# CITY COUNCIL WORKSHOP MEETING

Monday, July 28th, 2008
7:00 pm
Andover Central Park Lodge
Minutes

Members Present:
Mayor Ben Lawrence, City Council Members Caroline Hale, Carol Roberts, Julie Reams, J.R. Jessen and Clark Nelson.

Members Present

Others in attendance:
Interim City Administrator Sasha Stiles, Administrative Services Director Donna Davis, Community Development Director/ Director of Public Works Les Mangus, Deputy Fire Chief Michael Roosevelt, Chief of Police Michael Keller, City Engineer Michael Thompson of Poe & Associates and City Financial Advisor Jeff Bridges of DeWaay Financial Network.

Guests:
Kevin Mullin, Jay Russell, Dave Neal, Hal McCoy, Chris McCoy, Brent Wooten, Tom Mack, Debie Bush, and Dennis Bush.

The meeting was called to order at 7:00 p.m. by Mayor Lawrence.

Call to Order

Mayor Lawrence opened the discussion by asking Jeff Bridges to give a brief background of the existing special assessment policy in use by the City. Mr. Bridges explained that the City had formerly used 10 year special assessment financing, but in the early 90's, due to a similar situation faced by today's developers – rising costs of material and construction costs, the City had decided to adopt a special assessment financing policy allowing for 15 year special assessments. However, the policy also states that it should be the goal of the City to move back to 10 year special assessments.

20 Year Special Assessment Financing Discussion

Mr. Bridges next explained that the decreasing affordability of specials was again due to rising prices of materials and construction. He next explained that the City of Wichita has a matrix of affordable specials that is used by a committee to make recommendations to the city council regarding projects that would be eligible for 20 year special assessment financing. Mr. Bridges stated that in other communities developers plead their cases directly to the governing body.

Council Member Nelson asked of portions of projects could be financed with 15 and 20 year specials – ie. Streets on 20 year specials and water lines on 15 year specials. Mr. Bridges explained that generally stormwater improvements such as detention/retention ponds could be financed in this manner as the Home Owners Association generally takes ownership and therefore has the maintenance responsibilities of these facilities.

Mayor Lawrence pointed out that due to temporary note financing at the beginning of projects, streets financed with 20 year specials would be 22 ½ years old before they were paid off.

Jeff Bridges responded that from an accounting viewpoint, streets are completely devalued within 20 years and with 20 year specials they would just be paid off and then the city would be forced to turn around and finance their rehabilitation. He also explained that if 20 year specials were granted across the board, what would be next? The Legislature may allow 25 or 30 year specials, but if we get to that point a mortgage is typically 30 years, so the price of the infrastructure should be rolled into the price of the lot and financed through commercial mortgage financing.

Hal McCoy stated that his project, the Farm at Cedar Park was at a competitive disadvantage with existing developments whose specials range between $150 and $180 dollar range. He was estimating that portions of his project would have specials in excess of $200 or $300 dollars.

Mr. McCoy also suggested that the 35% markup for administration and inspection be lowered to 25%. Mayor Lawrence responded that this is not necessarily a negotiable amount.

Mr. Bridges suggested that the temp note financing period could be shortened from 2 years to 6 months, with the general obligation bonds being timed correctly to give the developers a 1 ½ year time frame before the special assessment payments come due, and lowering costs by eliminating the year and a half of temp note interest.

Kevin Mullin of Ritchie Development stated that Ritchie Development has experienced the impact of 15 and 20 year specials effecting sales of homes as they have the Monarch Landing development on the west side of 159th Street with 20 year specials issued by the City of Wichita, and the Cornerstone development on the east side of 159th Street with 15 year specials issued by the City of Andover. He has noticed the difference is sales between the two developments due to lower special assessments in the Monarch Landing development. Mr. Mullin also stated that he sits on the committee that makes recommendations to the City of Wichita for 20 year special assessment financing, and he noted that in 2007 only 10 projects of approximately 150 applications submitted for approval were given 20 year special assessments by the City of Wichita. He also noted that the interest rate on 20 year specials has averaged approximately ½ percent higher rate than that of 15 year specials.
Dave Neal stated that resale homes remain highly competitive with new home sales.

Council Member Nelson stated that the 15 year special assessment financing policy was built into the City's debt management policy for a reason and that this must be addressed prior to any change being made.

Mayor Lawrence inquired of Mr. Bridges what negative consequences would result from 20 year special assessment financing. Mr. Bridges responded that he couldn't say definitively that there would be negative consequences, but that the City's debt management policy was created to manage outstanding debt overall. He also stated that future bonds could be structured to meet the objectives of the governing body.

Mayor Lawrence asked if there was any council person completely opposed to a policy being crafted to allow 20 year special assessment financing. Council Member Hale responded that she doesn't believe that the City will not be competitive without adopting a 20 year special assessment financing policy. Les Mangus stated that lower property taxes and lower specials on lots makes the City of Wichita more competitive to begin with.

Kevin Mullin stated that in the Cornerstone project the developer chose to pay a portion of the costs up-front in order to lower the specials on lots to begin with. He also stated that increasing financing from 15 to 20 years will make Andover more competitive and that possibly making temp note financing callable at six months could also lower costs as well.

Jeff Bridges stated that both options could be implemented. The City could maintain the core concepts of the debt management policy while still consciously managing projects through the use of both 15 and 20 year special assessment financing.

Mayor Lawrence stated that Financial Advisor Bridges and Mayor Lawrence would develop a 20 year financing policy and bring it back to the City Council – possibly at the August 12th meeting.

2009 Budget Discussion

Mr. Bridges led the governing body in discussion of the proposed 2009 Budget for the City of Andover. He explained that the primary change had been in adjusting cola plus raises from an across the board raise for all employees to application of the cola plus raise only to positions in which the wages needed to be raised in order to be market competitive. The governing body had no further questions regarding the proposed budget, and agreed that the public hearing should be held at the August 12th, 2008 City Council meeting.

Meeting Adjourned

Motion by Julie Reams, seconded by Clark Nelson to adjourn.

Motion carried 5/0.

The meeting adjourned at 8:55 pm.

Respectfully Submitted by
Sasha Stiles
Interim City Administrator

Approved this 12th day of August, 2008 by the City Council, City of Andover.