

# CITY OF LEE'S SUMMIT

## ADMINISTRATION DEPARTMENT

220 SE Green Street  
LEE'S SUMMIT, MO 64063

TELEPHONE (816) 969-1010

FACSIMILE (816) 969-1020

June 3, 2010

Mayor Randall Rhoads and Members of the City Council:

I am pleased to present the proposed municipal budget for Fiscal Year 2010-2011 for the City of Lee's Summit. I want to thank the Finance and Personnel Committee, the Management Team, and our budget support staff for their dedication and "team approach" in preparing this document.

As in previous years, this budget has been prepared using the "program budgeting" format. With program budgeting, the City's many services are categorized into various programs accompanied by measurable goals and objectives for each department. These program-specific goals and objectives are then used to evaluate departmental performance and adjust service levels as desired by the Mayor and City Council.

The Fiscal Year 2010-2011 addresses both the budget priorities from October of 2007 and the new Lee's Summit 360<sup>0</sup> strategic plan from August of 2009.

In October of 2007, staff asked the Mayor and City Council to complete a brief survey to identify their budget priorities. Their list may be summarized into the following categories:

- Public Safety
- Storm Water Control
- Sewer Maintenance (Inflow & Infiltration Reduction)
- Pavement Management Services
- Code Enforcement & Property Maintenance

These priorities were reviewed and discussed further at a budget retreat in December 2007, and they ultimately became the basis for the Fiscal Year 2008-2009 budget.

The Lee's Summit 360<sup>0</sup> strategic plan was adopted in August of 2009. Key Performance Area (KPA) of the plan include:

- Economic Development
- Education
- Local Government
- Health & Human Services
- Quality of Life
- Transportation

Each KPA has a set of goals, strategies, and action steps to help guide the allocation of resources in the City and to better service the community now and into the future.

### **Recap of Fiscal Year 2009-2010**

Zero-based Budgeting:

- Second year of “zero-based” review that included the Fire, Police, Public Works Operations, Public Works Engineering, Solid Waste and Airport departments.

The City pursued the Show Me Challenge, a self assessment conducted by employees trained to evaluate the six major assessment categories by interviewing, collecting data and analyzing information from multiple sources to determine what is being done well and what could be done more effectively. From there, high leverage priority action items will be developed which will outline the City's most important strengths and the next steps which the City should focus on for the next year.

The Lee's Summit community mounted up recognitions in 2010 including:

- The prestigious 2010 Creative Community Award from the Missouri Arts Council, honored for making profound and lasting contributions to the cultural and artistic climate of the state.
- Money Magazine's top 100 best places to live.
- The Morgan-Quitno Report as one of the top 30 safest cities in the country.
- BusinessWeek magazines's ranking as one of the 2010 fastest growing cities in America because “both businesses and residents have come to Lee's Summit for its exceptional quality of life. The town has miles of trails for recreational use and dozens of parks.” Lee's Summit is one of the fastest growing cities in the state of Missouri and has a population of more than 93,000 residents.
- Made the list of [U.S. Wealth Centers](#) according to Portfolio.com, a bizjournals property. Lee's Summit ranked 103 out of nation's 420 largest cities surveyed by Portfolio.com using 2008 Census data. According to the survey, Lee's Summit's Median Household Income is \$76,758 and the Median Home Value is \$187,200.
- Downtown Lee's Summit won the 2010 Great American Main Street Award.

### **Fiscal Year 2010-2011 Outlook**

The Fiscal Year 2010-2011 budget continues to advance the Mayor and City Council's priorities as set forth in 2007. Even within tight revenue constraints, funding is provided for the following projects:

- Public Safety: Third year of four-year plan to add 21 Police Officers and support staff.
- Storm Water Control: \$15.4 million bond issue projects are in progress.
- Sewer Maintenance (Inflow & Infiltration Reduction): Implementation of a private property inflow and infiltration inspection and removal policy.

- Pavement Management Services: New asphalt milling machine to perform full-depth street restoration quickly and efficiently.
- Develop and implement approved proactive code enforcement and rental property initiatives.

In addition, during this fiscal year, the City will advance several major initiatives that have been under review for several years:

- Gas to Energy Project: After completing a formal RFP, staff selected SCC Americas as the best respondent for creating an energy partnership to verify and register the carbon credits for the methane gas at the landfill.
- AS400 Financial System Replacement/Enterprise Resource Planning (ERP) Project: a vendor will be selected for the new ERP system and implementation will begin.
- Completion of the construction phase of the replacement of Fire Station #2.
- Renovation and redevelopment of Arnold Hall into a small venue performing and visual arts facility, the Martin City Melodrama.
- 2010 “No Tax Increase” General Obligation Bond Initiative to pay for \$37.4 million of various needed capital improvements throughout the community.

### **General Fund**

The General Fund accounts for the traditional operational activities of the City, such as police and fire protection, street maintenance, planning, codes, court and general administration of the City. The primary support for these services comes from property taxes, sales taxes, utility franchise taxes and user charges. Combined, these major revenue sources comprise approximately 79% of all General Fund revenues. The balance of revenues is derived from fines and forfeitures, investment income, intergovernmental revenues and miscellaneous fees and charges.

### **Revenue Projections**

The City’s General Fund contains diversified revenue sources such as property taxes, sales taxes, franchise taxes and user charges. In previous years, these revenue sources experienced steady growth allowing the City to maintain and in some service areas expand the level of service. The current economic downturn has significantly affected the City’s General Fund revenue categories, leaving less to apply towards operational costs. For Fiscal Year 2010-2011, General Fund revenues are projected to be \$55,073,423; this level is 1.5% below Fiscal Year 2009-2010’s budget and 5.3% below Fiscal Year 2009-2010 year-end estimates.

### **Property Tax**

The City’s largest General Fund revenue source is Property Tax. Property Tax will end the fiscal year at \$16,483,179 which is \$159,488 or 0.98% above budget due to Replacement Tax. A decline in property values was budgeted for Fiscal Year 2009-2010 due to decreases in assessed valuation for Jackson and Cass counties, and the projection is \$378,364 less than the Fiscal Year 2008-2009 actual. A slight increase of 0.26%, or \$42,273 is projected for Fiscal Year 2010-2011.

### **Franchise Tax**

Franchise Tax is the second largest General Fund revenue source. The City grants certain franchises for public utilities and receives a gross receipts fee of 7% for natural gas, telecommunications, and electric and 5% for cable television. Franchise Tax revenue is projected to end the current year exceeding budget by \$2,186,296 or 17.09% due to two one-time telecom tax settlements. Electric is projected to end the year 4.64% above budget due to a rate increase that took effect October 1, 2009.

During Fiscal Year 2011, the following Franchise Tax revenues are projected:

	<b>Fiscal Year 2011 Projected</b>	<b>Chg from FY 2010 Projected Year-End</b>
Natural Gas	\$2,509,387	0.0%
Telephone	3,520,714	-34.2%
Electric	6,605,731	8.62%
Cable	1,038,939	0.0%
<b>Total</b>	<b>\$12,794,396</b>	<b>-8.72%</b>

As indicated in the above table, Franchise Tax revenues are projected to decrease from the current fiscal year due to two one-time telecom settlements in the Telephone category in Fiscal Year 2010.

### **Sales Tax**

The third largest General Fund revenue source is Sales Tax. General Fund gross sales tax receipts are projected to complete the 2009-2010 fiscal year flat. An increase of \$250,000 or 4% is budgeted for Fiscal Year 2011 as stores continue to open for business at the new Summit Fair Shopping Center.

### **License, Permits & Fees**

The Licenses, Permits & Fees category experienced decreases in Fiscal Years 2008-2010 and is projected to decline again in Fiscal Year 2010-2011 due to slowed housing starts and new development. At \$1,182,204, the Fiscal Year 2009-2010 projection is \$2,334, or 0.2% above budget due to Codes Inspections for the new Summit Fair Shopping Center. For Fiscal Year 2010-2011, the Licenses, Permits & Fees category is \$1,114,152. This is \$68,052, or less than 5.8% below the Fiscal Year 2009-2010 year-end projection due less inspection activity at the new Summit Fair Shopping Center.

### **Motor Vehicle Tax**

The Motor Vehicle Tax is projected to end the 2009-2010 fiscal year at \$2,579,569, which exceeds budget by \$88,931 due to an increase in motor vehicle fuel and license & transfer fees. Fiscal Year 2010-2011 is budgeted flat in the fuel, sales and license & transfer fee categories.

### **Payments for General & Administrative (G & A)**

The Water Utilities G & A payment to the General Fund in Fiscal Year 2010-2011 decreases \$590,170 due to the new cost allocation method being implemented. The

Airport and Solid Waste G & A payments were reduced by \$9,090 and \$1,948 respectively.

Fiscal Year 2009-2010 General Fund revenues are projected to end the year exceeding budget by \$2,081,898 due to one-time telecom settlements. The 2010-2011 fiscal year General Fund revenue budget is \$3 million less than the projected current fiscal year-end revenues due to a \$601,208 reduction in General & Administrative payments and no one-time settlements are projected. The General Fund's balance will grow by \$3.2 million to \$26.4 million by June 30, 2010.

### **Expenditures**

General Fund expenses for Fiscal Year 2010-2011 are budgeted at \$58.3 million, compared to \$55.7 million in Fiscal Year 2009-2010. This represents an increase of 4.7%. Without the public safety expansions, General Fund expenditures would show an increase of 3.5% from the previous year.

### **Personnel Services**

- Personal Services expenditures are estimated by using a 2% merit increase for the employee "pay-for-performance" system. Personal Services costs comprise 72.6% of the General Fund's spending and are budgeted at \$39,999,133 for Fiscal Year 2011.
- Health insurance premium increases were budgeted with a 10% increase based on preliminary figures (or costs) received from MARCIT, the City's health insurance provider.

### **Fiscal Year 2010-2011 Expansions**

The following expansions have been included in the Fiscal Year 2010-2011 budget:

### **General Fund Expansions**

#### **Police:**

- Police Officers, 7 FTEs, \$553,356
- Upgrade 4 to Sergeant , \$143,705
- Two (2) Police Cars & Equipment, \$114,656

<b>Total General Fund Expansions: \$811,717</b>
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### **Other Fund Expansions**

#### **Enterprise Resource Planning (ERP):**

- Purchase of a new financial system \$2,894,629

#### **Fleet:**

- Equipment Installation Technician Mechanic, 1 FTE, \$45,571

#### **Solid Waste:**

- One (1) Ten-Foot Mower Deck, \$6,116

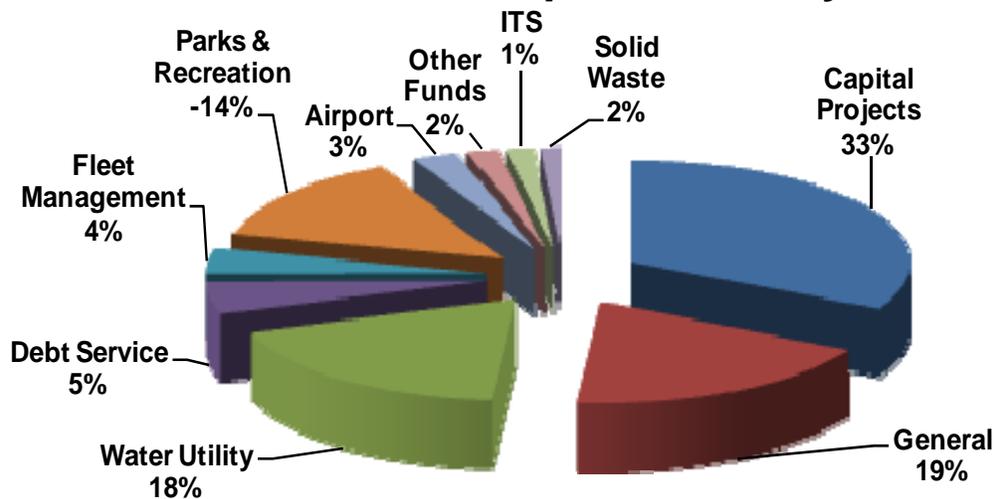
<b>Total Expansions - All Funds: \$3,758,033</b>
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## Budget Composition

The City's budget is composed of over 70 active funds. The funds receive their financial support from many different sources such as property and sales taxes, user charges, grants and debt financing. Because the combined impact of aging infrastructure and recent community growth patterns in Lee's Summit, much of the budget is dedicated to capital improvement plan (CIP) funds. The City prepares a five-year CIP annually, which includes a detailed description of the various projects and serves as a long-term planning tool for the City. Many of these projects can span over several fiscal years; only the next year's appropriations are included in this operating budget.

The following chart reflects combined expenditures of all funds. Combined expenditures are budgeted at \$159,090,855, or 6% under the current fiscal year budget.

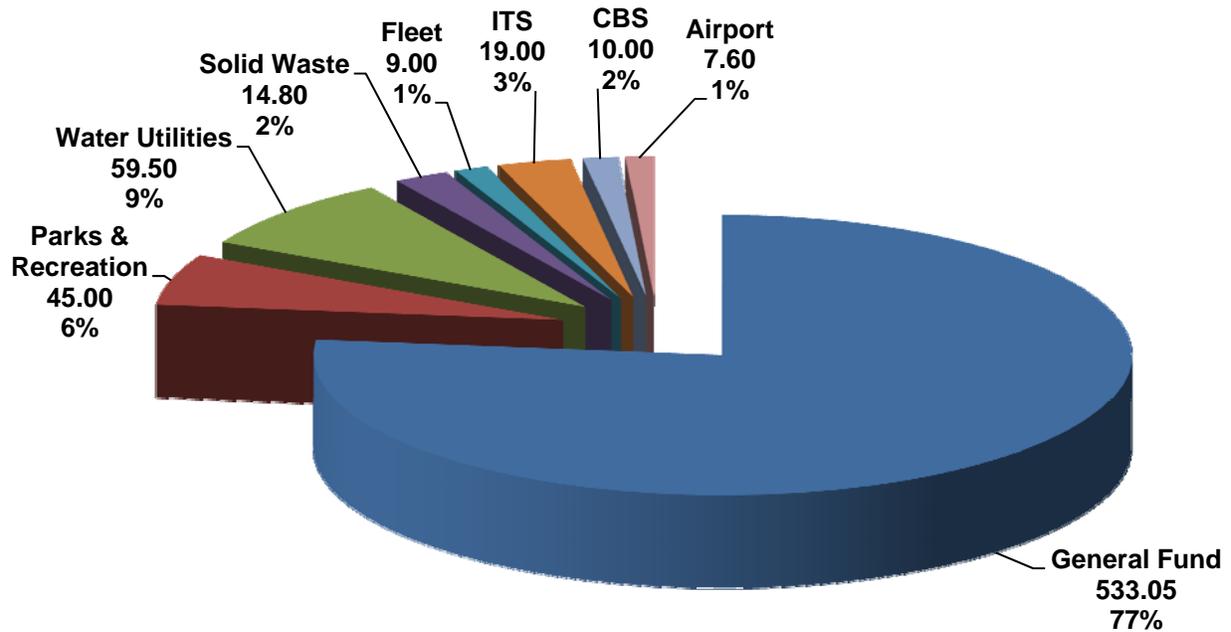
### Combined Expenditures By Fund



	Actual 2008-2009	Budget 2009-2010	Proposed 2010-2011
Capital Projects	\$ 40,655,998	\$ 47,211,939	\$ 33,341,736
General	53,178,121	55,691,584	58,322,307
Water Utility	24,477,962	32,922,434	32,857,853
Debt Service	10,927,118	9,141,668	9,171,009
Fleet Management	3,124,689	5,075,709	4,721,891
Parks & Recreation	7,002,720	7,350,968	7,363,610
Airport	1,827,276	2,820,550	2,071,706
Other Funds	3,402,151	3,487,825	5,161,621
ITS	3,204,367	3,071,425	3,175,850
Solid Waste	2,665,533	3,252,118	2,903,272
<b>TOTAL</b>	<b>\$ 150,465,935</b>	<b>\$ 170,026,220</b>	<b>\$ 159,090,855</b>

This chart reflects the City's total full-time equivalents (FTE) by fund. The total Fiscal Year 2010-2011 increase is due primarily to the General Fund's public safety expansions in the Police Department.

## Combined Full-time Equivalents



	Actual 2008-2009	Budget 2009-2010	Adopted 2010-2011
General Fund	523.72	523.05	533.05
Parks & Recreation	45.00	45.00	41.05
Water Utilities	58.50	59.50	59.50
Solid Waste	14.80	14.80	14.80
Fleet	8.00	9.00	9.00
Information Technology Services (ITS)	19.00	20.00	20.00
Central Building Services (CBS)	11.00	10.00	9.50
Airport	<u>7.60</u>	<u>7.60</u>	<u>7.60</u>
<b>TOTAL</b>	<b>687.62</b>	<b>688.95</b>	<b>694.50</b>
Change from previous year		1.33	5.55

## **Capital Project Funds for Fiscal Year 2010-2011**

Capital project funds are budgeted annually and reflect the implementation of the City's various master plans and goals. Capital projects for Fiscal Year 2010-2011 are budgeted in the following funds:

- I-470 Business Tax Increment Financing (TIF): \$361,085
- Landfill Improvement Fund: \$480,000
- Summit Woods (TIF): \$1,848,023
- Chapel Ridge TIF: \$2,159,247
- Longview TIF: \$231,573
- North East TIF \$1,069,391
- Summit Fair TIF: \$301,552
- Todd George/50 HWY TIF \$1,073,666
- Hartley Block TIF: \$53,431
- Airport Improvement : \$600,000
- Sewer Tap: \$1,000,000
- Water Construction: \$3,382,904
- Sewer Construction: \$2,003,235
- Road & Bridge Improvement; \$4,959,000
- CIP Sales Tax Extension: \$400,000
- Neighborhood Park Development: \$700,000
- City Park: \$500,000
- Storm water Improvements: \$8,483,000
- Arterial Street Lights: \$841,000
- Enterprise Resource Planning (ERP): \$2,894,629

Fiscal Year 2011 capital project funds represent expenditures of \$33,341,736 and will be incorporated into the annual budget.

## **Parks and Recreation Funds**

The Parks and Recreation budget consists of 11 separate funds to address the goals and objectives of the department. A significant factor in the development of these goals comes from the "Legacy for Tomorrow and Beyond" plan. The citizen-based plan identifies the park and recreation needs for 10-year periods.

The Parks Sales Tax was extended for an additional ten years in April 2005 at a rate of 0.25%, a reduction of one-eighth cent effective April 1, 2008. The sales tax will be used to fund the "Legacy for Tomorrow and Beyond" master plan, as well as the Senior Center.

Parks operational funds for Fiscal Year 2011 include:

- Gamber Center: \$340,884
- Legacy Park Community Center; \$1,754,009
- Harris Park Community Center; \$1,348,039
- Parks & Recreation: \$2,961,676
- Aquatics: \$701,445
- Cemetery: \$257,557

In total, Parks and Recreation's budgeted expenditures are \$7,363,610 representing a 0.2% increase over Fiscal Year 2010 budget.

### **Lee's Summit Municipal Airport**

The Airport Operating Fund is an enterprise fund that accounts for all revenues and expenses related to the municipally owned airport. For Fiscal Year 2011, expenditures are budgeted at \$2,071,706, a 57.9% decrease from projected year-end expenditures for the current fiscal year due primarily to reduced federal grants.

The Lee's Summit Municipal Airport is designated by the Federal Aviation Authority (FAA) as a reliever airport for the Kansas City metropolitan area and as such is designed to reduce congestion at larger air carrier airports by providing general aviation pilots with alternate landing facilities. It is further classified as a general aviation utility airport serving planes with gross weights of less than 12,500 pounds and landing speeds less than 121 knots. The airport is equipped with two runways: a 4,014 foot North/South (18-36), and a 3,800 foot Crosswind (11-29).

Airport fund revenue is generated through the sale of aviation fuel, navigational charts and pilot supplies, the leasing of 75 tie-down spaces, 40 open T-hangar spaces and 112 enclosed hangar spaces and six ground leases for private hangars.

### **Solid Waste Management Fund**

The Solid Waste Management Fund is also an enterprise fund, and it accounts for all revenues and expenses related to the City's Resource Recovery Park. For Fiscal Year 2011, budgeted expenditures are \$2,903,272, 12% below Fiscal Year 2010 budget.

The Resource Recovery Park, which operates on a six-day per week schedule, encompasses an area of approximately 275 acres including a 80 acre sanitary landfill, a four acre yard waste composting facility, a one acre drop-off recycling center, and a Household Hazardous Waste disposal area. An additional 40 acres of the site is set aside as a soil borrow area while the remainder of the property serves as a buffer from the abutting property owners.

Tipping fees for both municipal solid waste and yard waste received at the Resource Recovery Park, as well as the sale of compost and mulch, which is produced at the yard waste facility, generate fund revenue. Governed by state law, as well as City ordinance, yard waste cannot be placed in the sanitary landfill. Although no fees are charged for dropping off recyclables at the Recycling Center, the fund does generate limited

revenue from the sale of specific recyclable items. This facility is subsidized from the Solid Waste Fund.

A general and administrative fee is paid to the City's General Fund to recover indirect expenses incurred by General Fund staff, including the Public Works Engineering, Finance, Human Resources and Law Departments.

### **Water Utilities Fund**

The Water Utilities Fund is the second largest fund of the City next to the General Fund and comprises 21.4% of the City's overall budget. Fiscal Year 2011 expenditures are budgeted at \$24,468,176, or less than 1% below the Fiscal Year 2010 budget.

The Water Utilities Department serves over 34,000 customers. The total water supply of 21.5 million gallons per day (MGD) includes 14 MGD from Kansas City, Missouri and 7.5 MGD from Independence, Missouri. Water demands reached a historical max day high in 2003 of 25.5 MGD. In 2009, max day demand was 15.5 MGD. Lee's Summit has entered into a cooperative agreement with Kansas City for Phase III of the Jackson - Cass transmission line. The project, when completed, will increase the total water supply from Kansas City by an additional 6 MGD. The department intends to prepare a business plan in conjunction with a cost of service study. The cost of service study will ensure operating costs are analyzed and considered to develop the revenue requirements of the utility.

The City of Lees Summit and Little Blue Valley Sewer District have developed a contractual agreement for ongoing treatment and pumping within the Little Blue Valley drainage basin to accommodate existing and future customers within Lee's Summit. In order to maximize capacity of the sanitary sewer system, Water Utilities continues to focus on Inflow and Infiltration (I&I) reduction programs.

The Operations Division continues to direct more attention toward existing assets and the preventative maintenance requirements of the system. In Fiscal Year 2008 the Equipment Replacement Fund was expanded to include water tank re-coating to maximize the life of the utility's water storage facilities. This program ensures that funds are annually accumulated for the replacement of critical pumping equipment and power generators for both the water and wastewater functions similar to the VERP, MERP and BERP.

### **Summary**

Adopting the budget is an important responsibility of the City Council; the budget serves as both an operational and financial plan for the delivery of city services, as well as a communication tool from the City to the citizens of Lee's Summit and members of the financial community. Its implementation ensures careful and efficient use of the community's resources and helps to maintain financial stability and sustainable growth into the future.

As a team of: (1) elected officials reflecting the vision and values of our community and (2) staff with the technical knowledge and expertise to create programs and operational plans, we have developed a budget that meets our community's expectations while

creating the best possible outcome for long-term financial sustainability. I am pleased with the final results of this document. We welcome your review and critique of this proposed financial plan, as at the end of the day we all must have ownership of its outcomes.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Arbo". The signature is fluid and cursive, with a large initial "S" and "A".

Stephen Arbo  
City Manager