

Minutes

Audio Tape No. 686

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, January 7, 2008. Mayor Peggy Dunn presided.

**Councilmembers present:** Lou Rasmussen, Debra Filla, Jim Rawlings, Gary Bussing, Gregory Peppes, James Azeltine, and Scott Gulledge.

**Mayor/Councilmembers absent:** Mike Gill.

**Staff present:** Scott Lambers, City Administrator  
Patty Bennett, City Attorney  
Kathy Rogers, Finance Director  
Kathy Byard, Budget Coordinator  
Chief John Meier, Police Department  
Joe Johnson, Public Works Director  
Chris Claxton, Parks & Recreation Director  
Deb Harper, City Clerk

**Others present:** Philip Batson, reporter for *The Johnson County Sun*

**1. Opening Remarks**

Mayor Dunn called the Work Session to order at 6:00 P.M. The purpose of the meeting is to discuss the 2009-2013 Capital Improvement Program [C.I.P.].

City Administrator Scott Lambers stated that the document is very similar to the C.I.P. from last year. One distinction is that several major street projects that were listed in the out-years of 2015 and beyond have been removed due to concerns that current federal funding will no longer be available.

Finance Director Kathy Rogers distributed handouts reflecting the status of various projects that began in 2007 and 2008. She also noted that the C.I.P. now lists uncommitted projects under two subcategories: desired and anticipated. The anticipated projects have been included in the model with the assumption that continuation will occur for phased programs such as streets and stormwater. Desired projects reflect those that have been brought up by a committee, Department Head, or Councilmember that does not have funding.

Councilmember Bussing arrived at 6:18 P.M.

Ms. Rogers reviewed the projects listed on page 21, which includes one uncommitted project of a traffic signal on College and Brookwood. Mr. Lambers informed that this feature will be warranted in conjunction with construction of the approved office building in the Hallbrook subdivision as traffic flow will increase considerably in this area. It is recommended that a funding source be identified in order to list the project as committed.

The desired and anticipated projects on pages 55 and 56 were then reviewed by Ms. Rogers. Additional discussion and direction will be needed regarding possible recommendations of the desired projects.

**2. Discussion on Assumptions/Debt Ratios**

The assumptions, as seen on page 7, have been very consistent over the last number of years albeit the interest rates are slightly higher. Oil products and construction material are rising very precipitously with a projected inflation rate of 5% for all projects. The model reflects an assessed valuation growth of 5.9% for 2009-2013, which is primarily attributed to new commercial construction. A meeting will take place in February with the County Appraiser to review new sales of property and current home values. The model also includes a one mill increase in 2011, and 2013, which is consistent with the 2008 Budget presentation.

Ms. Rogers explained the key debt management ratios on page 64. She noted that a 20% goal has been set for debt as a total percent of expenditures with a 25% threshold. The graph on page 62 illustrates these targets being reached in some areas when Transportation Development Debt is factored into the equation. However, according to George K. Baum, the City's financial advisors, Moody's Rating Agency will analyze the City's total debt with and without the inclusion of the TDDs.

**3. Discussion of Committed, Uncommitted, Desired, Anticipated Classifications**

See discussion under Opening Remarks.

**4. Street Program**

The goal of the Street Program has remained unchanged, which is to maintain the streets at the standard pavement condition index [PCI] of above 70. The current average PCI is 86.

Mayor Dunn expressed appreciation for the addition of clarifying language to the conclusion of this section.

Ms. Rogers stated the street programs have been running very smoothly with Public Works Director Joe Johnson working one year in advance of the scheduled projects.

**5. Discussion on Pay-As-You-Go Projects**

The Arterial Program on page 69 has been decreased by \$2.5 million that was previously allocated to the 143<sup>rd</sup> Street project from Nall Avenue to Kenneth Road in order to keep the proposed CARS funding. The project will be bonded rather than financed as Pay-As-You-Go [PAYGO]. Ms. Rogers summarized the Mill & Overlay Program, SMAC projects, and the 1/8-Cent Sales Tax Projects.

Mr. Lambers informed that the 1/8-cent sales tax authority will expire on June 30, 2010. As the ballot question is typically included in a general election, the City Council will need to make a future decision as to whether to place the issue on either the November 2008 or November 2010 ballot. The tax will lapse and need to be reinstated if the latter date is chosen. A Work Session will be scheduled in the future to debate the options.

Ms. Rogers called attention to Other PAYGO Projects on page 74 and noted that the dollar amount listed for a roof replacement to City Hall has increased over the previous C.I.P. from \$500,000 to \$793,000. Mr. Johnson explained that the rooftop air conditioning units will also need replacing in conjunction with the repairs, thus the costs have been combined into one project.

A document outlining proposed phasing and estimated costs for the future amphitheater build-out was distributed and discussed. The total overall costs are estimated at \$2 million. Mr. Lambers stated if the proposal is agreed upon, the City's debt service as a percentage of total expenditures will cross the target threshold of 25%. Alternative options include implementing the PAYGO approach or replacing another project currently incorporated into the model with the amphitheater. If exchanging projects is considered, Mr. Lambers recommended doing so with the residential street program and accelerated stormwater project in 2011. Funding leftover from the amphitheater project can be returned to do the stormwater reconstruction.

Ms. Rogers reviewed the Art Projects on page 76. Recent changes include \$30,000 for I-Lan Park art scheduled for 2009, which was presented for inclusion by the Parks & Recreation Director after it was approved by the Parks & Recreation Advisory Board. Following approval of the C.I.P. by the Governing Body, the figures will be utilized in preparation of the 2009 Budget.

Ms. Rogers continued that she anticipates the assessed valuation figures for the upcoming budget year to be very solid and not less than the projected 5.9%. Additionally, it is projected that new legislation to the machinery tax will eventually create a loss of \$500,000 annually. The state's counter to offset the decreased revenue for municipalities was to be the reinstatement of the Local Ad Valorem Tax Reduction [LAVTR], which would generate over \$500,000 annually. Mr. Lambers informed that Legislature is trying to determine whether the LAVTR should be used for property tax reduction purposes, which would require a decreased mill levy, or as an offset to loss of revenue.

In order to provide the most accurate projections within the model, Ms. Rogers stated that a consensus is needed regarding continuing the anticipated street and stormwater projects for 2009-2013. Moving the uncommitted traffic signal project on College Boulevard to a committed status will also need to be decided upon. Direction is also needed in terms of the desired items listed on page 55 that are currently unfunded.

Ms. Rogers noted that the uncommitted project listed on page 59 of burying of the power lines and third lane addition to 135<sup>th</sup> Street is proposed as a TDD but would be included in the overall computation for the target debt range. Mr. Lambers stated that this project will not take place in 2008 as discussions are still ongoing regarding property owner participation.

## **6. Open Discussion**

Referring to the debt service on page 62, Ms. Rogers clarified for Councilmember Filla that the figures do not reflect uncommitted, desired, or anticipated projects. Mr. Johnson stated that the DB-04-19 stormwater project on 91<sup>st</sup> Street to Ensley Lane and Wenonga Road, which is listed as anticipated on page 72, is a continuation of previous storm sewer improvements that was postponed so as to occur simultaneously with the scheduled road reconstruction. A request for funding will be made to the County next year.

Councilmember Rasmussen questioned the \$440,000 expenditure for the Mill & Overlay to 143<sup>rd</sup> Street. Mr. Johnson informed that the project has been completed. The report regarding undergrounding the existing overhead power lines will not be available until the end of 2008 or early 2009. The estimated \$1 million needed to perform the work is calculated into the C.I.P.

Mr. Johnson advised Councilmember Rasmussen that the stormwater project to be performed at 12601 Norwood in 2010 [page 73] will involve increasing a section of pipe to prevent flooding in the backyard of the residence. Councilmember Rasmussen stated this is another example of utilizing tax dollars to benefit private property. He objected to the fact that potential residential stormwater issues are not reviewed at the time of building permit issuance.

Regarding the \$2 million estimate for the amphitheater, Councilmember Rasmussen stated that a consultant will be hired to design a scope of work consistent with what the people voted for in terms of the park description. Necessary costs will be provided separately from items on a "wish list." He requested that fellow Councilmember closely review the upcoming information.

Councilmember Rawlings confirmed with Ms. Rogers that the projected assessed valuation of 5.9% through 2009 is a combined number of personal, residential, utility, and machinery & equipment property taxes. As the actual assessed valuations have averaged at 7%, any reduction in tax revenue will be absorbed by the lower 5.9% figure. Any drastic changes in the base of the assessment will be made known within the next 24 months. The reductions in machinery taxes will roll-off within the next five year period. Further discussion took place regarding the intent of the legislative changes to this tax.

Mr. Johnson verified for Councilmember Peppes that not all street reconstruction projects involve stormwater improvements.

Councilmember Azeltine offered congratulations to the Public Works Department for maintaining the PCI rating over the years as it ultimately saves taxpayer dollars. To his inquiry as to whether the other two stormwater projects listed on page 73 are single family issues, Councilmember Rasmussen responded in the negative and stated that they are proper utilization of the 1/8-cent sales tax revenue. Mr. Johnson affirmed that all of the projects were approved by the Stormwater Management Committee.

Noting that the assumptions anticipate a one mill increase for 2011 and 2013, Councilmember Azeltine asked if a scenario was considered without the increases since some of the CIP projects are conducted over a multi-year period. Mr. Lambers responded that such an analysis was not performed as the goal is to eliminate the \$18 million backlog for street reconstruction by 2020. Reducing the mill increase would, in turn, eliminate or reduce the improvements beyond the targeted completion year. A deferral of these improvements would result in higher project costs later and create additional costs for street maintenance that are trying to be avoided by the Accelerated Reconstruction Program.

Councilmember Azeltine suggested reviewing scenarios without mill levy increases in the future when determining projects. Ms. Rogers reported that increases were projected almost every year when the residential street improvement program began; however, increased sales tax and property tax revenue has been able to absorb the need to do so. Continued discussion took place regarding the implications that future projects will have upon mill levy increases in the out-years.

Councilmember Azeltine expressed concern regarding risk factors associated with the assumptions such as downward trends in the real estate market and felt the 5.9% growth is too optimistic given the decrease from the 10-year growth rate of 9% to the 5-year growth rate of 6.5%. Ms. Rogers stated the meeting scheduled in February with the County Appraiser will provide information in terms of the 2007 residential housing market in Leawood. When asked how much of the 5.9% assessed valuation is due to new construction, Ms. Rogers stated that the figure fluctuates from year to year. Councilmember Azeltine stated he would like to know how much of the growth was due to new construction.

Councilmember Azeltine asked if there was any way to adjust the debt per capita as seen on page 64. Ms. Rogers informed that the standard figure of \$1,200 per resident is a benchmark that Moody's Rating Agency uses across the board. Mr. Lambers noted that this figure is used to compare against all communities and is not a good average to use by itself.

Councilmember Filla raised for consideration the issue of seriously exploring the idea of implementing a stormwater utility tax, which has been done in Lenexa. The matter has been discussed by the Stormwater Management Committee. The tax would change the awareness level of the citizenry in terms of infrastructure costs and the effects caused by development. The revenue would also provide an alternative to the mill levy increases proposed for 2011 and 2013. Mayor Dunn stated this topic was being discussed at the Stormwater Committee.

As a result of the engineering study, Councilmember Rasmussen stated that he has no objection to programming \$1 million per year as estimated costs for stormwater improvements. Nevertheless, he would still like for the expenditure to be identified in detail within the budget on an annual basis.

Mr. Lambers reminded that a recent Governing Body Goal was to increase the residential street reconstruction program. With the addition of stormwater improvements, however, it was agreed upon to leave the street program unchanged.

Mayor Dunn called attention to page 21 and the uncommitted project of the traffic signal at College & Brookwood scheduled for 2011 [#80401]. Ms. Rogers informed that the project will be bonded. Mr. Johnson confirmed that the signal is already warranted with traffic expected to increase with the addition of the office park in the Hallbrook subdivision. Councilmember Rasmussen stated he does not feel that the traffic signal is necessary. Mayor Dunn pointed out that if there is consensus to move the project to committed status within the C.I.P., there will still be opportunity to vote against the item when it is presented separately to the Governing Body. Mr. Lambers noted that the project will be presented as part of the 2010 budget document.

Mr. Johnson verified for Councilmember Rawlings that a traffic study was performed on the intersection last year in conjunction with a study at 128<sup>th</sup> Street and State Line Road. The additional development will begin construction either in late 2008 or early 2009. Mr. Lambers added that another building is set for construction east of this site. The addition of the traffic signal will also allow for pedestrian access to the trail system from Hallbrook to north of College Boulevard.

Noting the objection expressed by Councilmember Rasmussen, Mayor Dunn obtained consensus to change the status of C.I.P. Project #80401 to committed.

Moving to the topic of the proposed amphitheater build-out [page 55], it was determined that the order of the phasing was modified in order to construct the parking lot and grading around the facility in conjunction with the improvements to Ironwoods Lake. The restroom and concession buildings will be constructed during phase II. The funding for constructing the facilities has already been approved, but it will now be used for the scope of work listed in phase I at a cost of \$562,300.

Ms. Claxton confirmed for Mayor Dunn that the desired PAYGO project listed as creek bank erosion protection refers to two areas of Tomahawk Creek near the trail systems. As these improvements are very important, Mayor Dunn stated that marking this project as committed would take higher priority over the amphitheater build-out. She noted that fundraising efforts can be made towards the amphitheater. Ms. Rogers informed that the PAYGO classification for the creek bank project is only a suggestion as it is possible that bonding can occur. Further details regarding this will be forthcoming.

Mr. Lambers recommended that direction be given for projects that should be considered for 2009 in order to incorporate these into the next operating budget. He will prioritize them for Governing Body review. Regarding the proposed golf course maintenance building parking lot, he informed that the City is now mandated to comply with National Pollutant Discharge Elimination System [NPDES] requirements when constructing such features. Constructing the parking lot on this site will show compliance with the current permit while another lot at the Public Works Maintenance Facility will be done as part of the next permit.

Mr. Lambers informed Mayor Dunn that the pond and trail improvements listed under desired projects will occur to the northern most body of water on Tomahawk Creek Parkway. The pond is currently silting over. Funding that was originally slated for this improvement was used to repair a portion of the trail system that is currently closed as it was determined to be of higher priority.

It was decided that the golf course parking lot and the creek bank erosion project should take precedence over others on the desired list.

Ms. Claxton advised that the listed project of the City Park restroom/shelterhouse refers to the replacement of shelters A and B that are on the east side of the park.

To Councilmember Rasmussen's point regarding what the citizenry voted for in terms of the amphitheater, Councilmember Bussing commented that he does not believe the residents expected a facility of the same magnitude as Starlight Theater. He has concerns about the inclusion of the proposed additional funding. More guidance should be provided for the volunteers associated with the project as leaving the funding open-ended creates a level of expectation that they do not understand.

Ms. Claxton stated that the reorganization of the phasing is a better plan and requested further direction for the funding that has been approved for 2009. Councilmember Rasmussen stated if consensus is obtained for the proposed phasing, a contract and engineer's estimate of the costs will be presented to the Governing Body within 90 days. He stressed that the most crucial element of the phasing is how the mud taken from the lake improvement project will affect the amphitheater. Ms. Claxton stated that any work that is decided upon will not take place until the end of the next production season in August.

Consensus was obtained to direct Mr. Lambers to prioritize the desired projects by order of necessity.

There being no further business, Mayor Dunn adjourned the Work Session at 7:25 P.M.

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Christy Wise, Recording Deputy City Clerk