

**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 7, 2014. Mayor Peggy Dunn presided.

**Councilmembers present:** Debra Filla, Tom Robinett, Lou Rasmussen, Carrie Rezac, Jim Rawlings, Julie Cain and Andrew Osman, James Azeltine

**Councilmembers absent:** none

<b>Staff present:</b> Scott Lambers, City Administrator	Mark Andrasik, IT Director
Dawn Long, Finance Director	Joe Johnson, Public Works
Kathy Byard, Budget Manager	Dave Williams, Fire Chief
Wayne Harder, Deputy Fire Chief	Chris Claxton, Parks & Recreation
John Meier, Police Department	Deb Harper, City Clerk
Patty Bennett, City Attorney	

**Others Present:** Kevin Jeffries, CEO, Leawood Chamber of Commerce

**Discuss 2015-2019 Budget Model Assumptions; and  
Review and Discuss 2015 Budget Presentations**

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

**Presentation – Finance Director Dawn Long and Budget Manager Kathy Byard  
Review Five-Year Financial Plan 2015-2019**

**Sales Tax**

Sales tax history from 2006-2013 experienced an upward trend. In 2013, the sales tax went down, but it was due to a use tax refund (money sent to Leawood in error when it was supposed to be sent to Overland Park) paid back in 2014 in the amount of \$465,000. Leaving this out of the equation, it is a 1.2% increase. Lenexa and Olathe experienced similar increases in sales tax from 2012-2013.

Sales tax went up in most areas in 2013. Electric generation and restaurants have the biggest increase from 2012-2013. Rate increases by KCP&L account for a significant portion of the 42.9% increase in electric generation revenues. Restaurants experienced a 16.6% increase. The city sales tax projected increase for 2014-2019 is 3.95%.

Councilmember Rasmussen believes the rate of 3.95% is optimistic and feels a more realistic number with a 2% inflation rate is 3%, as new growth is not highly anticipated.

Councilmember Filla also questioned the number. The average was determined by considering past growth, improved economy and new retail. Scott Lambers feels comfortable with the 3.9% projection because of projected inflation increases between 2014 and 2019. The numbers are analyzed on an annual basis and can be adjusted accordingly.

### **Assessed Valuations**

The CIP in February included an increase in assessed valuations on mill levies of 1.75%, but after a meeting with Paul Welcome, the assessment range was changed to 4%. The next mill levy increase is scheduled for 2018. Properties in Leawood South are selling quickly, which is encouraging. In 2013 and 2014, a number of properties had an increase in assessed valuation and continues to increase. In 2011-2012, only 35% of the homes in Leawood had an increase; in 2013-2014, it was 58.1%. The decreases and no-changes have both gone down, creating a positive trend on assessed valuation. In 2015, a 4% increase in assessed value is projected; past that is 2.75%.

### **Interest Income**

Interest income isn't expected to change in the next three years. Because rates are so low, an effort is being made to keep Treasury Bills as long as possible, with a maximum of two years. The originally approved budget included the estimate at \$371,000 for interest income for all budgeted funds; now, it is being revised downward to \$200,000 and may still be lower than that.

### **Building Permits**

There was a large jump in building permits in 2013 from apartment projects at 137<sup>th</sup> and Mission. In 2015, it will be \$650,000. As the city develops, the building permits will decrease. The model accounts for a \$50,000 decrease each year, leveling off at \$1.25 million because of rehabs.

### **Wage and Benefit Assumptions 2015-2019**

Other assumptions within the model include no new positions for 2015-2017. One new full-time position was added starting in 2018 going forward annually. Wage and benefit assumptions are 3.9% for wages; benefits are 7%. The 2014 original budget for personnel was \$26,285,000 and will be updated as vacancies are not filled or benefit costs change. A .95 mill levy increase is anticipated for three consecutive years starting in 2018. A 1.5% increase has been added for contractual services and commodities. Fuel costs are budgeted at \$4.50 per gallon, which has not changed from the last few years. 2014 includes a whole year of operating costs for the Justice Center. The variances are at 1.5% for revenues and expenditures.

Councilmember Rasmussen inquired about new personnel increases and asked if that meant existing spots are not being filled. He also wondered if the policeman shortage would be made up in 2015.

Police Chief commented about the trouble with filling all the positions. Currently, of the five open positions, four will be filled once they complete the academy and six months of training. Councilmember Filla inquired about previous assumptions for wages and benefits. The model for 2013 had wages at 3.75% and benefits at 6.8%. Councilmember Azeltine inquired about when a new position was last added to the budget. A Building Maintenance employee was added for the Justice Center in 2010-2011. New positions may be considered through 2018, but in 2015, while there is no need to account for a new position, requests may come in to be considered. The increase from 2014-2015 due to the impact of the Justice Center's operating expenses is roughly \$250,000, with some uncertainty about utility costs.

**Debt Service Expenditures 2015-2019**

The current mill levy is 24.477, split between the general and bond and interest fund. The population estimates are .5% growth for each year. Debt service expenditures are \$6,990,300 in 2014 for General Obligation debt. \$6,355,000 will be issued in 2014 for residential streets and the first portion of the curb rehab program. This includes principal and interest. Three-four issues of rate funding should result in savings over the next few years of about \$400,000. No special assistance is scheduled.

**Capital Expenditure Assumptions 2015-2019**

A 2.5% increase in gasoline tax is anticipated as well as a 3% increase in alcohol tax. The 1/8-cent sales tax is assumed to continue; although, it expires in 2015. A calendar timeline has been scheduled to be placed on the April 21<sup>st</sup> agenda that will outline the process to place the 1/8-cent sales tax extension on the 2014 November ballot.

CARS funding will be received for overlay repairs, sidewalk repairs and arterial street repairs. There are no storm water projects or pay-as-you-go [PAYGO] projects for 2015. Park improvements are planned for 2015 at \$150,000 for 96<sup>th</sup> and Lee and \$200,000 for park ADA improvements.

The Justice Center art pieces will total \$50,000.

Councilmember Rezac inquired about the 3% increase in alcohol tax and if the increases fall in the top-ten category for restaurants. The alcohol tax is different from the sales tax; it is a drink tax that is separate. This comes in restricted fund for alcohol programs, special Park & Recreation fund and a portion for the general fund. Most of it is given to the UCS to handle; although money is provided for Graduation events. In 2013, that amount was increased due to increasing revenue. In 2014, USC was given a one-time \$150,000 grant for the agencies they serve. The DARE program is part of it as well.

Councilmember Filla talked about park improvements and wondered about the two major studies regarding the bicycle friendliness and if it would be wise to include some dollars for that. Money is available in the Park & Recreation funds which could possibly be used for the park when the study is done and decisions are made about what will be done. A CIP improvement is \$100,000 or more. Projects less than \$100,000 often use other methods of funding.

**Financial Planning Model Graphs**

The assumptions reflect an assessed value increase of 4% in 2015, city sales tax increase of 3.9%, salary and benefit increase of 3.9% and 7% respectively. The pay-as-you-go [PAYGO] street projects have \$5 million bonded in 2015 for curb repair/replacement and \$3 million for streets.

Councilmember Rasmussen spoke to the 7% compounding increase leading to a doubling of benefit costs by 2024 and wondered what is driving that, as healthcare costs were speculated to be the same or decrease. Scott Lambers pointed out that in early 2000, double-digit increases were anticipated. With the Affordable Care Act, insurance companies are hedging their bets and are increasing rates under the assumption that the Impact of ACA will be greater than anticipated. Because of the limitations with how much they can spend on profits and administration, if they are overpaid now, they will have to reduce rates later. If it works out the way it is supposed to, the forecast could most likely be reduced, but it won't go below 5%.

Councilmember Rasmussen asked about KPERS, which is retirement, and with the adjustments they have made to employers and employees, it is on a more sustainable path. It will not achieve the 80% they hope for, but it will be much closer than it is now. KPERS made adjustments and is not less of a concern. Councilmember Azeltine pointed out that the aging population has put pressure on this for years. He then asked about metal pipe storm water projects with nothing in 2016 and then \$10 million after that and wondered if there is benefit in evening that out from an interest standpoint. It was pointed out that it is better to bond it more than one year, as the more that is bonded at one time, the lower the costs. The project has to be totally done by mid-summer so that preliminary statements can be prepared for the bonding. They will carry over with temporary notes and then bonds will be issued for two years. The 2012 street construction was completed in 2013 but is not being bonded until 2014 because bonds for \$1.2 million would not have gotten a good rate. Borrowing \$70-\$80 million, the city's growth will not keep up with that. Projected debt for storm sewers is \$35 million.

#### **2014-2015 Budget for Wages**

Between 2014 and 2015 was a 2.2% increase of estimated wages. The drop in Codes Services is due to a retirement in 2014. Sometimes, fluctuation has to do with timing of the four-year time of service bonuses, where there are three or more people in a department that get them in one year and maybe none the next year. Chief Meier and Chief Williams talked about overtime. Mayor Dunn wondered how Leawood compares with other large Johnson County municipalities. The numbers are in line with the past, taking into consideration staffing and training. The Police Department is required to pay every officer 15 minutes of overtime every day for roll call.

Major repairs in 2015 in the Facilities category are broken down as vehicles, capital equipment and other equipment. There is no major routine repair cost. HVAC was \$81,000 for City Hall and represents the biggest expenditure. Councilmember Rasmussen inquired about fire vehicles \$1.5 million in 2016. The numbers represent the proposed leases for large pumpers and replacement vehicles, which follows regular policy for replacing vehicles. Councilmember Filla inquired about the new police vehicles. The car is a Taurus, and the officers enjoy them even though trunk space is considerably smaller. They are turned over much more quickly than other cities. Scott Lambers discussed that they are a benefit over hybrids in that the payback on a hybrid is contingent upon holding on to the vehicle longer than Leawood typically does. Additionally, the cars are running many hours without actual mileage, which puts time on the engines.

**Desired Council Discussion/Presentation Topics for Budget**

Councilmember Filla has talked with Scott Lambers about the idea of a communication officer as a need with Facebook and the website. This has become more apparent with the consulting studies: 135<sup>th</sup> Street Sustainability, workshops for bicycle pedestrian transportation, requests for HOA mailing lists and other response opportunities such as Water One, Amber Alerts and Notify JoCo. It may just be a temporary person to come in and help streamline how to handle the communications.

Councilmember Azeltine talked about Kevin Jeffries speaking to the Chamber allocation, which is a small portion of the budget with a good return. Overland Park and other cities have Convention of Business Bureau and other such organizations, so Leawood could use a Chamber grant.

Councilmember Filla talked about the Small Consulting Analysis in that as major capital expenditures for storm water, curbs and streets are put forth, new technology and new thoughts on best management practices should be evaluated. It could be someone with fresh eyes, looking at the data from the outside and looking for anything to change in terms of normal procedure.

Scott Lambers stated that this process gives the city staff a chance to vet the project ideas. Ideas can be turned in by writing through April for the next meeting. The ideas all need to be evaluated on the same level in order to be considered.

Councilmember Filla asked Chief Meier about the recent auto burglaries cars in the city, Chief Meier confirmed it is happening in North Leawood predominantly. Of the 16 cars broken into, 14 were unlocked and 2 had items that were in sight. Notify JoCo was used, and the Leawood Homes Association's secretary sends out group notifications. The news media also covered the events.

There being no further business, the work session was adjourned at 7:05 P.M.

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Deb Harper, CMC, City Clerk