

Budget Ways & Means Committee
Thursday, September 5, 2019 5:30 PM
City Hall Council Chambers

Members Present: Alan Snow, Darren Collier, and Ray West. Juan Topete was absent.

Others Present: City Administrator Tom Short, City Clerk Traci Cox, Mayor Dan Rife, Council Member Ceri Otero, and Economic Development Director Mark Elliff.

Mr. Snow called the meeting to order at 5:30 PM.

***NOTE:** All areas "*italic*" below were submitted to the Committee in a pre-meeting memo by Mr. Short.

Old Business:

1. Consideration and approval of minutes from previous meeting: Mr. Collier made a motion to approve the minutes for the August 12 Budget meeting. Motion carried 3-0.

New Business:

1. Consider and discuss Budget Adjustment Ordinance #1, amending the Annual Operating and Capital Budget of the City of Carthage for fiscal year 2019-2020 for various funds.

" The proposed ordinance takes the prior adjustments previously approved by Council Resolution and puts them in the format of an ordinance. If approved by the Committee, this item would be scheduled for the September 12, 2019 Council meeting."

Mr. Short discussed the projects included in the budget adjustment. Mr. Collier moved to forward the Ordinance to Council for approval. Motion carried.

Mr. Topete arrived at 5:33 pm.

2. Consider and discuss the imposition of a use tax for general revenue purposes by the qualified voters of the City for their approval at a future, to be determined, election.

"The Chairman and Committee requested discussion of this item at the last Committee meeting. The City has been discussing a Use Tax, in earnest, since 2012 when the "Street Decision" by the Missouri Supreme Court created a loophole in the Missouri Sales Tax laws allowing vehicles purchased out of state or from an individual to be exempted from the local Sales Tax. For a short period, Missouri cities that did not have a local Use Tax in place, lost the tax revenues they once had from vehicle sales. In 2013 the City attempted to pass an issue involving the vehicle titling portion and the retail portion of this issue. It was defeated by a 13.8% or 33 vote margin. In August 2017, the City placed on the ballot just the titling (portion) of motor vehicles, trailers, boats, and outboard motors that were purchased from a source other than a licensed Missouri

dealer of this tax. Voters passed this tax by a margin of 69% for and 31% against. This progression was also roughly experienced by the Cities of Joplin, Carl Junction, Airport Drive and Alba. As Carthage's percentage of General Fund's Sales Tax is about 27% of revenues, and as sales from e-commerce continue to grow, there is a concern of being able to maintain operational service levels in the General Fund, as well as leveling the playing field for brick and mortar businesses. The Budget Committee had previously discussed the possibility of calling for an August 7, 2018 election considering, among other things, what the City of Joplin would be doing. Included are a couple of Joplin Globe articles from back then regarding Joplin's discussions and the Committee's support for an August election, which ultimately was defeated. Since then, Joplin has changed their position and have put a 1/2 percent General Sales Tax issue for vote on the November 2019 election. The tax would be dedicated to resolving the issues Joplin has been having with its Police & Firemen Pension Fund and change out to a LAGERS system for new employees. Additionally, the City of Carl Junction has attempted three times, and failed, to get this item passed. Included is additional information regarding Use Taxes for background, a US Census Bureau News report about the growth of e-commerce, an estimated amount of potential 2015 Use Tax projected by the Department of Revenue provided by MML, a list of Municipalities with a Use Tax as 5/10/2018, and an election calendar for 2020."

Mr. Short reviewed the election calendar for 2020. Committee members discussed the benefits of a use tax and the obstacles of passing it. Mr. Collier moved to pursue the passage of a use tax with a Council Bill to be considered at the October meeting of the Budget Ways & Means Committee. Motion carried.

Mr. Topete left the meeting at 6:00 pm prior to the motion regarding the use tax.

3. Consider and discuss amending the City's Economic Development Incentives Policy

"In anticipation of economic development prospects, we have been reviewing City economic development policies. We noticed an inconsistency in the Incentives Policy. Under the Industrial Development Bond Policies, Personal Property Tax exemptions are treated differently than Real property tax exemptions. Staff is recommending consistent wording regarding both property taxes. Therefore, the wording regarding Real Property Tax exemption through Chapter 100 RSMo., will be the same wording included in the Personal Property Tax exemption through Chapter 100 RSMo. This will give the Council greater discretion regarding projects. A copy of the policy with recommended changes is included. If approved, this item will appear on the Council's agenda for the September 12, 2019 meeting.

Mr. Short reviewed the changes proposed to the policy adopted April 2014 for Chapter 100 Bonds regarding real property tax exemptions. The changes will allow more flexibility with incentives. Mr. West moved to forward the policy amendment to Council for approval. Motion carried.

4. Consider and discuss proposals for lease purchase interest rates.

"Bids for Lease Purchase interest rates were opened August 21, 2019. The Request for Proposals and the bid tabulation spreadsheet are included in the packet. We will discuss the apparent low

bidder at the meeting. The recommendation is to award the proposal to Community National Bank & Trust."

Mr. Short reviewed the three bids received. Interest rates for three years were Arvest-3.20%, Community National Bank-2.15%, and US Bancorp-2.055%. Interest rates for five years were Arvest- 3.33%, Community National Bank- 2.15%, and US Bancorp- 2.055%. US Bancorp rates are only guaranteed for 60 days, and equipment will not be delivered prior to this time. Mr. Collier moved to accept the bid from Community National Bank. Motion carried.

5. Consider and discuss Memorandum of Understanding with Jasper County Sheriff for Detention Center usage.

" Due to the timeliness of this issue, and the Public Safety Committee not being able to meet, staff is bringing this to the Budget Committee for a recommendation to the Council. This is the same agreement as in the past with an increase (\$2,300) for the fees, and a provision that under most circumstances, inmates will be transported to the Jasper County jail after 1800 hours and will have been fed supper. The Budget Committee also recommended the MOU to the Council last due to the same issue. If approved, this item will also be on the Council's agenda as a Council Bill for the September 12, 2019 meeting.

Mr. Short discussed the MOU and explained how the charges were determined. Mr. Collier moved to approve the MOU. Motion passed.

6. Consider and discuss an ordinance authorizing the issuance of not to exceed \$4,501,000 principal amount of combined waterworks and sewage system revenue bonds (State of Missouri-Direct Loan Program) Series 2019 of the City of Carthage, Missouri, for the purpose of extending and improving the City's combined waterworks and sewage system; prescribing the form and details of the bonds and the agreements prescribing other related matters.

" This item relates to the approval of the bid at the last Council meeting (Resolution 1880) for the wastewater treatment plant improvement project. Congress established the Clean Water State Revolving Loan program in 1987 through an amendment to the Clean Water Act to provide states with a financing mechanism for a wide range of water infrastructure projects. The program was further refined in 2014 by the Water Resources Reform and Development Act. Missouri gives priority to fund eligible projects that address the highest priority water quality needs using a priority point system. Loan terms include a 20 year payback period (extended term may be available) and a subsidized interest rate is 30 percent of the 20-year AAA-rated, general obligation bond Municipal Market rate the week prior to loan closing. Projects may be new construction or the improvement of renovation of existing facilities. Gilmore & Bell, the City's Bond Counsel, have prepared the documents for Council consideration and approval at the September 24, 2019 meeting. These consist of the Bond Ordinance, the Escrow Trust Agreement, the Purchase Agreement and miscellaneous closing certificates and opinions. Basically DNR and the City will enter into a Purchase Agreement for the purposes of providing financing for improvements at the wastewater treatment plant and setting forth covenants and agreements respecting the net proceeds of the Loan to finance the Project and satisfying the

obligations of DNR under the Federal Act and EPA guidance to preserve The Water and Wastewater Loan Fund."

Mr. Short discussed the documents related to the revenue bonds. Mr. West moved to forward the Ordinance authorizing the issuance of revenue bonds to Council for approval. Motion carried.

7. Staff Reports

"Due to the rescheduling of the meeting to an earlier date because of the MML Annual Conference (September 8-11, 2019), we currently do not have a number of the (August) reports for the packet. If they are received in time for the meeting, we will bring them. If you need anything else, please let me know.

Mr. Short reviewed current sales tax revenues and financial reports. Court revenues and expenditures were reviewed. Additional interest received from Simmons Bank was discussed. Mr. Short is working on specifications for a compensation and benefit study. This is not included in the budget, so funds will need to be appropriated for the study. Due to a scheduling conflict, members agreed to reschedule the next meeting of the Budget Ways & Means Committee to October 7, 5:30 pm., in the upstairs conference room at City Hall.

Adjournment: The meeting adjourned at 6:56 pm on motion by Mr. West.