

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, March 2, 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
	Ben Florance, Fire Chief	Kathy Byard, Budget Coordinator
	John Meier, Police Chief	Chris Claxton, P&R Director
	Richard Coleman, Comm. Dev. Dir.	Lovina Freeman, HR Director
	Deb Mansfield, City Clerk	Mark Andrasik, Info. Systems Dir.
	Pam Gregory, Deputy City Clerk	

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.

City Administrator Scott Lambers noted follow-up information was requested on the Capital Improvement Program [C.I.P.] and as a result of the continuing changing times in a negative direction, there have been some revisions.

Finance Director Kathy Rogers directed attention to Page 21; Accelerated Stormwater Program. It has been adjusted from \$750,000 to \$600,000 every other year. The request was to have better identification of how a program would be conducted and where the expenditures occur.

Ms. Rogers referred to a memo from Public Works Director Joe Johnson regarding proposed construction activity, as well as a hand-out showing different project numbers. The term of the program runs through 2015.

Mayor Dunn referred to the project at 14601 Delmar and asked for clarification.

Councilmember Rawlings joined the meeting at 6:18 P.M.

Mr. Johnson indicated this project was an extension of approximately 200 feet of the City's existing storm sewer system to eliminate the drainage problem behind a home in the Pavilions and would cost approximately \$60,000 - \$70,000.

Councilmember Peppes joined the meeting at 6:20 P.M.

Councilmember Rasmussen directed attention to Page 71; Project #77010, 12819 to 12823 Sagamore and confirmed with Mr. Johnson that the Stormwater Committee had decided not to do this project. Mr. Johnson indicated it could be removed.

Mr. Lambers confirmed with Mr. Johnson that the project should remain through this cycle, to be assured that the work completed solved the stormwater problem. This will be reviewed again in January, 2010, and staff can determine if there are still problems and whether it can be removed and replaced with another project.

Mayor Dunn noted the alcohol money had not been definitively captured at this point. The proposal was made by former Governor Kathleen Sebelius. This has yet to occur with the work that the legislature has done to date. There will be and have been conversations with the Council of Mayors' of Johnson and Wyandotte Counties to protest and actively lobby for this not to occur. Drug and alcohol related programs will be impacted by this.

Councilmember Rasmussen asked that Council review the curb, median, gutters, mill and overlay, and stormwater problems on State Line Road from 83rd Street south to 119th Street.

Mr. Rasmussen directed attention to page 21; a traffic signal at College Boulevard and Brookwood budgeted for 2011 at a cost of \$271,294. Since January 1, 2005, there have been 14 traffic incidents at this location, none of which were avoidable by a traffic signal, due to ice. He asked Council to reconsider this project and wanted to use this money for State Line Road.

Under the Pay-As-You-Go [PAYG] Capital Program, State Line from 90th to 103rd Street is scheduled for a mill and overlay in 2009, at a cost of \$105,000. In 2010, I-435 to 119th Street is scheduled at a cost of \$125,000. The City should try to coordinate that effort with the curb, gutter, and stormwater repair.

The recently completed stormwater utility study shows that along State Line there are at least 45 catch basins in poor condition, 1 junction box, and at least 20 locations with defective piping of approximately 2,290 feet. There is a carry forward cash flow coming from 2008 and going into 2009 and wanted to allocate some of that money for this project.

In summary, Mr. Rasmussen asked Council to consider State Line as a project in its current CIP and divide it into manageable proportions to accomplish mill and overlay, stormwater, curb and gutter, and median repair.

Mayor Dunn noted there was another work session tentatively scheduled for April 20, 2009, to discuss public input and indicated this could possibly be discussed at that time.

Mayor Dunn knew the traffic signal Councilmember Rasmussen was referring to was warranted, but wasn't aware of the incidents caused by ice.

Councilmember Peppes thought if the City was going to combine inlets with mill and overlay programs, they should be able to include the curbs with the same program. He also felt they could repair stormwater at the same time as a mill and overlay.

Mr. Johnson indicated this summer they plan to overlay the north City limits to 92nd Street, which is currently under contract. Kansas City, Missouri, just completed bids to go to 103rd Street. He indicated they could go back and repair curbs and they had already completed four or five inlet replacements along State Line Road.

Over the next two years, they want to complete the mill and overlay and the curb inlets in residential areas at the same time as the street. There is funding in 2013 and 2015 they can use for State Line to replace some of the curb inlets.

Dr. Peppes felt they should consider the curbs, gutters, and medians when they are repairing streets.

Mayor Dunn stated when they are repairing streets, if the curbs need repaired; they generally will make that a part of the project. She asked which part of State Line Road was Kansas City, Missouri's, and which was Leawood's to replace.

Mr. Johnson stated Kansas City's portion is on the east side from approximately 103rd Street north to 89th Street, with Leawood's portion on the west side. Kansas City doesn't replace curbs when they repair streets. The City is responsible for the asphalt and the property owner is responsible for the curb, which is why they aren't able to coordinate a joint project with Kansas City. He indicated they were working with them when they complete the mill and overlay and wanted to incorporate the curbs on the islands. Kansas City is supposed to re-do the islands on 89th and 90th on State Line as part of the mill and overlay project.

Councilmember Filla confirmed with Mr. Johnson they are repairing the streets in 2009 along State Line from approximately 79th to 103rd Street and would not be repairing curbs or sewers. The only curbs planned at this time are the median islands located on 89th and 90th.

Mr. Johnson indicated they try to incorporate the curbs when repairing the streets; however, the curbs along State Line cost approximately \$250,000 per mile. When they complete a mill and overlay they make spot repairs on the curbs. State Line is in need of all its curbs replaced and will be a major capital project. There haven't been enough funds within the arterial program for this, which is why the Public Works Committee recommended a funding source.

Councilmember Filla asked how they prioritize residential streets compared to arterial.

Mr. Johnson indicated residential and arterial streets are separate programs. They categorize residential the same as arterial; however, there is still not enough money available to complete all of the curbs needed in residential.

Mayor Dunn thought Councilmember Rasmussen wanted to throw out the signalization project on College and use the money from the PAYG 1/8-cent sales tax for streets.

Councilmember Rasmussen indicated he was suggesting various sources for funding. The City is expecting approximately \$700,000 from the 1/8-cent sales tax and of this amount, there is \$440,000 available.

Ms. Rogers indicated that money wasn't available; there was already a program in place based on the policies set by Council. The policy would need to change approximately \$1 Million plus \$50,000 a year if they didn't want to raise the mill levy as the committee had recommended.

Councilmember Peppes noted the direction Council had given for the \$1 Million was supposed to be spent on streets; not streets, curbs, gutters, medians, and stormwater inlets. If this were all included, they would only be able to complete about half of the streets.

Mr. Lambers noted that by doing the mill and overlay, it preserves the streets from needing major improvement in the future. The curbs and gutters can deteriorate further and still function. The reason for the priority is that the City can make spot repairs without destroying the integrity of the street system.

Mr. Lambers had proposed the curb program and also felt they needed a sidewalk program to be included in the budget on a PAYG basis with a funding source to do emergency repairs.

Mayor Dunn noted that Councilmember Rasmussen had requested previously that Council review the Pavement Condition Index [PCI] for all streets and thought this could be of help.

Councilmember Rasmussen reiterated his position and wanted to know how they were going to fund State Line Road. He stated there was \$2,448,363 cash remaining at the end of 2008 and noted some of this had been allocated for Gezer Park. He wanted to know where the remaining money was going.

Mr. Lambers stated each year; there are unanticipated cash balances because, hopefully, revenues come in greater than forecasted. These monies are put into the ending cash balances of the City and are then shown through the financial forecast. When looking at the financial model assumptions, there are mill levy increases that have been projected to 2011, 2013, and 2015 because the City has borrowed, and will continue to borrow money for the Residential Street Reconstruction Program to catch up on the \$18 Million plus backlog. He indicated they will be borrowing money for the Accelerated Stormwater Program after this year. The desire has been to defer or defray the mill levy increases through the additional money at the end of the cash balances. In answer to Councilmember Rasmussen's question, this money allows them not to have to increase the mill levy to pay for construction projects that are contained in the CIP.

Councilmember Filla confirmed with Mr. Johnson it would be cost efficient to combine it; however, they couldn't coordinate it with Kansas City, Missouri's, mill and overlay. The best way to coordinate the curb replacements and storm sewer for the City is to fund it through the CIP.

Ms. Rogers indicated part of this was a timing issue. The stormwater study was not finalized until 2007; however, the programming for State Line Road has been on the books for five years.

Mr. Johnson stated there were efficiencies in grouping it together; however, was not possible this year.

Mr. Lambers stated the \$1 Million dollars has been transferred from 2009 to 2010 for the trail improvement and would review this as the year progresses.

Councilmember Filla clarified that there was \$1.3 Million uncommitted that is not in the CIP and asked what project this money was identified to.

Mr. Johnson stated it was for the storm sewer project at 89th and Mission Road.

Mr. Lambers stated this project would require too much money and not allow them to complete other projects. This needs to be a project by itself in the CIP.

2. Budget Model Assumptions & 2010 Budget Presentations

Ms. Rogers indicated they had met with Johnson County Appraiser Paul Welcome and received the assessed valuation information.

Ms. Rogers directed attention to the comparison chart of the assessed valuation with and without new construction added. There is a factor figured in for the appeals process. The City will receive their certified assessed valuation in June.

Because of the increase in commercial, it has helped equalize the reductions over the last year. They are currently projecting a 1% increase in assessed valuation from all sources.

Mr. Lambers directed attention to the Strategic Planning Model Assumptions and noted significant reductions in the revenue estimates for 2009. He indicated they were anticipating a 3.5% increase in sales tax. The growth and assessed valuation has been reduced considerably.

He referred to the bar chart, which projects a mill levy increase in 2011, 2013, and 2015. With the reductions in revenues and the assumptions for expenditures, they are still meeting the financial parameter as set by Council. He indicated they do not anticipate further reductions from the state.

He directed attention to the bar chart regarding the restoration of alcohol tax funds. The alcohol funds have been included in the elimination; however, if they are not taken, the darker color on the chart demonstrates where the City would be. The City is losing approximately \$350,000 in the general fund and would also lose the special parks and recreation money. These projects/improvements will fall to the general fund and will compete for monies on an annual basis. The monies for the alcohol program are assumed not to come in or go out.

The Drug Abuse Resistance Education Program [D.A.R.E.] is anticipated to remain in place and the cost will be absorbed from the general fund.

Councilmember Azeltine confirmed with Mr. Lambers that the alcohol money totaled approximately \$950,000.

Mr. Lambers was concerned that the legislature may do something that would have a negative impact on the City; therefore, there may need to be adjustments made to the CIP and direction given in regard to the budget if there is further degradation to the revenue.

Mr. Lambers directed attention to the Strategic Planning Model Assumptions on the annual employee additions and indicated they had several new positions for 2009 that were included in the budget; however, would not be filling these positions and would be restored in 2010. From the 2009 to 2010 budget, there will be a zero increase in employees for cash flow.

Councilmember Bussing noted that over a 5-year period there will be a 10% increase in the mill levy; however, didn't see any degradation in the rate of decline on the bar chart with or without the alcohol funds.

Ms. Rogers stated the drivers of the general fund revenue are property tax and sales tax.

Mr. Lambers indicated the earlier they reduce revenues in the models, it will have a geometric increase in the wrong direction later. The largest source of revenue has gone down approximately 4%. In 2009, the City is projecting a decrease in sales tax with a modest increase in 2010.

Mr. Bussing asked for clarification of the general fund bar chart.

Ms. Rogers indicated they had been fortunate to be able to fund so much PAYG Capital. Some money is designated as "special money" and can't be moved into the general fund and needs to stay where it was intended. The main emphasis is to maintain the general fund balance and the debt service balance. These are the things in which rating agencies look to first. There needs to be enough capital cash and that it's in the correct places for a variety of reasons. Each fund is completely cash flowed out for the next six years.

Mr. Bussing was concerned that the mill levy increases didn't show a significant impact.

Mr. Lambers distributed a chart to show what the scenario would be without the mill levy increases. The reasons they were figured in was to show that the City is meeting the minimum cash flow standard over the seven-year period.

Mr. Bussing thought this illustrated a compounding effect on the expense side that wasn't evident from the charts. Ms. Rogers indicated that was where the assumptions come into play.

Councilmember Azeltine indicated he would be repeating his objection to using the assumptions of a mill levy increase in future years.

Mayor Dunn indicated this is what Moody's will look at when the City receives their bond rating.

Ms. Rogers noted when they did the accelerated street program, the equivalent was one mill; however, the benefit is that the City has been growing and they haven't had to increase it.

Councilmember Bussing clarified that as a growing City, they would have mill levy increases.

Mayor Dunn noted Moody's looks at the mill levy and reserves, but they also consider the City's willingness to raise mill levies when necessary, which was one of the reasons for the upgrade.

Councilmember Azeltine felt by making the assumptions in future years, it was potentially raising the necessity.

Mayor Dunn indicated they were only forecasting it, but haven't had to do it to date.

Mr. Azeltine felt it wasn't fiscally responsible to make the assumption and program multi-year projects out where they could become reliant on those future year mill levy increases.

Mayor Dunn noted they haven't done this and indicated that Mr. Lambers decreased stormwater from \$1 Million to \$600,000 every other year and also did away with staff increases. When looking at the assumptions, it allows them to be able to adjust on an annual basis. This is what the Budget and Finance Committee will be deciding when they meet in June.

Mr. Lambers stated if they continue with a bonded program with the magnitude of the residential street and storm sewer, they need to identify a revenue source.

In recognizing that the Council may want other alternatives and still meet the financial parameters, he did a series of expenditure reductions that would achieve almost identical results of what was before Council:

1. Take out all of the residential street and stormwater projects in the CIP
2. Eliminate all of the new positions that were forecasted in the model. (The assumption is there will be no new positions through 2016).
3. Delay the Justice Center by one year due to operating costs.

By doing these things, they were able to not increase the mill levy. If the economy continues downward and Council continues to not want mill levy increases, they would then consider personnel reductions/layoffs. Mr. Lambers stated they were meeting all of the financial parameters through 2013 and felt confident that this worst case scenario would not come into fruition.

Councilmember Filla noted there was the option of deferring and doing two mill levy increases next year. Mr. Lambers noted if they did a one and a half mill levy increase in 2010, it would equate to three mill levy increases over the six-year period. Since 2006, the City has borrowed a lot of money for different projects and has been able to absorb this through growth.

Ms. Rogers indicated they needed to review the reserve stabilization policy and needed a resolution approved through Council.

Councilmember Rawlings asked for a summary memo as it related to the topics outlined.

Mayor Dunn proposed they keep the April 20, 2009, work session open to discuss some of these issues.

Councilmember Rasmussen felt they needed to discuss the budget and financial policies and the changes that were proposed.

Mr. Lambers indicated their current target is 20% and are proposing that it needs to be increased to 35%-40%.

Councilmember Gill joined the meeting at 7:27 P.M.

There being no further business, the meeting was adjourned at 7:28 P.M.

Pam Gregory, Recording Deputy City Clerk