

Minutes

Audio Tape Nos. 665-666

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 6:00 P.M., on Monday, June 12, 2006. Mayor Peggy Dunn presided.

Councilmembers present: Louis Rasmussen, James Azeltine, Jim Rawlings, Mike Gill, Greg Peppes, Gary Bussing, and Debra Filla.

Councilmembers absent: Scott Gullledge.

Staff present:

Scott Lambers, City Administrator
Kathy Rogers, Finance Director
Ben Florance, Fire Chief
Sid Mitchell, Chief of Police
Joe Johnson, Public Works Director
Mark Andrasik, IS Director
Deb Harper, City Clerk

Patty Bennett, City Attorney
Kathy Byard, Budget Coordinator
Randy Hill, Deputy Fire Chief
Major John Meier, Deputy Police Chief
Chris Claxton, Parks & Recreation Director
Jeff Cantrell, Neighborhood Serv. Admin.
Christy Wise, Deputy City Clerk

Budget & Finance Committee members present:

Mark Meierhoffer
Scott Picker
Greg Bussing
Bill Venable
Ken Roberson

Welcome by the Mayor

Mayor Dunn called the meeting to order at 6:10 P.M. She welcomed Councilmembers, Committee members, and Staff to the Budget Session. Mayor Dunn extended appreciation to City Administrator Scott Lambers, Finance Director Kathy Rogers, Budget Coordinator Kathy Byard, and other members of the Finance Department for the work and effort put into the 2007 Budget. Introductions were made by those present.

Opening Remarks

Mr. Lambers reviewed Financial Highlights under Tab 3. Revenue from the proposed 0.83 mill levy increase, page 7, will be directed to offset debt service of the IRONHOSE Golf Course. A history of property tax increases is seen on pages 13 and 14 with the proposed increase for 2007 below the mill levy rate of 1997. The 2007 increase will remain in effect until debt service is paid off in 2015.

A fluctuation has occurred in use tax revenue, which comes in as purchases are made out of state. The state is becoming more aggressive in capturing this type of sales tax at the local as well as state level.

Revenue from the 1/4-cent local option sales tax is currently in a reserve fund and will continue for another two years. Mr. Lambers recommended using this reserve to pay down costs of the Justice Center. The County is expected to continue this sales tax; however, depending upon how state funding occurs, they plan to capture a portion, if not all, of reserves currently going to the school districts. There are two significant reductions in revenue to the overall budget which includes completion of grant-funded stormwater projects and closure of IRONHORSE Golf Course for repairs.

There are no serious expenditure increases as the mill levy is being attributed to an existing operational deficit. The addition of 4.35 FTE [Full-Time Employee] positions are being proposed including one patrol officer for the Police Department, which will complete the multiyear phase-in program of acquiring 11 officers per shift. Following the hiring in 2007, a staffing analysis will be performed to provide a basis for Council to determine if the staffing level is adequate or should be increased. Another added position is a Facility Maintenance Worker, which will be the beginning of a three year phase-in of facility maintenance personnel in anticipation of the new Justice Center. This will allow new hires to become oriented and familiar with existing facilities. Two part-time Parks & Recreation Workers will be hired with a primary goal to facilitate additional maintenance of the bike/hike trail area from State Line Road to I-Lan Park. In addition to the maintenance duties, the two-person crew will be equipped with radios and can provide protection for citizens along the trail should any type of emergency arise. The last position is a trade-off between a contractual agreement for restroom upkeep at Ironwoods Park and hiring an employee at a lower cost to perform the duties. This position will also perform outdoor bathroom facility maintenance at other parks as time permits.

Three new FTE positions are programmed into the model each year with an additional \$50,000 per year for casual workers. The positions proposed for the 2007 budget are within the adopted model parameters.

Referring to Tab 15, Mr. Lambers reviewed various mill levy increase scenarios. He is recommending inclusion of the 0.83 increase for 2007. Years 2009 and 2011 indicate a 0.75 mill levy increase, however final decisions regarding these years will be made at the time of the specific budget. The projected increases are needed due to major expenses associated with the residential street reconstruction program. Prior attempts to fund the street program on a Pay-As-You-Go [PAYGO] basis caused maintenance levels to fall short, resulting in a \$16-million backlog. Total reconstruction is now necessary due to deterioration of the streets.

The project will continue at least until 2018 with an average cost of \$2-million per year. There is not enough natural growth in the City's revenue at this time to offset the expenditures. Mr. Lambers stated it is his goal to eventually get street reconstruction projects back on the PAYGO program either through natural revenue growth or a dedicated mill levy.

Imposing the mill levy at an earlier date will allow small staggered increases while a delay will create large consecutive increases. Previous directives from the City Council regarding mill levies included no spikes, no increases in excess of 1.0, and no consecutive year increases. The proposed mill levy schedule meets the objectives of the Governing Body.

General Overview

As evidenced with the 2006 Budget, Mr. Lambers confirmed with Greg Bussing there is a 5% variance expected for the conservative projections with actual revenue figures coming in 3-4% higher and actual expenditures at 1-2% lower. Another budget aspect is the 100% employment assumption, which never actually occurs. Mr. Lambers stated confidence in the accuracy of the model through years 2011 given the City's strong economy and tax base. With the effects new developments along the 135th Corridor can have upon the City, mill levies programmed beyond 2009 are speculative.

Mr. Lambers informed Mark Meierhoffer that informational material sent to voters regarding the mill levy increase for the parks, which was imposed this year, included a statement acknowledging the possibility of a mill levy increase for the golf course. Operational aspects of the golf course can be focused upon with the debt service taken care. The golf course cannot show a deficit as it is an Enterprise Fund, hence the need for year-end transfers.

Councilmember Filla and Mr. Lambers discussed the golf course deficit. For the current year, there is an estimated \$100,000 deficit because of debt service. The goal is to have a self-sustaining golf course with break-even operations.

Councilmember Rasmussen stated he felt the revenue projections were conservative, especially in terms of franchise taxes as there is an expected utility rate increase.

Councilmember Gill inquired about tracking methods for use tax. Finance Director Kathy Rogers stated this tax source, along with all others, was analyzed in a special report last April. Use tax was down in 2005 as compared to the previous two years, which is attributed to delivery of goods and decreased sale of building products. The 2007 revenue projections for sales tax, the 1/8-cent tax, and use tax increased by 4% from the 2006 estimate of 2.6. This figure is the ten-year combined average for all taxes.

Mayor Dunn noted the machinery & equipment tax exemption is to become effective July 1st. Ms. Rogers stated this will produce a \$70,000 reduction in revenue. Mr. Lambers stated the theory is that there will be generation of other revenues to offset the impact.

Mr. Bussing noted the 0.83 mill is equal to \$576,020.17. He asked if reductions in expenditures were considered in lieu of the mill levy increase. Mr. Lambers stated Council is considering recommendations to create a turnkey operation at the golf course in which the City will not be as heavily responsible for expenditures.

Councilmember Filla and Mr. Lambers discussed reconfiguration options for the golf course. A 9-hole course would be illogical given the amount of space at IRONHORSE. A 27-hole, par 3-4 executive course would be a better option if a transformation were considered.

Councilmember Bussing asked how the golf course debt issue would be resolved if a mandate occurred to cancel the mill levy increase in 2007. Mr. Lambers stated the first target would be to reduce expenditures at the golf course, however they are already in a deficit situation. The only other option would be continued utilization of the reserve funds until debt service is paid off. This approach would be reasonable if the golf course could absorb debt service requirements, however there is no guarantee this will happen by any certain date. The current method of management is to program transfers to the golf course based upon assumptions the debt service will not be paid and on the operational deficit. If miscalculated, a final year-end transfer occurs to provide enough cash flow for the first two months of the year.

Mayor Dunn informed Councilmember Azeltine the 1/8-cent sales tax revenue is equally dedicated to street improvements, the accelerated street program, and stormwater projects not covered by the County SMAC Program. Ms. Rogers stated funds from the 1/8-cent sales tax are in the general operating reserves.

In response to the question posed by Councilmember Bussing, Councilmember Rasmussen noted an increase in operating reserves and a likely decrease in the general fund transfer this year with the course being closed. Areas in the budget that could be examined are overtime, training costs, memberships, and subscriptions.

Councilmember Azeltine stated with the recent increases in property tax and assessed valuations, citizens may not understand the need for a mill levy. Mayor Dunn reminded the 0.83 increase is dedicated to the golf course debt service, which the City has been paying out of reserves for many years.

Mr. Lambers stated the projected 0.75 mill levy increases will aid in the \$2-million per year costs for the residential street reconstruction program as there is insufficient natural growth in City revenue to cover all costs incurred. Deferring the street project again would result in escalating costs. Mr. Lambers stated once the program is complete in north Leawood, there will be southern streets in need of reconstruction. The overall average PCI [Pavement Condition Index] for all streets is 85.8%. Streets that are being reconstructed have ratings of 50-60%. Many of the streets are without storm sewers and will require additional costs to install the improvements.

Mayor Dunn noted a past total street reconstruction project done in Leawood South on Sagamore and Overbrook Roads was funded PAYGO and utilized the entire budget.

Councilmember Filla commended the decision in previous years to begin street improvement measures and noted current PCIs for individual streets listed on page 104. She and Councilmember Peppes agreed that street improvements have been a top concern for citizens.

Ms. Rogers verified for Councilmember Filla there is \$4-million left on the golf course principal debt.

Councilmember Rasmussen requested the fee schedule for the Parks & Recreation Department be reviewed and updated. Referring to page ii of the City Administrator's letter which states, "Identify all general fund subsidies to fee based programs," Councilmember Azeltine asked where this is depicted in the budget document. Ms. Rogers stated the fee scheduled is reviewed on an annual basis. There is no mandate from the Governing Body to Staff directing a certain percentage of recovery for Parks & Recreation fees. Each department section of the budget, Tab 10 for Parks & Recreation, illustrates dollars brought in for direct associated charges and services as compared to the expenditures. The gap has spread between the amount of user fees and charges across all funds, including the golf course, with total user fee revenue being less than 50% of expenditures. The 2007 comparison estimates are even more skewed with closure of the golf course. Recovery costs have decreased based upon a 10-year trend. The Governing Body can request an update to the fee schedule during the annual Goals & Objectives Work Session.

Councilmember Gill noted the golf course has a cost recovery of 107%. He requested GAAP income statements on the golf course for the past five years.

Councilmember Filla stated disagreement with the figure representing number of paid rounds on page 85, stating it does not speak to the amount of Leawood citizens who utilize the golf course. She questioned whether the facilities provide a city-wide benefit as it only services approximately 2,000 residents.

Councilmember Azeltine confirmed with Ms. Rogers the \$2,007,047 for golf course operations listed under the 2005 Actual on page 74 reflects user fees and does not include the general fund transfer. Despite the revenue, there is \$500,000 worth of operational debt in addition to the capital debt, which is equivalent to approximately 0.83 mills.

Ken Roberson confirmed the mill levy will expire once the golf course is paid for in 2015. Mr. Lambers reviewed that an alternative use for the golf course would require a vote of the people. Mr. Roberson stated it would make no sense to abandon the golf course. Mayor Dunn and Mr. Roberson discussed benefits associated with the golf course such as raised property values for surrounding homes. If the course were shut down, property tax revenue would decrease.

Councilmember Filla noted 85% of the golf course is in the floodplain and is in need of constant maintenance. Alternatives such as a 9-hole golf course would be more cost effective. Reflecting upon prior research regarding golf courses, Mr. Lambers stated a 9-hole option would be a losing proposition as it would require maintenance equal to that of an 18-hole course. A 27-hole course would provide economy of scale and variety for patrons. The floodplain configuration of the land has not caused significant damages other than an occasional loss of sand traps.

From a marketing perspective, Bill Venable stated there is a perceived non-value for 9-hole golf courses. Changing IRONHORSE into a 9-hole course would be a waste of time and money.

Councilmember Azeltine clarified with Mr. Lambers the 0.83 mill levy would sunset in 2016 as the last debt payment for the golf course will be made in 2015.

Referring to the 2005 Comprehensive Annual Financial Report, Councilmember Gill noted the non-GAAP report revealed golf revenues to be \$2,007,248 with expenditures at \$2,615,789, of which \$589,000 were interest and principal. Operating expenses were approximately \$19,000 more than revenue; however, this includes \$365,000 in non-cash items consisting of loss on sale of capital assets, depreciation expense, and amortization expense. Councilmember Gill again stated he would like to review GAAP financial statements on the golf course and commented that once debt has been retired, the golf course has true opportunity from an operating standpoint.

Mr. Lambers explained the golf course is an enterprise fund with different accountability than general operations of the City. The fund must balance at the end of each year.

Mr. Bussing verified the 0.83 mill levy increase will provide more cash flow to the general fund and will offset year-end transfers to support the enterprise fund. He suggested reducing expenditures from the general fund as an alternative to increasing cash flow. Mr. Lambers stated he did not propose cutting expenditures in other departments. The turnkey operation approach with the management company of the golf course was recommended. Mayor Dunn noted the Governing Body reviewed efficiency desires for each department at the Goals & Objectives Work Session although discussion regarding enforcing cuts to compensate the golf course situation did not take place.

Councilmember Azeltine and Mr. Lambers discussed the Strategic Planning Models under Tab 15. Differences in the three versions can be seen in the ending cash balances.

Scott Picker asked if there is concern the citizens will object to the 0.83 mill levy as an assessment to the golf course, specifically residents who do not play golf. He suggested directing the mill levy towards general debt to avoid a political issue. Mr. Lambers responded the golf course is a general obligation of the City. Consideration should have been given to proposing a mill levy increase to cover debt service at the time the golf course was approved by voters.

Mr. Lambers noted a Governing Body cannot make commitments for a future Governing Body, therefore all proposed mill levies are subject to annual appropriation.

Mayor Dunn stated there would be a 5-minute break. The meeting reconvened at 7:30 P.M.

Sid Mitchell – Police Department

Chief Mitchell informed the Police Department comprises 18% of the total City budget, with which a variety of work is performed. The 2007 budget includes the addition of a new patrol officer, which will fulfill the goal of 11 officers per shift. This will allow 5-8 officers per crew to patrol streets. The addition of motorcycle units in recent years has evidenced an increase in tickets and revenue through the Municipal Court system. Over time, the impact the motorcycles have had on problem areas will ultimately create a decrease in accidents, violations, and revenue. This year produced a 4% decrease in accidents.

The adoption of the Leawood Bullying Program into DARE curriculum worldwide was a major accomplishment for the department.

Further development of the City challenges the department in terms of increased traffic and strategic placement of officers. The possibility of splitting the three reporting divisions into four to compensate for increased activity along 135th Street is under consideration.

Chief Mitchell assured Councilmember Rawlings he is comfortable with the current level of patrol officers. Activity levels will be monitored to assess the need for increased staffing.

Mr. Bussing asked how Leawood compares to surrounding cities in terms of patrol officer/administration ratios. Chief Mitchell stated just this year Leawood divided the department into three divisions: Operations, Administration, and Investigations. Prior to this transition, Leawood was most likely the only city in Johnson County still operating under two divisions. The addition of staff for the new division accounts for the 4% increase in personnel.

Councilmember Gill stated a series in *The Kansas City Star* reported the number of miles added to Leawood police cars were much higher than other communities. Chief Mitchell confirmed approximately 40,000 miles are added per year. Councilmember Gill commended Chief Mitchell for keeping patrol cars moving as this has most likely attributed to the dramatically lower crime statistics than other cities.

Mr. Meierhoffer confirmed with Mr. Lambers there would not be any revenue raising opportunities with the new Justice Center. The facility will house the Police Department and Municipal Court. A fire substation is also being proposed for the site to house an aerial truck, which is needed for the new high-rise condominiums being constructed. The footprint of both facilities will be minimized to leave space for a possible community center.

Councilmember Rasmussen questioned why the amount of overtime is unaffected with the increased personnel. Chief Mitchell stated overtime is needed for a variety of reasons such as vacancies, more occasions of Family Medical Leave, training, and off duty City functions. Police officers must obtain a minimum of 40 training hours per year, per State Statute, which cannot be accomplished while on duty. Mayor Dunn noted the Eden Software System surpasses previous abilities to track overtime. Mr. Lambers stated overtime is reviewed on a per shift basis.

Chief Mitchell confirmed for Mayor Dunn there is no mandate for officers to remain with Leawood upon completing the Police Academy. If an officer transfers to another department within one year of completing the academy, the other department must reimburse the expense. Chief Mitchell affirmed there has been no incident of employees leaving after the one year minimum.

The Police Academy is a 15 week program with salary paid to employees while in training. Some of the expense is reimbursed through the county-wide court system. Officers must partake in 14 weeks of field training following the Police Academy.

Chief Mitchell informed Councilmember Filla it would be best to move everything to the new Justice Center and leave nothing at the old facility. The tower will not be needed at the new location.

Mr. Picker noted the Police Program Summary on page 48 reveals a 22% increase in expenses for 2007 when compared to the 2005 actual budget; however, FTEs only increased approximately 4%. He asked why overall expenditures were so high in relation to headcount. Mr. Lambers explained the 2007 figures are forecast with the assumption of 100% employment and expenditure of all funds in the department versus the 2005 actual expenses. He suggested comparing the 2004 and 2005 actuals in order to gain a sense of growth in the budget.

Councilmember Rasmussen observed the loss of the Byrne Grant in the 2007 budget.

Mr. Lambers further explained that contractual services, which are monies budgeted for unanticipated appropriations, contribute to the gaps between years. There is an approximate 15% differential caused by the 2007 budget assuming 100% of expenditures while prior year actuals represent less.

Councilmember Azeltine confirmed with Mr. Lambers approximately 85% of the budget is actually utilized, however this number fluctuates for departments with a large number of personnel and depending upon capital equipment purchases. The 2006 budget includes \$6-million for the Justice Center land acquisition. The model includes a budget variance line, which is used at the Staff level to assess the affect percentage differentials will have on revenue/expenditures for further out years. Mr. Lambers stated in public financing, expenditures must be overestimated as there is no coverage for the City.

Councilmember Azeltine expressed interest in a line chart depicting the relationship between budgets and actuals over the last 5-10 years.

Chief Mitchell noted the biggest difference between the 2005 actual and 2007 projected budgets is personnel costs. There are uncontrolled expenditures associated with this figure such as insurance and retirement costs.

Mayor Dunn added costs are sometimes unforeseen such as those associated with the Ali Kemp murder investigation in 2004.

Mr. Bussing asked if false home alarms were considered just a nuisance or a significant drain on patrol officers. Chief Mitchell stated calls related to this issue are decreasing due to implementation of fines and the False Alarm Program for multi-violators.

Councilmember Bussing confirmed with Chief Mitchell the difficulty of filling new police officer positions is a metro-wide issue. Leawood had no turnovers for a period of two years in the not so distant past, which is virtually unheard of. Recent loss of personnel to other police departments is related to Leawood's inability to compete with the variety larger cities can offer. The majority of vacancies are caused by individuals who do not work out and are let go. A concern faced by all cities is the low number of qualified applicants. Of the 300 applications submitted during the last hiring process, only 30 individuals took and passed the written test. The main employee attractor is salary.

Chief Mitchell relayed situations in which prospects were disqualified when revealed they were involved with alcohol/drug abuse. Mayor Dunn expressed appreciation for the prudent hiring practices.

Given the City will continue to grow, Councilmember Bussing suggested additional efforts be made to retain recruits.

Councilmember Filla asked if the Police Department had an internship program. Chief Mitchell stated there is no formal program, however aid has been given to individuals asking for an internship upon finishing their degrees. The department makes yearly recruiting trips to colleges and job fairs.

Mr. Lambers reviewed the staffing analysis procedure for Councilmember Azeltine, which will occur six months following hire of the patrol officer in 2007. The new position will complete the goal of staffing 11 officers per shift. Mayor Dunn noted Leawood has the highest patrol officer/citizen ratio in Johnson County.

Councilmember Filla congratulated Chief Mitchell for his leadership in fostering the Bullying Program. Chief Mitchell stated DARE Officer Randy Wiler has been the driving force behind the program.

Mayor Dunn stated there would be a 5-minute break. The meeting reconvened at 8:20 P.M.

Ben Florance – Fire Department

Chief Florance presented a slideshow of various fires to which the Leawood Fire Department has responded.

Under Tab 4, on page 21, the Fire Department budget represents 13% of the overall City budget, which is the smallest piece of the pie. The 6.4% increase over the 2006 estimate is largely due to the capital replacement purchase of a fire pumper. Chief Florance noted a \$10,000 savings on the truck by placing the order this year.

The Fire Department PowerPoint presentation under Tab 14 and departmental highlights on page 57 were reviewed by Chief Florance. He reminded the City's ambulance service was eliminated on October 1, 2005, and replaced by Johnson County MedAct at Fire Station #2. Medical emergency response times since the transition have been comparable.

The Fire Department is currently undergoing the government mandated NIMS [National Incident Management System] Training. Constant training provides preparation for the unknown.

Growth of the City has produced more buildings to undergo fire code inspections, of which all firefighters are involved. Every building is inspected once a year. The Fire Marshal reviews plans for new construction projects.

The Fire Department also provides fire safety training for elementary students.

Chief Florance noted the recent increase in the Fire Department's ISO [Insurance Services Office] rating, which was raised from a Class 4 to a Class 3. It generally takes years to advance in class, however Leawood has moved up two ratings over the last ten years. Obtaining a Class 2 rating would require the addition of several firefighters.

Noting the department budget by fund on page 5, Chief Florance reported Emergency Preparedness is included with Administration.

Storm warning siren replacements every other year have been on schedule and will be complete next year. The sirens have an approximate 20-year lifespan with current technology.

Overtime projections are similar to that of the Police Department.

Chief Florance confirmed for Councilmember Filla that businesses occasionally call upon the Fire Department for fire safety training.

In addition to the fire pumper, capital expenses include replacement purchases of a thermal imaging camera, rescue boat, and utility vehicle. Payments will continue for Truck No. 32, the remodeling of Fire Station No. 2, and construction of Fire Station No. 3.

Discussion took place regarding the miscalculation in a recent article of *The Kansas City Star*, where it was reported that Leawood spends \$126,000 per blaze.

Mr. Meierhoffer confirmed with Chief Florance there is communication ability between the Fire and Police Departments. All Johnson County fire departments are on the same frequency, however, communication with Kansas City, Missouri requires use of the Incident Command System.

Councilmember Gill and Chief Florance discussed emergency response times. The use of mobile data terminals has significantly enhanced responses.

Chief Florance verified for Councilmember Bussing there has been no national mandate for public safety departments to be on the same radiofrequency level despite the disastrous lack of communication situation following 9-11. Deputy Fire Chief Randy Hill informed there is a mandate for all fire personnel, city employees, and elected officials to participate in NIMS Training. Mr. Lambers reported Kansas City, Missouri is working with MARC to procure funds from Homeland Security in order to provide a reserve supply of radios.

Mr. Roberson asked why large capital purchases aren't either leased or financed to spread costs over a number of years. Chief Florance stated the 2002 truck, for which Ms. Rogers did an excellent job in getting the best rates, is currently being leased at \$98,000 per year with purchase over a period of time. Mr. Lambers elaborated an annual procreation is set aside over a 5-year schedule to allow cash payments for large ticket items. Mr. Lambers stated the City has very strong vehicle replacement schedule standards. Once a piece of equipment is purchased, it goes onto the schedule and is locked into the budget.

Regarding school program services provided by the Fire Department, Chief Florance stated presentations are given at all grade schools during Fire Prevention Week every year. Additionally, firefighters attend various school events throughout the year. Chief Florance participates with Mayor Dunn in the Read Across America program. There are numerous other opportunities to attend community events such as block parties. Mayor Dunn commented on the Fire Department's excellent public relations.

Mr. Meierhoffer confirmed with Mr. Lambers that incremental fire equipment purchases for the possible new substation have not been programmed into the budget. The aerial truck will be relocated to this site. The station will also house a Suburban as an emergency medical response vehicle. Council will determine additional staffing needs for the satellite location. Chief Florance informed 55% of all calls are EMS related due to the growing elderly population, hence the need for the medical vehicle. Having a station in the central location will improve response times to this area of the City. Essentially, the substation will require additional staffing and ancillary equipment for the aerial truck.

The currently owned platform truck, Truck No. 32, can reach up to 7-stories (70-75 feet); however, Chief Florance stated confidence in the truck being able to battle a 12-story high fire if the building is fully sprinkled. Buildings with full sprinkler systems have a lower incidence for major fires. All of the newer buildings in Leawood are sprinkled.

Chief Florance thanked the Governing Body and Staff for supporting the Fire Department.

Other Discussion

Councilmember Azeltine requested Staff prepare a fourth version of the Strategic Planning Model to include no mill levy increase for 2007 and expenditure cuts of 1.5%. Mr. Lambers stated this would require \$600,000 in cuts for the next nine years. Discussion followed regarding areas of the budget that could be revised in order to avoid the mill levy. A model with a 1-2% budget variance will be provided to Council at the Wednesday night session.

Mr. Lambers reviewed Governing Body Goals for 2006 directs the research of financial options for the Justice Center with the possibility of a sales tax increase. He will propose that revenue from the 1/4-cent sales tax be used to pay down costs of the Justice Center with sale of city-owned land on Tomahawk Creek Parkway held in reserves for contingency and cash flow purposes. Additionally, Mr. Lambers stated he will recommend a 0.4% sales tax increase for five years in order to avoid debt for the Justice Center project. The sales tax issue can be presented to citizens on the November ballot.

Mayor Dunn adjourned the meeting at 9:30 P.M

Christy Wise, Recording Deputy City Clerk