STATE OF KANSAS)
WYANDOTTE COUNTY)) SS **SPECIAL SESSION, THURSDAY, OCTOBER 29, 2015**
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in special session, Thursday, October 29, 2015, with nine members present for the Executive Session: Bynum, Commissioner At-Large First District; Walker, Commissioner At-Large Second District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District; Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District; and Holland, Mayor/CEO; presiding. Townsend, Commissioner First District; and Markley, Commissioner Sixth District; were absent. The following officials were also in attendance: Doug Bach, County Administrator; Bridgette Cobbins, Unified Government Clerk; and Ken Moore, Interim Chief Counsel. Ten members were present for the Special Session as show above with Commissioner Markley present for the Special Session. The following officials were also in attendance for the Special Session: Doug Bach, County Administrator; Bridgette Cobbins, Unified Government Clerk; Gordon Criswell, Asst. County Administrator; Joe Connor, Asst. County Administrator; Ken Moore, Interim Chief Legal Counsel; Renee Ramirez, Director of Human Resources; Shakeva Christian, Human Resources; Emerick Cross, Commissioner Liaison; Lew Levin, Chief Financial Officer; Jason Banks, Asst. to the Mayor/Manager; Reginald Lindsey, Budget Manager; and John Turner, Sergeant-at-Arms.

MAYOR HOLLAND called the meeting to order.

ROLL CALL: McKiernan, Murguia, Johnson, Kane, Walters, Philbrook, Bynum, Walker, Holland.

NOTICE OF SPECIAL MEETING of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, October 29, 2015, at 5:00 p.m. in the 9th floor conference room of the Municipal Office Building for an executive session regarding personnel and labor. Immediately following a special session will be held in the 5th floor conference room regarding a Compensation Study and Backfire BBQ.

CONSENT TO MEETING of the governing body of Wyandotte County/Kansas City, Kansas, accepting service of the foregoing notice, waiving all and any irregularities in such service and in such notice, and consent and agree that we, the governing body, shall meet at the time and place therein specified and for the purpose therein stated.

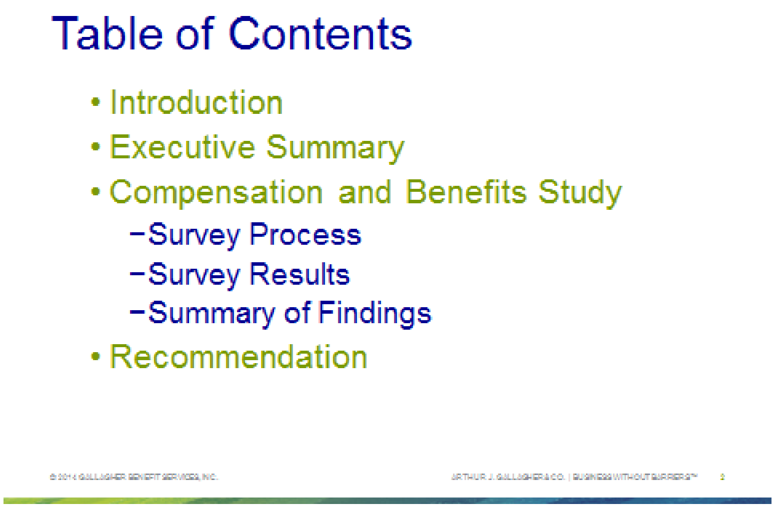
Commissioner McKiernan made a motion, seconded by Commissioner Philbrook, to go into executive session for 20 minutes regarding personnel and labor. Motion carried unanimously.

Mayor Holland reconvened into Special Session at 5:24 p.m.

MAYOR HOLLAND called the Special Session to order at 5:32 p.m.

ROLL CALL: McKiernan, Murguia, Johnson, Kane, Markley, Walters, Philbrook, Bynum, Walker, Holland.

Doug Bach, County Administrator, said this really stems from a Commission directive where we put on place and funded this during the 2015 planning process so in 2014 and during this calendar year 15' we would do a Compensation Study for employees. Joe Connor, Assistant in my office, has been on point in this project so I will turn it over to Joe and let him introduce our guest and walk through the study.



Joe Connor, Asst. County Administrator, said with me today is Dr. Jim Fox with Gallagher Benefit Services formerly known as Fox Lawson. Jim helped us back when we did the original Compensation Study after unification so he is very familiar with Wyandotte County and our organization.

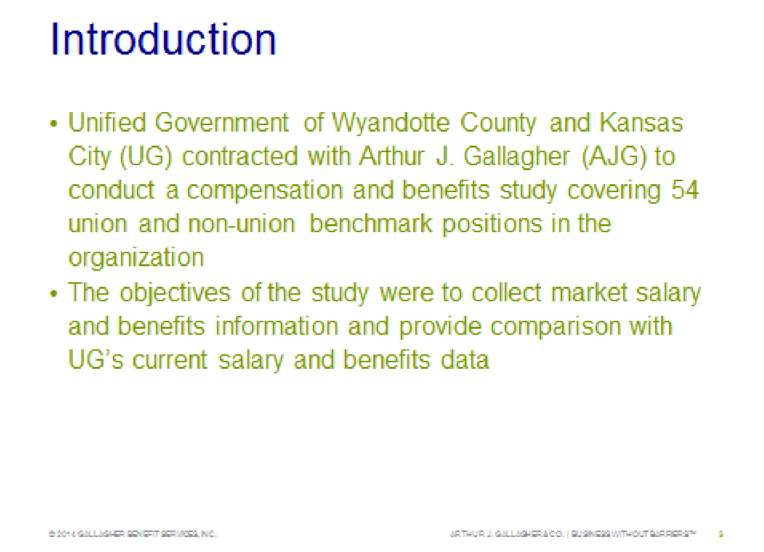
I just want to talk briefly from a staff perspective where we can go from here. There are some next steps in Jim's presentation, but from a staff perspective we will be digesting a lot of this information and you're getting a very high level overview. There is a much more detailed report that we made available and we're still digesting it ourselves for next steps from a staff perspective. We certainly want to keep the Commission engaged in this process. Ultimately I believe we will be coming back during the 2016 Budget process with some recommendations for budget on this particular topic. In the interim we will provide you with additional information as well as you start to go through it. Probably through the standing committee process would be the best, but we will do whatever you would like us to do on the compensation side.

Again, we feel like it's a real important step for our employees. We feel like there is good information here that we can move forward with.

I did want to make one more introduction. Behind me is Gail Meriweather. Gail is with Gallagher Benefits as well and Gail is a Vice President for the company. She is here in Kansas City.

One of the things we structured into this agreement was if we wanted to use Gallagher Benefits for any additional services, we had the opportunity to do that and that was part of the bid process. As we start to identify projects we will probably be working through Gail since she is here local and continue to work through the particular issues we may have, details into the report or other projects you may identify that you would want us to work on. We have that kind of in place to move this project forward.

Jim Gallagher, Gallagher Benefit Services, said I just want to go over some highlights of this study so that we can kind just paint a picture for you so that when further analysis is done for the recommendations that come before you will have a framework under which to look at this.



We were hired to do a Compensation Survey and Benefit Survey. There were a lot of benefit questions as well in the study and we studied 54 union and non-union what we call benchmark positions. These are jobs that we think do a good job of representing the different levels and types of jobs within the organization and so we wanted to get a snapshot of what the market was doing since most organizations haven't had many pay increases or pay adjustments over the last several years and so are we still on track, are we behind, are we ahead, what's happened?

Custom Survey Process

- Unified Government selected 54 positions as benchmarks in the salary study
- We developed a customized data collection instrument covering organizational, pay practice, and benefit questions for civilian, police, fire, and sheriff positions
- The Data Collection Form (DCF) was distributed to comparable city and county organizations throughout the country
- Follow-up calls and emails were made to encourage survey participation

We looked at those 54; and we developed a customized salary survey that we sent out to organizations. I will show you those organizations and then we did follow-up emails and phone calls. The HR Department, Renee and Shakeva, helped make those calls as well to ask because they have those connections usually and so that helped in getting some of those participants back.

Custom Survey Process

- We asked the participants to make a match for only those jobs that reflected at least 70% of the duties as outlined in the benchmark summaries
- We compiled, reviewed and entered the data collected from the participants
- We followed-up directly with the participants to clarify and validate missing or questionable information reported
- Data were adjusted for the Kansas City, KS labor market using data from the Economic Research Institute Geographic Assessor

When we send a questionnaire out we have a summary of the job so if it's a Public Health Nurse, for example, we will have a brief description of what that job is, what the minimum qualifications are, duties and responsibilities, so on and so forth, things that will identify that job.

We will ask those participant organizations to match 70% of that to their jobs so that we have a good solid match and that's a professional standard that our profession has established. It's usually a pretty good indicator that we have a good match so we're not matching on job titles, we're not matching on anything else, and we're looking at duties and responsibilities.

When we got the data back, occasionally we'll find some outliers, so one organization will say well we paid $40K and everybody else is paying $30K so we will call them back and say what's up with this? Do we have a good match? Is there something unusual about your job that we need to know about so that we can at least when we summarize that data we're confident that it's good information.

We collect a lot of information around this area, this geographic area, but there are some organizations that we got data from Minneapolis, Indianapolis, and so on and so forth that have a different labor market than you do. So what we did is we took their data and we adjusted their data to the Kansas City, Kansas labor market. This is done by an index. We get this index from a third party. They are located in Seattle, Washington and it's a combination of a cost-of-living and the cost-of-labor so there is kind of a mixture there. It's not perfect to be honest with you, but it's the best there is in the industry but it does allow you to take those different swings that, for example, if we surveyed New York City, we all know that's going to be a little higher than here so we would adjust that data down. We think this is a pretty good representation of what the market is.

Custom Survey Process

- The survey was distributed to the following 30 organizations:

No.	Organization Name	No.	Organization Name
1	City of Independence, MO	16	City of Little Rock, AR
2	City of Kansas City, MO	17	City of Omaha, NE
3	City of Kansas City, MO – Police Department	18	City of Des Moines, IA
4	City of Lawrence, KS	19	City of Oklahoma City, OK
5	City of Lenexa, KS	20	City of Tulsa, OK
6	City of Olathe, KS	21	City of Topeka, KS
7	City of Overland Park, KS	22	Sedgwick County, KS
8	City of Shawnee, KS	23	City of Wichita, KS
9	Douglas County, KS	24	City of Denver, CO
10	Jackson County, MO	25	City of Milwaukee, WI
11	Johnson County, KS	26	City of Minneapolis, MN
12	Leavenworth County, KS	27	City of Toledo, OH
13	City of Davenport, IA	28	City of St. Louis, MO
14	Unified School District 500, KS	29	City of Cleveland, OH
15	City of Springfield, MO	30	City of Indianapolis, IN

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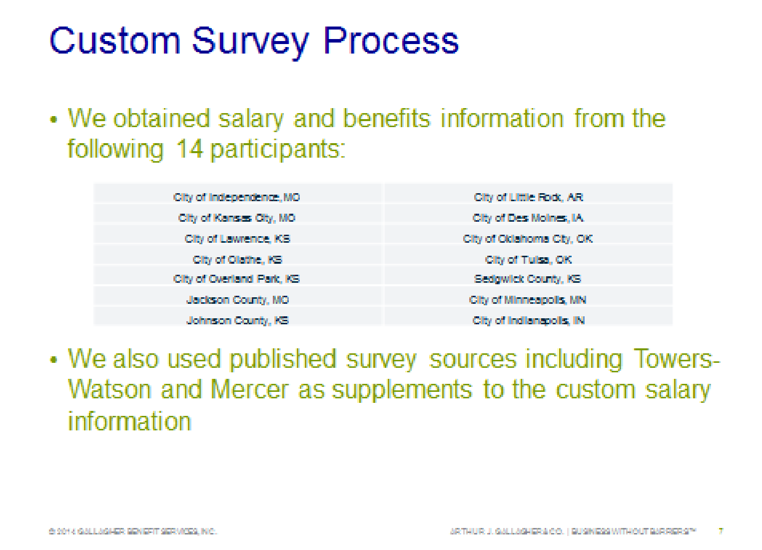
We identified 30 other organizations that we thought were similar in complexity, size, nature, and we sent those surveys out to these organizations so I will give you a moment to read through those. Obviously, you will see a lot of them that are around this area. There are some of them outside the state and outside the region, but we tried to make sure that we got ones that we might lose employees to or gain employees from as well as those other organizations that are organized in a similar size, similar organization structure and that sort of thing. We do have some cities and counties and some other organizations.



As it has occurred in the last couple of year’s people don’t really like to fill these things out because it’s an imposition on their time, but we got 14. So out of the 30 we got a little bit less than half and these are the organizations that sent the survey information back to us. I think this is good representation. There are some jobs, there are about nine or ten jobs in those 54 where they’re jobs in the private sector so we look to the private sector. Administrative Assistant, for example, is one of those jobs; Engineer is another job.

So we looked to organizations that survey private organizations to collect market data on those jobs as well. The organization Towers, Watson and Mercer are competitors to ours. They do surveys and they have been doing these surveys for 30 or 40 years, probably more actually and they are a good representation of the private sector so we added that data in as well where there were good job matches to the private sector.

Custom Survey Results – Organization

Organizational Information	2016 Budget	Population	Full-time Employee	Job Classification
25th Percentile	$248,768,085	187,869	1,070	339
50th Percentile	$308,865,615	399,061	2,294	490
Average	$446,744,217	389,470	2,703	469
75th Percentile	$638,000,000	546,354	3,778	603
Unified Government	$297,000,000	161,636	2,318	338

- Compared to the participating organizations, UG is smaller in budget size and population served
- UG's full-time employee number is aligned with the market, but has less job classifications

This chart, there are a lot of numbers here, but I would like you to do is focus on the left-hand column. It says Organizational Information and I would like for you to go down to the thing that says Average, that row and then the bottom row which is the Unified Government. This is a representation of what those kind of broad characteristics are of those survey organizations. The average budget for the survey respondents was $446M. Yours is less, $297M, the last number we had. Your population is 161K; the population of the respondents is 389K. Full-time employees, you are pretty close on the average number of employees, a little bit less; and then the number of job titles 338 and the average 469. What I'm showing this for is when you see the data later on you are a little smaller than the other participants. Now there is a general trend in the marketplace that normally larger organizations pay a little bit more so you need to keep that in mind when you look at the comparison numbers or when those numbers become available at a later point and time.

Custom Survey Process

- Market data from the comparable organizations were collected for the following 54 positions:

BM No.	Position Title	BM No.	Position Title	BM No.	Position Title
1	Admin Support Assistant **	19	Equipment Operator I	37	Police Captain
2	Admin Support Specialist **	20	Fire Captain 40	38	Police Chief
3	Appraiser	21	Fire Chief	39	Police Major
4	Appraiser Manager	22	Fire Driver	40	Police Sergeant
5	Asst. District Attorney I	23	Firefighter-EMT	41	Professional Assistant
6	Attorney **	24	Firefighter-MICT	42	Program Coordinator
7	Battalion Chief (Fire)	25	Fiscal Support Assistant **	43	Project Engineer**
8	Building Inspector I	26	Fiscal Support Specialist **	44	Public Health Nurse**
9	Classification Technician	27	General Maintenance Worker	45	Real Estate Abstractor
10	Clerk - Sheriff	28	Human Resources Analyst **	46	Real Estate Appraiser
11	Codes Enforcement Specialist	29	Information Systems Coordinator **	47	Recreation Specialist
12	Construction Worker I	30	Intensive Supervision Officer	48	Security Officer
13	Court Clerk I	31	Juvenile Detention Officer	49	Sewer Maintenance Worker I
14	Deputy-Detention	32	License Inspector	50	Sheriff Warden
15	Director	33	Manager	51	Staff Engineer**
16	Dispatcher - Police	34	Nurse Practitioner**	52	Transit Operator **
17	Dispatcher Fire Communications	35	Patrol Officer	53	Utility Electrical Tech
18	Engineering Specialist**	36	Planner	54	Utility Maintenance Mechanic

** Private sector salary data were collected from publish survey sources including Towers Watson and Mercer.

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These are the 54 jobs that we surveyed. I will give you a couple minutes to look at those as well. You can see there are a variety of different job types from different departments, different offices, different functions, and different levels so we have Public Safety, we have normal government jobs, and we have some jobs that are similar in the private sector as well.

Custom Survey Results – Salary

- We still use the following guidelines to determine the competitive nature of current actual/average salary:
  - +/- 5% (Highly Competitive)
  - +/- 10% (Competitive)
  - +/- 11-15% (Possible misalignment with the market)
  - > 15% (Significant misalignment with the market)

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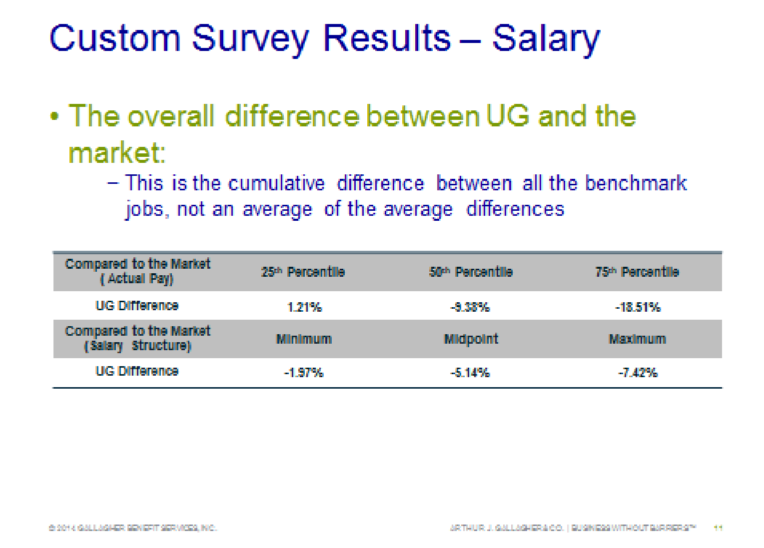
This was our representation of the marketplace. I'm about to give you a couple of numbers to demonstrate where you are in the marketplace, but before I do that in our profession we like to say you need to look at this data in a certain way. We're going to compare your salaries to the market and if that difference is within +/- 5% you are highly competitive with the market. If you're +/- 10% and while that's a pretty wide difference and if I were going to get a 10% decrease or a 10% increase, I would feel that; but within +/- 10% you're still competitive. Once you get beyond 10% you become a little bit misaligned with the market and perhaps you need to take some action. I'm going to give you aggregate numbers so of all of those 54 jobs we averaged the difference and some are a little higher than the market. Some are paid a little bit lower than the market but on aggregate this is where you fall.



Compared to the Market (Actual Pay)	25th Percentile	50th Percentile	75th Percentile
UG Difference	1.21%	-9.38%	-18.51%
Compared to the Market (Salary Structure)	Minimum	Midpoint	Maximum
UG Difference	-1.97%	-5.14%	-7.42%

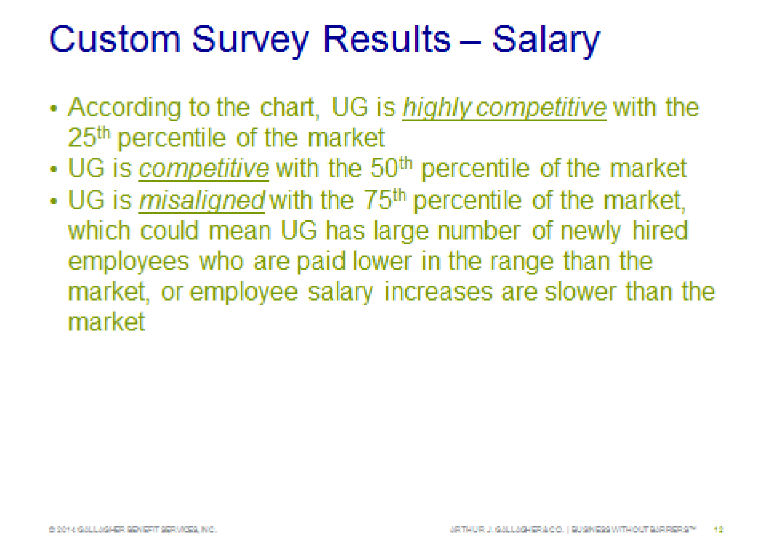
We looked at actual pay. That's the first set of rows and if you look at 50th Percentile, that's the number I would like for you to focus on right now. You're 9.38% below the market. That's on actual salaries, so what you're paying on average to your employees. Now recognize that 9.38% is within that 10% boarder so you are competitive.

Now, your salary structure that's which governs how you pay and how you hire and where you top people out, your midpoint, in other words kind of the benchmark of where you ought to be paying for seasoned employees your midpoint of your salary structure on average across all of those 54 jobs is below the market by 5.14% so now you're getting very competitive.

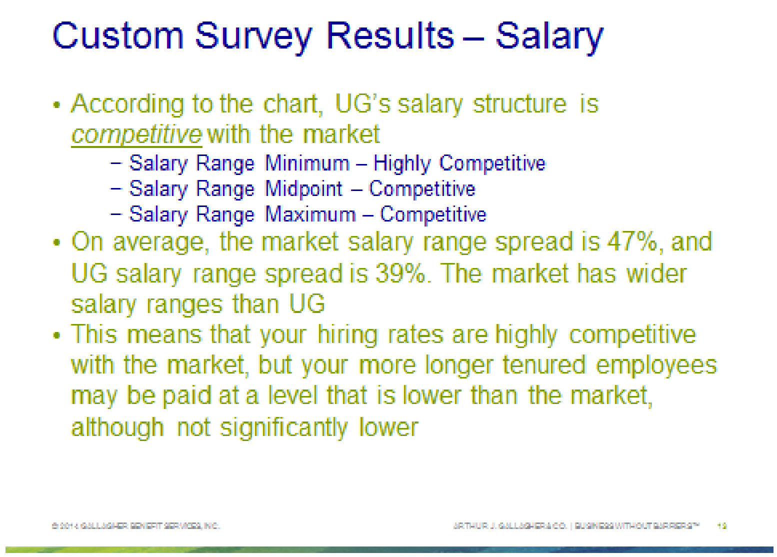
When we go back to that +/- 5%, +/- 10%; the reason we say that is if we do this survey in another six months, you're going to have some people with turnover, you're going to hire some new people; those organizations that we got the data from the same thing is going to happen and so that data is going to fluxuate. If you have this little cushion and say okay we need to do something because we're over that 10% or we're in pretty good shape.

A couple more details about this chart that I want to show, if you go to the top two rows again, the 25^{th} Percentile, what this says is that you are ahead of the 25^{th} Percentile, the market; now what does that mean, 75% of the people pay more, 25% pay less so you're a little bit ahead there, just a hair. When you get to the 75^{th} Percentile, in other words 25% of the organizations pay more than that and 75% pay less, you are much lower. You are in the, I will call it, the danger zone. Now, what does that mean to me? What that means to me is that you are not moving your people through the ranges at the same rate that the market is moving those people through ranges. In other words longer tenured, longer seasoned employees in other organizations are moving through the range are getting paid more than your comparable employees.

With regard to the salary structure, the salary ranges themselves; you're a little bit below the market on the minimum. What does that mean? That means that you can probably hire people at a competitive rate so you're not at a disadvantage generally in hiring people, but your maximums, in other words where people top out, you're a little bit lower than the market and that's because your range spreads are a little narrower than what the market is on average so just a couple things from those charts.

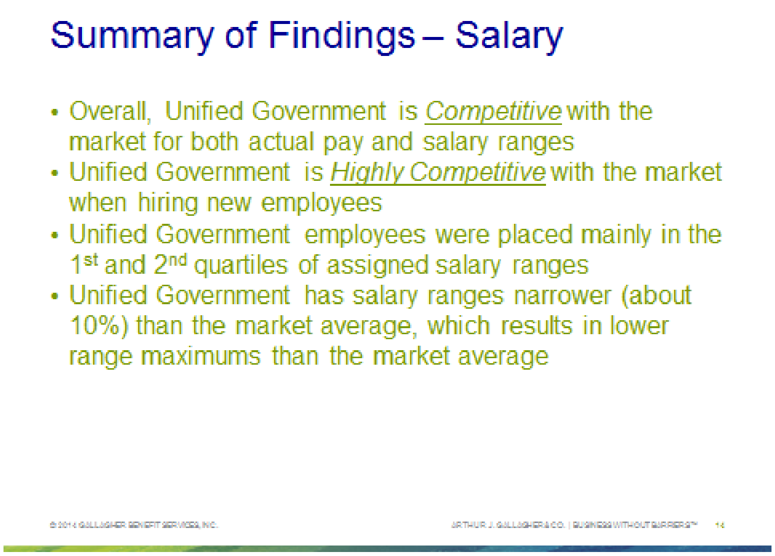


This kind of repeats that, that the 25^{th} percentile, you're highly competitive; 50^{th} percentile you're competitive, but you're misaligned at the 75^{th}. Again, people aren't moving through that range in the same fashion that the market is doing.



Your salary structure, you are highly competitive at the minimum, competitive at the midpoint which is kind of where you want people to be after they've been here like five to seven years on the job. You are still competitive at the maximum, but you're a little bit lower than others are at the maximum. Again, the market range spread is about 40% and that means from the minimum to the maximum. Your range spreads are 39% on average so your ranges are a little bit narrower than the market so there could be an opportunity to expand those ranges probably at the top end in order to become more competitive at the market. It's not something that is so dire at this point and time that you need to take immediate action with regard to that.

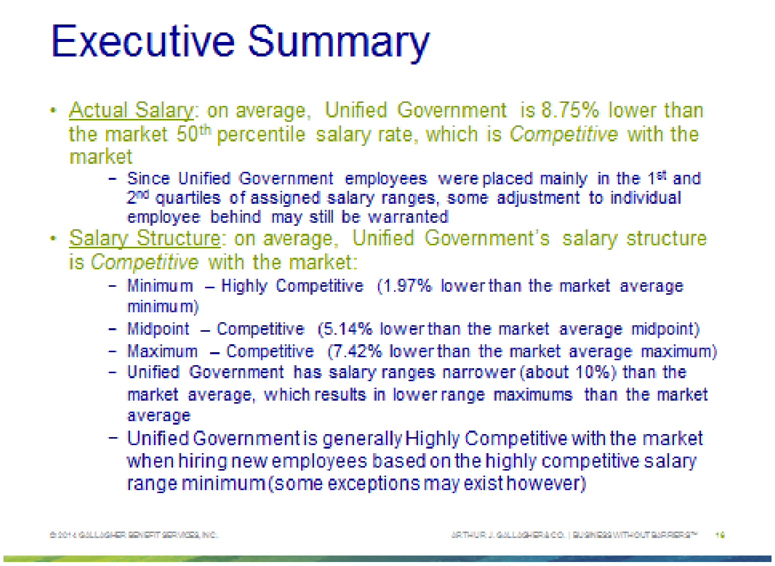
Hiring rates are reasonably competitive. That's not the case for all of the jobs. I mean there is a good deal of fluxuations in those jobs, in those 54, so it isn't across the board but there are some jobs that you are paying more competitively than the market, but on average you're pretty competitive.



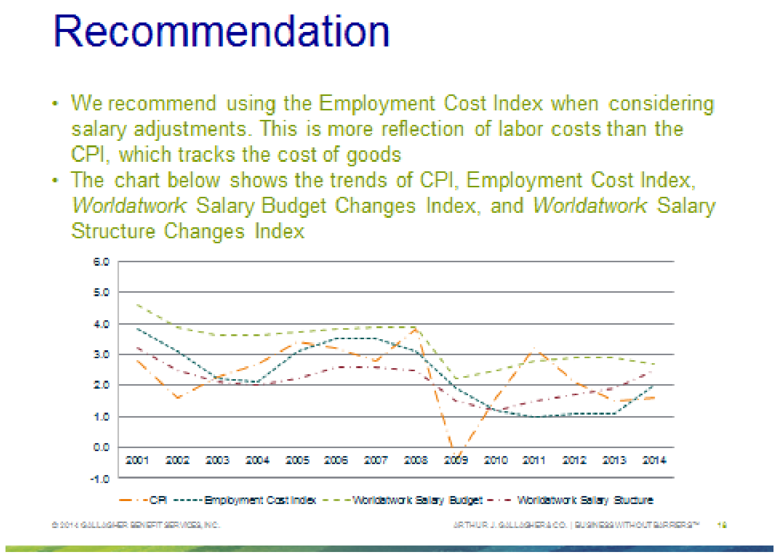
Kind of the summary just on salaries; you're competitive for both actual pay and salary ranges. Highly competitive with hiring in most cases and most of the employees are in the first and second quartiles of the salary range. Now, what does that mean? First quartile is the lower part of the range and the second quartile is the next one up and then the third and fourth quartiles go all the way to the maximum and your salary ranges are a little bit narrower than the marketplace, so kind of a repeat of all that.

We also looked at benefits and we could talk about all of the benefits that we surveyed, but I think the sum total of it is where are you on all of these benefits? I'm just going to try to summarize this as clearly and as simply as possible. We did a lot of special pay surveys for the Fire, Police and Sheriff employees and you're pretty competitive. Maybe you're a little bit lower on one, a little bit higher on another. For example, you might pay $50 where the market pays $75, that sort of thing, so that's reasonably good. With regard to paid leave which includes Personal Days, Vacation, Sick Leave and paid out on leaving, you are ahead of the market. I think you probably knew that so good we confirmed that, wonderful. The Unified Government leads on Health Care spend what you pay for the employee for Health Care. However, now taking this all into account you say okay we've got a bucket of salary money over here and a bucket of benefit money over here and you're a little bit lower on the salary, but you're a little bit higher on the benefits. You're reasonably competitive on salary, but a little bit lower but you're a little bit higher on benefits so if you take all of that and throw it into one pot together where are you? You're in pretty good shape. In other words, if we looked at total employees spend, you would probably be right in line with the marketplace because you're paying a little bit more on the benefits, a little bit less on salary.

This is the balancing act that most organizations have to face. Where do we balance? Do we balance it on the hiring range and the salary or do we balance it on the benefits? For most part governments have provided a lot of benefits so you are not inconsistent with everybody else, but now it comes to the point now that you have the data. What do we did to do or what should we do and how should we go about that?



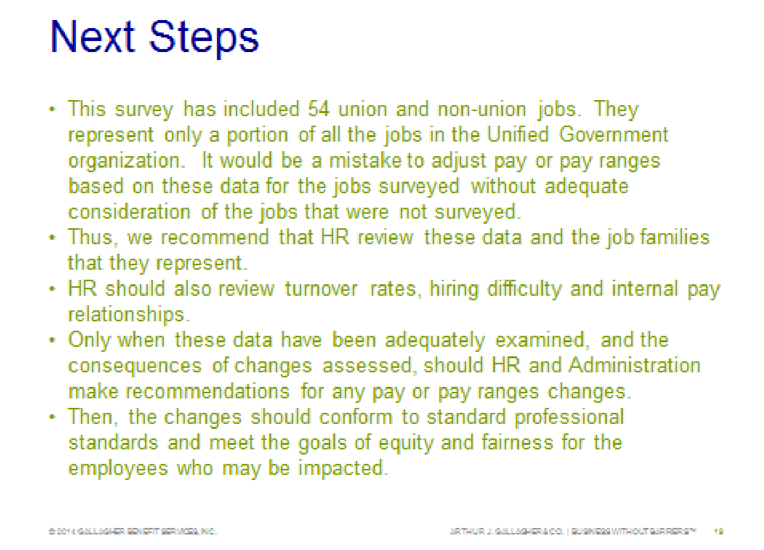
This is kind of a summary again just encapsulating all of the points that I talked about so rather than repeat those what I would like to do is I would like to get to the point of well now what do you do.



There are a couple of things I want to point out. Most organizations, most governments say we need a cost-of-living increase or let's adjust our salaries or negotiate our contracts using cost-of-living. We think that's an inappropriate number. I know it has probably got 75 years of history but I want to introduce a new idea to you and that is that you adjust or you think about how the market moves in terms of the cost-of-labor because that's what you buy. You buy labor. You're not buying housing, well most people aren't buying housing; you're not buying bread although for the jail I suppose you're buying bread and food and that sort of thing, but your real expense is people so we ought to look at what's the cost of people.

I did a 13, 14 year chart of what has happened with the cost-of-living versus the cost-of-labor. The cost-of-living is this orange number here. You can see in 2009 it took a dip. We all know what that was and so we've kind of recovered. If you look at the Employment Cost Index, this is another number that the Bureau of Labor Statistics keeps, maintains and reports on a quarterly basis which represents the cost-of-labor. They do both a cost of salary and a cost of salary and benefits so you can get a pretty good picture. You can see that it doesn't really track exactly the cost-of-living but it's reasonably representative. It's a little bit behind the curve in fact and so we would suggest that's the index that you really want to look at. It's about the same amount if you average it over a ten-year period of time in terms of percentage, but it's a number which I think is more honest and more reflective of what you really have to think about. If you do that, you will be in better tune with what the market is doing because if you go well nobody cuts salaries, well some people did cut salaries in 2009, and they cut out all other things; but you can see what happened, salaries still increased. That was the nasty trick that the press played on us and (Inaudible) says nobody is getting an increase and I know that you didn't provide many increases during that interim, well the market was. There were still people giving people raises.

I've had a lot of clients that have started to do surveys in 2012 and they say well nobody has been given an increase so we will probably be fine with the market because we were before the recession and they find out they're 10, 15, and 20% below the market and said how did that happen. It happened because other people were giving raises.



You have more than 54 job titles in your organization. We only surveyed 54 as a representative sample of what the market is doing just to get a sense of what's happening. Even though there may be some differences in one job to another in terms of how you compare to the marketplace, what I'm suggesting as your next step is HR needs to take a look at a couple of things. They need to take a look at the survey data for each one of those jobs, identify if that is a reflection of the job family. For example, if we have Police Officers as one of the job titles, does that reflect the entire scope of Police Officers, Sergeants, Captains and so on and so forth and is there a problem in hiring or retaining jobs in that occupation. We're suggesting that they take a close look, more thorough, more of a deep dive into the data that we've got. Look at turnover rates, look at hiring difficulty, and look at other kinds of employment characteristics to identify whether there is any need to adjust any salaries in the future. There is no need to do something right now; the place isn't burning down so we've got time. We've got time to think about it, use a reason judged approach, more analytics, more consideration, more discussion with department heads and so on and so forth to come to a recommendation that makes good solid sense that's affordable and yet treats the employees fairly in comparison to the marketplace.

This will probably take the next couple of months, I suppose, to look at but that's what we're suggesting as the next steps.

Commissioner Kane said could you go back to the 50% chart and 75% chart? **Mr. Gallagher** asked do you mean the comparisons with the other organizations. **Commissioner Kane** said yes. I've been here for ten years and if I'm in that 9.38% and then go back to the chart where you showed people were getting raises, it would have been nice to have what our employees haven't got in the last seven or eight years showing that they were down here and then what's not there either is now we're going to start charging our employees for their insurance. In my mind 9% is a huge gap. I was kind of hoping the survey would be a little closer than 9% because you say that's an okay number, not if you're in the 9% and there are some of them, Hal will talk about this, there are some of them that that has to be a 20% difference.

Commissioner Walker said I was going to ask the question, unless I got it in an email—I'm assuming no one else has a printed copy of the Compensation Study yet, the final document, it didn't come by email yesterday so I could have read it. **Mayor Holland** said this is the initial presentation. **Commissioner Walker** said I'm just going to make the statement, and Mike alluded to it, you're taking a global view and I'm curious whether the study will identify particular groupings of employees that you might call clerical or Administrative Assistants that are significantly, let's say, more than 10% through the competitive below market. Many of our Administrative Assistants, I believe, make competitive salaries and overall I suspect that when they're all taken as a unit you're going to get a number that is statistically or average to look better than it is for a particular group of employees in one particular location. I have an opinion that Municipal Court and the administrative or clerical of the Sheriff's Department are significantly below competitive. Will your study identify a problem grouping of employees, a cluster if you will, of employees where these 20 women and I think they are all women in the Sheriff's Department are significantly below or they're the bottom end that averages the higher end of the administrative.

Commissioner Kane said I'm glad you're here and I don't want you to take this wrong at all, but I would like to see the next time I see a graph like this we add in what our folks weren't getting for the last ten years or eight years where they only got one raise and then also in with that monies minus or plus the—now they're going to have to pay for their insurance because that's going to make a difference as well, and then that chart might look better to me. I said this a couple of times, even though it looks like some people are going to get 1.5% raise, once you throw in that insurance that eats up some of their 1.5% raise and in some cases all of it. These are things you can't see in the chart and we've had this conversation since you've been working on that so in my mind we need to add what I'm talking about to that so we can see a comparison with that. This is kind of like history; I want to match it with the history and what's actually going to happen when we get done with all these negotiations. **Mr. Gallagher** said I think that would be a good addition to this chart. That really wasn't the initial point of this chart, but it would be a nice comparison. **Commissioner Kane** said right, but if you're here and you've been here eight years and you haven't had a raise and now—**Mr. Gallagher** said you're flattening out there at 2008. **Commissioner Kane** said now they're going to be tacked on with the insurance and like I said then that will be better awareness for those of us who haven't been around for ten years.

Mr. Gallagher said back to Commissioner Walker's comment, the more detailed information will show various jobs and there comparisons to the market and so that's really what I'm asking for in the next steps is the HR Department to take a look at whether there are clusters of paid efficiency, I guess is the best way to put that, where there may need to be some activity. The other thing that you need to keep in mind also, and this is the hardest part about pay, is let's say the group you identified is deserving of a raise; then the question is well where are they in the internal hierarchy of other jobs and if they get a raise, does this ripple through the organization. We need to take a look at those effects. That is not an excuse to keep pay down; it's just that we need to make sure that we've looked at all of those outcomes when the recommendations are made.

Commissioner Walker said if you've examined our history and before being on the Commission I worked here for 32 years, we have seldom if ever deviated from a universal everybody gets the same. The result has been the people at the high end that get 3% actually net more dollars than the 3% at the bottom and of course the disparity is obvious, it keeps getting bigger and bigger and bigger. I think where you are in the hierarchy of the organization is somewhat a perspective. If you are in certain positions you inevitably look to others and say I'm doing more work than them and yet that grouping makes more money than I do. I don't know that I've ever seen elected bodies decide the hierarchy of who's got the most important jobs, but presumably there are certain jobs at certain levels for certain people or groupings. You know if you're the Secretary to the Chief of Police it would be my expectation that you probably—or Administrative Assistant you probably make more than other Administrative Assistants in the organization at least on the level of how many years of service. I don't want to drag this out tonight because we need to get the report and so forth, but I am convinced that there are clusters of employees that have been as a result of this immutable philosophy we seem to have that you know if we only give the people, let's say on the ninth floor which is our Legal Department, Administrator's, if we only give the people at the top 1% and we give some of the people that are now at the bottom 4%, there is going to be this hue and cry so as long as we keep everything on the table nobody can complain, 3%, everybody gets the same. No, everybody does not get the same and the cost-of-living goes up for everybody. The price of eggs to me is the price of eggs to you. I just think there are employees that deserve more of a raise than other employees not because they—not based on some kind of subjective merit criteria, but just simply because over the years their positions have been continually—the disparity continues to grow and I think that's why we lose people. We invest in people in training, education, experience and bam they're gone at the first opportunity and we all know those. We've heard we have people who leave because they can move to Johnson County or Kansas City, MO and make 10% or 20% more and we've given them a year of training or two years of training and we've lost that investment and we don't ever calculate that in the equation.

Mayor Holland said I also want to differentiate and I know McKiernan and Walters put their hand up as well. I do want to note that one of the things I want to differentiate between is a COLA which is a cost-of-living increase which I believe should be administered equally, but a COLA is not a raise, it's a cost-of-living increase. It means a cost-of-living adjustment. Now COLAs only ever go up—if the cost of living goes down in 2009 we didn't COLA everybody down, but a COLA is a cost-of-living adjustment. There are two other issues. One is merit based pay increases which this organization has not done for a number of years. I think 2007 or 2008 is when they stopped. Some organizations will give a 1% cost-of-living increase to everybody and additional increases would be merit based. That's another alternative. The third area though is just a straight pay adjustment. In our Juvenile Justice issue we had a bunch of people quit, we went to hire new people and we even had to go to another county to hire temps from their organization and we were just flat out of market by $2 or $3 an hour and we just couldn't hire anybody for the job because no one who knew anything, anyone who knew better, wouldn't take it so we had to do a pay adjustment to that role in order to hire. I think the cost-of-living increase is something we need to struggle with all the time. We do need to continue the discussion whether or not we want to go back to merit based increases for pay that department heads would give out. The other piece is there may be some areas, and this where I think, Commissioner Walker, to your point; we need to see if there are groups of people who just need a pay adjustment because their out of market so far that we can't attract and retain them. We know that's true in some of our fields and so we need to look at those groupings.

I just want to sort through the layers because I know there are some areas where we can't hire people because our pay is not adequate and we have openings that we can't hire and then the market has gone up and so if you bring them in at market, they are being paid more than the people that have been there for five years and that is bad for morale. So you would make a market adjustment into something and it steps everybody to a different place so I think as we dig into this the cost-of-living increase, the COLAs we're in discussions with, and have committed to 5% over the next two years for all of our employees. We have a made a decision not to do merit based thus far but we're going to need this study to show us what clusters of people need a pay adjustment and we're going to have to deal with that outside of the COLA. I think those are two separate discussions.

Commissioner McKiernan said I'm trying to learn a little bit here about the Employment Cost Index and I'm curious to get a little bit more information and learn a little bit more about why use that index rather than the cost-of-living. Why use the cost-of-labor rather than the cost-of-living when there are those in the United States who would argue that a greater and greater percentage of workers are not earning a living wage and that in fact there is a divergence between what it costs to live and what people are being paid. I'm wondering how using ECI versus CPI takes that into account. If I'm drawing a connection where it shouldn't be drawn or how we would address those people who say there is a growing gap between what it costs to live and what people are earning. **Mr. Gallagher** said all of this chart represents is what the increase is over the prior year so the living wage is not an issue that—it's an issue I don't want to diminish that, but it has nothing to do with this chart nor does this chart take into account any of those components. Whether you start at $30K, $10K a year or $150K a year, this simply represents what's the market doing in terms of adjusting salaries. The reason the Employment Cost Index, in my opinion, is a better index to look at rather than the CPI is because you buy people. It's kind of a crude way of saying things but you go out and you recruit, you hire talent. The cost-of-living is a conglomeration of real estate taxes, gasoline, food, lodging and all of the other things that it takes to live. **Commissioner McKiernan** said all of which are paid by the people that we hire. **Mr. Gallagher** said true, but there is the economic theory that when the price of something goes up people will substitute for a lesser cost item so you can't say well I've always got to eat the same bread. You know if that loaf of bread goes up to $5 from $1.50, you might find an alternative; you might make it home for 50 cents. The Employment Cost Index doesn't say well we could hire a cheaper person to do the same thing. Now that may be a management decision, but that doesn't say that.

Commissioner Walters said I have a couple of reactions and I hope you can take this into account in our future presentations. I think I see very detailed information down to the 100th of a percent on salary, but then there were some generalities that you presented like all these numbers are higher because they came from benchmark cities that are a lot larger than ours. I think you owe us some sort of appreciation of what that number is or give us benchmark cities that apply to Kansas City that we don't have to do some general interpretation. I think you need to give us a little help on that and similarly I think I heard that in general we have higher benefits across the board. It would be nice if we're doing a Compensation Study to have a combined analysis of salary and benefits rather than focusing so much just on salary if we do truly want to compare ourselves to other sources of labor. I do like the Employment Cost Index and we do compete for talent and that's why I'm really less interested in what someone makes in Minneapolis and more interested in what they make in some of your other cities like Overland Park, Olathe, Kansas City, MO; those supposedly would be the place we would compete for most of the talent that we need to attract so it would be very interesting to know how we compared to those particular cities rather than a conglomerated benchmark. **Mr. Gallagher** said fair point.

Commissioner Markley said I'm very excited to finally have had this study and actually the results are sort of what I expected in most respects which is unusual for those of you that have a lot of studies done. Sometimes you're really surprised and this time I wasn't necessarily. One thing I was a little surprised about and I'm sort of extrapolating from that we obviously have a retention problem and I think that's where were seeing that, I don't know how you phrase it, but that high point number that was the negative 18%. I think we have difficulty retaining employees maybe in a greater way than we had initially considered and that wasn't something I expected to get out of this study, but I think it's important for us to note that we're having trouble retaining talent. I also think some of us have witnessed over the years that we've been here that we sometimes have trouble promoting talented people because there are less talented people who have been here longer that we put in line ahead of them. Sometimes it happens that we want people to pay their dues and during the time when we're waiting for them to pay their dues and these less talented people are them, they leave and find someone who is willing to promote them because they are more talented. I think we need to make sure that we don't have a philosophy of you only get promoted after you've been here 30 years and that we do have a philosophy of the most talented person gets promoted when the opportunity arises because those people that are highly talented they aren't going to wait 30 years to get promoted when they can go to the private sector and be promoted after five years because they're highly talented and that's part of our loss.

Commissioner Murguia said to piggyback on what Commissioner Markley said, what I heard you say also is that our salaries are competitive and our benefits are highly competitive so if I got nothing else from this presentation than those two things, that's some great information for me to have. I am entrusted in what Commissioner Walker talked about, in the grouping that you did of 54 I want to know within those 24, were there any glaring discrepancies at some point; not now or if there is something interesting I would be glad to listen to that now. **Mr. Gallagher** said I think this—yes I could share that, I don't think this is the forum for that. There are some that are substantially over and substantially under so that's why I suggest, and to Commissioner Walker's point, I think you need to take those clusters and I think HR needs to look at those clusters and say yes, here's a cluster and we've surveyed a couple of jobs in this job grouping; you know of similar types of jobs they seem to be under or they seem to be over. Then the next question is well if they're under do we have, to Commissioner Markley's point, do we have more turnover in that group than in other groups and is that significant. Have we had trouble hiring people, qualified people and so there are a number of other issues that HR ought to look at because it's not just oh we're low on salary, let's just raise salary; I think that's the kneejerk reaction, it's always going to hurt you later on. I think you need to take a more reason approach. **Commissioner Murguia** said right, I agree with you. Those issues you all just talked about and, Commissioner Markley, I'm very interested in getting into the weeds on those and learning what the details are and maybe my next question the answer will come out to this. If we are competitive in salary and highly competitive in benefits, I would have to ask the question why are we having a hard time hiring and why is it we're having a hard time retaining? What's going on? I know that's not your piece of it, but now that we've uncovered this and we know for a fact what's happening, it's obviously isn't benefits and pay that's driving our employee base.

Mayor Holland said the issue is I think we need to look at I don't think he gave us a full report on how our retention and hiring is going. We have some departments where we have long tenure and people seem to be happy over the long-term. There are some that we have a high level of turnover and I will tell you one. You know I did all my department visits and I visited the Health Department and you go to some departments and ask people who have been here 5, 10, 15, 20 years by a show of hands. The Health Department, I would say, this is non-scientific, 70% of the people have been there three years or less and so there is a lot of turnover in that department. I think we have to look at department by department. It might be that our higher end scale is out of whack in terms of our pay. That doesn't mean we don't have retention, it doesn't mean we have turnover, it just means the pay is not there so I think we need to get into what departments we do have trouble—because there are some departments—I mean we have a class for our firefighters and we have 400 people apply. We're not having trouble hiring, we've got qualified people coming out of the woodwork so we need to find out what departments we're having trouble hiring in and which ones we're having trouble retaining and which ones are completely out of whack rather than saying we have a retention problem at the UG. Having watched our awards ceremony, people have been here 5, 10, 15, 20 years; I think we've got pretty good retention in some departments but I think we need to dig into that.

Commissioner Johnson said two quick questions and I think one ties into the overall discussion about salaries and compensation in Wyandotte County relative to other localities that are right around us. My question is can or should we include the attrition rate by year in the study as we're talking about that if in fact we're going to include how we compare with those municipalities that are immediately around us. Then not to jump too far down the road but just for me to help compartmentalize, how long do you think this process is going to take because the concern I have is if this lingers on, the comparative data that we're using, I want to make sure that it says the same as we're going along. **Mr. Gallagher** said I can't answer for HR and the administration. I can tell you that if you don't do something within a year the data will be stale. That would be my window.

Mayor Holland said my hope is we have this study now, we we're going to be unpacking it for the next several months and getting into the weeds in terms of what departments need adjustment and what don't and I think the Administrator is going to need to come back in the next budget and say we need to do some salary adjustments in these departments and recommend what those are. The challenge is, this is always the case, isn't it; the one that's 20% too high we don't tend to cut 20%, but the ones that are 20% too low we're going to want to bring up so we're going to need to look at and the Administrator is going to need to look at department by department of how the comparatives go and bring us a recommendation for budget implications. What's that number? Does $500K adjust everything we need to do for all of our salaries to get everybody who's not competitive competitive or is this a $5M line item? I mean that's a different discussion isn't it? If it's a $50K line item, then we all say aye and we would be done but I think we need to get from the Administrator—then the Administrator is going to have to prioritize those and say these are urgent needs, we need to fix these first.

The other thing I don't want to do—I think the last time we did a full Comprehensive Compensation Study organization wide was at unification. I think we need to be doing this in the five to eight year range. I don't know what your recommendation is. You want us to do it every year because we pay you to do it but what's the industry standard in terms of how often people do these? **Mr. Gallagher** said it varies a little bit by the level of inflation, to go back to a term I don't like, but it's readily available. We're perking along at about 2.5% to 3% salary increases at least in the general market and so I would suggest every three to five years. You know four years is a good time. That's a good thing to do a survey like this. If you asked me in 2009 I would say you could probably extend it out a little longer but I think if you go out much longer than that, then there are sorts of bumps that happen in the labor market and you just want to make sure that you have captured them. For example, if we did this in 1999, we would say heck the IT people need a big increase because the Coltball Legacy systems are going away and there are just a handful of them left so we've got to give them a big increase. We did the same survey of IT professionals in 2006 or 2007, not much of an increase.

Mr. Connor said I just wanted to mention too, and Jim talked about it, but there is a challenge with getting these survey's turned back in and I can't stress enough the amount of time that Renee and Shakeva spent helping Jim pleading with people, please get this survey turned back in. That's a big part of this work and I think Jim said forking out a third and he's happy, of course he would be happy with 20 out of 30, but we got 14 and that's good. Surveys are tough to get and we spent a lot of time helping with that particular part of it so I just wanted to mention that for the Commission. Everybody gets a survey, not everybody wants to fill them out so that's a challenge.

Mayor Holland said I appreciate the executive summary we received tonight. We will look to the Administrator to bring this back to us in terms of next steps. **Mr. Bach** said I think as they've laid out tonight what we will be moving through is HR will layout the process with Mr. Connor along with what we're going to do to go through and do our analysis of the clusters or groupings of employees where we did see more disparity and pair that along with—this really I guess in my opinion and I always offer from that perspective, it offers where we are in comparison to other agencies and that's interesting information but the bottom line for me is and it's one you guys spoke to is what's my attraction and retention issues. If I have a particular trouble attracting in a certain area, I have to raise the pay to get people into it and if we have a very high turnover in a given area, that's a higher area we want to put emphasis on because I don't like to continually train people all the time to a given area. I think those will be the areas of focus coupled with this information that we will come back to the Commission with and explain here's what we're looking at for a strategy in those areas and then on the few areas where we do have a higher issue you know sometimes the market can just catch up with that, but we can look at those and see whether we want to develop a strategy in those areas or not. Fortunately, there's not too many of them that fall under that category.

Backfire BBQ

Mayor Holland said there had been a request for a discussion about follow-up discussion on the Backfire BBQ so I'm going to turn this over to the Administrator.

Village West Overview

Snapshot of the Village West success:

- $1.5-billion in private investment
- $453-million in STAR Bond investment
- All of the STAR Bonds will be paid off in 2017… four years ahead of schedule
- Retail sales total $650-million a year generating $58-million annually in sales and guest taxes
- The $3-million invested in Backfire BBQ is less than 0.6% of the total STAR Bond investment
- While Backfire BBQ was not successful, 115 successful businesses exist with more on the way

Mr. Bach said this issue is related to the Village West STAR Bonds and Backfire BBQ. Questions have been asked about what happened in relation to the foreclosure activities at this restaurant, what happened in the selling of the property, and so I wanted to step through this tonight.

That's why I started up here with a bigger overview of the STAR Bonds and where they all come from, but the Backfire BBQ restaurant was one that we initially started with Steve Schussler. He's the creator of T-Rex restaurants and also Rain Forest, both very successful venues. The T-Rex restaurant obviously in the Legend's area, and that's one we've been very successful in having that in our community for a number of years, this concept came forward for the Backfire BBQ with RED Development who was running the center as well as Steve

Schussler, a new concept with Orange County Choppers. Unfortunately, as we're aware, it was as successful as his other venues that he brought forward.

The overview that I put up here really just talks about where we're at in the overall investment. We had about $2B worth of investment done in the Village West area so $1.5B in private investment, $453M in STAR Bond investment so about $2B total, just a little under that. All of the STAR Bonds will be paid off in 2017, four years ahead of the original schedule. Retail sales generated in the area is about $650M a year and another $58M in sales and guest taxes that are coming out of that area. In perspective this is $3M invested in Backfire BBQ, it says less than 1%, it was actually about two-thirds of one percent of the total STAR Bond investment and was part of this particular investment that we ventured into. It wasn't successful. We've had 115 successful businesses in that area.

The STAR Bond incentive that we used with Backfire BBQ was similar to what we used—well it was the same type that we used when we did the Cabela's development, there were mule deer purchased in that aquarium and also in the T-Rex restaurant where there are the dinosaurs and such that we purchased and took ownership as they went through it. So there was the personal property side of that equation of how that worked.

The taxpayers of our community didn't have any liability with anything that was purchased within Backfire BBQ.

Backfire BBQ
Significant Events

<u>May 26, 2004</u>
Commission approved amendment to master agreement to set aside $13.5 million of STAR bonds for the purchase of personal property as a part of RED Development's $250 million project.

<u>May 28, 2009</u>
Commission adopted R-66-09 authorizing execution of the License and Management Agreement between the UG and Creative Attractions – Legends LLC. It also authorized execution of an Agreement between the UG and RED to use $3 million of the personal property STAR bonds to purchase the Creative Attractions Amenities.

<u>October 4, 2013</u>
Notice of Default was sent to Creative Attractions as a result of their closing the business. The Notice advised that the Amenities were owned by the UG and must be returned.

<u>March 31, 2014</u>
UG began removing the property from the restaurant site.

<u>January 15, 2015</u>
Notice of Need Proposals for Auctioneer Services received.

<u>April 2, 2015</u>
Contract executed with Higginbotham Auctioneers.

<u>June 19, 2015</u>
Auction held at Memorial Hall.

It was all purchased with the STAR Bonds so it was all part of various investments that were made in that area and maybe just a step back and look at the timeline of events so you get an understanding of where the money was invested that went into Backfire BBQ.

May 26, 2004 our Commission approved an amendment to our Master Agreement with RED Development that set-aside $13.5M in STAR Bonds for the purchase of personal property as a part of their $250M project. That's a real important note. The questions will come and I know we had several interviews when we went through and talked to the press and got back in different issues when questions came out about this. Initially there was a $250M project that was set out. This was part of the greater project to which $13.5M was set-aside within REDs budget to say okay that can go for personal property and they had to come back to us and say how specifically they wanted to expend that money, but we authorized that back early on in the project to say here was money that was going go as part of the overall incentive to make the Legend's Development the successful development that it is today.

In 2009 the Commission adopted a resolution to execute a Management Agreement with Creative Attractions and that's Steve Schussler firm and the Legends LLC, the firm that's running the overall Legends center. It authorized the execution for the Agreement between the UG and RED to use $3M of that $13.5M for personal property for Creative Attraction amenities in relation to the Backfire BBQ project. It was identified in that agreement just what these amenities could go for. I mean there was a line item, and I'll say it had the ability to move money within it, but it generally laid out about $2M that would go toward items such as the motorcycles, different amenities in the store and then about $1M that went toward more of the furnishing's; kitchen operations and things like that, some of the perk things or items for reservations when they come in, part of the sound system and things that were throughout the center. That was really generally how that was laid out within the development agreement that the Commission approved in 2009.

As we move forward in 2013 this is the time when Backfire closed up their business. When they moved out of that area we had a provision within our development agreement that said we could notice them up. We did that administratively, to call them out, it advised that they were in default of our agreement because they were supposed to be there and operate for a number of years. One, it's important to note, had they stayed in and operating like Cabela's, like T-Rex beyond the point of when STAR Bonds paid off, then they took ownership of all those items. They would fall over onto their side of the ledger which occurred not too long after 2013 because there is actually, as you all know, there's a couple different tranches of bonds. The bonds that were used for this area in the main part of Village West have been paid off now for a couple of years, around the end of 2014 when that paid off and then the rest of them we're paying off now are what's related more to the Soccer project. We gave them the notice and we left everything on-site. We worked with RED out there. It was kind of like what are we going to do with this. We tried to work with Creative Attractions, if they would buy some of this if they were looking future restaurants because we realized that would probably be the highest and best value to do anything with those items.

We began removing property on March 31, 2014 because we realized nothing was going to happen there. We needed to get it off property and get it into a secured area.

January 15, 2015 we determined that we were going to move forward and we needed to auction off the items so we put out a Notice for auctioneering service. We executed a contract with Higgenbotham Auctioneers to come in in April and then we had our auction in June.

I will go back to those items here as we move forward. I think some of the questions we've had asked, and I have a couple of guests here at the table with me, Kirk Sherman who is with Newmark Grubb Zimmer who was Zimmer Management Company at the time. They were hired as our Master Developer and not only as a Master Developer did they help us work in the attraction of new developments, but they were also the professional firm we hired to bring in and oversee and look at different purchases that were made and everything was purchased with STAR Bonds so their verification and then Marty Higgenbotham who is with the auctioneering company that we hired to go out in the auction process and I will have him talk a little bit about that.

First I would like to go back and have Kirk Sherman with Zimmer go through and talk about your process Kirk as you went through and whenever we would buy items and you can kind of hit that from a general, but then if you would do specifically when you looked at the purchases we made in relation to this.

Kirk Sherman, Zimmer Management Co., said as a Project Consultant one of the tasks we had was once we got the Venture Agreement and Doug talked about what was spelled out about the STAR Bonds and the specific items that were approved within that STAR Bond process for

Backfire BBQ, there was $3M and within that $3M there was probably 40 or 50 line items that said motorcycles X amount of dollars, memorabilia X amount of dollars, and so one of the tasks that we had in our scope of work was to verify the payment application process. When the payment application process was submitted they would submit a draw to us and we were to review that draw and make sure that the documentation associated with that draw matched up and was STAR Bond eligible. We would take a look at the backup, all the invoices, made sure the invoice matched the payment application and made sure those invoices were the backup for that matched the STAR Bond eligibility and those line items. That process was used—I think there were three payment applications within Backfire BBQ so that was done three times and at the end they totaled the $3M. Those were then submitted to the Unified Government that we verified the invoices, verified that the invoices supported the backup in each one of those line items, and they totaled $3M and that's the process we used to verify those payment application processes.

Mr. Bach said then fast forwarding many years after that when we foreclosed on this property after they had been in operation for 3.5 years I think it's important to note that Backfire BBQ based on the size of the restaurant and approximately where they would be probably generated about $500K in sales taxes that paid back into the project as their contribution as a general number for a restaurant like that is what they would have contributed back toward payments. We took the property and proceeded to the auctioneer. We went out for Request for Proposals, received a few proposals that came in, and evaluated those for their capabilities and we ultimately selected Higgenbotham Auctioneers and, Marty, I would ask if you would talk a little bit about your company and then if you would discuss the process you used to get this process ready for auction and the auction and how things resulted.

Marty Higgenbotham, Higgenbotham Auctioneers International, said this is my 56th year as an auctioneer and I know I don't look that old but I appreciate that, but the bottom line is I have been doing it a long time so we've had the opportunity of selling everything from cemetery lots to shopping centers and we've sold for the US home, the US Government; so we've had a broad range of experience in the auction industry. We've sold a lot of collections over the years and in fact the matter is our next collection starts tomorrow morning at 10:00 a.m. and we will be down in Overbrook selling motorcycles and 50 antique automobiles, etc. for an estate and if you've been watching TV you've been seeing those ads, hopefully, you've been seeing those ads but in any case that's our next sale. That's what we've been doing and I could give you a lot of time, energy and effort on that but I don't think that's necessary at this point unless you have a particular question.

As far as Backfire is concerned we looked at it, we evaluated it, set up an advertising promotion program, and did what we ordinarily do. We spent about six weeks getting the sale ready and then we conducted the auction. The auction was well attended. We had buyers from 28 states. We sold online and live so we didn't miss anybody. We had a number of people obviously there so that's where we are and that's in a nutshell. Now, we can dig down deep if you want.

Mr. Bach said I will open this up for commissioners to ask questions if you have any of Mr. Sherman or Mr. Higgenbotham, but I'll also note that as it went out and sold and openly brought in about $150K I think there was a UG share that came for the auction. There were also a lot of the kitchen items and speaker items that we looked at and typically when you buy those items and you go back in to sell them, they're worth about ten cents on the dollar and I think we got an appraisal report as this firm went through and looked at them. Many of those items we looked at we could use within the Unified Government so arguably, I mean we retained something that could have generated $40-$80K if you're looking at a value. Where it could be we have a sound system over at Memorial Hall that we retained that we were using as backup and then we will put it into play, but the dollar spent on those items were about $800K to start with and that's items we've retained in the position of the Unified Government. There are just different things to consider as we look at that. I mean we look at how much we've held onto and how much they generated in sales. Overall I can say—overall this was one project I guess that I look at in all of Village West that failed and $2B worth of investment that's been created and we took a lot of chances. This governing body took a lot of things that went through and authorized and said we believe we can make that work and they've all been successful and we're all looking at how—you know we bring in $11-$12M in property tax from that area now. We will be bringing in $12M in new sales tax beginning in 2017 that comes in after the bond sale so no, we weren't 100% successful in everything that happened out there, but we've been pretty good and I believe as we proposed we had provisions in place so that RED and Schussler Creative took a loss on this. It wasn't their goal to come out here and set up a shop and then get cleaned out and had everything that they had purchased—RED had to dedicate money that was part of the incentive we gave them to build their shopping center to make this work. They put it into this deal and they didn't get a portion of that $3M even though it went down to $150-$200K, we took it all so they lost all their interest in this and all the money they put into with Schussler Creative. I don't know all the details between Schussler Creative and RED as to who invested which dollars and the private dollars that went into that, but it all had to be done and they lost money on that side of it too. This was not a successful development and do I wish we could have got more out of the auction process, yes, I do. I've had a few conversations with them about this but in the end that was the value so I guess with that I will open it up for questions and work from there.

Commissioner Walters said I have a couple questions first for Mr. Sherman. I think I'm here and maybe we're all here just to see if there is any possible lessons learned that we can apply to future projects. When I was listening to your presentation, as I understand it, your role was you received a schedule of values or a list of prices totaling that $3M and you verified a receipt and issued payment. Was it part of your responsibility or do you know if it was a part of anyone's responsibility to verify the legitimacy of those values that were on that list? **Mr. Sherman** said it was not part of our scope of work and I couldn't tell you other parties within that if it was theirs or not. We were not hired to—we did not in our scope of work have an expert to tell us what memorabilia's worth. Just as the mule deer we didn't hire an expert in mule deer to do that. We were there to verify that the schedule of values that was part of the Venture Agreement was adhered to and that the payment application process and the invoices verified that application. **Commissioner Walters** said yes, that's what I heard you say and I appreciate that. So again, we're looking for possible ways to improve our process so that was the basis of that question and you know there have been some questions raised about whether we overpaid for some of that stuff and that's why I'm asking that.

I have a question for Mr. Higgenbotham. You're the expert on auctions, certainly not me but a lot of people I encountered afterwards said man I wish I had known about that auction, I would have loved to have been there. I was at the auction, I heard about it by word of mouth from a friend of mine. I read the newspapers and I'm actually a UG employee, but I didn't know anything about the auction and wouldn't have known if I hadn't just accidently learned about it from a friend of mine. Is that something that when you talk to clients you give them options on how much advertising is done or work together to figure out what advertising and publicity approach makes most sense for that particular auction or how do you approach that? **Mr. Higgenbotham** said first off we determine who we think the buyer list is going to be. That's the first thing we do. We try to identify the buyer's and in this particular case it appeared that the high end items were the motorcycles so we identified motorcycle dealers and clients, people that deal with motorcycles as being one of the people that we would send brochures to. We sent out notices to all of the Harley Davidson dealers, as an example, some 4,500 of them to bring in motorcycle buyers. It's been my experience over the years that people who are involved with the products that we're selling are the ones that's going to come and buy and that's particularly the case in this motorcycle deal. As far as the equipment is concerned and the restaurant is concerned we did the same thing. We sent out notices to the restaurant owners in the area and then Doug and I talked about it before the sale and they determined that the government could use those items based on what I anticipated and expected them to bring and I think that was a wise decision to tell you the truth because restaurant equipment doesn't bring anything from an auction standpoint that used restaurant equipment just doesn't bring anything because there is so much of it on the market. Consequently, Doug indicated that the government could use it and if you could, then that's where it should have stayed and we did not sell any of the restaurant equipment to speak of or the rather significant PA systems that was involved, the speaker systems. They were very expensive when they were purchased but, again, they're used so they didn't have much value.

As far as what the sale did I think the sale was a huge success as far as what it brought. It brought every nickel it was worth and we had the buyers there. We had the buyers there and online and when we had 28 states represented as buyers, I think you seen the value. That's what it amounts to.

Commissioner Kane said first of all I had actually asked Doug when I heard about the auction I said, Doug, please tell me when the auction is and there was some sort of miscommunication because I never heard about it and like Jim, I had heard about it when it was, you know they're having the auction and by then it was after the fact. In my mind if this stuff is purchased by this community, then this community needs to know about the auction and there were a whole bunch of people that didn't. In my mind, and I don't know anything about motorcycles, but I was told those were worth a lot more than what they went for and there are people from here, from Wyandotte County believe it or not, they have money. I think some people think that there's not and there is a boatload that do. My comment is we failed miserably in my mind and the second thing is the next time, if this happens again, when we bring a vendor in we need to know that the vendor is selling the product or has performance in the past that this has worked somewhere else prior to him coming here and I was on the Commission when we approved this and I was in that building a couple of times but it never looked like it was going to make it from jump. Those are some of the concerns I have.

Commissioner Murguia asked who determined the value of the memorabilia originally. **Mr. Bach** said, Kirk, I think this would be one when the buyer bought it initially or Schussler Creative and then they submitted the invoice so the owner of the items that were purchased I assume would have been who determined the value. **Mr. Sherman** asked, commissioner, are you talking about within the Venture Agreement. **Commissioner Murguia** said I don't want to get into that level of detail. This deal is very detailed and the terminology's so I will use just one example. Somebody bought a motorcycle, so we're just using that as an example. **Mr. Sherman** said through the STAR Bond process or through the auction process. **Commissioner Murguia** said through the STAR Bond project, the original acquisition of a motorcycle. **Mr. Sherman** said you're asking who established the value of $3M worth of stuff. **Commissioner Murguia** said memorabilia that's right. **Mr. Sherman** said whatever it was. **Commissioner Murguia** said yes. **Mr. Sherman** said Doug would have to answer that. **Mr. Bach** said the original was we set out a couple million dollars' worth that went into memorabilia and about a million dollars toward outfitting for the Orange County Choppers concept. They went through and had a listing of different areas that they anticipated the price to be. Those weren't all specific to say it had to be matching. They had to produce invoices for actually what they would then go and purchase later. **Commissioner Murguia** asked who is they. **Mr. Bach** said Schussler Creative. **Commissioner Murguia** said so Schussler Creative gave you a list of things they wanted to buy to decorate their store with. **Mr. Bach** said correct. **Commissioner Murguia** said and they had to give you a receipt for that. Did that receipt come from the original vendor that they purchased the motorcycles from? **Mr. Sherman** said yes. **Commissioner Murguia** said I'm just using motorcycles as an example. **Mr. Sherman** said yes. Through all the STAR Bond process for all the personal property when they submitted their payment applications they put behind that an invoice that they paid for say someone that made the motorcycle. I mean if these were custom built then whoever custom built that motorcycle, they paid and they being Schussler, paid that subcontractor or that contractor that invoice and then that invoice was attached to their payment application for reimbursements. **Commissioner Murguia** asked was everything that they bought custom. **Mr. Sherman** said I couldn't tell you that. **Commissioner Murguia** said because, for example, if I wanted to go buy a Harley Davidson I would go to the Harley Davidson store and I would buy one and then we would have something to compare what I paid for that Harley Davidson. **Mr. Sherman** said these were more of the Orange County Chopper type things you see especially to the Backfire BBQ I believe. **Commissioner Murguia** said I used to watch Orange County Chopper when it was on television so I know what you're talking about. I'm just interested. I wanted to know is there a benchmark for establishing the value originally. Was there a benchmark? **Mr. Sherman** said I couldn't tell you that. We were not tasked with—I remember one item was the Dale Earnhardt's fire suit that he wears when he drove and that was one of the things that was out there and to try to put a value on that they paid $5K. Whether that was a $2,500 or $10K we were not there to do that.

Mr. Bach said the original pricing, actually that would have been a different partner within Zimmer Management Company that worked on that side of the equation. When we were working with RED and Schussler Creative on the original deal we went through and they came in with a listing of different items that they would like to put in the store and had an arrange of values. They didn't necessarily purchase each exact item that they thought they would before we started. It was like we believe this—some items they had a pretty good deal. They had gone out, take their sound system I think it's in there to the dollar, because they said this is the sound system we want, we priced it, we think this all works through the system. Others were items that they may or may not have ended up purchasing but they would have brought in something similar to that type of motorcycle and had a price that was within their $3M budget. **Commissioner Murguia** said understood. So this isn't my only concern and as Jim said a lesson to be learned I would think. When you're doing a specialty item or a custom item and you don't have something to compare it to, that's difficult to place a value on. I think what we need to look at is the value for us to turnaround and sell. I guess if you're going to buy an antique car, I don't know how the antique car would depreciate in value. It was old when we bought it so how does it get less expensive so that's what I don't understand. If we were willing to pay that much money for that car, I'm going to make up a number because I don't know what the number was, let's say we paid $500K for an antique car and if we were willing to pay that amount of money to put it into a store, then why isn't there anybody else out there that's willing to pay $500K and if there isn't, then I'm concerned about what we're willing to pay.

Mayor Holland said one of the things too that I think in terms of how we're addressing this—I was here also when we voted on this. Commissioner Murguia and Commissioner Kane and I all three voted to support this project. The key to this was they came in when they did the T-Rex which was before my time and they said we're going to create a new attraction that's going to attract people to the Legend's and that we're going to be able to not only attract their business in the restaurant but also they're going to come shop here so we want an attraction. Now, how much does a mechanical dinosaur cost? I don't know. I don't know how you get a comparable, but we gave a budget and said we—out of that $13.5M that was approved long before we came, they went out and applied some of that to the mechanical dinosaurs which has done as advertised, not only do people spend money there for I believe it's a $9 hamburger and it is the most delicious $9 hamburger I have personally ever eaten so everyone should go out and eat one with their children, but they came in with a Proforma and said we're not only going to bring people here, but they're going to bring their kids out to shop and so it's an attraction restaurant. Same thing with Cabela's, I don't know how much a mule deer costs but there is a bunch of them in that thing and I'm sure we paid more than $100 bucks for it but we have this market. The idea was having a mule deer museum is going to bring more people into the store and they're going to spend more money. Same thing with the aquarium, it's going to bring more people, it's an attraction so the $13.5M was set-aside for personal property to create attractions, regional attractions that are going to draw people because there are a lot of BBQ restaurants in Kansas City, but not all of them have this Orange County Chopper theme and so we signed off on a development agreement with a proven partner, with a proven track record with T-Rex and T-Rex alone in the profits it's made in terms of paying back into the STAR Bonds has more than covered this one. Schussler on a whole with the two projects has more than covered the loss in the Backfire BBQ just with the T-Rex restaurant and its success. Schussler alone has proven to be a good partner and on the whole we've made money and are continuing to make money from Schussler properties and from RED. RED has proven to be a terrific partner and we're making money off of the investment that RED has made, but we didn't sign off on how much a motorcycle cost, we signed off on a concept of Orange County Choppers with a budget that was presented to us by the group and said we think that a $3M investment for an attraction, not only for that restaurant, but for bringing people out—the idea was we've got to get motorcyclers out to the Legends so we put in motorcycle parking and everything which is just white stripping on a parking lot apparently, but we put in motorcycle parking to bring more people out and it did pay back and it's 3.5 years about $500k of sales tax into the property. It did not cover itself when that project went under and we had the auction which didn't cover enough of the loss. If it's a $3M project, it paid back $500K, about a $2.5M loss is the Unified Government's portion of that and we need to be good stewards with the state's money as well, but about two-thirds of that project is state money. The Unified Government alone probably loss $800K, took in about $150K from the auction, and got about $50K worth of restaurant equipment that we can use in our buildings so I would say we lost about $600K. All told though T-Rex restaurant and that partner both RED and T-Rex have more than made that up so I wish we hadn't lost money in this project and I think we do need to be careful stewards of people's money and I would say we have been. I would say they didn't bring a line item budget to us and say we're going to buy a motorcycle for this much because if you look at these custom motorcycles, I would have said that's ridiculous for a motorcycle. We bought into a concept to draw people to the Legends and the concept didn't work and it lost money and so we need to be conscious when we make investment deals in partners that we invest wisely, we invest in partners that are going to pay us back, and I would say both RED and Schussler have more than paid us back for that investment. I wish this particular one had made money so I feel good about it. I think we should continue to be aggressive, continue to be innovative and continue to press forward and I think we also need to make sure we get our bang for the buck from our auctioneer to make sure we have the money verified by partners like Zimmer and we need to be smart about how we invest our money. We need to get the word out; I agree with Commissioner Kane, people in our community ought to know about this auction. It's our stuff, we ought to get the word out to our community better and if there was a miss in that, maybe that was the third layer that was missing. You want out to the motorcycle dealers but maybe it should have been a better local—since it was an auction on our stuff there should have been a better local advertisement so our people could have had a shot at it. At least our people would have been interested in going to learn about it and so I think that was a miss.

I think it's good to go back and look at the development deal as a whole. I think we have learned some things from this and I think we need to continue.

Commissioner Walker said I'm only going to say I don't know what the values were and how much we should have made. There was a time in my life where I went to a lot of auctions and I got to tell you I never went to an auction to pay full price so the idea that we were ever going to get full price for these items is not realistic. You go to an auction to get a deal. Did people get a deal, a better deal than they should have, and yes I really believe that we were underpaid? The only other option we had was to try to individually sell these items on a one-by-one basis and that would have fallen to administration. Those were your only two choices and I assume auction—that with the comments that have been made, that I agree with, probably the preferred way to dispose of excess property as opposed to trying to sell it on eBay for an item at a time.

Commissioner Murguia said I was just going to say absolutely voting for the concept is one thing, voting to spend—again since I don't have the details, $50K on a motorcycle there wasn't a vote for that. So there was no vote on that and this meeting I didn't think was any attempt to belittle Village West or belittle work that our staff has done, that wasn't I think the intent at all. The intent is, as Commissioner Walters said, is to learn from our mistakes. Getting in the weeds is that when a deal like this goes badly the public looks to their elected officials for answers and we as the elected officials have to answer them. If I don't know the answers to their questions I have to ask and when I find out answers that I'm concerned about, I think it's my responsibility to articulate that and I think it's very important that be done in a very transparent, open government process in front of the public. All I'm trying to say is absolutely; everything this government is going to do is not going to be a success. Overall Village West has been an amazing success and everybody up here has worked very hard on it including our staff and our Administrator. I'm just saying if we're going to be the number one tourist attraction in the state of Kansas, we should know how much tourist attraction items cost and what the potential resale value of them is especially since we still own, I believe, aquariums and fish at Cabela's; I could be wrong but I think we do, and we own other pieces of equipment like that so that was the only point to my comments. I just don't want to see it happen again and are there going to be additional tourist attraction type opportunities and economic development deals around those kinds of things, absolutely.

Mayor Holland said, gentlemen, I want to thank you for coming. Mr. Bach, I want to thank you for putting the presentation together. We need transition time to start downstairs so we will start at 7:20 p.m.

MAYOR HOLLAND ADJOURNED THE
MEETING AT 7:03 P.M.

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Bridgette Cobbins
Unified Government Clerk

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