

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, April 5, 2010. Mayor Peggy Dunn presided.

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

Councilmembers absent: None

Staff present:

Scott Lambers, City Administrator	Joe Johnson, Public Works Director
Patty Bennett, City Attorney	Chris Claxton, P&R Director
Chief John Meier, Police Department	Lovina Freeman, HR Director
Chief Ben Florance, Fire Department	Kathy Byard, Budget Coordinator
Kathy Rogers, Finance Director	Deb Harper, City Clerk
Mark Andrasik, Info. Systems Director	Pam Gregory, Assistant City Clerk
Richard Coleman, Comm. Dev. Director	

Others Present: None

**Discuss 2011-2015 Budget Model Assumptions; and
Review and Discuss 2011 Budget Presentations**

Mayor Dunn called the meeting to order at 6:10 P.M. Introductions were made by those present.

Presentation

Finance Director Kathy Rogers presented the City's Five-Year Financial Plan on revenue growth; including operating, maintenance and capital expenditures.

Councilmember Peppes joined the meeting at 6:12 P.M.

Revenue Growth

The Retail Sales Tax Report shows the City's tax growth rate. Sales tax revenue was down in 2009 and it is difficult to predict the outcome for 2010. To date, there is one month of revenue showing 1.9%, or \$52,000 less than last year. The number one remitter continues to be grocery stores. The best estimate for 2010 is a 0.7% increase. This figure is based upon an in-depth sales tax analysis completed by Alvarez & Marsal for the One Nineteen Development. This study included reviewing consumer income and consumer confidence within a 10-mile radius.

When preparing the 2011 budget, staff factored in appeals on assessed valuations and an uncollectable amount of 2%.

The total revenue for Building Permits in 2009 was \$576,000. The estimate for 2010 is \$500,000, with \$200,000 collected to date.

Operating Expenditures

Currently, there are 10.5 Full Time Equivalent [FTE] vacant positions that will not be filled from 2010-2015. Of these positions, 2.5 were previously approved. These included a position in Information Systems, Fleet Maintenance and Court.

City Administrator Scott Lambers clarified these were approved in 2008/2009 and were put on hold because of the economic downturn. If things improve and a position should be reconsidered, he will present it before the Governing Body for consideration.

Wage assumptions for 2011 are 4.1% with benefit assumptions at 12.4%. Wage and benefit assumptions from 2012-2015 are 4.25% and 9.5% respectively; however, these assumptions are subject to change.

A 1.0 mill levy increase is forecasted in 2012, 2014 and 2016 in order to maintain service and reserve levels and maintain operating cash. Currently, mill levy increases haven't been needed due to revenues being 5% higher and expenditures 5% lower.

Councilmember Gill confirmed they were projecting three separate cumulative one-mill increases; one mill equal to \$750,000. Ms. Rogers confirmed they had factored in the debt and interest refinance presentation from George K. Baum & Company and were planning to recommend it. Mr. Lambers clarified the mill would continually remain in place and refunding would only be a one-time thing.

Councilmember Gill requested a copy of the cash flow analysis and confirmed that the current mill levy was approximately 24.224.

Contractual Services and Commodities will not increase in 2011, changing to 2% for 2012-2015. The General Fund and rolling stock has been transferred to Pay As You Go [PAYG] Capital Funds, utilizing the cash balances in these funds.

Councilmember Bussing referred to the FTE positions that were approved but never filled and requested a cost analysis and information on how the work was getting done by the City's current staff.

The transfer from the Special Alcohol Fund to the General Fund will increase from \$150,000 to \$250,000, beginning in 2011.

Councilmember Rasmussen referred to earlier discussion regarding wages and benefits and was concerned with salary increases during this economic downturn. He didn't want the City to incur any layoffs and felt 2% increases would be sufficient.

Mr. Lambers stated the basis is for a merit increase assumption of 4%. Employees can receive up to 4.5% this year; being decreased to 4.25% in 2011, which will most likely remain. If a supervisor feels an employee has exceeded expectations, they can request an additional .125% from the department head. Further, if the department head feels they deserve even more, they can request another additional .125% from him. In regards to health benefits, the City has incurred double digit increases every year. He clarified they weren't under a hiring freeze; however, they weren't hiring any new additions to staff. There is a deferral of up to six months for hiring new employees when a vacancy occurs.

Mayor Dunn clarified salary increases would be 4.1% in 2011, and 4.25% from 2012-2015. Some neighboring cities haven't had increases and have incurred layoffs. The City's current staff is getting more done with less and is doing it effectively and efficiently.

Councilmember Gill confirmed with Information Systems Director Mark Andrasik that \$17 Million was budgeted for wages in 2010. Part of the benefit cost increase, which is State mandated, has gone from 13.49% to 18.47% for Kansas Police and Fire [FP&F]. The City budgets wages for full employment without a vacancy rate.

Councilmember Bussing understood Councilmember Rasmussen's perspective of tying wage increases to external factors in the economy; however, when the economy was booming, the City wasn't providing staff with higher 8% or 10% increases. Employment needs to remain as level as possible with fair wages being paid. He wasn't comfortable telling staff they wouldn't receive increases next year because of the economy.

Mayor Dunn felt some of the reason Leawood hadn't incurred layoffs was because they had refrained from hiring additional staff when many other cities continued to hire on an annual basis.

Ms. Rogers noted several area cities had secondary pension funds that were self-managed and had huge losses. In order to cover their losses, they've had to cut wages and staff.

Councilmember Gill asked what programs were being cut by transferring \$100,000 from the Special Alcohol Fund. Ms. Rogers stated they would be using reserves for the alcohol treatment programs and weren't anticipating cutting any of the programs. The City's largest revenue source is generated from property taxes; which is currently down. Without raising the mill to replenish, they've needed to move funds around.

Maintenance Expenditures

Departments go through vehicle fleet maintenance evaluations twice per year to update costs for replacements and maintain service levels.

Debt Service Expenditures

Debt restructuring/refunding is being proposed in 2010.

Capital Expenditures

There was a 6% reduction of Gasoline Tax receipts assumed in 2010 taken by the State. Staff is assuming this will be returned. These funds are used for Mill and Overlay and Slurry Seal Programs. Reserves will be used to maintain spending levels.

Councilmember Rasmussen referred to earlier discussion regarding retirees in 2011 and 2012 and wanted assurance these positions would be replaced. Mr. Lambers stated there is 100% employment forecasted; therefore, if a vacancy occurs, it will ultimately be filled during the course of the year. They are not contemplating any layoffs during this timeframe.

The \$600,000 Accelerated Stormwater Program has been taken out of long-term financing and worked into the 1/8% cent sales tax revenue. The Accelerated Street Reconstruction Program has been reduced from \$2,500,000 to \$1,250,000 every other year. Staff recommended that the \$1 Million in trail improvements come from Grant Funds or the Parks and Recreation Fund.

Councilmember Bussing thought since the Accelerated Street Reconstruction Program was a bonded project, they should proceed while borrowing costs were at historic lows. Mr. Lambers indicated they currently had projects through 2014 and noted this was a temporary situation. There is still a backlog of \$10 Million with this remaining a priority. Mayor Dunn clarified when they evaluated the Capital Improvement Project [CIP]; they had agreed to this because of declining appraisals.

Revenues, Expenditures & Operating/Capital Fund Balance

Fund balances gradually decrease with operating expenditures having inflationary factors. PAYG Capital fluctuates. Staff will need to evaluate the ability to accomplish what has been done in the past. Currently, every project is reviewed twice a year for clarification of operating reserves and future spending.

Conclusion

Projections in 2011 reflect zero to little growth. Staff will strive to keep revenues equal to expenses, except for required transfers to Capital Funds. Operating reserves will decrease; however, the Debt Service Fund balance currently remains level. They will continue to evaluate the local and global economy.

Budget & Financial

The City will strive to maintain a total reserved fund balance within a range of 30%-35% of budgeted Debt Service Expenditures.

Goals & Objectives

Performance objectives have been enhanced and updated, particularly in fleet and facilities to better prepare expenditures per square foot in custodial and utility costs.

Along with the graphs illustrating expenses, Councilmember Gill wanted to include contributions for comparison in the various programs. He confirmed that the total Contractual Services Budget was \$7 Million and requested a detailed breakdown by category totaling more than \$100,000.

Stormwater Utility Tax Presentation – Scott Lambers

Several cities in the Johnson County area have imposed a Stormwater Utility Tax and Mr. Lambers felt the City Council should consider it. It is a dedicated revenue source and could be used to pay for staffing and stormwater projects. This would be a new tax and if the Council wanted, he would return with a comprehensive report and proposal.

Councilmember Gill asked how the tax would be assessed. Public Works Director Joe Johnson stated they would assess the tax based upon home and driveway square footage. The average would be the charge for all residential units. The total square footage of commercial sites would pay fifteen times the assumed residential rate.

Councilmember Rasmussen was against the Stormwater Utility Tax and preferred to move forward with at least one mill in 2011. This would give the Council the flexibility needed over the next several years.

Mr. Lambers clarified there would be a transfer of money and the Council would decide how much of the new tax they would want to replace in the existing General Fund. The balance could be used to expand City stormwater activities. As a starting point, staffing could be covered with the utility tax, which would free up \$350,000 per year in the General Fund.

Councilmember Bussing was opposed to the Stormwater Utility Tax.

Councilmember Filla was in favor of the tax.

Mayor Dunn noted when she attended the Leadership Summit; she was surprised to discover several other cities had imposed these utility fees. She clarified they weren't asking for Council approval, rather asking if they wanted staff to return with more information.

Councilmembers Rawlings, Cain and Peppes were in favor of reviewing more information.

Councilmembers Gill and Azeltine were opposed. Councilmember Gill felt if they were going to increase the amount of money a citizen has to submit to Leawood, he wanted it to be tax deductible on their income tax return. He didn't feel this was a smart way to raise money from their taxpayers.

Mayor Dunn indicated the consensus for staff to return with more information on the Stormwater Utility Tax was tied 4-4; four in favor and four opposed. She broke the tie stating she was in favor of analyzing more information.

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

Pam Gregory, Recording Deputy City Clerk