

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 4, 2011. 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	Joe Johnson, Public Works Director
Dawn Long, Interim Finance Director	Deb Harper, City Clerk
Kathy Byard, Budget Coordinator	Pam Gregory, Assistant City Clerk

Others Present: None.

**Discuss 2012-2016 Budget Model Assumptions; and
Review and Discuss 2012 Budget Presentations**

Mayor Dunn called the meeting to order at 6:05 P.M. Introductions were made by those present.

Opening Remarks – City Administrator Scott Lambers

Tonight’s meeting will bring the Council up to date in the budgeting process for 2012 and to discuss any additional items that could be incorporated into the budget before the presentation in June.

Presentation – City Administrator Scott Lambers

Model Assumptions

The Model Assumptions show the operating funds throughout 2019 meeting the City’s requirements for reserves; however, in order to do so, a mill levy increase of one mill will be required in 2015, 2017 and 2019. This was presented as part of the Capital Improvement Program [C.I.P.]. As part of that meeting, all of the projected costs for the capital improvements for that time period were eliminated, as well as all of the mill levy increases. When the Residential Street Reconstruction Program first began, the initial mill levies were supposed to begin in 2009. They have been able to continue the program and defer those increases through 2015.

Top Ten City Sales Tax Comparisons

Although the City does not predominantly rely on sales tax, it is an important component. Nine of the top ten sales tax revenue categories remain fairly even and balanced. Grocery stores remain the number one remitter. Currently, there are 4 grocery stores in Leawood with the anticipation of Trader Joe’s coming soon.

Sales Tax Forecasts

Last year at this time, they were projecting a very modest sales tax increase of 0.7% and achieved 3.5% due to a strong increase during the last quarter of 2010. The projection for 2011 is conservative at 2.0% because of demand for consumption as a result of the recession and high gas prices.

Councilmember Bussing confirmed with Mr. Lambers the total sales tax revenue for 2010 was \$11,500,000. Mr. Bussing's calculations projected sales tax growth would increase 21% over the next five years. He commented this seemed aggressive.

Councilmember Osman confirmed with Mr. Lambers there was no inflation assumption included in the sales tax model because he only wanted to show actual growth.

Councilmember Filla asked if the projections factored in future stores as population increases. Mr. Lambers replied they only factored in the existing developments maintaining occupancy. The City continues to see growth in the restaurant business.

Assessed Valuation & Property Tax

A decrease was forecasted in assessed valuation and property tax for 2011 of -3.2%, which came in at -3.7%. For 2012, the numbers are up by .01% or .02%, pending appeals. Johnson County Appraiser Paul Welcome expects to have some success of commercial properties because lease rates are down.

Councilmember Cain commented the real estate market has seen an increase in activity; however, not an increase in prices.

The forecast is based upon both residential and commercial property; however, the City's commercial base is not as large as residential. The appraiser is expecting almost double digit decreases in the commercial sector for the next 1-2 years before stabilizing. He was confident; however, the economy is bottoming out and beginning to turn around. The City does not anticipate a lot of new development at this time.

General Fund Interest Income

As everyone is aware, interest income is not anticipated to recover and does not represent much of the City's budget.

Building Permits

Building Permit revenue should remain the same. It is anticipated there will be a resurgence of residential development north of the City with the primary driver being re-building or remodels.

Councilmember Rasmussen asked how much vacant residential land is remaining for building permit growth. Mr. Lambers responded there is very little single-family land remaining. Mayor Dunn noted the Leabrooke Subdivision was the City's last large tract of residential land; however, some homeowners are sitting on large tracts. Leabrooke has 20 or more acres still remaining to develop. The bulk of the building permits will be for remodeling and commercial.

Operating Expenditures

Staff is not anticipating any new positions for the 2012-2016 planning period. The model includes wage and benefit assumptions of 3.9% and 6.8%.

Councilmember Bussing confirmed with Mayor Dunn that the 10.5 positions that were approved but never filled had been removed. Mr. Lambers confirmed all budgeted positions are either full or will be filled over the coming months. Mayor Dunn thought the benefit percentage last year was 7%. Mr. Lambers commented the City is currently experiencing a good period, which is reflected in a lower percentage. If there are serious illnesses, it will reflect an increase. He thought the national average was 11%.

There is a 1.0% increase in contractual services and commodities in 2012, changing to 1.8% for 2013-2016. A total of \$150,000, which represents a half year, has been included in 2013 to provide for the operating costs of the Justice Center. This amount will increase to \$350,000 in 2014 for a full year.

Population Estimate

The 2010 Census projects Leawood's population at 31,867. The model assumes a very small growth of 0.5% each year.

Councilmember Osman confirmed with Mr. Lambers there is \$1.1 Million in the 2012-2013 operating budget for technology upgrades for the Justice Center. Other costs will be incorporated in the cost of the building. Total project costs are projected to be \$18-\$20 Million. There is currently nothing budgeted to replace the existing Fire Station on Lee Boulevard to the Justice Center site or any place else. If the Council decides to proceed with this, he would recommend they ask the voters to support a sales tax increase.

Debt Service Expenditures

Added last year, the model continues to include a 2% delinquency property tax collection rate. Councilmember Rasmussen commented this is a lot of revenue for the City and wanted to begin lobbying efforts to enforce collections.

Capital Expenditures

The Accelerated Street Reconstruction Program will continue in the out years. Included in the Capital Improvement Fund are funds to reimburse the Justice Center Fund for the 2010 land purchase. This will occur over two years in 2012 and 2013.

Total Personnel Expenditures 2011-2012 Budgets

One of the main drivers for the budget is personnel costs with costs continuing to mount each year. The budget for 2011 is \$24,346,100 for all costs. The forecast for 2012 is \$24,922,915. There have been recent employer increases in KP&F and KPERS and they are anticipating more increases in KPERS.

Mayor Dunn confirmed there are 292.5 FTE's [Full Time Equivalent] employees.

Councilmember Rasmussen commented employees' benefits total almost 50% of their wages. Mr. Lambers responded he has no control over most of the line items; only overtime, the Employee Assistance Program, and awards and honors. Mayor Dunn added that benefits are a nice substantial addition to a person's salary.

Councilmember Osman asked how long the City has used Blue Cross/Blue Shield as their health care provider and how often the policy goes out for bid. Mr. Lambers responded they have been with Blue Cross/Blue Shield for 2-3 years and the bidding frequency depended upon rate increases.

The Police and Fire Departments account for approximately \$300,000 each for overtime, with the remainder being in the Public Works and Parks Departments.

Pay-As-You-Go Capital

The equipment and facility maintenance chart shows the projected costs for major and routine repairs to facilities, capital purchases, and leases from 2011-2019. Every piece of equipment is detailed and placed in the replacement schedule with an estimated cost.

Councilmember Osman asked what auction company the City uses to dispose of equipment. Mr. Lambers responded people are notified of available equipment by emails and then it is taken to to Affiliated Auctioneers in Kansas City.

Mayor Dunn noted they are still waiting on an evaluation of the 123rd and Mission Road trail repairs. Mr. Lambers confirmed there is some money in the Special Parks Fund that could be allocated for this. The trail is a problem and it either needs to be corrected or removed. Repair costs could total \$500,000-\$1.5 Million. Staff is waiting on the final costs to be considered, which should be available before the budget process. If the costs come in as anticipated, this will be a C.I.P. project and will not come out of the operating budget.

Councilmember Filla confirmed with Mr. Lambers vehicle replacement is the Fleet Manager's decision and replacement is based upon the year of the vehicle, mileage, and costs incurred.

Councilmember Azeltine suggested if they repair the trail at 123rd and Mission Road, they should have an engineer perform stress tests to determine how long the repairs would hold. Mr. Lambers indicated several structural repairs would be needed on a large portion of the trail.

Councilmember Osman confirmed with Public Works Director Joe Johnson they work with Overland Park, Olathe, and Johnson County on an annual contract with a single fuel supplier. The City does not pay State tax and pays a limited amount of Federal gas tax. They generally purchase 7,000-8,000 gallons of fuel every 2-3 weeks.

Councilmember Filla asked when the golf course would be paid off and if they anticipated additional money could be allocated in the future toward stormwater. Mr. Lambers responded the golf course would be paid off in 2015 and they would be reviewing stormwater systems that are undersized and places they don't exist.

Mayor Dunn commented some streets had not originally been built to City standards and asked if they could assume the streets would last longer with the current street reconstruction process. Mr. Johnson responded they should be able to do away with total street reconstruction on a consistent basis and be able to maintain the top 2-3 inches with a mill and overlay.

Councilmember Azeltine confirmed with Mr. Lambers that Human Resources Director Lovina Freeman was included in the health insurance discussions. Mr. Lambers stated they were comfortable with the figures for next year. The average health insurance costs for Leawood over the last 10 years were estimated to be 11%. Of the \$24 Million in personnel expenditures this year, health insurance costs total \$2 Million.

Mr. Lambers reiterated if any additional expenditure needs to be considered in the 2012 operating budget to notify him by the end of May to allow time to research whatever is necessary before the budget presentation in June.

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

Pam Gregory, Recording Assistant City Clerk