

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

August 2, 2017

The Mission Finance & Administration Committee met at Mission City Hall, Wednesday, August 2, 2017 at 6:30 p.m. The following committee members were present: Pat Quinn, Tom Geraghty (arrived at 7:15 p.m.), Arcie Rothrock, Nick Schlossmacher, Debbie Kring, Kristin Inman, Ron Appletoft and Suzie Gibbs. Councilmember Schlossmacher called the meeting to order at 6:30 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, and Public Information Officer Emily Randel.

### **Public Hearing on 2018 City of Mission Budget** **Public Hearing on Rock Creek Drainage District No. 1 Budget** **Public Hearing on Rock Creek Drainage District No. 2 Budget**

Councilmember Schlossmacher opened the public hearings on the 2018 City Budget and Rock Creek Drainage Districts No. 1 and No. 2. Mr. Scott provided an overview of the proposed budgets for 2018, including:

- The primary fund in the City's budget is the General Fund which is approximately \$18.6 million.
- The total mill levy in the General Fund is estimated at 18.019 mills, which is the same as it is currently.
- Seven mills are dedicated to street maintenance and this raises approximately \$900,000 annually.
- In 2018, a new ¼ cent sales tax from the County to fund the new courthouse will generate approximately \$193,000 for the City.
- Expenditures in 2018 include approximately \$6.85 million in personnel expenses, which come from the General Fund. Recommendations from the classification and compensation study are built into the 2018 Budget.
- Continue the Franchise Fee and Mill Rate Rebate Program as it is currently, at a cost of \$20,000.
- The budget for park maintenance in 2018 has been increased by \$25,000.
- Funding for the BIG program remains at \$35,000.
- Continue to work toward 100% cost recovery for the Community Center.
- In the CIP, fund the highest priority capital equipment needs, including replacement of copiers for City Hall, Police Department and Parks and Recreation, purchase of a skid steer trailer and crack seal machine for Public Works, Municipal Court software, and handguns and radar units in the Police Department (estimated at \$432,325).
- The street maintenance program is funded through a ¼ cent sales tax and 7 mills. This covers actual street maintenance, several improvement projects, and debt service.

- There are two drainage districts in the City - the mill rate for Rock Creek Drainage District #1 is 8.802 and will generate approximately \$3,000 annually, and Rock Creek Drainage District #2 with a mill rate of 10.500 mills will generate approximately \$85,000 annually.
- Parks and Recreation receives funds through a  $\frac{3}{8}$  cent sales tax and also receives one-third of the alcohol fund.
- The stormwater utility remains at \$28/ERU/month.
- The solid waste utility rate will increase from \$163.08 to \$168.84 annually for single-family property owners. The city's contract is increasing by 3.85% and residents pay 86% of the cost, the city pays 14% of the cost.

Councilmember Kring requested clarification on the differences between the two drainage districts. Mr. Scott stated that Rock Creek No. 1 is the Gateway site and Rock Creek No. 2 is property along the creek from Roeland Drive west to as far as City Hall. Councilmember Gibbs asked if the implementation of the recommendations of the classification and compensation study will take place this year. Ms. Smith stated that they would with the first step in September.

Councilmember Schlossmacher asked for comments from the public. There being no public comments, the public hearings were closed at 6:45 p.m.

### **Classification and Compensation Study - Final Report and Recommendations**

Ms. Smith stated that the results from the recent classification and compensation study were presented at the July committee meeting. Staff is now recommending an implementation plan and presenting the final report from the Austin Peters Group who conducted the study. Mission is currently at the 40th percentile of the market for wages and benefits, and at the 50th percentile when compared to comparable sized cities. This is just a snapshot of where we are now and does not address the City's overall compensation policy. Ms. Smith provided information on the five proposed implementation steps:

1. Adopt a compensation philosophy - this would be the total reward strategy and must be realistic.
2. Establish position salary ranges/grades - of the 35 positions, 24 will remain at the same grade, 9 will increase, and one will decrease. No employee's salary will be decreased. Once adopted, 13 employees will need to be moved to their salary grade's new minimum.
3. Fund market adjustments to existing salaries - one-time market adjustments will be made to existing salaries. Employees will be placed in new ranges based on tenure, performance. Adjustments will be made for 49 employees and will be on the October 6th payroll.
4. Conduct annual performance reviews and implement merit increases - Department heads will begin performance reviews in October, with merit increases based on the new salaries on November payrolls. There is a 3% merit pool in the budget

5. Ensure ongoing review and maintenance of the system - the Austin Peters Group will provide support for the next three years at no cost.

Ms. Smith also noted that job descriptions have been updated, and will be reviewed by employees and supervisors prior to finalizing. There are three proposed title changes, and after review, one employee is being moved from exempt to nonexempt. Our benefits are at the 50th percentile and there are no recommended changes. Council will have an opportunity to review current benefits this fall when annual renewals are considered. Two meetings were held with employees to provide information on the study to date and a list of "FAQs" was also provided. The next step in the process will be individual letters to employees letting them know how the recommendations will impact them. Ms. Smith thanked Council for supporting this important study.

Councilmember Quinn asked what funding is available to cover the cost of salary increases for the remainder of 2017. Ms. Smith stated that we have enough in salary savings due to vacant positions, as well as being very conservative in the budget, to fund these. A resolution approving implementation of this plan will be on the August 9th committee agenda for consideration by Council at the August 16th meeting. Councilmember Schlossmacher requested additional information on how the salary grades will be maintained in coming years. Ms. Smith stated that the Austin Peters Group will work with staff to identify an appropriate index, as well as implement salary grades for new positions, etc.

Councilmember Gibbs recommended that the recommended implementation steps and schedule from the 2017 Classification and Compensation Study and direction for the City Administrator to prepare a resolution formalizing this for consideration move forward. All on the committee agreed. A resolution will be drafted and placed on the August 9th Finance & Administration Committee Agenda.

**2018 Budget Resolution (Draft)**  
**2018-2022 CIP Resolution (Draft)**

Ms. Smith provided additional information on the draft resolutions for the 2018 Budget and 2018-2022 CIP. These resolutions outline policies for the 2018 budgets, which Mr. Scott discussed during the public hearing earlier during the meeting. Staff will incorporate any final revisions and changes into final resolutions for the budget and the CIP at the August 9th committee meeting.

Councilmember Kring requested additional information on our outstanding debt, sunset dates for sales taxes, and any agreements that are tied to payments to the City. Ms. Smith stated that an annual debt summary is provided every year and she will provide this again to Council. Our stormwater debt is the largest, and the street sales tax sunsets in 2022 and the Parks and Recreation sales tax sunsets in 2023.

These items were for review only and final resolutions will be prepared and presented at the August 9th Finance and Administration Committee meeting.

### **Replacement of Servers**

Mr. Scott stated that the City has a total of four primary network servers. Two are for the Police department and two support the rest of the City. Included on these various servers are the software for the Police Department records management and virtual data communication for police vehicles. Staff has been working with Johnson County DTI to get updated quotes for replacement of two of these servers that are nearing the end of their useful life. The quote provided to the committee earlier in the year included a much greater amount of memory (more than is needed) and these current quotes will provide sufficient memory for our requirements. The cost for these servers are \$14,630 for the Police Department and \$9,642 for the City server.

Councilmember Kring recommended that the purchase of two network servers and one firewall server in an amount not to exceed \$27,000 be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

### **Resolution Designating Surplus Property**

Mr. Scott provided information on the various items identified as surplus and to be included with this proposed resolution, including:

- Two Police Department vehicles
- Two pickup trucks - one from Public Works and one from Parks & Recreation
- Mowers
- Air compressor

These items will be sold through Purple Wave.

Councilmember Quinn recommended that the resolution providing for the sale/disposal of surplus equipment from various departments be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

### **Ordinances Adopting STO and UPOC**

Chief Hadley stated that the *Uniform Public Offense Code* and *Standard Traffic Ordinance* are published annually by the League of Kansas Municipalities and provide a comprehensive reference of public offenses and traffic codes for Kansas cities. These include all new laws that have recently gone into effect. They have been reviewed by our City Attorney. It is recommended that these be adopted by reference. He noted that several items, such as speed limits, have been adopted by separate ordinances and are a part of our Code.

Councilmember Quinn recommended that the ordinance adopting the 2017 editions of the *Standard Traffic Ordinance* and the *Uniform Public Offense Code*, as published by the League of Kansas Municipalities, be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

#### **Selection of Voting Delegates for LKM and NLC Annual Meetings**

Ms. Sumrall stated that as a member city, Mission may select up to three voting delegates for the League's annual business meeting, and one voting delegate and one alternate for NLC's annual business meeting. Councilmember Inman will be attending the LKM conference, and Councilmembers Kring, Schlossmacher and Rothrock will be attending NLC's conference.

Councilmember Rothrock recommended that the selection of Councilmember Inman as voting delegate for the LKM business meeting, and Councilmember Kring as voting delegate and Councilmember Schlossmacher as alternate voting delegate for the NLC business meeting be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

#### **Consolidated Fire District No. 2 Street Solicitation Application to Benefit MDA**

Ms. Sumrall reported that Consolidated Fire District No. 2 and IAFF Local 1371 have submitted their annual application to hold a "boot block" to benefit the Muscular Dystrophy Association Labor Day weekend.

Councilmember Quinn recommended that the street solicitation application for Consolidated Fire District No. 2 and IAFF Local 1371 to conduct a "boot block" on September 1-4, 2017 at the intersection of Johnson Drive and Broadmoor be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

#### **Resolution Designating Additional City Sponsored festival Events**

Ms. Sumrall stated that in order to allow for the sale of alcohol by a local business at a festival event, Council must approve a resolution designating specific events as "City Sponsored Festival Events." A resolution was passed in March, but since that time two additional events have been scheduled. This resolution would designate the Sunflower Festival in August and the Mission Farm & Flower Market Fall Party in October as City Sponsored Festival events.

Councilmember Quinn recommended that the resolution designating additional 2017 City Sponsored Festival Events be forwarded to Council for approval. All on the committee agreed. This will be a consent agenda item.

## Gateway Development

Bruce Kimmel, Ehlers, provided an overview of the 2017 Gateway incentive request and city evaluation of potential TIF, CID and IRB participation. His presentation included:

- The two parts of the proposed project - Part A includes 169 apartments, small format retail, and estimated development cost of \$68.1 million. Anticipated completion is spring 2019. Part B includes large format retail spaces, hotel with restaurant and spa, office building, and estimated development cost of \$137.5 million. Total estimated development cost is \$205.6 million.
- Request for TIF and Transient Guest Tax (TGT) for 20 years with pay-as-you-go reimbursement for Part A (possible future bonds) and upfront bond funding then pay-as-you-go reimbursement for Part B, and information on the developer's combined projection for these two incentives.
- Information on how these estimates were calculated by the developer
- Request for Community Improvement District at an additional 1% on retail and hotel sales over the 22 year statutory maximum duration. This is an additional tax that the developer is imposing on themselves - the City can delay the start date to 2019 when Part A of the project is anticipated to be built and open. Pay-as-you-go reimbursement for Part A (possible future bonds) and upfront bond funding then pay-as-you-go reimbursement for Part B, and information on the developer's projection for A and B.
- Information on how the CID estimates were calculated by the developer.
- The need for a consistent model from the developer on incentive estimates.
- IRB sales tax exemption on construction materials/furnishings is estimated to be valued at \$4.5 million. This is significant to the project, especially considering all the furnishings that go into a hotel and apartments (beds, dressers, dishes, appliances in the apartments, etc.).
- Information on the City's evaluation of the projects, whether there is a fiscal "gap," and what is are reasonable tools, structures and amounts for the city's participation.
- The need to consider prospective City benefits and costs from the project, including revitalization in the community, additional downtown residents and retail activity, etc. There will also likely be an increased demand for City services. The need to evaluate "where to land" with a reasonable rate of return for the developer.
- Additional questions and considerations, including which revenue streams are most valuable to the City and which are more expendable.
- Various policy questions that Council must address including whether the City wants to recoup its Gateway stormwater costs up front or through an annual assessment, what additional operating costs will the City bear with the Gateway as proposed, what City taxes and fees will the City collect from the development and its operations, and what else needs to be factored into negotiations? (Performance measures for incentives, who are the tenants, etc.)
- The calendar for upcoming discussions on this project and the need for Council to provide feedback to staff and Mr. Kimmel on proposed incentives, the use of bonds and type, etc.

Councilmember Kring requested a spreadsheet outlining the incentives/type of bonds and risks. She would like to “see the whole picture,” is concerned that the developer is in arrears on his property taxes, and feels any decisions on this project could set a precedent for incentives on other proposed development projects in the City. Councilmember Appletoft stated that he believes each development project stands on its own - has its own risks and impacts on the City. Councilmember Appletoft also stated that the request for incentives is always higher than what is ultimately approved, but he would like additional information on risks, current costs, etc. He is not sure he is comfortable with the issuance of general obligation bonds in addition to special obligation bonds. Ms. Kimmel stated that he will be providing additional information at future meetings that includes greater detail. Councilmember Schlossmacher asked if information on the amount of incentives provided to similar mixed-use projects is available and useful. Mr. Kimmel provided information on benchmarks used for developing rates of return. Councilmember Kring expressed her concerns with two additional apartment projects being proposed in addition to the Gateway, and stated that she would like additional information on supply and demand numbers for apartments in Mission.

Mr. Valenti stated that he and his team continue to work with staff to provide additional details. He believes the phasing concept for the project will help with gaining confidence in the project. He stated that he will need TIF but not the bonds up front. Phase I would be rolled-up with other bonds. He discussed the 2013 rate of return which was reasonable, and the many costs he has incurred over the years to move this project forward. He recently had a good meeting with one of the larger retail tenants and anticipates a letter of intent from them within the next week. Their staff will be meeting with the other large retail tenant on August 8th, and has a phone conference soon with the potential office tenant. He also promised to have the site mowed soon and anticipates making a partial tax payment next week. Mr. Valenti stated that he hopes to get the project underway this fall, and is excited about the potential larger tenants he is working with. Councilmember Kring stated that she believes the hotel is a great idea, and Mr. Valenti stated that the hotel combined with the office space will work very well together.

This item was for discussion 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