

**SPECIAL ROLLA CITY COUNCIL WORKSHOP
MEETING MINUTES
MONDAY, MAY 14, 2007
ROLLA CITY HALL COUNCIL CHAMBERS
901 NORTH ELM STREET
5:55 P.M.**

Presiding: Mayor William S. Jenks, III

Council Members in Attendance: Terry Ruck, Monty Jordan, Donald Barklage, Stan Spadoni, Susan Eudaly, Gary W. Hicks, Judy Jepsen, Lou Magdits, Jim Williams, Richard Morris, Richard Sibley, and Mark Walburg

Department Directors in Attendance: Finance Director Steffanie Rogers and Police Chief Mark Kears

Other City Officials in Attendance: City Administrator John Butz, Communications Coordinator Scott Grahl, and City Clerk Carol Daniels

Rolla Municipal Utilities Representatives in Attendance: Rolla Municipal Utilities General Manager Dan Watkins, Rolla Board of Public Works President Dr. James O. Stoffer, and Dennis Roberts, RMU Office Manager

Mayor William S. Jenks, III, called the meeting to order at approximately 5:55 p.m. and explained that this special workshop was scheduled to discuss the Rolla Municipal Utilities' (RMU) payment-in-lieu-of-taxes (PILOT). He asked City Administrator John Butz to begin the meeting by providing an overview of the General Fund financial condition.

Overview of General Fund Financial Condition: City Administrator John Butz began by noting this workshop was called at the request of Councilmember Sibley who is asking the Council to consider ways to affect or at least discuss the payment-in-lieu-of-taxes (PILOT), which is the portion of the utility rate over which the Council has the most direct influence. Mr. Butz added that the Council approved the 5% PILOT by ordinance about a year and one-half ago.

Mr. Butz noted that there have been questions about what kind of authority the Council has over RMU. He said the Council has ultimate authority over RMU. It does so by the establishment of the ordinance that confers its authority to Rolla Municipal

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Overview of General Fund Financial Condition (continued): Utilities. When the Council conducted a review of Chapter 35 of the Rolla City Code, the Council affirmed that RMU would still maintain its rate setting authority and that there were reporting requirements to the City Council. Mr. Butz emphasized that the focus of this workshop is the PILOT.

Mr. Butz provided an overview of the General Fund Statement of Revenues, Expenditures and Fund Balance. He noted that in particular, during the past two years, the City has been deficit spending and spending down the reserves. Some of this spend down was planned because the City chose not to finance all costs associated with the City Hall renovation. As a result, the fund balance has been on a decline for the last few years. Mr. Butz reported that on September 30, 2006, the City had an ending fund balance of \$1,594,000 and that falls well below the Council established goal of maintaining General Fund reserve balances of 25% of the City's operations. Mr. Butz said the City continues, and has been for a few years, in a tight fiscal condition and this year will be no different. He said the City was able to head off possible General Fund layoffs last year. In some cases, this was made possible by delaying the hiring of six or seven positions.

History and Definition of PILOT (Payment in Lieu of Tax): Regarding the RMU contributions/PILOT, City Administrator John Butz pointed out that RMU has been transferring a fixed amount of \$560,000 to the City's General Fund for the past nine years. A transfer of \$610,000 was transferred to the City in 2005. In 2006 and 2007, the Council changed the way the PILOT was calculated. Rather than an amount that RMU would determine, the Council approved an ordinance stating the City would receive 5% of the gross receipts of the electric and water operations, not factoring in depreciation. While it appears there has been a dramatic increase from \$610,000 to \$1.5 million, Mr. Butz commented that RMU had not been charging the City for street lighting, water used in fire protection or for billing services. This is valued at about \$350,000 a year. Therefore, this amount should be added to previous years' payments to be equivalent to what we are now receiving as gross receipts in 2006 and 2007. Mr. Butz also indicated the 5% PILOT actually dates back to the initial acquisition of the electric utility in the 1940's and remained in affect until the 1980's when the ordinance was modified.

Mayor Jenks reported that before 1992, there was no formal PILOT per se. When the City needed some assistance, it would approach RMU and they would help support its needs such as helping purchase a fire truck, street rights-of-way, park property, and things

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History and Definition of PILOT (Payment in Lieu of Tax) (continued): that were good for the quality of the life in the community. In referring to the RMU Contributions/PILOT document, he noted that historically from 1992 to 1997 the transfers to the City calculated to about 5.8% of RMU's gross receipts. Additionally, Mayor Jenks referred the Council to Table VI.A. in the agenda materials that show Missouri communities with a population of over 10,000 and their gross receipts taxes. Based on this information, Rolla's franchise rate is consistent with other communities. Council discussion followed.

Councilmember Hicks suggested asking some of the electrical engineering students at UMR to conduct a study of RMU's *rates and operations. (amended by the City Council during its June 4, 2007, meeting)*

Rolla's Utility Assistance Programs: City Administrator John Butz noted that the agenda packets contain information on two programs that are available to assist residents with their utility bills. He explained that the information provided by GRACE (Greater Rolla Area Charitable Enterprise) indicates that they spent approximately \$13,500 a year with Rolla Municipal Utilities through the "Helping Hand Funds." GRACE has 339 clients who are over the age of 60, which is about 11% of the total population they support. This winter brought an increase across the board from those needing utility assistance and, in particular, GRACE noticed an increase in assistance to senior citizens, who, as a group, rarely will request assistance. Mr. Butz added that GRACE is limited to use the Helping Hand dollars only for utility assistance and they strongly encourage households to first pursue assistance through the Missouri Ozarks Community Action (MOCA).

Mr. Butz explained that MOCA has a couple of programs where they receive State and Federal funding for utility assistance. MOCA distributed \$52,649 to 175 RMU customers between October 2005 and September 2006. So far this fiscal year, through April 30, they have distributed \$52,746 to RMU customers. Mr. Butz added that 25% of the households they serve are over 55 years of age.

Sample Utility Assistance Program – Independence, MO: Councilmember Sibley and City Administrator John Butz commented on the program that the City of Independence has implemented to help those in need of utility assistance. Mr. Butz noted that the City of Independence (population approximately 118,000) charges a 9.08% gross receipts tax. A portion of this tax is contributed to its citizens in the form of utility assistance. A

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Sample Utility Assistance Program – Independence, MO (continued): private organization, contracted by the City of Independence, administers this program. This past year the City of Independence provided \$130,000 for this service.

City Administrator John Butz noted that the City of Independence also offers a program titled “I Share.” With this program, Independence Power and Light matches the amount the community raises.

Discuss Options for Council to Consider:

The Council discussed reviewing the 5% gross receipts tax during the FY 2008 budget process.

City Administrator John Butz noted that Briggs and Stratton is currently paying the City close to \$120,000 in PILOT. With their pending closing, the City’s budget will be impacted by that amount. In addition, the loss of their load factor will affect the entire base rate structure for RMU.

Regarding the \$775,000 that RMU contributed to the City for the Briggs and Stratton building in 1995, Councilmember Hicks asked who owns the Briggs and Stratton building.

Mr. Butz said he believes the Rolla Community Development Corporation (RCDC) owns the Briggs and Stratton building. He told the Council the City acquired the building from Schwitzer for \$2.25 million. Ameren contributed about \$700,000, RMU contributed \$775,000 and the City contributed \$786,000. Mr. Butz said the documents the City has show the lease between RCDC and Briggs and Stratton and addresses the buy-out, payment, and credit. The idea under that structure was that after 20 years the building would go to Briggs and Stratton. Mr. Butz added that there is no reversionary clause in any document he has seen that would revert the building to the City.

Based on the \$775,000 contribution from RMU to the City for the Briggs and Stratton building, Councilmember Barklage suggested that a friendly suit be pursued to determine ownership of the Briggs and Stratton building. (This paragraph of the minutes was amended during the Council’s June 4, 2007, meeting)

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Discuss Options for Council to Consider (continued):

There was some discussion about possible grants that might be available to assist homeowners in improving their home insulation. Additionally, there was some discussion on possible incentives the City could provide to landlords to encourage them to improve their rental properties.

Mayor Jenks touched on the suggestion made earlier by Councilmember Hicks about having UMR electrical engineering students provide a study of RMU rates. He said he does not have a problem asking UMR students to parallel what the City is doing, but Mayor Jenks indicated the City probably does not have the time to wait for the study to be completed. Mayor Jenks said the City might want to consider hiring a consultant who specializes in the electrical arena.

Councilmember Magdits suggested the next step to take before hiring a consultant would be having a workshop with RMU officials. The presentation by RMU should include everything that leads to the development of the utility rates.

Dr. James Stoffer, President of the Rolla Board of Public Works, stated that RMU is where we are today, because it did hire a consultant in 1998 or 1999. The rate structure RMU has in place was done by a request for proposal process. He pointed out that RMU relies on outside consultants every chance it can because RMU does not have the in-house expertise to do it.

Councilmember Magdits recommended forming a committee of City Council and RMU representatives to meet and determine what should be placed on the agenda for the workshop.

Councilmember Barklage suggested that the City Counselor be asked to determine if it is legal for the City to make a voluntary contribution to GRACE for utility expenses. If so, the Council could then decide how much to contribute.

Regardless of whether it is legal, Councilmember Magdits said he believes it is a philosophical issue. He recommended having a straw vote as to whether or not the Council is willing to use taxpayers' money for charity.

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Discuss Options for Council to Consider (continued): Councilmember Magdits asked the Council the following: “Should we provide a mechanism to utilize tax revenues via PILOT under a charity program?” The Council consensus was not to use tax revenues under a charity program.

Councilmember Sibley stressed to the Council that it closely monitor the budget, particularly the expenditures, and determine where it can be cut and ultimately make a reduction in the PILOT. The majority of the Council agreed to Councilmember Sibley’s recommendation.

City Administrator John Butz noted that the composition of the proposed committee would be placed on the next Council meeting agenda.

Comments for the Good of the Order: Ms. Donna Hawley, 2602 Brook Drive, addressed the Council and said she thought the purpose of this meeting was to work out an assistance program. She said the Council spent almost two hours and she has not heard anything constructive coming from the meeting.

Councilmember Magdits responded that he does not believe the stated purpose of this meeting was to come away with an assistance program, rather the purpose of the meeting was to first consider if such a program is justified.

Ms. Hawley said what she is seeing from the Council “is you’re passing the buck around and around and around. You know there is a problem, you know it. But you’re unwilling to step up to the plate and create a program to help the people that need it the most.”

Mr. George McPherson, 18 Green Acres, said, “It is not forced charity if we elect people to the City Council and it’s their purpose to spend our money. Since they are our representatives, they are doing it on our behalf.”

Mr. Bill Steininger, 1200 Lynwood Drive, said he has lived in Rolla for a couple of years. He said he is going to start getting involved in City government, “because it disturbs me what I hear here tonight.” Mr. Steininger noted that there have been some mayors removed from their positions over this issue. He asked the Council to think seriously about what they are doing and about what the people want, because the Council represents the people.

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Adjournment

A motion was made by Barklage and seconded by Hicks to adjourn the meeting. A voice vote on the motion showed unanimous approval. Motion carried.

Having no further business, the meeting adjourned at approximately 7:33 p.m.

Minutes respectfully submitted by City Clerk Carol Daniels.

CITY CLERK

MAYOR

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