Special Call Meeting

THE LEAWOOD CITY COUNCIL

March 1, 2004

Minutes

Audio Tape Nos. 620

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 5:40 P.M., on Monday, March 1, 2004. Mayor Peggy Dunn presided.

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

Councilmembers absent: None.

Staff present:
Scott Lambers, City Administrator
Kathy Rogers, Finance Director
Kathy Byard, Budget Coordinator
Joe Johnson, Public Works Director
Jeff Cantrell, Neighborhood Services Administrator
Deb Harper, City Clerk
Emily Gleasure, Deputy City Clerk

68 **1.** **Presentation of 2005-2009 Capital Improvement Projects [C.I.P.]**

Scott Lambers advised that the 2005-2009 Capital Improvement Projects (CIP) document was a continuation of what the Governing Body began two years ago. Tonight's meeting would cover an overview of the document, highlighting some specific programs.

Kathy Rogers stated the Assumptions on Page 7 of the document were updated each year. This year the Police Department and the Community Center were added in. She said the larger street projects were in place, with the mill and overlay work figured in but the amount of work done would be based on oil prices. The projects and the long-term financing of them were based on the assumptions discussed with George K. Baum. The assumptions were based on the same methodology of property tax collection that the State issued for a number of years. The City was projecting 3% interest rates on the money set aside for pay-as-you-go or for bonding. Assessed evaluation was projected for 4.5% for 2005 through 2009, with the City's total assessed evaluation at this moment in time estimated to increase by 6.58%.

Ms. Rogers noted that this year a transfer was included from the General Fund to Ironhorse Golf Club to meet its debt service and capital obligations. The City was assuming timely payment of special assessment debt by Special Benefit District (SBD) properties. Also included, was the proposal to extend the 1.8 cent sales tax from 2005 to 2009, with these funds going to non-SMAC and to mill and overlay projects.

Ms. Rogers explained the table on Page 66 was a summary of outstanding debt per capita. Additionally, the chart indicated the debt as a percentage of expenditures. Page 67 broke down the per capita debt into types. While the threshold was listed as $1,200, Leawood had traditionally been above that level because of its high wealth levels. Ms. Rogers explained the chart on Page 68 (Debt Outstanding as a Percent of Property Market Valuation), stating the ratio helped buyers of the City bonds determine how well a city carried its debt load when measured against property appraisal valuations. Referring back to the chart on Page 64, Ms. Rogers stated it represented the ratio between the total debt and the expenditures that were projected to go forward. She stated the goal was to keep the debt service at 20%, raising the threshold to 25%. David Arteberry indicated Standard and Poor's Annual Review of AAA Rated Municipalities listed only one city at 25%, with most being near 20%. She stated the City was reaching a point where it would be hard to increase its rating level.

638 Mr. Lambers stated he felt it was important for the City to communicate to the bonding agencies that there was a line of demarcation. It was his opinion that the 25% mark was inviolate, and the marginal difference between the 20% and 25% line was the balance of the capacity the City has for debt without triggering a serious review of its AA1 bond rating. If the time came when the City had to decide whether to approve an SBD or save capacity for itself, the City would have to say no to new projects until some of the debt was retired.

Councilmember Gill stated he agreed with the "just say no" approach. In looking at the chart showing a rise in debt in 2007, he questioned what strategy would be used should the economy go bad at that time. Mr. Lambers stated the City could absorb the debt service, but the impact would hit in Operations, pay-as-you-go projects, and future capital projects. There would be a reduction in the mill and overlay program, the Justice Center and Community Center would be pushed back, and the accelerated residential street program would be stretched out longer.

818 Councilmember Story stated he was opposed to operating near the 25% mark. He questioned where the AA1 cities were if the AAA cities were hovering around 20%. Mr. Lambers replied that had not been looked at. Ms. Rogers advised that the ratings were based on a variety of criteria, such as the number and type of housing projects, the wealth levels, and the job situation in the area. Mayor Dunn added that the rating agencies also looked at a Governing Body's willingness to raise the mill levy.

Councilmember Taylor asked what the difference was between a AAA and AA1 rating. Ms. Rogers stated the differences were nominal. Councilmember Bussing stated the difference was merely a half of a percentage point. He stated it was a matter of how much pressure a city wanted to put on itself to maintain that level. He stated there was no value in going up to AAA. Councilmember Bussing advised he thought all projects should be evaluated over a broad spectrum, and that he did not hold the City's AA1 rating sacrosanct. Mr. Lambers stated the AAA rated cities were rated that way because they had less debt service and had larger reserves. It was possible they were turning away projects that they could do, just to have reserves in the bank. Councilmember Bussing stated he felt the Governing Body needed to make decisions for the benefit of the City and citizens of Leawood. He was opposed to doing things just to look good for Moody's, if it meant sacrificing something good for the citizens.

1082 Councilmember Taylor questioned whether selling City assets could reduce the debt. Ms. Rogers stated, as an example, the golf course could not be sold because the voters had approved it. Mr. Lambers advised debt could not be paid off prematurely. Councilmember Taylor confirmed with Councilmember Rasmussen that penalties had been built into the price of the bonds when they were issued. Mr. Lambers added that if a bond was called and there was an asset that could be sold, there would be an option to pay off the bond.

Councilmember Taylor suggested that areas within a Ward be considered for SBDs, as opposed to having a first-come, first-served program implemented. Mr. Lambers stated a specific improvement could be targeted for capacity funding. Councilmember Taylor asked that there be a balance as to the distribution of SBDs. Mr. Lambers advised that by simply looking at an open piece of land and trying to guess at what the SBD might be would not be feasible.

1240 Ms. Rogers discussed the Key Debt Management Ratios on Page 66, stating years 2006 through 2010 were critical years, with 2009 being the first year debt would be paid off faster than was currently done. During 2009 through 2014, debt would be added faster than would be paid off, due to projects coming on in years 2007 through 2009. She advised that proposed future projects past 2009 were listed on Page 59.

1380 Ms. Rogers discussed the status of borrowing for the $12,500,000 park initiative. After all final pays were made for I-Lan and Ironwood Parks, there would still be authority of $4-500,000 left. Councilmember Taylor advised that the Park and Rec Advisory Board had a list of priority items they desired to purchase for the parks with the remaining funds. Ms. Rogers replied that the money would need to be bonded if it were to be used, as there was a difference between authorized versus on-hand funds. Councilmember Taylor stated the voters had authorized the City to raise the mill levy 2 mills. If the City didn't use the total capacity of the Park bond, how would it respond to voters on the mill levy increase. Mr. Lambers stated the City had been given the authority for use up to $12,500,000 by the voters. The mill levy was not tied to the Park, but was merely an estimate that the voters were advised could be if the interest rates were at 10%.

1519 An overview of the committed and proposed Capital Improvement Program (CIP) projects listed on Page 61 was given by Ms. Rogers. Councilmember Gill suggested that in the future the projects be listed according to whether they were City funded or funded entirely out the project itself, through benefit district or otherwise. Mayor Dunn advised that each project had a page with the total cost breakdown. Councilmember Taylor questioned the costs associated with the Police Facility. Ms. Rogers advised that the $6 million had been budgeted for sometime, but that the $3 million for land acquisition was a new item. Previously it had been thought the Police Facility would be built on City land, but the $6 million would not adequately cover both building construction and land acquisition. Councilmember Taylor asked about the property that had been set aside for this purpose. Ms. Rogers advised it was now being held for the Community Center.

1789 Ms. Rogers discussed the overview of the street program, as found on Page 5 of the document. Councilmember Bussing questioned the fact that the current pavement condition index (PCI) was 80.8%, with a target of 70%, and yet the City was still spending $1.5 million a year over the next five years for this item. Joe Johnson advised that in northern Leawood there were approximately $16 million of streets that needed repair. The additional $1.5 million per year would accelerate that repair schedule. Mr. Johnson stated there were some 40-50 year old streets that had never had maintenance done on them since the day they were built.

Mr. Lambers referred the Governing Body to Page 29, the 2004 Residential Street Reconstruction Program. Mr. Johnson commented that reconstruction compared to mill and overlay was at a cost of $120-140 sq. yd. as compared to $10 sq. yd. Mayor Dunn confirmed with Mr. Johnson that the total reconstruction compared to mill and overlay was more than ten times as costly, based on oil prices. He advised the useful life of a road with slurry seals and mill and overlay was 40 years.

2036 Councilmember Story asked what the City's target should be. Mr. Lambers replied that the number was artificial because of new construction. Once all roads to be built were completed, the number would have more validity, with 75% being a good target. He also advised streets were being chosen in clusters, rather than picking out only highly needed maintenance streets. Some streets with a higher rating would be replaced, and would have a negative effect in terms of a decrease in the rating, because of taking out a street in fairly good shape. Councilmember Bussing questioned the absence of storm sewers in the program. Mr. Johnson replied that many streets would require storm sewer work, but that work would be covered by SMAC or sales tax, rather than spending street funds.

Councilmember Taylor confirmed with Ms. Rogers that the key debt management ratio was the debt payment into the total amount of debt for that particular year. She added that while it appeared the City was rapidly paying off debt, it was also incurring new debt just as quickly. Mr. Lambers advised that the higher the number, the quicker the debt was paid off. The City issued a lot of long-term debt which showed up in earlier years, but that there would be projects with long-term debt in the out years, so the 91% shown on Page 66 would drop down.

2184 Councilmember Dunn confirmed with Mr. Johnson that storm sewer repair would always be an incidental item, but that it would not be included as a separate budgeted item under street repair unless it was a major portion of the repair. Councilmember Bussing stated that the types of stormwater issues in JB-08 were not consistent throughout north Leawood.

2236 Ms. Rogers discussed the pay-as-you-go projects, which were projects that were unscheduled and unbonded, including the Arterial Program, the Mill and Overlay Program, and SMAC Projects. Obtaining easements in advance for the SMAC projects was discussed, and Mr. Johnson advised most of the work on JB-04-008 was in the right-of-way.

2477 Councilmember Rasmussen expressed concern about pay-as-you-go projects. He stated DB-24 was originally estimated at $1,660,000; the project now was $5,329,000 over a period of nine years. Councilmember Rasmussen asked that projects such as this one be monitored. He stated the City had reserves, and if the project was truly a pay-as-you-go, those reserves should pay for things such as the $200,000 that was being asked for later tonight to be bonded for easements for DB-24.

2740 Mr. Johnson gave an update on stormwater inlet maintenance. He advised that $100,000 for maintenance was in the Operating Budget. Public Works would televise the storm sewers, contracting out the maintenance with Miles Excavating. Mr. Johnson estimated that $80-90,000 would be spent on maintaining the pipe system in 2004, accumulating the remainder. By accumulating money each year, Public Works would go back to doing their own maintenance by 2007. Councilmember Gill confirmed with Mr. Johnson that Roe Avenue would be completed in 2005 and Nall Avenue in 2007, with the possibility of both roads being closed at the same time at some point.

2907 Councilmember Rasmussen confirmed with Mr. Johnson that 99% of the storm water inlets had been accounted for.

2292 There being no further discussion, Mayor Dunn adjourned the meeting at 7:30 P.M.

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Emily Gleasure, Recording Deputy City Clerk