

Minutes

Audio Tape No. 657

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 6:10 P.M., on Monday, February 6, 2006. Mayor Peggy Dunn presided.

Councilmembers present: Debra Filla, Jim Rawlings, Gary Bussing, Scott Gullede, Louis Rasmussen, James E. Taylor, Sr., Gregory Peppes, and Mike Gill (present via telecommunications).

Councilmembers absent: None.

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

1. Opening by the Mayor

Mayor Dunn welcomed Councilmembers, Staff, Bill Hess, Bond Counsel with Bryan Cave; and David Arteberry with George K. Baum & Company to the Special Work Session. She thanked Finance Director Kathy Rogers and Budget Coordinator Kathy Byard for preparing the C.I.P. manual. She informed the C.I.P. is reviewed and updated on an annual basis.

Councilmember Gill joined the meeting via speakerphone at 6:12 P.M.

Introductions were made by those present.

2. Discussion on Assumptions/Debt Ratios

City Administrator Scott Lambers stated review of the C.I.P. marks the beginning of the budgeting process. Questions of whether items in the C.I.P. can be afforded in conjunction with the operating budget will be addressed.

Councilmember Peppes arrived at 6:15 P.M.

Referring to information on a distributed graph, Mr. Lambers stated the City is in comfortable financial shape through year 2014 presuming assumptions contained in the model go forward. The only unknown element would be if the legislature makes a decision to divert money from local governments for school financing.

Mr. Lambers confirmed for Councilmember Taylor that the voter approved mill levy for park improvements had been imposed. The model also reflects the .83 mill levy increase to cover golf course debt service.

In addition to the mill levy increase, Ms. Rogers reviewed other Assumptions listed on page 7. Some final design and construction bids are not as precise as others. The model contains last year's figures for oil and oil-based products, however these prices could be higher at the time of construction. Interest rates have stayed the same. Interest earnings are growing at a higher rate. Assessed valuations are projected to be 5.9% through the planning period. The 1/8-cent sales tax is still in place with timely payments of special assessments anticipated. There will be a \$100,000 annual transfer from the General Fund to aid with Stormwater Management Advisory Council [SMAC] projects. These assumptions will be incorporated into the budget model.

Debt Ratios on pages 75 and 77 were then discussed. Ms. Rogers stated the debt target of 20-25% will be maintained. Transportation Development District [TDD] debt is not included as direct debt by rating agencies.

3. Discussion on Additions to Policy

Debt Policy No. 10 regarding TDDs on page 15 includes the additional language, "will be considered by the Governing Body on a case by case basis." There is not a separate written policy. If sales taxes are used to pay off bonds, extremely conservative estimates will be made. All TDD bonds shall be privately placed, meaning the borrower will aid in finding an organization to buy the note and ultimately the bond when the project is complete. Other types of debt are publicly offered and bid upon.

Debt Policy No. 16 on page 16 allows the extension of TDD debt from 10 to 22 years with approval from the Governing Body. Mr. Lambers confirmed for Mayor Dunn that no TDD bonds have been issued to date, however Park Place development has requested a 22 year debt for parking structures.

Councilmember Peppes, Ms. Rogers, and Mr. Lambers discussed how length of TDD debt is determined. Recommendations will be made by Staff based upon size and length of the project as well as the mechanism of payment. Projects paying through special assessments should probably have a 15 year limitation.

Councilmember Bussing arrived at 6:30 P.M.

Discussion took place regarding the City Council's position in determining length of TDD debt. The City Council will establish bond terms prior to private placement by the developer. Developers will be allowed to make a presentation and request a desired length of debt of up to 22 years. Staff will make recommendations and a decision will be made based upon the individual merits of the application.

4. Discussion of Committed and Proposed Debt Financed C.I.P. Projects

Ms. Rogers noted several uncommitted TDD projects listed on page 70. Mayor Dunn verified with Mr. Lambers the bond life shown beside each project are assumptions based upon arguments that developers have made to date.

Regarding construction of the Justice Center, scheduled for 2009, Councilmember Rawlings asked if the figure shown included inflation of materials. Mr. Lambers stated following land acquisition, a revised figure will be presented upon completion of a preliminary analysis of construction costs. The figure shown on page 70 is for construction only and does not include land acquisition. A more certain cost range will be available at this time next year.

Ms. Rogers confirmed for Councilmember Peppes that uncommitted projects listed are projected into threshold computations. If there ever comes a time in which the threshold is reached, Mr. Lambers reminded that Council had previously agreed to halt additional debt until capacity is made available through retirement of debt. Ms. Rogers added that another factor in determining length of TDDs should be how quickly debt can be retired.

5. Street Program

Ms. Rogers then went on to discuss Residential Street Goals on page 5. The current PCI (Pavement Condition Index) average rating for all streets is 85.8%. The Governing Body's goal is to maintain 70%. She reviewed page 37, which illustrates the immediate street improvement program for 2005 and 2006. Streets scheduled for reconstruction in 2007 are listed on page 45.

Mr. Lambers stated a few years ago, Council directed Staff to change the practice of bypassing higher rated streets while improving lower rated streets in the same vicinity. It is cost effective to have contractors improve all streets in need of repair while in the area.

6. Discussion on Pay-As-You-Go Projects

Ms. Rogers reviewed the Arterial Program on page 80.

Public Works Director Joe Johnson verified for Mayor Dunn that street widening and a mill & overlay will be done to Tomahawk Creek Parkway from Roe Avenue to College Boulevard. The project will begin this summer.

Ms. Rogers stated the Pay-As-You-Go [PAYGO] Mill & Overlay Program on page 82 includes some projected inflationary costs. SMAC projects, as illustrated on page 83, have no uncommitted projects.

The 1/8-cent sales tax revenue for non-SMAC City-owned stormwater projects is shown on page 84. Other PAYGO projects are listed on page 85 including the addition of a Master Plan for the amphitheater site and theater design for restrooms, concessions and parking lot.

Councilmember Rasmussen stated the Parks & Recreation Advisory Board recommended inclusion of the following two projects into the C.I.P. process in terms of amphitheater development: 1) Construction of restroom and concession facilities near the amphitheater. 2) Starting construction of a permanent stage. The best estimate he has received for the restroom and concession facilities, including sanitary sewer lines, is \$500,000. He recommended adding funds for this project as well as \$20,000 to the 2007 C.I.P. in order to begin construction of the permanent stage. The project costs are currently listed on page 85 as "to be determined." Councilmember Rasmussen clarified for Mr. Lambers that the \$20,000 is to be used for design fees.

Also referring to page 85, Mayor Dunn pointed out the project named "Ironwoods Park Restroom, Concession, Amphitheater Stage" with a projected cost of \$95,000 includes design of the amphitheater. Councilmember Rasmussen withdrew his recommendation to add the \$20,000 to the C.I.P. Mr. Lambers advised money for the restroom and concession facilities could be set aside in the 2008 budget. Councilmember Rasmussen voiced frustration with delays associated with the project.

Councilmember Taylor confirmed with Mr. Lambers there is \$500,000 left in bond authority for park improvements, which could be used to fund stage construction. The \$400,000 needed for the two restrooms and bathhouse facilities by the cabin and playground areas are to be funded as PAYGO. The \$500,000 bond issue has not been calculated into the budget. Debt must be issued in order for this money to be spent on any project.

Ms. Rogers noted delays concerning the amphitheater have been caused due to changes in the initially proposed design. Mr. Lambers recommended having a preliminary and final design obtained in 2007 and go out for bids in 2008. The \$500,000 bond issue can be used if the Governing Body chooses to do so.

Councilmember Taylor inquired if there are still plans to construct a maintenance facility at Ironwoods Park. Parks & Recreation Director Chris Claxton stated the structure may be combined with other projects scheduled for 2006 and will be funded as PAYGO.

Mayor Dunn asked what would prevent using the bond capacity to accelerate the design work into year 2006 with construction in 2007. Mr. Lambers stated the deadline to issue project debt for this year has passed. He voiced preference to use the \$500,000 strictly for construction. Mayor Dunn asked if there would be any economies of scale in designing three versus two restrooms.

Mr. Lambers stated it would not be cost effective to pay someone with amphitheater expertise to design the other restrooms. With 500-1,000 people attending the events, it is anticipated to have some restrooms incorporated into the stage with another restroom and concession area located elsewhere.

Councilmember Filla suggested going through the design process only once by using the criteria of having the contractor create something within the available \$500,000 amount. Mr. Lambers stated a preliminary design is needed to create a general concept of what is to be achieved. He anticipated more than \$500,000 will be needed upon completion. Mayor Dunn said she was more comfortable with the idea of having the designer present what can be accomplished with the specific amount.

Ms. Rogers exemplified projects drawing on reserve funds due to higher than anticipated costs, i.e., Justice Center land acquisition, Gezer Park, and IRONHORSE Golf Course green repair. How the excess reserve cash money is used on park amenities will have an impact on some modeling and mill levies.

Councilmember Rasmussen agreed with Mayor Dunn's suggestion to move the \$95,000 budgeted for a Master Plan of the amphitheater/restrooms/concession from 2007 to 2006. Alternatively, he would like to see the restrooms constructed in 2007. Mr. Lambers stated amendment of the 2006 budget showing the \$95,000 as a Contingency Fund expenditure could be done, however proceeding with this course of action would make only an approximate 4-month difference in the project.

Councilmember Bussing requested documentation justifying the increased estimate for Gezer Park, which went from \$773,000 to \$1,200,000. Mr. Lambers stated the initial amount was set aside in a Capital Project Fund for construction of the park on a PAYGO basis. The preliminary design estimate came in at \$1,000,000. Knowing that estimates tend to be on the low side, Mr. Lambers increased the amount by \$200,000 to ensure ample coverage.

Councilmember Bussing stated consideration should be given for Councilmember Filla's suggestion of asking the designer to stay within specific parameters. He objected to the increased project cost and stated concern with possible further escalation. Mr. Lambers explained the initial estimate was taken from the I-Lan Park project with costs added due to differential construction between the two projects and the inflation factor. He expressed confidence that Gezer Park can be completed for \$1,200,000, however did not want to under-present an estimate. The proposed design can certainly be scaled back. Councilmember Bussing suggested having the project redesigned to meet the originally estimated figure.

Councilmember Filla stated given the high figures associated with the various Parks & Recreation [P&R] projects, the requested needs assessment should be done in order to prioritize desires of constituents. She asked for clarification of why some P&R projects are PAYGO and some must be bonded.

Mr. Lambers explained there is a statutory restriction on issuing debt for parks, hence arrangement of the \$12,500,000 bond issue. Green repair of the golf course falls under maintenance and does not require a referendum. The Gezer Park project does not warrant voter approval. The future community center will be a several million dollar project and will be presented to voters. It is not the intent to circumvent voters, however projects minor in scope do not require approval.

Councilmember Taylor stated the sketch of Gezer Park has leeway with regard to amenities. He agreed with having the designer present what could be accomplished with just \$773,000. The P&R Advisory Board could make recommendations on items over this amount at their discretion. He commented we are now "suffering" from the gifted parkland due to improvements costs. Mayor Dunn noted the land of I-Lan Park and IRONHOSE Golf Course were also donations, however we funded the improvements.

Councilmember Rasmussen distributed and reviewed a handout illustrating Capital Art Fund revenue and expectations of the Leawood Arts Council [LAC] for 2006-2011, which differs from what is seen on page 86 of the C.I.P. manual. He discussed the possibility of rearranging some of the art projects.

7. Other Items of Discussion

Ms. Rogers mentioned that Bill Hess of Bryan Cave and David Arteberry with George K. Baum & Company were in attendance to answer questions. She noted that voting issues were addressed in Mr. Hess' letter regarding the proposed Justice Center project. A vote will not be required unless the project includes administrative offices.

Funds from the county-approved Educational Sales Tax were approximately \$2,100,000 at the end of 2005. Ms. Rogers stated determinations need to be made regarding utilizing the funds to buy down on the Justice Center.

Mayor Dunn verified with Mr. Hess that voter approval would not be necessary if a small freestanding fire station were added to the Justice Center site as it would relate to public safety. Mr. Hess clarified that public safety pertains to a municipal court, police station, and fire station. Other general city administrative offices cannot be included as part of the same structure without voter approval.

Mr. Lambers asked Councilmember Rasmussen to inform the Leawood Arts Council that artwork for Gezer Park will take place in 2008 rather than 2006, as shown on the handout. He advised funds for "Porch Lights" will be carried over and reallocated if the project does not materialize.

Councilmember Gill agreed with Councilmember Bussing's concerns regarding Gezer Park. He suggested investigating the possibility of fundraising for the project. He also stated debt ratios should be watched closely, especially concerning Special Benefit District [SBD] financing, to ensure that boundaries are safely maintained.

Mayor Dunn thanked Mr. Lambers and members of the Finance Department for presenting another great C.I.P. program. She stated the C.I.P. is scheduled to go before the Planning Commission on February 14th and will come back to the Governing Body for approval on February 20th.

The meeting was adjourned at 7:30 P.M.

Christy Wise, Recording Deputy City Clerk