

Minutes

Audio Tape No. 680

The City Council of the City of Leawood, Kansas, met for a Joint Governing Body/Budget & Finance Committee Work Session at City Hall, 4800 Town Center Drive, at 5:30 P.M., on Tuesday, June 26, 2007. Mayor Peggy Dunn presided.

Councilmembers present: Debra Filla, Scott Gullede, Jim Rawlings, Lou Rasmussen, Gary Bussing, Gregory Peppes, James Azeltine, and Mike Gill.

Mayor/Councilmembers absent: None.

Staff present:

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

Patty Bennett, City Attorney
Kathy Byard, Budget Coordinator
John Meier, Police Chief
Chris Claxton, Parks & Recreation Director
Colleen Brown, Human Resources Director
Christy Wise, Deputy City Clerk

Budget & Finance Committee members present:

Mark Meierhoffer
Scott Picker
Greg Bussing
Michael Clark

Others Present:

Laura Uhlmansiek, *Kansas City Star* reporter
Sheri Baker-Rickman, *Johnson County Sun* reporter

Welcome by the Mayor

Mayor Dunn called the meeting to order 6:00 P.M. She welcomed Councilmembers, Committee members, and Staff to the Budget Session. Introductions were made by those present.

Opening Remarks

Ms. Rogers presented the second part of a music video featuring budget data and Leawood history in honor of the City's upcoming 60th Anniversary. The video included the Public Works and Parks & Recreation Departments as well as a conclusion.

Public Works Department – Director Joe Johnson

Public Works Director Joe Johnson reviewed highlights of the Public Works PowerPoint presentation. The biggest change in the department will be the transfer of the Building Codes subdivision to the new Community Development Department, which entails approximately \$500,000 and six full-time employees [FTEs].

Mr. Johnson stated upon completion of the comprehensive stormwater study, in which all of the City's storm sewer lines were televised, \$5 million worth of immediate maintenance needs were identified. Beginning in 2009, \$1 million per year will be programmed into the budget to fund the replacement of line segments and storm sewer structures.

Referring to the traffic signal improvements to 123rd Street and Mission Road at \$160,000 [Tab 9, page 69], Mr. Johnson informed Mayor Dunn that the costs will include the installation of permanent signals as the existing structure is temporary. Programming of the Opticom system will also be performed. There will be no reconfiguration of the street.

Councilmember Peppes arrived at 6:25 P.M.

Councilmember Filla and Mr. Johnson discussed the experimental use of pervious concrete, which was utilized for a parking lot at I-Lan Park. He stated that the City is working in conjunction with the County on a 3-year process to assess the absorbent efficacy and structural integrity of the material. Johnson County funded the additional expenses related to the parking lot project because the material is considered a best management practice that can be used to help improve stormwater quality. There have been no citizen comments related to the parking lot to date. Mr. Johnson advised Mayor Dunn that the rather loose appearance of the concrete is deceiving and it is expected to last.

Councilmember Filla praised Mr. Johnson for taking a leadership role in the use of the porous material. He noted that it has been widely used in areas along the East Coast. Time will be the deciding factor as to whether the differing climate in this area will produce a negative effect upon on the concrete.

Mr. Johnson explained for Councilmember Rasmussen that the addition of another part-time [.50 FTE] secretary/receptionist for the Public Works counter is an efficiency measure. Mr. Lambers stated the current practice of having administrative secretary personnel cover the front counter is disruptive of their duties and is not cost effective.

Councilmember Rasmussen inquired about the \$30,000 expenditure, listed on page 70, for outside engineering services to assist Staff with stormwater reports, drainage studies, and traffic studies along 135th Street. Mr. Johnson stated the contractual service will aid in reviewing comprehensive studies submitted by developers.

Noting that \$35,000 is budgeted to provide for a FEMA flood study for the DB 04-024 project, Councilmember Rasmussen recalled that a county study already exists. Mr. Johnson stated there have been enough changes with DB 04-024 to warrant a restudy of this branch to identify the flood plain. There are a couple of houses that could not be completely taken out of the flood plain.

Councilmember Rasmussen complimented Mr. Johnson and his Staff for the excellent stormwater report. It was noted that depending upon the magnitude of what can be accomplished each year, the estimated \$1 million programmed over five years for stormwater improvements may increase or decrease.

Mayor Dunn confirmed with Mr. Johnson that it is typical to perform a flood study following completion of the project. Modifications have been made to the channel over the last three years, thus the actual construction does not match the original engineering documents that were used when the County performed the FEMA study. The survey will be performed at the first of the year with Phelps Engineering. The new study will not affect any planned upcoming projects.

Mr. Johnson verified for Councilmember Peppes that the County does not participate in funding for restudies.

Michael Clark confirmed with Mr. Johnson that most of the 10% increase in the street maintenance fund is reflective of higher energy, fuel, and material costs.

Regarding yearly fuel costs, Mr. Johnson informed Scott Picker that the Public Works Department spends approximately \$80,000 on unleaded gasoline and \$90,000 on diesel fuel. The commodities figure of \$993,050 also includes costs for salt and needed materials. City-wide, Mr. Lambers informed that between \$400,000-500,000 is spent per year for unleaded fuel. Mr. Picker asked if contracts have been considered in order to reduce the risks of fluctuations in fuel prices. Mr. Lambers stated the fluctuations do not affect the City on a year-to-year basis as we are not that big of a consumer. Fuel is currently calculated at \$3.55 per gallon for budgetary purposes. The actual costs are tracked on a monthly basis.

Councilmember Gill asked if consideration has been given to purchasing vehicles that are more "green." Mr. Lambers stated this has not been researched as of yet; however, a Governing Body goal and objective is procurement of green initiatives. In his opinion, the verdict on hybrid vehicles is inconclusive at this time. These automobiles are only justifiable when driving is done at a high rate of speed. Mr. Lambers proposed the addition of a \$25,000 line item so that Staff can investigate certain green initiatives and provide a report of the cost benefits to the City Council.

Mayor Dunn stated the costs benefits of Silver LEED [Leadership in Energy and Environmental Design] certification for the Justice Center will also be analyzed. The design for the new building will begin in 2009.

Mr. Johnson informed that the largest fuel users are dump/work trucks and police cars. There are only a very small percentage of City vehicles that a hybrid could be used for.

Councilmember Gill reported reading about new development slated for 133rd Street and State Line Road. He suggested adding a sidewalk on the north side of 133rd Street to connect the residential areas to the shopping center. Councilmember Bussing informed that a sidewalk was originally planned but was met with opposition from members of the Greenbrier Homeowners Association. Mr. Lambers agreed that the issue should be revisited.

Mr. Johnson informed Greg Bussing that the reduction in the Capital Improvement Fund when comparing years 2007 and 2008 is due to the completion of SMAC funded projects. In addition to the increased costs of fuel, energy, and materials, the rise in the Street Maintenance Program is also due to the fact that more salt has been purchased over the last two years for increased winter road events.

Councilmember Rasmussen asked the purpose of garaging the fleet trucks. Mr. Johnson stated the Public Works Maintenance Facility is within a business park in which the zoning regulations require the enclosed storage of vehicles. During the design process of the facility, it was felt best to comply with our own ordinance rather than waiving the requirement in regards to City property. The fact that homeowners overlook the business park was the main reason for this decision.

Ms. Rogers confirmed for Mark Meierhoffer that all public assets as of December 31, 2006, have been valued and recorded per GASB-34. A method has been devised to move forward with the requirement on a yearly basis.

Mr. Johnson informed Councilmember Filla that purchases of the new cleaner-burning diesel engines will begin next year. The new engines have an increased cost of \$5,000-\$6,000 but will conserve the use of gasoline. Fire Chief Ben Florance added that the greener engine adds \$10,000 to the price of a fire truck.

Mr. Lambers stated if Council so desires, a fuel standard can be set to achieve on a fleet average basis for vehicles that are not off-road and excluding police vehicles. Mr. Johnson informed that the more fuel efficient V6 engines, versus V8s, are now being used for off-road vehicles. There is a computer system that tracks the fuel mileage consumption of every City vehicle.

Referring to page 72, Mr. Johnson verified for Mayor Dunn that the \$40,000 for contractual services to stabilize erosion around the piers of the bridges on State Line Road pertains to the structures over Indian Creek near I-435. These areas were identified during the biannual bridge inspection.

Mr. Lambers discussed the addition of a new Facility Maintenance Technician, who will be brought on board in anticipation of the Justice Center. The premise is to orient the employee with the existing facilities. The hiring of another such position will not occur until the Justice Center is in operation.

Councilmember Rasmussen suggested contracting for building maintenance services rather than having in-house employees. Mr. Johnson stated this occurred prior to the development of the Facility Maintenance Division, which resulted in duplication of services for the various City-owned buildings. As there are 40-50 daily requests for services, the in-house employees are more cost-effective and labor efficient. Outside contractors are sometimes used to assist with certain projects. Mayor Dunn remarked that the employees in this division are very talented.

Parks & Recreation Department – Chris Claxton

Regarding the \$30,000 expenditure to paint the exterior of Ironwoods Lodge [page 79], Parks & Recreation Director Chris Claxton advised Mayor Dunn that a paint material is being considered rather than a stain.

Councilmember Rasmussen reported that the IRONHORSE Advisory Board has reviewed and does not agree with the following projects: \$17,000 to install netting along the sidewalk of the golf course to protect pedestrian traffic [page viii]; and \$7,500 for electrical supply and lake aeration on the lake by Hole No. 11 [page ix]. Mr. Lambers stated it is his position that the protection along the driving range is necessary and is advised by the City's insurance carrier. The pond project stems from complaints by neighbors and is an aesthetic improvement. Ms. Claxton added that the \$7,500 is for aeration only and does not include costs for a fountain. The homeowners are currently debating amongst each other regarding participating in funding for a fountain. Both items will come before the Governing Body for approval.

Ms. Claxton stated the biggest changes in the 2008 Budget concerns renovations at the golf course. She reported that the greens are finished and have met the approval of Pete Spratlin, Golf Course Superintendent. The reopening of the golf course will involve the Marketing Plan by Orion Management Solutions, who have just submitted their first progress report. There are several park improvements underway at Ironwoods Park with an RFQ for the amphitheater area in progress. The Gezer Park plan and a couple of public art projects will also take place.

A fee study has been completed with adjustments reflected in the 2008 Budget. Ms. Claxton stated many of the year-end revenues for 2006 were better than expected. Programs such as the senior bus trips, the North Shore basketball camp, and a picnic program have been shelved with funding extracted from the budget. The soccer program is being restructured due to shifting in age groups and will include the introduction of a pre-Kindergarten league this Fall.

Ms. Claxton stated future challenges to be addressed will include maintenance on the trails and lakes. Councilmember Rasmussen recalled that \$65,000 was spent to stabilize the bottom of North Lake on Tomahawk Creek Parkway approximately 15 years ago. He suggested filling-in the lake as the unstable substructure will result in a steady financial drain for the City.

Mr. Lambers stated another issue with the lake is significant silting on the west end. The creation of a silt basin is being reviewed, which will be part of the existing pond to trap the silt before it makes its way to the lake. Reevaluation is needed for both this lake and the one at Ironwoods Park. Engineering bids are currently being taken to assess the failed trails, which will be presented to the Governing Body. The question is whether the benefit ratio will justify the expenditures and to what extent we can get assurance that the improvements will prevent failure in the distant future of 10-15 years. He confirmed for Councilmember Rasmussen that one of the failed trail areas is immediately south of 119th Street.

Councilmember Rasmussen inquired about the progress of discussions held with residents neighboring Gezer Park. Mayor Dunn informed that the plan for Gezer Park passed unanimously at the Planning Commission level and will be placed upon the July 16th Governing Body agenda. A neighborhood Interact meeting was held with much participation although most comments were negative. Following the presentation at the Planning Commission meeting, however, the neighbors have expressed great pleasure with the park design. Construction drawings are being created at this time. There will most probably be a delegation from the Gezer Region in May 2008 for the dedication of what is hoped to be a substantially completed park.

Councilmember Bussing asked what prevented the YMCA from pursuing a lease at the old nursery building in Camelot Court. Mr. Lambers stated the organization was unable to agree upon leasing terms with the management company of the shopping center. Regarding the Orion progress report that was e-mailed, Councilmember Bussing requested that additional information be provided concerning the results of the described activities.

Mr. Picker noted an approximate 20% increase in personnel service costs between the 2007 Estimate and the 2008 Budget [page 76]. Ms. Claxton stated this reflects the addition of golf course personnel to the City's budget as well as changing the Cultural Arts Coordinator position from a 0.75 to a 1.0 FTE. Ms. Rogers added that the 2007 figure includes only a partially staffed golf course, whereas it is fully staffed in 2008. While Orion Management Solutions is still under contract, there were nine employees from the maintenance division who were brought onto the City's payroll effective January 1, 2007.

Councilmember Filla asked if the increased personnel costs are offset in another area of the budget. Mr. Lambers stated costs for the Orion contract were previously outside of the budget in a now dissolved Enterprise Fund. A better comparison for wage increases in the Parks & Recreation Department will occur between the 2008 and 2009 budgets. Mayor Dunn called attention to page 87, which illustrates yearly personnel service expenditures for golf course operations. Ms. Rogers stated information in the 2008 column reflects a full year of golf course operations while there is shifting associated with 2006 and 2007 due to the previous Enterprise Fund and closure of the course.

Mr. Bussing complimented Ms. Claxton on the much improved plantings in the medians along 135th Street. Mayor Dunn also noted the beautiful addition of the daylilies on 119th Street.

Due to recent concerns with the ash borer, Councilmember Gill stated it is important to plant a variety of trees in case something this catastrophic hits the area. Ms. Claxton informed that placing information about the insect on the City website and in the Fall Program Guide is being considered as there are a lot of ash trees in this region. Staff is keeping abreast on how the migration of the ash borer is progressing from the north and east.

Ms. Claxton verified for Mr. Meierhoffer that there are set goals for cost recovery of fee based programs. Adjustments are made annually if there is a problem with a certain program. Following the recent fee study, which took place in December 2006, the general consensus of the Council was that they were pleased with the current recovery rate. It was noted that an average aggregate recovery rate of 60% for all costs was agreed upon during a Work Session on the topic. Ms. Claxton stated that recovery for the golf course is slightly different as there are variable costs.

Mr. Meierhoffer confirmed with Ms. Claxton that the Lodge at Ironwoods Park continues to be over-subscribed. The price has been adjusted accordingly for 2008. She also informed him that the current contract with Orion will remain in effect until 2009. During closure of the course, they were only paid a partial salary for the General Manager and expenses for marketing purposes. The company manages several other golf courses.

Mayor Dunn mentioned that years ago, Mary Tearney, Chair of the Leawood Arts Council, advocated incorporating cultural arts as a program in the Parks & Recreation Department. Now, Cultural Arts Coordinator April Bishop, who receives amazing support from co-workers and other departments, is being brought on in a full-time capacity. The Cultural Arts Program is a huge quality of life amenity offered by Leawood and sets us apart from other cities.

As well as the extension of the Cultural Arts Coordinator position, Mr. Lambers stated other new positions will include the addition of two part-time Greenway Maintenance Workers. There will now be a total of four individuals performing the double duty of maintaining the greenway as well as providing a public safety benefit along the trails as they are equipped with radios and a vehicle. The current two positions do a great job of cleaning up the creeks following rain events.

Councilmember Rasmussen inquired if it would be possible to gain cooperation from the Johnson County Wastewater District to maintain their half of the creeks. Mr. Lambers stated the matter can be explored.

Ms. Claxton informed Mayor Dunn that the Greenway Maintenance Workers will assist with cleaning the ponds as well; however, at this point, other members of the Parks Maintenance Division in combination with Blue Valley Labs are working on cleaning out the scum.

Councilmember Gill confirmed with Ms. Claxton that \$25,000 will again be spent on fireworks for this year's Fourth of July Celebration at City Park. It is anticipated that more will be spent next year in honor of the City's 60th Anniversary.

Mayor Dunn stated there would be a short break. The meeting reconvened at 7:45 P.M.

Councilmember Gill left the meeting at 7:46 P.M.

Mr. Lambers distributed a summary of the personnel requests for the 2008 Budget, which denotes whether the positions were funded or unfunded. He reviewed the parameters of adding personnel to be three full-time positions at a total of \$150,000 with an additional \$50,000 for part-time positions.

Seven & Ten Year Financial Forecast

Ms. Rogers confirmed for Councilmember Azeltine that the projected increases are based upon past performances. An Assessed Valuation Report on property tax and a Sales Tax Report are provided for comparison purposes, which are the main two revenue drivers. An analysis is performed on historical data of revenue and expenditures. He requested that another column be added to the Strategic Planning Model illustrating the five-year trend average.

Of the voter-approved mill levy increase that occurred 3-4 years ago for park improvements, Ms. Rogers informed Mr. Meierhoffer that there is \$500,000 left of the bond authority that will be used for the restrooms/concessions at the amphitheater in Ironwoods Park. There is no additional reserve authority.

Councilmember Bussing noted a precipitous decline in years 2013-2016 on the graph for reserves as a percent of expenditures despite a mill levy increase in 2011 and 2013. He inquired if the drop is a result of adding three FTEs per year. Mr. Lambers stated the decline is a function of projected expenses growing faster than revenues for conservative financial purposes. He reminded that a mill levy increase was earlier projected for 2009 as well; however, it was able to be removed due to higher than anticipated revenues and lower expenses. The provided variance factor is on the conservative side. The goal of the Governing Body is to be informed 3-4 years in advance if there will be a significant problem.

As significant cost drivers such as pay and benefits could cause difficulty in this area fairly quickly if not managed properly, Councilmember Bussing stated there is great benefit to having such a model in order to gain an early perspective of how decisions made today will affect the future. He stated a strategy should be devised to keep accumulative cost increases under control. Mr. Lambers noted that capital costs are also included in the forecasting, which can be deferred or reduced if necessary. There is an adequate timeframe provided to allow proper analysis of all issues with only a gradual reduction in expenses required, if needed, rather than abrupt cutbacks.

Councilmember Bussing submitted that the capital costs are not the cause of the decline in the out-years. Mr. Lambers responded that the scheduled mill levy increases are not sufficient in offsetting the accumulation of debt that the City is incurring for the residential street program, yet personnel costs are certainly a factor. There are many different budget changes that can occur if Leawood experiences an economic blow, which would require an event equivalent to that of a terrorist attack as the City is immune to many things because of the disposable income within the community.

Mr. Picker stated the assessed valuation increase of 7.8% for 2008 and 5.9% for years 2009-2014 seems fairly aggressive. He asked the outcome if the assumptions were programmed with a 2% increase. Ms. Rogers stated the assessed valuation is the biggest driver of the whole Strategic Planning Model. The economic development and incentives that are being offered are important for continued commercial growth, which has been a big part of the overall ability in funding capital as Pay-As-You-Go [PAYGO]. Residential growth, which may be effected by sub-prime mortgages, is not as large of a component as overall development. She stated that any model has to undergo continuous evaluation depending upon what is happening.

Mr. Lambers informed that assessed valuation projections in recent years have been at least in the 6% range, which could raise the argument that the projected 5.9% is too conservative. If the impact of a slump is seen within the next two years, the figure in the out-years will be reduced to the 5.4%-5.5% range.

Councilmember Filla stated appreciation for a previous presentation that included the introduction of different scenarios within the Strategic Planning Model. The ability to see the interactive model change with various assumptions provided a better perspective of what is involved in creating the document. She encouraged members of the Budget & Finance Committee to go through the model with Ms. Rogers as it is a very illuminating process.

Mr. Bussing echoed Councilmember Filla's comments regarding the interactive model. As a general question, he asked if there were any anticipated modifications within city government administration that would cause a potential change for Leawood (i.e. outsourcing, management changes). Mr. Lambers stated as Leawood is landlocked, all major street improvements will be complete by year 2020. Debt issued up to this time will not be replaced, but there will be more maintenance on facilities. Other than the PAYGO-funded Justice Center, the fire substation that is not yet approved, and a possible Community Center, there are no other City-owned facilities planned for the future. The City will become stable in terms of new initiatives. As debt is paid off, the City may possibly be in the position of retiring debt quicker than it is added. Although utilizing the private sector may be more cost effective in doing things, the public sector is more effective in responding to the needs of the residents. There are no expected administration changes for Leawood, however many cities who are struggling may have privatization on their horizon.

Mr. Lambers continued that another change that has been tried by some cities, although not very successfully, is the conversion to a public safety department in which the firefighters are also trained to handle firearms. This allows members of the fire departments to also respond to emergencies such as terrorist or chemical attacks in an armed capacity. Mayor Dunn noted that many members of the Governing Body have undergone NIMS [National Incident Management Systems] training.

Councilmember Rasmussen informed Mr. Meierhoffer that there are no effects of unfunded mandates from state and federal authorities in the budget. Mayor Dunn relayed that legislators present at a Council of Mayors meeting expressed hope that the potential passage of gaming will bring back mandated revenue streams to municipalities.

Mr. Lambers stated an area more concerning is the Legislature's appetite to give away tax revenue to local units of government. The Northeast Kansas Administrators Association is working on a report to demonstrate how much of a revenue decline has been granted by the Legislature over the last 4-5 years.

Referring to the ending fund balances on page 19, Councilmember Gullede requested explanation for the decrease between 2006 and 2007. Ms. Rogers stated that a lot of PAYGO capital was committed this year including the golf course renovations, \$400,000 for restrooms at Ironwoods Park, and lake renovations at \$150,000. Additionally, costs for the DB-04-024 stormwater project came in over what will be reimbursed from the state. Mr. Lambers added that the balloon payment program in addition to \$500,000 will be spent for Ironwoods Park in 2009. Councilmember Gullede commented that the figures on page 30 remain rather flat from year to year.

In comparing the 2006 budget with the 2006 actuals, Ms. Rogers informed Councilmember Gullede that revenues were greater while expenditures were less than projected in the Operating Budget. The capital budget across all funds tends to fluctuate depending upon the status of Public Works projects. Reconciliation of approved project costs with the capital fund will take place before year's end with change orders also taken into account. There was approximately 8% more revenue and 8% less expenditures than projected in the 2006 Budget.

The projections for 2007 are fair and will depend upon the process of building revenues. Sales tax and property tax revenue are on target and more money has been made with the slightly upward creep in interest rates. Ms. Rogers stated the budgeted and actual figures will continue to become closer as there are fewer variables. She stated it is possible that the projected \$22 million ending fund balance for 2007 could actually increase by \$1 million. The biggest wildcard for 2008 is the golf course, which has now been placed into the General Fund.

Discussion on Appeals and the Effect on the Mill Levy

Councilmember Rasmussen noted that one mill is equal to \$787,000 and suggested offering the taxpayers a one mill reduction given the status of the reserves. Mr. Lambers reminded that there are two mill levy increases projected at this time. The goal is to avoid spikes in the mill levy with a limit placed upon increases to one every other year. The out-years include \$5 million worth of storm sewer construction with no associated tax increases. As natural growth will be relied upon to cover these costs, Mr. Lambers stated it would not be prudent to implement Councilmember Rasmussen's suggestion at this time.

Ms. Rogers informed Councilmember Filla that the revenue from the Economic Development Sales Tax is being allocated to the Public Safety Fund, which was established at the beginning of 2007, in order to pay cash for the Justice Center. The Governing Body has agreed in policy to the use of the revenue.

Mr. Lambers stated the voter-approved 0.4-cent sales tax increase for the Justice Center will show up as an accumulation of cash until payments begin in year 2010. There will be a sharp decline in the cash reserves at this time.

Further discussion took place regarding the possibility of reducing the mill levy at some point in the future.

Regarding changes, Mayor Dunn informed Councilmember Gullledge that \$25,000 will be added for the procurement of green initiatives. A Work Session will be held on July 9th to further discuss possible wage changes within the Fire Department and the three requested lieutenant promotions.

It was the general consensus of the Budget and Finance Committee to recommend approval of the 2008 Budget to the Governing Body. Councilmember Rasmussen opposed the recommendation due to his desire to lower the mill levy.

Mayor Dunn again thanked all those involved in the budget process.

There being no further business, Mayor Dunn adjourned the meeting at 8:20 P.M.

Christy Wise, Recording Deputy City Clerk