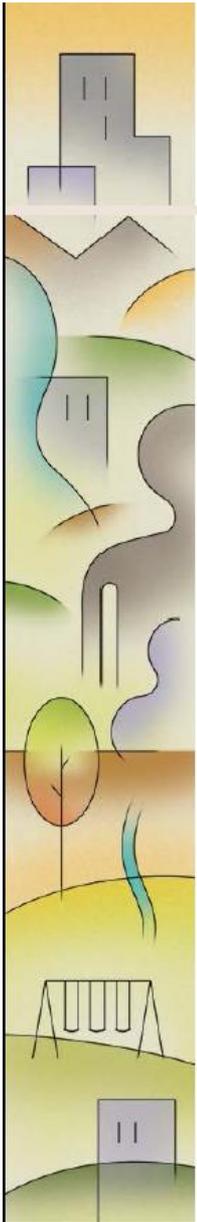


The retail value of luxury items (items defined by the resort community) by establishments that sell those items



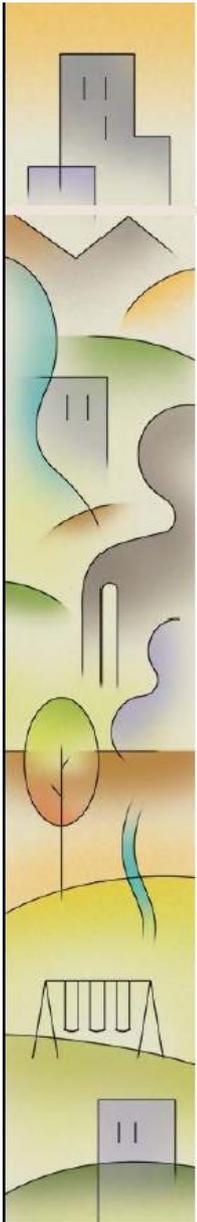
What other establishments would typically collect the tax on luxury items?

- Retail establishments and street vendors selling any luxury item
- Fraternal Organizations if space is rented or used by the public and nonmembers
- Movie and Live Theaters
- Non-profit organizations unless activity is 100% for fund-raising
- Supermarkets/grocery stores selling any luxury item



What are luxury items?

“Luxuries” – are defined by the MCA code as any gift item, luxury item, or other item normally sold to the public or to transient visitors or tourists. It does not include food purchased unprepared or unserved, medicine, medical supplies and services, appliances, hardware supplies and tools, or any necessities of life.



The EDC's suggested luxury items

Attractions:

- Arcades
- Bowling
- Concerts
- Golf
- Movies and Live Theater
- Rodeos
- Gate admissions and concessions

Rentals:

- Autos, trucks, trailers, RVs, etc.
- Conference, convention or event rooms
- Pavilions and park shelters
- Marina boat slips
- Party and tent rentals
- Golf, ski and sports equipment
- Motorcycles, bicycles, ATVs, etc.
- Movie videos and games
- Boats, jet skis, etc.

Services:

- Guides and outfitters:
 - Hunting, fishing, rafting, horseback rides, etc.
- Wedding and event planners
- Catering services

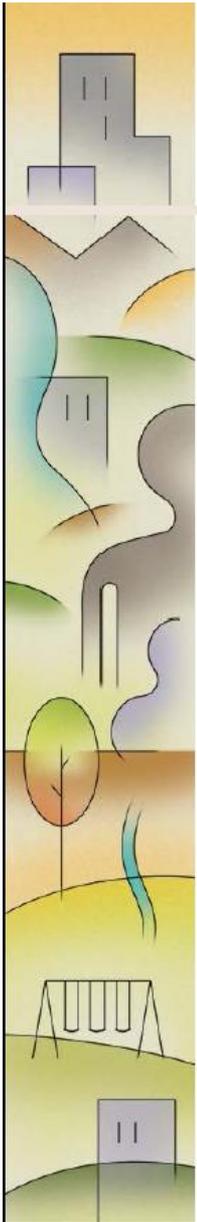
Retail Sales of the following:

- Batteries and film
- Cameras and supplies
- Books, including used books
- Candles
- Clothing limited to logo wear, recreational clothing, gear and accessories that have been screen printed, embroidered, or otherwise imprinted with designs depicting or containing words such as Montana, Polson, Flathead Lake or any combination thereof
- Curios, decorative boxes and vases
- Cut flowers and floral arrangements
- Artificial flowers, trees and plants
- Finished craft items, including items sold at craft fairs
- Fireworks
- Gifts, gift tags, gift boxes and wrapping paper
- Jewelry and artwork
- Magazines and greeting cards
- Makeup and supplies, tanning lotions
- Motorcycles, boats, jet skis, etc.
- Perfume, cologne
- Pictures and picture frames, posters, etc
- Records, tapes, CDs, videos, DVDs
- Secondhand items, antiques, pawn shop items
- Souvenirs, imprinted and gift items
- Sporting goods including used and consignment
- Tobacco, tobacco products, e-cigarettes and delivery systems
- Toys

- Food delivery charges, but not tips
- Chips, nuts and seeds, granola bars, jerky
- Foodstuffs intended for immediate human consumption
- Soda pop, gum and candy
- Vending machine items
- Alcoholic beverages sold by the drink or at retail

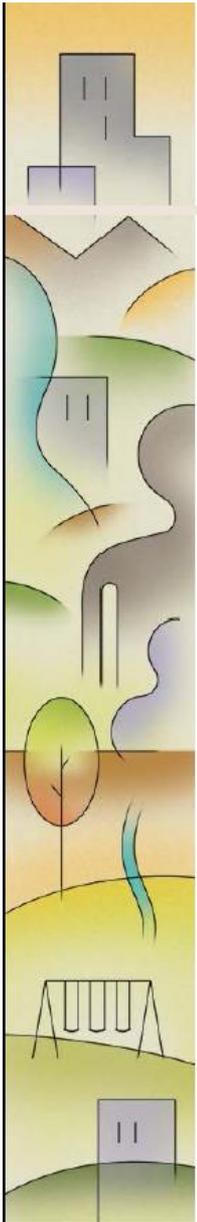
Options for the Tax

- Flexible Rate: 0% to 3% - **EDC suggesting 3%**
- Year-round or Seasonal? – EDC suggesting **Year-round** collection
- Sunset provision: Standard term is 20 years – EDC suggesting **20 years**
- One **Special Revenue Fund** of the City for all collections and disbursements of the tax (revenue would not be placed in the General Fund)
- City of Polson would collect and disburse all funds
- EDC would advise City Commission on spending funds



What about Tribal Exemptions?

- Tribal enterprises on the reservation are not required to collect state or local taxes such as a bed tax or resort tax.
- Enrolled tribal members of the Confederated Salish and Kootenai tribes are not required to pay state and local employment taxes, excise taxes or property taxes (for property in trust or owned by the CSKT) while living and working on the Flathead Indian Reservation.
- Enrolled tribal members do pay the state gasoline tax but the State of Montana has an agreement to share the gasoline tax with the CSKT government.
- Enrolled tribal members would be required to show identification to be exempt from the resort tax similar to the former requirements in the state of Washington for Montana residents requesting exemption from Washington sales tax
- Merchants would retain signed documentation for the exempt sale
- It would **not** be the merchant's responsibility to identify tribal members exempt from the tax – this is the tribal member's responsibility.



Proposed Spending Allocation

- 3% would be retained by the vendor to offset costs of implementation and collection
- The remaining balance of the tax would be allocated as follows*:
 - 17% to property tax relief in the form of a rebate on property tax bills for city of Polson residents
 - 80% to street reconstruction and preservation including sidewalk, curb, gutter and storm drainage
 - 3% to the City to offset administrative costs of the tax
- **Monitoring spending**
 - The EDC or an appointed board would monitor the use of Resort Tax proceeds to assure compliance with the voter-approved Resort Tax Ordinance
 - The EDC would advise the City Commission on matters pertinent to approval or denial of street projects or expenditures. Ultimate decision would be reserved for the City Commission

*This is 100% of the 97% that the City would receive



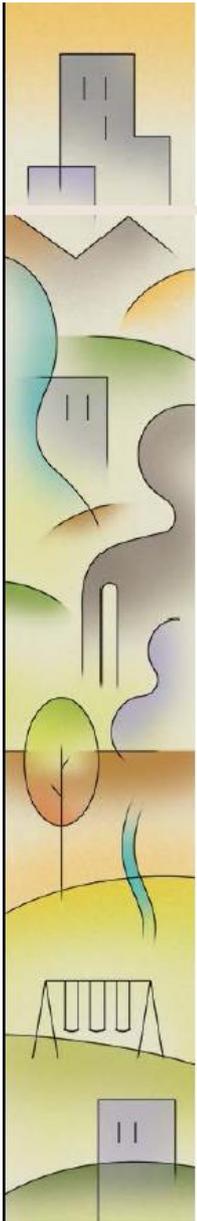
Implementing the Tax

How would the tax be collected?

- The tax would be collected by any establishment named in the MCA selling any good or service or by any merchant/vendor selling a product deemed as a luxury item within the city limits
- The tax would be collectible on purchases made beginning July 1, 2021 and continuing year-round
- Forms would be supplied to the vendor for payment calculation and exempt sales documentation and payments would be remitted monthly by the 15th of the following month to the city of Polson **OR remit quarterly?**

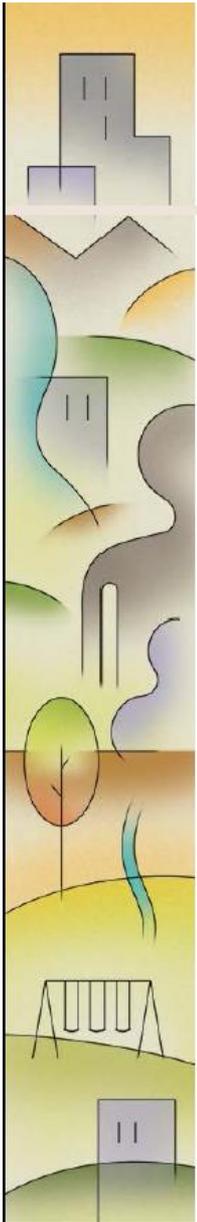
Who would pay the tax?

- Any non-exempt person purchasing an item that has been deemed a luxury item or goods and services purchased from establishments listed in the MCA and the Resort Tax Ordinance



Are Resort Tax Collections Public Information?

- Privacy is legally required to be maintained by the administrator collecting the tax
- Individual information on a vendor is never public information
- The City may distribute information on an aggregate basis by business type
- The City would contract with a licensed auditor to randomly audit 5 to 10 businesses each year for compliance



How is the Resort Tax Collected?

The Resort Tax is collected at the register and should never be included on the price tags of items.



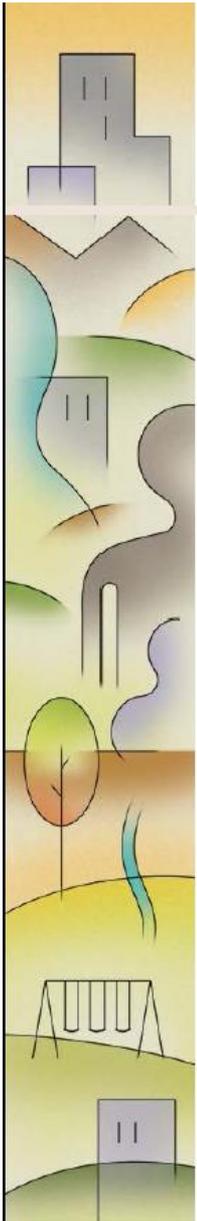
If an item costs \$15.00 the vendor will collect \$15.00 for the item and charge 45 cents extra in tax at the register. A vendor can also choose to absorb the tax (not collect extra from the customer) and then remit based on their gross taxable sales

Sample tax amounts:

\$5.00 item: tax would be 15 cents

\$50.00 item: tax would be \$1.50

\$75.00 item: tax would be \$2.25



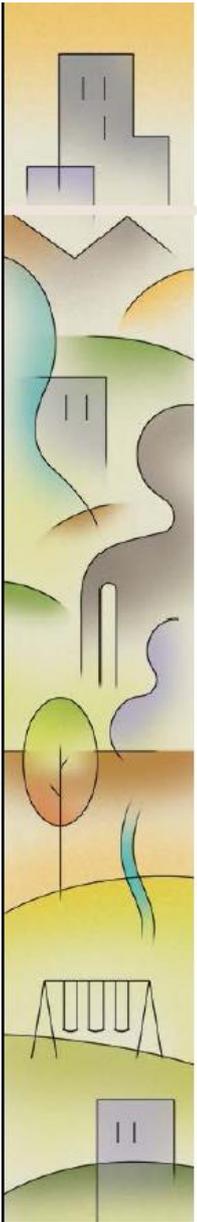
Some Resort Tax Pros and Cons

PROS

- Improve Polson's appearance with beautiful streets and sidewalks
- Capture tourist dollars that are going untapped
- Provide property tax relief

CONS

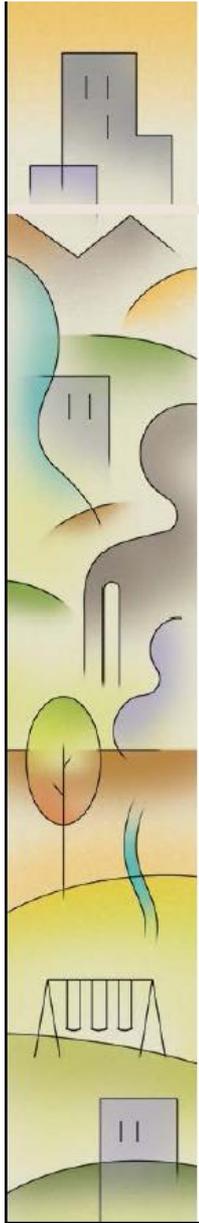
- Merchant Concerns:
 - Business may decrease
 - Sale issues if not using POS system
 - Bookkeeping issues
 - Similar business outside city won't collect tax
 - Tribal exemption
 - Audit concerns
- Public Concerns:
 - Local citizens may pay majority of the tax
 - Tribal exemption
 - It's a tax



What are the steps to implementation of a resort tax?

- ✓ Be designated as a resort tax community
- ✓ Population under 5,500 as of last federal census
- ✓ Hold Public Meetings to inform public about the resort tax
 - ✓ EDC meetings with guest speakers
 - ✓ Presentations to business and civic organizations ongoing
- ○ Submit recommendation to the City Commission to place the resort tax measure on the ballot
 - Presentation by EDC to the City Commission
- Submit measure to the voters at a special election
 - EDC would recommend a special election ballot measure for January or February 2021 (ballot measure would be submitted no later than 85 days prior to special election)
 - Continue information meetings, advertisement, brochures, etc. to educate
- If the resort tax is passed:
 - City Commission would pass a Resort Tax Ordinance to establish the law
 - City would work with vendors to establish collection methods
 - Collection would begin in July 2021





Economic Development Council Proposal to City Commission

Place referendum ballot measure on a special election ballot in
January or February 2021:

- The ballot measure would ask the question of implementing a resort tax in the city limits of Polson:
 - City Commission would pass a Resolution placing the measure on the ballot (must be submitted to the Election Office no later than 85 days before the special election)
 - City Commission would pass a Resolution of Intent indicating the establishments and luxury items that would be taxed
 - City Commission would hold public information meetings, advertise and have brochures and other information available to educate the public

Sample Ballot Language for Resort Tax

BALLOT ISSUE

To reduce municipal property taxes; and
To impose a resort tax in Polson of 3% on:

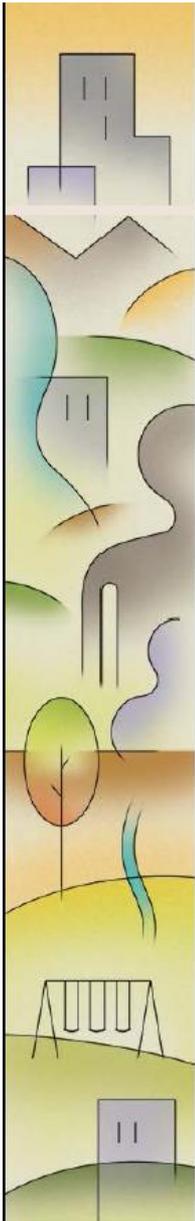
The retail value of all goods and services sold by lodging and camping facilities; restaurants, fast food stores, and other food service establishments; all public establishments serving alcoholic beverages by the drink; destination recreational facilities; and luxuries sold by other establishments.

The tax will take effect July 1, 2021, for 12 months a year for 20 years, and must be used as follows:

- 17% property tax relief;
- 80% reconstruction and/or preservation of existing streets, storm sewers, sidewalks, curbs, gutters; and
- 3% administrative costs.

_____ FOR the resort tax

_____ AGAINST the resort tax



Comparison of Resort Tax and Street Levy Ballot Measures

RESORT TAX

- Referendum ballot measure
- Primarily for street reconstruction and preservation
- Tax is on purchase of goods and services
- Collected by vendors
- Tax paid by tourists and local citizens
- Provides property tax relief

STREET LEVY

- Referendum ballot measure
- Only for street reconstruction and preservation
- Tax is on real estate property in Polson
- Collected by County on property tax bill
- Tax paid only by property owners
- No property tax relief

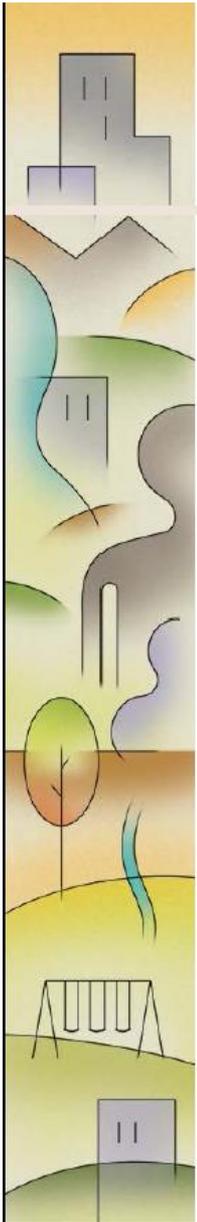
**It's all about
finding funding for streets
with the least impact
to our Citizens!**



More Information

The Economic Development Council members can be reached by contacting staff representatives: Cindy Dooley, 883-8204, finance@cityofpolson.com, or Kyle Roberts, 883-8213, cityplanner@cityofpolson.com

QUESTIONS???



Re: resort tax

To whom it may concern:

We would like to voice our opposition to the proposed resort tax.

Sincerely,

David & Dee Sample
Dee Sample

David and Dee Sample

34174 Camden Ln.

Polson, MT 59860

887-2594