

# CITY COUNCIL STUDY SESSION

**TO:** Mayor and City Council

**FROM:** Mari E. Macomber, City Manager

**SESSION DATE:** December 7, 2015

**TIME:** 4:30 pm

**PLACE:** City Council Chambers

## **AGENDA:**

- **Review of Downtown Water Tower Tank Report**
- **Brief Overview of Reasons for and Benefits of new WWTP**
- **Retiree Insurance Benefit Report**
- **Chapter 100 Bond Review**
- **Review City Council Agenda**
- **Review Newsletter**

## **REVIEW OF DOWNTOWN WATER TOWER TANK REPORT**

The budget included funds to conduct an evaluation of the downtown water tower to determine its structural condition and remaining useful life. Should we spend the funds to repaint the tank, complete other improvements to extend the life? Or, do we look at other options to construct a water tower somewhere else within the city.

The Downtown Water Tower was constructed in 1954 and raised in 1990. The last time the downtown tower was inspected in 2007. It is planned that we sandblast the exterior and interior, repaint both and install a circulation system at an estimated cost of \$550,000.

Tank Industry Consultants (TIC) completed the inspection this fall. Len Kollars, Deputy Public Works Director will present the findings of TIC's findings.

This presentation is to get feedback from the City Council on the direction you want staff to explore and evaluate.

## **BRIEF OVERVIEW OF REASONS FOR AND BENEFITS OF NEW WWTP**

In February 2011, the permit for our current Wastewater treatment plant, which was last upgraded in 1986, expired. In 2011, the City Council contracted with HDR Engineering, Inc. to work with us on the permitting process and subsequent design of a wastewater treatment facility to meet the needs of the City.

We are getting ever closer to the start of construction on the wastewater treatment facility. On Monday evening the City Council will be asked to approve a bid for this project. In

addition to the approval of the bid, the Council is also asked to award the project contingent upon funding. The City is still waiting on DNR to complete its review of our Due Diligence Questionnaire (DDQ). Our DDQ was submitted in early June. Staffing changes and shortages have caused operational response times within the financing branch of DNR.

In addition to the contingency, the Council is also asked to allow the City Manager to execute a change order. The bond authority for this project is \$18 million. The lowest bid came in at \$18,990,000. In addition to the bid for the plant, the City, as part of the state revolving loan fund process is required to set funds aside for contingencies. The final outlay for this project is the engineering services that HDR continues to provide to complete the bid process and will continue to provide through the construction phase.

The Change Order that is expected to be offered includes the following deductions:

- Eliminate painting of concrete tanks: (\$1,700,000.00)
- Revise bridge to a box culvert design: (\$140,000.00)
- CMU blocks at Headworks in lieu of precast panels: (\$45,000.00)
- Reduce metal liner panel in Electrical Building: (\$4,500.00)
- Eliminate factory burning on VFD's (this is no longer a common practice): (\$19,000.00)
- On the line side of the generator, use aluminum conductors: (\$15,000.00)
- Tie into power on the Ameren side with a gang operated switch: (\$7,000.00)
- Eliminate the requirement for 90 days of maintenance on the landscaping: (\$15,000.00)

Total Estimated Change Order 1 Deduction: (\$1,945,500.00)

In addition to this information, Brad Eitel, Wastewater Treatment Plant Supervisor will be in attendance to provide a brief report on the reasons why these funds are being spent and the benefits of the project.

## **RETIREE INSURANCE BENEFIT REPORT**

The City has provided the opportunity for employees upon retiring to maintain their health insurance coverage. With the opportunity for retirees to obtain coverage through the health care exchange, the need for health insurance coverage through the City is not as much a necessity. At the end of this calendar year, we will have three retirees on our health insurance plan.

Pat Meredith will be at the Study Session to explain the costs to the City having retirees on our health plan, as well as recommendation to reduce our liability. This item is also on the City Council Agenda for Monday.

## **CHAPTER 100 BOND REVIEW**

The Council last discussed the topic of Chapter 100 Industrial Development Bonds during the April 20, 2015 Council Study Session as part of a larger discussion of incentives for economic development. City staff would like to take a more in-depth look at Chapter 100 Bonds to better explain their function and the process of issuing them.

To review, Chapter 100 Industrial Development Bonds allow cities or counties to purchase or construct certain types of projects with bond proceeds and to lease or sell the project to a company until the amount of the proceeds is paid back to the City. These bonds may be issued either as a "revenue" bond or a general obligation bond. The purchase, construction, extension, and improvement of warehouses, distribution facilities, and industrial plants, including the real estate either within or without the limits of such municipalities, buildings, fixtures, and machinery must be located wholly within the limits of the City. With Council approval, it may be possible to exempt most of the real and / or personal property tax of new real estate improvements and new machinery financed by a Chapter 100 bond. The City must own the assets financed by the bonds and an eligible company would lease the assets from the City for the term of the bonds. The amount and term of abatement depends on a negotiation with the City. In effect, the property tax is exempt by virtue of public ownership, however, the City may require that a portion of the payments otherwise due will be paid in the form of a Payment In Lieu of Taxes (PILOTs).

Regarding the process of proposing the use of Chapter 100 bonds, all municipalities are advised to obtain the endorsements of all the taxing districts affected by the abatement of taxes. This generally occurs during the negotiation process with the company requesting the Chapter 100 bonds. While this is not a legal requirement of the state of Missouri, it is good practice to maintain positive relationships and avoid potential legal challenges.

Once a project is proposed, the Council must vote to approve, by majority vote, the plan for the project. The plan must include a description of the project, an estimate of the project's cost, the source of funds for the project, the terms of the lease of the facilities, and any other information necessary to meeting the requirements of Missouri state statute. Once the Council approve the plan, then the project can move forward.

An information sheet from the Missouri Department of Economic Development with additional information on Chapter 100 bonds has been included at the end of this report.

## **REVIEW COUNCIL AGENDA**

## **REVIEW COUNCIL NEWSLETTER**

### Attachments

- Staff Report – Downtown Water Tower Report
- Staff Report – WWTP
- Staff Report – Retiree Insurance
- Chapter 100 Flyer from DED

## **KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT**

**SUBJECT:** Downtown Water Tower Report

**STUDY SESSION MEETING DATE:** December 7, 2015

**CITY DEPARTMENT:** Engineering 1074

**PREPARED BY:** Len Kollars

### Condition Report:

In summary Tank Industry Consultants recommend the tank interior and exterior to be completely sandblasted, cleaned and recoated within 1-2 years. TIC reviewed the structural bolted splice connections when the tower was raised in 1990. The bolted splice connections on the six columns is sufficient for compression loads however inadequate for lateral wind or seismic loading. The steel thickness of the tank bowl appeared in good condition. The balcony walkway serves as a wind girder in the original design of the tank bowl however with the addition of cabling and cell tower antennas, dead loads have been placed on the balcony that caused deflection of the railing and a structural deficiency as a structural member. They advised that the balcony should not be accessed by personnel until a structural engineer reviews the balcony's ability to support the loading. 36 ANSI/OSHA safety related deficiencies were identified including items such as the balcony handrail height of 35 ½" did not meet the required minimum height of 42". The interior ladder and platform has been damaged due to iced conditions and should not be utilized for personnel access.

### Economic Factors:

Replacement of tank with a new one on a new site is an estimated cost of \$800,000 for tank, foundation, and steel erection. This cost does not include site acquisition and water supply lines. The estimated life for a new tank is 75+ years.

Estimated cost to recondition the existing tank is \$450,000 to clean and paint exterior, \$170,000 containment, \$180,000 clean and paint interior, \$92,000 miscellaneous repairs and contingencies, Total \$892,000.

## **KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT**

**SUBJECT:** Wastewater Treatment Plant Update

**STUDY SESSION MEETING DATE:** December 07, 2015

**CITY DEPARTMENT:** Public Works

**PREPARED BY:** Brad Eitel

The new WWTP has been designed to incorporate the new technologies and requirements that could be imposed by the EPA in the near future. There were three phases included in the overall project, with the construction of the new facility being phase one. Phase two is to include disinfection when the EPA requirements become enacted. Phase three is to include biological nutrient removal when the EPA requirements are enacted. The design consultant has incorporated 'plug and play' items in the new WWTP that will allow for addition of these phases in the future. While the costs will need to be planned for and the construction scheduled, the new WWTP would not need to be shut down to add these items. Rather, addition would be accomplished by adding the new or expanded facilities and connecting to the existing 'stub-outs' for both mechanical and electrical systems. In addition to meeting the new EPA and MO DNR requirements, the volume of the new plant will increase from 6 MGD to 12 MGD. This will allow for significant community and industrial growth. Currently the old WWTP is a limiting factor for community and industrial growth.

With the awarding of this contract construction of the new facility is anticipated to start in early 2016 and will be completed within 18 months of the award.

## **KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT**

**SUBJECT:** Retiree Insurance

**STUDY SESSION MEETING DATE:** December 7, 2015

**CITY DEPARTMENT:** Human Resources

**PREPARED BY:** Pat Meredith

The City of Kirksville has been providing retiree insurance benefits for approximately 20 years. Generally, we have two or three employees who elect retiree benefits at any given time. Retirees pay 100% of the premium and are eligible for coverage until they are eligible for Medicare (age 65) regardless of whether they elect Medicare coverage or not. Retirees may elect coverage for dependents who are covered at the time of their retirement but cannot carry dependent coverage in lieu of retiree coverage. Retirees and their dependents are eligible for COBRA benefits at the time of retirement or when they are no longer eligible for retiree benefits.

Beginning in 2009, the City was required to report on the Comprehensive Annual Financial Report the post-employment benefits other than pensions (OPEB) which would be the health and dental insurance provided to the retirees. The amount reported must be calculated every three years based on an actuarial valuation by an outside firm at a cost to the City. The City currently has a contract with Milliman for \$4,500. The City must report the estimated liability associated with providing health and dental benefits to retirees in the event they may actually file claims, and ultimately have enough funds set aside for that liability, whether claims are made. The 2014 net OPEB obligation was \$235,188, with estimated contributions to be \$44,400. The actuarial valuation requirement has recently been changed to every two years from three beginning December 31, 2018.

Prior to 2014, chronic medical conditions made purchasing affordable insurance nearly impossible for retirees and their dependents. However, the Affordable Care Act has made affordable insurance available to all persons through the Exchange.

Staff believes it is no longer necessary for the City of Kirksville to provide retiree benefits and carry the liability associated with providing this coverage. Employees leaving the City may continue coverage under COBRA for 18 months and in some cases for a longer period of time pursuant to the law or elect coverage under the Exchange.

If we discontinue retiree benefits effective January 1, 2016, we have three retirees with medical and/or dental benefits who could take advantage of COBRA coverage that would extend their coverage up to 18 months or until age 65 or elect coverage on the Exchange. COBRA premiums are 2% higher than retiree premiums.



# CHAPTER 100

## SALES TAX EXEMPTION, PERSONAL PROPERTY

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

### **PURPOSE**

Provide a sales tax exemption on tangible personal property purchased through Chapter 100 bonds for non-manufacturing purchases.

### **AUTHORIZATION**

Section 144.054(2), RSMo, as enacted in Senate Bill 30 (2007).

### **ELIGIBLE AREAS**

Statewide.

### **ELIGIBLE APPLICANTS**

The program may be used by companies for which Chapter 100 bond proceeds are used to purchase tangible personal property. Companies eligible for Chapter 100 bond financing include manufacturing, warehousing, distribution, office, research and development, agricultural processing, and services in interstate commerce. Retail and services in intrastate commerce and others are not eligible.

### **ELIGIBILITY CRITERIA**

The project cannot have been announced; bonds already approved/issued; or personal property already purchased. The project must:

- ✓ Involve competition with another state; therefore, a comprehensive state/local incentive proposal will be involved in an attempt to win the project;
- ✓ Have above-average wages with benefits, or be in an economically distressed or blighted area;
- ✓ Include local incentives provided to the project commensurate with the state incentives, relative to the new state/local tax revenues created by the project;
- ✓ Have a positive state fiscal benefit, including all the state incentives proposed for the project; and
- ✓ Have an indication that the city or county have approved the local sales tax exemption.

### **PROGRAM BENEFITS/ELIGIBLE USES**

The Missouri Department of Economic Development (DED) must approve a state or local sales tax exemption to a company for which Chapter 100 bonds will be issued prior to the date the personal property is placed in service. The company may purchase eligible personal property for resale, as title will be transferred to the local government. The company will be responsible for the payment of sales tax on purchases exceeding the maximum accepted in the proposal, ineligible purchases, or the revenue stream generated by lease of ineligible personal property.

### **APPLICATION/APPROVAL PROCEDURE**

DED will coordinate a state/local incentive proposal to qualifying projects, in which the exemption will be included. The proposal must be accepted by the company or the application filed with DED prior to any project announcements.

DED may issue an approval letter based on the company and Local Government portions of the Chapter 100 Sales Tax Exemption application, plus a copy of the resolution or ordinance authorizing the bond issuance.

After the personal property has been transferred to the local government, documentation of bond issuance and the executed lease agreement, DED will issue a certificate to the local government. The local government must retain a copy of the certificate.

### **CONTACT**

Missouri Department of Economic Development  
Business and Community Services  
Business and Community Finance Team  
301 West High Street • P.O. Box 118 • Room 770  
Jefferson City • MO • 65102  
Phone: 573-751-4539 • Fax: 573-522-4322  
E-mail: [dedfm@ded.mo.gov](mailto:dedfm@ded.mo.gov) • Web: [www.ded.mo.gov](http://www.ded.mo.gov)

