

Minutes

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting at City Hall, 4800 Town Center Drive, at 6:00 P.M., on Monday, June 2, 2008. Mayor Peggy Dunn presided.

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

Councilmembers absent: None

Staff present: Scott Lambers, City Administrator
Chris Claxton, P&R Director
Ben Florence, Fire Chief
Deb Harper, City Clerk
Pam Gregory, Deputy City Clerk
Kathy Rogers, Finance Director
Kathy Byard, Budget Coordinator
Joe Johnson, Public Works Director
Patty Bennett, City Attorney

Others present: None.

1. Opening Remarks

City Administrator Scott Lambers made some opening statements regarding the overview of the City's Capital Improvement Program [CIP] for 2009 – 2013. He noted there were always changes that occur and this was an opportunity to give everyone an update. This meeting was anticipated in case the predictions of the economy were true, and if Council wanted to consider scaling back projects in the CIP program; however, Leawood's assessed valuation is at 5.2%. The City had forecasted their model at 5.9%. The City's sales tax numbers are up almost 9% for the first quarter, when compared to last quarter. He noted although the 9% may not be sustainable, the 5% would be. Grocery stores have had significant increase in sales, due to people not dining out as often. This may continue, as gas prices continue to escalate.

Councilmember Azeltine joined the meeting at 6:10 P.M.

Finance Director Kathy Rogers stated four of the top ten taxpayers were grocery stores, and the fifth was the electric company.

Ms. Rogers confirmed with Mayor Dunn that other retail shops have maintained fairly consistent sales.

Councilmember Bussing noted the quarterly financial summaries were very informative.

Ms. Rogers noted when they budget, property tax is the main component, sales and use tax is the second. Use tax was approximately \$200,000.

After the destination tax philosophy came into effect, it jumped dramatically anywhere from \$500,000 to \$800,000. There was caution initially, questioning if it was because of the change, or because of tightening down by the State. They were doing more auditing, so there was better compliance. This was because of the destination base; however, there were two components to this. One being what comes into the City, and the other, what comes into the County. They felt the property and sales tax numbers were favorable and there was no need to deviate at this time from the plan presented in January, with exception to a few changes and updates to discuss this evening.

Mr. Lambers noted the economy could still be strong for the City this summer, due to many people not traveling.

Ms. Rogers noted the "Memo" showing the updated pages for the CIP. The first item was a name clarification change.

Ms. Rogers stated the accelerated stormwater project was being proposed to be cash financed. When presented in the CIP, the City had the authority at that time, to issue temporary debt and then long-term debt on this; however, this would require a change in the charter ordinance and would take some lead time to get the changes made. With the amount of time left in the year and the financing schedule to start in 2009, the only way to continue would be to cash finance. This is a change from when the document was presented initially.

Councilmember Bussing confirmed with Ms. Rogers that it would take \$1 Million of the reserves in 2009, unless they delayed it for a year. Ms. Rogers stated these changes have already been incorporated into the budget.

Ms. Rogers noted when they had planned 2008, they thought projects would be completed. Some of them were done early and were able to get financing; however, some were not complete and they have had to account for an increase in interest or adjust the project costs: The Creek Bank Stabilization Project went down. The Residential Streets, Phase IV, went up \$100,000. The Main Entry Water Feature located on the corner of Nall and 135th Street will need to turn into long-term debt. Parkway Plaza is ready to bond and came in lower. Villaggio increased slightly. 135th & Fontana Traffic Signals were not in; therefore, this was pushed into 2009. Park Place has gone from 2008 bonding to 2010. The other Villaggio Project has gone from 2008 bonding to 2009. These were timing issues due to construction and the weather.

Councilmember Rasmussen noted he thought the Residential Street Program would be accomplished in 2009, and was questioning the magnitude of the numbers. Mr. Lambers stated the original estimates were \$16 Million. Ms. Rogers stated Phase I was being done and this was for Phase II. Mr. Lambers stated initially they were targeting the worst streets first and bypassing cul-de-sacs and other streets. This was making the residents unhappy; therefore, the entire sections of streets are getting updated to get in and out to avoid a public relations problem.

Mr. Lambers stated there had been complaints from people regarding the curbs and gutters when the City does a repair and then bypasses some.

Mr. Johnson noted they weren't targeting the worst streets; they're looking at entire areas. Some of the streets aren't in need of repair as much as others; however, they will get them done while they are in that area. Mayor Dunn confirmed with Mr. Johnson there was initially a street in need of repair, in order to prioritize that particular section.

Councilmember Bussing noted High Drive between Overbrook and Sagamore was a gravel road and needed to be re-done. Councilmember Rasmussen stated Phase I was supposed to be completed in 2009.

Mayor Dunn stated this should be a good plan and will show uniformity, since the streets in one area will all be repaired at the same time.

Ms. Rogers noted that two projects, previously listed on page 55 of the original CIP, have been added as cash-financed projects in 2009. These projects are the Golf Course Maintenance Building Parking Lot, and the Pond and Trail Improvements. They are now shown on the updated page 74.

Councilmember Rasmussen noted page 27, the Amphitheater Build-Out, Phase I in 2009 for \$500,000. He noted the \$500,000 disappeared on page 25. Mayor Dunn confirmed this was for 2008, and the CIP is for 2009 – 2013. Mr. Rasmussen noted it won't be completed in 2008. Budget Coordinator Kathy Byard stated the bonding is in 2009 and the construction is in 2008. Parks and Recreation Director Chris Claxton noted he was referring to Phase II. Ms. Rogers stated what was going to be done in 2008 was; to re-grade, sod, and complete the parking spaces. Phase II, Design/Construct Restrooms and Concessions, estimated cost is \$500,000. There is no funding for this in the CIP at this time. The choices would be to substitute something previously spoken of, or use some of the bond authority still remaining from the initial \$12.5 Million.

Councilmember Gill joined the meeting at 6:30 P.M.

Councilmember Bussing confirmed with Ms. Rogers that Phase I is currently being done in 2008.

Ms. Rogers stated the estimate for the maintenance of the parking lot of the golf course was \$300,000 and the estimate for the pond and trail improvements was \$325,000.

Mayor Dunn asked if the trail that was being repaired was the one located just east of the waste water treatment plant. She noted this trail was in much need of repair. Ms. Rogers stated the one they were currently repairing was the trail located on Mission Road. Mayor Dunn asked if there were any plans to repair the trail she was referring to before 2013.

Mr. Lambers stated they could repair it if they postponed improvement to the trail on Mission Road to Tomahawk Creek Park, and directed the money to that improvement. Another choice would be to use the \$1 Million from the stormwater and push it back. Mayor Dunn recommended Joe Johnson and Chris Claxton look into this.

Mr. Lambers stated the estimated cost of improvements for the trail located on Mission was \$260,000.

Councilmember Bussing asked to consider moving the trail away from the creek. Mayor Dunn noted the trail was abutting a steep hill and could not be moved. Mr. Bussing noted it would be less expensive to clear some of the trees than to rebuild the trails.

Ms. Rogers stated the CARS funding estimates had changed from a little over \$3 Million to \$3,955,500. From 143rd Street, Nall to Mission Road, there was \$3 Million lost in the long-term financing.

Councilmember Rasmussen confirmed with Mr. Johnson that when the City hired consulting engineers for 143rd Street, one of the criteria was experience with federal application for money. He noted there were no contributions to this and asked if the City would be stuck with \$13 Million. Mr. Johnson noted there was federal aid in the amount \$1.5 Million. There is no county assistance money as there was at one time. Mr. Johnson stated they were taking funds away from the Mill and Overlay Program for 143rd Street, leaving almost no funds to do the annual mill and overlay and upkeep of the arterial streets. This year there was one project funded under the CARS Program. Next year there will be three or four projects. The CARS Program tries to give each city 80% of their money over a four-year period, and is approximately \$5 Million. When \$1.5 Million is used for 143rd Street in 2010, and \$1.5 Million in 2012, this would leave a small amount left to do the arterial mill and overlay program, which runs approximately \$500,000 per year. He noted they would either have to cut the streets out of the mill and overlay, or they would have to fund \$500,000 in additional cash each year to keep up with the maintenance needed.

Mayor Dunn confirmed with Mr. Johnson that the City is not losing \$3 Million from the County; it's just being re-distributed to the annual Mill and Overlay Program. Mayor Dunn asked if there was the possibility of getting back CARS funding for 143rd Street if the City delayed it, or if he was afraid of the inflationary factor and everything going on. Mr. Johnson stated it was somewhat set by the federal aid and when it's going to come through, and they are also waiting for Congress to have a new program.

Mr. Lambers noted it would be more logical to debt service 143rd Street, due to the life of the street, as opposed to debt servicing a mill and overlay.

Ms. Rogers noted page 73 was changed, due to the projected cost for 85th Street and Reinhardt, increasing from \$400,000 to \$440,000. Mayor Dunn confirmed with Ms. Rogers that the same work was being done; however, the price had increased.

Ms. Rogers noted pages 74-75; a golf course practice tee had been added for \$66,000.

Mayor Dunn confirmed with Ms. Claxton that the pond and trail improvements were legitimate use of Special Parks/Recreation Fund (1/3 of this) and could possibly be used as additional trail use. Councilmember Peppes stated if there was more money available, another trail could possibly be repaired. Mr. Lambers stated it would only be around \$50,000, and would not be enough.

Ms. Rogers noted page 76; reflects the current status of the art projects. The budgeted amount for annual art maintenance has been updated to reflect planned annual art additions. The amount projected for this expense represents 10% of the total art value for all City-owned pieces; therefore, changes as art is added. Mayor Dunn confirmed with Ms. Rogers that the maintenance fee was based on the cost of the art.

Ms. Rogers noted pages 78-79; the addition of two fire vehicles to be lease/purchased in 2009 with the first lease payment scheduled for September, 2009. Mr. Lambers stated they will be lease/purchased over a very short period of time, as opposed to having a one time cash purchase. These vehicles have a useful life of 10-15 years and the City should have them purchased within seven years.

Councilmember Bussing confirmed with Mr. Lambers the City did not anticipate adding an additional fire vehicle. Mr. Bussing wanted to understand the reasoning for front loading the payments, and asked why the payments couldn't be extended to 7-10 years to match the life of the vehicle. Mr. Lambers stated the sooner they were paid-off, if something was to go wrong with them, the City would have the ability to lease/purchase or purchase a new one. Ms. Rogers noted they went from cash financing them, to leasing them and stated they had already agreed to the terms. The payments are scheduled for 2009 with a very favorable interest rate.

Ms. Rogers noted there has been no direction on the long-term financing of the amphitheatre, and there was money available that was approved in the 2008 budget. This will be coming from the authority of the \$12.5 Million. The authority remaining is \$1,050,000. They will bond \$600,000 to complete Phase I.

Councilmember Rasmussen noted page 62, and was concerned of hitting the threshold targets of the debt service. Ms. Rogers stated the *gray shaded boxes* reflect the Transportation Development Districts [TDD] that are above the 20% target, which are still below the 25% threshold. To bring this down, the City would need to cut back on the amount if things added for debt, such as the accelerated street, accelerated storm projects, etc.

Councilmember Gill asked why TDD counts at all when it is non-recourse debt of the City. Ms. Rogers stated they still look at that as a factor and they calculate the City with and without TDD. Mr. Gill stated they have had a target that was developed where they put in this non-recourse debt where the City has no obligation; however, the target was not adjusted. Ms. Rogers stated they added the threshold once they started to use the TDD. The City is still at 20% or below with their own debt. Mr. Gill noted the City should consider tightening down on the ability to do some City funding.

He was concerned with issues of TDD being utilized, and if it has the ripple effect of impacting the amount of public funding the City could do with general obligation bonds for City purposes. Ms. Rogers noted their policy states there will be no commitment by the City whatsoever, so if it is issued and it doesn't work, the City couldn't save them. Mr. Gill noted by looking at the years 2010 to 2013 the City was out of its comfort zone. If the City could eliminate the TDD's there would be room to move.

Councilmember Filla noted she was comfortable with the target being 20%, and that the TDD's were not included in this.

Councilmember Rasmussen expressed the importance of knowing what was going to be included in the TDD financing.

Mr. Lambers noted it wasn't only the TDD, but also the future specials. The City is well below the threshold, in terms of the City-at-large projects having capacity.

Councilmember Bussing noted he was in agreement with Scott and stated the chart gives a good pictorial view of what the debt capacity of the City is. He was concerned with the City approving a ½% or 1% sales tax increase for TDD. Mayor Dunn noted the City was still under the threshold through all of the predictions through 2013. Mayor Dunn confirmed with Ms. Rogers that the 119th Street Development and the 135th Street- Burying of the Power Lines were not included in the future TDD's.

Councilmember Bussing noted it would be helpful to have an inventory of projects the City anticipated TDD requests from. Mr. Lambers noted other than 135th and 119th Street, the only other tract of land that would be a possibility, is that of State Line and Kenneth Road. The developer had previously spoken of re-developing all of this land; however, this would be a significant cost to them.

Councilmember Azeltine confirmed with Mr. Lambers that the City has an enabling ordinance for Tax Increment Financing [TIF]. Mr. Azeltine asked why the project at State Line and Kenneth Road would be a potential TDD project, as opposed to a TIF project. Mr. Lambers stated TIF was only for re-development.

Fire Chief Ben Florence stated in regards to the fire vehicles, the City should consider replacing the aerial devices within 7-10 years, since they are heavier and tend to wear out the fastest. Also, every 10-15 years to consider replacing the pumper trucks. He noted they are running first response on all calls now and it tends to wear them out faster.

Mayor Dunn thanked Ms. Rogers and the Finance Department for gathering and updating all of the information needed for the meeting.

Special Call Meeting

June 2, 2008

There being no further business, the Work Session was adjourned at 7:15 P.M.

Pam Gregory, Recording Deputy City Clerk