

## **MINUTES OF THE MISSION FINANCE & ADMINISTRATION COMMITTEE**

October 4, 2017

The Mission Finance & Administration Committee met at Mission City Hall, Wednesday, October 4, 2017 at 6:50 p.m. The following committee members were present: Pat Quinn, Tom Geraghty, Arcie Rothrock, Nick Schlossmacher, Debbie Kring, Kristin Inman, Suzie Gibbs and Ron Appletoft. Councilmember Schlossmacher called the meeting to order at 6:50 p.m.

Also present were City Administrator Laura Smith, City Clerk Martha Sumrall, Assistant City Administrator Brian Scott, Public Works Director John Belger, Parks & Recreation Director Christy Humerickhouse, Chief Ben Hadley, and Public Information Officer Emily Randel.

### **Gateway Development**

#### **Ordinance Approving 4th Amended Gateway Redevelopment Project Plan**

#### **Approval of Development Agreement**

#### **IRB Resolution of Intent**

#### **Ordinance Creating Gateway CID District #3**

Ms. Smith stated that the development team continues to work with the developer on the various items yet to be considered by Council for this project. She discussed the following in association with a powerpoint presentation:

- The common goal of the City and the developer is to complete the entire development according to the approved plan as quickly as possible so that both benefit.
- We continue to work on a different scenarios in negotiating the terms of the development agreement, adopting the TIF project plan, creating CID District #3, and the intent to issue IRBs.
- CID District #3 would impose an additional 1% retail sales tax within the district beginning in 2019 with a 22 year life cycle. This would bring the new sales tax rate in the district to 10.6%, which is equal to Mission Square and Cornerstone Commons. Once approved, the existing CID districts #1 and #2 would be dissolved.
- Industrial Revenue Bonds (IRBs) are used to provide a sales tax exemption on the purchase of construction materials, furnishings and fixtures. These are special obligations which are not the responsibility of the City, and would be issued at a later date.
- The Redevelopment TIF Project Plan has gone before the Planning Commission and is in conformance with the City's Comprehensive Plan, and when adopted by Council must be approved by a  $\frac{2}{3}$  majority vote of the Governing Body (Mayor votes).
- The Redevelopment Agreement captures and controls the terms of the "deal." This is the controlling document for the project and will address the payment of all currently delinquent property taxes, special assessments and/or fees. Mr. Kimmel stated that with this agreement, the project would shut down if these are not paid per the agreement, and Ms. Smith stated that the lender will also require that they be paid for financing.

- Provided information on the various factors being negotiated with the developer, including extraordinary costs, redevelopment and increased economic activity generated by the project, new revenues (development fees, dedicated sales taxes, franchise fees), the appropriate balance for legacy costs, and resources the City must have throughout the term of the development agreement (avoid the City having to wait 20 years as there will be pressure on public services as the project is developed and functioning).
- Current “Basic Deal Points” include 100% of requested 1% CID for 22 year term, 100% of the project area’s Property TIF over 20 years, and IRB sales tax exemption. Because there is still a gap in funding even with these requests, we are currently looking at the allocation of revenues generated by the City’s 1% General Sales Tax and the 9% Transient Guest Sales Tax during the 20 year TIF term.
- Information and statistics were provided on the base revenues over the life of the term and Ms. Smith noted that big drivers for the City are the dedicated sales taxes (Parks & Recreation and Street) and the importance of these being renewed. Councilmember Quinn agreed that it is important that these sales taxes be renewed. Councilmember Schlossmacher asked if the CID could be increased and Mr. Kimmel stated that this has not been pursued as it is often a concern for tenants as they don’t want their sales taxes to be too high.

Bruce Kimmel, Ehlers, discussed the following items included in the presentation:

- Those items left to decide in the negotiations include the developer’s request for all of the 1% TIF Sales Tax and all of the 9% Transient Guest Tax for the 20 year term. Both have immediate value to the City and developer and we have provided the developer with an initial proposal for the allocation of these revenues. He noted that the Transient Guest Tax is only collected on the hotel rooms and not food and beverage from the hotel. Sales tax would be charged on food and beverage, and is more flexible with a bigger base. Focusing on sales tax diversifies the risk as not all is based on the success of the hotel.
- Multiple scenarios have been developed and Mr. Kimmel stated that they continue to work with the City’s best interest in mind. Discussions with the developer continue to move in a positive direction, but there are still other items being considered before a final recommendation can be presented. Ms. Smith stated that the developer is reviewing these most recent proposals from the City and she feels encouraged by discussions with them.
- Mr. Kimmel stated that the final incentive level is important and that the developer needs for the City to “be in the game” otherwise there is an unsurmountable gap in funding. They will continue to work with the developer on these proposals.
- Next steps include a worksession prior to the October 18 City Council Meeting for further discussion of these items, and possible consideration of the final ordinances and agreement at the October 18th City Council Meeting. If needed, these items could also be considered at a Special City Council Meeting on November 1. He stated that all want to have this work completed soon. Mr. Heaven continues to work on the development

agreement and Ms. Smith stated that any revenue sharing of is on top of the \$12 million stormwater and base revenues.

Councilmember Quinn stated that he is optimistic about the project and Councilmember Geraghty asked that fountains/art be considered as part of the negotiations. He would like to see a fountain on Johnson Drive. Ms. Smith stated that it is not too late to discuss adding a fountain. Mr. Kimmel stated that Mr. Scott has been evaluating the surrounding infrastructure to make sure we are covered as to who would take care of this in the future. Councilmember Quinn stated that he really appreciates the work that is being done on behalf of the City by Mr. Kimmel and the development team.

This item was informational and no action was taken.

### **Selection of Auditors**

Mr. Scott stated that State statutes require an annual audit of the City's financial statements by an independent third party. We have worked with Mize , Houser & Co for about 12 years (formerly Lowenthal, Singleton, Webb & Wilson). Their contract was on a four-year cycle and an RFQ was issued this summer for proposals. Four firms responded and after being evaluated, references checked, and interviewed, staff is recommending Berberich, Trahan & Co. Mr. Scott stated that they have worked with other cities similar in size to Mission, have many years of experience, and have very good references. They are not the least expensive firm, but we are looking at qualifications to meet our needs. Sealed bids were brought to the interviews so the fee was a low consideration as staff wanted to select the best firm. He also noted that they will be providing more hours and will spend more time on-site in face-to-face meetings which will be beneficial.

Councilmember Kring requested information on the budget for the audit and where any additional expenses for this will come from. Mr. Scott stated that this year's fee may be a little higher as they work to learn about Mission, but this should go down in future years. We have savings elsewhere in our budget and their fee will probably come in lower than the not to exceed amount of \$27,000. Any additional funding would come from the General Fund.

Councilmember Quinn asked how long auditors normally spend on our audit. Mr. Scott stated about three months, but this is not continuous work. In December they will complete pre-audit field work and will be back in February for about two weeks to complete the audit. The proposed contract is for four years with an option to renew each year if we are satisfied with their work.

Councilmember Schlossmacher asked if we had any concerns with Mize Houser. Mr. Scott stated that we did not, but that it is just good practice to have a fresh set of eyes performing the audit. They will be able to provide us with additional best practices and review our internal controls. Ms. Smith stated that we considered an RFQ process in 2013, but at the time were

anticipating changing financial management software so we did not. She stated that Mize Houser has done great work for us in the past.

Mr. Scott introduced Emily Shelden with Berberich, Trahan & Co. There were no questions for Ms. Shelden.

Councilmember Appletoft asked if the auditors will provide a pre-engagement presentation as well as the customary post-engagement presentation. Mr. Scott stated that this has not been our practice and they will just provide a letter.

Councilmember Quinn recommended that the selection of Berberich, Trahan & Co., P.A. to perform the annual audit of the City's financial statements for the fiscal year ending December 31, 2017, and for up to three subsequent fiscal years be forwarded to Council for approval. All on the committee agreed, but this will not be a consent agenda item.

### **Classification & Compensation Plan Implementation Update**

Ms. Smith stated that following Council's recent approval of the classification and compensation recommendation, she has been working through the recommended changes for individual employees. The previous recommendation was based on our employees in April and since that time we have had turnover in various positions. At this time, it would be possible to address the market compression issue more comprehensively with an additional funding of approximately \$23,000. This additional funding would move 30 of 44 employees to 100% of the recommended compression adjustment. There would only be minor adjustments needed next year. A memo has been included in the packet that outlines how this adjustment would impact each department and each classification grade. At this time, the first step of the recommended process has been implemented with 14 employees moved to the minimum of their grade. She stated that the next step is on hold as this additional \$23,000 would provide an additional push for employees. She also noted that there will be 17 employees who will not see any increase for a variety of reasons. Information was provided on how the total annual base wage impacts are distributed by department, with the Police Department receiving 59% of the budget. Ms. Smith also discussed the total number of employees impacted by the market compression adjustments by pay grade, noting that frontline employees will see the most benefit (in pay grades 10-15, 48% of employees impacted). She stated that revenues and expenses in the General Fund are tracking well, so funding is available for this additional adjustment.

Councilmember Kring requested information on the number of vacant positions by department. Ms. Smith stated that currently there are four in the Police Department (potentially two additional), one in Court, and one in Public Works. Councilmember Schlossmacher asked what the financial impact would be to push all 44 employees to the target rate. Ms. Smith stated that it would be an additional \$75,000 and this is not recommended due to internal equity concerns.

Councilmember Quinn recommended that the additional funding in the amount of \$23,016 to implement the market pay compression recommendations from the 2017 Classification and

Compensation Study be forwarded to Council for approval. All on the committee agreed, but this will not be a consent agenda item.

### **Other - Department Updates**

Ms. Smith reported that Pete Heaven is now with the law firm of Spencer Fain, and she will provide Council with updated contact information. Previously, the City appointed Lathrop & Gage as our land use attorney and they have represented us in the TUF litigation. Lathrop & Gage has provided us with a letter stating that they will not oppose Mission's work following Mr. Heaven to Spencer Fain. Mr. Heaven at Spencer Fain will represent the City through the end of 2018, and staff will prepare an RFQ for land use attorney in the fall of 2018. She stated that it is recommended that the TUF litigation remain with Lathrop & Gage. These appointments will appear on the Council agenda under New Business.

Ms. Smith also stated that a lawsuit has been filed regarding TUF repayment and it is anticipated this will be a class action. Tom Murray and Mark Samsul with Lathrop & Gage have represented the City on previous/current TUF litigation, and Lathrop & Gage has two individual experts on class action lawsuits that will be able to assist.

Councilmember Gibbs thanked all who assisted in providing household goods to the Rushton family in need.

### **Meeting Close**

There being no further business to come before the Committee, the meeting of the Finance and Administration Committee adjourned at 7:45 p.m.

Respectfully submitted,

Martha Sumrall  
City Clerk