

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, December 6, 2010. Mayor Peggy Dunn presided.

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

Councilmembers absent: None.

Staff present: Scott Lambers, City Administrator
Patty Bennett, City Attorney
Joe Johnson, Public Works Director
Deb Harper, City Clerk
Pam Gregory, Assistant City Clerk

Others Present: None

**Discuss Purchase of Currently Owned KCP&L Street
and Traffic Signal Lights**

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

Opening Remarks – City Administrator Scott Lambers

Many cities in this area, including Leawood, lease their streetlights and traffic signals from KCP&L. Leawood leases primarily streetlights with only a few traffic signals, which are primarily located in the older parts of the City. It is a lucrative business deal for KCP&L and a losing proposition for the City. Staff attempted to have the power company prepare an analysis; however they were rebuked. KCP&L has not been eager to have these discussions. The City of Lenexa moved forward with their own analysis to purchase them. The idea is to borrow the money and deposit money that was being used to pay the rent into the bond and interest fund to pay the bonds. At the end of the 15-20 year timeframe, the payments would stop. There is an opportunity for several future Council's to garner the benefit. This meeting is intended as a general overview. Staff can get more information if this is something the Council would like to pursue.

Presentation – Public Works Director Joe Johnson

Staff had attempted on several occasions to meet with KCP&L representatives to determine the costs involved to purchase the lights. In 2008, Lenexa entered into an agreement with KCP&L to purchase 2,437 leased streetlights at a cost of \$2,190,863, which equals \$899 per light. Staff compared the number of streetlights in Lenexa to Leawood and the expenses paid to KCP&L. Leawood has 1,134 leased streetlights. Using the cost of \$899 per light from the Lenexa buyout, the City should anticipate paying \$1,019,466. The City's monthly billing for the leased lights is \$28,000; or \$336,000 annually. There are 100, 150, 250 and 400 watt lights. If City owned, the annual electric cost would be \$30,752. Maintenance costs are contracted out at a rate of \$3.63 per light, or \$49,398 annually. Until all of the lights are metered, KCP&L would most likely charge \$3.29 per light for electric costs, or \$44,770 annually, to average the cost of the different wattage. If owned, the City's total electric and maintenance costs would be \$94,167 annually, compared to the current annual leased billing of \$336,000.

Mr. Lambers noted that over the past 30-year timeframe of leasing the lights, the City has paid a total of approximately \$9 Million.

In summary, the current leased streetlight annual cost is \$336,000. If City owned and assuming all lights are metered, the annual cost would be \$30,752 for electric, plus \$49,398 for maintenance, totaling \$80,150. The City's annual savings would be \$255,850.

Councilmember Filla thought the \$255,850 in savings per year could be applied toward the purchase cost of \$1,019,466. Mr. Lambers clarified his first option would be to reduce the ending fund balance rather than incurring interest and issuance costs. If the Council is interested in moving forward, staff will return with more information regarding a Pay-As-You-Go [PAYG] option, versus bonding. The PAYG option would reduce the City's reserves; however, the money currently in the budget would replenish the reserves.

Mayor Dunn confirmed with Mr. Johnson that the City currently owns approximately 2,600 streetlights and leases 1,134 lights.

Councilmember Rezac confirmed with Mr. Johnson that the City also leases two traffic signals through KCP&L, which are located at 95th and State Line and Somerset and Lee Boulevard. When the City upgrades the signals, they would like to purchase them for the amount remaining on the lease.

Councilmember Osman confirmed with Mr. Johnson that the City does not have a lease agreement with KCP&L; they simply assess a rate and apply the charge. Mr. Osman asked if KCP&L would honor the same buyback per streetlight as they did for Lenexa. Mr. Lambers clarified that KCP&L representatives were refusing to discuss this because of concerns it will create a domino effect with other cities. City staff will need to approach representatives in the corporation if they decide to proceed.

In the past, cities were responsible for installing their own streetlights and it was more economic to lease them. Currently, the developer is responsible for this.

Mayor Dunn confirmed with Mr. Johnson they were not contemplating any long-term care of the lights since the majority of the poles are constructed of spun aluminum.

Councilmember Filla confirmed with Mr. Johnson if a pole is hit, the City's maintenance contractor works with the driver's insurance company to replace it. If it's a hit-and-run, the maintenance contractor is responsible for the cost of replacing it.

Councilmember Osman confirmed with Mr. Johnson the City receives a discounted rate for "off-peak" streetlight usage.

Councilmember Rasmussen asked if they proceed, if the franchise fee would be removed from the billing. The purpose of the fee is to reimburse the City's streetlight and traffic signal costs. Mr. Lambers clarified all of the money goes into the general fund and isn't applied toward a specific purpose. There is no direct relationship between that money being given to the City and payment made toward streetlights.

Councilmember Rasmussen noted the Kansas Corporation Commission had set the amount of the franchise fee at 5%.

Mr. Lambers stated if they were to reduce KCP&L's revenue from the City, which is estimated to be \$300,000, the franchise fee portion would be 5%, or \$15,000.

Mayor Dunn thought as this moves forward, Mr. Johnson could do some further checking to see if Lenexa had removed their franchise fee. Mr. Rasmussen noted Mission had eliminated their franchise fee. Mr. Lambers noted Shawnee had also removed their franchise fee, but have recently reinstated it.

Mr. Lambers thought the first thing to consider would be an upfront payment and look into what the payback would be. If they bond it, interest costs will be associated.

Councilmember Azeltine confirmed with Mr. Lambers that spun aluminum poles should have an indefinite lifespan with a depreciation rate of 25 years. Replacement cost would be \$3,000-\$4,000.

In order to meter the poles to receive exact usage costs, Mr. Johnson wanted to take down the lights and install a controller when they do the Residential Street Reconstruction Program. Mr. Lambers indicated when the lights are out for a period of time, KCP&L is still charging the City for power they aren't using.

Councilmember Rasmussen noted the City originally began installing streetlights by skipping every other one until enough revenue had been collected from the franchise fee to install the interim lights.

Councilmember Filla confirmed with Mr. Johnson that once the technology is in place, the streetlight heads will be replaced with LED lights. By the end of this year, the City's traffic signals will be replaced with LED lights. This should equal a \$40 savings per month, per signal.

Mr. Johnson and Mr. Lambers confirmed they would proceed on behalf of the City Council and continue to attempt discussions with KCP&L representatives.

Councilmember Bussing thought they should proceed soon if they decide to go with the financing option. Mr. Lambers noted the debt issuance occurs in September, 2011 and they would need to decide by May, 2011.

There being no further business, the Work Session was recessed at 7:00 P.M.

A motion to recess into Executive Session for a period of 20 minutes to discuss matters related to attorney-client privilege was made by Councilmember Rasmussen; seconded by Councilmember Filla.

The Governing Body recessed into Executive Session at 7:00 P.M.

A motion to reconvene into the Work Session was made by Councilmember Bussing; seconded by Councilmember Filla.

There being no further business, the Work Session was adjourned at 7:20 P.M.

Pam Gregory, Recording Assistant City Clerk