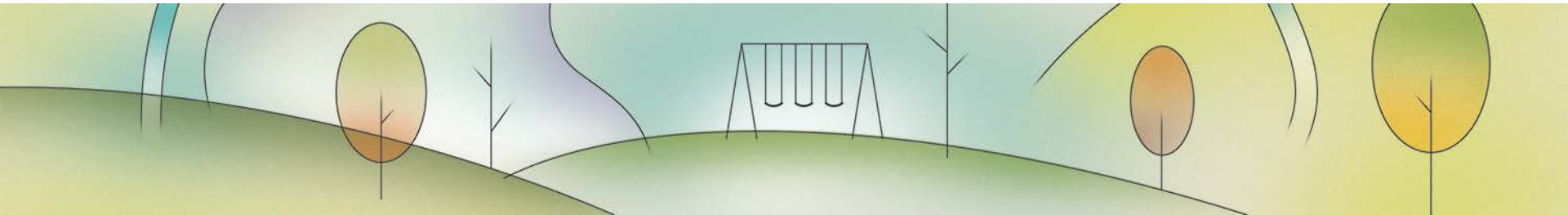
HASKILL BASIN

Working to Protect the Water Supply of the City of Whitefish

City of Whitefish

THE TRUST for PUBLIC LAND



Project Partners

F.H. Stoltze
Land & Lumber

City of Whitefish

MONTANA
FWP

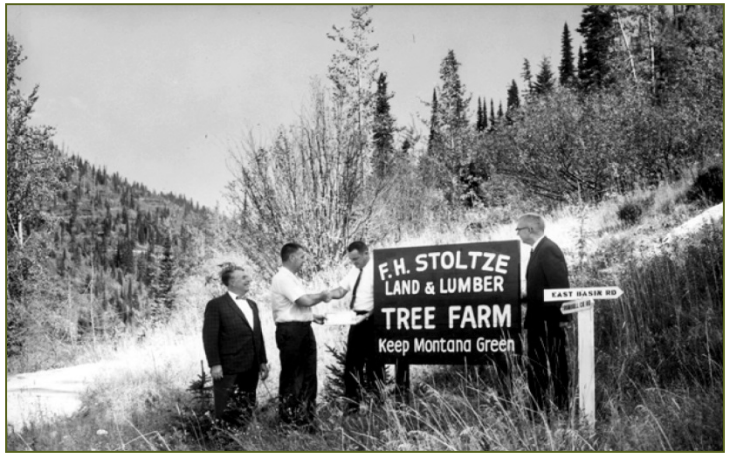
THE TRUST for PUBLIC LAND
CONSERVING LAND FOR PEOPLE

F.H. Stoltze Land and Lumber Co.

Oldest continuously operated integrated wood products company in Montana.

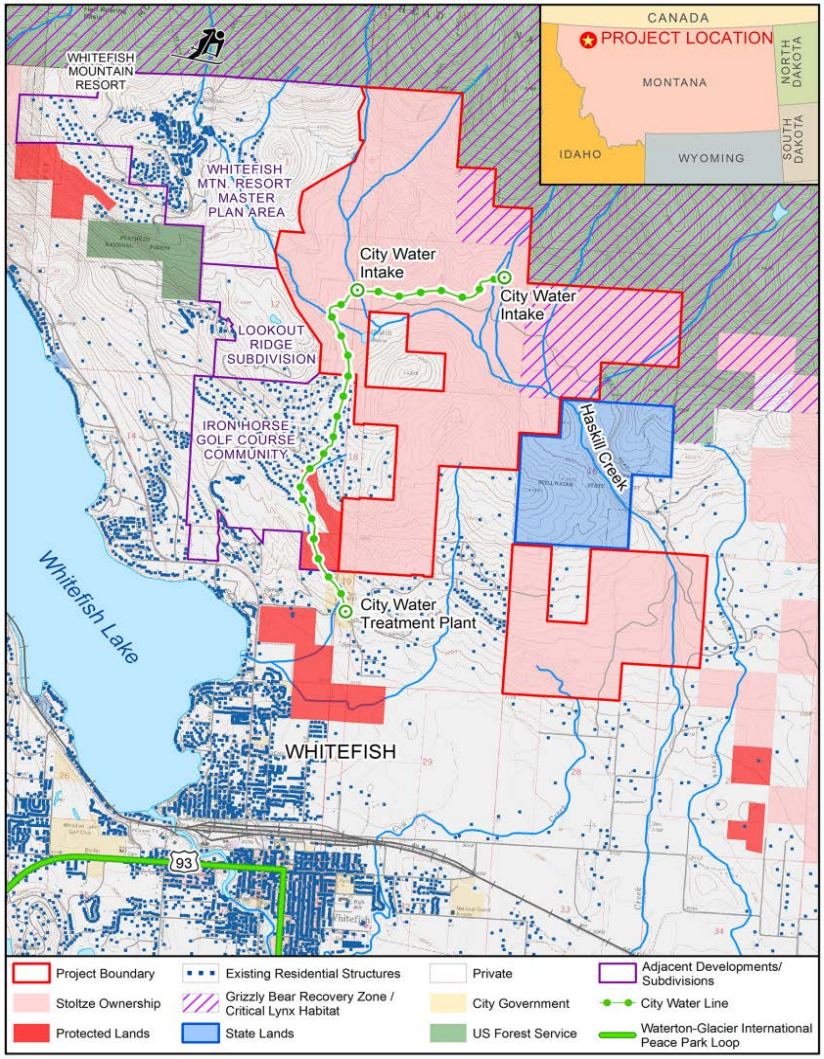
100% family owned.

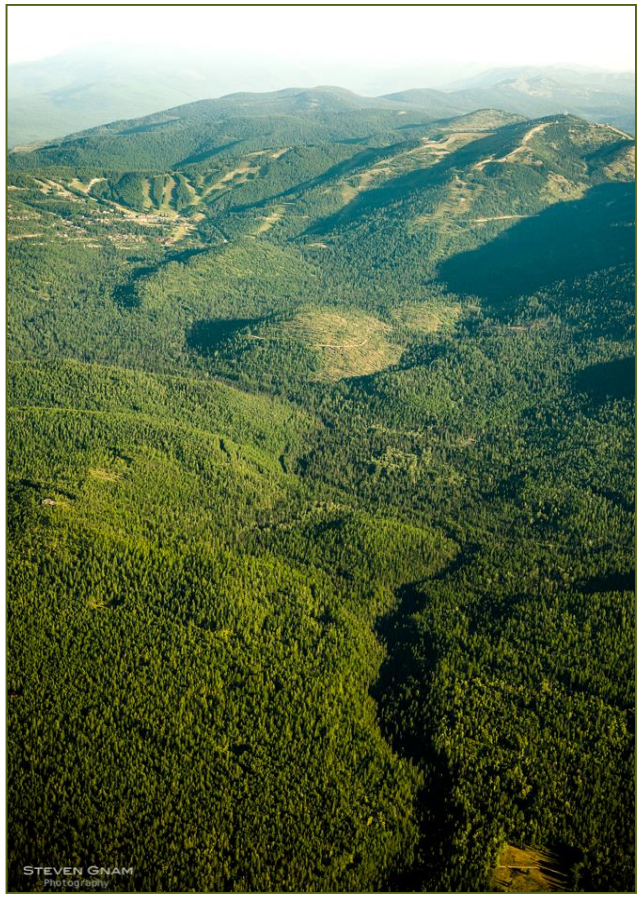
Owns and manages almost 40,000 acres of commercial timberland in the greater Flathead Valley area.



Employs roughly 120 full-time workers at its Columbia Falls mill, which produces more than 70 MBF of dimensional lumber every year.

Located in the City's Backyard





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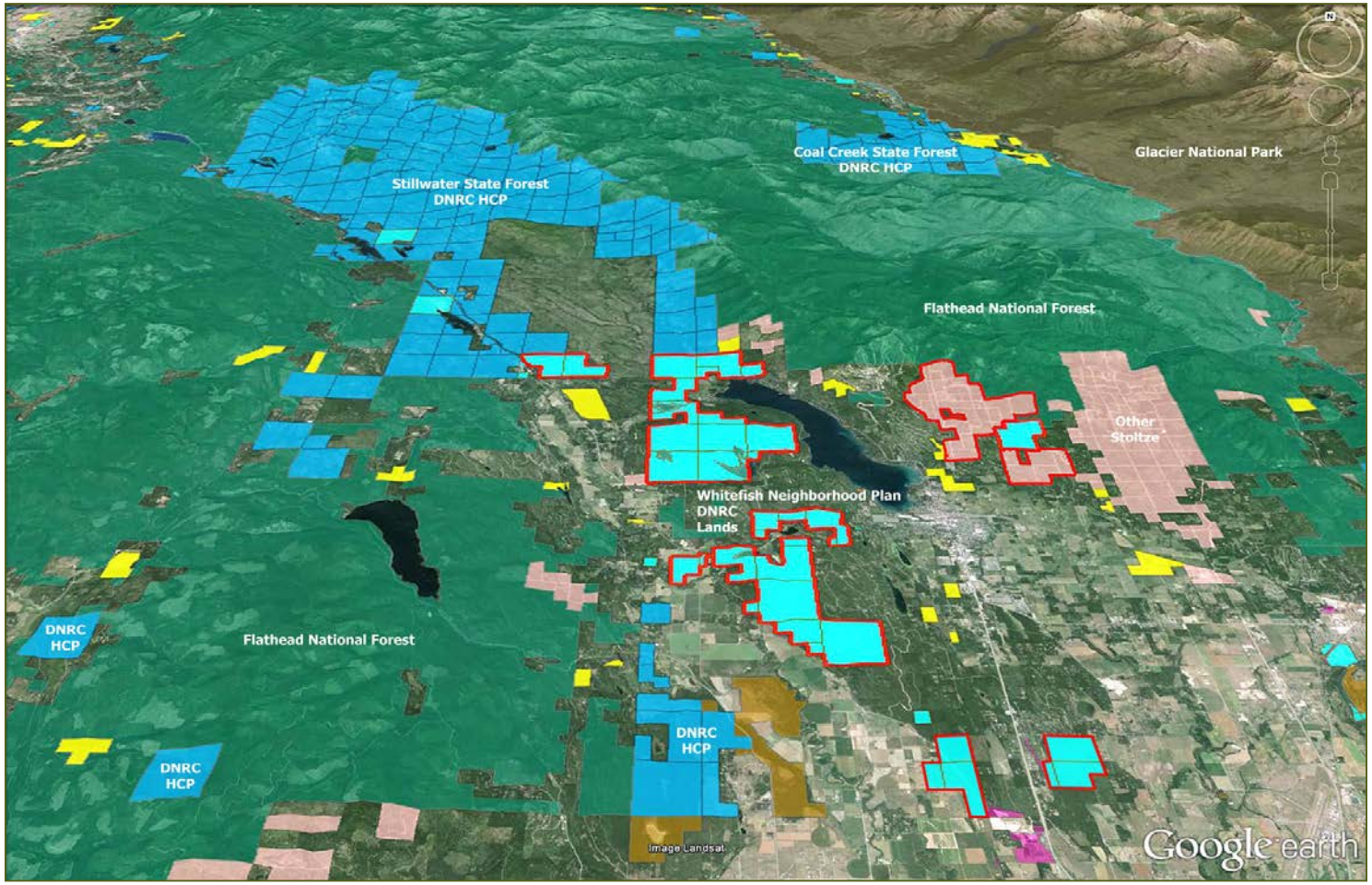
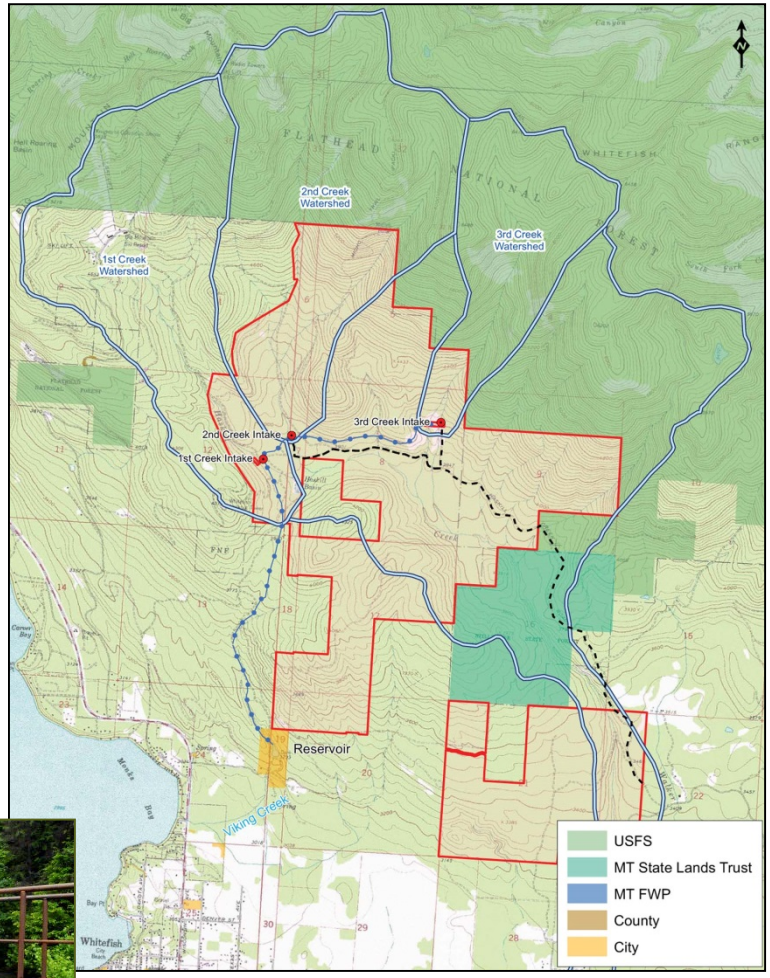
Part of a Larger Picture

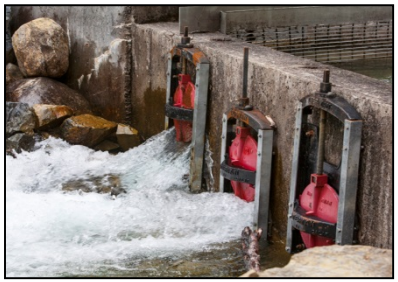


Important Community Water Supply Values

The City of Whitefish gets more than 75% of its municipal water supply from the property.

Yet… despite owning the water, the city has limited legal rights to access the property, pipe water down from it or maintain the existing diversion structures.





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What the City Does Not Have Rites to…

Despite owning the “wet” water rites…..

- ✓ No legal easement for the water lines between 1st, 2nd and 3rd Creeks
- ✓ No easement to maintain the diversion structure on Second Creek
- ✓ The intake on Third Creek is not owned by the City of Whitefish
- ✓ No easement of record giving the City legal access through any of Stoltze lands

Second and Third Creek Intakes….

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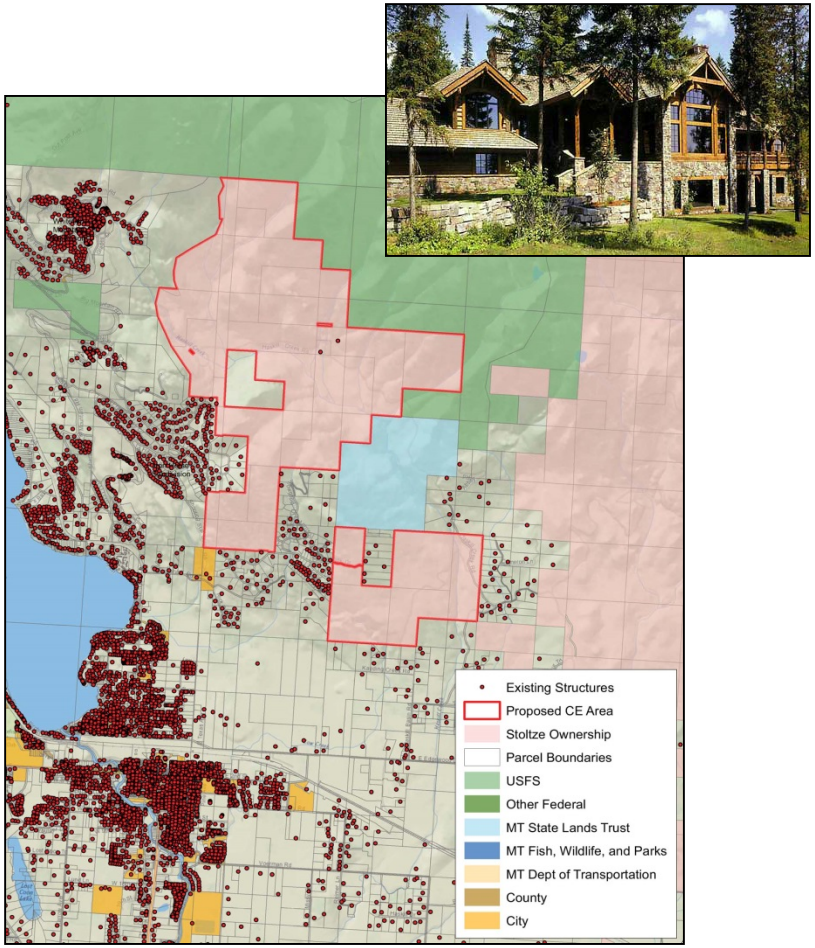
Development Potential...

Could be legally subdivided into as many as 200 lots.

Significant residential development is occurring immediately next door.

Whitefish itself is one of the fastest growing resort communities in the Intermountain West.



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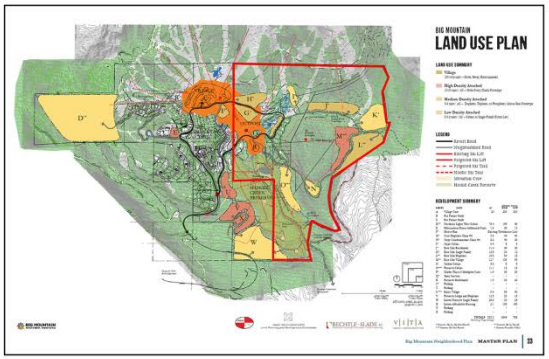
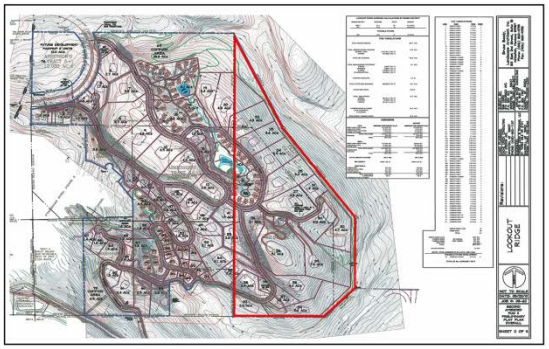
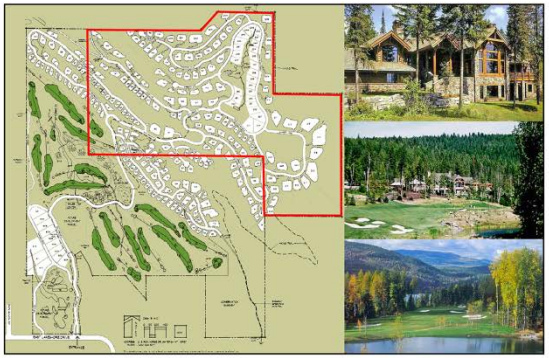
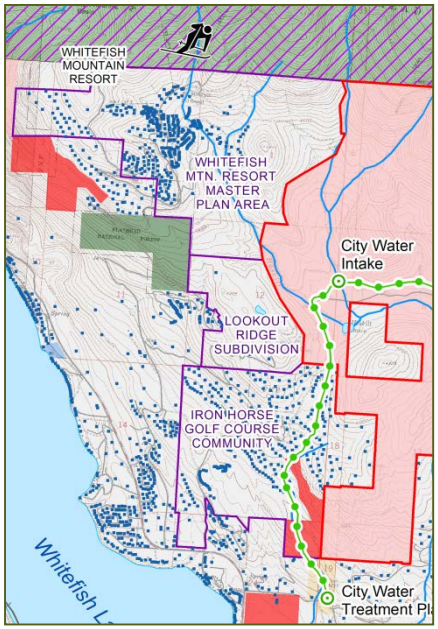
Stoltze Development Land Sales







Over the past 20 years, Stoltze has sold almost 1,200 acres off for development immediately next door.



More than half of the Whitefish Mountain Resort and the Iron Horse and Lookout Ridge subdivisions consists of former Stoltze-owned lands.

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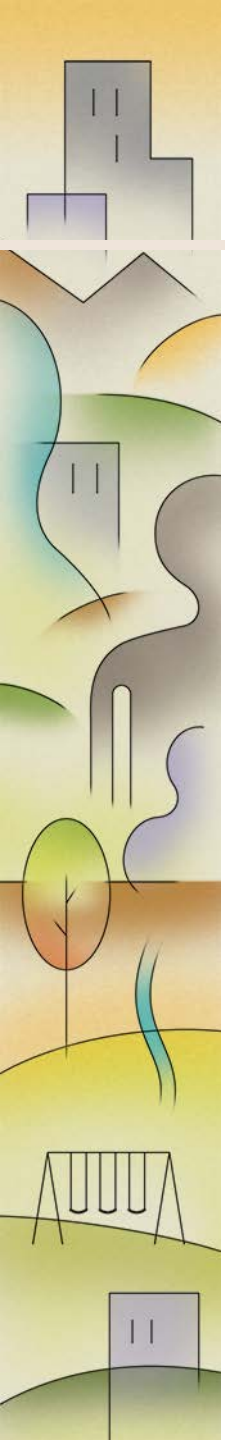

Protecting forested watersheds is smart economics for water utilities

"By harnessing forests as "natural infrastructure" to complement "built" infrastructure, water utilities can help keep costs down, reduce future risks to water supply, enhance resilience to climate change, and provide a suite of ancillary benefits for their customers…"

City of Whitefish

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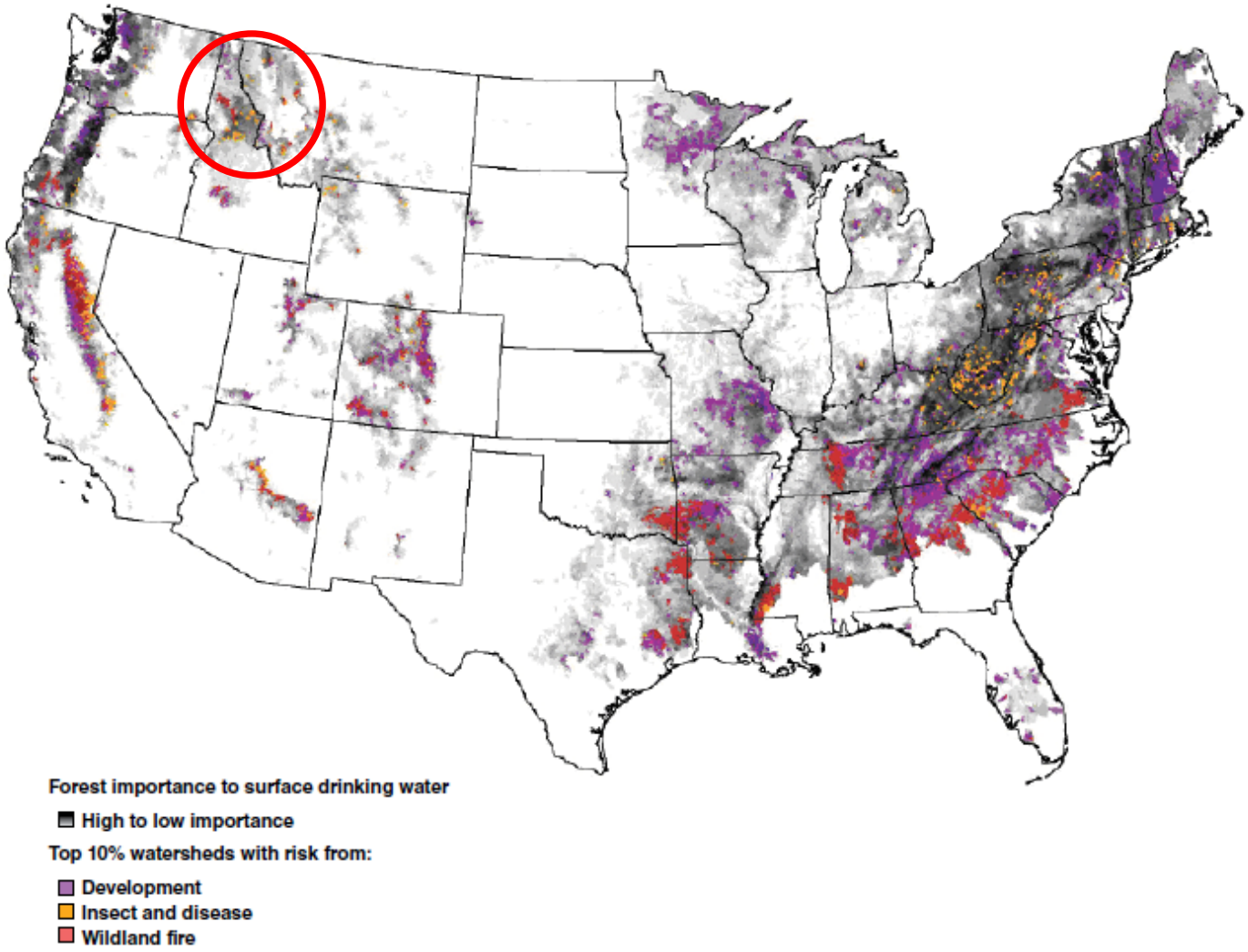
Threats from Development, Wildfire, Disease

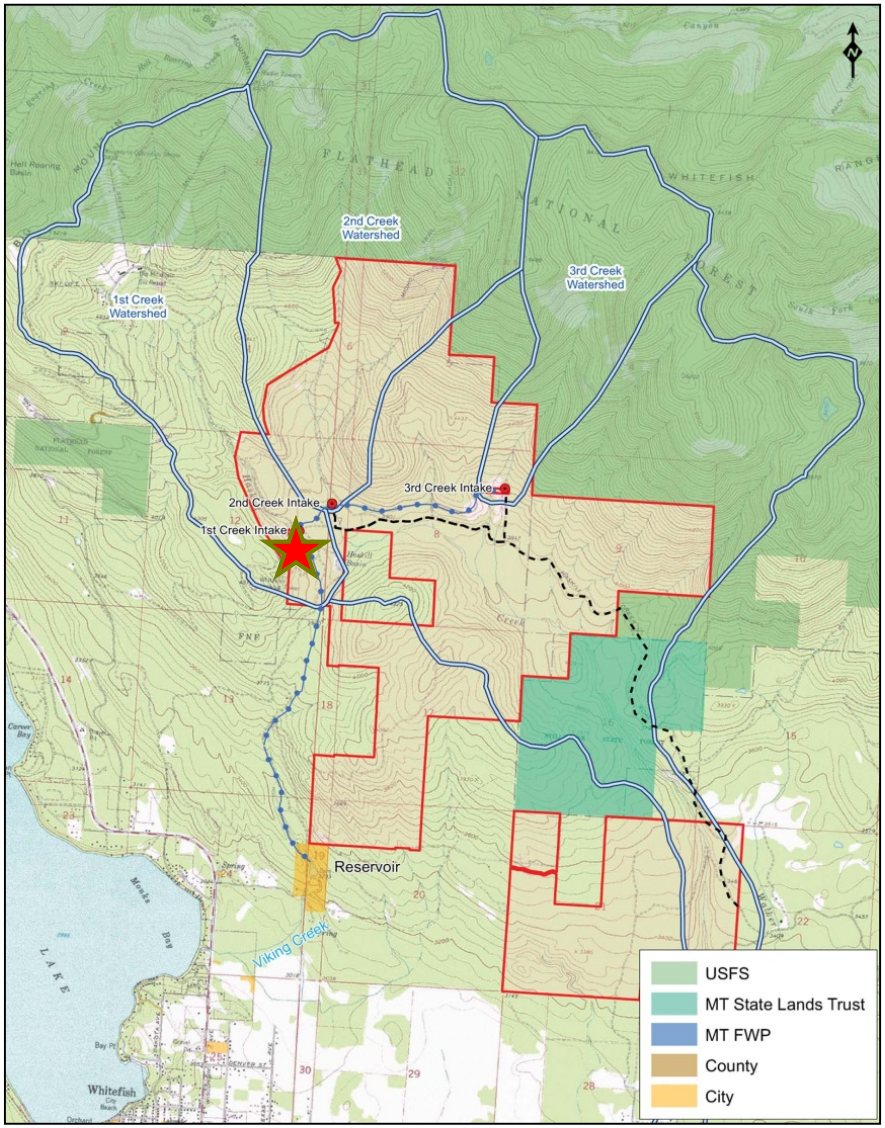
FIGURE 4 Forest importance to surface drinking water and watersheds with high risk—top 10%



Source: USDA, 2011

City's First Creek Diversion Abandoned

- ✓ Provided more water than the combined drainages of Second Creek and Third Creek
- ✓ Abandoned in 1975 due to
  - *E. coli* contamination
  - Sedimentation from development



City of Whitefish Water Treatment Plant Operational Cost Analysis

	Haskill Basin (Blended)	Additional Cost per Million Gallons Treated Lake Water Supply			
		500 GPM (33%)	1100 GPM (50%)	1500 GPM (67%)	Lake Only (100%)
Cost per MG	$712	$1,148	$1,267	$1,437	$1,804
% Increase per MG	0%	61.3%	78.0%	102.0%	153.5%

Impact to Taxpayers

- $500,000 Increase in Annual Operational Costs (In Perpetuity)
- 20% Increase in Monthly Water Rates
- **PLUS** additional Infrastructure Cost to Increase Reservoir Capacity
- Wastewater Plant Upgrade

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Important Scenic Values

Highly visible from downtown Whitefish and all parts of the Flathead Valley.

Important backdrop to Waterton-Glacier International Peace Park Scenic Drive.

TOP 10 SCENIC DRIVES in the Northern Rockies

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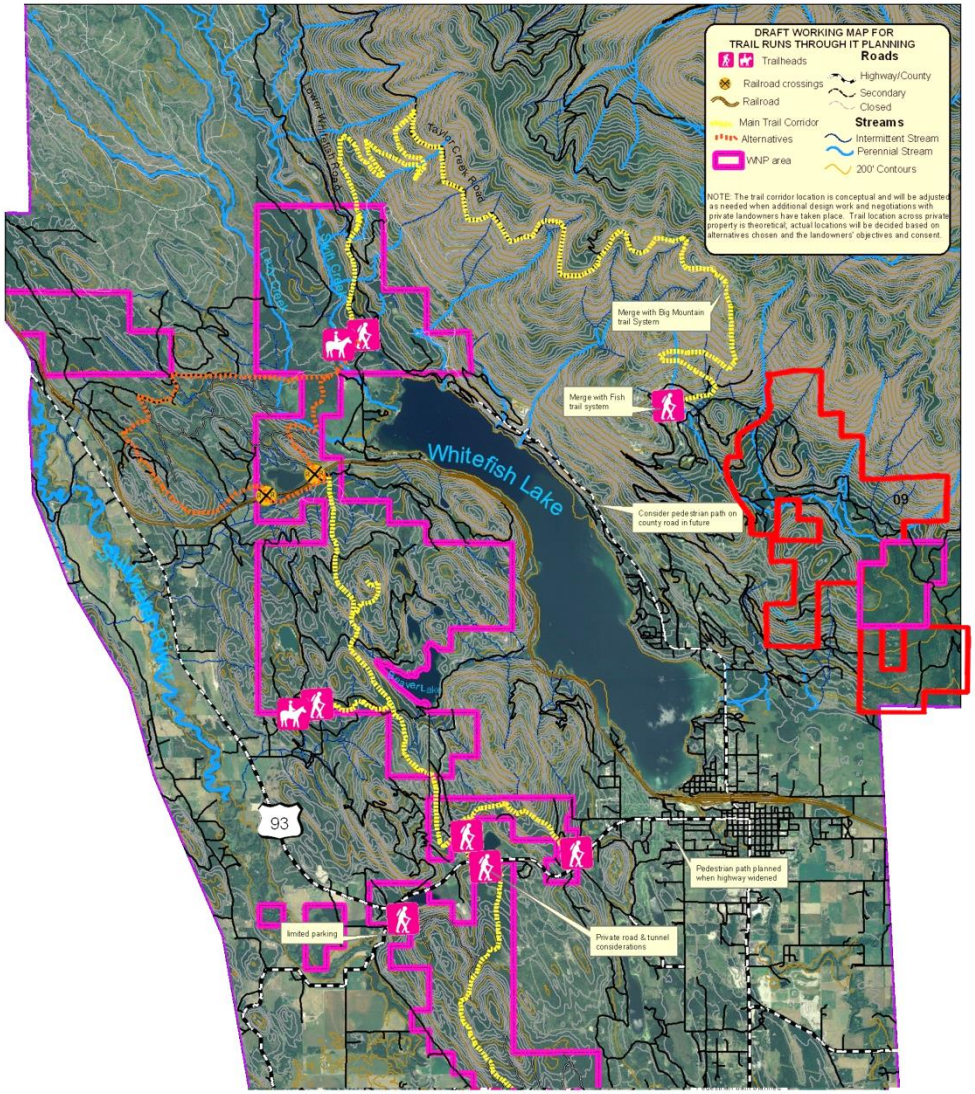
Important Connection
To Expanding Whitefish Trail System



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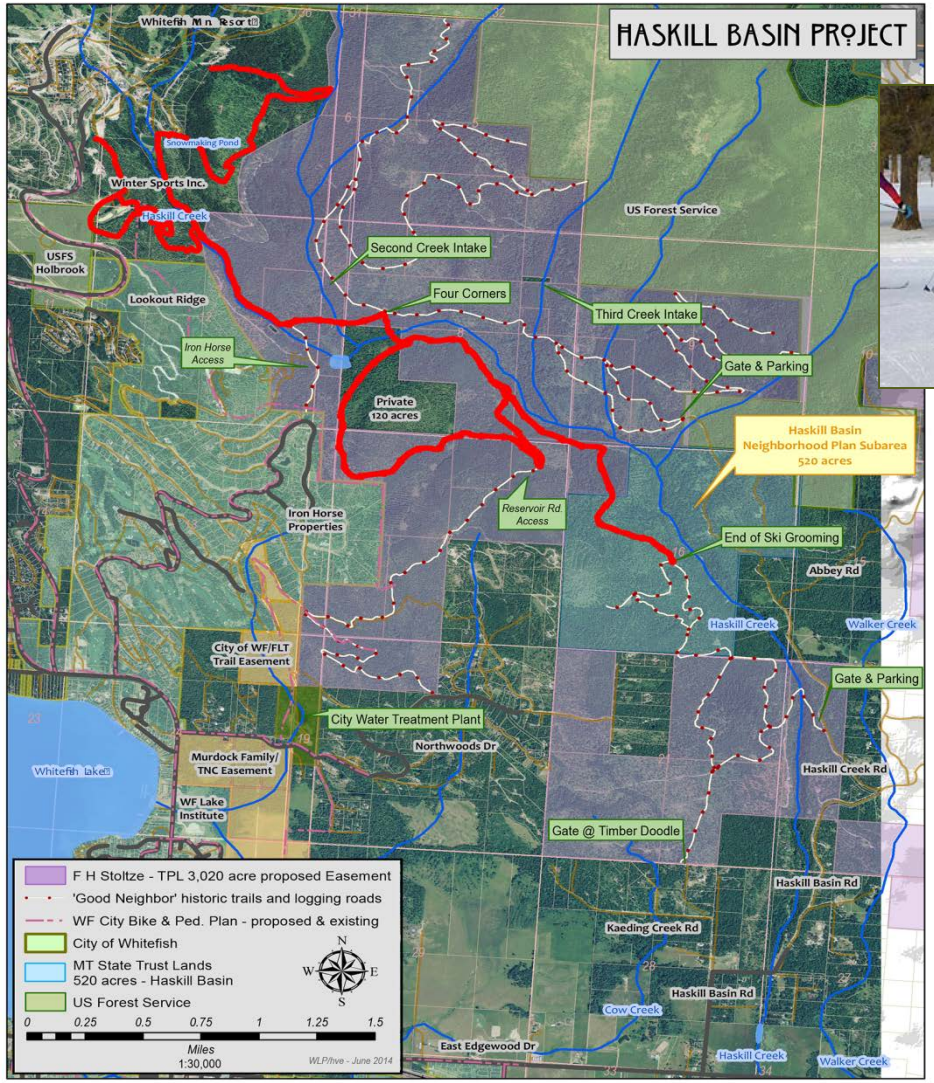
Important Cross Country Skiing Resource



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CONSERVING LAND FOR PEOPLE

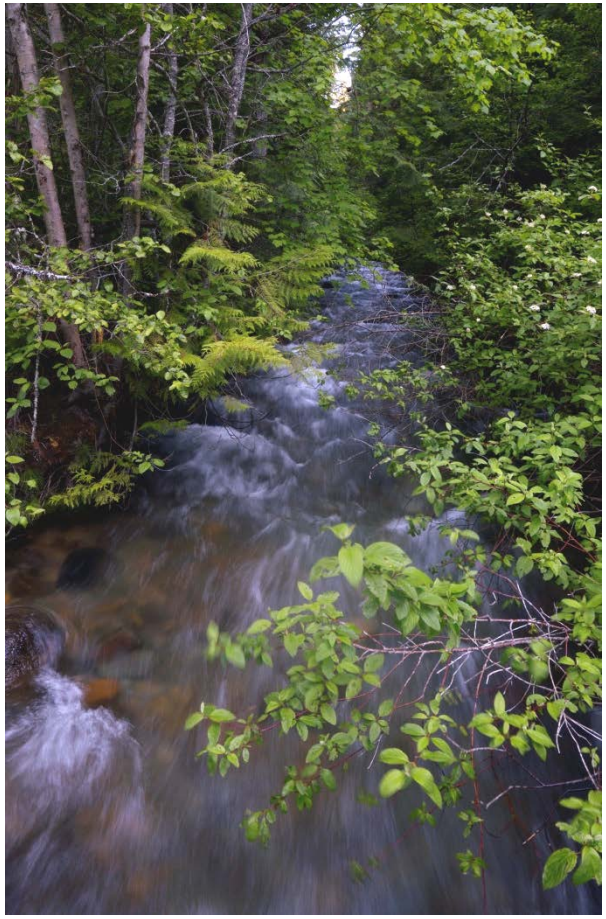
This is truly a one-shot deal….

The Trust for Public Land has the right to purchase a conservation easement on the property through the end of 2015.

The easement will prohibit all subdivision and development while allowing sustainable forest management activities to continue.

The project will protect the city's primary water supply, sustain local timber jobs, and preserve our viewshed.

It will also guarantee permanent public access.



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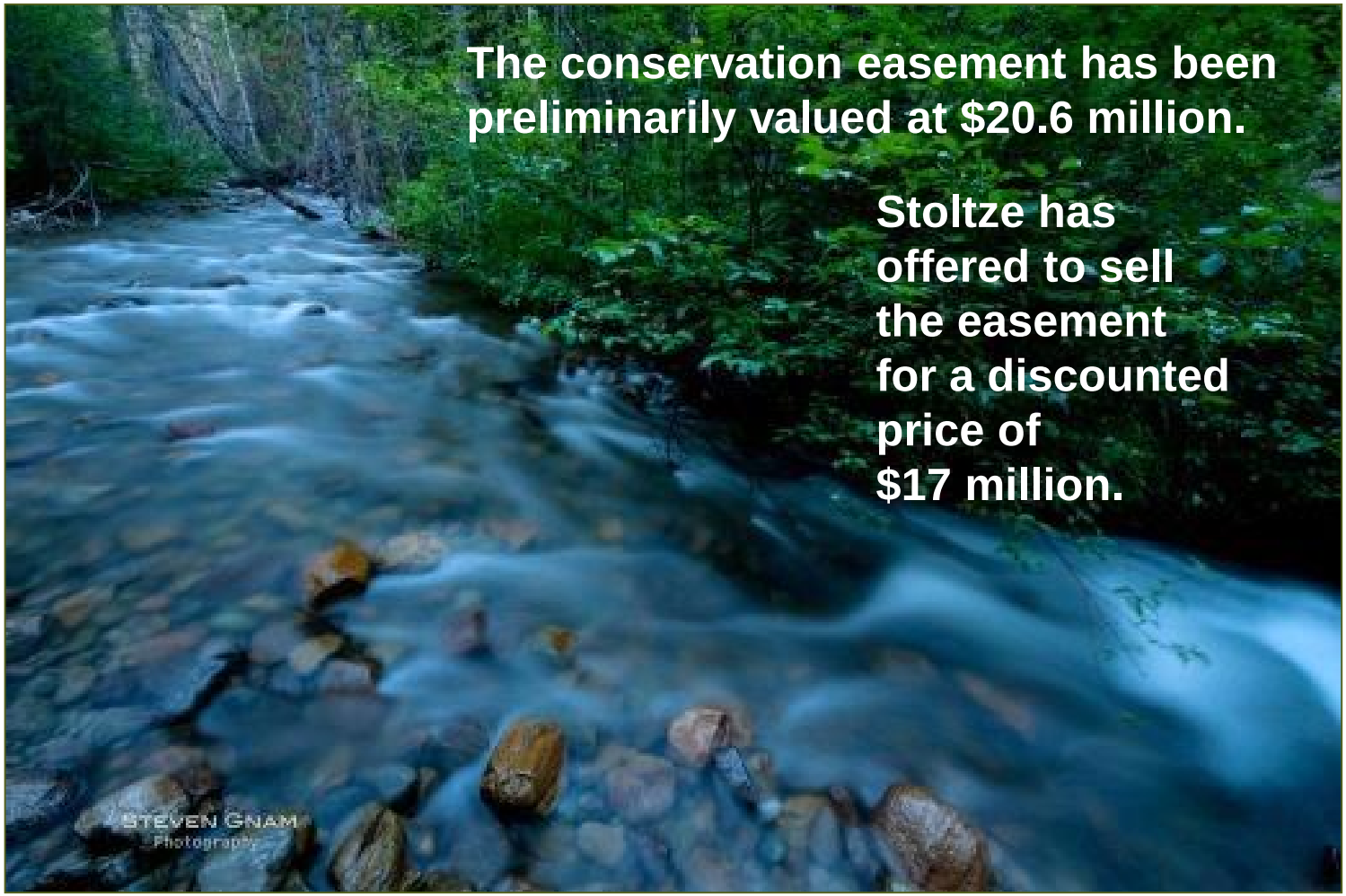
How Much Will The Project Cost?



The conservation easement has been preliminarily valued at $20.6 million.

Stoltze has offered to sell the easement for a discounted price of $17 million.

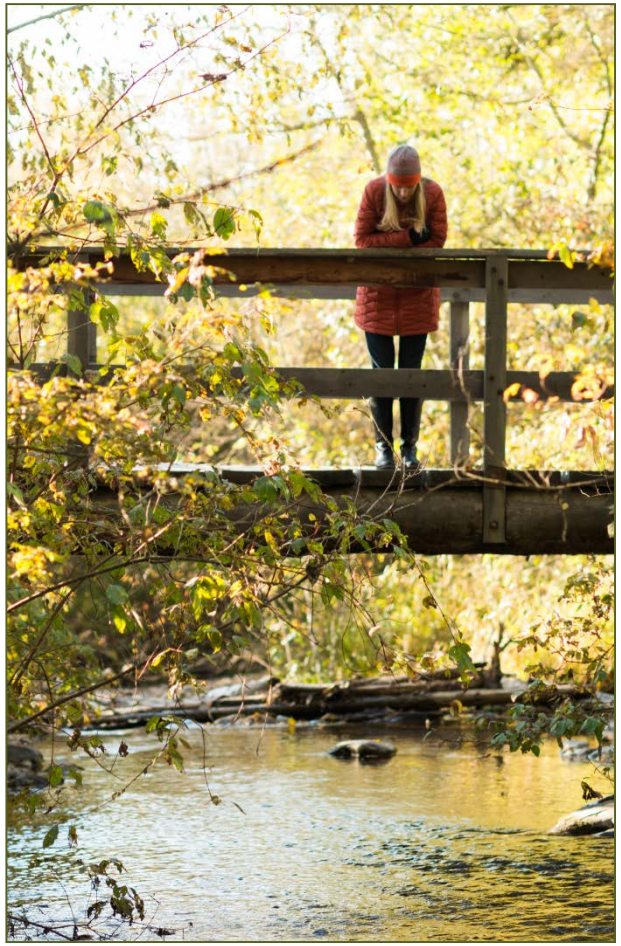
Where Will The Money Come From?

$7 million will come from the federal Forest Legacy Program, (ranked as the President's top national priority in 2014).

$2 million will come from the U.S. Fish and Wildlife Service via its Habitat Conservation Plan Land Acquisition Program.

$4 million will come from Stoltze.

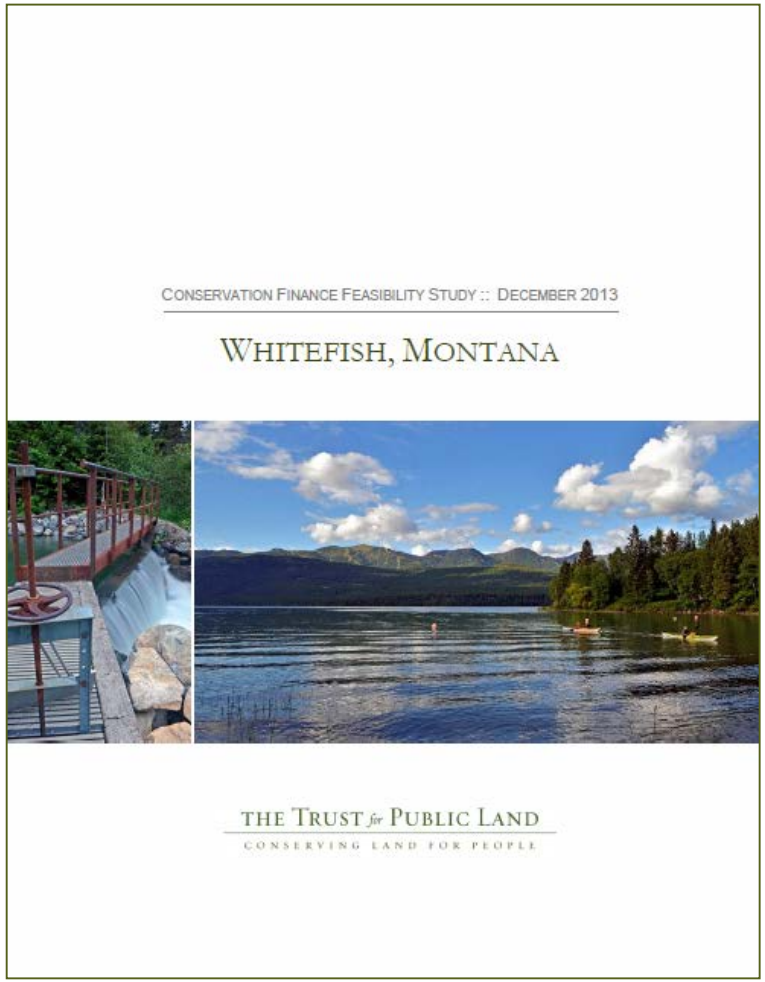
The balance ($8M) will need to come from the community.



THE TRUST *for* PUBLIC LAND

CONSERVING LAND FOR PEOPLE

City's Request for Technical Assistance



- Funding quilt
- Conservation options
  - GO Bonds
  - Resort Tax
  - Revenue Bonds
  - Water Rates
  - Property Tax
  - Philanthropy
- Election analysis

Option 1. Water Revenue Bond

Option 1. Water Rate Increase – Impact on Average Residence[1]	10 Year Bond	30 Year Bond
Net Funds Needed	$8,000,000	$8,000,000
Total Bond with Issuance and Debt Service	$8,532,000	$8,201,000
Percent Increase in Water Rates	46.84%	17.24%
Residential Financial Impact		
Average Annual Water Bill	$467.52	$467.52
New Average Annual Bill	$686.52	$548.16
Increase per Year	**$219.00**	**$80.64**
Monthly Average Water Bill	$38.86	$38.96
New Average Monthly Bill	$57.11	$45.68
Increase per Month	**$18.25**	**$6.72**
Total Cost over Bond Cycle	**$2,190.00**	**$2,419.20**

[1] Average monthly consumption rate of 4,300 gallons

Option 1. Water Revenue Bond

Option 1. Water Rate Increase – Impact on Average Commercial Property[1]

	10 Year Bond	30 Year Bond
Net Funds Needed	$8,000,000	$8,000,000
Total Bond with Issuance and Debt Service	$8,532,000	$8,201,000
Percent Increase in Water Rates	46.84%	17.24%
All Commercial Properties Financial Impact (Including Restaurants)		
Average Annual Water Bill	$1,926.84	$1,926.84
New Average Annual Water Bill	$2,829.36	$2,259.00
Increase per Year	**$902.52**	**$332.16**
Average Monthly Water Bill	$160.57	$160.57
New Average Monthly Water Bill	$235.78	$188.25
Increase per Month	**$75.21**	**$27.68**
Total Cost over Bond Cycle	**$9,025.20**	**$9,964.80**

[1] Includes motels and hospitals (higher use) and office/retail (lower use)

Option 1. Water Revenue Bond

Option 1. Water Rate Increase – Impact on Average Restaurant[1]	10 Year Bond	30 Year Bond
Net Funds Needed	$8,000,000	$8,000,000
Total Bond with Issuance and Debt Service	$8,532,000	$8,201,000
Percent Increase in Water Rates	46.84%	17.24%
Average Restaurant Financial Impact		
Average Annual Water Bill	$2,879.88	$2,879.88
New Average Annual Bill	$4,228.80	$3,376.32
Increase per Year	**+ $1,348.92**	**+ $496.44**
Average Monthly Water Bill	$239.99	$239.99
New Average Monthly Water Bill	$352.40	$281.36
Increase per Month	**+ $112.41**	**+ $41.37**
Total Cost over Bond Cycle	**$13,489.20**	**$14,893.20**

[1] Includes average of all restaurants

Option 2. General Obligation Bond

Option 2. General Obligation Bond	20 Year Bond	10 Year Bond
Net Funds Needed	$8,000,000	$8,000,000
Total Bond with Issuance and Debt Service	$8,040,000	$8,040,000
Annual Debt Service (3%)	$540,414	$942,533
Number of Mills Based on Current Mill Value	23.63	41.21
Percent Increase in Total Number of Mills	4.25%	7.42%
Free Market Value of Average House	$276.981	
Annual Effect on Average Residential House	**$102.13**	**$178.12**
Total Cost over Bond Cycle	**$2,042.60**	**$1,781.20**

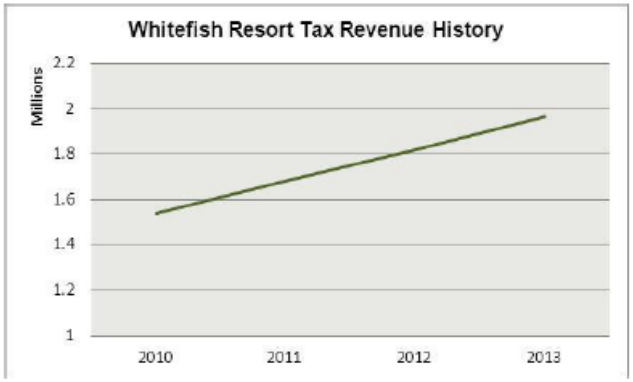
Option 3. Resort Tax

Option 3. Resort Tax Increase from 2% to 3% (through June 30, 2025)			
	10-Year Bond Cycle Fiscal Year 2016 - 2025		
	Year 1 2016	Year 9 2024	Ten Year Totals
1% Increase in Resort Tax Revenues	$1,157,333	$1,709,908	**$13,808,723**
- $1,049,735 2014 Revenue @ 5% Growth			
Revenue Less 25% for Property Tax Rebate	$852,723	$1,259,860	**$10,174,267**
- Approximate Property Tax Rebate	$304,610	$450,048	$3,634,456
Revenue Needed for 10 Year Loan at 2.5%	$1,073,710	$638,925	**$9,913,135**
Revenue after Property Tax minus SRF Payment	**-$220,987**	**$771,664**	**$261,132**

Option 3. Resort Tax – What This Means to The Average Homeowner….

- $3,634,456 in Additional Tax Relief over 10 Years
    - $363,445 Additional Tax Relief per Year
- Current Average Residence Currently Rebated = $126 / YR
- Raising the Resort Tax to 3% will Rebate An Additional 50% or $63 Per Year for a Total Annual Rebate of $189 / YR
- Assumes 5% Growth
- Resort tax has returned an average of 6.13% since inception and 7.3% the past 4 years (range 5.2% to 10.3%)

City of Whitefish



Resort Tax Collection Report
As of December 31, 2014

MONTH/YEAR	MOTELS	BARS & RESTAURANTS	RETAIL	COLLECTED	CHANGE FROM PRIOR YEAR
Total FY96 (Partial Yr)	$ 52,866	$ 97,611	$ 119,058	$ 269,535	
Total FY97	$ 174,460	$ 252,003	$ 343,611	$ 770,074	185.70%
Total FY98	$ 179,403	$ 253,170	$ 348,971	$ 781,543	1.49%
Total FY99	$ 184,293	$ 283,516	$ 366,635	$ 834,444	6.77%
Total FY00	$ 203,461	$ 312,893	$ 411,241	$ 927,595	11.16%
Total FY01	$ 204,534	$ 330,467	$ 440,242	$ 975,244	5.14%
Total FY02	$ 169,316	$ 386,015	$ 471,257	$ 1,026,587	5.26%
Total FY03	$ 184,947	$ 423,571	$ 526,427	$ 1,134,945	10.56%
Total FY04	$ 190,816	$ 476,709	$ 547,353	$ 1,214,878	7.04%
Total FY05	$ 207,487	$ 522,776	$ 578,256	$ 1,308,519	7.71%
Total FY06	$ 224,740	$ 567,913	$ 650,317	$ 1,442,970	10.28%
Total FY07	$ 263,894	$ 620,835	$ 721,698	$ 1,606,427	11.33%
Total FY08	$ 280,814	$ 633,270	$ 760,686	$ 1,674,770	4.25%
Total FY09	$ 269,389	$ 587,889	$ 749,573	$ 1,606,851	-4.06%
Total FY10	$ 245,171	$ 563,798	$ 730,393	$ 1,539,362	-4.20%
Total FY11	$ 274,688	$ 651,321	$ 747,615	$ 1,673,624	8.72%
Total FY12	$ 314,731	$ 679,063	$ 816,110	$ 1,809,903	8.14%
Total FY13	$ 345,570	$ 758,018	$ 893,617	$ 1,997,205	10.35%
Total FY14	$ 384,342	$ 792,081	$ 923,047	$ 2,099,470	5.12%
Total FY15 YTD	$ 254,024	$ 400,500	$ 439,282	$ 1,093,806	5.23%
Grand Total	**$ 4,608,945**	**$ 9,593,419**	**$ 11,585,389**	**$ 25,787,754**	**6.13%** *
% of Total Collections	18%	37%	45%		

**Does not include the change from FY96 to FY97 since FY96 only included 5 months.*

2015 Legislative Session

FISCAL NOTE
MAY BE NECESSARY

64 1

____ BILL NO. ____

INTRODUCED BY _____
(Primary Sponsor)

A BILL FOR AN ACT ENTITLED: "AN ACT AUTHORIZING A LOCAL OPTION TAX OF UP TO 4% ON DESIGNATED GOODS AND SERVICES; PROVIDING THAT AN INCORPORATED MUNICIPALITY OR CONSOLIDATED CITY-COUNTY GOVERNMENT MAY LEVY A LOCAL OPTION TAX UPON AN AFFIRMATIVE VOTE OF THE ELECTORS; PROVIDING THAT LOCAL OPTION TAX REVENUE MUST BE USED FOR PROPERTY TAX OFFSET AND MAY BE USED FOR ANY PURPOSE REFLECTED IN THE RESOLUTION AUTHORIZING THE LOCAL OPTION TAX; AND PROVIDING A DELAYED EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Purpose.** Local government and local school district property tax levies constitute 75% to 80% of property taxes levied on Montana property taxpayers in most jurisdictions. It is the intent of the legislature to provide Montana taxpayers within incorporated municipalities the ability to adopt through an election a local option tax in order to provide an alternative revenue source that may be used for property tax relief and to create a new revenue source designed to collect taxes from the millions of people who visit our state and communities each year. The legislature also recognizes that the economic impacts on municipalities from numerous causes, including unexpected population growth and increased tourism, vary from locality to locality.

NEW SECTION. **Section 2. Power to authorize tax -- rate -- applicability.** (1) Incorporated municipalities and consolidated city-county governments are specially delegated the power to authorize a tax on the sale of goods or services specifically designated by the electorate of the incorporated municipality or consolidated city-county government as provided in [sections 1 through 6].

(2) The rate of the tax may not exceed 4% of the retail value of the designated goods and services sold within the boundaries of the incorporated municipality or consolidated city-county government adopting a uniform local option tax as provided in [sections 1 through 6].

NEW SECTION. **Section 3. Use of local option tax proceeds -- property tax offset.** After payment of the vendor allowance provided for in [section 5], not less than 30% of the proceeds of a local option tax

Legislative Services Division - 1 - *Authorized Print Version* - LC 599

Montana Cities Seek Ability to Add Sales Tax

Citing infrastructure needs, Kalispell and other cities want the authority to ask voters to enact a sales tax on retail goods and services

BY DILLON TABISH // JAN 2, 2015 // NEWS & FEATURES

SHOW CAPTION

Trying to balance the burden of paying for rising infrastructure needs, Kalispell and other larger cities across Montana are seeking the authority to implement a local option sales tax in their communities, renewing a decades-old debate for the upcoming Legislature.

Gauge Voter Support for Resort Tax Increase

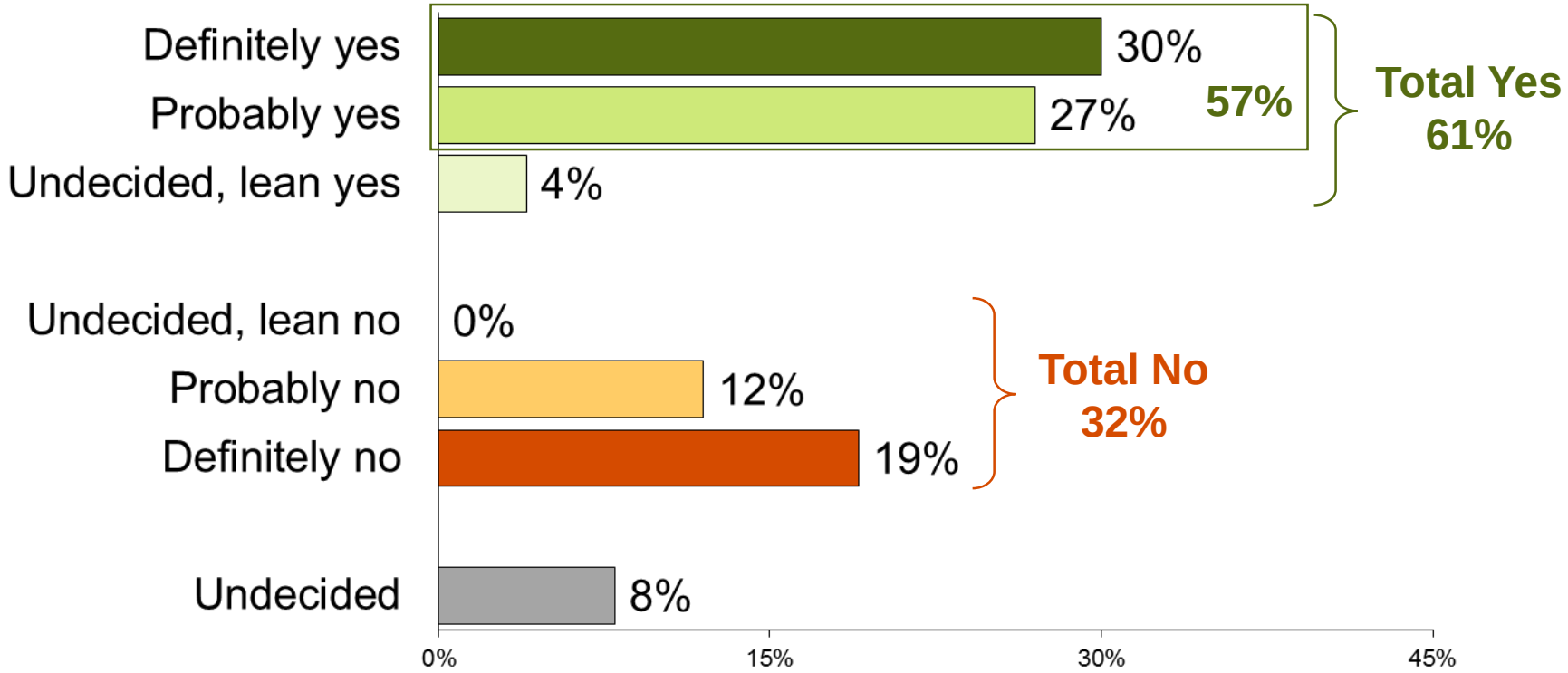
To protect and preserve water quality and quantity, including the source drinking water supply for the municipal water system of the City of Whitefish, through the acquisition of a conservation easement or other interests in and around Haskill Basin, shall the existing resort tax rate be amended from two percent to three percent effective July 1, 2015 and ending on January 31, 2025, with resort tax revenues resulting from the 1% rate increase to be used as follows:

- at least 25% for property tax relief that is in addition to the existing property tax relief;
- not more than 70% to secure and be pledged to the repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition, of the conservation easement or other interests; and
- 5% for merchants' costs of administration?

Q3. If the vote on this measure were held today, would you vote yes in favor or no to oppose it?

A solid majority offers initial support for the measure.

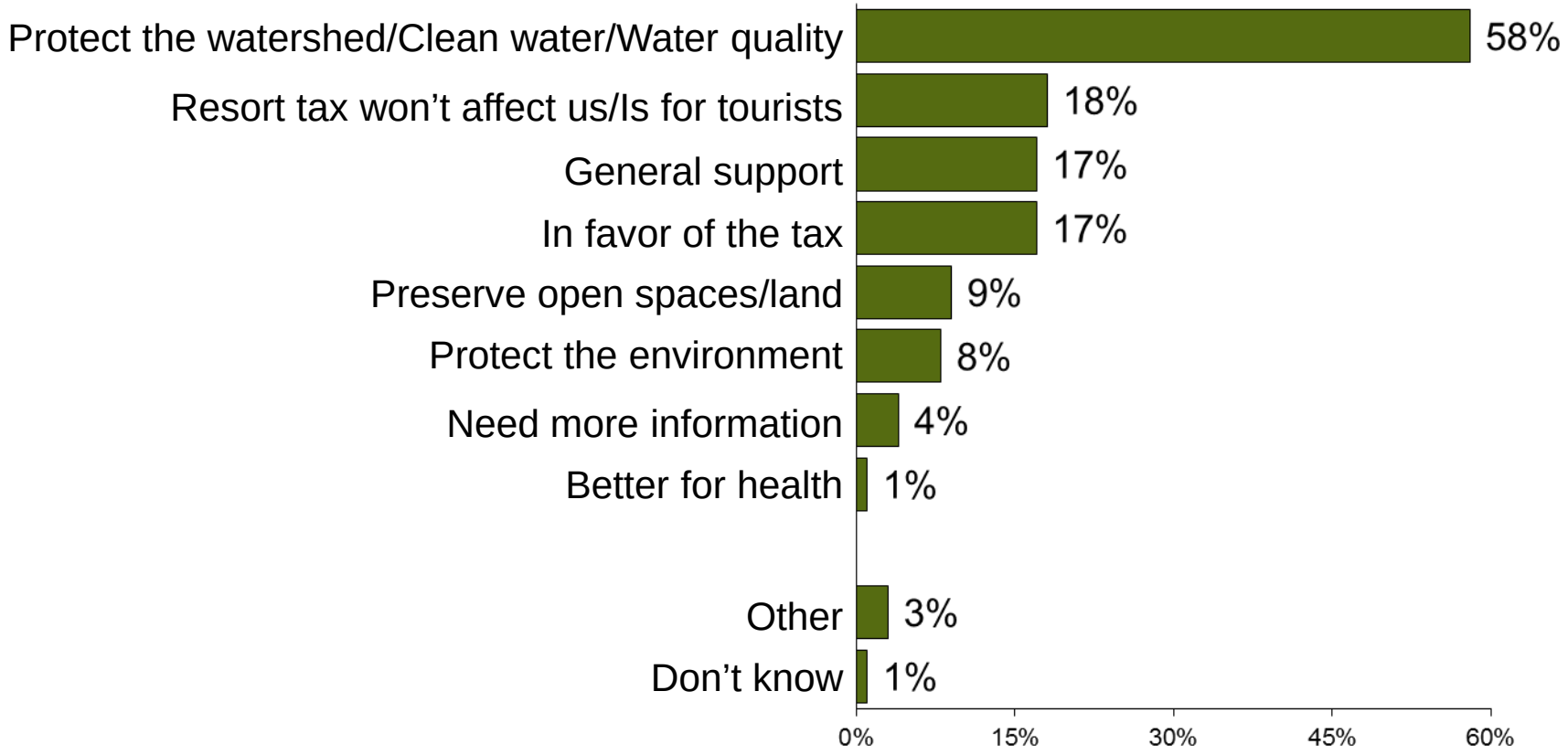
If the vote on this measure were held today, would you vote yes in favor or no to oppose it?



Q3.

Supporters primarily identify the need to protect water quality as a reason to vote "yes."

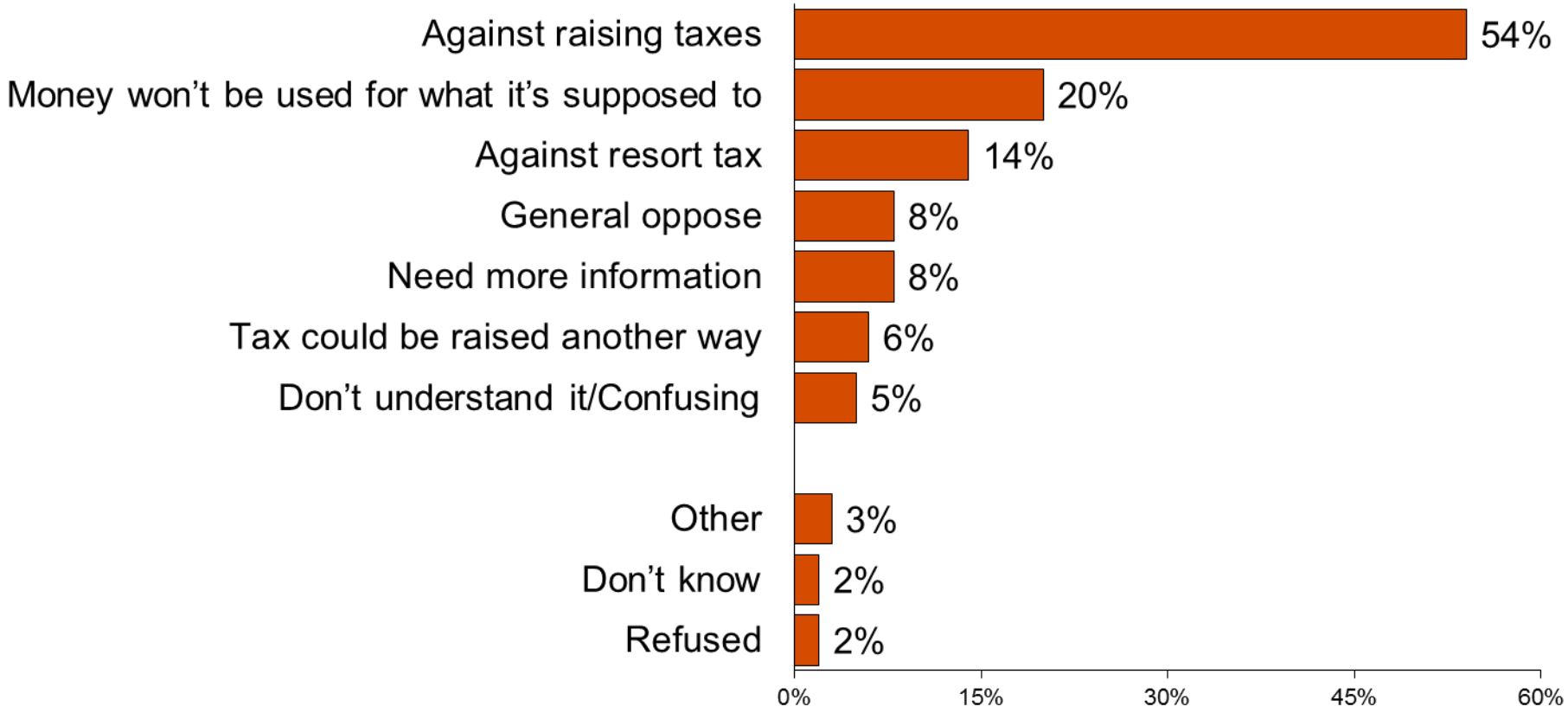
*In a few words of your own, why would you vote to **APPROVE** this ballot proposition?*



Q4a. (Open-end) Asked of "Yes" Voters Only

A majority of “no” voters are opposed to raising taxes, and two-in-ten don’t believe the funds raised will be used as promised.

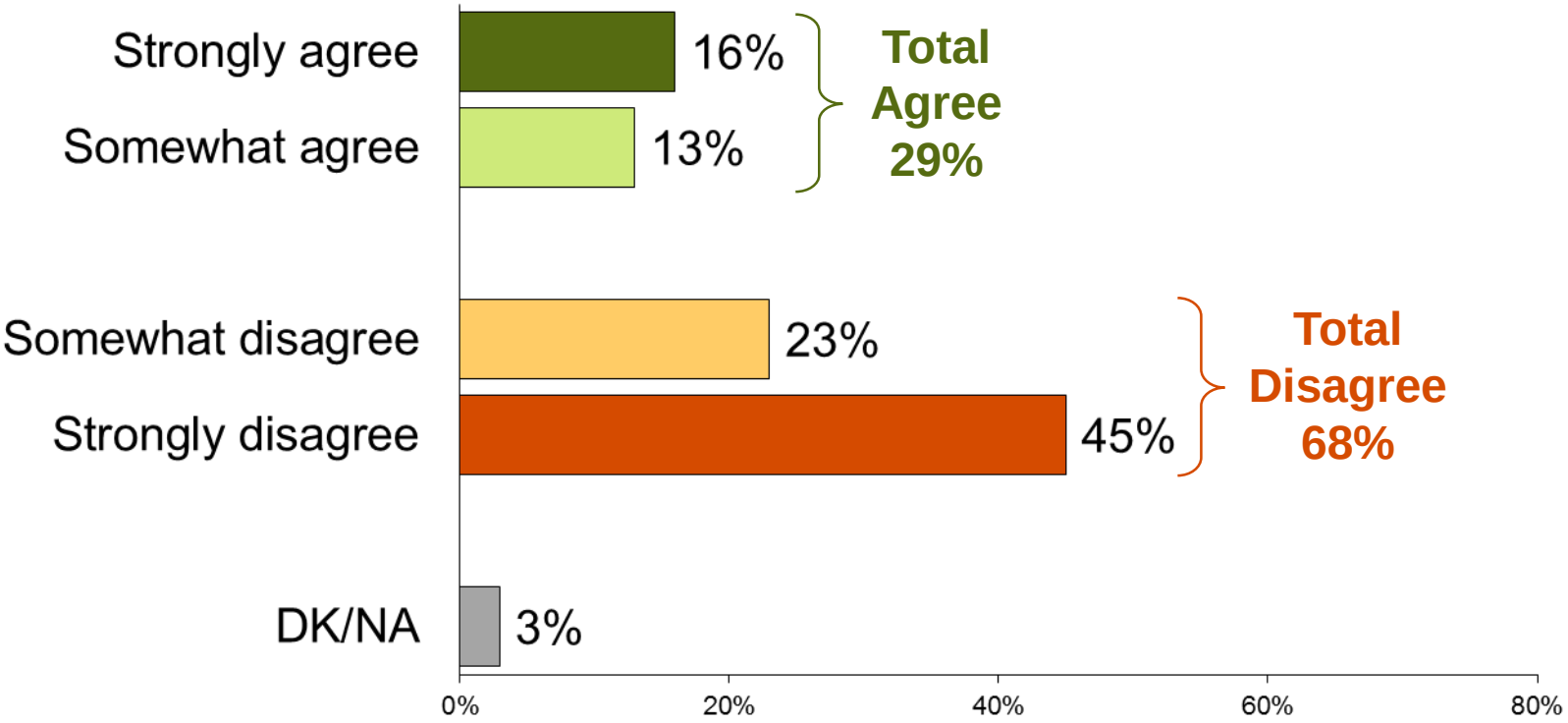
*In a few words of your own, why would you vote to **REJECT** this ballot proposition?*



Q4b. (Open-end) Asked of “No” Voters Only

Two-thirds of voters do *not* think raising the Whitefish Resort Tax will have a negative impact on the City's economy.

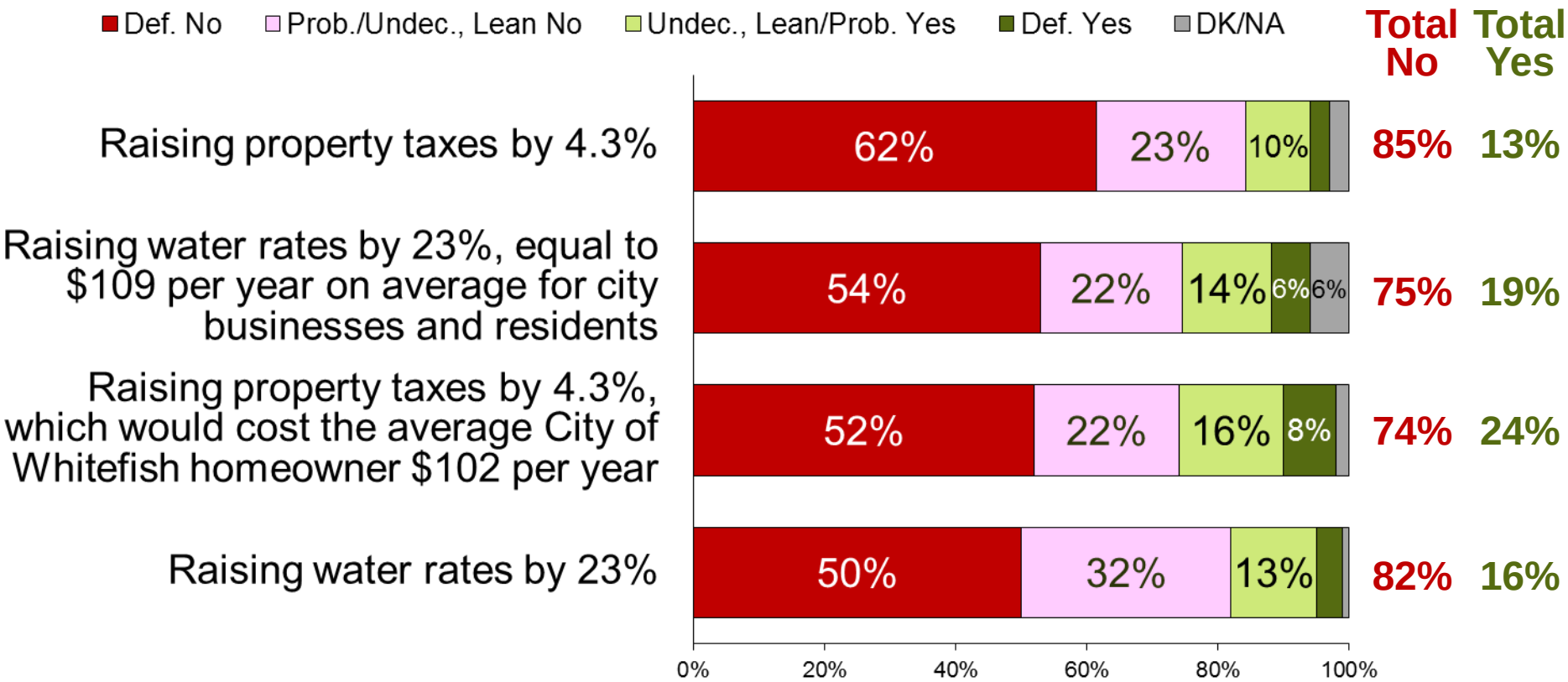
Raising the City of Whitefish Resort Tax will hurt our economy by driving customers and businesses to Kalispell.



Q6a. I would like to mention some statements about the City of Whitefish. Please tell me if you agree or disagree with that statement.

Voters strongly oppose alternative funding mechanisms to protect the City's water supply

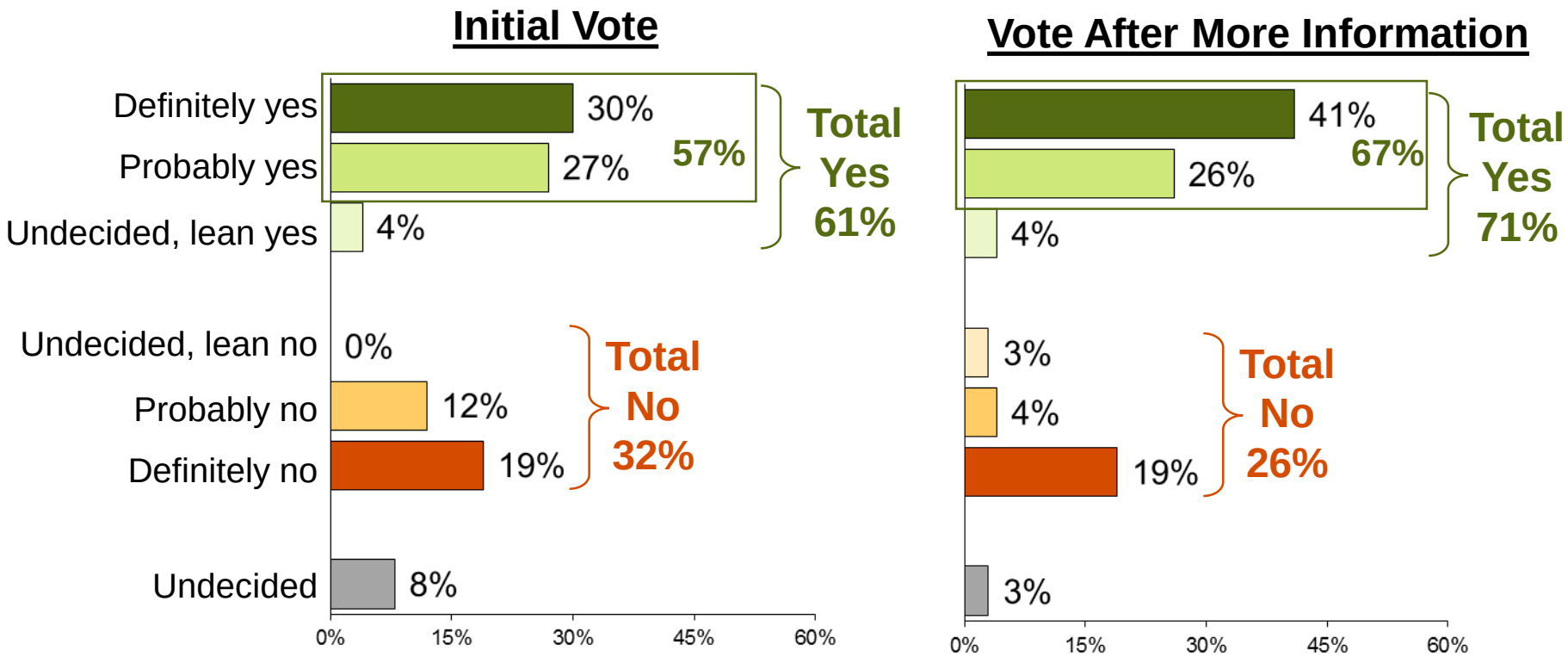
The final source of funding for this measure has not been determined. I am going to read you a list of possible options. Please tell me whether you would vote yes in favor of the ballot measure or no to oppose it if that funding mechanism were used.



Q7. Split Sample

Total support for the Resort Tax increases and intensifies after voters hear an explanation of the measure.

If the vote on this measure were held today, would you vote yes in favor or no to oppose it?



Q3 & Q5.

Polling Conclusions

- Most voters are largely unaware that other resort communities are using the full allotted three percent Resort Tax.
- At the same time, most voters reject the idea that an increase in the Resort Tax will drive business out of Whitefish.
- Based on these and other key survey findings, an increase in the Resort Tax appears both feasible and the most viable prospect for securing funding for conservation of the Haskill Basin.

  - ✓ *Nearly three in five voters initially favor the measure*
  - ✓ *Support gains significant intensity – and becomes somewhat broader – after voters hear more about it*
  - ✓ *Opposition messages do not significantly reduce support for the measure*
  - ✓ *Alternative funding options – like increasing water rates or property taxes – are rejected by wide margins.*

Next Steps

- **Public Hearing on Proposed Resolution**
  Tuesday February 17 7:10 PM City Hall

THANK YOU!!!