

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, March 18, 2013. Mayor Peggy Dunn presided.

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

Councilmembers absent: James Azeltine

Staff present: Scott Lambers, City Administrator Deb Harper, City Clerk
Dawn Long, Finance Director Pam Gregory, Assistant City Clerk
Kathy Byard, Budget Manager

Others Present: None

**Discuss 2014-2018 Budget Model Assumptions; and
Review and Discuss 2014 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

The model for the financial balances in out-years show the City is financially in good condition, which is expected to continue.

**Presentation – Finance Director Dawn Long and Budget Manager Kathy Byard
Review Five-Year Financial Plan 2014-2018**

The 2012 City sales and use tax collections surpassed expectations, as it has the past two years. The total sales tax collections were \$6,698,189, or 7.6% higher than 2011 and 3.6% higher than budgeted; total use tax collections were \$1,872,628, or 24% higher than 2011 and 20.1% higher than budgeted. The largest sales tax contributors are grocery stores, which represent 14.7% of the total and realized growth of 12.3% from 2011. The increase in sales tax in 2012 was 7.6% higher than 2011. Of this amount, 2.8% was the result of new retail growth. Sales tax projections have been increased to 4% throughout the five-year plan. After meeting with the County appraiser, the overall assessed valuations for 2014 are anticipated to increase 1.25%. When converted from appraised to assessed valuation and using the City’s current mill levy of 24.393, this would result in approximately \$220,000 more revenue in 2014. Assuming positive growth continues; this would compound each year. Leawood has been very fortunate to have been able to maintain services, staff and capital improvements without any mill levy increases over the past several years. Leawood has consistently realized residential appraised value improvements.

Interest income was considerably less in 2012 due to the combination of continued lower interest rates and the payment of banking fees from account compensating balances. Building Permit activity continued strong through 2012. While a large portion of the 2011 revenue of \$1,144,961 was due to roof replacements related to the 2011 spring hail storm, a small portion of the 2012 revenue of \$910,793 was carry-over of these repairs. In a normal year, Building Permit revenue is approximately \$700,000.

Operating Expenditure Assumptions 2014-2018

There are no new positions added for the 2014-2018 planning period. The model includes wage and benefit assumptions of 3.9% and 6.8%, respectively. The 2013 original budget includes \$25,247,000 for all personnel costs; however, this projection will change as it is updated for vacancies, health/dental increases, and other benefit costs.

Councilmember Cain thought the Parks Department may need additional personnel because of the addition of the Justice Center and improvements to Brooke Beatty Park. Mr. Lambers replied personnel costs are based on the budget model, which is anticipating no increase. The Council may decide to increase this at any time, in which they can adjust the model accordingly. He felt additional staff would not be needed, with exception to facilities staff for the development of Ironwoods Park.

There is no mill levy increase anticipated until 2019, when a 0.95 mill levy increase is forecasted for three consecutive years; 2019, 2020 and 2021. A 1.5% increase in contractual services and commodities has been assumed for each year, 2014-2018. The 2013 budget includes projections of \$4.50 per gallon for unleaded and diesel gasoline. The 2013 budget includes \$150,000 to be used for Justice Center operating costs for half-a-year, along with another one-time amount of \$150,000 to purchase tools, materials, and supplies. Additionally, the model includes \$175,000 for the remainder of these operating costs in 2014. A 1.5% budget variance for both revenues and expenditures has been included in the current financial planning model.

Councilmember Rasmussen asked if assumptions were included in the model to remove the old City Hall building, located at 97th and Lee Boulevard. Mr. Lambers replied there has not been conclusive conversation regarding this site. Once the Police vacate and relocate to the Justice Center, staff can pursue selling the trailers and possibly removing the building. He suggested they wait until they move forward with the Parks Master Plan before proceeding with this site in order to determine the plans for the old City Hall building, where the Fire Station will be placed, and if the remaining property will become recreational. Phase I of the Master Park Plan has been approved. Phase II will include discussion of the existing parks and enhancements. The current Fire Station needs to remain operational until the new one is constructed on site.

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 32,321 for 2014.

Debt Service Expenditures

The 2013 Budget includes a total of \$7,183,100 for the payment of general obligation debt. At this time, there are no plans to issue any additional debt in 2013. Currently, there are 2 projects in the construction phase; the 2013 Curb Repair and Replacement Program and the 89th & Mission Road Stormsewer Project. The 2012 Residential Street Project will be finalized in 2013. All three of these projects will be bonded in 2014, totaling \$7,465,755. The C.I.P. and the financial planning model *do not* include the issuance of any special financed debt (Special Benefit District, Transportation Development District, etc.) for the entire planning period of 2013-2023.

Capital Expenditure Assumptions

As presented in the C.I.P., the 2014 Budget includes \$8,000,000 in debt financed capital projects; and \$3,545,780 in Pay-As-You-Go [PAYG] capital projects. The total cost of these projects is \$5,387,918.

Financial Planning Model Graphs

The assumptions reflect a \$5.1 Million increase in the ending 2012 general fund balance.

Councilmember Rezac asked if staff felt the model projections were considered ultra-conservative and if this would be changing to reflect a more realistic model. Mr. Lambers replied for the City to have its ending cash balances and non-expenditures, particularly in personnel, he felt they were on a conservative level and didn't see any reason to change the model at this time. In order to keep the AAA Bond rating they are required to have a certain level of reserves.

Personnel Wage Comparison

| | |
|------------------------|--------------|
| • 2013 Budgeted Wages | \$18,586,615 |
| • 2013 Estimated Wages | \$18,132,363 |
| • 2014 Budgeted Wages | \$18,796,976 |

There is a 1.13% increase from the 2013 to 2014 Budget.

Capital Costs Outside of the CIP

- Vehicles, Equipment and Leases
- City Facility Major & Routine Repair and Replacement
- Vehicle Replacement Policy

Councilmember Cain expressed concern regarding the age of the Aquatic Center and asked when the building may be replaced. Mr. Lambers replied there are no plans to replace it at this time. They would need voter approval to issue debt if, and when, the Council would want to consider this.

Review Proposed 2014 Budget Presentation – Draft

Budget Coordinator Kathy Byard stated this review is for format only and not content and includes only the Public Works Department. After discussion and if consensus is reached, this new formatting will be applied to all departments and presented at the June Budget meeting. The Council consented to proceed with this new formatting.

Desired Council Discussion/Presentation Topics for Budget

Mr. Lambers requested that the Council provide ideas for any potential projects they would like to see financed in the 2014 Budget. He suggested they submit their ideas by mid-April in order for City staff to do proactive research for discussion at the June Budget meeting. Councilmember Bussing was not in favor of this idea. He expressed concern that amounts would be “plugged” for projects that have not first been reviewed by the Council and suggested they submit ideas prior to staff taking the time to work on this.

Mayor Dunn suggested they schedule a work session prior to the June Budget meeting for discussion.

Mayor Dunn received consensus from the Council to schedule a work session on June 3, 2013, for discussion of potential projects to be financed in the 2014 Budget.

Mr. Lambers confirmed this work session would include discussion of Pre-Budget Project Requests and the 2014-2018 C.I.P.

Councilmember Filla suggested they accelerate the changes to the 97th and Lee Boulevard Project and not wait for the Parks Master Plan to move forward. Mr. Lambers replied the Council had already included this project in that Master Plan. If the Council prefers, it could be removed from that plan and handled separately.

Councilmember Rezac stated the Historic Commission is pushing for the old City Hall building to remain on this site and are currently drafting a presentation for the Council on what they would like to see. Councilmember Rezac preferred they wait until Phase I of the Parks Master Plan is complete before moving forward with the 97th and Lee Boulevard Project.

Councilmember Rasmussen suggested they discuss what to do with the old City Hall building at the June 3rd work session.

There being no further business, the work session was adjourned at 7:25 P.M.

Pam Gregory, Recording Assistant City Clerk