

# City Commission of Arkansas City Special Meeting Minutes

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The Arkansas City Board of City Commissioners met in special session at 6 p.m. Tuesday, July 26, 2016, in the Commission Room at City Hall, 118 W. Central Ave., in Arkansas City.

Mayor Duane L. Oestmann called the meeting to order. Those also present at roll call were Commissioner Charles Tweedy III, Commissioner Jay Warren and Commissioner Karen Welch. Commissioner Dan Jurkovich joined the meeting in progress at 6:04 p.m.

City employees present at roll call were City Manager Nick Hernandez, City Attorney Tamara Niles, Public Information Officer Andrew Lawson, City Clerk Lesley Shook, Finance Director Kathy Cornwell, City Treasurer Jennifer Waggoner, Public Works Director Eric Broce, Assistant Public Works Director Mike Crandall, Fire Chief Bobby Wolfe and Human Resources Manager Marla McFarland.

The Arkansas City Area Chamber of Commerce was represented by board chair Sarah Long. Citizens in attendance included Ken Harader, CourierTraveler reporter John Shelman and Daily Bytes reporter Jeni McGee.

## **Agenda Changes and Approval**

City Manager Hernandez asked to add a 20-minute executive session to discuss confidential data relating to the financial affairs or trade secrets of corporations, partnerships, trusts and individual proprietorships.

Commissioner Warren moved to amend the agenda as requested. Mayor Oestmann seconded the motion. A voice vote was unanimous in favor of the motion. Mayor Oestmann declared the agenda amended.

## **Business**

### **Notice of Budget Hearing** **Resolution No. 2016-07-3040**

City Clerk Shook presented for discussion a resolution approving the notice of budget hearing for publication and setting the date for a public hearing for the 2017 budget for the City of Arkansas City.

City Manager Hernandez said the preliminary budget was in front of the commissioners and there were several discussion points that needed to be addressed. All of the ideas from the budget retreat had been incorporated.

Many of those items simply were carried over from the 2016 budget, Hernandez explained, because the City was not able to fund most of them due to the expenses incurred by South Central Kansas Medical Center (SCKMC).

Commissioner Jurkovich joined the meeting in progress at 6:04 p.m.

Hernandez then went through most of the expenditures in the General Fund, line by line, starting with general government and administration, which will go from \$2 million in 2016 to \$1.2 million in 2015.

He explained the decline is due to the 2016 transfers to South Central Kansas Medical Center rolling off.

There only very minor changes to court and legal costs, but increases of about \$200,000 apiece are present in the Fire-EMS and Police department funds (to catch up on projects delayed from 2016 to 2017).

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The Neighborhood Services Division budget increases by \$25,000, to account for \$100,000 in budgeted demolitions, while the Parks and Facilities Division is up by \$400,000 to account for 2016's delayed projects.

The streets budget is up by about \$55,000, while the Northwest Community Center gains an additional \$32,000 for a new roof. The Senior Citizens Center will receive only minor increases for salaries and benefits.

Spending in 2016 is projected at \$9,021,317, Hernandez said, while it could increase to \$9,550,546 in 2017.

Property taxes to be levied, however, only would rise slightly from \$2.5 million in 2016 to \$2,523,043 in 2017.

Commissioner Jurkovich asked about the sources of funds beyond that \$2.5 million mark in the General Fund.

Hernandez and Finance Director Cornwell showed that a projected \$625,531 would come from cash carryover (a little on the hopeful side), \$1.66 million from sales tax, \$1.19 million from franchise tax, \$338,456 from motor vehicle tax, and the rest from other taxes, fees, fines, forfeitures, special assessments, grants and other receipts.

In addition, she budgeted for possible transfers of \$400,000 from the Water Fund, \$550,000 from the Sewer Fund and \$200,000 from the Sanitation Fund, which would represent about 10 percent of each fund.

Cornwell said she and Hernandez would prefer that the actual number come in somewhere closer to 5 percent. They think most revenues generated by those funds need to stay there in order to address infrastructure needs.

Commissioner Warren asked what compensating use tax is. Cornwell said it is assessed on purchases made online or from outside of the state, to compensate for the sales tax that would have been paid within the state.

Cornwell also said she is projecting SCKMC to pay its special assessment payments next year, but just in case it doesn't, she budgeted for a cash basis reserve of \$400,000 to account for any shortfall.

She also included some budget authority under bond and interest debt in case any street projects are bonded.

Hernandez said one of his and Cornwell's goals is to continue to raise the unencumbered cash balance year to year, but the uncertainty about SCKMC's ability to pay back the City makes that difficult this year and next.

Cornwell said the City could last 23 to 24 days on its current cash reserves. That timeframe needs to be closer to three months before she would feel comfortable, she indicated. Just getting to 10 percent means doubling cash.

Hernandez said they try to estimate 6 mills as closely as possible for the Arkansas City Public Library's budget.

Commissioner Jurkovich asked if it would be statutorily OK for the City to withhold some of that money and apply it to capital improvements, such as a new roof or new windows. Hernandez and City Attorney Niles said they didn't know, but Hernandez suggested a charter ordinance to add an additional half-mill or 1 mill for that.

Alternatively, he said, the City could issue debt for capital improvements, raise the mill levy for a few years to pay off that debt, and then drop the mill levy back down when paid off, all within the current debt service fund.

Hernandez and Cornwell explained what was happening with the phasing out of the old Cherokee Strip Land Rush Museum fund. After 2017, those disbursements will be present entirely in the General Government fund.

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Commissioner Warren asked how much the museum would receive in 2017. Hernandez said they would have to have that conversation later that night. Cornwell passed out his recommendations for external agency funding.

Hernandez recommended funding all agencies at their requested amounts, which basically are the same as in 2016, save for two: The museum requested \$150,000 and the Arkansas City Area Chamber of Commerce \$30,000, but Hernandez recommended funding them at \$100,000 and \$0, respectively.

Commissioner Warren said the museum already took a 34.5-percent cut in 2016 (\$58,000) due to the SCKMC loans and a further reduction would be even more damaging. He requested the full \$150,000 be budgeted.

Hernandez said one reason for his recommendation was the three-year transition period to full independence.

During that period, he said, the museum's disbursement is supposed to decline steadily until it can be weaned off City property tax funds entirely. He also said the museum's available cash on hand is nearly a year's worth of operating expense, which is substantially more than the 5 percent the City has been able to maintain in 2016.

Finally, Hernandez said, budgeted \$150,000, but disbursing \$100,000, provides commissioners with the ability to reduce the projected mill levy of 70.511 and hold it flat from 2016's mill levy of 69.795 mills.

Regarding the chamber of commerce, Hernandez said there has been no agreement between the two entities for the last three years. Its disbursement was supposed to decline steadily from \$30,000 in 2012, he said, but that has not occurred. Since it was cut to zero in 2016 due to SCKMC's loans, he recommended continuing that.

Commissioner Tweedy asked what the City's chamber membership dues were. Hernandez couldn't remember offhand, but it was several thousand dollars a year. He said he was not proposing the City end its membership.

Commissioner Tweedy asked about the Cowley County Humane Society, which has a contractual agreement.

Commissioner Jurkovich asked about the City-Cowley County Health Department, which never has been charged rent for its building. Niles said the latest contract with that entity requires it to pay for building maintenance.

The Cowley County Economic Development Partnership (Cowley First) also was discussed. It receives \$45,000 a year from Arkansas City, Winfield and Cowley County. Hernandez said City residents actually pay twice for it.

Commissioner Jurkovich said he was OK with Cowley First's disbursement, but he suggested reducing the health department's requested \$17,200 to \$15,000. He said he still felt like the City was in "cut mode" due to SCKMC.

Hernandez admitted he and Cornwell still have reservations about the medical center's ability to make its February 2017 bond payment, even with the passage and collection of the new one-cent SCKMC Sales Tax.

Commissioner Tweedy asked about the services provided by the South Central Kansas Economic Development District (SCKEDD). Hernandez said City Planner Josh White would be the best person to answer that question.

City Attorney Niles and Hernandez said being a member entitles the City to be eligible for certain housing grants, for which SCKEDD then acts as a grant administrator. Some of the money has been used to rehabilitate housing.

Hernandez said SCKEDD also helps with energy efficiency projects. He said White can give an overview Aug. 15.

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Hernandez mentioned the proposed neighborhood cleanup program, which remains unfunded in 2017, but he said he really would like to see it started. Funds would be set aside to assist community members with cleanup.

His end goal is \$5,000 per year, but he wants to start with \$2,000 as a pilot program. Those funds would have to come from another fund in 2017, however, if the program is to be kicked off.

Commissioner Warren said Cherokee Strip Museum took a pretty big cut in budgeted funds this year and it is trying to build its cash balance in order to help fund its budget after City funding ceases in a few years.

Mayor Oestmann asked where the money is going. Commissioner Warren said it takes about \$100,000 a year to pay salaries and the operational expenses of keeping the museum open on a daily basis.

Mayor Oestmann said he hated to see the chamber of commerce cut. Hernandez said that money originally was intended for economic development and business recruitment, a role that has been taken over by Cowley First.

A stepdown in funding from \$30,000 to \$0 was supposed to begin in 2012, Hernandez said, but no reductions occurred until this year's revocation of the \$30,000. He said that money could be used to offset other costs.

Commissioner Tweedy mentioned that the Convention and Visitors Bureau, which is being funded at \$70,000, helps the chamber with the expenses of their shared office and employees, so there still is some support there.

Chamber board chair Sarah Long addressed the commissioners, pleading for funding to be restored in 2016 and continued in 2017 as the organization searches for a new director and deals with unplanned expenses.

She said the chamber was tightening its belt, had reduced its staff and office hours, and hoped to hire a new director — likely at a salary lower than that of the new director's predecessor — by September 1.

Commissioner Tweedy said he liked Hernandez's recommendations down the line regarding external agencies.

Commissioner Warren asked Long how much cash the chamber had on hand. She said it had about \$66,000 of its budgeted \$113,000. Before all expenses were paid, this year's golf tournament fundraiser generated \$5,900.

Mayor Oestmann and Commissioner Warren asked how much was needed for the new CEO. Long indicated the salary would be in the low \$40,000 range, down from Sydney Bland's \$47,000 salary (insurance is not included).

Mayor Oestmann asked how much the heating improvements at the chamber office might cost. Long said she didn't have the exact estimate, but thought it would be in the range of \$8,000 to replace the unit and tie it in.

Hernandez asked how much the chamber generated annually in dues. Long said the \$66,000 came from dues.

Mayor Oestmann asked what the minimum amount was that the chamber needed to get by in 2016 and 2017.

Long estimated the chamber is about \$22,000 short for this year. Hernandez said he met with Bland before she left and told her the \$30,000 cut was a possibility in 2016 due to SCKMC. He said she was aware of it in January.

Commissioner Jurkovich said the two agencies that stepped up most to help in 2016 are being cut again the next year, while no other entity is taking a cut either year. Hernandez said most of them are contractual obligations.

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Commissioner Tweedy asked about the possibility of giving the chamber \$15,000 and the museum \$115,000 in 2017. Hernandez said that could occur within the proposed budget, but it would keep the mill levy at 70 mills.

He said he brought his recommended reductions as a possibly way to reduce the mill levy and keep it under 70 mills. The 2017 budget, as currently presented, represents an increase of about 1.5 mills from the 2016 mill levy.

Hernandez also said it was his goal, over time, eventually to reduce those contractual obligations to zero.

Mayor Oestmann suggested giving the chamber \$20,000, not \$15,000, and the museum \$115,000. Hernandez said that \$35,000 increase could be shifted from the emergency reserve, keeping the mill levy at 2016 levels.

Commissioner Tweedy said he would prefer to fund the two entities at a smaller level in 2017 — in case something else comes up with SCKMC and further cuts have to be made, they'd already have reduced funding.

Commissioner Jurkovich said that if the extra \$35,000 is given to the two entities, but the mill levy remains comparable to 2016, he would be comfortable with that.

He and Hernandez asked Long if the chamber board knew about the \$30,000 reduction in 2016. She said Bland did not inform the board. Hernandez asked what the chamber absolutely needed in 2016.

Long said they didn't need the full amount and she understands the need for a reduction. She did not want to speak for the whole board, but thought \$20,000 to \$25,000 would allow the chamber to break even.

Hernandez said he would recommend asking the chamber board to decide at its next regular meeting what that necessary dollar amount is for 2016. Mayor Oestmann and Commissioner Jurkovich asked Long to do so.

Hernandez praised the entire community, especially the agencies facing budget cuts, for sharing in the pain.

He asked Long if there had been any discussion of consolidating the two chambers of commerce since many members hold membership in both chambers. The general consensus was that idea is unlikely to happen.

Mayor Oestmann asked if the commissioners were OK with \$20,000 for the chamber and \$115,000 for the museum. Commissioner Tweedy said he could live with that. Commissioner Warren also assented.

Hernandez said staff is estimating anywhere from a 10- to 20-percent increase in health insurance premiums, but it budgeted for 10 percent. There will be a slight reduction in KPERS and KP&F contributions.

The merit pay pool, which averages 3.5 percent across the board, is still budgeted, as is another 2-percent cost-of-living adjustment, Hernandez said. Commissioner Warren asked if wages still were behind Winfield's wages.

Hernandez said it depends on the job. Human Resources Manager McFarland wants to do a salary survey, at a cost of \$30,000, to find where adjustments need to be made, but Hernandez said the problem is that once the City does such a survey, it is obligated to fix deficiencies, even though adequate funding may not be available.

Mayor Oestmann asked if this COLA would make a bigger impact, since the one in 2016 merely offset recent increases in KPERS and KP&F contributions. McFarland said she thought it would help as long as health insurance doesn't go up 20 percent. She added it will help with hiring by raising the all the starting wage rates.

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Commissioner Tweedy asked if the City would shop for new insurances. McFarland said it would depend on the quote that comes back. She, Hernandez and Commissioner Welch all agreed Blue Cross Blue Shield of Kansas offers terrific insurance benefits, though, and expressed a desire to keep them if at all financially feasible.

McFarland said that is especially true because if the City loses its “grandfathered” status, it can immediately expect a 5- to 7-percent increase in annual premiums just from having to offer preventative care in its plans.

She and Hernandez said the increase in premiums would be known in time for the budget hearing August 15.

Commissioner Tweedy asked about premium increases in previous years. McFarland said they rose 21.53 percent in 2010, another 1.45 percent in 2011, dropped 9.2 percent in 2012, increased by 2.2 percent in 2013, declined 2.84 percent in 2014 and another 5.77 percent in 2015, and dropped again by 4.7 percent in 2016.

Hernandez wrapped up his presentation by giving an overview of the scheduled capital outlay purchases included in the 2017 budget. Most of them were delayed from the 2016 budgets due to the SCKMC loans.

In order of expense, they are a new “one-armed bandit” packer unit for Sanitation curbside recycling (\$250,000, and Hernandez said another trash truck will be needed the next year, too); a Pista grit removal system for the Wastewater Treatment Facility (\$200,000); a new roof for the Agri-Business Building (\$100,000); a new elevator control panel for City Hall (\$92,000); a new tanker for the Fire-EMS Department (\$84,000); \$72,000 in software upgrades for the Police Department, including a \$2,000 increase for annual records management system maintenance, a \$7,341 increase for mobile computer-aided dispatch and \$4,500 for predictive analysis software; two new SUV patrol vehicles for the Police Department (\$65,000); a new 100-horsepower 4x4 tractor with a 15-foot batwing mower for Stormwater (\$65,000, although this may be purchased later in 2016); a detachable low-boy trailer for Sanitation (\$57,000); an easement machine for Wastewater Collection (\$50,000); a day cab semi-tractor and a 1-ton flatbed diesel truck for Sanitation (\$50,000 apiece); five new overhead bay doors, a renovation of the apparatus bay walls and a remodel of the kitchen at the Fire-EMS Department (\$46,000); a new battalion vehicle for the Fire-EMS Department (\$39,000); a 1-ton flatbed truck for Streets (\$30,000); a new roof for the Northwest Community Center (\$28,000); a new crew-cab pickup truck for the Parks and Facilities Division (\$25,000); and 13 other purchases of less than \$25,000 apiece for various departments and divisions.

Regarding the new tanker, Hernandez said the City absolutely had to have it and Fire Chief Wolfe said the City’s current lack of an adequate tanker absolutely has led to a reduction in the quality of the department’s service.

Wolfe added that he is trying to establish a regular replacement schedule for such equipment as portable radios, fire hose and new sets of personal protective equipment. In addition, he is seeking grant funding for the radios.

After discussion of four-day sanitation routes and curbside recycling, Mayor Oestmann asked for a study session.

He also asked about street projects. Hernandez and Broce gave an overview of the City’s planned work in 2017.

Commissioner Jurkovich made a motion to approve the budget resolution and schedule a budget hearing at 5:30 p.m. Monday, August 15 in the Commission Room at City Hall. Commissioner Warren seconded the motion.

Mayor Oestmann made a motion to approve the notice of budget hearing, with the maximum property tax to be capped at 70.511 mills, or \$3,812,166. Commissioner Tweedy seconded the motion. A voice vote was unanimous in favor of both motions. Mayor Oestmann declared them approved and given Resolution No. 2016-07-3040.

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## Executive Sessions

City Manager Hernandez asked for a 15-minute executive session to discuss confidential data relating to the financial affairs or trade secrets of corporations, partnerships, trusts and individual proprietorships.

Commissioner Jurkovich made a motion to enter the executive session, to include Hernandez and City Attorney Niles. Commissioner Warren seconded the motion. A voice vote was unanimous in favor of the motion.

Mayor Oestmann declared the executive session started at 7:53 p.m. The session ended at 8:08 p.m.

Mayor Oestmann made a motion to re-enter executive session for an additional 10 minutes. Commissioner Tweedy seconded the motion. A voice vote was unanimous in favor of the motion.

Mayor Oestmann declared the second executive session started at 8:10 p.m. The session ended at 8:20 p.m.

## Adjournment

Mayor Oestmann moved to adjourn the meeting. Commissioner Tweedy seconded the motion. A voice vote was unanimous in favor of the motion. Mayor Oestmann declared the meeting adjourned at 8:22 p.m.

THE ARKANSAS CITY  
BOARD OF CITY COMMISSIONERS

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Duane L. Oestmann, Mayor

ATTEST:

\_\_\_\_\_  
Lesley Shook, City Clerk

Prepared by:

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Andrew Lawson, Public Information Officer