

MINUTES OF THE MISSION FINANCE & ADMINISTRATION COMMITTEE

July 5, 2017

The Mission Finance & Administration Committee met at Mission City Hall, Wednesday, July 5, 2017 at 8:15 p.m. The following committee members were present: Pat Quinn, Tom Geraghty, Arcie Rothrock, Nick Schlossmacher, Debbie Kring, Kristin Inman, Ron Appletoft and Suzie Gibbs. Mayor Schowengerdt was also present. Councilmember Schlossmacher called the meeting to order at 8:15 p.m.

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

Overview of Incentive Requests (Mission Trails and Gateway)

Ms. Smith introduced the City's financial advisor, Bruce Kimmel, Ehlers, to provide an overview of development incentive requests and processes. Mr. Kimmel presented information on the following:

- Ehlers is an independent municipal advisor, that will be providing economic development consulting including development feasibility, budget and pro forma analysis; fiscal impact studies, TIF and other incentive projections; and public-private negotiations where they are always on the public side.
- Factors to consider in the development process, including development plan and cost estimates, public infrastructure requirements, anticipated impact on public services, the developer's financial and practical capacity, public revenue potential of the project and options for directing revenues toward private and/or public costs - how to balance risk and reward.
- There is not a one size fits all approach to development. Each community has its own unique priorities, growth patterns, public finance and infrastructure characteristics, as well as appetite to participate. Cities must consider a logical progression of questions - strategic to tactical, macro to micro, big to small.
- What benefits and costs (quantitative/qualitative) would the proposed project bring the to the City? Does the developer have the resources and commitments to complete the project and will they be a capable development partner? Is the City willing to assist the project with financial participation? Is there a need for City participation? What City incentives and other public tools are available to fill the gap and how might they be used alone or in combination? What negotiated public-private agreement allows the project to move forward as a "win-win?"
- Information on how TIF works and funding methods - pay as you go, bond financing with special obligation TIF revenue bonds and/or general obligation TIF revenue bonds.
- Community Improvement Districts and how they are structured.

- Industrial Revenue bonds, which are primarily used to provide sales tax exemption on construction materials.
- Mission Trails project, which is within its own TIF district. They are requesting pay as you go TIF and IRBs.
- Timeline for consideration of the Mission Trails project
- Gateway Project, which is in the Rock Creek TIF District, has a City-approved TIF project plan, a CID plan and IRB issuance in coordination with a redevelopment agreement approved in January 2013. The 2017 agreement is expected to include amended or new versions of the same components as well as the utilization of the transient guest tax.
- Timeline for consideration of the Gateway project.

Questions for Mr. Kimmel and discussion by the committee included:

- How and when the Gateway project is being analyzed. Mr. Kimmel stated that they are looking at the current numbers for the project, and how the City benefits and its risks.
- The level of confidence with the Gateway plans. Mr. Kimmel stated that we have learned a lot over the past years, and they will be asking more pointed questions to the developer.
- What is the “deliverable” from Ehlers in this process. Mr. Kimmel stated that they will provide a report on the cost/benefit analysis to the City and the developer, including why any incentives are appropriate. This will be used with the development agreement. Ms. Smith stated that she will distribute to Council the 2013 Ehlers’ report on the Gateway so they are familiar with the format and what is typically included.
- Incentive tools for “filling the gap.” Mr. Kimmel stated that although there are a variety of tools available, sometimes a city will say no to incentives. The Gateway project is showing a need, but the question is how much the City wants to fill that gap to get the project done. The Mission Trails project is requesting incentives to assist with the parking garage.
- The Gateway project seems to be on the right track with a better blend of uses/tenants. This blend is better for economic resiliency.
- Mr. Kimmel stressed that it is his job to give the best options to the City within our policy.
- Whether the Gateway would need to go back to the Planning Commission. Ms. Smith stated that the office building was shown on previous plans so they don’t anticipate any significant changes that would require this to go to the Planning Commission again.

Mr. Kimmel stated that they work with market standards, but the Gateway project is not typical. The developer may be willing to complete the project at less than the market rate of return. All would like to see this project completed if not at too great a cost.

This item was informational only and no action was taken.

2018-2022 Parks Program Plan and Review of all Miscellaneous Funds

Ms. Smith provided information on capital infrastructure needs in the Parks & Recreation department, including the current debt service for the Mission Family Aquatic Center. In 2012, a $\frac{3}{8}$ cent sales tax was approved for parks and recreation with a 10-year sunset. This is used for parks and recreation activities, debt service, capital improvements, and operations. The Parks Master Plan was completed in 2016 and the Dog Park Task Force will be presenting their recommendation to Council in August. She provided information on expenses in the department that are categorized under capital projects, maintenance/operations, and deb/lease service payments. The recommended 2018-2022 plan does show a positive fund balance at the end of each program year, but several large items were not included (Exhibit A in the packet). She stated that staff has worked to inventory all systems to identify current and future needs, and anticipates over \$1 million will be needed at the Community Center in the next five years. In 2018, \$20,000 has been allocated to conduct a study for the best long-term solution to many of the needs identified. There are differences in the north and south sides of the building and with new technology available, this will give us the best options for the highest efficiency. She noted that the Matt Ross Community Center is only seven years old, but is currently closed for several weeks for all new upgrades to their systems.

Discussion continued on items needing updating that are not included in the CIP and whether they can simply be fixed, the benefits of the sales tax which is scheduled to sunset in a few years, revenues received from the Special Alcohol Tax Fund, and possible grant opportunities for items such as playground equipment. Councilmember Schlossmacher recommended an analysis to see if alternative energy (solar, wind) sources may be of benefit. Ms. Smith stated that this will be considered in the 2018 study.

Ms. Smith also provided information on various miscellaneous funds, including:

- Special Alcohol Fund - revenues in 2018 are anticipated to be \$65,000 and are split between the Drug & Alcohol Council (DAC) recommended programs (\$30,000); the DARE program (\$15,000); and funding for the Johnson County mental health co-responder program (\$15,000).
- Solid Waste Utility Fund - the 2018 contract with Waste Management will increase by 3.85% (there has not been a rate increase in the past two years). Currently, residents pay 86% and the City pays 14% of this contract. It is funded with a transfer from the General Fund and approximately \$5,000 is rebated through the Franchise/Utility Fee Rebate Program for income-eligible residents.
- MCVB Fund - these funds must be accounted for in a separate fund since they come from transient guest taxes. These funds are used to exclusively support the publication and distribution of the Mission Magazine, and the Mission Business Partnership and holiday adoption program on a pass-through basis.
- Mission Crossing TIF/CID Fund and Cornerstone Commons CID Fund - these two funds account for the revenues and expenses associated with the TIF and CID associated with each development. All distributions are made in accordance with the development

agreements for each project and reimburse the developers for certain approved development costs.

Ms. Smith stated that information on the recent classification/compensation study will be provided at the July 12th worksession, that the public hearing on the budget will be held during the August 2nd Finance & Administration Committee meeting, and approval of the 2018 Budget at the August 16th City Council Meeting.

Councilmember Rothrock asked if the Gateway is requesting the transient guest tax as a part of incentives. Ms. Smith stated that they have made this request.

This item was informational only and no action was taken.

Meeting Close

There being no further business to come before the Committee, the meeting of the Finance and Administration Committee adjourned at 9:30 p.m.

Respectfully submitted,

Martha Sumrall
City Clerk