

Minutes

The City Council of the City of Leawood, Kansas, met for a Special Call Meeting, 4800 Town Center Drive, at 6:00 P.M. on Monday, April 5, 2021. Mayor Peggy Dunn presided.

Councilmembers Present: James Azeltine, Deb Filla, Julie Cain, Jim Rawlings, Mary Larson, Chuck Sipple, and Lisa Harrison

Councilmembers Present via Zoom: Andrew Osman

Councilmembers Absent: None

Staff Present: Scott Lambers, City Administrator; Patty Bennett, City Attorney; Stacie Stromberg, Assistant City Clerk; Ross Kurz, Information Services Director; Mark Tepesch, IS Senior Specialist; Mike Pelger, IS Specialist; Dawn Long, Finance Director; and Nicole Lareau, Budget Manager

Others Present via Zoom: None

C.I.P. Presentation 2022-2026 Budget Model Assumptions

Mayor Dunn noted that this is a 5-year report but that the review is done annually. She thanked Nicole Lareau, Budget Manager, for preparing the report. She mentioned the City's revenue for sales tax collection is considerably less because of COVID as noted on the staff's prologue. Mayor Dunn noted that some items had to be deferred but overall it is an optimistic document.

Nicole Lareau addressed the Governing Body. Ms. Lareau explained that several pages had been handed out at the dais tonight that are either format updates or changes with projects. She stated that the first two items in the packet are summary pages for 2021 and 2022 and pointed out the major changes to the Capital Improvement Program (CIP) from last year. She explained that there are 4 new projects:

- Parks and Rec: pool house replacement, multi-purpose building and bike hub at approximately \$4M.
- Parks and Rec: Ironwoods Park pond renovation. It was previously listed under the Pay-As-You-Go (PAYG) but is now listed under the Debt Finance Program.
- Tomahawk Creek Parkway was also moved from the PAYG to the Debt Finance Program at a cost of \$6.2M. The City is receiving Federal funds for this project.
- Pedestrian signal crossing on 143rd St. west of Windsor is a Debt Finance project and will be installed in 2022 at a cost of \$169,500.

Ms. Lareau stated that there were a couple of major adjustments:

- Mission Rd. to 143rd St. was increased from \$15.7M to \$17.2M

- Park Maintenance Facility was increased from \$12M to \$13M
- Fire Station replacement from \$7M to \$9.2M

Ms. Lareau stated the PAYG program was updated.

Councilmember Sipple asked about the replacement of the signal crossing and what the difference is in what is proposed versus what is currently in use. David Ley, Director of Public Work, explained that the new signal is called a “hawk signal” and that it looks similar to a regular traffic signal, but is off until a pedestrian pushes the crosswalk button then it will activate yellow and red lights to stop the traffic. Councilmember Sipple asked if there have been complaints from the school district about the current light. Mr. Ley stated that there have been many requests due to concerns for the safety of students crossing the road at the location. Councilmember Sipple asked if the hawk signal has been used in any other locations in the City. Mr. Ley responded that this one will be brought up to the standard of other signals in the City. He noted that it is similar to one in Overland Park on Metcalf Ave. and that Kansas City, MO has three.

Councilmember Sipple asked where Lee Court is located. A brief discussion took place with the Mayor and Councilmembers to clarify its location.

Ms. Lareau continued with the Program Summary. She pointed out in the report all the total construction projects are by year and their costs through 2023. She indicated that the projects marked with dots are those receiving Federal funds.

Ms. Lareau pointed out the Park improvements through 2030. Some of those projects are marked as potential future projects and that they are currently unfunded. Mayor Dunn asked for clarification on the Tomahawk Creek Parkway middle lake study for future improvements. Chris Claxton, Parks and Rec Director, explained that this is the body of water that has been leaking and the study is to get a cost estimate for repairs. She stated that the remedy could be similar to what was done using bentonite at the north lake in the same area.

Councilmember Sipple asked if the remodel of the Ironhorse Clubhouse project should be added to the unfunded projects list. Ms. Claxton stated that the Council can decide to do that if they wish. She noted that the cost of the project was estimated to be around \$1.17M - \$1.19M and included the restrooms, entry doors, flooring throughout the entry and Vista 154, and the kitchen expansion. She pointed out that little to no remodeling has taken place since it was built 26 years ago. Councilmember Sipple recommended that the Golf Committee and Troon staff make a proposal to the Council, then place it on the unfunded wish list. Mayor Dunn stated that she spoke with two members of the Golf Committee who stated they would like this to be on a placeholder because they knew there were no funds for it now.

Scott Lambers, City Administrator, stated that he thought it was appropriate to list the Ironhorse Expansion project on the unfunded list, but suggested that this project be at the bottom of the priority list.

Councilmember Azeltine asked what bentonite was. Mr. Lambers stated it is a sealant for the bottom of a pond and can be used for various purposes.

Councilmember Rawlings inquired about the cost of the \$1M Greenway Trail road tunnel repair. Mr. Lambers stated that the price also includes other trail repairs. He stated that the City is hoping to leverage Federal funds to address other needs.

Dawn Long, Finance Director, asked staff to clarify an estimated cost on the Ironhorse Expansion project. Ms. Claxton replied that she will provide the architect's estimate to her.

Ms. Claxton responded to the road tunnel repair costs and stated that it is the trail extension from the back of City Hall to Tomahawk Creek Parkway, including the repair under the tunnel and adding a bridge across the small creek. She stated that staff is waiting to hear back from the State for funding and also from KDOT. Councilmember Filla asked what the basis is for KDOT funding. Ms. Claxton stated that KDOT reviews the economic development, safety, and transportation aspects associated with the grant, as well as connecting the residents with land and water.

Ms. Lareau pointed out the Public Safety Fund Expenditures, the Debt Services as listed by bond year, and the Current and New Annual General Obligation (GO) Payment graphs are listed in the report. She explained that the current debt would have been paid off in full in 2033, but with new projects it will not be paid off until 2047.

Councilmember Sipple mentioned that since interest rates will likely rise in the next year, would the City issue more bonds to pay for more projects than what is in the current plan. He wondered if the City should take advantage of a lower interest rate now. Mr. Lambers replied that the City is already taking advantage of the lower interest rates and cautioned about taking on more debt.

Councilmember Azeltine asked what percentage of corrugated pipes have been replaced through the fund. Mr. Ley replied that approximately 5-10% has been replaced so far. He explained that there are some projects that will use some of the funds, such as the Leawood South Project. He stated it is an even-year replacement program scheduled over a 30-year plan. He stated that staff is working with the County to help with the costs. Mr. Lambers added that unless there is an emergency pipe collapse or urgent need, the money that was programmed for the fund could be used for something else.

Ms. Lareau stated that she provided a Vehicle Replacement Policy to the Governing Body as part of tonight's handouts. There were no changes to the policy. She also provided a capital costs report outside of the CIP, which is defined as vehicles, machinery, and equipment for major and routine maintenance items.

Ms. Lareau continued with the presentation of the Financial Planning Model and Assumptions. She stated that staff met with the Johnson County Appraiser and the assessed valuation for 2022 is 2.88%. She pointed out that for next year it will be 3.5% then 3.25%. She stated this follows the same pattern that has been figured over the years. The mill levy schedule is delayed until 2024 and 2026. Councilmember Sipple asked about the assessed valuation and property values and if staff is underestimating what revenues will be from property taxes. Mr. Lambers commented that some property valuations went up and some went down. Councilmember Azeltine inquired how the staff arrives at the 3.25% on the GO bonded debt interest rate assumption. Mr. Lambers replied that staff consults with the City's bond counsel and financial advisor. Councilmember Azeltine commented that a 20-year municipal bond is likely to be around 2-2.5%. Mr. Lambers disagreed and stated that it is closer to 3.25% for 15-20 year bonds. Councilmember Azeltine suggested graduating down the near-term

percentage. Mr. Lambers stated that in September the staff will have a better idea of what to expect for the next CIP cycle.

Ms. Lareau stated that staff kept sales tax at 1.5% for 2022 due to COVID and commented on the difficulty in knowing what next year will look like. She stated that for the years after 2022, sales tax will increase to 2%. She stated that all other revenue was kept at 3%, interest earnings at 1%, and debt service reserves as a percentage of expenditures remained at 35%. The Operating Fund Reserves minimum also remained at 8.5% and the continuation of the 1/8th cent sales tax and PAYG projects are listed here.

Mr. Lambers noted that in terms of the COVID financial aid to states and cities, the staff estimates it to be between \$4-5M. He strongly recommended that the Council have a Work Session to discuss how the money is to be spent, based on any limitations put in place. He suggested that the first funds received be used to restore the loss of revenue from 2020 and 2019 to bring the funds back to neutral. Councilmember Sipple asked when the City can expect to receive the aid. Mr. Lambers stated there may possibly be two disbursements but has no exact time.

Councilmember Azeltine re-stated that the assumptions are important especially with low rates and he cautioned that the percentage is a little high. Mr. Lambers replied that the bond and interest fund, which typically has a 100% reserves, is not at that level, but he indicated that staff will review it with the bond counsel.

Ms. Lareau reviewed the CIP schedule for this spring. Mayor Dunn affirmed that the Council will have the annual Budget and Finance Work Session in mid-June, after the public hearing on June 7th.

Councilmember Azeltine asked how much of the City's outstanding bonds are tax-free. Ms. Long replied that she does not believe that the City has many taxable bonds. She stated that it is important to note that the 3.25% is an average over all of the City's bond issues. Ms. Long stated that currently the City has approximately \$33M in outstanding temporary notes. Councilmember Azeltine recommended lowering the percentage.

Councilmember Sipple noted that there is a roundabout planned at the intersection of Tomahawk Creek Parkway and Town Center Drive. Mr. Ley stated this is a very wide intersection and has some challenges. He stated that the City has received Federal funding for the project, and that the project will include the roundabout, wider bike lanes and two trail connections. Councilmember Sipple requested an update on the area of 133rd to 143rd on Mission Rd. Mr. Ley responded that this fall Evergy and AT&T will underground their power lines.

Councilmember Harrison asked Councilmember Azeltine to give a summary to the Council of his concern with the assumptions, percentages, reserves, and debt. Councilmember Azeltine and Mr. Lambers shared a discussion regarding debt, bond interest rates, and temporary notes. Mayor Dunn reminded Council that what Ms. Long reported on is for this year. Mr. Lambers stated that the rate for the model is for the bond issue of 2022.

Mayor Dunn asked about the increased costs of the burial of overhead power lines from State Line Rd. north along city limits to the 9300 block. Mr. Ley stated that the increase is due to both the length of burying and the type of lines used and that the costs are determined when Evergy does their estimate of capacity for their needs along the commercial corridor. He pointed out that some of the area east of

State Line Rd. is within Leawood boundaries. Councilmember Harrison remarked that road construction will take place in that area at the same time. Mr. Ley confirmed that it will coincide with construction and will be down to one lane.

Mr. Lambers reviewed the Mayor's State of the City Address and reported that in 2019 the City issued \$24M in temporary notes at an interest rate of 1.72%, bonds at \$4M at 2.36% interest, and refinanced existing bonds at 2.36%. He stated that last year the City did not issue long-term debt, but temporary notes at 1.18% and refinanced existing GO bonds at a rate of 1.89%. Councilmember Azeltine stated his concern for the current Federal interest rates on any newly issued bonds. Mr. Lambers agreed that it is an historic time and that the staff will review the numbers again.

The Mayor and Council thanked Ms. Lareau and Ms. Long for all their work preparing the documents.

The meeting adjourned at 7:21 p.m.