

Minutes

Audio Tape No. 658

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 5:30 P.M., on Monday, February 20, 2006. Mayor Peggy Dunn presided.

Councilmembers present: Debra Filla, Jim Rawlings, Scott Gullede, Louis Rasmussen, James E. Taylor, Sr., and Gregory Peppes.

Councilmembers absent: Mike Gill and Gary Bussing.

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
Captain Dale Finger, Police Department
Captain Troy Rettig, Police Department

Chief Ben Florance, Fire Department
Colleen Browne, Human Resources Director
Joe Johnson, Public Works Director
Chris Claxton, Parks & Recreation Director
Mark Andrasik, IS Director
Bill Ellwood, Leawood Stage Co. Chair
Deb Harper, City Clerk
Christy Wise, Deputy City Clerk

1. Opening by the Mayor

Mayor Dunn called the meeting to order at 5:50 P.M. She welcomed Councilmembers and Staff to the Special Work Session. Introductions were made by those present.

City Administrator Scott Lambers highlighted issues related to assumptions listed on the Strategic Planning Model document. Expenditures and revenue are assumed at 100% each year although figures are typically not fully achieved with actual lower expenditures and higher revenue. The presented figures are conservative estimates.

Regarding levy increases, there is a .83 mill levy in 2007 to offset debt service for the golf course and a 1.0 mill increase program scheduled for 2009, 2011, and 2013 to assist with capital improvements. Employee assumptions remain the same from last year.

The budget variance factor will be determined at a later date. It is used for internal purposes as a mechanism to gauge the impact of expenditure overestimates and revenue underestimates. The City Council does not consider this element in the budget planning process as a variance to the budget is not anticipated.

Councilmember Taylor arrived at 5:55 P.M.

Mr. Lambers verified for Mayor Dunn that assumptions do not reflect layoffs in the golf course maintenance area during construction periods; however, during 2007 and 2008, while the course is closed, it is likely there will be a reduction in force as well as restructuring of Orion's contract. Changes that do occur will be to the City's benefit in terms of ending cash balances.

2. Property Tax Base Analysis Discussion

Mayor Dunn relayed discussions with State Representative Pat Colloton regarding H.B. 2619. Representative Colloton informed the bill provision overwhelmingly passed the House of Representatives and there is an agreement to have total hold harmless for cities the first year, 80% the second year, 60% the third year, 40% the fourth year, and 20% the fifth year. Revenue losses will be paid to cities at these percentages. By the end of the fifth year, it is anticipated that losses will be made up by increases in assessed valuations as well as economic development and activity. Representative Colloton expects the bill to pass the Senate as well.

Finance Director Kathy Rogers reviewed the property tax base analysis. Assessed valuation bases are growing at a rate of 9% over a ten-year period and 7% over a five-year period with 5.9% projected in the model. When adjusted for inflation growth at 2-3%, the assessed value per capita brings the 7% growth rate down to 2%.

Mayor Dunn added there will be a legislative watch-dog committee to annually evaluate the effectiveness of H.B. 2619. Future changes can be made if positive effects are not visible.

Ms. Rogers discussed another financial factor being heard at the federal level, which is to take the power of franchising away from local entities and give to the state. This would have an approximate 4-mill impact on Leawood. Kansas is looking at this legislation along with H.B. 2619 to spur economic development for the entire state.

Councilmember Rasmussen suggested comparing development to assumptions over a 5-year period. Mr. Lambers stated this analysis could take place with Council direction, however there would not be a significant impact as many developments are built in phases. Mayor Dunn added there are annual updates on assumptions becoming reality. Ms. Rogers stated the actual figures for next year's budget will be obtained tomorrow during a meeting with County Appraiser Paul Welcome.

Councilmember Taylor stated it would be wise to rely upon the annual updates as some mixed-use developments in south Leawood may become 501(c)3. Ms. Rogers advised current revenue and sales tax projections are based upon 5-year and 10-year historical trends.

Councilmember Gullede arrived at 6:05 P.M.

3. 2007-2011 Strategic Planning Model

Ms. Rogers reviewed sales and use tax figures as well as reserve and debt service fund projections of the Strategic Planning Model. She stated the City is in good shape through this planning period.

4. Golf Course Model

Councilmember Rasmussen questioned whether the 2007 mill levy is actually necessary to maintain reserve levels. Ms. Rogers stated the mill levy will provide an additional infusion into the golf course model but will not cover overall operational or closing shortages. Shortages came in at \$551,984 for year 2005 and will increase by year 2007 to \$1,172,332 in spite of the mill levy. Yearly shortages are integrated into reserve figures, which are projected at 30% for 2007. Ms. Rogers added operational decisions during closure of the golf course will affect the assumptions, calculations of revenue, and determinations of expenditures in 2007 and 2008.

Discussion regarding future debt of the golf course took place. It was determined that debt will retire in 2015, however the golf course will still not break-even considering capital costs.

Ms. Rogers informed that packet information includes revised pages of the IRONHORSE Golf Course Business Plan which mirror the budget model. She noted a new capital improvement request for 2007, Item No. 7, which will be reviewed by Mr. Lambers during the budget process.

Ms. Rogers verified for Councilmember Gullede the .83 mill levy revenue is to be used strictly for the golf course. Mr. Lambers stated the increase will continue until year 2015. Councilmember Filla noted the assumptions to reflect no profits even with mill levy revenue aiding in debt service pay-off. Mayor Dunn pointed out a \$21,187 profit in net operating income for year 2009, which the IRONHORSE Golf Course Advisory Board will set as a yearly repeating goal.

Councilmember Rasmussen verified with Ms. Rogers that depreciation rates for capital expenditures of the golf course are not sufficient enough to warrant setting aside replacement funding from fees. Instead, capital purchases are made through the general fund on a cash basis. Mr. Lambers added the golf course does not lend itself well to the enterprise theory, which is based upon a captured market.

Discussion took place regarding whether currently lobbied sales tax legislation would have adverse effects on green fees.

Councilmember Peppes arrived at 6:20 P.M.

Further discussion was held regarding financial forecasting of the golf course. Green fee increases would be unrealistic in terms of the current market and were not programmed into the model. In addition, it was felt momentum would be lost if a fee increase were added upon reopening of the golf course. Councilmember Gullede felt the model was unrealistic due to the unknown market for upcoming years. Ms. Rogers stated the model is merely an illustration to project major points of consideration.

Councilmember Filla commented on the subsidy figures associated with the golf course. She stated it was not unreasonable to subsidize the program if this is a service we wish to provide as we do the same with other sport and recreational programs. Mayor Dunn stated it is not a certainty that the golf course will always require subsidy from the City.

5. Budget & Financial Policies

Ms. Rogers stated there are no recommended changes to the Budget & Financial Policies at this time. The financial operating structure remains the same.

6. Budget Directives for 2007

Ms. Rogers reviewed the 2007 Budget Directives. She confirmed for Councilmember Peppes the actual sales and use tax figures were 3% for 2005. The current model of 4% is based upon a 10-year trend. Quarterly assessments are performed on sales taxes to determine if budget adjustments should be made. Mayor Dunn noted the projections do not include revenue from new retail such as Crate & Barrel.

IS Director Mark Andrasik confirmed for Councilmember Rasmussen that funds needed to implement additional software modules are in the 2007 budget. Mr. Andrasik informed of new module requests that will be coming before the Governing Body, including GASB-34 Reporting (\$20,200) and Contract Management (\$12,000). Following the purchase of these two units, there will be approximately \$100,000 remaining in the previously approved \$750,000 budget. The Permits and Inspections module (\$96,000) will utilize the remainder of the funds.

Councilmember Gullede complimented Staff for performing the installation and implementation of the new software as opposed to hiring consultants. Mr. Andrasik verified the City is actually receiving four more modules, totaling \$150,000, than what was originally conceived within the \$750,000 budget.

Mayor Dunn noted other cities have contacted Leawood inquiring about use of the EDEN System.

Bill Ellwood, Chair of the Leawood Stage Company, arrived at 6:35 P.M.

7. Desired Council Discussion/Presentation Topics for Budget WSS

As part of the budget process, Mr. Lambers reminded the Governing Body of their desire to have the opportunity to have particular areas of interest explored. Requests should be identified by March 7th in order for preparation to occur prior to the June meetings.

8. Discussion on 2007-2011 Capital Improvement Program

Ms. Rogers stated the C.I.P. worksheet has not changed since the last February 6th Work Session. Referring to the chronology included as packet information, she reviewed the evolution of the amphitheater from the \$12.5-million bond initiative to present. The total proposal for completion was \$4.8-million with \$100,000 being spent out of the bond authority to begin the project. Parks & Recreation Director Chris Claxton informed an additional \$23,900 was funded out of the project through a change order for design consultant fees.

According to the Pay-As-You-Go [PAYGO] Capital Program, Councilmember Rasmussen noted \$95,000 is to be spent on a Master Plan for the amphitheater site and theater design for restrooms, concessions, and parking in year 2007; however, implementation of the design is not scheduled. Using the calculation of architectural fees being 10-12% of the total project cost, Councilmember Rasmussen estimated \$1-million will be needed to complete the work. For planning purposes, he requested that project costs and year be determined. He also suggested a Work Session be held regarding improvements that were done during Phase I of the project.

Ms. Rogers listed affecting factors to the project such as cost of the Justice Center, proposed costs of the community center, construction of golf course greens, and increased costs of Gezer Park. Some of these projects cannot be debt financed without a vote of the people, however there is \$500,000 worth of bond authority that can be chartered out.

Councilmember Rasmussen restated the model should be reflective of the plan. Mr. Lambers advised to schedule \$500,000 for two years with the project design in 2007 and construction taking place in 2008 and 2009.

Councilmember Taylor voiced support for scheduling the project. He confirmed with Ms. Claxton that the New York designer quoted the project at \$4.8-million over four phases. She stated the design is being managed to a more reasonable dollar amount and is to be reflective of attendance levels not to exceed 1,500 people. She stated the original quote is on a grandiose scale of construction. Upon further budget analysis, it was determined the design could be scaled back to \$2.5-million and include all improvement fees.

Councilmember Taylor suggested appropriating \$1-million per year into the C.I.P. rather than \$500,000. Mr. Lambers stated it would be more realistic to break the project into two phases with \$500,000 for the first year and \$1.5-million the second year. Councilmember Taylor stated the currently scheduled \$95,000 in 2007 for a Master Plan would not cover design fees.

Mayor Dunn read a portion of the memorandum from Ms. Claxton stating, "Any future development, beyond Phase I, was agreed to be financed by a combination of fundraising efforts by the Leawood Stage Company (operating as an independent group) with assistance from the Leawood Arts Council. As the City would be the owner, and also the major user of the facility in the future, they would determine what amenities and at what dollar amount of support they would participate, as future improvements were considered." She interpreted the project was only considered to be a private endeavor beyond the \$100,000.

Councilmember Rasmussen quoted a section from the City Parks Information brochure as, "Traditional development includes three multi-purpose athletic fields, ample parking, interior roadways and restroom facilities."

Councilmember Taylor confirmed with Ms. Claxton the \$2.5-million would include parking. He reiterated professional fees would not be covered by the budgeted \$95,000.

Mayor Dunn relayed that Leawood Arts Council Chair Mary Tearney attributed blossoming costs to sod effacement. It was determined that private fundraising would enable acceleration of the improvements. Councilmember Taylor stated volunteer groups should not be put in the position of raising the entire amount needed as it is a program the City needs and desires. He would rather see fundraising efforts go towards ongoing maintenance of park operations.

Ms. Rogers cautioned against having a large amount of PAYGO dollars associated with Parks & Recreation as bonding cannot occur above the \$12.5-million. Councilmember Taylor suggested transferring the overestimated project cost for Gezer Park into the amphitheater effort. He stated after meeting with the designer of Gezer Park, total improvements can be done with the original figure of \$773,000 rather than the currently scheduled \$1.2-million.

Councilmember Rasmussen advocated for fair project treatment. He also stated he would like complete understanding of how expenditures were spent to date at Ironwoods Park.

Mr. Lambers recommended pushing the Gezer Park project back if it is Council's desire to program the \$2.5-million for Ironwoods Park over two consecutive years. Mayor Dunn disagreed with this course of action as Gezer Park has already experienced a two year delay and suggested another Work Session to further discuss the matter.

To further understand citizen desires in prioritizing the various projects, Councilmember Filla suggested obtaining the previously discussed Needs Assessment. She confirmed with Ms. Rogers the \$6-million used for the Justice Center land acquisition will be paid for with cash reserves, however there will be a reimbursement resolution.

Mayor Dunn warned not to be overly optimistic in using information from the Needs Assessment to determine the budget as the Governing Body will still be in position of deciding how to spend the money.

Bill Ellwood, Chair of the Leawood Stage Company, spoke on the needed amphitheater improvements. He stated there were deficiencies associated with the park such as drainage issues and agreed with phasing the project. Mr. Ellwood felt there would be tremendous citizen support for the improvements and encouraged the Governing Body to take appropriate steps in financial planning. He also stated the Leawood Stage Company could raise some of the funding.

Following further discussion, it was decided to program the \$500,000 bond authority into the 2007 C.I.P. for park improvements and omit the \$95,000 currently scheduled for a Master Plan. The \$500,000 can be used for design fees and initial construction at Ironwoods Park. Continued phased improvements for the amphitheater will be scheduled in 2008. Ms. Rogers advised the changes will be made before the Governing Body approves the C.I.P. this evening.

Councilmember Taylor and Public Works Director Joe Johnson discussed Leawood's participation with the City of Overland Park in improvements to Nall Avenue from 151st Street to 159th Street. If Overland Park does not require the City of Leawood to install a median strip, Councilmember Taylor stated Leawood should be limited to half the costs associated with 151st Street to 154th Street only, which is the City Limits. Mr. Johnson stated percentages are based upon abutting frontage. Further discussions will take place with Overland Park regarding project costs. Mr. Lambers assured we would not pay for any extensive amenity, such as a bridge, beyond Leawood City Limits.

Mayor Dunn adjourned the meeting at 7:25 P.M.

Christy Wise, Recording Deputy City Clerk