

Minutes

The City Council of the City of Leawood, Kansas, met for a special call meeting at City Hall, 4800 Town Center Drive, at 5:30 P.M., on Tuesday, June 18, 2002. Mayor Peggy J. Dunn presided.

Councilmembers present: Shelby Story, James E. Taylor, Sr., Patrick L. Dunn, Louis Rasmussen, Gary L. Bussing, Mike Gill, Scott E. Gullledge, and Jim Rawlings.

Staff present:

Scott Lambers, City Administrator
Patricia A. Bennett, City Attorney
Diane Binckley, Planning & Development Director
Jeff Cantrell, Neighborhood Services Administrator
Chris Claxton, Director of Parks & Recreation
Renee Gurney, Municipal Court Judge
Cindy Pitts, Human Resources Specialist

Kathy Rogers, Finance Director
Mark Andrasik, Info. Services Dir.
Joe Johnson, Public Works Director
Ben Florance, Fire Chief
Joey Green, Budget Coordinator
Sid Mitchell, Chief of Police
Deb Harper, Deputy City Clerk

Citizen members of the Budget & Finance Committee present:

James Azeltine
Mark Meierhoffer
Don Roberson
Scott Picker

Opening remarks by Scott Lambers. His 2003 Budget theme is “A Conservative Follow-up Budget.” Almost everything in terms of new initiatives, new expenditures, is somehow associated with an initiative begun and previously approved, and the process of catching up with demands that those previous decisions placed upon the City. There are very few, if any, new initiatives that will create a further burden on the City down the road. Everyone will note the impact of the January 2002 ice storm disaster as it affects presentations in terms of monies spent.

Kathy Rogers – “big picture” presentation. Recommendation to maintain the mill levy at 21.815 for 2003. Staff is looking at an additional 1 mill in 2004 and another 1 mill in 2005.

Scott Gullledge noted that expenditures will exceed revenues by approximately \$2.6 million in 2002, the City will go into the 2003 budget with approximately \$10.6 million, increasing revenues by 3% and increasing expenditures by 4.2% when FEMA revenues and expenditures are backed out. Mark Andrasik said that the 2002 budget shows an ending fund balance of \$8.0

million; staff is estimating the ending fund balance to be \$10.6 million, so the estimated ending fund balance for 2002 is \$2.6 million over what was budgeted for in 2002.

Pat Dunn understood that there were a number of years when the budget was decreased or kept level even though there were expenditures beyond normal, and the projected budget with the increase in 2004 and 2005 is the City's way of trying to soften the impact as much as possible when it finally comes. He thought it was worthwhile to mention the additional expenditures the City took on without increasing the budget in past years for the benefit of those who didn't know about them. One of the large expenditures was the park improvements, a bond issue voted on by the citizens, and there hasn't been any budget increase for that yet. He wanted to make that issue clear.

Mike Gill had 3 questions. 1) Mrs. Rogers indicated that the City had \$1.5 million in demand transfers from the State and was looking at mill levy increases in 2004 and 2005; does that assume the City won't receive the \$1.5 million? Mrs. Rogers said no, that the 2004 and 2005 increases are based on current actions. Mr. Gill asked what would happen if the State in the 2004 budget year did what it is threatening to do. Mrs. Rogers said the City would have ½ year impact because of the timing of its fiscal year and the State's fiscal year. Mr. Gill said that if the State eliminated demand transfers in future budget years, the City would be exposed to more than a 1-mill increase. Mrs. Rogers said that was a possibility, but once again, as staff did this year, they'll look at debt, look at operating, look at reevaluating hiring, and more. Mr. Lambers said the City's ability to react would be very limited by the time the State did damage, and the City would have to absorb whatever hits they gave through reduction in ending cash balance, perhaps be able to defer some expenditures assuming they could be deferred, but what staff would end up doing is probably recovering those lost monies in the next budget year, more than likely through a property tax increase; the loss of demand transfers would be 3 mills and would probably be in perpetuity and those demand transfer revenues would not come back to the City. 2) Regarding the proposed countywide sales tax sponsored by the school districts – if it passes, what budget year would it hit and what would the budget impact be? Mrs. Rogers and Mr. Lambers said the sales tax would be effective January 2003 with 1st payments received the following quarter; taxes would be about \$500,000 and treated as unanticipated revenue and be placed in the ending cash balance for that year. 3) regarding Moody's ratings – if we received a downgrade, are there any call provisions in the City's debt instruments that would subject the City to early call on the debt? Mrs. Rogers said no, that everyone, bond holders, would have to be notified and the City doesn't have debt covenant provisions in the debt.

Shelby Story said that with all the possibilities that were discussed that are negative to the budget, he asked why they weren't discussing the 2 mill-levy increase that was approved with the park bond issue 5 years ago and why it doesn't make sense now that the City finished one park and is getting a good start on the others, that it doesn't incorporate that voter-approved 2-mill increase into the budgeting process instead of waiting until 2004 and 2005. Mr. Gulledge said they should address the issue in regards to either adjusting the revenues or taking another approach and adjusting the expenses because they have a potential shortfall of 1.3% and that doesn't even take into consideration a potential loss of \$640,000 in sales tax due to the current economy which could really cut into the reserve balance even more. Mr. Lambers said that the 2 mills is on the table if the Council wishes to incorporate them. Mr. Story felt it was foolish not

to address it, that they know they're going to raise the mill levy in 2004 and 2005 and the reason given for doing that is the accelerated street program. If they raise the mill levy by the 2 mills approved to pay for the parks, they would not have the negative impact of the debt service of the parks and would then have the money to pay for the streets. Why wait until 2004 with the anticipated impact of the street program to raise the mill? Maybe raise the mill in 2003 by 1 mill for parks, and 1 mill in 2004, instead of waiting, taking a little bit of that early pressure off the budget. If some things happen that are negative like the demand transfers from the State, then they have the revenue to cover the shortfall plus they have until 2004 and 2005 to plan for the street program impact. Mr. Story felt they are passing up an opportunity that the voters approved – they said raise the mill levy 2 mills to pay for the parks. Why wouldn't the City do that? Mrs. Rogers said that the debt for the parks is about 2 mills and the City has already felt the impact of the debt in 2002. The Mayor said that the mill levy increase was projected for the 2003 budget when parks went to the voters. Mr. Story said it makes sense to him that if the City is already feeling a 2-mill impact on the budget, why not raise it the 2 mills that the voters approved and move on. Mr. Gill said if the City needs the 2 mills 2 budget years from now, why would it accelerate the collection of money needed 2 years from now rather than being honest with taxpayers and saying "we're keeping the taxes down, we've done a good job managing your money, the economy has helped, and we're keeping the mill levies down, not putting into effect that 2-mill levy increase, but it's coming." Mr. Story said that 2 years from now, good luck selling a 2-mill increase as having anything to do with the parks, it won't fly. The City's raising 2 mills to pay for streets and whatever else it decides to spend it on. Personally, that becomes an unfair criticism of City government and staff, and everyone's sitting here talking about negative things that might happen that could hit the City for 3 mills. He wasn't suggesting that the City spend all that money but maybe 11% isn't enough if it loses 3 mills from the State. Staff can do a little forecasting for the negative impacts from other revenue sources. Spending it, they can weigh whether or not they're doing enough for streets fast enough, stormwater, etc. They're not going to sell it as a park mill levy increase in 2004 and 2005.

Gary Bussing felt that increasing the mill levy should be the last step in the process that begins with careful evaluation of what your revenue is today, prioritizing what you can do with that revenue, careful hard prioritizing which we haven't done as a City because we haven't had to. We need to decide what are truly critical essential City services and fund those, and where there's any instance where you can't fund those critical services, then you raise taxes. The Governing Body's job is to make hard spending choices and live within the revenue stream that we are handed. If the State hands us less, we have an obligation to deal with it, not just simply pass it on to the taxpayers.

Mr. Story said that fundamentally, he agrees with Mr. Bussing. If the City takes a survey of citizens, there will be some areas where we are failing to provide the level of service they request – streets, stormwater, and in his opinion, public safety. Maybe Mr. Bussing is right, maybe the appropriate action is to cut something else, but take that back to the citizens and ask them what they want the City to cut. He thinks that they won't want the City to cut those things. He feels the City's fundamental responsibility is to provide what the citizens want in an economical fashion.

Mr. Lambers said that the City has adequate reserves to assume 100% elimination of the demand transfers in the budget year in which it takes place. Actually it could be worse, because the State

could remove part of their 2003 demand transfers from the City's 2003 and 2004 budgets because of their budget cycle. The City can absorb that in 2003 through its reserves, but then for the following budget year, it will have to decide if it wants to recapture that, defer spending, or allow the reduction reserves to maintain and hope it can build that over time. Mr. Lambers is very comfortable that the City can survive 2003 regardless of what the State legislature does. In addition, there is flexibility in the budget, about \$250,000, that is yet to be appropriated that he will request the Council budget but hold for final appropriation upon the conclusion of the 2003 legislature.

Kathy Rogers – Administration presentation.

Mike Gill asked when or if the \$750,000 budgeted for IS will be spent. Mr. Lambers said staff is reevaluating the direction it is headed, and is in the process of trying to find a system that was put in place recently in a community that mirrors Leawood and visit to see if the system warrants further exploration, take it to the Technology Committee, and then decide how to proceed; based on the preliminary estimates, staff is looking at expenditures of \$550,000-\$650,000 for the type of system that will get us through the next 5-10 years. There will be some expenditure the end of 2002, with the vast majority of the money expended in 2003.

Ben Florance – Fire presentation.

James Taylor asked what will happen if the City doesn't have its own ambulance. Chief Florance said the City will use Johnson County MedAct. He said that by eliminating the ambulances, you eliminate that expense; they are replaced about every 10-12 years. However, you don't necessarily eliminate the personnel because with the ladder truck, it has to have 3 people accompany on it. If there isn't an ambulance at station #2, then there will be less time that you will have to have that fire truck out of service because of minimum staffing. At station #1, instead of having 5 firefighters, you can go down to 4 for the full company without the ambulance. And the 5th can be moved to station #2 and then the truck should never be out of service. Chief Florance said that the annual budget for the ambulances is about \$25,000-35,000. Personnel is cross-trained so the same firefighters who drive the ambulances also drive the firetrucks; staffing won't be reduced, just moved around, especially since station #3 is open. Realistically, for 2003, he recommends 3 firefighters as opposed to 1 because of the ambulances and having to staff them and not having to put them out of service. If the City doesn't have the ambulances, it will be in much better shape from a staffing standpoint. Without the ambulances, budget will be cut \$25,000-35,000, not counting the ambulances themselves; the City is going to spend \$85,000 now for a new ambulance amortized over 10-12 years.

Chief Florance explained that when the City gets the new ladder truck, the minimum staffing has to be 3. If there is minimum staffing at that station of 5, the City can't have a company of 2 left at the station; must have a company of 3. So something will have to be put out of service. He said that that problem should be addressed; the City pays \$750,000 for a new firetruck and it will have to be out of service because of lack of staffing, so that's a problem. His recommendation for 2003 is to hire 3 firefighters and supplement with on-call firefighters, but there's no guarantee that the City will still have the 4 on-call people next week; they may all find other jobs. Also, since opening station #3, there has been more overtime to cover for people who are

sick in order to maintain minimum staffing. There's 1 in the budget; 2 more will cost about \$90,000 total. Chief Florance said that the City is also getting a new \$80,000 ambulance for station #1 that will have to be put out of service on a regular basis because there are less than 5 firefighters at that station. Mr. Story asked how long it takes to hire 1 firefighter if the City leaves it at 1 with a contingency if problems arise. Chief Florance said it takes about 2 months to go through the hiring process.

The special call meeting was adjourned at 9:00 P.M.

Martha Heizer, City Clerk