

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 7, 2016. Mayor Peggy Dunn presided.

Councilmembers Present: Debra Filla, Chuck Sipple, Jim Rawlings, Julie Cain and James Azeltine

Councilmembers Absent: Carrie Rezac, Andrew Osman and Lou Rasmussen

Staff present: Scott Lambers, City Administrator
Chief Dave Williams, Fire Department
Chief Troy Rettig, Police Department
Kathy Byard, Budget Manager
Richard Coleman, Com. Dev. Director
Debra Harper, City Clerk
Patty Bennett, City Attorney
Joe Johnson, Public Works Director
Chris Claxton, Parks & Rec. Director
Nic Sanders, Human Res. Director
Dawn Long, Finance Director
Cindy Jacobus, Assistant City Clerk

Others Present: Kevin Jeffries, President, Chief Executive Officer and Director of Economic Development, Leawood Chamber of Commerce

Presentation of 2017 – 2021 Capital Improvement Program [C.I.P.]

1. OPENING BY THE MAYOR

Mayor Dunn called the meeting to order at 6:05 P.M. and introductions were made. Mayor Dunn expressed special appreciation to Ms. Long and Ms. Byard for their work on the C.I.P. documentation.

Mr. Lambers stated the C.I.P. and budget processes would proceed as normal this year, but reminded the Kansas legislature wants to accelerate the timing of the property tax lid. The legislature proposes to impose the property tax lid and abolish all exemptions that exist today. The City will not know the outcome and impact of the bill in this regard until July. The City would get a percentage of assessed valuation increase based on a formula the state has yet to release. The state may use a municipal index which would probably be less than the Consumer Price Index. Based upon assessed valuations, it may be necessary for the City to scale back the mill levy in order to meet state constraints. If the City wishes to exceed the amount allowed by the state, an election would need to be scheduled. By the second Governing Body meeting in July, more information will be available and a second Work Session could be scheduled for discussion.

Current law allows for debt-service exemption. There is currently a Kansas House bill and a Kansas Senate bill in regard to the property tax lid and exemptions. One bill would limit exemptions, and the other bill would add exemptions and would favor cities. One bill also accelerates the property tax lid to July 2016. Mayor Dunn authored letters submitted March 4, 2016, in opposition of the Senate bill and in favor of the House bill. Paper copies of the letters are in Councilmember mail packets on the Chamber dais and Ms. Harper will provide electronic copies of the letters.

Mayor Dunn noted that Governor Brownback stated he favored acceleration of the property tax lid to 2016 from 2018 and also no exemptions, in his "State of the State" address. It appears the legislation will move forward and the only question is how palatable this will be for cities and counties impacted. The state would not be affected by the tax lid, only cities and counties.

The C.I.P. presentation was led Ms. Long, using the detailed agenda and its attached documents. She stated the C.I.P. manual would be referenced as needed to address any questions. Mayor Dunn reminded that although the C.I.P. is for a five year period, it is reviewed annually, and the City does have the ability to modify and change our processes based on what happens in the world.

Highlights of the presentation and discussion, as follows:

2. REVIEW THE 2016 – 2026 FINANCIAL MODEL

The 2017 Budget, Strategic Planning Model and 2017 – 2021 C.I.P. assumptions were presented in Pages 2a [three pages].

2017 Budget

- A. Proposed mill levy increase of 0.95 in 2021, 2022 and 2023 for a total of 2.85 mills.
- B. Budget variance of 1.00% for revenue and -2.00% for expenditures.
- C. An additional \$5.5 Million in the 2015 ending fund balance of the General Fund and additional \$1 Million in the ending fund balance of the General Fund every year beginning in 2017.
- D. Includes the addition of one full-time equivalent [FTE] headcount every other year, beginning in 2018.
- E. Addition of Fire Station #1 construction as a debt-financed project with payments to begin in 2023.
- F. Addition of two fire trucks, \$800,000 each, originally planned from the Public Safety Fund, to the City Equipment Fund.

Councilmember Filla questioned the \$5.5 Million additional ending balance of the General Fund. Ms. Long replied that only \$10 Million had been budgeted and from 2015 audit of financial statements, the fund ending balance was \$14.9 Million; the money remains in the General Fund.

Councilmember Filla noted the 2023 debt-financing payments for new Fire Station #1 construction and inquired when funding would be collected. Mr. Lambers stated the City could fund the project by PAYG or debt-financing, with actual method to be determined at a later date. The state legislature could potentially retain the debt-service exemption for the property tax lid, to motivate cities to borrow money. The City currently takes in more money in property tax than is allowed by legislation. If the effective date of the legislation is moved up to July 2016, it would apply to this City budget. The City would need to either scale back funding or schedule an election; most likely there would not be enough time to place an issue on a fall election ballot. Per the bill, an election cannot state the purpose of the vote. The state has perceived local government as promoting their elections for revenue increases. Mayor Dunn noted in regard to the scheduling of “special” elections, the bill contains the language “regularly scheduled election”.

Strategic Planning Model

Revenue Assumptions

- A. Assessed value increase of 5.00% in 2017, then 2.75% for 2018 – 2027.
- B. Finance staff met with Johnson County Appraiser Paul Welcome and Page 2b provides details of the changes in residential appraised values.
- C. City sales tax, County sales tax and Use tax revenue increases of 2.95% for 2017 – 2025, then 3.50% in 2026 and 2027.
- D. All other revenue 3.00% for 2017 – 2027.
- E. Interest earnings at 2.00% for 2017, slowly escalating to 3.50% in 2027.

Expenditure Assumptions

- A. Added one FTE in 2018, 2020, 2022, 2024 and 2026 for a total of five.
- B. Salaries increase of 3.70% for 2017 – 2027.
- C. Benefits increase [all other] of 5.60% in 2017, escalating by 0.05% annually to reach 6.00% in 2025, and then remaining at 6.00% for 2026 and 2027.
- D. Health insurance increase starting at 9.50% in 2017, escalating by 0.25% annually to reach 11.50% in 2025, and then remaining at 11.50% for 2026 and 2027.
- E. Contractual & Commodities of 1.50% constant 2017 – 2027.

Councilmember Filla noted the budget included a 5.00% assessed valuation and the City may be prohibited from receipt of the entire amount. She questioned if a dry-run of other budget scenarios had been made. Mr. Lambers agreed that not all of the 5.00% assessed valuation may be available unless taken to a vote and requiring acceleration of the City’s budget process. Several past years of data was reviewed and approximately \$2 Million to \$6 Million would need to be removed from the budget, if the City could not use all property tax revenue.

Mr. Lambers confirmed to Councilmember Sipple there would be no expectation of higher funding or a special assessment for the Kansas Public Employee Retirement System [KPERS] for the next several years although the system is underfunded. KPERS is in a slightly better position due to a funding rate increase for both employees and employers several years ago and because the state has borrowed \$1 Billion on a Pension Obligation Bond to help shore-up KPERS. It is not known if the annual debt-service payments on the Pension Obligation Bond will be paid from their General or Pension Fund. If payments are made from the Pension Fund, this will reduce the benefit of borrowing the money. The state projects the Pension Obligation Bond to earn 7% to 8%. In addition, the state has borrowed money from KPERS and the state must pay back in October at 8% interest. Also, because the state cannot meet the statute of 7.5% cash-flow budget, there is a \$900 Million Certificate of Indebtedness that is due in June; last year this was only \$600 Million and is likely to be over a \$1 Billion next year.

Ms. Long added the City is required to do as the state mandates and KPERS contributions actually reduced slightly from 2015 to 2016. Mr. Lambers noted the state may have been motivated to reduce contributions because the state is also an employer.

Councilmember Azeltine asked for the actual percentage increase for health insurance for the last five years. Mr. Sanders stated that most recently the increase has been slightly above budgeted amount and it is tracking for an increase of approximately 15.00% from this year to next year. Plan design and employee cost-sharing changes will be made to off-set. Mr. Lambers stated increased employee cost-sharing would be expected, if necessary, to stay within budget. He noted that changes in employee status and the number of insured dependents effects plan schedules and cost.

Councilmember Azeltine stated 1.50% for Contracts & Commodities was too low, and he inquired about the growth in these costs and their percentage of the budget. Ms. Byard stated that growth was less than 1.00% in 2015 and costs tend to fluctuate. She estimated growth of 1.00% for the last several years and that Contracts & Commodities make up approximately 10% of the total budget.

Street Program

Pay As You Go [PAYG] and bonded projects are listed; details provided later in the meeting.

Service Levels

Details as shown.

The third Page 2a presents the same information as Page 6 from the C.I.P. manual.

Changes in residential appraised value are shown on Page 2b.

- A. The page provides a five-year comparison from 2011 to 2016.
- B. In 2011, 35.30% of Leawood homes increased in appraised value. In 2015, 93.20% of Leawood homes increased in appraised value.

Mayor Dunn stated one reason for less increase in the past was that appraised values did not take the tremendous decrease that other areas of Johnson County experienced. Property values tend to hold their own in Leawood.

3. 2017 – 2021 CAPITAL IMPROVEMENT PROGRAM [C.I.P.]

The 2016 C.I.P. debt-financed and PAYG projects are shown on Page 3a.

- A. The only debt-financed project for 2016 is the curb repair/replacement program for \$5 Million.
- B. PAYG projects include those for arterial streets, residential streets, 1/8th cent tax stormwater, other, Parks Master Plan and art.
- C. The two Parks Master Plan projects are for \$525,000 and \$935,000.
- D. The three art projects are for Justice Center art, sculpture garden addition “B1” and temporary art.

Councilmember Sipple asked for the location of the sculpture garden addition “B1.” Ms. Claxton was uncertain, but the location would be on Tomahawk Creek Parkway, probably north of the art piece “Variance” and probably south of the art piece “Introspection” [Tomahawk Creek Parkway between 114th & 115th Streets]. The land area is small and so the “B1” art piece would need to be sized accordingly.

Councilmember Cain stated the Arts in Public Places Initiative [APPI] does not have any projects in the works. She questioned why the 2016 PAYG project list contained \$30,000 for a Park Comprehensive Plan Study as it was her understanding this would not be done. Ms. Byard and Ms. Claxton confirmed her understanding that it was decided not to move forward with Phase 2 of the Park Comprehensive Plan Study and the \$30,000 was just budget brought forward. Mayor Dunn stated a conceptual plan is needed for 96th and Lee as a next step, and maybe the funding could be used for that purpose.

Councilmember Filla stated \$30,000 of carry-over was acceptable. She questioned the 2016 PAYG project of \$150,000 for the 96th and Lee Future Park project pending construction of new Fire Station #1, and why \$1 Million of Parks & Recreation PAYG funding was removed. Mr. Lambers stated a portion of the site could be developed now, as the footprint of the new fire station had been determined, and there would be a Governing Body Work Session scheduled for general discussion in this regard. If necessary, the \$150,000 could carry over to next year and site work at 96th and Lee proceed in 2017. He reminded that PAYG funding, including \$1 Million for Parks & Recreation, could be impacted by state legislation and so this was pushed back. Mayor Dunn stated the cell tower on the property remains until 2019 and the current fire station on the property must remain in operation and cannot be demolished until the new Fire Station #1 is built.

Councilmember Cain questioned if the 2016 PAYG Fiber Technology, Phase I project should reference 127th Street rather than 119th – 123rd Streets. Mr. Johnson confirmed 119th – 123rd Streets was correct and the City has fiber from 123rd south. The goal is to have all City facilities connected.

The 2017 C.I.P. debt-financed and PAYG projects are shown on Page 3b.

- A. The only debt-financed project in 2017 is the residential street reconstruction project for \$3 Million.
- B. The list of projects is typical.

Mr. Johnson confirmed for Councilmember Cain it has been over 10 years since prior mill/overlay for Roe Avenue, 121st to 135th Streets. Roe Avenue has only been crack-sealed and the avenue will be re-stripped when weather permits.

Page 3c is the first page of the 2017 – 2012 C.I.P. Submission Letter found in the C.I.P. manual.

- A. Presents a recap of all changes in the C.I.P. manual.
- B. Next Street Reconstruction project begins in 2017, not 2016, and continues every other odd year.
- C. Next Stormwater Improvement project begins in 2018, not 2017, and continues every other even year for \$3 Million.
- D. Mission Road, 135th – 143rd Streets delayed from 2021 to 2022.
- E. Mission Road, 143rd – 151st Streets delayed from 2023 to 2024.
- F. Kenneth Road, 143rd south to the City limits delayed from 2026 to 2028.
- G. Reduce \$1 Million in 2016 and 2017 for Park Projects to \$525,000 and \$600,000, respectively, due to legislation.
- H. Fire Station #1 changed from PAYG to debt-financing.

Mr. Johnson clarified for Councilmember Cain that Overland Park owns the east side of Kenneth Road, south of the Public Works Facility, and the City would need to coordinate work on the road with Overland Park.

Councilmember Sipple expressed concern about the delay of Mission Road, 135th – 143rd Streets and questioned if traffic studies support the delay. There is a heavy amount of cyclist traffic traveling two and three across, as well as children riding bicycles on the road. The road has only ditches on each side and no sidewalks. Safe sidewalks, trails and roadways are needed in the area.

Mr. Johnson stated 143rd Street has more traffic than Mission Road. A study was done 15 years ago that focused on east-west traffic movement on 143rd and 151st Streets, and the Council had recommended work on 143rd be completed first, then Mission and 151st. Mr. Lambers stated the Council desired a mill levy of less than one mill and no more than three mills. If the City utilized a higher mill levy, additional money could be generated to pay for road improvements. Because of state legislation, this would need to be brought before the voters and they could not know the reason as recommended in the proposed legislative bill. If the state limits property tax revenue, the City may need to further reduce projects.

Councilmember Filla noted her dis-satisfaction with removal from the budget of the annual \$100,000 for sidewalk repair that paralleled curb replacement. She preferred this amount remain, so that Public Works would have the funds needed for these projects. Also, she inquired what the Johnson and Wyandotte Counties Council of Mayors has been doing to publicize the state's egregious fiscal impairment, imposing their unstable budget practices on local and county budgets. Mayor Dunn stated the Council of Mayors has been vocal on these issues.

Mayor Dunn stated when College Boulevard was widened to four lanes the project cost \$12 Million, with the City contributing \$1 Million, Johnson County \$5.5 Million and the state \$5.5 Million. At the present time, the City must bear nearly 100% of the cost of such projects. Mr. Johnson has done research into the years when the City might receive some funding from the Kansas Department of Transportation [KDOT] and County Assistance Road System [CARS]. Mr. Lambers noted the Federal government had passed a six-year highway bill, with funding for only three-years.

Capital Improvements Program – Parks Projects [PAYG] are shown on Page 3d [two pages]

- A. The first page contains identified and funded projects 2016 – 2020 and City-wide park improvements of \$1 Million 2021 – 2026 for unidentified future projects.
- B. The second page lists projects that are not prioritized and are unfunded; a wish list guide.
- C. The City will fund \$50,000 of the City Park all-inclusive playground.
- D. Ironhorse golf clubhouse expansion for about \$2 Million is expected to be bid in April; bids could be less.
- E. If the \$15 Million Activity Center was financed by bonding, voter approval would be required.
- F. The City continues to receive money for special Parks & Recreation projects through the alcohol tax fund. The alcohol tax fund can be used for drug-alcohol education programs, special parks projects or be placed in the City's General Fund.

Councilmember Azeltine stated his desire to have staff focus on a five-year projection and that unfunded projects in a budget was counter-intuitive.

Mayor Dunn noted that most aging residents prefer an Activity Center rather than a Community Center.

The Current Principal Debt Payments are shown on Page 3e.

- A. Current general obligation debt and payments are listed.
- B. Any debts added, such as Mission Road improvement, will be added to the C.I.P. and reflected on this page.

Mr. Lambers said each year the City dedicates a portion of the mill levy/property tax revenue to pay debt-service and to the General Fund. As the years go by and debt is reduced, more funding will be placed in the General Fund. He stated the Governing Body of approximately 2023 to 2024, will benefit from this shift.

The Capital Improvements Program 2017 – 2021 debt-financed project bonds and bond life are shown on Page 3F.

- A. No debt-financed project bonding in 2016.
- B. In 2017, there is approximately \$16 Million in bonded projects.

4. C.I.P. SCHEDULE

The C.I.P. schedule is shown at the bottom of the detailed agenda and there have been some date changes. Planning Commission review of the C.I.P. has changed from March 22 to April 19. The Public Hearing and approval of the C.I.P. by the Governing Body will occur on the same date and that date has changed from April 18 to May 16. Ms. Byard stated the 2017 – 2021 budget financial assumptions and 2017 budget presentations review is scheduled for April 4. Bond counsel is in agreement with the C.I.P. schedule.

Mayor Dunn stated if the Planning Commission made any changes to the C.I.P., the Governing Body would need to review again. Mr. Coleman stated the Planning Commission is typically comfortable in review of the C.I.P. and only makes a recommendation for approval by the Governing Body. Mr. Lambers stated that since development of the City is nearly complete and there are few roads to improve to four lanes, the Planning Commission would probably have no requested changes to the C.I.P. He added the Governing Body would have an opportunity in the April 4 budget session to revisit the C.I.P., and any additions could be made in June.

Councilmember Filla inquired if the C.I.P. included any stormwater maintenance money for road ditches and erosion of yards in divots along the banks of Dykes Creek. The ditches would not involve hard-scape and an example would be to backhoe a ditch along Lee Boulevard. She suggested \$30,000 annual funding for such maintenance. Mr. Johnson stated the 1/8th cent sales tax money could be used for ditches along Lee Boulevard, and it would be the only street without curb and gutter. The erosion along Dykes Creek is on private property and the City is limited to work in the right of way. Mr. Lambers suggested any unused funds for bridge maintenance in the operating budget could be used for the ditches. He stated that other cities are recognizing the expense of dealing with deteriorating corrugated metal pipe and perhaps there may eventually be some Johnson County Stormwater Management Advisory Council [SMAC] funding, and this could be used.

Mr. Johnson and Councilmember Cain discussed sidewalk funding and felt the “shaving” method used to address upheaval of sidewalk sections frequently caused by tree roots, works well. Although \$100,000 for sidewalk repair that paralleled curb replacement is no longer in the budget, \$25,000 and money from the general operating budget could be used each year for remedy; this is now a budget line item. Mayor Dunn noted sidewalks are the responsibility of the homeowner. If they are put on the City’s list, they must wait until they reach the top of the queue.

Mayor Dunn thanked everyone for a productive meeting.

There being no further business, the work session was adjourned at 7:17 P.M.

Debra Harper, CMC, City Clerk

Cindy Jacobus, Assistant City Clerk