Special Call Meeting

THE LEAWOOD CITY COUNCIL

February 3, 2003

Minutes

Audio Tape No. 572

The City Council of the City of Leawood, Kansas, met for a Work Session Meeting at City Hall, 4800 Town Center Drive, at 6:00 P.M. on Monday, February 3, 2003. Mayor Peggy Dunn presided.

Councilmembers present: Jim Rawlings, Pat Dunn, Louis Rasmussen, Gary L. Bussing, James E. Taylor, Sr., Scott Gulledge, and Mike Gill.

Councilmembers absent: Shelby Story

Staff present: Scott Lambers, City Administrator
Kathy Rogers, Finance Director
Kathy Byard, Budget Coordinator
Deb Harper, City Clerk
Emily Watson, Deputy City Clerk

Mayor Dunn called the meeting to order at 6:07 P.M. Kathy Rogers introduced Kathy Byard as the new Budget Coordinator for Leawood to the Governing Body.

Scott Lambers gave a brief introduction on the meeting topic, the 2004 Budget Goals/Assumptions. It was emphasized by Mayor Dunn that this meeting was a very preliminary discussion concerning the budget and that the Body would continue to look at expenditures at future meetings.

Kathy Rogers discussed the 2004 budget directives and goals. She recognized that over the past three years, the financial stability of the City has been such that reserves have been well over the 11% of expenditures that have been budgeted, with 19% being the target. This can be traced in part to money left in SMAC fund that is now beginning to be used for projects in 2003 and also the computer integrated software funds that will be expended during 2003. Ms. Rogers noted the General Operating Fund was the biggest expenditure, with restricted capital and alcohol funds. The City has been able to maintain a 15% reserve in the General Fund. When going for bond rating, the two funds looked at are what kind of reserves are in the General Fund and the Debt Service Fund. Some funds, including the Golf Course, don’t have large reserves, so the 15% represents reserves across all funds in the General Fund.

Councilman Bussing asked for clarification on this topic, mentioning the Stormwater Project. He asked if funds budgeted for it but not yet spent would show up as reserves. Ms. Rogers affirmed, stating those funds would show up as restricted in the 19 % reserves across all funds. Councilman Bussing stated he felt his definition of unencumbered reserves was different from Ms. Rogers', who viewed an uncommitted stormwater project as reserves when money was set aside for that project. Ms. Rogers said that when cash from all funds is viewed as a whole, those types of reserves are included in that view, but that 15% of unencumbered funds in the General Fund is always the goal.

Debt Service to expenditures ratio was explained by Ms. Rogers as what is used in the capital improvement budget where operating expenditures debt is not more that 20%, leaving 80% to run the operations, which is an approved ratio by Moody's. It is expected to remain the same in 2004 and Debt Service also has reserves that are not included in the 11%. State level allows reserves to be up to 100% of expenditures for any given year; the City has tried to maintain it at approximately 33%.

Ms. Rogers stated that the current revenue reductions by the State of Kansas have been incorporated into the planning model, and the demand transfers have been taken out for the entire five years. Mr. Lambers stated that amounted to $750,000 each year.

Capital projects have been linked to operating costs in order to monitor and maintain long-term financial balance. Ms. Rogers acknowledged that operating costs of certain large projects [including the City Park, Fire Station #2 and Public Works] are included in the five-year picture to guarantee adequate funding. Ironhorse still needs to be looked at closely as far as funding, as the numbers came in late last year and were not incorporated as accurately as they could have been.

Ms. Rogers discussed the maintaining of service levels, by maintaining equitable and competitive employee compensation, and following federal, state, or insurance mandates that are primary in taking care of what has been developed before taking on new projects and putting them into the budget. Specifically, the street conditions, targeted at maintaining with the Slurry Seal and Rehabilitation Project at 70%, remain at an average of 80% and will continue at this level through the five years.

The provision for efficient delivery of services includes improved productivity with training and technology, refined performance measure for the Police Department and identifying all general fund subsidies to fee based programs. Ms. Rogers suggested that these identified provisions will amount to a substantial cost saving to the City.

Councilman Dunn asked how the original target percentage was reached on the street program. Ms. Rogers answered that the Strategic Spending Committee had decided upon the 70% in 2001. Mr. Dunn recommended that at some point there needs to be minimum measurable level under which the City will not allow a street to fall beyond the average level, as there are currently some streets that are in need of repair. Mayor Dunn interjected that this might fall under the $10.5 million Accelerated Street Program.

Ms. Rogers discussed the budget policies for Leawood. Services were prioritized after talking to Moody's. Basic or core services which included debt services, and Police and Fire ranked highest, followed by maintenance of effort services. These services included Council, Administration, Human Resources, Finance, Municipal Court, Legal Services, Information Services, Planning, Neighborhood Services and Public Works. The area of quality of life services included Parks, Recreation, Aquatic Center, Golf Course, Arts Council, Sister City Program, and the Historic Commission. Ms. Rogers commented that when looking at the services, the ones that were linked most closely to the health and safety of the citizens and legally mandated commitments were the ones that had first priority.

Councilman Gill commented that he felt the principles outlined were great and worth aspiring to but hoped that they would not become so hard-edged that there was no room for exception; he felt nothing outlined was an absolute. Councilman Dunn agreed with Mr. Gill, saying flexibility was needed in prioritizing of the services. Mayor Dunn responded that further discussion on this matter would be taken up at the March 24 meeting.

Ms. Rogers discussed that in the General Fund, expenditures for normal operating and personnel services, excluding capital expenditures, will not be permitted to exceed anticipated revenues and carryover. Councilman Dunn asked if this meant that money would never be borrowed to do this. Ms. Rogers replied that money would never be borrowed in the General Fund to run the operations; that in planning the budget, funds would be set aside for personnel and basic operating costs, with the remaining revenue to fund capital (maintenance).

The remainder of the meeting was turned over to Scott Lambers, who discussed making revenue assumptions by the Governing Body to put into the budgeting model. The first assumption was Mr. Lambers' proposal that there be a range of growth that the staff will look at and consider for the three major revenue sources, dealing with growth from assessed valuations (3%-7%), sales tax (2%-6%), and all other revenue (1%-5%). He asked for an approval on the assumption for minimum and maximum ranges of growth for the staff to work under. Councilman Rasmussen stated he felt all three ranges were reasonable and he agreed with them. Mr. Lambers added that the number that will be picked will be the average over the five-year period and that the numbers presented will be a reasonable range to operate from over a reasonable time frame of five years.

Councilman Rasmussen stated he was in favor of including the voter-approved mill levy increase for the park. Mr. Lambers asked for the Governing Body's opinion on whether or not to include the levy increase in the budget, and if included, should it be an option. Mr. Bussing and Mr. Gill were both opposed to the mill levy increase, but would like to see it as an option. Councilman Dunn was in favor of looking at the options, but not reversing the will of the people, which was adopting a 2 mill increase for the purpose of renovating the parks.

Mr. Rasmussen was in favor of submitting to the voters an extension of the 1/8 cent sales tax. There was a consensus of the Governing Board in favor of this extension. Mr. Lambers stated that this item will be considered a fixed item in the budget model.

Mr. Lambers asked for opinions on whether to absorb the State's deduction of $750,000 in the budget as a fixed revenue loss or if a mill levy equivalent should be considered and whether that would be a fixed revenue or an optional one. The Governing Body decided it should be an optional one. There was discussion on how efficiency enhancements would be shown in the matrix model, so that the Governing Body could make a sound decision.

Mr. Lambers asked for the forwarding of any additional CIPs that needed to be incorporated into the budget, so that prices could be assigned.

There being no further business the meeting was adjourned the meeting at 7:00 P.M.

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Emily Watson, Deputy City Clerk