

RECORD OF PROCEEDINGS OF THE GOVERNING BODY CITY OF GARDNER, KANSAS

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March 18, 2024

The City Council of the City of Gardner, Kansas met in regular session on March 18, 2024, at 7:00 p.m. in the Council Chambers at Gardner City Hall, 120 East Main Street, Gardner, Kansas, with Mayor Todd Winters presiding. Present were Councilmembers Mark Baldwin, Kacy Deaton, Mark Wiehn, Steve Shute and Steve McNeer. City staff present were City Administrator Jim Pruetting; Finance Director Matt Wolff; Police Chief Pam Waldeck; Utilities Director Gonz Garcia; Parks Director Jason Bruce; Community Development Director Dave Knopick; Public Works Director Kellen Headlee; City Attorney Ryan Denk; City Clerk Renee Rich. Others present included those listed on the sign-in sheet and others who did not sign in.

There being a quorum of Councilmembers present, Mayor Winters called the meeting to order at 7:00 p.m.

PLEDGE OF ALLEGIANCE

Mayor Winters led those present in the Pledge of Allegiance.

PRESENTATIONS

1. Proclaim March 29, 2024, Vietnam War Veterans Day

Mayor Winters read into record a proclamation that March 29, 2024, be known as Vietnam War Veterans Day in the City of Gardner.

2. Proclaim March 25-29, 2024, First Responder Wellness Week

Mayor Winters read into record a proclamation that March 25-29, 2024, be known as First Responder Wellness Week in the City of Gardner.

3. Presentation of the GFOA Certificate of Achievement for Excellence in Financial Reporting

Mayor Winters presented the GFOA Certificate to members of the Finance Department. This certificate of achievement for excellence in financial reporting for the annual comprehensive financial reports for the fiscal year ending December 31, 2022. This is the highest form of recognition in governmental accounting and financial reporting and its attainment represents a significant accomplishment by government and its management. This is the nineteenth consecutive year the department has received this distinguished award. The Government Finance Officers Association advances excellence in government finance by providing best practices, professional development, resources and practical research for more than 22,500 members and the communities they serve.

4. Presentation of the 2023 End of the Year Financial Report

Finance Director Matt Wolff presented the end of year report. These numbers are unaudited. Audited numbers will be ready in June.

This report compares 2023 actual performance versus the 2023 revised budget. When we refer to the 2023 estimate, it refers to the revised 2023 budget. In the General Fund, revenues were unfavorable to estimate by 2% or \$365,000. Expenditures were favorable to estimate by 3.1% or \$592,000. The ending fund balance decreased from 54% of expenditures in 2022 to 45% in 2023.

Sales tax collections did not meet expectations in 2023. Historically we've used very conservative revenue projections. For 2020 through 2022, the city sales and use tax collections greatly outperformed expectations leading to growth in General Fund balance. We slightly increased our revenue assumptions in 2023 because of a strong three-year growth trend from the preceding years. Unfortunately, that's the year the sales and use tax plateaued. The building permit revenues started very slow in 2023, but picked up in the third and fourth quarters and outperformed the budget by nearly 15%. Investment earnings outperformed the budget by 29%. Miscellaneous revenue surpassed expectation by nearly 17.5% or \$200,000, primarily from funding agreement deposits from developers. On the expenditure side, we had a favorable variance of 3.1% or \$592,000. Administration was unfavorable by \$24,000. Finance was favorable by \$68,000. Community Development was favorable by \$65,000 and Police had the largest variance which was favorable by \$492,000. Public Works had a favorable variance of \$153,000 and Parks and Recreation had an unfavorable variance of \$163,000. Across the board, most of the budget's savings were primarily due to vacancies. The unfavorable variance in parks and recreation was due to increasing wages for lifeguards and the Gardner Aquatic Center repairs to the pool and equipment. Please note, that pool revenues were favorable to budget by about \$54,000 which helped offset the increase in wages. The majority of the unfavorable variants and expenditures were due to one-time expenditures.

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In 2022 and 2023, we had included one-time large transfers to Capital Improvement Reserve for capital projects. This was an intentional plan to spend down the General Fund balance over time. The transfer in 2022 was for the 167th Street corridor preliminary and final design on parts of the corridor. We have spent about \$524,000 so far on this project and the remaining \$476,000 is still in CIP reserve. The \$925,000 transfer to the capital improvement reserve in 2023 was to help fund playground improvements. \$595,000 has been spent so far. This paid for the inclusive playground improvements at Veterans Park. The Winwood Park Playground Replacement Project is scheduled to start in 2024 and would use the remaining \$330,000 left from the original transfer. Any additional funding needed would come from park impact fees from Park Improvement Fund. The Stone Creek Project is scheduled for 2026 and would be dependent on the availability of park impact fees to help fund the project. 2023 expenditures also included about \$250,000 in additional capital spending that went to covering increased costs of police vehicles, a new server storage array, data domain equipment, and a tractor/boom mower for Public Works.

The increase in spending between 2023 and 2022 can primarily be attributed to personnel expenditures. The City's health insurance premiums went up 70% for the plan year from July 2023 to June 2024. This had a significant impact in the second half of 2023. 2023 also included several new positions and reflected the first full year of the new step system for sworn officers.

In 2023, there was planned budgeted shortfall of \$670,000. That was part of our intentional plan to spend down fund balance over time. We ended up with a budget shortfall of \$443,000. The General Fund ending balance is approximately \$225,000 higher than we originally expected.

The Electric Fund revenues are favorable by \$1.1M or 6%. The expenses were favorable by \$3.6M or about 15.7%. Ending fund balance increased from 53% in 2022 to 68% in 2023. If we break down the expenses, the variance is mostly due to insurance which was \$500,000 more expensive than expected. The electric wholesale purchases were about \$1.2M of the variance. Commodities were \$300,000 of the variance and capital expenses were \$5.6M. The commodities were unfavorable due to increasing cost of materials and components. Also, electric purchases have fluctuated over the past four years. In 2023, we had about \$9.6M budgeted for this line item and it came in at \$10.8M. The large variance in capital expenses is primarily due to construction contracts for the new Utilities building and Substation 4 shifting years. Overall, revenues and expenses have decreased dramatically over time from 2021 to 2023. In the electric utility, this is primarily due to the cost of wholesale electric power. Even though the cost exceeded expectations in 2023, the cost was markedly lower than prior years. In 2021 the cost was \$20M, 2021 was \$15.4M and then 2023 dropped to \$10.8M. 2023 had a small budget surplus of about \$500,000. This is primarily due to the planned capital projects moving years. We had planned for a budget shortfall of about \$4.2M in Electric Fund that was expected due to utilizing cash for capital projects. Utilities building and Substation 4 have gone up considerably in cost. We are now considering debt financing for these projects. This has led to the Electric Fund temporarily keeping its large fund balance. Planned capital projects and future debt services will lower this fund balance over time.

In the Water Fund, the revenue unfavorable variance is due to the new water intake structure project shifting from 2023 to 2024. The budget assumed we'd start this project in 2023 and would issue debt in the amount of \$3.5M to fund the project. Since that project shifted years, both the expenses and revenues shifted. Other Capital projects that shifted included the new Utilities Building and the design of a new water transmission line. Expenses were higher in 2021 and 2022 than 2023 due to a payment to Waterone for the extension of infrastructure to Prairie Trace. In 2022, the revenues exceeded expenses because we had the \$1.4M bond issues and those proceeds went to reimburse the cost for the prior year expenses for Prairie Trace. In 2023, revenues came in about \$7,000 below expenses, so the fund balance and the Water Fund remain strong. It basically stayed at \$3.8M. This is kind of inflated because we were planning to spend it down to \$1.3M but several capital projects shifted years. We expect this fund balance to decrease over time as we do those capital projects and pay debt service.

In the Wastewater Fund, we had some pretty larges variances. On the revenue side, it was about \$1.6M, that was an unfavorable variance. Expenses were about \$7.2M favorable. The revenue of unfavorable variance is due to

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the Winwood Park Relief Sewer Project shifting from 2023 to 2024. The budget assumed the construction contract would be executed in 2023 and we would issue debt in the amount of \$2.7M to fund the project, helping offset this delay in revenue. We had system development fee collections come in at \$1.1M, far exceeding the budget estimate of \$447,000. This was due to strong development activity in the 3rd and 4th quarters. We exclude the delay in debt proceeds from consideration, there was strong revenue performance in the wastewater utility. The favorable variance in expenses is primarily due to capital projects shifting years. This includes the Winwood Park Relief Sewer Project, Utilities Building, and we've only incurred about 1/3 of the preconstruction costs for the Kill Creek Expansion so far. We had expected more in 2023 since shifting years and we had a bunch of smaller projects that also shifted. Essentially, the capital projects made up about \$6.5M of the budget variance. We did have about \$450,000 variance in contractual services. This was primarily due to I&I maintenance projects. There was no major one occurring in 2023.

In 2021, expenses were higher than revenues primarily due to the timing issue of Prairie Trace Sewer Project. We incurred costs in 2021 but waited until 2022 to issue debt. We then reimbursed the Wastewater Fund with bond proceeds. The influx of \$3.3M in bond proceeds and the sale of our right to use assets in Edgerton's Big Bull Creek led to a large spike in revenues in 2022. In 2023, revenues exceeded expenses by \$286,000. Similar to the other two utility funds, we had a plan to spend down the Wastewater Fund. We're planning to use cash to fund some other projects outright then temporarily fund designs for large construction projects. Since these project costs shifted years, we still have a pretty large fund balance in Wastewater we expect to be spent down over time primarily due to future debt services and capital projects. We have also built up some fund balance in other capital projects funds. In the Capital Improvement Reserve, we have about \$1.2M. This is primarily related to the 167th Street project and the playground improvements. In the Park Improvement Fund we have about \$367,000. Special Parks and Recreation Fund about \$187,000 and State Improvement, we have about \$2.1M that's from our excise tax. Economic Development has about \$409,000. The General Fund balance is about our 40% target at 45%, so from a budget perspective, we are where we expected to be. We are spending down our fund balances as intended, the revenues were disappointing in 2023 as they came in lower than 2022. Sales tax, court revenues and franchise taxes all came in under expectations and those are recurring revenues. We had strong performance in development related and interest earnings but those are not very reliable. We are struggling a bit on recurring revenues and the one-time revenues are doing well. The Electric Fund balance is strong at 68%, Water is strong at 48%, Wastewater Fund balance is strong at 129%, but each of those utilities has a large fund balance mostly due to the timing of capital projects and we intentional built them up over time in order to absorb all the capital projects we know are programmed in the 5 year CIP. Overall, the fiscal condition of the city is sound. The budget calendar includes April 15th for outside Agency Requests and CIP; June 15th we'll know the calculation for the revenue neutral rate; June 17th will be the first major budget presentation; July 1st we will have another budget presentation focused on the mill rate in the RNR and from there the budget adoption process will vary based on our decision.

Councilmember Shute said he appreciates the thoroughness of the presentation with detailed numbers and the award-winning finance staff is doing their work. We are seeing a lot of deferral of projects, due to the availability of debt financing. We were going to do this in cash, but now we're going to move to debt, is this because of the market and the way the market is starting to look in terms of financing? Wolff said it is partially due to debt financing and some turnover in staffing. Some projects take longer than expected as we do the design work. Often they are budgeted with placeholders spread over a year or two. Some of the large capital projects can take three years or even longer. Shute then asked the decision to pivot from cash to debt. Wolff said some of the projects have gone up considerably in cost. We are updating the five year CIP and going to model and update forecasts to see how everything looks. A good example is we had a very preliminary estimate on substation 4 about \$5M or \$6M, but now it will be closer to \$15M so we won't have the cash to do that. Wolff said they are looking at what makes more sense and more importantly making sure that useful life of the asset is matched up with the debt term. We also look at it from a fairness perspective, if the useful life of the asset is 20 or 30 years, it doesn't make sense for all current tax payers to pay it.

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Councilmember Shute asked about future pressures on the budget moving forward primarily with health insurance. Administrator Pruetting said he will discuss during council updates. We will discuss in a work session on April 1.

Councilmember McNeer thanked Finance for the complete report. Councilmember Deaton asked about the sales tax revenue going down and wanted to know if it is related to food tax going away? Wolff said it is a combination of a lot of factors. We had incredible sales tax collections in prior years. We got a boom from the pandemic due to more people shopping locally. After everything opened back up, people started shopping in the neighboring cities again. There might be some uncertainty in the economy. The sales tax in general has been going down in multiple jurisdictions, it just happened a little quicker than we expected.

PUBLIC HEARINGS

PUBLIC COMMENTS

CONSENT AGENDA

1. **Standing approval of the minutes as written for the regular meeting on March 4, 2024.**
2. **Standing approval of City expenditures prepared February 29, 2024 in the amount of \$1,754,357.84; and March 7, 2024 in the amount of \$529,068.60.**
3. **Consider authorizing the execution of a contract with INCO USA, LLC to construct the Santa Fe Sidewalk Project.**
4. **Consider authorizing the purchase of a vehicle through the Mid-America Council of Public Purchasing (MACPP) fleet program and associated additional equipment under the City's Vehicle and Equipment Replacement Policy.**
5. **Consider the removal of Mark Grant from the Utility Advisory Commission.**
6. **Consider authorizing the purchase of labor, materials and equipment for outfitting of 2 Ford F-150 Police Responders and 3 Ford Utility Police Interceptors from Ka-Comm, Stalker, Sign Here, Turn Key Mobile, County Toppers, and GT Distributors.**
7. **Consider authorizing the execution of an agreement with the Board of County Commissioners of Johnson County, Kansas to administer the Stormwater Best Management Practice (BMP) Cost-Share Program in the City of Gardner.**

Councilmember McNeer made a motion to approve the Consent Agenda.

Councilmember Deaton Seconded.

With all of the Councilmembers voting in favor of the motion, the motion carried.

PLANNING & ZONING CONSENT AGENDA

None

COMMITTEE RECOMMENDATIONS

None

NEW BUSINESS

1. **Consider a recommendation to move forward with Phase II of the Progressive Design-Build Services for the City of Gardner Utilities Line Maintenance Building project WW8002.**

Jeff LeMire discussed the Utilities Maintenance Building project. The Line Maintenance department really needs a new facility. Originally, they were located in the Public Works department and when the Utilities department was created, they moved under the new department. Since then, the line maintenance department has doubled in

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size, equipment and tools they use on a daily basis. In 2018, a construction trailer was purchased for them to move into and out of the shared garage with Streets. In 2020, the city entered a conceptual planning process with GBA which led to a 2023 design build contract with Loyd Builders. The Utilities Department and design team's goal is to create a site in which all these maintenance staff can be located with goals of improving safety and flexibility of the building and site. Also allowing different phasing options to occur with expandability.

The rendering shown by the design team includes garages for line maintenance storage and offices for staff. It also shows garage space to house large vehicles and equipment as well as parts storage. There is a show-up room which will also act as the lunchroom. There are locker rooms, showers, bathrooms, office space, conference rooms and space for future growth. Option 1 is approximately \$3.6M.

Option 2 is for Line Maintenance, Administration and Electric distribution to all move to one site. There are four garages for line maintenance and an administration office portion. There is also a section for electric facilities. There is an additional space for storage for vehicles, equipment and parts. This also includes the show-up room, electric utilities manager office and an electric meeting room. This would be an additional steel building added on to the other two. There is a dry detention basin and the long driveway which is the current driveway access to the electric facility. Currently, any public person, anyone coming for a meeting and all staff enters there to go into the existing building. The idea is the new plan creates a look for driving all of the trucks in and out. Currently, they have to back in and out of the garage every day which is dangerous. This plan creates a loop and the garages allow for pull through. The parking lot is then broken up into two sections allowing staff to go into doors closest to their section of the facility. The only common room would be the locker area.

Option 2 is \$4.6M. Option 2 just basically adds a steel building and concrete slab as well as making a connection to the proposed driveway. Option 1 could be reduced by cutting out the electric side of the parking lot, but only cuts off about \$65,000. All utilities are being designed for the whole future site. The existing facility could be used as an alternative facility or the city could entertain selling the property. Future possible use could be taken over by Parks and Recreation.

Shute likes the idea of Parks and Recreation taking over the building and opening up the current building downtown, as that would be huge for downtown development. Option 2 makes more sense. Present value of construction makes sense now instead of having higher costs down the road to add on. It would be cheaper to finance it all together rather than waiting to get the work done. Administrator Pruetting said we did have an inquiry in the last few days about that property and its potential availability for retail development to combine with the neighboring property which is 5 acres. Mayor Winters said there would be a use for the current property.

Councilmember McNeer asked if there is a need to build larger than what we currently need? LeMire says they have projected for adding another team within the next 15-20 years. McNeer asks which of the options serves the departments best? LeMire says option 2. Currently the departments are split and housing equipment in different locations causing more driving to get to equipment. McNeer agrees with Shute, if we do option 1, then in 10 years, we have to add on because we have grown, they would rather spend the money now to be prepared for the future.

The Design Engineer and Architect estimate a 7-8% increase each year in construction costs, which does not include another mobilization fee. McNeer said costs for substation 4 tripled in a year, so that is something to take into consideration.

Councilmember Baldwin doesn't think the drawings take enough growth into consideration. LeMire said option 2 still allows room for 2 additional bays to the west side of the building and a drive lane around the side of the building. Baldwin says the staff area may need to be added onto to allow for staff growth.

Councilmember Deaton asked how full the building would be today with staff. LeMire said there are 15 additional cubicles included in this facility. Baldwin asks if we would need additional space for staff in 15 years. Gonz says a 4th substation would add one more person. Distribution would be the area that may need more people. LeMire said the additional three-man crew were already accounted for.

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Councilmember Shute made a motion to Authorize the City to move forward with negotiating the Progressive Design-Build Phase II Contract with Loyd Builders, Inc. for the City of Gardner Utilities Line Maintenance Building project WW8002 with Option 2.

Councilmember Deaton Seconded.

With all of the Councilmembers voting in favor of the motion, the motion carried.

2. Authorize the city administrator to execute a contract to purchase the property at 104 E. Main St. (Security 1st Title building) and close on the property in accordance with the terms of the contract.

City Administrator Jim Pruetting said this is for purchase of the Security 1st Title Building, west of City Hall, which is right next door to the property that was authorized at the last meeting. Acquisition of these properties is consistent with the Gardner Destination Downtown Plan and the vision for new development in public open space in the downtown area. The contract provides the current owner up to two years to vacate and close on the property. He has indicated a desire to build a new facility in Gardner.

Councilmember Deaton made a motion to Authorize the city administrator to execute the contract to purchase the property at 104 E. Main St. and close on the property in accordance with the terms of the contract.

Councilmember McNeer Seconded.

With all of the Councilmembers voting in favor of the motion, the motion carried.

COUNCIL UPDATES

Director Headlee has had several inquiries for city wide clean up. The response has been that program costs have escalated over the last few years and it is non-budgeted. Council is good with this response.

Councilmember Shute suggests the idea of providing a list to residents of places that pick up bulk. Wiehn said there had been discussion of doing a central recycling or dumpster. Shute says the problem could be those that put trash in. Kellen said there is one other Johnson County city that does a dumpster weekend that residents pay per carload and we could look into those details. Mayor Winters said a small cost involved may be ok. Shute said taking an item to Ottawa costs gas, time and a dump fee. Mayor asks about looking into the feasibility of providing a dumpster. McNeer said that it may be something worth looking into. Deaton wants to be sure that no one thinks that we will do this, we just want to look into what the costs would be.

Community Development Knopick said Planning Commission meeting is scheduled next Monday. Today we swore in our newest member.

Parks and Recreation Director Bruce said the headliner video was released for Independence Day. We are excited to have Morgan Evans as our headliner. He guarantees this will be the best firework show in Johnson County.

Finance Director Wolff wants to thank Fiscal Services Manager Nancy Torneden as she led the process on the audit and was not able to be here tonight.

Chief Waldeck advised we had a new officer start today and started a new hiring campaign on social media last week. Mayor Winters asked how we are doing with staffing. Waldeck said with the two new positions from last year, we are still down six positions.

Administrator Pruetting advised we got an \$850,000 appropriation from Congress this year. The president signed the Transportation Housing and Urban Development Bill so we're up over \$4M in appropriations over the last two years. Thank you to our lobbyists and Sharice David's office. This will go a long way on the east side of the highway getting our wastewater infrastructure done. We did get on KDOT's pipeline for the 175th bridge which is a critical need for us to advance access to the property east of McDonald's. We need to set up a work session on

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April 1st. Our consultant is ready to do the presentation. We will have this meeting at 6 pm on April 1st before the Council Meeting.

Councilmember McNeer thanks Jeff LeMire for a thorough presentation.

Councilmember Deaton asks how we are coming along with lifeguards? When are we going to be filling the pool? Parks and Recreation Director Bruce said lifeguard applications came in higher than we've seen since covid, so now it's just keeping them through the season. We did fill the new side and so far, so good. We are very pleased with the number of applications.

EXECUTIVE SESSION

ADJOURNMENT

There being no further business to come before the Council, on a motion duly made by Councilmember Deaton and seconded by Councilmember McNeer the meeting adjourned at 8:03 pm.

City Clerk