



**Board of Aldermen - Work Session Agenda**

**September 15, 2020**

**6:00 p.m. – City Hall and Via Videoconference**

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**NOTICE:** \*Due to the Health Officer's orders for safety, public meetings and public comment during public meetings will require modification. The City of Smithville is committed to transparent public meetings and will continue this commitment during the COVID-19 crisis. Anyone who wishes to view the meeting may do so in real time as it will be streamed live on the city's FaceBook page through FaceBook Live.

- 1. Call to Order**
- 2. Discussion of FY21 Operating Budget**
- 3. Discussion of Drainage Issue at 104 North Bridge Street**
- 4. Adjourn**

## Agenda Item # 2 – Discussion of FY21 Operating Budget

	<div style="display: inline-block; background-color: #76923c; color: white; padding: 5px 10px; font-weight: bold;">STAFF</div> <div style="display: inline-block; background-color: #005580; color: white; padding: 5px 10px; font-weight: bold; margin-left: 10px;">REPORT</div>
<b>Date:</b>	September 15, 2020
<b>Prepared By:</b>	Daniel Toleikis, Finance Director
<b>Subject:</b>	FY21 Recommended Budget – Second Discussion
<b>Staff Report:</b>	All Departments
<p>Staff’s recommended FY21 Budget was presented at the August 18 Work Session. During that presentation, there was good discussion between staff and the Board regarding sales and use tax projections, General Fund expenditures that staff did not originally include in its recommended budget, as well as the General Fund CIP as it relates to future City Hall Improvements.</p> <ul style="list-style-type: none"> <li>• FY20 sales and use tax projections increased based on the monthly distributions received on August 7. We recently received September numbers, which were even better than August.</li> <li>• FY20 Budget Amendment #3 will be presented for approval at the Regular Session this evening to include \$15,000 for the implementation of the radio replacement program in the Police Department, and \$25,000 to begin the Parks and Recreation Master Plan. FY20 expenditure projections have been increased assuming the approval of FY20 Budget Amendment #3.</li> <li>• FY21 sales and use tax projections were updated.</li> <li>• FY21 senior center rental revenue projections were updated.</li> <li>• FY21 operating expenditure projections were updated to include the Visit KC partnership, the continuance of the radio replacement program in the Police Department, the increase in the dispatching cost for the Police Department, reductions in senior center operating costs, and reductions in City Hall building repairs and training and travel expenses for the Administration and Police Departments.</li> <li>• FY21 CIP expenditure projections include additional City Hall renovations (lobby, restrooms, administrative offices, and kitchen).</li> </ul> <p>Also included in the FY20 Budget Amendment #3 are additional expenditures for the engineering for the Greyhawke Roundabout in the Transportation Sales Tax Fund. FY20 expenditure projections in that Fund have been increased assuming the approval of FY20 Budget Amendment #3, and cash balances have been revised due to those additional expenditures.</p> <p>Provided below is a revised summary of the recommended FY21 budget, which includes the items mentioned above. Please note that the only Funds that were revised were the General Fund and Transportation Sales Tax Fund. The Special Allocation Fund was added to reflect TIF proceeds and disbursements, after our auditors provided guidance that this Fund must be</p>	

budgeted. The FY21 budget is set for approval at the October 6 and October 20 Regular Sessions.

Also provided in the agenda packet are revised fund summaries and department detail worksheets. These worksheets are not in the final format for the budget, but they do provide specific detail on revenues and expenditures for review and discussion with the Board. The FY21 Budget Document (Flipbook) will be included for review for the October 6 Regular Session.

**HIGHLIGHTS OF THE RECOMMENDED FY21 BUDGET**

GENERAL FUND	FY19 Actual	FY20 Projection	FY21 Budget
Operating Revenue	\$4,470,749	\$4,596,920	\$4,634,040
Operating Expenditures	\$4,231,792	\$4,418,480	\$4,612,550
Revenues over/(under) Expenditures	\$238,957	\$178,440	\$21,490
Ending Fund Balance	\$3,785,272	\$3,152,642	\$2,231,632

The General Fund is projected to enter FY21 with a beginning cash balance of \$3,152,642, which is the equivalent to about 68.3% of FY21 recommended operating expenditures. A Reserve Policy requires that the General Fund maintain a reserve of at least 40% of budgeted operating expenditures, which would equate to \$1,845,020 for FY21. The remaining 28.3%, or \$1,307,622, is considered excess cash on hand.

*Operating Revenue*

General Fund revenues provide the resources necessary to fund a majority of City functions, such as police protection and emergency response, code enforcement, permitting, licensing, parks maintenance and recreational programs, senior services, and street and sidewalk maintenance, among others. These functions are primarily funded through revenue from sales and use taxes, property taxes, and franchise taxes. Supplementary sources like ticketing fines, building permit fees, business license fees, and recreational fees provide additional support. Operating revenue in the recommended FY21 budget is \$4,634,040. Staff recommends the following inclusions:

- a 0% increase in sales tax revenue, which is driven by a projected 1% decrease on existing sales tax revenues from established businesses and another 1% increase due to new sales tax revenues from new businesses, namely the Marketplace [a projected +\$450 increase over FY20 projections];
- a 5% increase in use tax revenue [+ \$19,720];
- 90% property tax collection [-\$5,030];
- a 20% decrease in franchise tax revenue related to telecommunications [-\$20,840];
- a 70% decrease in interest income [-\$68,260];
- a 33% decrease in building permit revenue [-\$23,550];
- a 'return to normal' for SRO reimbursement, court fine revenue, recreation program revenue, and campground revenue [+\$90,950]; and
- all other changes [+\$43,680].

Operating revenue would exceed FY20 projected operating revenue by \$37,120 (0.8%) and exceed FY19 actual operating revenue by \$163,291 (3.7%).

### *Operating Expenditures*

General Fund expenditures cover employee salaries and benefits, operational costs, maintenance costs, contracted services, insurance, and office and administrative costs for the elected officials, administration, police, development, finance, parks and recreation, and public works (street division) departments. Operating expenditures in the recommended FY21 budget is \$4,612,550. As discussed during the Work Sessions on July 21 and August 18, staff recommends the following inclusions:

- no cost of living adjustment (COLA) to the compensation plan;
- a 3.0% merit pool for salary increases effective May 1, 2021 [+\$42,270];
- the addition of On-Call Time compensation [+\$6,500];
- a presumptive 15.0% increase in medical insurance (final renewal expected soon after Sept 1) [+\$72,180];
- reclassification of Administrative Coordinator to Permit Technician in the Development Department [+\$4,860]; and
- all other changes [+\$68,260].

FY21 operating expenditures would exceed FY20 projected operating expenditures by \$194,070 (4.4%) and exceed FY19 actual operating revenue by \$380,758 (9.0%).

Overall, the recommended FY21 General Fund operating budget is balanced, with revenues exceeding expenditures by \$21,490.

A few other operational items were considered by staff and discussed at the August 18 Work Session, but ultimately have not been recommended for inclusion in the FY21 budget:

- additional economic development opportunities, including membership in the Kansas City Area Development Council for \$10,000, membership with ICSC for \$800, and a subscription to the Kansas City Star/Business Journal for \$270;
- continued participation in the Communities for All Ages program for \$1,500, which is a program the City has paid for in FY19 and FY20, but has not been an active participant;
- a second community survey for \$14,000, which would update community responses that were received in January 2018, and of which several departmental benchmarks are based;
- an increase in allowable Board of Alderman expenditures for \$4,620, which an Ordinance states that each member of the Board should be allocated \$750 for training expenses which the City currently only funds at 50% and that the Mayor receives a \$500 community relations allowance and each alderman receives a \$250 community relations allowance which are currently not funded.

### *Capital Improvement Plan*

Of the \$1,307,622 designated as excess cash on hand, staff recommends that the Capital Improvement Plan utilize \$902,500 of that for the following projects, which were discussed at the June 16 Work Session:

- City Hall lobby, restroom, administrative office area, and kitchen improvements;
- New records management software for the Police Department;
- Phase I of electrical upgrades at Smith's Fork Campground;
- A transportation master plan including complete streets/trails;
- GIS/Asset management software (cost split with the CWWS Fund); and
- engineering for a joint Streets/Parks building.

*Transfer to Other Funds*

Of the same \$1,307,622 designated as excess cash on hand, staff recommends that a transfer to the Vehicle & Equipment Replacement Fund utilize \$40,000 to seed a reserve.

The remaining excess cash on hand not being spent would be \$386,612. Adding to that the projected fiscal year revenue over expenditures amount of \$21,490 plus the \$1,845,020 set aside for the 40% reserve leads to a projected General Fund ending cash balance of \$2,231,632, which equates to a 48.4% cash balance.

VEHICLE & EQUIPMENT REPLACEMENT FUND (VERF)	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$0	\$0	\$165,000
Expenditures	\$0	\$0	\$125,000
Revenues over/(under) Expenditures	\$0	\$0	\$40,000
Ending Fund Balance	\$0	\$0	\$40,000

The VERF has a projected beginning cash balance of \$0.

The ideal cash balance in this Fund would be \$500,000, as it would take approximately that amount to re-purchase the fleet if the City ever decided to “back-out” of the lease agreement with Enterprise. Staff recommends a transfer from the General Fund to the VERF in the amount of \$40,000 to fund 8% of the desired reserve.

The City also anticipates selling 18 currently owned vehicles, with an estimated total sales revenue of \$125,000.

The City would initially lease 15 vehicles from Enterprise, which would have a first-year lease cost of \$125,000.

The projected ending cash balance is \$40,000.

SPECIAL ALLOCATION FUND	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$0	\$0	\$520,000
Expenditures	\$0	\$0	\$520,000
Revenues over/(under) Expenditures	\$0	\$0	\$0
Ending Fund Balance	\$0	\$0	\$0

The Special Allocation Fund has a projected beginning cash balance of \$0. This Fund is the recipient of TIF property tax revenue over and above the base and TIF sales tax revenue over and above the base. It is also the recipient of the 1% CID sales tax revenue. All revenue is subject to administrative costs and developer reimbursement for the Marketplace. Projected FY21 property tax revenue above the base is \$20,000 and projected sales tax over the base is \$200,000. The CID has submitted a budget anticipating \$300,000 in CID sales tax revenue.

Projected FY21 expenditures include \$8,000 in administrative costs per the submitted CID budget, \$292,000 in disbursements to the developer per the submitted CID budget, and \$200,000 in disbursements to the developer from property and sales tax above the base.

The developer must submit reimbursement requests for eligible expenses per the TIF Agreement. Staff anticipates that the developer will submit their first request in 2021. Any developer requests will be presented to the Board for approval.

The projected ending cash balance is \$0.

CAPITAL PROJECTS FUND (CPF)	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$4,182,448	\$242,500	\$0
Expenditures	\$4,230,808	\$1,959,600	\$243,440
Revenues over/(under) Expenditures	(\$48,360)	(\$1,717,100)	(\$243,440)
Ending Fund Balance	\$1,960,537	\$243,437	\$0

The CPF has a projected beginning cash balance of \$243,437. These are the proceeds remaining from the 2018 and 2019 GO Bond issuances. The GO Bonds proceeds must be expended by February 2022. No additional revenue is expected.

The GO Bonds have funded the following projects:

- Amory Road Bridge Replacement;
- Downtown Streetscape;
- Second Creek Road Bridge Replacement;
- 180<sup>th</sup> Street Trail & Sidewalks;
- South Commercial Sidewalks; and
- Main Street Trail (in construction phase now).

Staff recommends the CIP to utilize all of the available balance for the Downtown Streetscape East project, leaving no balance in the Fund at the end of FY21.

TRANSPORTATION SALES TAX FUND	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$496,432	\$509,760	\$530,750
Expenditures	\$557,722	\$418,610	\$687,820
Revenues over/(under) Expenditures	(\$61,290)	\$91,150	(\$157,070)
Ending Fund Balance	\$355,937	\$447,087	\$290,017

The Transportation Sales Tax Fund has a projected beginning cash balance of \$447,087. These are proceeds from the ½ cent sales tax, which does not sunset. Projected FY21 sales tax revenues is \$530,750.

Staff recommends the Transportation Sales Tax Fund to take on \$177,820 in operational expenditures from the Public Works Department (Streets Division), and the CIP to utilize \$510,000 for the asphalt overlay program and for a new salt shed on the north end of the City. Projects identified for the asphalt program are Rock Creek, Coulter Addition, and Micro-surfacing on several streets. The projected ending cash balance is \$290,017.

PARKS & STORMWATER SALES TAX FUND	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$0	\$0	\$442,290
Expenditures	\$0	\$0	\$225,000
Revenues over/(under) Expenditures	\$0	\$0	\$217,290
Ending Fund Balance	\$0	\$0	\$217,290

The Parks & Stormwater Sales Tax Fund has a projected beginning cash balance of \$0. This Fund will be created by Ordinance prior to the start of the fiscal year. These are proceeds from the ½ cent sales tax, which begins October 1, 2020 and sunsets on September 30, 2040. Projected FY21 sales tax revenues is \$422,290 as we will not likely see sales tax revenues until January 2021.

Staff recommends the Parks & Stormwater Sales Tax Fund to take on \$0 in operational expenditures from the Parks & Recreation and Public Works (Streets Division) Departments. When the sales tax was discussed by the Board at its Regular Session on January 7, the Board decided to use its discretion each budget year to appropriate funds between Parks projects and stormwater projects. Staff recommends the CIP to utilize \$125,000 for improvements at the new splash pad and for the parks & recreation master plan including a trails/connectivity plan, and an additional \$100,000 for a to-be-determined parks or stormwater project as directed by the Board.

The projected ending cash balance is \$217,290.

CAPITAL IMPROVEMENT SALES TAX FUND	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$451,246	\$509,760	\$530,750
Expenditures	\$127,417	\$798,910	\$509,250
Revenues over/(under) Expenditures	\$323,829	(\$289,150)	\$21,500
Ending Fund Balance	\$323,829	\$34,679	\$56,179

The Capital Improvement Sales Tax Fund has a projected beginning cash balance of \$34,679. These are proceeds from the ½ cent sales tax, which began October 1, 2018 and sunsets on December 31, 2038. Projected FY21 sales tax revenues is \$530,750.

The Capital Improvement Tax Fund funds a transfer to the Debt Service Fund for debt repayments associated with the 2018 and 2019 GO Bond issuances and a debt reserve. The FY21 transfer will be \$342,190. Staff also recommends the CIP to utilize \$167,060 of the available balance for the Downtown Streetscape East project.

The projected ending cash balance is \$56,179.

DEBT SERVICE FUND	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$127,417	\$556,280	\$342,190
Expenditures	\$127,417	\$325,020	\$329,860
Revenues over/(under) Expenditures	\$0	\$231,260	\$12,340
Ending Fund Balance	\$0	\$231,260	\$243,600

The Debt Service Fund has a projected beginning cash balance of \$231,260, which is the balance necessary to pay the March 1, 2021 debt payment. Projected FY21 revenues in the form of a transfer from the Capital Improvement Sales Tax Fund is \$342,190.

The Debt Service Fund will cover debt payments associated with the 2018 and 2019 GO Bond issuances. The March 1, 2021 debt payment is \$231,260 and the September 1, 2021 debt payment is \$98,595.

The projected ending cash balance is \$243,590, which is the balance necessary to pay the March 1, 2022 debt payment.

COMBINED WATER & WASTEWATER SYSTEMS FUND (CWWS)	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$3,840,292	\$4,183,870	\$4,429,880
Expenditures	\$2,575,747	\$3,015,300	\$3,111,120
Revenues over/(under) Expenditures	\$1,264,545	\$1,168,570	\$1,318,760
Ending Fund Balance	\$1,987,177	\$1,320,837	\$629,597

The CWWS Fund is projected to enter FY21 with a beginning cash balance of \$1,320,837, which is the equivalent to about 42.5% of FY21 recommended operating expenditures. A Reserve Policy requires that the CWWS Fund maintain a reserve of at least 20% of budgeted operating expenditures, which would equate to \$622,224 for FY21. The remaining 22.5%, or \$698,613, is considered excess cash on hand.

#### *Operating Revenue*

CWWS Fund revenues provide the resources necessary to specifically fund utility services. These services are almost solely funded through revenue from charges for water and sewer services. Operating revenue in the recommended FY21 budget is \$4,597,900. Staff recommends the following inclusions:

- a 3% increase in water sales revenue, which would be driven by a third rate increase as recommended in the rate study [a projected +\$72,630 increase over FY20 projections];
- a 10% increase in wastewater sales revenue, which would be driven by the rate increase as recommended in the rate study [a projected +\$153,620 increase over FY20 projections];
- all other changes [+\$19,360].

Operating revenue would exceed FY20 projected operating revenue by \$246,010 (5.9%) and exceed FY19 actual operating revenue by \$589,588 (15.3%).

#### *Operating Expenditures*

CWWS Fund expenditures cover employee salaries and benefits, operational costs, maintenance costs, contracted services, insurance, and office and administrative costs for the public works (utilities division) department. Operating expenditures in the recommended FY21 budget is \$3,111,120. As discussed during the Work Session on July 21, staff recommends the following inclusions:

- no cost of living adjustment (COLA) to the compensation plan;
- a 3.0% merit pool for salary increases effective May 1, 2021 [+\$12,900];
- the addition of On-Call Time compensation [+\$23,290];
- a presumptive 15.0% increase in medical insurance (final renewal expected soon after Sept 1) [+\$9,270];
- an increase in KCMO Sewer Services for the Forest Oaks subdivision [+\$26,200]; and
- all other changes [+\$24,160].

FY21 operating expenditures would exceed FY20 projected operating expenditures by \$95,820 (3.2%) and exceed FY19 actual operating revenue by \$535,373 (20.8%).

Overall, the recommended FY21 CWWS Fund operating budget is balanced, with revenues exceeding expenditures by \$1,318,760.

*Capital Improvement Plan*

Adding together the \$698,613 designated as excess cash on hand plus the projected fiscal year revenue over expenditures amount of \$1,318,760, there is \$2,017,373 available for CIP projects. Staff recommends that the Capital Improvement Plan utilize \$2,010,000 of that for the following projects, which were discussed at the June 16 Work Session:

- Highland Drive Sewer Replacement;
- 188<sup>th</sup> Street Waterline;
- Fourth Street and Fourth Terrace Water and Sewer Lines;
- Raw Water Pump Station, Valve Box, and Zebra Mussel Control Project; and
- GIS/Asset management software (cost split with the General Fund).

The remaining excess cash on hand not being spent would be \$7,373. Adding to that the \$622,224 set aside for the 40% reserve leads to a projected CWWS Fund ending cash balance of \$629,597, which equates to a 20.2% cash balance.

The Water Master Plan calls for a Water Plant Expansion in FY23 with a price tag of \$9.65 million, and the Wastewater Master Plan identifies the North Sewer Interceptor project as a project that will most likely need to be completed within 10 years with a price tag of \$6.5 million. These projects will likely need to be funded through a combination of continued rate increases, increases to impact fees, and debt issuances. Staff will bring forward a recommendation to update the rate study including an impact fee analysis in future months. Also, staff will be in communications with the City’s financial advisors on debt issuances.

SANITATION FUND	FY19 Actual	FY20 Projection	FY21 Budget
Revenue	\$779,271	\$820,430	\$890,550
Expenditures	\$786,350	\$825,890	\$885,710
Revenues over/(under) Expenditures	(\$7,079)	(\$5,460)	\$4,840
Ending Fund Balance	\$37,499	\$32,039	\$36,879

The Sanitation Fund has a projected beginning cash balance of \$32,039. The revenues in this Fund are collection of trash fees from utility bills. Projected FY21 revenues is \$890,550.

The Sanitation Fund pays the City’s contract with WCA to provide residential and trash services. This contract runs through March 2022. Projected FY21 expenditures is \$885,710.

The projected ending cash balance is \$36,879.

[Budget - FY21 Detail Spreadsheet](#)

[Capital Improvement Plan – as presented 2020.09.15](#)

## Agenda Item # 3 – Discussion of Drainage Issue at 104 North Bridge Street

	<div style="display: inline-block; background-color: #76923c; color: white; padding: 5px 10px; font-weight: bold;">STAFF</div> <div style="display: inline-block; background-color: #00557b; color: white; padding: 5px 10px; font-weight: bold; margin-left: 10px;">REPORT</div>
<b>Date:</b>	September 15, 2020
<b>Prepared By:</b>	Jack Hendrix, Director of Planning and Development Charles Soules, Director of Public Works
<b>Subject:</b>	Discussion of 104 N. Bridge St. drainage issues

### **Background:**

The City of Smithville completed Phase I of the Downtown Streetscape Project in 2018. The project included improvements along Main Street from 169 Highway to Commercial Street. The project installed new sidewalks, curb and gutter, bulb outs, bike sharrows, street lighting, landscaping, mill and overlay and storm sewer improvements.

During design, an undocumented connection to the storm sewer system was found in Remembrance Park. At that time, it was assumed to be an old unnecessary line from the park and was not reconnected.

On 4/30/19 and 5/8/19, following two heavy rain events, the building at 104 North Bridge Street experienced some water infiltration from the rear entrance that flowed into the building instead of the abandoned park property drain. This damaged the carpet and it needed to be replaced. The building floor sits approximately 8 inches below all the adjoining grade (the city sidewalk in front, the sidewalk area near the rear door and the alley in the rear) and you must step down to get into the building. Apparently, this abandoned drain line was used as an area inlet for the roof guttering from 104 North Bridge Street. The line was apparently installed many years ago, and no current staff was aware of the alleged purpose – to drain 104 North Bridge Street roof gutters. The owner of the impacted building is James Owens.

Mr. Owens filed a claim with the City’s insurance for his loss. Following review of the claim in April 2020, the City’s claims adjustor, Thomas McGee, made a good faith cost of defense offer of settlement with Mr. Owens, admitting no fault on the part of the city in an amount of \$2477.68. To date, Mr. Owens has not accepted the settlement and has requested the reconnection of the private storm sewer line.

### **Additional information:**

In addition to Mr. Owen’s drainage concerns, several businesses and a City parking lot on West Church Street all gain access and drain water into an “alley” but is not platted as such and the City does not own all the property. The real estate office at 106 West Main Street owns the west half of the “alley” from Main Street north to the City parking lot. The Owens property owns the east half of the “alley” adjacent to their property. North of Mr. Owens property, the city

owns either the east half of the alley (behind 3 Link Studios) or the entire alley (north to Church Street) and the adjoining parking lot.

Several other businesses along North Bridge Street that have rear access to this "alley" also have expressed concerns about storm water and have made some diversions to keep water from entering their buildings. Recently, the real estate office owner expressed interest in joining with other owners to fund some improvement in the alley to keep water out of their offices.

Options to address these concerns:

- If the private drainage line were to be re-established, depending on how and where it exactly lays and where it was cut off, some of the existing improvements and landscaping in Remembrance Park would have to be removed and replaced. Staff did look at the elevation of the City's storm sewer box and the area inlet and it is possible to tie into the storm sewer box. The estimate for this would be around \$5,000-\$10,000 including replacing the sidewalk and landscaping, replacing the line and tying into the storm sewer box.
- Extend the line and let it drain into the alley aboveground. An estimate for this would be around \$5,000 including landscaping, replacing the line and additional pipe.
- Since other businesses are also experiencing water drainage issues, another option could be to rebuild the "alley" to accept the runoff or install a storm sewer system with in the "alley". These options would have a larger cost which could be shared between all the benefiting properties. First, the City would have to obtain the property rights or an easement to build such improvements in the "alley" area.

**Action Requested:**

Given the situation, that Mr. Owens has not accepted the settlement and, as noted, above, has requested reconnection of the private line. Mr. Owens has requested the Board review this situation and staff is now seeking direction from the Board regarding how to proceed:

- Should the storm sewer line be reconnected?
  - o At what cost and who should pay?
  - o What is the priority of this project and what project will not be completed?
- What about the other drainage issues in the area?
  - o How would a larger project be paid for?
  - o What would be the priority for this project?

