

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, January 5, 2009. Mayor Peggy Dunn presided.

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

Councilmembers absent: None.

Staff present: Scott Lambers, City Administrator Joe Johnson, Public Works Director
Patty Bennett, City Attorney Kathy Rogers, Finance Director
Deb Mansfield, City Clerk Kathy Byard, Budget Coordinator
Richard Coleman, Comm.Dev.Director John Meier, Police Chief
Chris Claxton, Parks & Rec. Director

Others Present: Roger Edgar, George K. Baum & Co.
David Arteberry, George K. Baum & Co.

1. Discuss 2010-2014 Capital Improvement Projects [C.I.P.]

Opening Remarks

Mayor Dunn called the meeting to order at 6:15 P.M. Introductions were made by those present.

Mayor Dunn complimented the staff for not only the excellent documentation and materials but also for the proactive approach and cost-cutting suggestions.

Scott Lambers directed attention to Page 2; Project # 80405, Traffic signals at 95 & Mission Road for \$262,000 would be removed at this time. This involves the cities of Overland Park, Leawood, and Prairie Village. Overland Park wants to accelerate this project. The City of Leawood's share would be approximately \$60,000. If the City can locate the money for the project, it would occur in 2010. Also, the intervening \$ 1.5 Million amounts for the residential street program have been removed. The accelerated stormwater projects have been scaled back from \$1 Million to \$750,000 per year. All other projects involving federal funding have been removed because of the uncertainty of the federal funding situation. Nothing has been included for the Amphitheatre. There is still a possibility for a mill levy increase starting at 2011. If the Council is not in favor of the mill levy increases, then these programs will be cut back and/or eliminated. If things begin to change and the economy turns around, then we will reevaluate this, but we do not anticipate that happening. This has been scaled back to a nuts and bolts program.

Kathy Rogers directed attention to Page 7, Assumptions, and discussed the large overview of the City's financial picture. The County Appraiser met with the cities today and the current projections for 2010 showing a 2% growth indicates that may be a little too high. His projections do not include the City's new growth. His final figures will be at the end of February. His outlook is not doom and gloom, however, there are some things changing in personal property and in the commercial end. Johnson County is holding their own as compared to other areas.

Comparison slide presentations were then shown related to sales tax growth, along with sales tax forecasts and assessed valuation and property tax.

Grocery stores lead in sales tax, followed by fuel, retail clothing stores, drinking establishments, home furnishings, and clothing stores. These are the some of the City's top sales tax sources.

In 2010, no new positions will be added. The presentation reflects in 2010-2014, 4.0 % operating growth along with new operating expenditures for the Justice Center, beginning in 2012 of \$300,000 per year. The City is proposing a delay of 143rd Street to 2015. This is a \$20 Million at-large project.

Councilmember Gill asked if the engineering work on the 143rd Street project should be terminated. Mr. Lambers stated in the negative, as this is the City's lead program, and the City would need to have a project ready to go if federal funds were released. This is the 'shovel ready' funded project. Ms. Rogers stated the City has sufficient street impact funds to pay for the engineering costs.

Councilmember Bussing inquired about traffic studies on 143rd Street and asked if the City could afford to push back the 143rd Street project. Mr. Johnson stated he had no concerns, as most of the property has been developed along 143rd Street.

Ms. Rogers then directed attention to the Art Spending Plan [Page 74]. Some of the item from 2008 were not completed, so they will be done in 2009. There will be \$100,000 for the Sculpture Garden in 2009 and another \$50,000 in 2010. Chris stated it will be somewhat difficult for this to be completed by the end of the year.

Attention was then directed to Page 49; Annual Programs Additions; Residential Streets and Accelerated Stormwater Reconstruction. Ms. Rogers stated this is where the City looks at getting to 2014, while still trying to maintain service levels; maintain capital; the City's rolling stock, the current replacement programs; and maintain the City's current debt. Revenues are still slightly on the uptick, operating expenditures are 4%. In 2012, we start to draw down on the fund balance. Staff is proposing, not to bond this year in 2009, but to hold on a year, which will alleviate a little pressure, as we don't have a lot of addition to add.

Councilmember Gill asked what the rule of thumb was for how much capital a city should have. Mr. Edgar stated 3 month is one of the yard sticks used. The more the City has, the better you are favored. Councilmember Gill asked if the City would miss out on long-term financing if we deferred in 2009. Mr. Edgar stated it is uncertain what the future holds. Municipal Bonds have not trended down at the level that Treasury Bonds have. You have to look at the benefits; this would help preserve the City's fund balance this year.

Ms. Rogers stated this would give the City more time to review the fundamentals while still keeping the finger on the trigger and see what is happening globally, nationally, and regionally. The only vulnerability would be on the interest rate risk. At the moment, it looks like there is enough time. A benchmark is the final assessed valuations coming in February, and another benchmark would occur in April.

Mr. Edgar stated the beauty of planning for this in a proactive fashion is, if rates start moving up you can always reconsider.

Mayor Dunn asked about the possibility of refunding. Mr. Edgar stated at this time, there is probably not a chance of refunding, but will continue to look at it. Leawood is in better shape than most municipalities.

Councilmember Rasmussen stated if you look at the spread between the treasuries and the municipals; and if you assume an increase in treasuries will occur, and the municipals won't change; the spread will drop. He feels the interest rate risk is worth taking for one year.

Councilmember Azeltine asked how this would affect the SBD and the TDD's. Mr. Edgar stated this would have no effect on the overall debt situation. Even though they are both debt, they are separate discussions, and it is really a separate market.

Councilmember Bussing asked about municipalities having financial problems with the problem of no one being able to currently trust the rating agencies. Mr. Edgar stated the sector of the credit market that have held in there are the municipalities that have the highest rating. The ones that have the double and triple ratings have not had a lot of trouble in spite of the big liquidations by leverage buyers. Hopefully, institutional buyers will return to the market. However, Leawood is in really good shape, with its triple Aaa rating. Their bonds would be better received. Prior to this time, the difference between the double and triple rating wasn't significant, however, currently it is very significant. Mr. Edgar believes this idea is pretty well thought out.

Ms. Rogers finished the slide presentation and in conclusion, stated staff is proposing the delay of 143rd Street, the reduction of Phase II of the Accelerated Street Reconstruction Program; Reduction of the Accelerated Stormwater Reconstruction Program; Delay of the long-term bond finding form 2009 to 2010; and focus on the TDD debt financing of One Nineteen Development and Park Place parking garage in 2009.

Councilmember Filla asked about the one-half mill increase for curbs. Mayor Dunn stated this would be discussed in more detail during the 2010 budget. Ms. Rogers stated the one-half mill would be applied in 2010 and continue through 2014. This is new money, approximately \$400,000. This would be one-half mill for 5 years on top of the 1 mill increase every other year.

Councilmember Rasmussen stated he wanted to discuss these items in more detail and asked when another work session could be scheduled. He may have a solution to the curb problem and the PAYG stormwater has not gone through the committee, as far as he knew.

Mayor Dunn asked Councilmember Rasmussen to reveal his solution. Councilmember Rasmussen stated if you look at the street reconstruction program, we are at 87%. Perhaps we could look at those streets in the north part of the city and consider whether or not we could postpone one of those street projects and maybe one traffic signalization project and use that money for the curbing without changing the mill levy.

Mr. Lambers reminded the members that the residential street program is a bonded project.

Councilmember Filla asked when the detailed 1/8 cent PAYG project list would be distributed.

Councilmember Rasmussen stated we are spending roughly half of that money, \$250,000 on city-owned stormwater. Between that and the streets, we may be able to use that money for curbs.

Mayor Dunn wanted to be sure the money is going to be used for streets and curbs, but she recalls that the Public Works Committee discussed the beautification of the medians, and she wants to be sure the money is used for streets and stormwaters. She agrees that the medians need repair, but the money should not go towards the medians. She does not want to steer us away from what the voters approved.

Councilmember Filla stated another part that is missing is the data for the \$750,000 stormwater projects. Mr. Johnson stated Public Works is working on the list. If there is a curb list, they will coordinate that.

Councilmember Azeltine stated since the CIP projects have a tendency to drive the budget, he feels it would be important to have another work session. Scott Lambers stated another work session could be scheduled in March.

There being no further business, the meeting was adjourned at 7:25 P.M.

Deb Mansfield, CMC, City Clerk