

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 2, 2012. Mayor Peggy Dunn presided.

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

Councilmembers absent: Andrew Osman

Staff present: Patty Bennett, City Attorney	Joe Johnson PW Director
Chief John Meier, Police Dept	Chris Claxton, P&R Director
Interim Chief Steve Duncan, Fire Dept	Lovina Freeman, HR Director
Mark Andrasik, Info Services Director	Kathy Byard, Budget Coordinator
Richard Coleman, Comm. Dev Director	Deb Harper, City Clerk
Dawn Long, Finance Director	Pam Gregory, Assistant City Clerk

Others Present: None

**Discuss 2013-2017 Budget Model Assumptions; and
Review and Discuss 2013 Budget Presentations**

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

**Review of Five-Year Financial Plan – Finance Director Dawn Long
City Sales and Use Tax**

Sales and use tax collections for 2011 were 9.3% above the 2010 actuals. The 2011 Estimated budget projected a 2.0% growth. The largest contributor in sales tax revenue was grocery stores, representing 14%. Restaurant revenue is low partly because there was a large refund processed in error by the State. Budget Coordinator Kathy Byard commented while grouping the sales tax by category, the restaurant revenue looked quite a bit lower than previous years so she went back through and reviewed the monthly reports and found a \$90,000 refund processed in error by the State for one of the Leawood restaurants. The State investigated this and found a computer error on their part. The City will be refunded this entire amount in 2012. Councilmember Filla congratulated Ms. Byard for catching this error. Ms. Long reported City sales tax projections have been increased from 2.5% in 2012 to 3.9% throughout the five-year plan. Ms. Byard thought City sales tax revenue had grown an average of 3%-4% over the last few years. All sales and use tax categories combined grew at 11%.

Assessed Valuation

The 2012 Budget was adopted with the anticipation that overall assessed valuation for 2013 would increase by 2.5%; however, after meeting with the County Appraiser, this has been decreased to a more conservative 0.2%. He indicated things were bottoming out and property values should begin to increase. Leawood has consistently realized residential appraised value improvements from 2009-2011. Projected assessed valuations are 2.7% for 2014-2016 and 2.8% for 2017. Ms. Byard thought before the recession began they were seeing an assessed valuation growth of 7%-8%.

Interest Income

The 2012 estimate has been reduced to \$75,000 from the 2012 original amount of \$128,070. Bank account compensating balances have been increased to pay for banking fees. They can earn more by doing this rather than investing in the market. Interest revenues are decreasing as well as expenditures decreasing proportionately.

Building Permits

Revenue of \$1,144,961 for 2011 was more than double the estimated projections; however, almost \$605,000 of this was due to roof replacements related to the spring hail storm. 2012 is estimated to be \$650,000.

Operating Expenditures

No new positions will be added for the 2013-2017 planning period. The model includes wage and benefit assumptions of 3.9% and 6.8%, respectively. The 2012 original budget includes \$24,728,000 for all personnel costs; however, because of the unfilled positions and no increase in health/dental costs, they are expecting a reduction of \$825,000 in the 2012 estimated budget. No mill levy increase is anticipated until 2019, when a 0.95 mill levy increase is forecasted for 3 consecutive years; 2019, 2020 and 2021.

Information Services Director Mark Andrasik confirmed they typically take up to 6 months to refill a personnel position unless it is a key position. They do not anticipate any promotions, other than those related to retirements.

Mayor Dunn stated that the mill levy increase of 0.95 forecasted for 2019, 2020 and 2021 is because of the \$20 Million Curb and Gutter Replacement Program.

A 1.5% increase in contractual services and commodities has been assumed each year, 2013-2017. The 2012 budget includes a projection of \$4.50 per gallon for unleaded and diesel gasoline. Prior and current year usage will be reviewed to determine whether this needs to be increased. A total of \$150,000, which represents a half year, has been included in 2013 to provide for operating costs of the Justice Center. This has been increased to \$350,000 in 2014 for a full year. A 1.5% budget variance for both revenues and expenditures has been included in the current financial planning model.

Current Mill Levy

The mill levy, as certified by the County Clerk is 24.393; 18.102 = General; and 6.291 = Bond and Interest.

Population Estimate

The 2010 Census projected Leawood's population at 31,867. The model assumes a 0.5% growth each year with a projected estimate of 32,160 for 2012.

Debt Service Expenditures

The 2013 Budget will include the refunding of the callable portions of the 2003-A and 2004-B series general obligation debt. Beginning with the September, 2012 payment, a savings of \$25,000 will be realized each year until 2024. This should be a savings of \$310,000 over the life of the bonds. A total of \$2,055,000 in general obligation bonds will be issued in 2012, with no planned bonding to occur in 2013. This bonding will include City facility improvements and residential street reconstruction projects. Temporary notes will total approximately \$6,330,000 for the first Curb Replacement Program, the 89th and Mission Stormwater Project and the 143rd, Nall to Windsor Project.

Capital Expenditures

A 2.5% increase in gasoline tax receipts is included. These funds are used to finance the annual Mill and Overlay and Slurry Seal Programs. The Special Parks and Recreation fund includes \$525,000 for trail improvements to the north lake area and \$600,000 for the 123rd Street trail repairs, both in 2012. The remaining funds of \$800,000 for the 123rd Street trail repairs will be paid from the Capital Improvements fund.

Parks and Recreation Director Chris Claxton confirmed the trail repairs consist of approximately ½ mile. Councilmember Rawlings felt \$1.2 Million seemed excessive for ½ mile of repairs. Public Works Director Joe Johnson clarified even if they don't repair the trail, they would still need to stabilize the bank, which is a large amount of that cost. Councilmember Filla thought it would be helpful if they could get a breakdown of the repair costs.

Technology, communication and computer equipment for the Justice Center have been included at a cost of \$800,000 each year for 2012 and 2013. The 2012 estimated budget includes the replacement of radios and communication equipment for Police, Public Works and Parks and Recreation Departments; totaling just over \$700,000 with a reimbursement of \$269,000 from 911 funds. A total of \$470,000 has been included in each year of 2012, 2013 and 2014 to purchase City-leased streetlights from KCP&L. The 1/8-Cent Sales Tax fund includes \$600,000 every other year for the Accelerated Stormwater Program in 2013, 2015 and 2017. The debt-financed Accelerated Street Reconstruction Program includes \$3 Million in 2014 and 2016. A total of \$5 Million has been included in 2013-2016 for the debt-financed Curb Repair and Replacement Program. There is also \$400,000 in the 2012 Budget in Pay-As-You-Go [PAYG] funds for this. Included in the Capital Improvement fund are funds to reimburse the Justice Center Fund for the 2010 land purchase. This will occur over 2012 and 2013.

Councilmember Bussing asked why they include the 1.5% budget variance. Ms. Byard replied expenditures typically come in 10% below budget and revenues come in 5% higher than budgeted. Without the variance, it would not present a realistic view.

Personnel Wage Comparison

The wage comparison includes \$79,579.00 of vacation sell back in the 2012 estimated full-time wages in addition to \$137,430 for sick leave sell back. For 2013, \$94,463.00 has been included for vacation and \$152,727.00 for sick leave sell back. The total wage increase for 2013 is 0.94%. An employee can save a maximum of 720 hours of sick leave if they are a 40-hour employee.

PAYG Capital Program 2013-2020

The line items break down the major and routine repairs to facilities. Police Chief John Meier confirmed there is \$95,000 in 2013 for the old police building; however, this will not be expended until they determine what will be done with this building. Mr. Johnson confirmed they have replacement schedules for all City vehicles; however, they will extend this schedule if some of the vehicles are still in good mechanical condition. Heavy equipment replacement is based upon hours.

There being no further business, the work session was adjourned at 7:10 P.M.

Pam Gregory, Recording Assistant City Clerk