CITY OF COFFEYVILLE **BOARD OF COMMISSIONERS AGENDA ITEM**		
MEETING DATE	February 11, 2014	
RESOLUTION OR ORDINANCE NUMBER	S-14-03	
AGENDA TITLE	**Renewal of Four State Maintenance and Supply, Inc. Ad Valorem Property Tax Exemption**	
REQUESTING DEPARTMENT	Administration	
PRESENTER	Gary Bradley, City Manager	
FISCAL INFORMATION	Cost as recommended:	N/A
	Budget Line Item:	N/A
	Balance Available	N/A
	New Appropriation Required:	[ ] Yes [X] No
PURPOSE	To provide an annual review of the Four State Ad Valorem Property Tax Exemption and determine the rate for level of exemption for 2014.	

BACKGROUND	The original exemption request was approved by Ordinance S-09-05, effective January 1, 2009, through December 31, 2019. The exemption was for a 10,000 square foot addition to the existing Four State warehouse located at 503 N. Cline. This is Year 5 of the current tax exemption for Four State. In addition to the on-going exemption, Four State previously had an exemption for real and personal property for the 10-year period January 1, 2001, through December 31, 2010. The City is required to provide renewal documentation of all open tax exemptions to the County Appraiser on an annual basis by March 1. According to the City's Policy and Procedures on Ad Valorem Property Tax Exemptions and Incentives for Economic Development, *"The extent and term of any tax exemption incentive granted shall be subject to annual review by the Governing Body to ensure that the ownership and use of the property and any other qualifying criteria of the business for the tax exemption incentive continue to exist."* Our current policy for tax exemptions has been in place since June, 1995. Annual reviews have been conducted for the last four years of the Four State tax exemption. In each of the last four years, a 100% tax exemption has been granted to Four State, abating only the incremental taxes that would have been generated by the expansion. Four State continues to pay real and personal property taxes on the buildings and equipment that existed before the expansion.
SPECIAL NOTES	None

ANALYSIS	Four State annually provides their Quarterly Wage Reports for the prior year with their renewal application, which enables the City to analyze a number of criteria. Job creation is one such criteria taken into account when an exemption is initially considered. Often, the rationale for abating such property taxes is that job creation and/or increased wage rates stimulate the local economy and are thus worth the investment of tax dollars. **Refer to Exhibit A:** Four State maintained an average of 28 employees for FY13, which is a decrease in employment from 2012, but consistent with their employment level in 2011. The initial application for this abatement anticipated the addition of 11 jobs during the ten-year abatement period. While four-state did not meet that goal, it's important to note that during their previous 10-year abatement period, they added 14 more jobs than projected. It is difficult to gauge the extent to which economic factors beyond their control have impacted their ability to grow as a company and thus provide additional employment as originally projected, as well as the fact that the addition of 11 jobs during the abatement period does not appear to require that such jobs be created in any particular year or on a predefined schedule. Presuming the linear addition of employees over the abatement period, Four State would have added an employee during 2013, but instead contracted by two, and would have 8 more employees than it does today. That said, the average hourly wage for all full time employees and total compensation far exceeds projected levels in their application. Exhibit A further identifies the tax benefit Four State has received for the exemption. To date, total taxes exempted for the new addition are $43,408.66. Our Tax Exemption Policy is written such that the initial three years of an exemption (considered the "ramp-up period") are abated at 100%. The remaining seven years shall be exempted at $1,000 per job, but may be adjusted by the Governing Body as a result of the annual review. Historically, not just for Four State but for all exemptions granted by the City, the exempted rate has remained at 100% during the term of the abatement.

PUBLIC INFORMATION PROCESS	Because tax exemption renewals require an ordinance, two readings are required and will be conducted at Commission meetings on 2/11/14 and 2/25/14, respectively, as well as publication in the Coffeyville Journal upon final approval.
BOARD OR COMMISSION RECOMMENDATION	N/A
STAFF RECOMMENDATION	Staff has determined the ownership and use of the exempted property is consistent with the original tax exemption application. While employment levels are below projected levels in the application, hourly wages remain considerably above projections. Staff recommends approving the 2014 annual review of the tax exemption for Four State Maintenance and Supply, Inc. and that the Commission should consider both employment levels and total compensation in determining the rate at which the tax exemption is approved.
REFERENCE DOCUMENTS ATTACHED	Exhibit A: Job Creation and Wage Analysis

ORDINANCE NO. S-14-03

AN ORDINANCE TO APPROVE AN ANNUAL RENEWAL OF THE TEN-YEAR PROPERTY TAX EXEMPTION-INCENTIVE (JANUARY 1, 2009 THROUGH DECEMBER 31, 2018) GRANTED BY ORDINANCE NO. S-09-05 ON CERTAIN IDENTIFIED REAL AND PERSONAL PROPERTY OF FOUR STATE MAINTENANCE SUPPLY, INC. FOR THE ONE-YEAR PERIOD BEGINNING JANUARY 1, 2014 THROUGH DECEMBER 31, 2014.

WHEREAS, the Board of Commissioners of the City of Coffeyville, Kansas has reviewed updated information on Four State Maintenance Supply, Inc. and determined the ownership, use of the property and other qualified criteria for the tax exemption-incentive of Four State Maintenance Supply, Inc. continues to exist and is consistent with their original property tax exemption-incentive applications.

NOW, THEREFORE, BE IT ORDAINED, by the Board of Commissioners of the City of Coffeyville, Kansas that pursuant to the provisions of the City's "Statement of Policy and Procedures on Ad Valorem Property Tax Exemptions and Incentives for Economic Development" (Resolution No. R-95-02) the ten-year property tax exemption-incentive (January 1, 2009 through December 31, 2018) granted by Ordinance No. S-09-05 on certain identified real and personal property of Four State Maintenance Supply, Inc. is approved for an annual renewal at the rate of _____% for the one-year period beginning January 1, 2014 through December 31, 2014.

PASSED BY THE BOARD OF COMMISSIONERS OF THE CITY OF COFFEYVILLE THIS 25th DAY OF FEBRUARY 2014.

_____
David George, Mayor

ATTEST:

_____
Cindy Price, City Clerk

APPROVED AS TO FORM AND LEGALITY:

_____
Paul Kritz, City Attorney

Exhibit "A"

Four State Maintenance Supply, Inc

Savings From Tax Exemption/ Incentive Benefit
Property Tax Exemption / Incentive- Ordinance No. S-09-05
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Calendar Year	Base Employment 2008	New Job Creation Goal Per App	Cumulative Total Job Goal + Base	New Jobs Created To Date	Actual Avg. Total Employment To Date	Performance To Date Plus or Minus
2009	30	2	32	1	31	-1
2010	30	1	33	-1	29	-4
2011	30	1	34	-2	28	-6
2012	30	1	35	0	30	-5
2013	30	1	36	-2	28	-8
2014	30	1	37			
2015	30	1	38			
2016	30	2	40			
2017	30	0	40			
2018	30	1	41			
Total	30	11	41			

	2009	2010	2011
Jan	30	33	27
Feb	28	32	27
Mar	29	30	26
Apr	28	28	27
May	29	28	27
Jun	34	29	29
Jul	33	30	29
Aug	32	29	30
Sep	31	27	30
Oct	31	27	28
Nov	31	27	28
Dec	31	27	29
Average	31	29	28

Exhibit "B"

Four State Maintenance Supply, Inc

Savings From Tax Exemption/ Incentive Benefit
Property Tax Exemption / Incentive- Ordinance No. S-09-05

04-Feb-13

Calendar Year	Total Taxes That Would Have Been Paid Without An Exemption	Actual Real Property Tax Paid	Actual Personal Property Tax Paid	Total Actual Real & Personal Property Tax Paid	Real & Personal Property Tax Savings From Exemption
2009	$ 24,819.14	$ 16,983.70	$ 2,216.12	$ 19,199.82	$ 5,619.32
2010	$ 25,020.96	$ 6,668.12	$ 8,817.28	$ 15,485.40	$ 9,535.56
2011	$ 26,435.18	$ 11,597.96	$ 5,524.04	$ 17,122.00	$ 9,313.18
2012	$ 25,717.48	$ 11,290.00	$ 5,272.72	$ 16,562.72	$ 9,154.76
2013	$ 29,965.52	$ 11,495.12	$ 8,684.56	$ 20,179.68	$ 9,785.84
2014				$ -	
2015				$ -	
2016				$ -	
2017				$ -	
2018				$ -	
Total	$ 131,958.28	$ 58,034.90	$ 30,514.72	$ 88,549.62	$ 43,408.66

Analysis of Jobs Created Versus Savings From Tax Exemptions

Combined Savings to Date From Tax Exemption	New Jobs Created to Date	Tax Exemption Per Job Created	Annual Savings Per Job Created
$ 43,408.66	0	#DIV/0!	#DIV/0!