City of El Dorado, KS
220 E. First Avenue
El Dorado, KS 67402
Phone: (316) 321-9100
Fax: (316) 321-6282
www.eldoks.com

TO: City Commission
FROM: Tabitha Sharp, City Clerk
SUBJ: Work Session Meeting Agenda
DATE: June 9, 2017

A Work Session is scheduled for June 14, 2017 at 4:00 pm in the Commission Chambers at City Hall, 220 E. First Avenue. The following items will be presented:

I. Items to be Placed on the Consent Agenda

a. Minutes from the June 5, 2017 Regular Meeting
b. May Appropriation Ordinance

II. Items to be Placed on the Regular Agenda

a. Rezoning of 3913 SW 10th Street from A-R "Agricultural Residential" to I-1 "Light Industrial"
b. Rezoning of 403 N Star Street from R-1 "Low Density Residential" to R-2 "Medium Density Residential"
c. Rezoning of a 6.9 acre tract near Haverhill and Towanda from R-1 "Low Density Residential" to R-3 "Multiple Family Residential"
d. Moderate Income Housing Grant
e. Naming of the Disc Golf Course

III. Items for Presentation and Discussion

a. Lake Debt and Investments
b. Bad Debt Ordinance Proposal
c. 2018 Budget Discussion

IV. Reports

a. City Commission Reports
b. City Manager's Report
   i. Community Marketing
   ii. Parks and Recreation Master Plan Sales Tax

TO: City Commission
FROM: Tabitha Sharp, City Clerk
SUBJ: Lake Debt and Investments
DATE: June 9, 2017

Background:
The City of El Dorado entered into a contract with the United States Army Corps in 1972, whereby the City provided land and waterworks system assets and the Corps provided personnel and equipment to construct and expand a reservoir. The contract required the City to reimburse the Corps for construction costs of $26,435,400 plus interest compounded annually at 3.502% commencing July 1, 1992, with a final maturity date of July 1, 2081. The City activated additional water storage in 1992 and 2003 which accelerated payment schedules for those amounts, the repayment schedules (from the 2015 CAFR) for those spaces are attached. The cost of payoff for the third space in 2081 will be approximately $410 million if it is never activated.

The City's current investments total around $4.5 million with rates ranging from 1.2 to 6.8%. Staff, with the guidance of our investment advisors, have chosen to invest in shorter term paper to ensure that money will be available should a higher rate be presented. There is currently approximately $2.2 million in cash ready to be invested from investments that have matured, the yearly payment from the water fund and the stadium payment.

The City Commission chose to invest $3,130,000 of the lake debt money in the stadium when it was built due to the economic downturn. The tourism, water, sewer, refuse and economic development funds are on a 20 year-4% interest amortization schedule to pay that money back to the lake debt fund.

Policy Issue:
In 2006 or 7, George K. Baum did a study that determined we would need to invest approximately $250,000 per year at a rate of 5.75% in order to reach the goal of paying off the 2081 debt. Due to the market downturn, we have been unable to achieve this rate for several years. Staff are discussing options to mediate this issue should we not activate the third water space at which time the balloon payment would be eliminated.

Alternatives:
Not applicable.

Fiscal Impact:
The City budgets the loan repayments as well as the annual lake debt transfer from the water department. If more money is available for investment beyond our debt policy, it is transferred with the approval of the City Manager. The stadium payments are also budgeted.

Trade-offs:
Not applicable.

Staff Recommendation:
Not applicable.

Commission Actions:
This is just a discussion item at this time.

7 - Long-Term Debt (Continued)

Liability for Water Storage Space

In 1972, the City entered into a contract with the United States Army Corps of Engineers (the Corps) whereby the City provided land and waterworks system assets and the Corps provided personnel and equipment to construct and expand a reservoir. The project was completed in 1983. The contract required the City to reimburse the Corps for construction costs of $ 26,435,400, plus interest compounded annually at 3.502% commencing July 1, 1992, with a final maturity date of July 1, 2081. Payments accelerate if water usage exceeds certain minimum quantities. There have been two instances where the City's water usage exceeded the minimum quantities and accelerated payment schedules have been set up for each in 1992 and 2003. The remaining principal balance of the construction costs associated with future water storage space that is accruing interest compounded annually at 3.502% until the final maturity date of July 1, 2081, is $ 18,500,024. The payable increased during 2015 by $ 1,429,912 representing accrued interest. At December 31, 2015 the liability including accrued interest is $ 42,261,226. The amount to be paid in 2081, including accrued interest if the City does not accelerate additional payments for exceeding the minimum quantities for water usage, will be approximately $ 410,000,000. As of December 31, 2015, the City has cash and investments of $ 5,918,614 set aside to pay for the water storage space payable on July 1, 2081.

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

During 1992, water usage exceeded the minimum quantity causing the City to purchase additional storage space at a cost of $ 3,046,527 with annual payments of $ 125,535 due beginning July 15, 1993 and ending July 15, 2041 at an interest rate of 3.502%. The outstanding balance of $ 2,119,874 is shown as a liability in the waterworks system fund.

The future annual debt service requirements for this water storage space payable as of December 31, 2015 are as follows:

	Principal	Interest	Total
2016	$ 51,296	$ 74,239	$ 125,535
2017	53,094	72,441	125,535
2018	54,953	70,582	125,535
2019	56,877	68,658	125,535
2020	58,869	66,666	125,535
2021-2025	326,752	300,924	627,676
2026-2030	388,116	239,559	627,675
2031-2035	461,004	166,671	627,675
2036-2040	547,581	80,094	627,675
2041-2045	121,332	4,249	125,581
	$ 2,119,874	$ 1,144,083	$ 3,263,957

During 2003, the water usage again exceeded the minimum quantity causing the City to purchase additional storage space at a cost of $ 7,405,026 with annual payments of $ 315,818 due on this portion of the excess usage beginning July 15, 2003 and ending June 15, 2052 at an interest rate of 3.502%. The outstanding balance of $ 6,494,629 is shown as a liability in the waterworks system fund.

7 - Long-Term Debt (Continued)

Liability for Water Storage Space (Continued)

The future annual debt service requirements for this water storage space payable as of December 31, 2015 are as follows:

	Principal	Interest	Total
2016	$ 88,376	$ 227,442	$ 315,818
2017	91,471	224,347	315,818
2018	94,674	221,144	315,818
2019	97,990	217,828	315,818
2020	101,421	214,396	315,817
2021-2025	562,935	1,016,153	1,579,088
2026-2030	668,655	910,433	1,579,088
2031-2035	794,229	784,859	1,579,088
2036-2040	943,386	635,701	1,579,087
2041-2045	1,120,555	458,533	1,579,088
2046-2050	1,330,997	248,091	1,579,088
2051-2052	599,940	31,695	631,635
	$ 6,494,629	$ 5,190,622	$ 11,685,251

TO: City Commission
FROM: Tabitha Sharp, City Clerk
SUBJ: Bad Debt Ordinance Proposal
DATE: June 9, 2017

Background:
The State of Kansas now allows cities to pass along the collection costs for utilities to the customer. Collection agencies and the State Setoff program charge anywhere from 20 – 30% of the debt for collection. Currently, the City writes off that amount as uncollectable. Staff are requesting that the Commission approve an Ordinance that allows for the collection charges to be added before the debt is turned over to the collection company.

Policy Issue:
In order to pass along the collection fee, an ordinance must be passed and provided to the collection company.

Alternatives:
The City can continue to utilize the collection company, but collection amounts will be reduced by the fees associated with those collection processes.

Fiscal Impact:
Passing along the collection cost to the customer will allow the city to fully recoup the bad debt.

Trade-offs:
Not applicable.

Staff Recommendation:
Approve the Ordinance in a regular meeting.

Commission Actions:
Provide staff with direction on how the Commission would like to proceed with debt collection charges.

TO: City Commission
FROM: Tabitha Sharp, City Clerk
SUBJ: 2018 Proposed Budget Discussion
DATE: June 9, 2017

Background:
The City Commission has met with staff at two work sessions to discuss the 2018 Proposed Budget. At the work session on May 24, 2017, City Manager David Dillner proposed three possible options to fund the deficit of $460,000. Those options were as follows: 1) Increase the mill levy by 5.75 mills (460,000) to fund the proposed budget for Police and Fire; 2) Submit a half cent sales tax for the November ballot ($1.2 million); or 3) Continue to cut services. The City Commission asked to continue the discussion at the June 14th work session.

Policy Issue:
The City's ability to increase the mill levy is limited by the tax lid passed by the State of Kansas in July of 2015. The exemptions to this law include: construction of new structures, improvements, remodeling or renovation of existing structures, or improvements on real property, exclusive of ordinary maintenance or repair; increased personal property valuation; real property located within added jurisdictional territory; real property that has changed in use; certain bond and interest payments; certain special assessments; court judgments or legal actions as well as costs related to those; expenditures mandated by federal or state law after July 1, 2015; expenses related to disasters declared by at state or federal official; expenditures used exclusively for increased law enforcement, fire protection or emergency medical services (not the construction or remodeling of buildings); principal and interest on state infrastructure loans, bonds, temporary notes; expiration of property tax abatements; expiration of tax increment financing districts, rural housing incentive districts, neighborhood revitalization areas, or other property tax rebate or redirection programs; and certain increases associated with the loss of property valuation occurring as a result of legislative action, judicial action or BOTA rulings.

The City's current debt policy requires that the general fund carry 15% of operating expenses in the fund balance, proprietary funds are required to carry 3 months of operating expenses and 1 year of debt.

Alternatives:
If the City Commission sees fit, they may request additions or subtractions to the proposed budget.

Fiscal Impact:
The proposed budget is an effort to bring the City of El Dorado to a balanced budget and begin to build fund balances to meet debt policy.

Trade-offs:
The City Commission must weigh the needs of various elements of the community to determine an appropriate use of resources to allow the community to move forward on its most pressing challenges and opportunities.

Staff Recommendation:
The City Commission should provide staff with direction on how to proceed with balancing the 2018 budget.

Commission Actions:
Review the proposed budget.