

CITY COUNCIL STUDY SESSION

TO: Mayor and City Council
FROM: Mari E. Macomber, City Manager *MSM*
SESSION DATE: May 4, 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:

- **Discuss 2009 STREET PROJECTS**
- **Discuss City Policies**
- **Newsletter Review – May 1, 2009**

DISCUSS 2009 STREET PROJECTS

Each year staff reviews the street program with the Airport and Transportation Commission and the City Council prior to bid letting. We meet with both groups to keep you informed and make sure that there is support for the approach that we use to determine the priority street projects. We will be meeting with the Commission on Tuesday of this coming.

Determining the priority streets is based on an evaluation of the condition of the streets, using objective criteria. The information is plugged into a program and ratings are established for each street. The program we use is called PAVER, which uses a pavement condition index (PCI) as the measurement of the street's condition. Included with this packet are two spreadsheets (one for asphalt the other concrete), which include the PCI for various streets. A PCI rating of 75 is good, a rating of 70 is fair, a rating of 46 to 69 is poor, and a rating below is very poor. We separate the streets by their rating and by their street classification (collector and above or residential).

We have limited funds that we are able to spend each year on street maintenance. We have allocated \$150,000 to curb, gutter and storm drainage, and \$400,000 for asphalt and concrete pavement. The City also budgets funds in the General Fund that are used by the Street Maintenance Division for pothole patching, and general street maintenance.

Attached to this Study Session Packet is a Memorandum from Public Works Director John Buckwalter. This Memorandum provides additional information that will be helpful for you. There are also two summary reports of the street projects

that have been established as priority for the 2009 construction season for both asphalt and concrete pavement repair. The City Council will be given more detailed sheets on Monday.

As always, our project list exceeds our available funds. We want to seek Council input and/or your concurrence on the direction that we will be taking.

Recommended Action: It is recommended that the City Council review the list of major projects and the street lists, providing comments and asking questions regarding the program.

DISCUSS CITY POLICIES

In the past few months, the Council has discussed three different policies, annexation, local preference and economic development. It is hoped that consensus can be reached on the local preference and annexation policy and additional direction, if needed be given on the economic development policy.

1. Annexation Policy

Annexation is the process by which a city extends its municipal services, regulations, voting privileges and taxing authority to new territory. Cities annex territory to provide urbanizing areas with municipal services and to exercise regulatory authority necessary to protect public health, safety and welfare. Annexation is also a means of ensuring that residents and businesses outside a city's corporate limits who benefit from access to the city's facilities and services share the tax burden associated with constructing and maintaining those facilities and services. Annexation may also be used as a technique to manage growth.

A city can only annex land as allowed by State law.

Annexation is critical to the long-term well being of Kirksville and needs to be carried out in accordance with established policies and not on an ad hoc basis. Because of the fiscal implications of annexation, the costs of providing municipal services must be estimated and weighed against the anticipated revenues of areas proposed for annexation. Performing a fiscal impact analysis does not mean that only areas with positive cash flow should be annexed. There will be instances when health, safety, environmental or other factors will override fiscal considerations and an area may need to be annexed despite its fiscal impact. Other areas may have short-term financial impacts, but may be in the long-range best financial interest of the city.

The primary goal of an annexation policy should be to ensure efficient delivery of adequate public services to new development as it occurs in a manner that is most beneficial to the citizens of the community. This goal would be further accomplished by following the Kirksville Comprehensive Plan and approved long range plans for water, sewer, streets and storm drainage. The following goals

would those suggested for consideration when the City reviews any proposed annexation.

- Ensure that adequate public services, facilities and publicly-owned utilities are available to proposed and existing development in a manner most beneficial to the citizens of the community.
- Encourage urban growth within the city limits with gradual phasing outward from the urban core.
- Encourage land use patterns that will increase the availability of affordable housing for all economic segments of the city population.
- Ensure that development patterns are coordinated with city transportation plans.
- Reduce impacts from flooding; encourage efficient storm water management; and ensure that the groundwater of the City is protected and preserved.
- Consider cost/benefit issues, when appropriate, for proposed annexations to determine annexation boundaries and timing.
- Consider citizens' concerns during the annexation process.

The policy has been cleaned up and revised to eliminate duplication. The focus of the policy is to give City officials some guidance in what to consider before annexation occurs by establishing a plan that would be incorporated into the City's Comprehensive Plan. The annexation policy would focus on economic viability, quality of life enhancements, and protection of existing city assets.

2. Local Preference

During the discussion of local preference, the Council was in agreement that a change was needed. Discussions focused on changes in the percentages, and changes in the thresholds. Current policy allows for a local preference of 2 ½% for purchases under \$10,000 and 1 ½% for purchases over \$10,000.

There would be no local preference for purchases that are covered by state and federal regulations.

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: There would be additional costs to the tax payers. The definition of local vendor could be difficult to define. Possible reduction of bidders on city bids.

The attached policy changes the threshold and the percentages. It also adds the tracking report requirement. One change that should also take place is in the interpretation of the policy. Currently, if a business is in Adair County or that 30 mile radius, as long as they get their license after the bid is awarded, they are considered local. A vendor or contractor should have a license in place before the bids are open to be considered current.

The proposed policy includes these changes shown in **bold** and ~~strikethrough~~ text.

3. Economic Development

As previously noted, the City of Kirksville is largely going to be given the responsibility of determining whether or not tax incentives should be granted for an economic development project.

After meeting with the taxing districts, it was clear that communication amongst all taxing districts is appreciated. The districts were asking to be informed of projects and to be given information. The districts were not asking to be given the opportunity to make any decisions regarding abatement, but to have an opportunity provide feedback to the City.

The draft policy outlines several items to consider before abatement is considered. Here are some additional considerations that the Council may want to add to the policy:

- Provide economic development in the Downtown area
- Retain local jobs
- Diversity of jobs expanding the economic base
- Create jobs with a minimum hourly rate (county average wage rate)
- Potential spin off development
- Maintain and expand public infrastructure
- Submission of financial information

Recommended Action:

The Council is asked to review the policies and discuss whether or not the local preference and annexation policies are ready for adoption and what changes/additions you want made to the economic development policy.

NEWSLETTER REVIEW – May 1, 2009

Attachments

2009 Street Program Staff Memorandum – pg 6-7

Street Summary Asphalt – pg 8

Street Summary Concrete – pg 9

Annexation Policy – pg 10-11

Local Preference Policy – pg 12

Economic Development Policy – pg 13-14

KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT

SUBJECT: 2009 Street Improvement Program

STUDY SESSION MEETING DATE: May 1, 2009

CITY DEPARTMENT: Public Works

PREPARED BY: John Buckwalter, Director of Public Works

This report summarizes the proposed 2009 Street Improvement Program. This report recommends allocation of funds between concrete pavement repair, curb, gutter, and storm drainage, and asphalt pavement repair. It provides a summary of required work, and seeks comments from the ATC during its May 5 meeting. It is intended to provide council and staff a starting point for input supporting development of the final list to be included in the contract documents for 2009

The 5-year transportation plan calls for spending approximately \$550,000 per year for the street improvement program, including overlay, concrete pavement repair, and curb and gutter construction. From 2001 to 2005 expenditures greatly exceeded that amount as we attempted to catch up with much needed repairs to reduce the maintenance backlog on our streets. Council authorized spending almost \$940,000 from the Transportation Sales Tax account in FY01/02, \$853,000 in FY02/03, \$718,900 in FY 03/04, \$645,765 FY 04/05, and \$574,239 in 04/05. The 2006 program charges to Transportation Sales Tax totaled \$596,587. The 2007 total was \$562,651, and the 2008 TST funded program was \$596,064.

The 2009 budget again allocates \$150,000 to Curb, Gutter and Storm Drainage and \$400,000 to the Street Improvement Program, or \$550,000. For 2009 the proposed division is \$100,000 for concrete pavement, \$150,000 for curb, gutter, and storm drainage, and \$300,000 for asphalt overlay. The Curb gutter and storm drainage will be augmented with up to \$50,000 from the capital improvement program, for a total of \$600,000.

In 2001, council agreed to a maintenance and repair priority based on street classification and pavement condition. The PAVER pavement management program uses Pavement Condition Index, or PCI as the measurement of a street's condition. A PCI of 70 is considered "Fair"; a PCI of 75 is considered "Good". A PCI of 46 to 69 is considered "Poor". PCI's below 45 are considered very poor to failing. Streets were grouped in 5 priorities for first analysis:

- | | | |
|----|---------------------|--------------|
| 1. | Collector and Above | PCI < 70 |
| 2. | Residential | PCI < 46 |
| 3. | Collector and Above | PCI 70 to 75 |
| 4. | Residential | PCI 46 to 69 |

5. Residential

PCI 70 to 75

Spreadsheets for each of the five priority groups are attached. The total backlog is estimated at \$5,417,330 for concrete streets, and \$2,162,887 for asphalt milling repair and overlay.

The recommended list of streets to be considered for the 2009 asphalt portion of the program is attached. It includes 15 sections totaling \$450,378.

Concrete pavement repair is typically accomplished by removing and replacing individual slabs, as opposed to entire street sections. The work is scattered, and distributed throughout the city. Curb and gutter work is normally combined in a single contract with the pavement repair, since it is all done by the concrete contractor. The preliminary concrete list is attached. The recommended sections selected so far total \$159,558. It is anticipated that additional work not yet surveyed will equal \$120,000, bringing the concrete contract to just under \$280,000. The total of asphalt and concrete would be \$730,378.

Halliburton Street from Hamilton to LaHarpe rises to the top of the list, based on inspection and PCI. It is rapidly deteriorating, and is unsafe due to rough pavement, no shoulders, and sharp drop off at the edge of pavement. This project was listed as a separate project in the 5 year TST plan, scheduled for 2011. I would like to recommend including this work in the 2009 concrete and asphalt contracts, and increasing the program line by \$130,000 for 2009. This work is included in the estimates above.

Total resources would equal:

TST Street Improvement	400,000
TST Curb, Gutter, Storm	150,000
Capital Improvement Storm	50,000
Halliburton	<u>130,000</u>
Total	\$730,000

Weather and higher priority project design has delayed finalization of the 2009 lists. I expect final lists by Friday, May 8. Reduction to meet budget constraints will follow, and the contract documents should be ready to advertise by May 21.

As always there is significantly more work to be done than funds available. The proposals attached represent a prioritized list of work that should be done. Alternate or optional sections are listed for both concrete and asphalt streets. I seek Council's concurrence or input on both the overall priority used for this program, individual high priority street sections that may have been missed by staff's analysis and streets that should be deleted from this year's program.

ANNEXATION POLICY

Purpose

An annexation policy sets forth a framework for phasing the growth of the City of Kirksville. The purpose of this policy is to ensure efficient delivery of adequate public services to new development as it occurs in a manner that is most beneficial to the citizens of the community. This will be accomplished by adherence to the Kirksville Comprehensive Plan and adopted master plans for City services, including master sewer and water plans.

Focus of Annexation

The City will focus on the following areas when considering a proposed annexation.

The City shall pursue an annexation program that adds to the economic stability of the city, protects and enhances its quality of life, and protects its environmental resources.

The City shall use annexation as a tool for the protection of valuable natural resources such as the Hazel Creek and Forest Lake Watersheds.

The City shall use annexation as a tool to establish environmental practices that will eliminate over-the-hill sewage systems, establish storm water management; and ensure that the groundwater of Kirksville is protected and preserved.

The City shall use annexation as a way to control the type, quality, and location of development in areas currently outside the city limits guiding the growth in the extra-territorial jurisdiction by focusing infrastructure spending in less environmentally sensitive areas and into preferred growth corridors.

General Policies

The City shall develop an Annexation Plan to include preferred growth corridors with input from the City's Planning and Zoning Commission, Lakes, Parks and Recreation Commission, Airport and Transportation Commission, Watershed Management Commission, and outside organizations such as the Adair County Rural Water District, Adair County Commission, Missouri Department of Transportation, Kirksville Regional Economic Development, Inc. the Chamber of Commerce Tourism Advisory Board, and Northeast Regional Planning Commission.

The City's Annexation Plan should be reviewed and updated no less than every five years.

The City will pursue annexation of contiguous properties outlined in the Annexation Plan identified as preferred growth corridors for desired development using appropriate methods allowed under state law.

Inform the public of all annexation proceedings, in full accordance with state law.

Consider the impact of annexation on all citizens during the annexation process.

The City shall perform a fiscal impact analysis and provide a service plan for all areas proposed for annexation.

Timing of annexation proposals will be determined based on what is most beneficial to the citizens of the community.

Municipal Boundaries

To maintain efficient city service provision, Kirksville will discourage annexations that would result in irregular city boundaries.

Annexations will include the largest practicable area contiguous to the city limits that still results in logical city boundaries.

Comprehensive Planning and Zoning

The Comprehensive Plan for the City of Kirksville shall incorporate the Annexation Plan.

Amendments to the Comprehensive Plan must follow required processes.

Extension of Services

Kirksville will support extensions of public water and sewer services within the extra-territorial areas that are consistent with the Kirksville Comprehensive Plan.

Owners of unincorporated properties must annex to receive City water or sewer service if the properties are contiguous to city limits and are configured in a manner that conforms to annexation policies.

Kirksville will consider the existing boundaries of special purpose districts when reviewing annexation proposals. Affected districts will be notified and provided the opportunity to comment on annexation proposals.

Cost/Benefit Analysis

The Kirksville City Council may request the completion of a cost/benefit analysis on any annexation proposal. Such cost/benefit analysis should be primarily for the purpose of evaluating the annexation's impact on the City resources and in turn the economic impact on its addition to the municipal boundary.

Public Information

The City of Kirksville will make available to any interested person annexation information sheets that explain the process and benefits of annexing into Kirksville. All annexation proceedings will be conducted in full accordance with state law, including at least one public hearing.

Section 2.2 Local Buying

It is the desire of the City to purchase from local vendors whenever possible. This can be accomplished by ensuring that local vendors are included in the competitive shopping process. The City has a responsibility to its residents however, to ensure that the maximum value is obtained for each public dollar spent. It is assumed that local vendors who wish to do business with the City will offer the lowest possible quote for the item being purchased. The following shall be considered when placing bids and making a final determination on the best bid price.

- a. For the purposes of this section, a local vendor must be an individual or company that has a current Kirksville business license and an office within the Adair County limits, and for construction projects, a local vendor must be an individual or company with a current Kirksville business license and its corporate office within a 30 mile radius of the city limits of the City of Kirksville.
- b. If there is a savings **greater than of five two and one-half percent (5%)** (~~2 ½%~~) **or more on purchases of under \$25,000** ~~\$10,000~~, **a savings greater than two and one-half percent (2 1/2%) or more on purchases from \$25,001 to \$100,000, or a savings of one and one-half percent (1.5%) or more on purchases over \$10,000**, then the purchase should be made without regard for local preference. No local preference shall be given on purchases covered by state or federal regulations.
- c. If local vendors cannot meet product specifications, then the purchases should be made without regard for local preference. The City Council/Manager shall maintain the authority to waive the local preference in extremely rare instances where the exercise of local preference may not be in the best interest of the City, and to grant local preference when it is in the best interest of the City, even when a local vendor may not have presented the lowest bid, or the lowest bid when adjusted for local preference as provided herein. The City Council/Manager would make judgment concerning the best interest of the City.
- d. In order to ensure fairness and value, the departments are expected to widely seek bids on items to be purchased. The special procurement procedures in Article 4 cover the local preference. Departments shall use due diligence in identifying local vendors who offer the particular goods or services being sought, and those local vendors shall be placed on the vendor list maintained by the department. Bids shall be sought from all local vendors who have been so identified.
- e. **The Finance Director shall maintain a tracking report showing those services and purchases obtained using this local preference policy. The report should include the total local preference given to the local vendor.**

ECONOMIC DEVELOPMENT POLICY

Purpose

The City of Kirksville is committed to the promotion and retention of high quality development in all parts of the City; and to an on-going improvement in the quality of life for its citizens. Insofar as these objectives are generally served by the enhancement and expansion of the local economy, the City of Kirksville will, on a case-by-case basis, give consideration to providing tax abatements as stimulation for economic development in Kirksville. It is the policy of the City of Kirksville that said consideration will be provided in accordance with established criteria. Nothing herein shall imply or suggest that the City of Kirksville is under any obligation to provide tax abatement to any applicant.

Considerations

The following factors will be considered when considering whether an abatement of taxes will be considered.

- a. Does the proposal increase or preserve the tax base – real, personal or sales
- b. Does the proposal provide employment opportunities within Kirksville
- c. Does the proposal provide or help acquire or construct public facilities
- d. Does the proposal help to redevelop, renew or eliminate a blighted area
- e. Does the proposal provide access to services for residents of Kirksville

Incentive Assessment

Each development project should be evaluated on its own merit with consideration given to whether or not the project furthers the goals and objectives of the City, as well as the relative impact of the project on the City and other affected taxing districts as to expected revenue enhancements and estimated costs for services. Such considerations should include impact on the local housing market, required infrastructure enhancements and affects on the environment.

This assessment will direct the City toward the total amount of abatement a project should be given.

- a. Value of Abatement – Before a project is considered as a possible recipient of tax abatement, the project must include a minimum investment of \$1 million and new job creation. The amount of the abatement will be determined based on the merits of the project, including, but not limited to - total capital investment, added employment, and average annual salary.
- b. Term of Abatement – The developer must be able to provide proof of the need for tax abatement. Duration and amount limits shall be for the minimum amount necessary to meet the financial goals of the project.
- c. Limit of Abatement – The City relies on the tax base to generate needed funds to provide services to citizens, therefore, the City will establish an annual abatement limit for all tax abatement.

Qualifications of Developer

- a. Must provide proof of successful experience in completing a similar project
- b. Must agree to comply with all City policies and ordinances
- c. Must show proof of exploring and exhausting other available funding options
- d. Proof of most recent tax bill for subject property

Benefits to Consider

- a. Increased real and personal property valuations
- b. Elimination of blight
- c. The project supports and further enhances the City's Comprehensive Plan
- d. Development would not place extraordinary demands on city services

Limitations

- a. Any recipient of Tax Abatement assistance will be required to provide an equity investment in the project.
- b. Tax Abatement will not be used in circumstances where land and/or property price is in excess of fair market value.
- c. Tax Abatement will not be utilized in cases where it would create an unfair competitive financial advantage over other projects or businesses in the area.
- d. No abatement of taxes will be granted on property currently in a TIF District.
- e. The project shall comply with all provisions as allowed by the state's abatement laws.
- f. Abatement can only be granted, if it benefits the City to a level equal to or greater than the abatement cost to the City.
- g. In any year, the total amount of property taxes abated by the City may
- h. Not exceed five percent (5%) of the current City levy
- i. Total local incentives will not exceed \$XXXXXX per new job created

Public Information

It is important to the City that the affected taxing districts and residents of the community are informed about economic development projects. The City will abide by confidentiality requirements of the developer and adherence to the requirements of the State of Missouri Sunshine Law. The City will inform affected taxing districts and residents as soon as possible of pending development projects and tax abatement requests.