

Tapes No. 635-636

Minutes

The City Council of the City of Leawood, Kansas, met for a Budget and Finance Committee work session at City Hall, 4800 Town Center Drive, at 6:15 P.M., on Monday, June 28, 2004. Mayor Peggy J. Dunn presided.

Councilmembers present: James E. Taylor, Mike Gill, Louis Rasmussen, Gary L. Bussing, Scott E. Gullede, Debra Filla, Gregory Peppes, and Jim Rawlings.

Staff present:

Scott Lambers, City Administrator	Kathy Rogers, Finance Director
Kathy Byard, Budget Coordinator	Patty Bennett, City Attorney
Renee Gurney, Municipal Court Judge	Joe Johnson, Public Works Director
Ben Florance, Fire Chief	Sid Mitchell, Chief of Police
Chris Claxton, Director of Parks & Recreation	Mark Andrasik, Info Systems Director
Colleen Browne, Human Resources Director	Diane Binckley, Planning Director
Deb Harper, City Clerk	Jeff Cantrell, Neighborhood Serv. Dir.
Emily Gleasure, Deputy City Clerk	

Councilmembers absent: None.

Budget & Finance Committee members present:

Mark Meierhoffer
Scott Picker
Michael Clarke

Budget & Finance Committee members absent:

Greg Bussing

261 **Opening remarks by Mayor Dunn.** Mayor Dunn discussed the history of the Budget meetings over the past eleven years. In the early years, every detail of the Budget was scrutinized. Three years ago, Staff was instructed to give comprehensive presentations to the Governing Body that did not allow much time for dialogue. This year, there would be less formal presentations with more time for discussion.

345 **Opening remarks by Scott Lambers.** Mr. Lambers stated last year the cost containment and accurate revenue projections were a significant component of the Budget deliberations. This year, the discussions would be more status quo, with the Budget having only one new policy initiative [the City pursuing the possibility of self-insurance for Worker's Compensation]. Everything else had been before the Governing Body previously and was in the process of being implemented. The only significant change in those implementations was his recommendation for the Police Station/Public Safety Facility land acquisition to be achieved in 2005 through Pay-As-You-Go (PAYG) instead of bonding, as reflected in the proposed expenditures.

Mr. Lambers said it was important when going through the Budget document to note the comparisons between 2004 and 2005, and to realize the 2005 Budget assumed a very conservative revenue projection with an optimistic expenditure occurrence of 100% assumption. The differential between the 2004 and 2005 Budgets would be 3-4% depending on what was studied. When taking into account the 2004 estimate, the revenue side would not change significantly, but the expenditure differential would increase due to personnel. In personnel, Mr. Lambers stated he would be recommending only one full-time position.

512 Mark Meierhoffer confirmed with Mr. Lambers that there would be no new Capital Improvement Projects (CIPs) other than what was stated in the Operating Budget. Mr. Lambers stated the Residential Street Program was in its second phase of a \$17 million program. Additionally, the Community Center was still in a conceptual phase, and would be more closely looked at in future years. He stated the document projecting full build out of City staff was only a draft. It was the beginning of a multi-phased process for use in projecting the needs of the Justice Center facility. Mr. Lambers stated a policy decision had not been made concerning what departments, if any, would occupy the new Justice Center with the Police Department.

634 **Opening Remarks by Kathy Rogers.** Ms. Rogers advised that the projections for the 2005 Budget were based on two months of data from 2004. Revenues had been projected without a mill levy increase. While the Budget was being put together, it was determined to allocate \$4 million for the Justice Center land acquisition; to double the amount for Worker's Compensation (both for operating and in preparation for 2006); and to escalate the CIP to include the parking lot for City Hall and the arterial program. When looking at the sales tax and use tax, with only two months of real data, increases were added for the use tax that allowed no levy increase to be required as previously projected. The current mill was equivalent to \$590,000 in expenditures for 2004, based on assessed valuation, personal property and state laws. Building permits, a type of elastic revenues, were at an all-time high at the end of last year (\$1.6 million, or approximately three mill). Municipal Court revenues, also elastic revenues, had a record year at \$1.6 million. These were taken into consideration when putting together a projected budget for 2005.

Ms. Rogers acknowledged that the budgeted expenditures were put into the Capital Expenditures. Another area that increased beyond the City's control was the 2.14% increase to the firefighter and police officers' pension fund. KPERS was projected at a .5% increase for the 2005 Budget. The Parks and Recreation Budget was slightly increased because of the Creek Bank Stabilization Project. Administration would show double budgeting under Worker's Compensation.

Ms. Rogers stated the Budget framework had been set up to include financial benchmarks. The Governing Body had provided goals, and those, along with the CIP documents and the current policies, had all been used to create the Budget. All of the benchmarks were in place. However, this year, the increases in the sales tax and use tax area were being used to increase the Debt Service Fund by \$1.8 million. She added the County sales tax for education was not in the Budget, but would be placed in a project account that had yet to be determined.

Mr. Meierhoffer asked how much City debt was floating versus fixed. Ms. Rogers replied the debts were all fixed debts, which included a lot of Special Benefit District (SBD) debt and Transportation Development District (TDD) debt.

Councilmember Bussing stated the Budget showed an ending balance in 2004 and a beginning balance in 2005 of nearly \$9 million. The Budget was projected after two months of data to close the year 2004 with \$5 million. He asked what her feeling for this projection was today. Ms. Rogers replied the money was coming in from construction supplies for building projects rather than retailers. She stated it was still too early in the year to give a better answer as to how the money would be redistributed.

Councilmember Taylor and Ms. Rogers discussed the use tax versus the sales tax in Kansas and how it was monitored by the State. Councilmember Peppes advised that the Department of Revenue had auditors checking on larger businesses as to whether they were paying their Kansas sales taxes. Ms. Rogers stated there was a method to estimate revenue over the next year that would be presented in July to city finance officers by the Kansas Director of Revenue.

1672 Ms. Rogers answered questions from Councilmember Filla concerning the balance in the General Fund from 2004 to 2005. Additionally, they discussed the Reserve Fund policy. Scott Picker questioned the plan to put the excess from the General Fund into the Debt Service Fund. Ms. Rogers advised that the way the mill was adjusted, that was what would happen. If not as much mill was needed in the General Fund because of the use tax, more mill would be put into the Debt Service Fund.

Councilmember Rasmussen asked about the 2005 Budget Directives in the Budget book. On page “i,” under “Maintain Financial Stability,” he questioned the statement, “*Continue to maintain the City’s AA1 Bond Rating.*” After some discussion, City Clerk Deb Harper advised that the discussion in a previous Work Session had been whether to try to increase the rating from AA1 to AAA. Mayor Dunn added the issue had been debated and it was decided not to do that, as Moody’s, on their own, had discussed giving Leawood the AAA rating without the City applying for it. Councilmember Rasmussen stated that he felt the City should only maintain an AA rating, nothing higher, so that the City’s reserves were not too high. Mr. Lambers stated that the AA and AA1 ratings were based not on reserves, but on the debt load of the City. When applying for an AAA rating, reserves were then a key factor in determining whether the City qualified.

2353 Councilmember Rasmussen discussed [*The City’s portion of the County Economic Development, i.e. Education tax, is not included in these figures. As discussed in the CIP, it is being held in a restricted unbudgeted capital account until the Governing Body determines a specific use for these funds*] on page “iv.” He confirmed with Ms. Rogers that none of this money was included in the City’s Reserve percentages. At the end of the year there was \$680,000 in an unbudgeted Capital account that was not included in the Reserves. Councilmember Rasmussen stated there was roughly one mill of tax revenue that was not committed at this time. Mr. Meierhoffer confirmed with Mr. Lambers that this money was an economic development sales tax that was levied by the County and approved by the voters. The County’s portion was dedicated to the school districts. The City was free to use it as they saw fit for any proper municipal function. It was a three-year tax. Mr. Lambers stated it was his recommendation that this fund be used to pay down the cost of a capital project. He said the Community Center project would require voter approval for the issuance of debt. It would be more prudent if a portion of the expenditure could be brought down by PAYG, presenting the voters with a lower cost. If the money were used to reduce the mill levy for 2005, there would not be money for the following years. The mill levy would need to be increased by one mill in 2006 to offset the revenue that would not be there. Currently, there were already two years of .75 mill levy built into the Budget for 2006 and 2007. Mayor Dunn added that after the Education tax had passed, there had been an immediate lawsuit from Wyandotte County. Until that suit was settled, the City had hesitated to use the money, and had left it in a restricted fund.

2622 Councilmember Gill discussed the unbudgeted Capital account with Mr. Lambers. Mr. Lambers suggested viewing it as a one-time expenditure because of the volatility of it. In addition to a pay-down on the Community Center, he suggested using it for the lower useful-life items (fixtures) needed for the Justice Center, instead of paying for them over many years. That would reduce the bonding for the project, freeing up possible bonding capacity for other projects.

Councilmember Filla confirmed with Mr. Lambers that the tax was in place for three years, meaning a mill would be collected each of three years. Mayor Dunn added that no city except Fairway had used this funding specifically for schools. Overland Park had used the money for street work surrounding schools in their city, but there was no obligation to use the money for schools per se.

Councilmember Taylor questioned the staffing identified on page “v.” Mr. Lambers advised the various departments had requested this staffing level. It was determined that this would be discussed in more detail during each department presentation.

- 3013 Councilmember Rasmussen questioned the reasoning behind reverting to a City-insured fund for Worker’s Compensation costs. [*Historically the City has been a trustee in a Worker’s Compensation trust (K.E.R.I.T.) that has been very reasonable. However, between 2003 and 2004 the City’s share of the trust increased by 334%, or \$92,678. While the City is not experiencing an increase in accidents, the claims are staying open longer and costing more because of the medical and legal expense. For 2005, a 2% increase is budgeted, however we are also recommending a new initiative, which would be establishing our own self-insurance fund for Worker’s Compensation costs. A \$510,000 transfer is proposed to pre-fund this initiative, which would not begin until 2006.*] Mr. Lambers stated the pooling concept of K.E.R.I.T. was a benefit for cities as a general rule. However, he felt that Leawood had paid in more than it had incurred in costs, subsidizing hundreds of thousands of dollars to the benefit of other member cities. This had occurred since 1995. It was his estimation that the subsidized amount would surpass \$1 million by 2005. He felt Leawood was at a disadvantage to other cities in the program, as they provided utilities [water, sewer, cemeteries, etc.] from which the vast majority of Worker’s Compensation claims were filed. He felt the City was at a point where the annual premium could be budgeted each year, along with a reserve fund. While the reserve might fluctuate between \$400,000 and \$600,000 per year, the City would be paying money in and getting money out without subsidizing other participants in the program. He advised setting up the reserve fund in 2005, so that the program could be started in 2006. If, in 2006, it was decided to remain with K.E.R.I.T., then those moneys could be freed up for use elsewhere in the Budget.

Councilmember Gulledge confirmed with Mr. Lambers that the annual premium for K.E.R.I.T. was \$390,000. He asked what the City’s liability amount was for each employee that would need to be paid before the insurance company would step in. He stated he would not be in favor of spending \$500,000 for the funding of this project until the stopgap amount for each employee was determined. Councilmember Gulledge suggested funding the account using historical data to determine the amount. Should the fund fall below what was needed, refunding could be made through the General Fund Reserves account. He was not in favor of putting a blanket amount into the account if it was not needed. Mr. Lambers replied the transfer of funds from the General Fund could start the reserve funding, with no loss to the City. If the Governing Body should later decide not to implement the program, the fund could dissolve itself.

- 3560 Councilmember Rawlings asked about the reinsurance point for Worker’s Compensation claims and the average cost of the claims. Mr. Lambers stated all of the data could be obtained from K.E.R.I.T. Additionally, he advised that it would not be good strategy to go in and out of K.E.R.I.T. Councilmember Peppes related that he had been a member of a self-insurance program in the private sector that had gone broke, and there had been many lawsuits as a result.

Mr. Picker asked if the City would be responsible for maintaining and monitoring the legal claims brought about by the self-insured program. Mr. Lambers replied that a third party would administer the program. Mr. Picker asked that an hour be set aside at tomorrow night's budget meeting to discuss the allocation of the Capital Improvements versus the mill levy.

Councilmember Filla and Mr. Lambers discussed the funding of the self-insured program. Mr. Meierhoffer asked if something less than \$500,000 could be used to set up the initial reserve. Mr. Lambers replied that in looking at the premium, \$500,000 would be a reasonable amount, and not detrimental in the long run. (4021/end of tape)

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Mr. Meierhoffer confirmed with Mr. Lambers that the minimum level that must be kept in reserve for the self-insured program depended upon activity data that was not yet available.

Councilmember Rasmussen asked why the operating reserves could not also be used for the funding of the self-insurance for Worker's Compensation. Mr. Lambers replied that currently under K.E.R.I.T., the City had the reserves. Ms. Rogers added the State also restricted how much the City could keep in reserve. That amount was up to 15% of the Operating account. The State required a separate account be created for a self-insurance fund.

Councilmember Taylor asked which departments would be involved in the [*\$75,000 to outsource scanning of documents for permanent archiving*] listed as a new initiative on page "vi." Mr. Lambers stated the City Clerk's Office would be transferring the Governing Body minutes to CDs for space-saving file storage and for safety. Public Works would also be scanning CAD images of plans to save on CDs. Councilmember Taylor questioned the funding for the dish network at the Lodge [*\$1,200 dish network for Lodge at Ironwoods Park*]. Mr. Lambers replied bond money was no longer available for this. Councilmember Taylor asked about the funding for the microwave dish [*\$17,000 microwave dish for City Hall*]. Mark Andrasik stated it would be used for high-speed communications between City Hall and the Police Department.

332 **Sid Mitchell – Police Department.** In discussing the 2005 needs of his department, Chief Mitchell stated that the equipment requested was primarily replacement or upgrading of existing items. One new Harley-Davidson motorcycle was being requested. Another detective was requested to assist with the number of high-profile cases the department was working on as well as the regular caseload. He stated the Budget reflected a 1.9% increase over the 2004 Budget, excluding the \$3.1 million held out for the purchase of land for the new Justice Center.

Michael Clarke discussed with Chief Mitchell the overall performance of the department in regards to response time. Councilmember Bussing questioned Chief Mitchell on the practice of promoting from within the department. Councilmember Rasmussen discussed case management with Chief Mitchell.

Councilmember Taylor discussed performance measures (page 53) with Chief Mitchell. Chief Mitchell stated the department had 56 commissioned officers with no vacancies at the present time; however, six officers were not available for duty due to maternity leaves and a temporary move of one officer to Investigations to work on the Ali Kemp case. Councilmember Taylor discussed with Mr. Lambers the \$3.1 million set aside for the purchase of land for the Justice Center.

- 808 Councilmember Gill confirmed with Chief Mitchell the intent behind traffic citations. Mayor Dunn asked that in the future, the wording in the Budget document be changed from "Performance Measures" in regards to traffic citations, to something that did not appear to mean "quotas per officer." Councilmember Gill stated he felt the average response time for emergencies of four minutes was impressive.

Scott Picker suggested outsourcing Animal Control. Chief Mitchell replied that the County had an Animal Control service for some of the smaller cities to the north (Northeast Animal Control). Other agencies such as Critter Control would constitute a private service. However, animal problems occurred 24 hours a day, and the three Leawood officers stayed busier than data indicated. When they were not on duty, regular police officers had to handle animal calls. To call in an agency from outside would hamper the ability of the department to provide adequate service to the citizens.

- 1182 Councilmember Rasmussen discussed the study concerning the number of police officers needed on the street with Mr. Lambers. Mr. Lambers stated he had recommended three patrol officer positions be added in 2006 in the Personnel Summary of the Five-Year Schedule. This was being done to offset the absence of officers who had been called up for military duty in the Middle East.

Mr. Meierhoffer confirmed the timeline for the Justice Center with Mr. Lambers. Mr. Lambers stated that the analysis to determine ultimate staffing would occur in 2005; the site would be identified and a consultant would be retained in 2006; the project would be bid in 2007; construction would occur in 2008; and the building would be completed and be moved into during 2009.

- 1500 Councilmember Filla confirmed with Mayor Dunn that it had not yet been determined if Court would occupy the Justice Center facility with the Police Department. Mr. Lambers added the decision to keep the Police facility on Lee Boulevard as a substation had yet to be made. If the Lee Boulevard station remained open, it would affect the staffing of the new facility. He confirmed the DARE program would be fully funded and budgeted in 2005.

Councilmember Gulledge suggested the possibility of adding full-time employees (FTE) to replace the budgeted overtime hours. Mr. Lambers replied that much of the overtime hours occurred from officers attending court. The additional FTEs would not reduce this type of overtime.

- 1890 Councilmember Gill confirmed with Chief Mitchell that employees serving in the armed forces were paid a portion of their regular salary to compensate their pay from the service. Chief

Mitchell advised that often, however, the service pay was higher than the City salaries, and therefore no compensation was made. Councilmember Filla confirmed that those employees called up maintained the City health benefits for their families.

- 1956 **Ben Florance – Fire Department.** Chief Florance stated the Fire Department was in good shape as far as the facilities were concerned. Concerning overtime, 2002 was unusual in that four people retired, and eight other personnel left the department, resulting in a \$264,000 overtime charge. In 2004, that overtime amount was reduced almost \$100,000. In 2004, there had already been two people resign. Chief Florance stated the minimum staff required for each shift included three personnel at Station #1; six at Station #2; and three at Station #3. Because of limited staffing, the ambulance had been taken out of service at Fire Station #1.

Councilmember Gill confirmed with Mr. Lambers that there would be no ambulance service provided by the City by 2005. Effective July 1st, MedAct would station one of their ambulances with staff 24/7 at Fire Station #2. Chief Florance stated the challenges faced by the Fire Department to improve response time were 1) Leawood was two miles wide and seven miles long; 2) the heaviest apparatus used was 80,000 pounds that traveled at a slower rate; and 3) the pumpers were also slow at 40,000-50,000 pounds each. The items in the Budget that would increase response time were the Opticom emitters.

- 2524 Councilmember Taylor confirmed with Chief Florance that three positions needed to be filled before the end of the year. Mr. Lambers stated he was not recommending that those positions be filled at this time. Chief Florance explained how circumstances often necessitated overtime. Mr. Lambers stated it would be his recommendation to offer the ambulance to a small city in need of such a vehicle.

Councilmember Rawlings discussed differences between the Leawood and MedAct ambulance services with Chief Florance. Mr. Lambers advised that by bringing in MedAct to be housed at Station No. 2, service would be increased to that area of the City. He stated the demand for MedAct ambulance service in rural areas was so high (for example, DeSoto, KS) that he had suggested that Leawood continue with their level of in-city service until the County could consider upgrading Leawood's service.

3395 Councilmember Peppes asked about promoting from within the department. Chief Florance advised that promotion from within was utilized as much as possible; however, there were many levels of fire fighters, and strict criteria needed to be met at each level. Sometimes it was impossible to move an individual to a higher rank because they were not qualified for the open position. Councilmember Peppes asked why there was such a high turnover in employees, especially at the lower levels and how employees could be retained to become tenured employees. Chief Florance replied that Leawood had a reputation for stringent training and educational requirements. Someone starting out from Leawood with this type of training would be appealing to other departments who could offer better wages, generally another agency in Johnson County. Councilmember Peppes stated he would like to see Leawood have more competitive salaries in the next year, thus enabling the City to retain the younger fire fighters.

3670 Councilmember Gullede confirmed with Ms. Rogers that the figure listed under Expenditures on page 28 [\$18,435,794] represented total payroll for the City, including benefits and overtime.

Mayor Dunn reminded the Governing Body that there would not be a City Council meeting on July 6th, but would hold the meeting before the Budget and Finance Committee meeting on Wednesday, June 30, at 6:00 P.M.

Mayor Dunn adjourned the meeting at 9:40 P.M.

Emily Gleasure, Deputy City Clerk