

## **Minutes**

Audio Tape Nos. 643

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 6:00 P.M., on Tuesday, January 18, 2005. Mayor Peggy Dunn presided.

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

**Councilmembers absent:** None.

**Staff present:** Scott Lambers, City Administrator  
Kathy Rogers, Finance Director  
Kathy Byard, Budget Coordinator  
Joe Johnson, Public Works Director  
Patty Bennett, City Attorney  
Chris Claxton, Parks & Recreation Director  
Sid Mitchell, Police Chief  
Ben Florance, Fire Chief  
Deb Harper, City Clerk  
Christy Wise, Deputy City Clerk

### **1. Opening By The Mayor**

Mayor Dunn welcomed Councilmembers and Staff to the Special Work Session. She thanked Scott Lambers, Kathy Rogers, and Kathy Byard for preparing the presentation.

Scott Lambers advised that the 2006-2010 Capital Improvement Projects (C.I.P.) document was a continuation of what the Governing Body reviewed last year with no significant changes. Tonight's meeting would cover an overview of the document, highlighting some specific programs. Mr. Lambers targeted the issue of the IRONHORSE Golf Course storm water improvement projects, both SMAC and non-SMAC, being consolidated into a single year as opposed to being stretched out over three years, as a goal to reach a consensus at tonight's meeting. A decision would have to be made relatively soon in order for plans to be made accordingly.

Councilmember Taylor expressed concern regarding the Special Benefit District Assessment Policy. He suggested that in order for the City Council to fully understand the contents of the policy, a discussion should take place regarding this document. City Administrator, Scott Lambers, suggested that another work session could be conducted to focus primarily on the Special Benefit District Policy.

Kathy Rogers called attention to a handout that was distributed, a new page 43 in the Capital Improvement Program (C.I.P.) book for 2006-2010. She explained that the previous description of Satellite or Precinct Office has been changed to say Police and Court Facility.

## **2. Discussion on Assumptions/Debt Ratios**

Ms. Rogers then went on to recap the Assumptions on Page 7. She explained that when the Capital Improvement Program (C.I.P.) is prepared, certain assumptions are used in order to decide if there is enough dollars to pay for specific projects and provides guidelines for where to cut back if a project will not fit. She explained the possibility that there could be some changes in the borrowing interest rates, currently 4.25% and 4.75% for 15-year and 20-year bonded projects, respectively in 2004; and interest rates of 4.95% and 5.50% for 15-year and 20-year debts thereafter. The last time these rates were reviewed with Dave Arteberry was when the document was prepared in November and she anticipated a number of significant changes coming in the next several months that might alter these rates. However, she stated that the value rate has been so low, both short-term and long-term, in the past years that the current range should still be comfortable unless there is a huge amount of inflation. Ms. Rogers stated that at this time, we would rely on the information from our financial advisors in our long-term plan.

Ms. Rogers advised that cities are not allowed to exceed the 30% debt limit as compared to equalized assessed valuation and reported that the City of Leawood is well below this percentage. In the past, in the state of Kansas, there have been some changes in property tax collections that may effect how taxes are assessed. Interest rates are projected with a 3% annual growth rate. Conversely, if the borrowing rate starts to go up, the interest income will also go up. At the present time, however, for the vehicles that we have identified in the Investment Policy, this still turns out to be truthful and is depicted in the model as such. Assessed valuations at an annual growth of 4.5% for 2006-2010, have been recently reviewed. Last year the annual growth rate was 6% for the 2005 budget. Accordingly, the model for 2006 has been changed to reflect the 6% annual growth rate as well due to having the largest amount of building permits collected in the city last year with the construction occurring in 2005. Ms. Rogers stated that the 6% annual growth rate is still sustainable and explained that any change in the assessed valuation in the early years will help long-term as it is compounded year after year. The changes will be seen on the model in March.

Ms. Rogers further reported that at the time the model and budget were created, there was a minimum of \$200,000 for General Fund dollars for the IRONHORSE Golf Course, in order to help meet the debt service and capital costs. More discussion regarding other scenarios on this topic is anticipated concerning the amount of expenditures as compared to revenues that happened at the end of 2004.

Regarding timely payments of special assessment debts, collections were good. Also, the 1/8 cent sales tax has been extended. There is \$200,000 transferred annually still in the General Fund which will go into the SMAC Fund to help pay for the rest of DB-24 and NC-04.

Ms. Rogers explained the Key Debt Management Ratios on Page 60. The total debt service as a percent of total expenditures has a target of less than 20%, not to exceed 25% in any given year. She reviewed the technique that was used to arrive at these figures, which was by taking the less than 20% standard and comparing several cities across the country with similar size and wealth level, which produced a 25% maximum. Rating agencies compare debt to operating money. Leawood has always been higher than what a standard measure would be on Net Debt and Direct Debt. This has not been a concern in the past because of our rapid pay-off of debt. However, at this stage the rapid payout is changing because we have added a lot of General Obligation Debt that is supported by the taxpayers such as Public Works, Police Station, Fire Station, and the parks. She referred to Page 19 as a further example of the current and future debt/pay-off ratio, showing future projects planned for the upcoming years totaling several million dollars. The accumulation of debt for the upcoming years in addition to the 2005 debt, while keeping payments level, will prevent debt from being paid off as quickly especially with projects such as the Justice Center, which is a 20-year debt.

Mr. Lambers pointed out that there will not be a series of these types of improvements such as there is in the Residential Street Program, because these types of improvements/projects will only be done once and then merely maintained at a lower cost in the future.

Ms. Rogers also explained the debt outstanding as a percent of full valuation of property. While trying to keep a standard of less than 1.5%, we have met this goal for 2005 through 2010, which tells the rating agency that based upon housing prices we still have room to grow in assessed valuation in order to be able to sustain future debt that is coming on.

### **3. Discussion of Committed and Proposed C.I.P. Projects**

Ms. Rogers discussed committed and proposed CIP projects, Tab 5, Page 55. She stated that the two projects that are uncommitted were the Villagio, which hasn't had a Resolution of Intent by the Governing Body; and Nall Avenue, from 151<sup>st</sup> to 159<sup>th</sup>, for which there has been no inter-local agreement. All other projects and dollar amounts listed are definite projects that are committed with resolutions on all aspects.

Councilmember Rawlings questioned the dollar amount of Project #152, Nall Avenue, as being today's dollar amount or an inflationary figure. Ms. Rogers stated that it was an inflationary figure.

Councilmember Peppes arrived at 6:30 P.M.

Councilmember Taylor suggested a discussion regarding the priorities of various projects. He stated that it may be more beneficial to city expansion to proceed with the 151<sup>st</sup> Street, Nall Avenue to East City Limit Project before the Nall Avenue, 143<sup>rd</sup> to 151<sup>st</sup> Street Project. Mr. Lambers conferred with Joe Johnson, Public Works Director, asking what time frame would be necessary in order to get approval to exchange Federal funding from the 143<sup>rd</sup> Street project to the 151<sup>st</sup> Street project. Mr. Johnson stated that for a 2009 or 2010 project, the approval process would have to take place sometime this year for Federal revenue. He also stated that it was not possible to exchange Federal fund money from one project to another. Councilmember Taylor further expressed his concern for putting the 151<sup>st</sup> Street project behind other road construction projects. Mr. Lambers stated that he would have the staff review the priority level of 151<sup>st</sup> Street versus 143<sup>rd</sup> Street.

#### **4. Street Program**

Ms. Rogers then went on to discuss Residential Street Goals, Tab 1, Page 5. She stated that Mr. Johnson recently updated the PCI (Pavement Condition Index) ratings. The benchmark rating that was previously used had a goal of 70% or greater. The PCI rating of 2002 was 80.8%. Today, the PCI rating of residential streets was 83.496%. Ms. Rogers also stated that Mr. Johnson had completed a rating on arterials, which are at 89.5%, and Collectors are at 87.35%. The streets overall are at 85.7%

Ms. Rogers reviewed the 2005 Residential Streets Program, Tab 4, Page 33, as well as the 2006 Residential Streets Program, page 36. She stated that in the event that a project was left out of one year, it could be picked up into the other.

Councilmember Peppes requested explanation of the difference between road reconstruction and road reconstruction with no storm, as outlined on Page 40. Mr. Johnson clarified that most of the road reconstruction projects deal with storm water damage and are able to be funded through the County as a SMAC project while reconstruction projects with no storm are funded with the street program funds.

Councilmember Rasmussen expressed his concern regarding the lack of interconnect capability available to the citizens of Leawood. He stated that due to State Legislature, the city itself has no effective say regarding location of service, service providers, etc. Councilmember Rasmussen encouraged the Council to seriously consider the possibility of providing high quality interconnect services for the citizens of Leawood. Mayor Dunn suggested that this subject be discussed during the January 31, 2005, Goal Setting Session.

Councilmember Rasmussen also stated that he could not locate in the C.I.P. manual the project dealing with resolution of a storm water problem for Brookwood Elementary School with an estimated amount of \$85,000, which was previously approved by the City Council.

Ms. Rogers explained that the C.I.P. manual did not list projects with a projected cost of below \$100,000. It was clarified through discussion with Mayor Dunn, Mr. Johnson, Councilmember Rasmussen, and Councilmember Taylor that this project had been considered as a piggy-back for a larger street rehabilitation project, however the decision was not to proceed with this strategy.

## **5. Discussion on Pay-As-You-Go Projects**

Ms. Rogers went on to discuss the Arterial Program, Tab 6, Page 65. She explained that the 2005 Program is considerably higher than preceding years as this model also contained work that was unable to be completed in 2004. She stated that the funding was available for the projects but for various reasons they were postponed. Mr. Johnson exemplified the project of Mission Road with construction on Roe Avenue and closing on 127<sup>th</sup> Street, which was pushed back as it was unsuitable to aggravate traffic further.

Ms. Rogers then went on to address the Pay-As-You-Go Mill and Overlay Program, Tab 6, Page 67. There is a projected amount of \$1,000,000 every year for this program.

Ms. Rogers then reviewed the SMAC Projects, Tab 6, Page 68. She stated that the document did not show JB-08, although this project was now in Phase II.

Ms. Rogers also went over the 1/8-cent Sales Tax Projects, Tab 6, page 69. She highlighted that this revenue would be used for non-SMAC city owned storm water projects as well as Mill and Overlay.

Councilmember Rasmussen requested Mr. Johnson's thoughts on whether or not the City would have any emergency projects to deal with regarding storm water damage before 2006. Mr. Johnson stated that the identified problem areas in the City would be funded with the \$125,000 Storm Water Budget rather than with the 1/8-cent sales tax revenue.

Ms. Rogers pointed out the Cover Letter under Tab 2 regarding Debt Policies. A recommendation is proposed to add Policy 14, Administrative Costs. She explained that for special benefit projects the City could legally charge administrative fees for services on a project in order to reimburse the General Fund. It also states that the district must also pay for outside counsel or financial assistance.

Councilmember Taylor vocalized his desire for the Debt Policy as a whole be addressed in order to clarify what is and what is not to be funded by a special benefit district.

Mr. Lambers also pointed out that the City may incur administrative costs, therefore a policy and mechanism should be put in place to recoup these costs when a district is not created and administrative fees could not be obtained. Ms. Rogers stated that this Policy would be discussed at a later session.

Ms. Rogers reviewed Other Pay-As-You-Go Projects under Tab 6, Page 70. She stated that currently in the 2005 budget, there is \$510,000 in cash for Creek Bank Stabilization. Ms. Rogers explained when the budget was done, this was a comfortable estimated figure before preliminary engineering work had been completed. However, the figure has increased to include engineering costs of \$1,580,000. The first \$510,000 was used to pay for Phase I, which was \$375,000. Other projects proposed are improvements to the lake at Ironwoods Park with an estimate of \$150,000.

Ms. Rogers stated that in 2004, there had been funds budgeted in cash for the Justice Center. She stated that previously it had been questioned as to whether this project could be financed as a Pay-As-You-Go project. Bond Counsel has found statutory authority, which will allow the Governing Body to bond for a natural water course, the overflow of which in the event of high water is liable to cause injury to any bridge, street, alley, public or private property, etc., and that we may construct any necessary levies or embankments. The caveat to this is that all formal design work and permits would have to be done before borrowing money for the levies and embankments.

Councilmember Taylor asked for clarification on use of the \$150,000 to be used on improvements for the lake at Ironwoods Park. He stated that he had no knowledge of reports regarding claims against the contractors, engineers, or architects that would be forthcoming for this project. Mr. Lambers stated that silting over the lake is the main issue, raising questions about designs in terms of outfall. He stated that correction of the lake is necessary to prevent a high mosquito population during the spring. He stated that Councilmember Taylor was correct in that reimbursements have not been identified, however the cash resource is available to correct the problem for this year.

## **6. Other Items of Discussion**

Councilmember Rasmussen stated that the Golf Course Committee went over in great detail the preliminary engineering design for both the SMAC project and the Creek Bank Stabilization. He stated that the conclusion was to combine both projects. The estimate of the engineers was to start construction in the Fall of 2006 with completion in the Spring of 2007. He reported that contractors should be able to coordinate work so that it would not be necessary to entirely close the Golf Course.

Councilmember Bussing did not recall plans to keep the Golf Course open. He stated that an agreement was made with Phil Gibbs to work aggressively while the course was shut down. Councilmember Rasmussen again stated that through a concept of Orion, there was a possibility that part of the Golf Course could remain open.

Councilmember Filla distributed a document outlining funding that has been spent thus far for the IRONHORSE Golf Course. She questioned if the actual usage of the Golf Course by Leawood citizens warranted the improvement projects and if the Golf Course would eventually pay for itself. She suggested that other options for the IRONHORSE Golf Course be considered.

Councilmember Gill disagreed with this standpoint and stated that the Golf Course was the largest revenue producer to the City, excluding taxes. He stated that altering the Golf Course would ultimately bring about more debt on a long-term basis. Mayor Dunn confirmed that 49% of Golf Course users are Leawood citizens.

Councilmember Bussing stated that he understood the point being made by Councilmember Filla, however as the Golf Course does produce significant revenue it should be maximized. Councilmember Gill quoted the financial report for IRONHORSE of 2004 as showing a \$500,000 revenue.

Councilmember Filla questioned the financial situation of the Golf Course after an additional 1-mill levy. Mr. Lambers responded that this analysis could be done and in fact was part of the Operating Budget for 2005. He stated that a report could be prepared within 30-45 days.

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

Christy Wise, Recording Deputy City Clerk