

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

August 9, 2017

The Mission Finance & Administration Committee met at Mission City Hall, Wednesday, August 9, 2017 at 7:35 p.m. The following committee members were present: Pat Quinn, Tom Geraghty, Arcie Rothrock, Nick Schlossmacher, Debbie Kring, Kristin Inman, and Suzie Gibbs. Absent: Ron Appletoft. Councilmember Schlossmacher called the meeting to order at 7:35 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.

### **Resolution Implementing Recommendations for 2017 Classification and Compensation Study**

Ms. Smith reported that the committee received information on the recently conducted classification and compensation study at the August 2nd committee meeting. This proposed resolution formalizes the City's compensation philosophy and outlines the implementation steps. The estimated impact to base wages on an annual basis is \$132,456, and an additional annual impact on salary related benefits (FICA, KPERS, KPF, etc.) of approximately \$53,367.

Councilmember Schlossmacher asked if the plan will be implemented in 2017. Ms. Smith stated that it will, beginning with the September 22nd payroll. Councilmember Gibbs requested information on employees feedback on this process. Ms. Smith stated that employees have been updated on the process, and they are appreciative and anxious to see this implemented this year. The study and results have been well received. Ms. Smith confirmed to Councilmember Geraghty that our policy will be to move toward the 60th percentile of the market and that we will continue to work with The Austin Peters Group on an annual index for the pay ranges. She also reminded Council that salary ranges are brought to Council for approval every fall. Councilmember Schlossmacher stated that Council appreciates all the staff and the work they do, and hopes this study will make Mission more competitive to help retain employees.

Councilmember Quinn recommended that the resolution adopting a formal compensation philosophy for the City of Mission and authorizing the City Administrator to proceed with the implementation steps as recommended be forwarded to Council for approval. All on the committee agreed, but this will not be a consent agenda item.

### **2018 Budget Resolution Resolution Adopting 2018-2022 CIP**

Ms. Smith stated that as part of the annual budget process, Council adopts a budget resolution which outlines and describes the financial policies, tax and fee structures, and other related issues identified in a particular fiscal year. This resolution is in the final form following the

August 2nd public hearing and committee meeting. The 2018-2022 CIP resolution addresses the recommended five-year infrastructure plan. The revenues and expenses programmed in the CIP for 2018 are included in the 2018 recommended budget.

Councilmember Quinn recommended that the resolution establishing budget policies for Budget Year 2018 for the City of Mission be forwarded to Council for approval. All on the committee agreed, but this will not be a consent agenda item.

Councilmember Quinn recommended that the resolution adopting the 2018-2022 Capital Improvement Program (CIP) for the City of Mission be forwarded to Council for approval. All on the committee agreed, but this will not be a consent agenda item.

### **Annual Budget Adoption**

Ms. Smith provided additional information on the process for formally adopting the 2018 Budget and noted that at the August 16th City Council Meeting, three separate motions will be required for adoption. These motions include the 2018 Annual Budget (city), Rock Creek Drainage District #1 Budget and Rock Creek Drainage District #2 Budget, as these three are all separate taxing entities.

### **Mission Trails (EPC) Project Incentive Request**

Bruce Kimmel, Ehlers, provided an analysis and review of the financial information related to the request by the developer of the Mission Trails (EPC) project for various public incentives. Mr. Kimmel also introduced Terry O'Leary, EPC Development, who was in the audience and available to answer questions. Mr. Kimmel provided a brief background on the project, discussed possible areas for compromise, and stated that we are looking for feedback and direction from Council for further discussion.

Mr. Kimmel provided information on the following:

- Project plan submitted that includes 200 units of market-rate apartments, 297 spaces of structured parking, 5,500 square foot retail use with courtyard, and timeline for property acquisition and construction.
- Request for 100% of property TIF generated over the 20-year statutory maximum duration and IRB Sales Tax Exemption on construction materials with an estimated value of \$1.0-1.3 million.
- Incentive request "drivers" including the cost of acquiring the site, structured parking, apartment and retail lease rates needed to achieve target rate of return without TIF and IRB incentives, perceived development risks.
- The City's analysis, verification, and discussion of the development and the conclusions of Ehler's fiscal analysis identifying a gap in funding if City assistance is absent. He stated that a 15 year TIF term would be reasonable.

- City benefits from the project including revitalization, increased number of residents who will generate more economic activity, additional public parking, a variety of new City revenues (development fees, sales taxes, franchise fees), and noted that there may potentially be an increase in demand for City services. Council must place a value/priority on these and other factors when considering the use of incentives and specifics of the development agreement.
- Value of new City taxes (estimated future revenue is worth \$313,800 today, using 3% discount rate), and what could change this future tax value to the City.
- Analysis indicates 15 year TIF term, but also the City benefits from Mission Trails likely outweigh City Costs; the meaningful but uncertain value of City taxes with 15-year TIF term, and potential win-win outcomes for the City and developer.
- The timeline for continued discussion and action on this project.

The committee also discussed any possible impact the tax lid could have on the project and incentives considered.

Terry O'Leary, EPC Developers, provided background on his company and their previous developments, their need for incentives to make the project work, the value of apartment projects and the volatility in the current market with banks pulling back, and increases in construction costs. He also stated that they feel they choose the best locations and build quality projects, that Mission is very desirable for this project, and discussed the benefits to the City if the Mission Trails project is built. He also provided information on his previous work and stated that he is passionate about the details in a project. EPC's business model is to tie the marketing and leasing with the development as they have learned it is more beneficial to manage the properties themselves. He also discussed the possible sale of a project once completed, and Mr. Kimmel provided information on an "assignment clause" that will be in the development agreement and require the developer to inform the City if the project is sold to another entity. Mr. Kimmel stated that the transfer of the TIF is not unreasonably withheld if the new owner is reputable.

Mr. Kimmel asked councilmembers to provide him or staff with any feedback and to feel free to contact him with questions. He stated that the development team continues to meet regularly on this project. Councilmember Schlossmacher requested examples of similar projects and what can be or is typically funded. Mr. Kimmel stated that there may be a possibility of the City getting some money up front for City projects (streets, sidewalks, decorative features, parking, etc.) along with the developer getting the full term of the TIF.

Ms. Smith provided a handout of apartments currently in Mission, their size/units, rent ranges, amenities, year first built and renovations, and appraised value information. Councilmember Schlossmacher stated that he believes the EPC project will provide a different level of apartments and that there is a market need for these types of apartments.

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 8:25 p.m.

Respectfully submitted,

Martha Sumrall  
City Clerk