

THE SPECIAL MEETING OF THE LIBERAL CITY COMMISSION

August 15, 2013

The special meeting of the Liberal City Commission and Unified School District No. 480 Board of Education was held at 5:30 p.m. in the Commission Chambers located at 325 North Washington on Thursday, August 15, 2013.

Commissioners Present: Mayor Dave Harrison, Vice Mayor Janet Willimon, Dean Aragon, Joe Denoyer and Ron Warren. All members were present.

City Staff Present: City Manager Mark Hall, Public Works Director Joe Sealey, Finance Director Chris Ford, City Clerk Debbie Giskie, Human Resources Director Sheena Schmutz, Chief of Police Al Sill and City Attorney Shirla McQueen.

USD 480 Board Members present: President Delvin Kinser, Vice President Chris Jewell, Crystal Clemens, Matt Friederich, Steve Helm, Nick Hatcher and Tammy Sutherland-Abbott. All members were present.

USD 480 Staff members present: Superintendent Paul Larkin, Deputy Superintendent Renea Hickert and Director of Auxiliary Services Robert Burkey.

Mayor Harrison declared the meeting called to order.

1. Work Session – Facility Planning.

USD 480 President Kinser thanked the Commission for allowing them to make their PowerPoint presentation and they would receive a copy of the presentation to review later. He advised it is a great time to be in Liberal, Kansas. He reported we have a growing community and that growth is creating some important challenges for all of us. He noted that finding solutions to the problems we face together in a collaborative way, which he believes is the Liberal way. We've had strong individuals throughout in our history who've banded together for the common purpose, which yields the best results when we can work together. So, they wanted to explore what is possible for the City, School District and the citizens of Liberal.

- He noted the scripture says, "Where there is no vision, the people will perish." He referred to a quote from Joel Barker, who expands on that, "Vision without action is a dream; Action without vision is simply passing the time; Action with vision is making a positive difference." He advised this is what they want to do this evening - lay out a path that can make a positive difference in our community.

USD 480 President Kinser advised they have an agenda for tonight, which includes presenting an opportunity for the City and USD 480 to join together in an initiative – an initiative that will be mutually beneficial for our areas of government, as well as the city as a whole. He continued by making the following comments included in the PowerPoint presentation:

- The first issue was, why do we need the change and why do we want to make this proposal; because of the challenges they face that they believe are similar to the City's.
- The next issue, to share the information they have gleaned from the surveyed patrons.

- Another issue is the potential economics for what it means for the city to address the school district's needs with the City's help and talk about the value and benefits for both of us and for the city as a whole.
- Once the presentation is completed, they would like to have an open discussion about their initial thoughts as they realize no decisions will be made tonight, but understand we can start the discussion this evening.

Why Change? USD 480 is the second largest employer in the city and they are proud that they have great employees that do an outstanding job teaching the children under the circumstances they are in. It was noted that this year's Kindergarten class is the highest ever and the unofficial count as of August 14, was 469 kindergarten students.

- The capacity of Liberal High School is 1,100 and there are currently 1,265 students and counting with the official count in September. Statistically, it takes about four years from inception to occupancy to complete a project. Their demographers are telling them by the year 2018, they will have about 5,000 students in the Liberal school district and right now they are in the 4,600 range. It was noted that the class sizes have been growing in the last five years, if not earlier than that.
- They have contracted with the DLR Group who are school architects and also do bond work. They are in Phase 2 just about to go into Phase 3 of building a collaborative process with our community by forming a vision group. It was noted they don't have a plan just yet, but they are developing a plan right now with the help of the vision group consisting of community business leaders, educators, parents and some students who are gathering information about our schools, what our schools need and what direction our patrons would like to see our schools go in.
- The next Vision Group meeting will be held on August 27, 2013 at 12:00 noon in the basement of First National Bank. They are in the collection and analyzing data phase for the last 2 ½ months and when they move into the vision plan they will put together a plan.

Ask the Question. From a smaller group they wanted to find out what Liberal is thinking about when you think about a bond issue to expand our school buildings. They had a survey done by an independent group that used scientific sampling much like a Gallop Poll. A telephone survey was conducted of 365 registered voters in a one-week period in June 2013 and it had a margin of error of +/- 5%. Of those surveyed, 85% have lived in the community for more than ten years and were randomly selected residents using the statistical formula. We have 7,000 registered voters in the City and statistically speaking, to get an accurate sample, they needed to interview at least 364 people to know what 7,000 people are thinking, so they interviewed 365 voters.

Priorities. They asked about priorities and asked about four major things. He noted they would provide the survey questions and results to the Commission later in the meeting.

Number One Priority. 60-90% said we need storm shelters. It was noted the survey was conducted in June and remember that Moore, Oklahoma had a tornado in May and they lost two schools.

Number Two Priority. Classroom expansions. Our folks in Liberal realize we are packed and much more growth makes it more difficult to find the learning environment the students need to be successful.

Number Three Priority. Eliminate modulars/temporary classrooms. It was noted the modular's are 20 year-old trailers and the school district has done their best to keep them in tip top shape but they are not what we need for our children and we want to eliminate them.

Number Four Priority. Upgrade Security/Safety. This has been a big issue especially since the situation in Connecticut.

Number Five Priority. To improve programming – one of the questions asked was about having all day Kindergarten, which is a trend in Kansas. It was noted if we had all day Kindergarten we would have to double our classes and we are not equipped to do that now.

Structure of Financing. Next, the structure of the financing is important, if not even more so than the solution. Our folks want to know that their dollars are being spent wisely and used in a way that is not wasteful. They are concerned about the structure of the financing and that is why they have come to the City tonight. They have an initiative they believe the public will accept and one that will be beneficial for all of us.

- The respondents were asked where they learned their school news and they said they heard it from their friends and neighbors and many from reading it in the newspapers.
- Lastly, a lot of the folks would prefer that we renovate the existing building instead of building new ones, but they understand if it is not possible, they would see that new construction would have to take place and in some cases it is not possible.

Economics

USD 480 President Kinser referred to the pie chart in the PowerPoint presentation and indicated this is a general snapshot of what they are talking about. It doesn't matter the amount of the bond issue, because they don't know the dollar amount yet. So if it is a \$25 million bond issue or a \$100 million bond issue, this is generally the way the funding to pay off the bonds would be. Right now the State of Kansas will pay half the bonds and there has been talk in the legislature about taking that away and letting school districts take care of it. It would behoove us to keep that in mind that there are individuals out there that want to take the State aid away.

- He noted that it hasn't been done yet and if we can, we should take some action before that takes place. Currently the State of Kansas will pay for 49% and 36% from USD 480 property taxes and they are proposing 15% be generated come from sales tax. Overwhelmingly, 85% of the respondents felt sales tax should take care of all of it or a combination of sales tax and property taxes and most wanted to see a combination of some sort. He explained they are still planning the funding with targeted percentages of 49% State aid, 36% USD 480 property taxes and 15% sales tax.

Examples: Reference was made to the chart included in the PowerPoint presentation. For a \$75 million bond issue the mill levy impact was circled on the chart and showed differences depending on the number of years, different percentages of sales tax and also the mill levies depending on the percentages.

Rutgers University formulated a study on school bond issues and breakdown on how they are financed - statistics: If you have a \$75 million bond issue over 20 years with no sales tax, USD 480 would be looking at a 12.21 mill levy increase. If you go with a 1% sales tax over five years to go toward the bonds that would reduce the USD 480 property tax to an increase of 5.62 mills and which is a dramatic decrease in what the mill levy would have to go up to. If you go with a 20 year bond issue with a 10 year sales tax, the mill levy goes up 5.86 and the final figure was a ¼% (.25%) sales tax over a 10 year bond issue with 10 years of sales tax would require a 9.06 mill levy increase. Even with a ¼% (.25%) sales tax it makes a dramatic effect on property taxes for our patrons.

- For every dollar spent through construction all the economic development folks say seven times it will turn over in the community. On a \$75 million bond issue, the gross state product \$45,819,675 economic impact (half a billion dollars if turns over 7 times);

\$525,000,000 on jobs during the project timeline and they estimate it will be an additional 652 jobs, many of which are temporary but are an economic boost to the community.

USD Board President Kinser noted as the city is looking for new businesses and manufacturers this kind of building and construction will assist with that. When new businesses are looking at what they want, they look at the infrastructure, how educated is your work force and how modern in the school district. He noted the City has done an outstanding job with its infrastructure and in the last ten years, Liberal is a different community with the one cent sales tax making this city a better community.

- Educate work force. *SCCC President Dr. Dunn* is in the audience and he will tell you we are the thirty-third best community college in the nation.
- The mid-range age of school buildings is *McKinley* built in 1925 (50 years old or better) and they have issues with their infrastructure but have done an outstanding job taking care of it but there more to be done.

USD President Kinser noted they would desire to have a serious discussion about what the City would be willing to allot for a limited time. There would be two questions on the ballot, such as the passage of the school system bond issue and how much it will be and also would you support the ½% (.5%) sales tax for a 10-year period to help pay off the bonds. If the bond issue question fails and the sales tax question passes, the City wouldn't be obligated.

- He noted we have an outstanding track record already with the school and city working together. This month alone, we signed an agreement to assist each other with the air museum for the robotics program and last year along with the County, we came together for the truancy court which has been an overwhelming success that has changed the lives of some kids, got them graduated and got their parents involved. Obviously this is a much larger scale but the principle is the same; if we can find an agreement and the public supports it, everyone would benefit.

Board President Kinser thanked the Commission for allowing them to share this with the City.

Discussion:

Vice Mayor Willimon advised she would like a copy of the survey and also the presentation to take home tonight. The survey and sources of information with regard to the Rutgers Study was distributed.

Superintendent Larkin advised he would e-mail the PowerPoint presentation to the city manager. *Commissioner Aragon* advised they stated the school system is the second largest employer in the community and he questioned how many employees they have.

Board President Kinser noted they have 820 employees and they added 83 brand new teachers starting this school year. He noted turnover is something they have had to deal with for many years.

He noted they are willing to do whatever they can to see what the City can do to help them and they would like to continue the discussion whether it is between the city manager and superintendent, they are willing to do whatever can be done.

Board President Kinser noted he has been asked a number of times, has this been done before and he only knows of two communities – Independence and he didn't recall the other community. It was noted it was also Goodland and Salina has done so for technology issues.

Vice Mayor Willimon asked if we can find out details /specifics of the decision; how many years, and how it is working. *President Kinser* advised that could be found out very easily.

Commissioner Aragon questioned how old the high school is.

Board President Kinser advised it was built in 1983 and currently has 160 more students than it was built for. He invited the Commission to see the schools by contacting Mr. Larkin. He noted he had shadowed his son and it was an eye opening experience. They are doing a great job but it is a challenge.

Commissioner Warren questioned how much one mill is worth for USD 480.

Superintendent Larkin advised one mill is worth \$170,000 and noted it would be doubled on a bond issue for a project like this.

Board President Kinser inquired if any of the Board members had any comments to add.

Board member Hatcher noted that Mr. Larkin has made sure to represent the fact that they don't have the authority to implement sales tax and that the City Commission is responsible and they didn't want to get the cart before the horse. He noted the presentation was for illustration purposes only and they have experts (Piper Jaffrey) available to put together information that might be useful to the City, such as economic impact and sales tax and to give Mr. Larkin a call.

Mayor Harrison advised that he had been thinking about the survey and the fact that you're putting a lot of weight on the results. He questioned how they qualified those who responded to the survey.

Board President Kinser advised it was done by a phone survey. They identified voters who voted in last three (3) elections and then randomly selected their phone number and asked if they wanted to respond to the survey. They received the voter list from the county clerk's office. They respondent was asked their name to identify themselves as a registered voter and told this is a survey and would they be willing to take the survey.

Mayor Harrison questioned if whoever did the survey, did the surveyor explain to the respondent that the school system couldn't offer the sales tax.

Board President Kinser believed this was mentioned. A review of the survey questions was discussed.

Commissioner Warren noted he was called and he believed they mentioned that the school system couldn't offer the sales tax, but he could be wrong too.

Board member Hatcher understood why the validity of the survey is being questioned. It is a reputable firm and has worked with DLR and school administration and he didn't believe they tried to mislead the public.

Mayor Harrison didn't doubt that fact, but questioned if they were offered a choice, such as would you prefer broccoli or ice cream; the person is going to choose ice cream. The City is concerned about the budget and the infrastructure is very important to us and all of this will go into their discussion.

Board member Hatcher advised he is ready to move forward and noted that every time he talks to someone about this situation, he hasn't had one person say they wouldn't be in favor of sales tax.

Mayor Harrison advised no one is explaining what will happen to the City mill levy if we tap out on the sales tax and noted Independence is in bad shape right now.

City Manager Hall referred to question 6 of the survey and questioned if this was what was asked on the phone survey. It was noted this was an overview of the question. Mr. Hall referred to page 8 and noted that should be the question that was asked.

City Manager Hall noted he has received calls stating that people who were surveyed never explained that the fact that sales tax was something the school district could not offer and also received calls that they were never asked their name or if they were a registered voter, so we don't know if the 365 respondents were registered voters.

Board member Clemens advised the school district got the list of registered voters and indicated there was no way to know if they were asked their name, etc.

City Manager Hall advised the script is verbatim other than asking their name.

Board member Friederich noted it appears there is a question as to the validity of the survey and questioned if it should be thrown out and started over.

City Manager Hall advised he wasn't saying that. He noted in trying to help the Commission understand and trying to explain what they are being asked, the survey was biased, not informative; the respondent was never told that the school system couldn't implement the sales that and without that weight, how can the Commission make an informed decision.

City Manager Hall referred to the survey results and the statement that this is what the voters feel. He noted there is no way to prove that the 365 respondents can even vote as they weren't asked their name, if they can vote as it appears on the script. He noted the importance of the decision being asked and how can the Commission make an informed decision

- He noted before them is strictly a financing option and this isn't about whether the Commission is for or against schools; it is a financing option. He noted he voted yes on the bond issue, that his children went through the school system and that his father graduated from Liberal High School.
- He noted by State law, sales tax is not afforded to the school system and in fact the State Board of Education hasn't even proposed this to the State legislature to get this law changed. He explained they are asking the Commission to do something that out of 628 cities in the State only two have done this type of funding option and only two out of 293 school districts that have tried this.

Board President Kinser advised there is no way of knowing that the other school districts have tried it or denied it. They want to spread it out so the taxpayers aren't burdened. The company who did the survey have worked with DLR and is a reputable company that have done this type of surveys many times. He advised they have pretty good confidence that these numbers are close/valid within +/- 5% and they would like to at least give the people of Liberal the opportunity to decide the issue and trust them to decide if this is good for the community. He begged to disagree, as they feel it is a good survey.

Mayor Harrison noted if the City decides to do a survey they might ask a question similar to: the street in front of your house is 45 years old and is failing. There are two ways to pay for it; either 51% of the property owners in the area agree to pay via special assessment district, or your property taxes will increase. He advised the City is hoping we don't have to put people through that and have been planning ahead and at some point do something with sales tax. He explained there is a lot more that goes into making the decision to go along with the issue. Not one of us is against schools, but there may be some disagreement on how to move forward as to how to fund the school issue.

School Board President Kinser noted this is a way and if we can work together they are ready to go.

Mayor Harrison advised it appears you are asking how much money can we have and then go from there.

Board President Kinser noted they are developing a plan right now.

Mayor Harrison stated if you develop a plan and what you are identifying needs additional classrooms and personnel, he questioned where is the money coming from for the personnel?

Superintendent Larkin noted they would receive new enrollment money from the State.

Board President Kinser noted they also have the unknowns, such as State funding, mill levy and possibly that the oil and gas may come back.

Mayor Harrison advised he admired what you have come up with and indicated it is innovative. He explained the City is about three years ahead of the school system on strategic planning. He noted we are facing some of the ugliness right now and will be passing a budget that increases the mill levy and none of the commissioners like it. It is very distasteful and not something we wanted to do. He explained our plans are in place and they might or might not include increasing the sales tax to address some of the issue we are dealing with in the future. He stated he had enjoyed the discussion and looks forward to future discussions

Commissioner Denoyer questioned if they have a backup plan if they decide not to do the bond issue and noted they haven't gained the trust factor from the last time. He noted the kids are coming and if they have a backup plan.

Board member Hatcher advised they would propose two ballot questions: Do you want a bond issue (Yes or No) and the second question is Do you want to fund it with a combination of sales tax and property tax (Yes or No).

Commissioner Denoyer questioned if it fails then what?

Board member Hatcher stated that they would go back to their LOB max it out and come up with the funds.

Commissioner Denoyer stated historically you spend \$800,000 to \$900,000 each year on capital outlay and this year you have raised the mills, also that doesn't reflect the \$1.9 million carried over from previous years.

Board President Kinser noted those are emergency funds and noted Obama Care is coming and that is primarily why we have addressed it in the budget next year because we know next year, unless it is delayed, we need to add \$2 million for health care costs. He noted if the bond issue passes and the sales tax question fails, they would look at the LOB.

Board member Hatcher stated proverbially speaking the match fund issue will come up again possibly by June of next year they change the 49% percentage of the matching share and they aren't sure if we will have them after June 30 next year.

Mayor Harrison noted those are part of the tools you have in your toolbox and the City has tools in our toolbox that were given specifically for the City and if there is a sales tax earmarked for schools in the amount of 1%, that would bring our local sales tax rate at 10.44% and could have an impact on whether people make purchases here.

Commissioner Denoyer noted capital outlay can't be used for Obama Care.

Deputy Superintendent Hickert indicated that would come from contingency reserves not capital outlay.

Commissioner Denoyer noted he has three children in the school system and is supportive of the schools. He questioned how many elections it would take to pass and noted Dodge City tried twice to get the bond issue passed and Wichita had to try more than once.

Board President Kinser noted with the Vision Group process, they are bringing in people from the community and asking what they want and they hope this will make a difference this time around.

Board member Hatcher noted the bond issue was five years ago and since then he has received questions why not fund it through sales tax and it make a lot more sense. He noted this needs to be approved before it can go to the vote and they want to support something with a sales tax as – they are going through a process of doing what we have been told. A survey of registered voters with a margin of +/- 5%, it is overwhelming that 85% want sales tax or combination of that and

property tax which is enough information for why they are here tonight to discuss this. He was hopeful that we could put something together while they are working on the vision plan. He noted one of his fears is to linger and not make a decision which road we are going and advised we need to finalize how we are going to do this.

Commissioner Denoyer questioned how the Vision Group was put together as he didn't know the meetings were going on for a number of weeks already.

Board President Kinser advised they are working with the DLR group who suggested contacting a wide spectrum of the community, such as business owners, educators and parents. He noted Mr. Burkey was involved in the process of contacting people. He noted the vision group has been outstanding with some high school students involved and give insight. DLR has facilitated the meeting, not dictated the discussion but sparking it, and they have started the process of narrowing down the issues.

Board member Helm estimated the Vision Group was 60-70% school related.

Director of Auxiliary Services Burkey advised the Vision Group was comprised of 50% community/business members, 25% parents, 25% teaching staff and that principals are there as support and also includes the director of curriculum and deputy superintendent to answer any questions.

Board member Clemens noted there may be some of the priorities that could be beneficial to the community, such as storm shelters and noted even a ¼% (.25%) sales tax would make a big difference.

Mayor Harrison noted at some point something is going to have to come before the commission and ask for a decision to be made.

Board President Kinser noted before that happens we need to work together to talk about issues as long as there are questions and it is intriguing.

Mayor Harrison questioned what the vision group is discussing; financing or needs?

Board President Kinser advised there is no discussion on financing at all.

Board member Clemens understood the City is ahead of them in strategic planning and questioned what they see, will we need the sales tax, what do you see in your six years and can you open it up?

Mayor Harrison indicated none of us know what to expect. He noted they took a million dollar hit on benefits and none of us saw that coming.

Board member Hatcher noted that is the same thing with the 49% State match.

Vice Mayor Willimon questioned of the 7,000 registered voters, what percentage comes out to vote?

Board member Clemens noted less than 20% is the average which is bad when you look at the 7,000 registered voters, 365 is a high percentage number strategically. She noted if you go to a mail ballot instead of the polls you get a higher turnout which is a question to consider.

Board member Hatcher suggested if we have a poll vote we should move it back into the schools.

City Manager Hall questioned if they have talked to the County on this issue.

Board President Kinser advised they have not as they understand they need to have legislature action for a specific purpose and receive approval to do this.

City Manager Hall noted the County could be approached.

Board President Kinser noted the County could be approached, but there are more hurdles to jump through.

City Manager Hall advised we have to take ours to the State too, when we have determined a dollar amount.

Board President Kinser inquired if they couldn't approach the city for a specific percentage regardless of the amount of the bond issue and questioned if they would be willing.

City Manager Hall noted the proposition question for the ballot would have to be determined.

Board President Kinser noted he wasn't sure if the dollar amount is that important as they would just ask for a percentage and length of time.

Vice Mayor Willimon questioned if they have that in mind.

Board President Kinser advised they did not and noted it will come with the scope of the project and we need put it before the voters as a plan.

Board member Helm questioned if the City has had meetings previously with school officials on this issue?

City Manager Hall advised they have had some discussions and it has been suggested they move forward with a bond issue. He noted they have discussed the needs for the future of the sales tax to address infrastructure as the property taxpayers won't have any alternative and indicated they would support it if they go with a bond issue.

Board member Helm noted they have done a poor job. If they provide the prior information it is easier to make a decision and be involved in the process.

Mayor Harrison noted most of them will support the plan for the school system; the question is how we are going to pay for it.

Board member Sutherland-Abbott advised the City knows the budget and the challenges we are facing and inquired is there any small allocation available.

Mayor Harrison advised that is correct, but they haven't asked yet.

Board member Helm noted throughout the process they need to keep everyone informed.

Mayor Harrison advised they attended a meeting at the ESC when the bond underwriters made a presentation

Superintendent Larkin advised all the information about meetings is available on their website.

Board member Hatcher noted this is a learning process and he relies on educators who are full of facts and figures and the latest and greatest teaching processes.

Board President Kinser reported they look forward to continuing the discussions.

The meeting was adjourned by motion of Commissioner Denoyer.

Dave Harrison, Mayor

ATTEST:

Debra S. Giskie, CMC, City Clerk