

CITY COUNCIL STUDY SESSION

TO: Mayor and City Council
FROM: Mari E. Macomber, City Manager ^{MEM}
SESSION DATE: June 15, 2009
TIME: 5:00 p.m.
PLACE: Second Floor Conference Room

We will be in the Second Floor Conference Room on Monday for the Study Session and will need to adjourn by 5:50 p.m.

AGENDA:

- **Local Preference**
- **Alternate Route 63 Update**
- **Airport Update**
- **Newsletter Review – June 12, 2009**

LOCAL PREFERENCE

On May 18, the City Council approved revisions to City Council Policy #2 Purchasing.

Revisions included:

1. Creating a three tiered local preference:
 - \$25,000 or less – up to 5% local preference
 - \$25,001 - \$100,000 – up to 2.5% local preference
 - \$>100,000 – up to 1.5% local preference
2. The definition of local was modified to require the location of corporate office to be located within a 30 mile radius of Kirksville.
3. Requiring a tracking system to allow for the evaluation of the local preference policy.

At the June 1 City Council meeting, the Council was asked to consider the bid of the Morris Oil, as the only local vendor under the Council's newly adopted purchasing policy. This recommendation was approved, resulting in a request from MFA Oil officials for the Council to consider a revision to the policy, establishing MFA, a cooperative, as a local vendor.

The Council asked that a definition of "corporate" be developed and brought back to the June 15 meeting.

Previous local preference policies factored in "corporate location" for construction projects only. The City has 1,943 businesses licensed to do business within the

corporate limits of Kirksville. In reviewing policies of other communities, aside from having a business license, the location of the business was important, but none were found that specifically required “corporate location”. Businesses located in town provide many benefits – goods and services for residents, attraction to residents outside of the city to come to town, sales tax, real and personal property tax and franchise fees.

The City depends on the taxes generated by these businesses to meet the needs of our citizens. We provide incentives for industrial prospects because of the potential job creation, despite the location of the corporate office. A strong economy is a diverse economy. We are somewhat isolated in Kirksville, isolated from competition from larger communities, unlike those communities located on the outskirts of suburban areas like Warrensburg. Do we really need a definition of corporate that will eliminate many of our businesses from competing?

Several definitions/criteria are presented within this report that could be considered by the City Council.

Business license applications contain more detailed information. A new business is required to complete a detailed application, while a business renewing its license does not need to complete the same application. Therefore, city records may have to be updated depending upon the definition the Council settles on.

Possible definitions

Example 1:

Local business could mean a business which:

1. Has had a fixed office or distribution point located in and having a street address within the city limits of Kirksville (county) for a fixed period of time (6 to 12 months) immediately prior to the issuance of the request for quotations, competitive bids or request for proposals by the City; and
2. Holds any business license required by the City (county); and
3. Employs at least one full-time employee, or two part-time employees whose primary residence is in the city limits of Kirksville (county), or, if the business has no employees, the business shall be at least fifty (50) percent owned by one or more persons whose primary residence is in the city limits of Kirksville (county).

Example 2:

Local business could mean:

A sole proprietorship, partnership, or corporation, which has a legitimate business presence in the City of Kirksville (county). Evidence of legitimate business presence in Kirksville (county) shall include:

1. having a current City of Kirksville business license; and
2. having either of the following types of offices operating legally within the City of Kirksville (county):
 - a. Principal business office; or
 - b. Regional, branch or satellite office with at least on full time employee

Example 3:

Local business could mean a business which is:

A person, firm, corporation or other business entity which is duly licensed and authorized to engage in business in the City of Kirksville (county).

1. any Business that has established and agrees to maintain a permanent place of business and staffed with full-time employees within the limits of the City and shall maintain a staffing level for the proposed work of at least fifty percent (50%) who are residents of the City; and
2. does not have any outstanding liens, fines or violations with the City;
3. A business that operates through the use of a post office box shall not be eligible to qualify

Other aspects of a definition could include

1. Corporate headquarters where most, if not all, of the important functions of an organization are coordinated and developed;
2. Business pays real and personal property tax;
3. Good or service is manufactured within the city limits of Kirksville (county)

Verification of Qualifications

The bid process is only one function performed by the City. It is a decentralized process with each department responsible for developing bid specifications. Insurance requirements are evaluated by the Risk Manager. The City Manager reviews and approves all bid documents. The Public Information Office posts the available bids on the City's website and the City Clerk is the received of all bids. Once the bids are opened the bids are evaluated to insure compliance. The definition of local vendor should be one that does not require extensive research and evaluation and can be determined without requiring additional research using existing records - business license records; or vendor certifications submitted with the bid proposals.

Local Preference Recap

The principal argument for local purchasing preferences is that by favoring local vendors the city can stimulate local economic activity and health. Local vendors pay local taxes, may be more likely to invest locally, employ local residents, and spur additional local spending by their employees, suppliers, etc. Considering the tough economic conditions nationally and locally, local government support of local businesses may be more important than ever.

Proponents of local purchasing preferences argue that "Giving preference to local suppliers, even if it means spending a little more, can actually benefit a city's finances. Dollars spent locally generate additional economic activity even beyond the value of the initial contract as the local supplier in turn sources goods and services locally. Each additional dollar that circulates locally boosts local economic activity, employment, and ultimately tax revenue,"

A dollar spent in locally-owned stores re-circulates in the community for 2 to 3 times the local economic impact of dollars spent at national retailers.

Opponents to local purchasing preferences would point to the following arguments:

- Additional cost to local taxpayers:
- Difficult to define, and verify, a “local” vendor:
- Incentive to bid:

Interesting Study: A local preference study completed by the Upjohn Institute for the City of Kalamazoo, Michigan concluded that local preference can create "a strong incentive for local companies to be sloppy with their bidding" -- i.e. bid high, but on the flip side, the study concluded that it seemed a shame to spend money out of town when a local company isn't the lowest bidder but very close to the low bid. The solution: Pick a "very tight window" of considering local preference when the local bid is within a reasonable percentage of the low bid and require the local company to match the low bid.

Fuel Bid:

The Council will need to discuss what if any action should be taken in light of the presentation made to the City Council by MFA. The Council has several options to consider:

Take no action – fuel bid is awarded to Morris Oil

Rescind action and base local preference on policy in place at the time of the bid letting – fuel bid awarded to MFA

Revise definition of local preference in policy approved at the end of May – result would depend on Council direction

Splitting the Bid - Though Morris has expressed a desire to split the bid and contends that he was not interested in providing fuel service to the public works facility, his bid does not state this, and MFA stated very clearly to the Council that their bid was contingent upon receiving the entire bid.

Rebidding the Fuel – The City could possibly continue to use MFA Oil under current terms if agreeable with MFA, and rebid the fuel in another year. The City could also then split the bid, which would result in an expected increase in potential bidders for the unleaded fuel and could establish the OPIS as the measure of the bid award. The City could not implement the recent bids for a one year period and then re-bid the service, as the costs associated with the card reader and fuel tank were based on a three year contract.

Recommended Action:

It is recommended that the City Council establish local company as one that has a business license prior to bidding, is not delinquent on any payment's owed the city (water, sewer, gross receipts tax, etc.), has a local office (Kirksville or Adair County), and employs at least one local person (including the owner) (Kirksville or Adair County). This could be voted on Monday evening if there is consensus among the Council.

ALTERNATE ROUTE 63 UPDATE

On Monday, Preston Kramer, Alternate Route 63 Project Engineer with MoDOT will be at the Study Session to give the Council an update on this project. MoDOT officials recently opened bids for the northern six-mile stretch of the highway. The Missouri Highway and Transportation Commission awarded the project to C.J. Moyna and Sons Construction of Elkader, Iowa who had the low bid of \$17.4 million. The project includes the construction of the north six-miles of the Alternate Route 63 project. This portion of the project is being accelerated with funding received from the American Recovery and Reinvestment Act (ARRA), about 18 months ahead of the original schedule.

Construction on the six-mile section will begin this August and will open to traffic by August 2011.

Work to complete the purchase of right of way and the design plans for the 2.5-mile south section is ongoing. MoDOT will receive contractor bids in June 2010 for this section, with consideration by the Commission in July 2010. Before completion of this first project, the second project will begin. The entire 8.5 miles will be opened to traffic by the end of 2011.

Recommended Action:

The City Council is encouraged to ask questions of Mr. Kramer about the status of the project.

AIRPORT UPDATE

If time permits, David Hall, Airport Director will be at the Study Session to give the Council an update on the progress of the work at the airport.

A summary of this work is included in the attached staff report.

Recommended Action:

No action will be required.

NEWSLETTER REVIEW – June 12, 2009

Attachments

- City Business License Requirements
- Notes from Special Study Session – June 8
- Alternate Route 63 Map
- Alternate Route 63 Information
- Staff Report on Airport from David Hall

Enclosures

- Bid Specifications for Motor Fuel
- Morris Bid Response
- MFA Bid Response
- Kirksville Daily Express Article

License Application Process

- Obtain a Missouri Sales Tax Number (if a retail business).
- Apply for a City and County Business License in the Finance Department of City Hall, or call 660-627-1251. In addition to the application, the applicant must also provide proof of: 1) general liability and workers compensation insurance; 2) property tax assessment by county; and 3) payment of all local property taxes.
- All business licenses expire March 1. Renewal notices are issued in January. A late fee will be applied if licenses are not renewed on time.
- Most business licenses cost \$10 per year, plus a one-time processing fee of \$10. Retail businesses are also required to report and pay on quarterly gross sales. Forms are mailed quarterly to applicable businesses.
- The business license fee for plumbers and building contractors is \$25 plus the one-time \$10 processing fee.
- The business license fee for those that are both building contractors and plumbers is \$50 plus the one-time \$10 processing fee.

JOURNAL OF THE CITY COUNCIL Special Study Session – June 8, 2009

COUNCIL & STAFF PRESENT:

Todd Kuhns	Mayor Pro Tem
Richard Detweiler	Council Member
Carolyn Chrisman	Council Member
Mari Macomber	City Manager
Sarah Halstead	Deputy City Clerk
Melanie Smith	Community Services Director
John Buckwalter	Public Works Director
Cherie Bryant	Assistant to the City Manager

Absent: Martha Rowe, Mayor; Aaron Rodgerson, Council Member.

The City Council of the City of Kirksville, Missouri, met in a Special Study Session on Monday, June 8, 2009, at 3:30 p.m. in the City Hall Council Chambers with representatives from MFA, Incorporated.

Mayor Pro Tem Kuhns introduced Jerry Taylor, MFA CEO, to present information to the Council.

Taylor thanked the City Council for calling the meeting. Taylor stated that MFA is an 80 year old farmer-owned cooperative, and said his goal was to try to convince the Council that MFA is locally owned. Taylor introduced the other MFA members that accompanied him to the meeting: Tim Findling, local MFA Plant Manager; Gary Clarks, LP Manager; Rusty Wayman, rancher West of Kirksville who is on the MFA State Board; 3 delegates—Frank Collop, Kelly Church, Mike LeBryant; as well as three other MFA Board Members. Taylor said he understood what the City was trying to do by keeping the money local, but unlike investor-owned businesses, a cooperative doesn't have the goal of accumulating wealth on the balance sheet. Instead, a cooperative is owned by its users and tries to bring lower cost and return of patronage dividends to its users. Taylor explained that users that spend \$100 on an annual basis, as well as produce agricultural commodities, are considered members/owners. MFA has eight districts in the state and there are 1800 members (owners) in the Kirksville plant alone. Approximately \$1 million in dividends has been redistributed to those users over the past twenty years. Taylor stated that Mr. Morris is a distributor for Sinclair which is headquartered out of Salt Lake City, and brings up the debate as to what is local based on where the headquarters are. Taylor said he felt the key for MFA to be considered local is that the profits go back to the users/owners in the communities, and that the MFA Slogan is, "MFA Oil the company that lives where you do".

Council Member Chrisman asked Taylor about the member dividends, and how it is disbursed if the local MFA makes more profit than another district. Chrisman wanted to know if the dividends are disbursed evenly or if they are larger in the area where the profits are higher. Taylor responded that MFA disperses the same dividend per dollar

across the state, and each member gets their share of the dividend based on how much business he/she did with MFA throughout the year.

Council Member Detweiler asked if MFA has similar arrangements with other cities that would be comparable to the City of Kirksville, and if they are all bid the same way. Taylor stated that MFA tries to bid it all the same way, and that the bid was based on OPIS (Oil Price Information Service). An industry standard to bid it based on the terminal price not the local city market. Taylor stated that the reason they use OPIS is that OPIS publishes the prices at the terminal by vendors. This takes risk out of the retail market going higher than the wholesale market, and is a better way of tracking the oil markets more exactly. Taylor said that MFA has found that most of their customers prefer it to be bid that way.

Council Member Chrisman asked how often MFA has bid based on OPIS for the City of Kirksville. Taylor turned it over to Tim Findling, who stated that this is the first time. Findling said that they have always bid below street price, but this year they thought they could save the City some money by bidding it based on OPIS. Because of the large variances at the pumps, there are times the City may pay over street price and other times under street price if they bid it based on street price. Findling said basing it on OPIS the City will know exactly what the market is doing, and it will be a more fair way to let the City know how much profit MFA is making off the City as well. David Dunlap, director for Eastern Missouri, stated that Missouri has gone to rack pricing (OPIS), because it is a better representation of the actual cost of the jobbers (middlemen). Dunlap said that the State of Missouri and most commercial accounts base their bids on OPIS because it is a fair representation of the cost.

Council Member Chrisman asked Public Works Director John Buckwalter if the bid asked for a bid based on OPIS or street price, and Buckwalter responded that the bid asked for a bid for a difference of either above or below pump price.

Mayor Pro Tem Kuhns asked MFA representatives why they bid differently than what was asked. Findling stated that MFA tried to guarantee a profit while making it fair for both parties involved, and felt bidding it based on OPIS was the best way to do so.

Mayor Pro Tem Kuhns said that the Council recently made changes to the local preference policy, and they are trying to figure out the best way to invest locally to keep money in the community.

Mayor Pro Tem Kuhns said he had researched on the web and found that MFA has 135 propane plants, 137 bulk plants, 163 Petro Card 24, 75 Break Time, 10 Jiffy Lube, and 10 Big O Tire. He asked Taylor how many of these are within a 30 mile radius of Kirksville, and Taylor responded that there are four in Kirksville. Taylor said they chose to put the bulk plant in Kirksville because it is the major hub of the area.

The Council asked MFA if they would be willing to extend their contract until a decision could be made about the bid. Taylor said MFA is hoping to convince the City that they

are local, and they would do whatever is easiest to accommodate the City until a decision is made.

Council Member Detweiler told Taylor that when the bids were sent out both MFA and Morris Oil were considered local. Mayor Pro Tem Kuhns explained that the reason the policy was changed was because there was no distinction between businesses such as Wal-Mart and Home Depot, and other businesses that have been founded and kept in business in Kirksville. Kuhns stated the policy change was to make the policy more fair for everyone involved and keep the money local.

Council Member Detweiler stated that John Buckwalter's calculations showed MFA ahead of Morris, and he appreciates MFA's bid. Detweiler said he feels the Council should have stayed with the policy at the time the bid was sent out. Detweiler said he feels now that he voted incorrectly, and should have awarded it to MFA.

Public Works Director, John Buckwalter explained to the Council the current system the City uses, as well as what the bid requested. Currently City vehicles fuel at the pump, as well as the bulk station at Public Works. Each vehicle and driver has a card that is use at the MFA pump, and each month the City gets a report for each vehicle stating how much fuel the vehicle used, and the price on that day. The bulk tank at public works is refueled with diesel fuel by the supplier approximately one time a week, sometimes more depending on demand, and the City is billed for it when it goes into the tank. Each vehicle has a key and logbook where they manually record the gallons of diesel fuel from the pump reader, and at the end of month the fleet maintenance supervisor balances the books and reader. This key system needs replaced with a more modern system, and that was asked for in the bid. Most diesel-fueled public works and heavy equipment are fueled at the bulk tank. There is a tanker for central garage so that fuel can be delivered to heavy equipment at job sites. The public works department tracks fuel against every vehicle, every month, and it is then charged to the correct line for each department. The 1,000 gallon bulk tank belongs to the supplier, and the key system belongs to the city. The City wants both the tank and card reader to belong to the supplier to make it more cost effective.

The Council inquired as to using two different vendors throughout the year, and it was determined it would be too difficult from an accounting perspective to do so. Buckwalter also mentioned that there are not many suppliers with the capability of delivering diesel to the bulk tank.

The Council asked Buckwalter about his comparisons of the two bids, and asked MFA if they thought 13 months of data from OPIS was enough to make a good estimate of the costs. MFA representatives said that they felt 13 months was adequate, however, it would be difficult to compare pump price to OPIS, as pump price varies so much.

The Council discussed the possibility of rebidding, but had concerns that it would be unfair to MFA because others would know their bid. It was also discussed that the two vendors neither one met the bid exactly as it was requested.

City Manager, Mari Macomber, asked the Council if there was anything they wanted the City Staff to do before the next study session. Council Member Chrisman asked if Macomber had looked at other towns and how they delineate a cooperative versus a corporation. Macomber said they did not look at that, but that it is something she could look into. Chrisman asked that the Staff look into the definition of a cooperative, local franchise and corporation. Council Member Kuhns said he would be more comfortable with some more research, before a decision is reached.

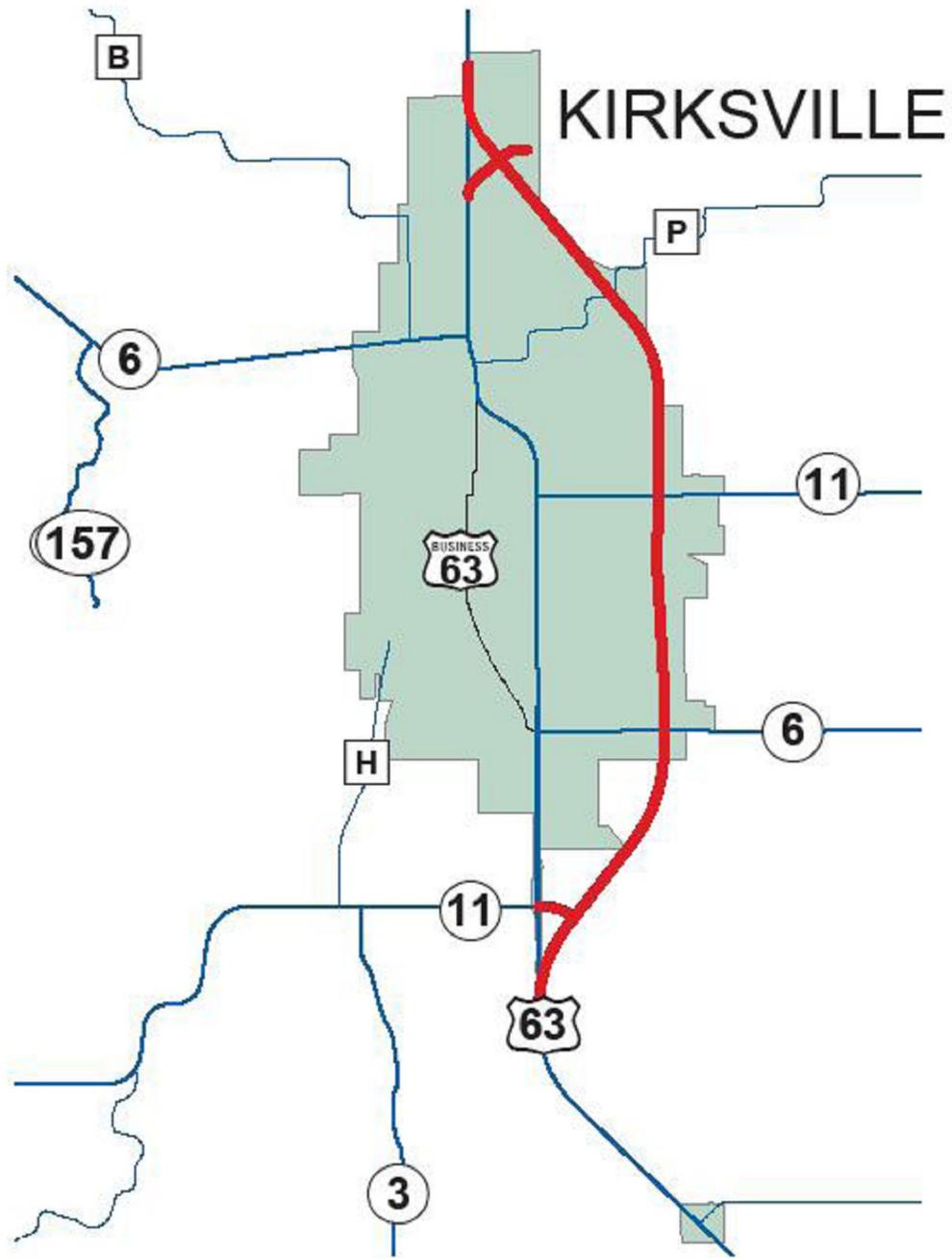
Council Member Chrisman said she felt that the first priority would be to look at the definition of the local preference policy, then determine how it applies to the bids.

Macomber said that there were a few options that the Council could consider at this point: rebid; retain current award; change the award to MFA; or negotiate with both vendors. Taylor stated that the furnishing of the reader was based on MFA being the sole supplier, and they would probably not be able to furnish the reader if they were to split the bid. Buckwalter informed the Council that it had been proposed that it would cost \$4,100 for the City to purchase a reader. MFA reiterated that they would maintain the reader for the life of the contract at no cost to the City.

City Manager Macomber asked Buckwalter how the reader system would work with Morris. Buckwalter said that Morris would provide an offline report at the end of the month. Said basically it would be like the system the City uses now, but more modern technology.

Macomber said she would research the definition of a corporation for the next study session, and asked the Council what else they would like researched before the next meeting.

Council Member Chrisman stated that neither bid met the specifications exactly, but the Council did not throw the bids out. The Council discussed the policy that was in place at the time the bid was sent out, versus the policy at the time the bid results were recommended. It was the general consensus of the Council that at the next study session of June 15th the Council could look at the definition of Cooperative versus Corporation, and then make a decision as to which policy should be used.



Original Project Cost / Schedule

- Construction cost \$ 24.8 million
- Right of way cost \$ 2.4 million
- Utility relocation \$ 1.3 million
- Total Project Cost \$ 28.5 million
- Open to traffic 2012

Funding Proposal

50 / 50 Cost Share

- 50% (\$14.3 million) Amendment 3
- 25% (\$7.1 million) District 2
- 25% (\$7.1 million) City of Kirksville
- City of Kirksville funding provided by extending current sales tax pending voter approval

KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT

SUBJECT: Airport Update

STUDY SESSION MEETING DATE: June 15, 2009

CITY DEPARTMENT: Airport

PREPARED BY: David A. Hall, Airport Director

The Kirksville Regional Airport is one of eight commercial service airports in the state of Missouri and the only commercial service airport north of the I70 corridor. It is part of the National Plan of Integrated Airports System (NPIAS) and serves the aviation needs for many both public and private. Funding for the airport is primarily from the Federal Aviation Administration's Airport Improvement Plan (AIP) and is administered by MoDOT Aviation as Missouri is a block grant state. This along with state and local funds in addition revenues from fuel sales provide for operating capital for Kirksville Regional Airport. To receive state or federal funding, all proposed airport improvement projects must be shown on an approved Airport Layout Plan (ALP). Attached is our current ALP. Below is a list of eligible AIP projects.

Examples of Eligible Versus Ineligible AIP Projects

Eligible Projects	Ineligible Projects
Runway construction/rehabilitation	Maintenance equipment and vehicles
Taxiway construction/rehabilitation	Office and office equipment
Apron construction/rehabilitation	Fuel farms
Airfield lighting	Landscaping
Airfield signage	Artworks
Airfield drainage	Aircraft hangars
Land acquisition	Industrial park development
Weather observation stations (AWOS)	Marketing plans
NAVAIDs such as REILs and PAPIs	Training
Planning studies	Improvements for commercial enterprises
Environmental studies	General aviation terminal buildings
Safety area improvements	Automobile parking lots
Airport layout plans (ALPs)	Maintenance or repairs of buildings
Access roads only located on airport property	
Removing, lowering, moving, marking, and lighting hazards	
Glycol Recovery Trucks/Glycol Vacuum Trucks	

The Kirksville Regional Airport has undergone many changes the last several years for compliance with Federal Aviation Regulation (FAR) Part 139. Most of those changes are via AIP funded projects and were safety related. A new Fixed Base Operations (FBO) building was constructed in 2005 and houses the ARFF equipment and provides for general aviation needs. A county road relocation for runway safety area expansion, runway rehabilitation, runway marking installation, rotating beacon replacement, and supplemental wind cone installation, are a few of the projects that have been completed. A complete new wildlife perimeter fence installation will begin sometime next month and should complete the known safety related components for compliance with FAR Part 139.

In July, 2007 the FAA funded the installation of a new CAT 1, Instrument Landing System (ILS) to runway 36 increasing our ultimate landing minimums to 200 ft & ½ mile. This along with a new Medium Intensity Approach Lighting System (MALSR) makes IRK a very attractive all weather airport destination.

July 2008 saw the change in air carriers at IRK from Mesa Airlines (Air Midwest) service to Kansas City to Air Choice One service to St. Louis. With many unhappy travelers that were left reeling from cancellations, delays, and all things bad, we have been very pleased with the reliability of Air Choice One. While we have some obstacles to overcome in the schedule, ticketing structure, and flight origination, we are able to advertise good quality service to St. Louis Lambert.

We are currently participating in a statewide commercial air service survey. This effort is being orchestrated by MoDOT Aviation in cooperation with the other rural commercial airports in the state. MoDOT Aviation, Columbia, Joplin, Waynesville, Cape Girardeau, and Kirksville have pooled their efforts to hire the Boyd Consulting Group, from Denver Colorado to analyze the air service needs for each community. Results of the survey should be available sometime later this year.

While we are in good shape as far as airfield safety improvements go, we are starting to see some shortcomings in FBO operation areas. The underground storage tanks and pumping equipment are starting to show their age (circa 1975). Between equipment failures and regulation changes, we are faced with substantial costs to upgrade our fueling equipment. The 100LL self-service credit card system has failed and is not cost effective to repair. The leak detection system is in need of upgrades, and we are having problems with the Jet A fuel pumping system on the underground storage unit. We have been informed that both of the underground storage tanks will need to be inspected and re-certified very soon. These fuel systems are the lifeblood of the airport. This is where we make the majority of our revenue. This service is crucial to our operation, and where we make the most profit.

Another concern is the deterioration of the airport entrance road. Last overlaid sometime around 1990, the surface is cracking, shoulders sagging, and many sink holes are starting to come to surface. Left uncorrected the sub-base will need attention.

The 2009 Kirksville Regional Air Festival is well on its way and plans are for a bigger and better show this year. The headliner is the US Army Golden Knight Parachute team. Dave Dacy Airshows will once again be the core of the performance with Jim Maroney, Tony Kazian, and a DC-3 for aircraft rides and Ryan Cryder giving helicopter rides. If weather holds we will have a B52 flyover.

With the new fence installation the old "airport farmhouse" and a small acreage will effectively be insulated from the rest of the airport. This house is rented but is very, very poor condition and will eventually need to be razed.

Respectfully submitted,

David A. Hall