

Minutes

Audio Tape No. 650

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 Wednesday, June 15, 2005. Mayor Peggy Dunn presided.

Councilmembers present: James E. Taylor, Jim Rawlings, Gary Bussing, Gregory Peppes, and Debra Filla.

Councilmembers absent: Louis Rasmussen, Mike Gill, and Scott Gullledge.

Staff present:

Scott Lambers, City Administrator

Kathy Byard, Budget Coordinator

Ben Florance, Fire Chief

Joe Johnson, Public Works Director

Colleen Browne, Human Resources Director

Mark Andrasik, IS Director

Renee Gurney, Municipal Court Judge

Deb Harper, City Clerk

Kathy Rogers, Finance Director

Sid Mitchell, Chief of Police

Patty Bennett, City Attorney

Chris Claxton, Parks & Recreation Director

Diane Binckley, P&D Director

Jeff Cantrell, Neighborhood Serv. Director

Shelley Sawyer, Court Administrator

Christy Wise, Deputy City Clerk

Budget & Finance Committee members present:

Scott Picker

Michael Clarke

Greg Bussing

Bill Venable

Budget & Finance Committee members absent:

Mark Meierhoffer

Welcome by the Mayor

Mayor Dunn called the meeting to order at 6:15 P.M. She welcomed Councilmembers, Committee members, and Staff to the Budget Session. Introductions were made by those present.

Administration

City Administrator Scott Lambers reported two technical changes in the budget with regard to goals of the Governing Body. New pages containing the changes were distributed. Finance Director Kathy Rogers reviewed the 2006 Administration Budget. The 5% increase listed under Administration by Function reflects the addition of a part-time receptionist position for the Human Resources Department [HR].

Michael Clarke discussed the self-insurance program with Mr. Lambers. Mr. Lambers reported significant premium increases to K.E.R.I.T. over the last few years even though exceptional performance levels were maintained. A reserve fund of \$500,000 was to be set aside should the trend continue, putting the City in position to self-insure. The measure is put on hold for now with a modest annual increase of 4% to K.E.R.I.T. In addition, it has been established that a 90-day notification period is required in order to withdraw from the program, leaving ample time to establish a fund if needed.

Councilmember Bussing confirmed with IS Director Mark Andrasik that installation of the EDEN system is to be complete this year with exception of the business licensing and cash receiving modules. Mr. Andrasik distributed a hand-out outlining the key deliverables of the system. He explained that integration of the system provides consistency of data and reduction of duplication. Mr. Andrasik felt that the implementation of EDEN has met expectations. The business license/cash receipt modules will not require an additional investment.

Ms. Rogers reported that bids for banking services will soon take place. The number-one improvement for internal controls at this time is positive pay, which will prevent fraudulent checks. The positive pay process will allow the bank to electronically verify legitimate checks.

Scott Picker requested justification of purchasing a new vehicle for the IS Department (page 41). Mr. Andrasik stated the vehicle will be used in transporting computers to other City facilities on a daily basis as well as for travel while performing weekly back-ups.

Mr. Picker and Ms. Browne discussed the amount of worker's compensation cases. Of the 50 cases listed (page 42), Ms. Browne stated that not all of the injuries/accidents required hospitalization or time off from work. Case resolutions are managed by the HR Department in cooperation with K.E.R.I.T.

Mr. Picker inquired about the \$120,200 contractual service amount for HR. Ms. Browne listed EAP and outsourcing as expenditures.

Mr. Bussing and Mr. Lambers further discussed obtaining worker's compensation through K.E.R.I.T. versus self-insurance. Mr. Lambers also confirmed that City vehicles are assigned to specific departments. With the addition of the IS vehicle, Administration will have a total of two cars excluding those in Neighborhood Services.

Mr. Andrasik confirmed for Mr. Clarke that the EDEN system uses a report writing software. The annual maintenance cost for EDEN is \$28,000.

Mr. Venable inquired about the City initiated Hi-tech telecommunications system. Mr. Lambers explained that this issue was brought up by a concerned councilmember who felt that Leawood was underserved in this area and is to be a long-term goal (2-5 years). The telecommunications system will be City-provided for citizen use in competition with current providers.

Councilmember Taylor confirmed with Ms. Browne that the \$120,200 for contractual services (page 42) does not include fees to K.E.R.I.T. She stated that this fund was used for a variety of services including background checks and employee physical examinations. Funds for temporary employees are listed under contractual services for each department. Commodities include materials and supplies.

Councilmember Rawlings verified with Mr. Johnson that City vehicles are replaced after 10 years or 100,000 miles excluding emergency vehicles and those in the Police Department, which are rotated every two years. Heavy equipment vehicles are replaced every 20 years. Fire trucks are replaced every 10 years with engine replacement occurring every 15 years. Mr. Lambers stated that all new vehicles are put on the replacement schedule.

Mr. Picker inquired if the EDEN system will eventually produce a reduction of costs or headcounts. Mr. Andrasik reviewed the benefits of the system. Rather than a reduction in employees, Mr. Lambers anticipated an expansion in the IS Department upon completion of the Justice Center.

Councilmember Filla and Mr. Lambers discussed city-owned utilities. Cities who provide gas, electric, water, etc., have to pay a much higher worker's compensation rate.

Councilmember Bussing raised the topic of increased compensation for councilmembers. Mayor Dunn stated that absent Councilmember Rasmussen requested discussion of the subject. Mr. Lambers stated that it was not uncommon for cities to pass an increase with effectiveness deferred until the following election for each seat. He felt that increasing the compensation rate from \$5,000 to \$6,000 per year would be reasonable. Mayor Dunn relayed Councilmember Rasmussen's specific request for councilmembers' salaries to have an annual cost of living increase equivalent to that of the professional Staff.

Councilmember Bussing stated that he was absolutely opposed to any change in compensation and relayed the same opinion for absent Councilmember Gill. Councilmember Rawlings concurred. Councilmember Taylor was supportive of the compensation increase.

Ms. Rogers reviewed that a technology increase was given in 2001 with the last actual base wage increase occurring in 1999. Mr. Clarke felt that an increase would not be appropriate at this time given other major costs such as Golf Course improvements. Mr. Venable felt that becoming an elected official was a personal choice and stated that a raise would not be beneficial to the community.

Mayor Dunn noted that Prairie Village pays their Governing Body \$1 per year with Mission Hills having no compensation rate.

Councilmember Filla stated that she understood Councilmember Rasmussen's point given increased election costs, however was content with the current rate. She noted that she was unaware that a salary existed until being elected.

Mr. Picker confirmed with Ms. Rogers that the wages come out of the General Operations Fund of the Administration Department. Mr. Picker felt that councilmembers should be compensated with market prices, increasing the salary if necessary. Mayor Dunn noted the wage survey of other cities including Lenexa, Olathe, Shawnee, and Overland Park.

Councilmember Peppes voiced a neutral position as he was not concerned with compensation.

Mr. Bussing confirmed with Mayor Dunn that the initial motivation for compensating councilmembers at \$416.67 per month was to meet qualifications for KPERS. Mr. Lambers reported this was a futile effort as retirement payments from KPERS are based upon years served and final average salary. Mr. Bussing reiterated that he was opposed to an increase.

Mayor Dunn reviewed that Councilmembers Taylor and Rasmussen were in favor of the increase with all others either opposed or in support of a fair rate.

Councilmember Peppes added that he felt the compensation was fair and would not be in favor of an increase. Councilmember Filla noted that election costs have been somewhat alleviated with the extension of terms from two years to four years.

Mr. Lambers reviewed two additional requests from Councilmember Rasmussen. The first is to include \$10,000 in the Animal Control Budget for wild life control purposes. The second is to discuss uses of the park impact fee fund. Mr. Lambers stated that direction of the funds should be voted on by resolution, otherwise the money will be subject to annual appropriation during the Budget process. Mayor Dunn relayed Councilmember Rasmussen's wishes to allocate more money for Ironwoods Park, particularly the amphitheater. Ms. Rogers clarified that the park impact fee fund is not restricted for lease payments. Mr. Lambers advised that another method would have to be used for annual lease payments if the Council does not want the fund used for this purpose.

Councilmember Taylor inquired about the \$508,000 balloon payment scheduled for 2009. Mr. Lambers responded that it is included in the 5-year financial forecast.

Councilmember Bussing voiced agreement for the animal eradication fund with a caveat that no action be taken with the money without specific Council approval. Mr. Lambers stated that it was not uncommon for the Council to budget money subject to appropriation authority.

Overall

Mr. Picker questioned the large increase occurring in contractual services for the Administration Department between the 2004 and 2006 budgets (page 37). Ms. Rogers stated that \$130,000 was budgeted for contractual legal services in 2004, however only \$21,000 was utilized. The 2006 Budget contains \$154,000 for these services. In addition, the lower amount in the 2004 Budget reflects a hold put on expenditures due to decreased State funding that year. A freeze was put on non-mandatory employee training, equaling approximately \$300,000. Ms. Rogers stated that the 2005 Budget also includes the EDEN system at \$209,000.

Councilmember Taylor confirmed with Ms. Rogers that there was also a \$250,000 adjustment made in debt service for 2004 by refinancing City Hall.

Mayor Dunn confirmed with Ms. Bennett that legal contractual services were budgeted at \$142,000 with an estimate of \$139,900. Councilmembers Bussing and Filla, Mayor Dunn, Mr. Picker and Mr. Venable further discussed the contractual expense increase. Mr. Lambers stated that he would provide an analysis of this issue.

Mr. Lambers verified for Mr. Bussing that contractual expenses are operating costs such as retirement and insurance accounts, which are not in his control. Ms. Rogers noted that insurance costs increased in 2004-2005 as the new fire station and parks became fully operational. From an HR standpoint, Ms. Browne added that municipalities provide more costly and extensive background checks versus private business entities.

Mayor Dunn and Mr. Bussing discussed the fact that the City is very fortunate in being able to provide more than just basic services to citizens.

Councilmember Filla confirmed with Mr. Lambers that expenditures are generally over-budgeted by 3-5% as only decreases can occur after publication. The Budget is typically 2-4% under revenue projections, creating an overall 10% margin. Regarding a future possible water utility company, Councilmember Filla asked how much revenue it would transpire. Mr. Johnson estimated \$2-million on an annual basis.

Councilmember Bussing asked if it was efficient to budget with a 10% swing considering the future mill levy increases. Ms. Rogers advised the biggest driver on expenses to be full personnel benefits, which are budgeted at 100% without knowing if the employee will enroll in the programs.

Ms. Rogers and Mr. Lambers discussed various options for budget planning. Mayor Dunn confirmed with Ms. Rogers that prior to the 2007 Budget, there will be a much clearer view regarding recommendations for the mill levy.

Wrap-Up

Ms. Rogers reviewed the major points of the 2006 Budget. She informed that the remaining Budget calendar includes scheduling of a public hearing on August 1st; Council approval of the 2006 Budget by ordinance on August 15th; and, 2006 Budget information is due to the County Clerk on August 25th.

Mr. Lambers discussed the legislative decision regarding education funding for this year. There will be a one-time infusion of cash to the schools. Next year, there will be a \$75-100 million dollar deficit on top of the \$550-million dollar Supreme Court ruling for increased funding.

Mr. Bussing and Mr. Lambers discussed the future mill levies.

Councilmember Peppes distributed an outline of master plan recommendations for the Parks and Recreation Department regarding programming, facilities, and new parks over a 5-10 year period. He stated that he would like feedback regarding the suggestions in the near future.

Mayor Dunn, Councilmember Taylor, and Ms. Claxton discussed the fact that some items on the list have already been scheduled. Councilmember Taylor confirmed with Ms. Claxton that the P&R Advisory Board devised the list as the first step towards a 5-year development plan. Councilmember Taylor recalled that not all members of the P&R Advisory Board were supportive of the list.

Mayor Dunn, Mr. Lambers, and Mr. Peppes discussed having a joint meeting with the Parks & Recreation Advisory Board at some point in the future to discuss prioritization of the items.

Councilmember Filla stated appreciation to Ms. Claxton and Mr. Lambers for including the part-time docent position into the Budget. She reported on the creative fund-raising ideas being discussed for the Oxford Schoolhouse.

Mr. Lambers reported that information obtained today from Johnson County Wastewater District revealed that sewer line improvements for Ironwoods Park will cost \$20,000-25,000, which does not include blasting. Additionally, he advised that approximately \$25,000 will be needed for design. Mr. Lambers suggested doing two of the bathrooms (cabin and playground areas) as Pay-As-You-Go projects and using the bond authority for the amphitheater bathroom.

Mayor Dunn thanked Councilmembers, Committee members, and Staff for attending the meetings.

Mayor Dunn adjourned the meeting at 8:10 P.M.

Christy Wise, Recording Deputy City Clerk