

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 28, 2010. Mayor Peggy Dunn presided.

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

Councilmembers absent: None.

Staff present:

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

Budget & Finance Committee members present:

Jim Morris
Greg Bussing
William Ramsey

2011 ANNUAL BUDGET PRESENTATION

Welcome by the Mayor

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

Opening Remarks - City Administrator Scott Lambers

As each department goes over their budgets, the City Council will see minimal changes from the 2010 Budget. Based upon predictions for a slow economic recovery, things are not expected to change dramatically over the next year. The City of Leawood is in a position to weather the economic storm and has not had to resort to layoffs or other dramatic measures like some other cities have had to do.

Overview 2011 Annual Budget - Finance Director Kathy Rogers

The City of Leawood's Vision Statement is "Growing with Distinction" and prides itself on being a safe, attractive community, which values its distinctive character.

There are five main goals that support this: Public Safety, Financial Stability, Growth management, Capital Improvements, and Quality of Life Services. Each year the Governing Body will meet and layout their near and long-term goals. Some items are not addressed in 2011; therefore, during the next 5-year planning period, they will continue to work on funding for sidewalk and curb and gutter repair and replacement, and establish public/private financing on stormwater plans. The 2011 overall budgeted revenue is \$47.8 Million. Property taxes are the City's top revenue source, followed by sales tax. Property tax valuation is currently down approximately \$500,000. On average, a Leawood resident pays approximately \$1,200 per year in property taxes to the City. Expenditures have decreased approximately \$600,000, or 1.2%, corresponding with decreased revenues. The largest decrease is in the Parks and Recreation Department. Operating expenditures are at 20% with electricity expected to be \$1.2 Million. Compared to 2005, electricity was \$625,000. Personnel costs have increased 3%, when compared to 2010. There is a performance increase allocated for the year. There have also been fairly significant increases in the pension plan contribution for the Police and Fire Departments, which the City is obligated to remit these funds by state mandate. Personnel expenditures have increased by 5.6%. This includes health, dental, pension obligation, social security, etc. This reflects the unfunding of 10.5 currently vacant positions and includes a merit increase ranging from 0%-4.25% for City employees. Operating expenditures have increased 0.7%, from the 2010 estimated budget, with Capital costs projected to decrease by 22.2%. Overall, expenditures are down 1.0%. The General Fund under Capital Pay-As-You-Go [PAYG] Expenditures is the largest funding source, followed by Grants. According to the state, the Gasoline and Alcohol Tax will remain.

Councilmember Bussing confirmed with Mr. Lambers that the 10.5 unfilled 2010 positions were approved; however, not budgeted. Mr. Lambers confirmed these positions had been approved by the Council through previous budget years and he doesn't have the authority to remove them from the approved status without action from the Council. If the majority of the Council wanted them removed, it could be done as part of the 2011 Budget approval process at a future Council meeting.

William Ramsey, Budget & Finance Committee, asked what comprises the 5.6% personnel expenditure increase. Mr. Lambers confirmed that performance increases were the main expenditure, followed by social security, Kansas Police & Fire [KP&F] retirement and health insurance. Employees also receive a 4% time in service increase every four years.

Information Systems Director Mark Andrasik clarified that this does not include promotions, career development, or market adjustments.

Councilmember Azeltine confirmed this was the first time they have ever had positions approved, but never filled. Mr. Lambers noted when the budget was done for 2009, they hadn't anticipated a recession. By keeping them approved but unfilled, they could ask the Council for consideration at the appropriate time.

Greg Bussing, Budget & Finance Committee, confirmed that the approved, but unbudgeted positions were included in the 266 total positions. He suggested that under "Expenditures by Function," they add a sub-line showing the dollar amounts in addition to the percentages to further clarify what is driving the changes.

Mayor Dunn clarified the 5.6% total personnel increase was being derived from 4.1% in wages and 9.4% in benefits.

Mr. Andrasik stated when they determined the personnel budget for 2011; they use the 2010 budget and include all pay increases going to occur to get a final December 31, 2011, salary. They add a percentage to that final salary, which is currently 4.5%. If they reduce the percentage to 3.5%, it would be a savings of \$190,000 between wages and benefits.

Councilmember Bussing was opposed to any personnel wage increases in this economic environment. Companies are experiencing very difficult times and having layoffs. Mr. Lambers stated as a part of personnel regulations, 25% of the City's workforce receives a time in service increase every four years. If they arbitrarily select one year that this would not be granted, it would be unfair to those particular employees.

Ms. Rogers indicated salary guidelines are generally issued in November; therefore, there was ample opportunity to refine them. Currently, 3.5% is wages. She reiterated that increases range from 0%-4.5% per employee and is based upon performance, not cost of living or merit.

Mr. Ramsey couldn't recall any other local government giving any type of merit increase or cost of living adjustment. Mr. Lambers stated Johnson County, Merriam and Overland Park were all giving increases. Staff is currently setting a budgeted maximum amount of 4.5%; however, the Council has the authority to reduce this amount prior to January 1, 2011. The .5% of the 4.5% is given only to exceptional employees. Department heads have the authority to give a .125% increase and are required to notify Mr. Lambers. If the employee does something truly extraordinary, he can approve an additional .125%.

Mayor Dunn noted from speaking with other Johnson County mayors, cities that have frozen increases are having severe financial difficulties with many layoffs. The City of Leawood has been in a very fortunate financial position and, if faced with layoffs or no merit increases, they would view things much differently. Johnson County hasn't had any layoffs; however, they have approximately 54 positions they are leaving unfilled.

Ms. Rogers stated some cities have separate pension funds that have suffered severely and in order to recover from this, they have had to make changes.

Councilmember Bussing confirmed with Human Resources Director Lovina Freeman that when the City receives new rates for health and dental premiums, it is portioned between the City and its employees.

Ms. Rogers stated the KP&F rate has changed from 13.49% to 18.47%, which is approximately \$300,000. Police Chief John Meier noted as cities make their contributions to the pension fund, the state has not been contributing the amount should over the last 4-5 years.

2011 Policy Highlights – Finance Director Kathy Rogers

Maintain Financial Stability

- Reserves in operating funds are budgeted at more than 47% of expenditures, well above the 11% minimum. Of this, 8.33% is for emergency funding and 3% is for cash flow
- Debt Service to expenditure ratio remains below the 25% threshold
- 2011 Budget is funded with no increase to the mill levy.

Maintain Service Levels

- Equitable and competitive employee compensation
- No increase in personnel
- Mandates and operating costs of capital are funded
- Streets are maintained at an average Pavement Condition Index [PCI] of 90

Provide for Efficient Delivery of Services

- Continuing to improve productivity with training and technology
- Performance measures are linked to resources needed to meet expected performance levels
- General Fund subsidies to fee-based programs are identified

The debt service fund has been increased to 35%, which was originally 20%. People have been slow to pay and staff has been calling and sending letters to ensure collection for the debt payments. The City will continue to review whether it is willing and able to assume new debt beyond what will be retired. The \$20 Million 143rd Street Project has been removed. They have not added curb and guttering and some of the stormwater projects have been moved into the 1/8 cent sales tax fund. Long-range indicators include increases in operating, personnel, and scheduled capital. There is not a lot of extra PAYG capital money, unless revenues come in higher and expenditures are lower.

Administration – Finance Director Kathy Rogers

The 2011 Budget includes 302.70 FTE's of which 49.21 are considered administrative employees.

Accomplishments:

- Continue the International City Managers Association [ICMA] Performance Measures program.
- Assisted Parks & Recreation with the transfer of golf management companies
- Upgraded video and sound systems in the Council Chambers
- Recognized by Tyler Technologies for the Eden Public Sector Excellence Award for organizational efficiency
- Configured and installed over 170 computers with Windows 7
- Completed Windows 2008 Server on over 83% of the servers

- Implemented new HR Policies and Procedures
- Sponsored and/or facilitated 9 major employee activity events
- Sponsored and/or facilitated 8 employee wellness initiatives
- Sponsored and/or facilitated 3 employee mandatory trainings
- Assisted with IRS audit with no negative findings
- Produced employee quarterly newsletters
- Successfully negotiated a new type of agreement pertaining to the construction of WaterOne facilities
- Processed 250 Court record requests and arraigned 277 defendants by video arraignment process

The IRS had audited the City's travel and 1099 reporting, and employee W-2 wage reporting.

Councilmember Gill requested that comments be included from the City's outside auditors showing verification of no negative IRS findings.

The Administration Budget consists of \$7.8 Million, of which, 59% is Personnel costs, 33% Operating, 7% Debt, and 1% Capital. There were no new positions in Administration from 2010 to 2011; however, some positions will be replaced. By function, personnel costs have increased 5% and Operating increased 1%. Capital has decreased 30% and debt decreased 1%. Overall, there is a net increase of 3% in the Administration Budget.

Police Department – Chief John Meier

It is important to the department that citizens feel safe and have confidence in them. If citizens call for the police or receive a traffic citation, the department sends a follow-up card that asks them to complete a survey on the website. This survey determines the percentage of respondents that are satisfied with the Police Department. Their goal is to receive 80%-85% total satisfaction. Average response times have been maintained at 3:30-4:00 minutes; however, there are occasional spikes because of traffic issues. The Coplink Information System has been implemented, which is linked to other Johnson County agencies to provide the department soft intelligence information. Eventually, all of Johnson County will implement the new county radio system. He preferred to convert to this system when they move into the new Justice Center in 2012.

Councilmember Rasmussen confirmed with Chief Meier that they have a sufficient number of street patrolmen, with a minimum deployment of six officers per shift. He confirmed they were adequately staffed for Animal Control as well.

Fire Department – Chief Ben Florance

The Fire Department consists of 12% of the total budget, which has remained consistent over the last few years. There are 55.69 positions, with 2 on-call part-time firefighters that receive no benefits. The Administration Budget is \$1.1 Million, with 4 positions, Operations is \$5 Million, with 49.69 positions, and Prevention is \$200,000 with 2 positions. Each firefighter protects an average of 589 residents and responds to 30 calls per 1,000 residents. Their average response time is 4:45 minutes, which is below the 5 minute threshold.

All of the sirens throughout the City have been tested with 95% in working order. Blue Valley Public Safety immediately repairs any issues. There will be 2 additional sirens installed later this year, which will cost approximately \$25,000 each. These sirens are not meant to be heard indoors; therefore, everyone should have access to a weather alert radio. The budgeted expenditures for fire/EMS protection are \$193.00 per citizen. Training per firefighter averages 16 hours per month. There is 9% overtime as a percent of their regular salaries.

Accomplishments:

- Zero fire deaths
- Co-host the Fire & Police Open House in September
- Participated in numerous area charity events for citizens
- Participated in a reading program at local elementary schools
- Instructed citizens in Community Emergency Response Training [C.E.R.T.]
- Instituted the first Citizens Assist Program [C.A.P.]
- Participated in the county high-rise training
- Attended Advance Swiftwater Rescue Training
- Participated in “live fire” training
- Received arson investigation training in Topeka, Kansas
- Completed Rescue Operational Readiness Exercise at Crisis City in Salina, Kansas
- Trained over 4,000 students in fire prevention and life safety

Councilmember Filla joined the meeting at 7:25 P.M.

The Fire Department Budget consists of \$6.3 Million, of which, 82% is personnel costs, operating 7%, debt 8%, and capital 3%. By function, personnel costs have increased 8%, operating decreased 6%, capital decreased 47%, and debt decreased 1%. Overall, there is a net increase of 3% in the Fire Department Budget.

Ms. Rogers confirmed that equipment replacement is calculated into the budget forecast.

Mayor Dunn noted she continues to receive many compliments regarding the caring and compassion of both the Fire and Police Departments.

Public Works Department – Director Joe Johnson

Public Works consists of 35% of the total budget and has remained consistent over the last few years. The largest expense is for street improvements, which is \$8.4 Million. They maintain 470 lane miles at an average PCI of 90. The streets have received several potholes due to harsh winters and they have a response time of 24 hours for repair. On average, they do 8 street sweepings per street, per year. The annual maintenance expenditure per mile is \$8,066. There are 4 illicit discharges, which represents private discharges into the stormwater system that the City has been made aware of, either through calls or inspections by City staff. Fleet vehicles have an average age of 6 years. The fleet and facility customer satisfaction survey received an 85% satisfaction rating. 65.7% of Public Works employees maintain professional certifications. Utility cost is \$0.55 per square foot of buildings. They have secured \$1.3 Million from the Federal Stimulus Program and the American Recovery Reinvestment Act of 2009 for improvements to 103rd Street.

The Public Works Budget consists of \$17.8 Million, of which, 19% is personnel and operating costs, capital 31%, and debt 31%. By function, personnel costs have increased 4%, operating 1%, and debt 6%. Capital has decreased 8%. Overall, there is a net increase of 0% in the Public Works Department Budget.

Councilmember Gill confirmed with Mr. Lambers that insurance should cover the equipment that was damaged by the recent flooding at the Maintenance Facility. If they only receive a partial total from the insurance company, they can cover the remaining expense from contingency funds. Vehicles not scheduled to be replaced will need to be adjusted on the equipment replacement schedule accordingly.

A total of \$665,000 is planned for stormwater improvements, compared to \$1.1 Million in 2010. There is approximately \$1 Million planned for facility maintenance to replace the roof at City Hall. The increase in operating costs is primarily due to electricity, which is budgeted for \$780,000.

Mayor Dunn confirmed with Mr. Johnson that they plan to haul-off the remaining debris at the parks from the recent flooding. They are also working with individual property owners to bring debris to the street and the City will haul it to a landfill.

Mayor Dunn noted she receives numerous compliments regarding work done by the Public Works Department.

Parks & Recreation Department – Director Chris Claxton

Parks & Recreation consists of 18% of the total budget, which is \$9.1 Million. Included in this is \$2.8 Million (30%) for Ironhorse Golf Course. Overall, there is a decrease of 12% in the budget. Administration is budgeted at \$1.3 Million, with 4 positions. Programming includes all classes, shelters, rentals, and activities for both the Community Center and the Lodge. Cultural Activities includes public art commissions, theatre productions, the Oxford School, and City-wide special events. Golf course maintenance positions were assumed by the new management company. There is 16.4 acres per Park Maintenance employee. They have remained consistent with 7 days between park mowing. They have maintained an 89% customer satisfaction rating for classes, 94% for the Aquatic Center, and 92% for the golf course. All sports programs have maintained an 85% attendance rate. 80% of classes offered meet the minimum participation requirements. The Council has set an overall operating cost recovery of 60%, which is currently averaging 61%. Utilization of the Community Center and Lodge has both seen an increase. The renovation debt for the Aquatics Center will be paid-off in September.

Councilmember Filla confirmed with Ms. Claxton that non-residents pay a higher usage fee for the facilities. Mayor Dunn noted Friday and Saturday evenings at the Lodge are generally booked 18 months ahead. Ms. Claxton stated due to high demand, they were considering a rate increase. Currently, the average Lodge rental cost is \$1,600, which includes two police officers for security and other purposes.

Mr. Bussing confirmed with Ms. Claxton that operating revenues do not yet exceed operating costs of the golf course and utilization will need to increase to 85%. Councilmember Gill noted the General Manager of Troon had indicated they were currently running ahead of projections. Councilmember Rasmussen stated they had lowered their fees in 2010 because of the condition of the course. Troon has been given a 1-year grace period to improve these conditions and the City will then review its fee structure.

Accomplishments:

- Completed construction and dedication of Gezer Park (Phase I)
- Recommended new management company for Ironhorse Golf Course
- Hosted over 300 volunteers at the trail clean-up event, collecting 200 bags of trash
- Completed the second phase of increasing the Lodge rental rates to remain competitive with other facilities in the area
- 66% increase in Birthday Parties at the Nature Center
- 11% increase in cabin rentals at Ironwoods Park
- Installed “My MIND” sculpture, which is the City’s 13th piece of art
- Developed programs to improve tree health
- Completed Aquatic Center deck renovation to improve traffic flow and use of space
- Installed an Ultraviolet Disinfection system at the Aquatic Center
- Acquired \$15,500 in sponsorships and 15,000 community volunteers for events with a value of \$150,000
- Revamped “Live Healthy” initiative to promote a healthy community

Mr. Lambers noted that a white pine tree disease had begun to expand to other pine trees; therefore there will be several trees throughout the City that will need to be replaced. Ms. Claxton noted they would be including information on this in their fall program guide.

Ms. Claxton stated they were planning to offer a Lacrosse League for kids and were estimating 100 participants.

Mayor Dunn expressed her appreciation to Ms. Claxton and the Parks Department.

Councilmember Rawlings complimented the Parks & Recreation, Fire, and Police Departments for a tremendous job cleaning up the City after the recent flooding.

Conclusion – Finance Director Kathy Rogers

Staff is still recommending that they maintain the 2011 mill levy at 24.259. Leawood has the 6th out of 7th lowest mill levy rate in the Johnson County area. The final tax rate may be slightly different based upon final certification of assessed valuation. They will continue striving to maintain financial stability. The final Public Hearing on the 2011 Budget will be on August 2, 2010, and is scheduled for Council approval on August 16, 2010.

Jim Morris, Budget & Finance Committee asked where they see the City’s future growth once the economy turns around. Mr. Lambers indicated the commercial sector may continue to struggle over the next two years. It has been difficult to lease commercial property; therefore, rent should remain low.

There is only 40-50 acres of residential land remaining. There is not a lot of opportunity for new growth throughout Leawood, other than along 135th Street. The City will remain steady at best.

Mayor Dunn stated as revenues increase, reinvestment is still very important in order to keep a premier community. They have been able to do this with the Accelerated Street Program and Accelerated Stormwater Program. There has also been discussion to underground some of the overhead power lines in the future.

Mr. Bussing thanked the City staff for all of the services provided to the citizenry. He wanted staff to continue to ensure that the City's infrastructure remains in excellent condition to help increase property values again.

Mr. Ramsey expressed his appreciation to City staff for being fiscally conservative and presenting the budget in such a streamlined process. He agreed they should maintain the City's infrastructure investment. Mayor Dunn concurred and noted appreciation to all of the Budget & Finance Committee members for their service.

Councilmember Bussing reiterated comments regarding employee wage increases and felt they should be moderated in this economic environment. This has no reflection on the quality of work being done. Leawood has some of the best staff in the metro-area. The City Council represents the citizenry, which are struggling. One of their main concerns is salaries of City employees and he felt a salary increase of 4.5% was too much. Mr. Ramsey was also concerned with this percentage, considering the economy.

Mr. Lambers clarified that employees must score a specific range on their evaluation and a 4.0% increase would be the maximum amount given. As stated previously, the additional .5% increase is only given when an employee performs in an exceptional manner. Most employees generally receive an increase between 3.5%-4%.

Councilmember Bussing was concerned the increases will continue to compound while the City's expenses continue to increase. He thought they should consider a one-time bonus for exceptional employee's rather than carry it through their career.

Mr. Lambers stated under the Kansas public sector employment, employees are given a lower salary, but have job security. They don't get significant salary increases or bonuses; however, they do receive health care and pension. This doesn't equate in comparison to the private sector.

Councilmember Gill felt they should pay for employee performance and thought Leawood has all-star performers that deliver at the highest level. The staff produced a budget that maintains the mill levy and geometrics in this economy and should be awarded. He was comfortable with the budget as presented; however, he thought they may want to also consider structuring the budget to include more individual bonuses and less elevated base pay.

Mr. Lambers stated if the economy proceeds further down into a double-dip recession prior to 2011, he would recommend that employees receive a lump-sum merit increase, opposed to having it built into their base pay. Positions would remain unfilled for a longer period of time.

Travel expenses would be further restricted with travel restrictions remaining in place. They would also see if training requirements could be done locally. If things turn extremely severe, he would consider reducing or eliminating all salary increases. He couldn't perceive this happening because Leawood has been able to maintain financial stability. If the Council prefers the lump-sum increase option, it would need to be effective on January 1, 2011. This would not have an immediate effect on the 2011 Budget; however, it would present compounded savings in out years.

Mr. Lambers clarified for Councilmember Rasmussen that currently, salary increases were only given for merit and time of service. Councilmember Rasmussen requested copies of the City's employee policies and procedures.

Councilmember Filla asked if they had done salary comparisons to other cities. Mr. Lambers indicated they hadn't performed salary surveys in a long time; however, if a department head believes a specific class of employees are not market-range competitive, they will perform a local evaluation. If their salary falls below the minimum range, it would be adjusted accordingly. If their salary falls in the maximum range, it would create an opportunity for the employee to receive a compounded merit increase where otherwise, they wouldn't. Considering the current economic situation, most cities have not performed salary surveys.

Councilmember Filla preferred to be understaffed with higher experienced quality people, versus running the risk of losing them to higher paying jobs. Mayor Dunn concurred.

Councilmember Azeltine thought Councilmember Bussing had made a good point regarding merit increases compounding and stated he was in favor of a lump-sum increase, versus permanent merit increases until they receive clarity of the economic situation.

Councilmember Azeltine didn't like the assumption of mill levy increases in out years and felt if they assume it; it makes it more likely to occur. Mr. Lambers clarified that the out-year mill levy increases are reflected on money that has already been borrowed. Mr. Azeltine stated when they began these assumptions; their growth assumptions were also much higher. Now that these assumptions have decreased, it makes it even more likely they will have a mill levy increase.

Ms. Rogers stated they were eventually facing a mill levy increase. When they had the C.I.P. meeting; they discussed how the Accelerated Street Program costs would double in five years.

Mr. Lambers stated in 2009 Personnel costs (wages and benefits) were budgeted at \$23,460,000; however, it totaled \$21,735,000. With the long-range negative financial forecasting, the savings will not be as high; however, he was confident that the actual salary amount would be less in comparison to the budgeted amount because they always budget for 100% position occupancy.

Councilmember Rawlings confirmed with Mr. Lambers that 95% of the employees receive a salary increase. If they have reached their maximum salary, they receive a lump-sum payment.

Councilmember Gill noted as the economy begins to improve, high performance employees will be the most highly sought after people. He supported the budget and stated it was thorough and complete; however, he was also in favor of a lump-sum payment, versus permanent merit increases.

Ms. Rogers commended Mr. Lambers for including salary increases in the budget. Several employees have worked many hours, are understaffed, and have not complained.

Mayor Dunn stated if the City of Leawood could not afford to give merit increases, she would be the first to question it and they wouldn't be having this discussion.

Mr. Lambers requested direction from the Council on how they wanted to handle the unfunded vacant 10.5 approved positions.

Councilmember Bussing stated if a request for an additional position is brought before the Council, it should be a critical position that will continue to provide the goals that have been expressed. Mayor Dunn clarified some of these positions were approved because of anticipated growth that didn't occur because of the economy.

Councilmember Rawlings wanted to remove the 10.5 positions from the budget and wait to have a position approved on an as needed basis. Mayor Dunn confirmed they could remove the positions from the budget if the Council agreed.

Mayor Dunn thanked Budget Coordinator Kathy Byard, Finance Director Kathy Rogers and the department heads for all of their hard work.

There being no further business, the meeting was adjourned at 9:40 P.M.

Pam Gregory, Recording Deputy City Clerk