

CITY OF LEE'S SUMMIT

ADMINISTRATION DEPARTMENT

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June 2, 2011

Mayor Randall Rhoads and Members of the City Council:

I am pleased to present the proposed Fiscal Year 2011-2012 budget 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 2011-2012 budget addresses both the budget priorities from October of 2007, the Mayor and City Council Strategic Goals & Priorities adopted in August of 2009 and the Lee's Summit 360^o 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:

1. Public Safety
2. Storm Water Control
3. Sewer Maintenance (Inflow & Infiltration Reduction)
4. Pavement Management Services
5. 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 and continue as the basis in this year's budget.

The Lee's Summit 360^o strategic plan was adopted in August of 2009. Key Performance Area (KPA) of the plan include:

1. Economic Development
2. Education
3. Local Government
4. Health & Human Services
5. Quality of Life
6. 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.

The Mayor and City Council held a strategic goal setting retreat on January 30th and 31st, 2009, to identify, review and prioritize important issues facing the community, both now and in the future. The priorities were divided into two categories:

1. Short-term goals and priorities the City Council and staff will focus on implementing immediately during the next two years:
 - a. Infrastructure Improvements
 - b. Airport Expansion
 - c. Economic Development
 - d. Plan for Future Development
 - e. Address Budget Issues
 - f. Rental Property Regulations
2. Long-term goals that will require more analysis and citizen input over the next two years in order to take action to implement them beginning in 2011 and beyond.
 - a. Infrastructure Improvements
 - b. Economic Development
 - c. Pursue Redevelopment Projects
 - d. Prepare Plan for Large Parcel Development

The strategic goals were adopted in August of 2009. The Mayor and City Council are committed to update the City's goals every few years as factors change and the projects are completed or modified.

Recap of Fiscal Year 2010-2011

- Zero-based Budgeting: Third year of "zero-based" review that included the Codes, Planning, Law and Municipal Court departments.
- The Lee's Summit 360° Strategic Planning Process completed its first full year in the implementation phase, making 2010 a year of many accomplishments and positive strides toward the long term vision for the City.
- The Sherwood Manufacturing building, also known as Arnold Hall, in downtown Lee's Summit was listed in the National Register of Historic Places.
- Enhanced communication with the introduction of Nixle.com, a free service to keep residents informed about emergency, non-emergency and snow removal operations in the City.
- Initiated proactive sign enforcement throughout the community to increase awareness of sign regulations with the help of a community standards officer.
- Replaced four older police vehicles with new advanced technology hybrid vehicles to further reduce the City's carbon footprint and reduce fuel consumption and costs.
- Conducted a visual preference survey for property owners and adjacent residents along the M-150 Highway corridor in anticipation of new commercial growth due to Missouri Department of Transportation (MODOT) improvements.

The Lee's Summit community received numerous recognitions in Fiscal Year 2010-2011 including:

- Lee's Summit Parks & Recreation was awarded the 2010 National Gold Medal Award for Excellence in Park and Recreation Management among cities with a population of 50,001-100,000 by the American Academy for Park and Recreation Administration

(AAPRA) in partnership with the National Recreation and Park Association (NRPA). This is the highest honor a community can receive for Parks and Recreation.

- Lee's Summit is ranked as the third most advanced digital City in America in its population category by Digital Cities Survey. The announcement evaluates a tenth annual Digital Cities Survey which evaluates a municipality's use of information technology and how it is incorporated into government operations to better serve the community.
- Money Magazine ranked Lee's Summit number 27 on the list of the "Top 100 Places to Live in the United States." Lee's Summit's ranking is due to our vibrant, redeveloped downtown, excellent school system, and housing market.
- The Lee's Summit Arts Council received 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.
- Downtown Lee's Summit won the 2010 Great American Main Street Award.

In January of 2010, 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. High leverage priority action items were developed which outline the City's most important strengths and the next steps which the City should focus on for Fiscal Year 2011-12.

Fiscal Year 2011-2012 Outlook

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

- Gas to Energy Project: SCC Americas is 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 was selected for the new ERP system and implementation has begun.
- Completion of renovation and redevelopment of Arnold Hall into a small venue performing and visual arts facility, the relocation of the Martin City Melodrama.

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 84% of all General Fund revenues. The balance of revenues is derived from fees and charges, investment income, fines and forfeitures and intergovernmental revenues.

Revenue Projections

The City's General Fund contains diversified revenue sources such as property taxes, sales taxes, franchise taxes and user charges. The economic downturn significantly affected the City's General Fund revenue in Fiscal Year 2008-2009. The City has experienced modest growth in revenue categories such as Property Tax, Franchise Tax, Sales Tax and Vehicle tax in the past two fiscal years, allowing the City to maintain and in some service areas expand the level of service. General Fund Revenues are projected to end Fiscal Year 2010-2011 at 58,330,766 which is \$3.26 million or 5.9% above budget. For Fiscal Year 2011-2012, General Fund revenues are projected to be \$58,731,575; this level exceeds Fiscal Year 2010-2011's budget by \$3.66 million or 6.6%.

Property Tax

The City's largest General Fund revenue source is Property Tax, making up 30% of the total General Fund revenues. Property Tax will end the fiscal year at \$17,144,846 which is \$457,855 or 2.7% above budget. An increase of 1.3%, or \$193,367 is projected for Fiscal Year 2011-2012.

Franchise Tax

Franchise Tax is the second largest General Fund revenue source, and it is 26.3% of total General Fund Revenues. 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 \$2.75 million or 20% due to two one-time telecom tax settlements and prior under protest payments transferred in as Telephone Franchise Tax revenue. Electric and Cable are projected to end the year 12.9% and 2% respectively above budget due to a rate increases.

For Fiscal Year 2011-2012, the following Franchise Tax revenues are projected:

Franchise Tax	Fiscal Year 2011-12 Budget	% Change from Fiscal Year 2010-11 Projected
Natural Gas	\$2,509,387	-0.4%
Telephone	4,176,750	-26.2%
Electric	7,593,182	7.0%
Cable	1,150,989	0.0%
Total	\$15,430,308	-6.1%

As indicated in the above table, Franchise Tax revenues are projected to decrease from the 2010-11 projected due to two one-time telecom tax settlements and taxes paid in protest transferred in as Telephone Franchise Tax revenue.

Sales Tax

The third largest General Fund revenue source is Sales Tax. General Fund gross sales tax receipts are projected to complete the 2010-2011 fiscal year at budget, or 7.3% higher than the 2009-10 actual due to the new Summit Fair Shopping center. An increase of \$110,883 or 1% is budgeted for Fiscal Year 2011-12 as stores continue to open for business at the new Summit Fair Shopping Center.

License, Permits & Fees

The Licenses, Permits & Fees category experienced decreases for the last two fiscal years but is projected to end Fiscal Year 2010-2011 \$54,733 or 4.9% above budget due to Codes Inspections for the new Summit Fair Shopping Center. Because of slowed housing starts and new development, this category has not returned to prerecession levels. At \$1.15 million, the Fiscal Year 2011-2012 projection is \$18,137, or 1.6% below the Fiscal Year 2010-2011 projection.

Motor Vehicle Tax

The Motor Vehicle Tax is projected to end the 2010-2011 fiscal year at \$2,708,909, which exceeds budget by \$129,340 due to an increase in motor vehicle fuel, sales tax and license & transfer fees. Fiscal Year 2011-2012 is budgeted flat in all categories from the Fiscal Year 2010-11 projection.

Payments for General & Administrative (G & A)

The Water Utilities G & A payment to the General Fund in Fiscal Year 2010-2011 decreased \$590,170 from Fiscal Year 2009-2010 due to the new cost allocation method implemented. The Airport and Solid Waste G & A payments were reduced by \$9,090 and \$1,948 respectively.

Fiscal Year 2010-2011 General Fund revenues are projected to end the year exceeding budget by \$3.26 million or 5.9% primarily due to Property Tax, Franchise Tax and Motor Vehicle Tax. The 2011-2012 fiscal year General Fund revenue budget is \$400,807 more than the projected current fiscal year-end revenues due to the Property Tax, Sales Tax and Intergovernmental categories.

Expenditures

General Fund expenses for Fiscal Year 2011-2012 are budgeted at \$58.2 million, compared to \$59.83 million projected for Fiscal Year 2010-2011. This represents a decrease of 4%, which is primarily due to cutting back on supplies, cost savings initiatives in contractual services, unfilled positions and 0% merit increases.

Personnel Services

Personal Services expenditures are estimated by using a 0% merit increase. Personal Services costs comprise 69.6% of the General Fund's spending and are budgeted at \$40,536,086 for Fiscal Year 2012. Evergreen Solutions conducted a total compensation study in Fiscal Year 2010-11, and the City Council directed staff not to implement the pay study recommendations in the Fiscal Year 2011-12 budget.

Health Insurance Premium increases were budgeted with a 10% increase based on preliminary figures (or costs) received from the City's health insurance provider. Bob Charlesworth, the City's insurance consultant, led the RFP process for employee benefits, including health, dental Employee Assistance Program and vision coverage. The employee-based task force proposed that the City move these programs to Blue Cross Blue Shield and leave the Midwest Public Risk pool effective 7-1-11.

Fiscal Year 2011-2012 Expansions

The following expansions have been included in the Fiscal Year 2011-2012 budget:

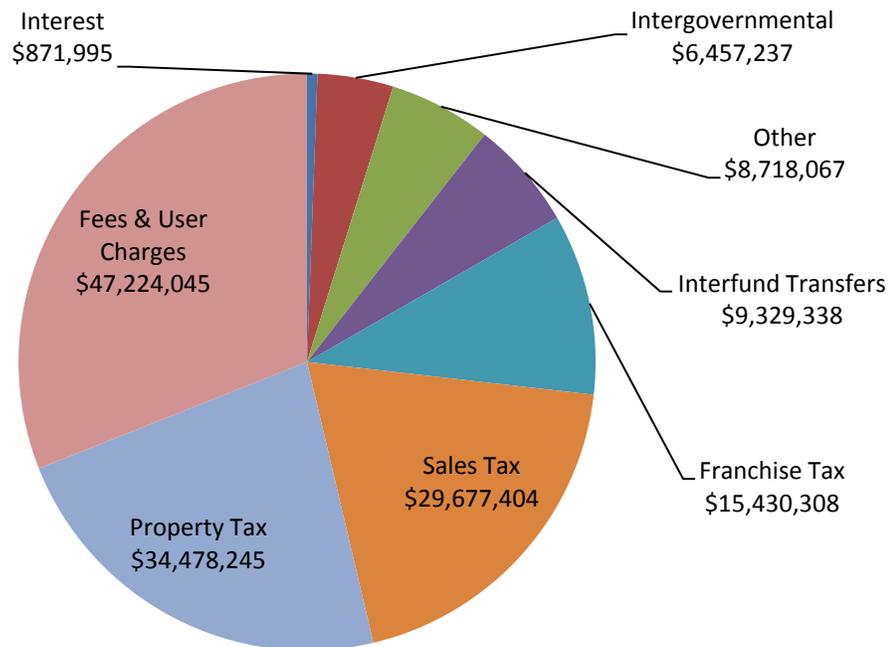
General Fund		FTEs	Amount
Administration	Human Resources Generalist	1	\$ 69,923
Police	Promote Animal Control Supervisor	0	\$ 13,275
Police	Animal Control Officer	1	\$ 50,071
Total		2.00	133,269
Other Funds			
Solid Waste	Larger compost screener		\$ 24,000
Airport	One Ton Truck with V-Plow and Tow Package		\$ 5,530
Total			\$ 29,530
Total All Funds			\$ 162,799

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 revenues of all funds by type.

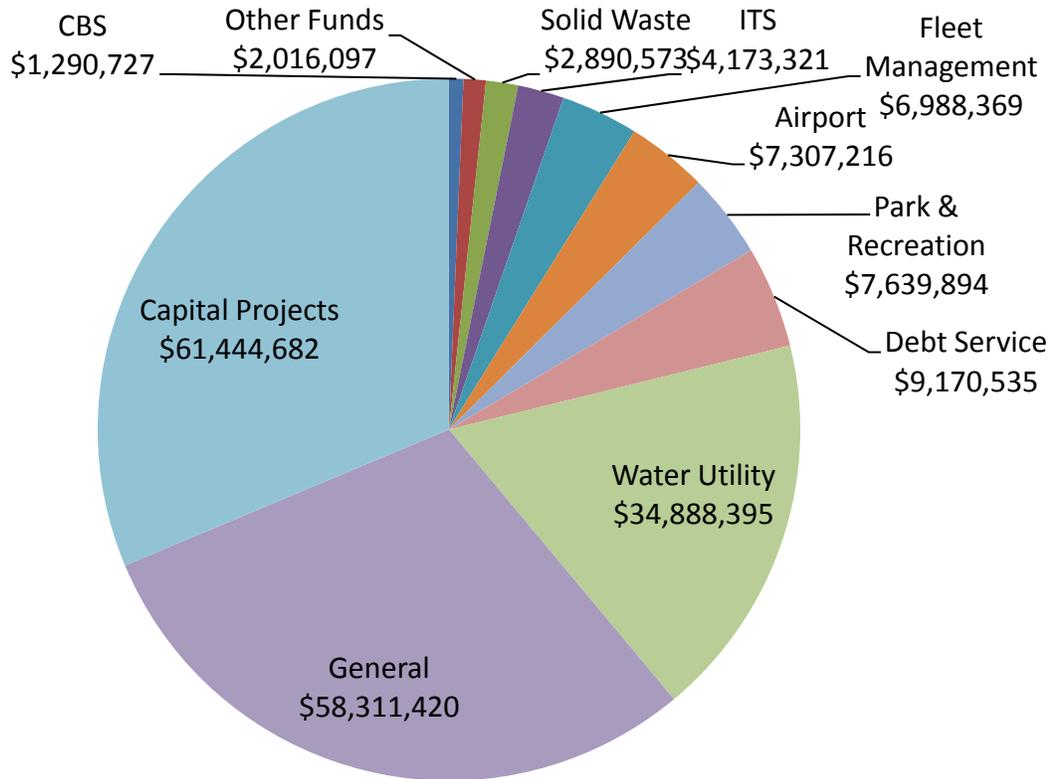
Combined Funds Revenue by Type



	Actual 2009-10	Budget 2010-11	Budget 2011-12
Interest	\$ 326,303	\$ 1,640,067	\$ 871,995
Intergovernmental	16,488,223	9,704,270	6,457,237
Other	16,003,042	14,668,174	8,718,067
Interfund Transfers	4,827,898	3,333,964	9,329,338
Franchise Tax	14,825,593	13,674,771	15,430,308
Sales Tax	27,289,519	28,602,330	29,677,404
Property Tax	35,015,226	33,275,619	34,478,245
Fees & User Charges	42,809,819	46,928,570	47,224,045
TOTAL	<u>\$157,585,623</u>	<u>\$ 151,827,765</u>	<u>\$ 152,186,639</u>

The following chart reflects combined expenditures of all funds. Combined expenditures are budgeted at \$196,121,229 for Fiscal Year 2011-12.

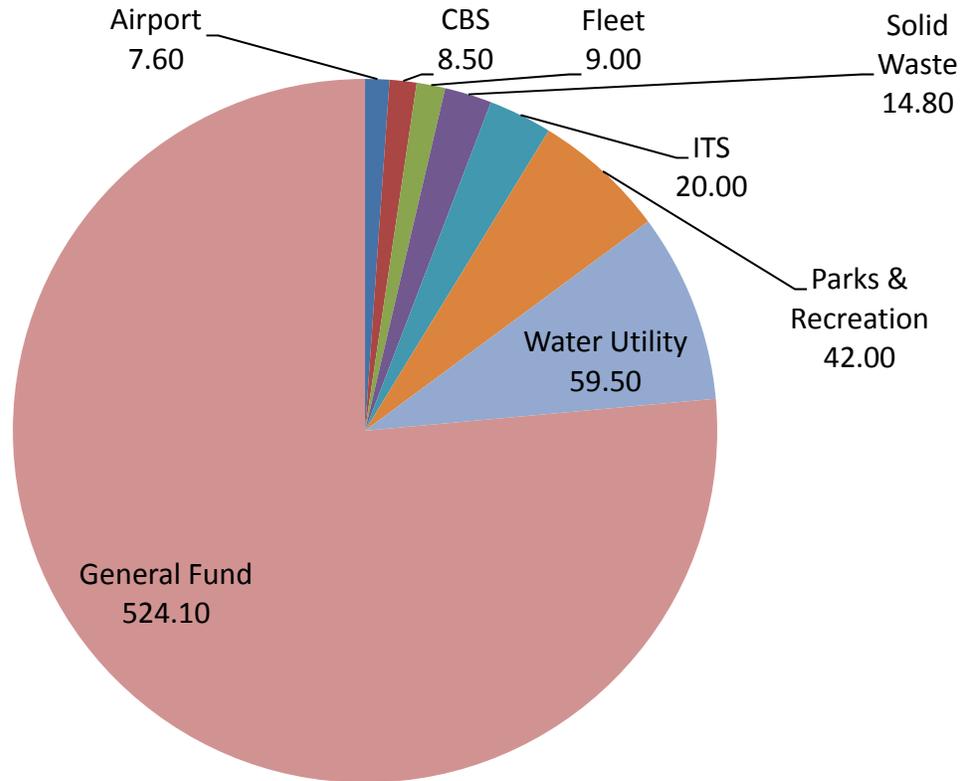
Combined Expenditures by Fund



	Actual 2009-10	Budget 2010-11	Budget 2011-12
General	\$ 53,442,989	\$ 58,322,307	\$ 58,311,420
Park & Recreation	6,643,345	7,363,610	7,639,894
Capital Projects	45,155,742	33,341,736	61,444,682
Airport	4,761,800	2,071,706	7,307,216
Debt Service	12,222,464	9,171,009	9,170,535
Solid Waste	2,958,519	2,903,272	2,890,573
Water Utility	26,692,077	32,857,853	34,888,395
ITS	3,107,229	3,175,850	4,173,321
CBS	1,075,345	1,152,006	1,290,727
Fleet Management	2,896,042	4,721,891	6,988,369
Other Funds	1,291,036	4,009,615	2,016,097
TOTAL	<u>\$160,246,588</u>	<u>\$ 159,090,855</u>	<u>\$ 196,121,229</u>

This chart reflects the City's total full-time equivalents (FTE) by fund. The total Fiscal Year 2011-2012 increase is due primarily to the General Fund's public safety expansions in the Police Department.

Combined Full-time Equivalents



	Actual 2009-10	Budget 2010-11	Budget 2011-12
General Fund	512.06	519.29	524.14
Parks & Recreation	40.00	41.00	42.00
Water Utility	58.50	59.50	59.50
Solid Waste	14.80	14.80	14.80
Fleet	8.00	9.00	9.00
CBS	11.00	11.00	8.50
ITS	20.00	20.00	20.00
Airport	7.98	7.73	7.60
TOTAL	<u>672.34</u>	<u>682.32</u>	<u>685.54</u>

Capital Project Funds for Fiscal Year 2011-2012

Despite the rather dismal economic conditions, the City was able to make significant capital improvements for both existing developed areas and potential economic growth areas. Recent examples include the sidewalk rehabilitation investment of \$2.69 million, completion of Fire Station #2, construction and opening of a new interchange and Strother Rd and I-470, new intersection at Ward and Longview, significant progress on the new Todd George Parkway (Colbern to Woods Chapel) expansion and the Woods Chapel Road Improvement east of I-470. 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): \$244,727
- Landfill Improvement Fund: \$200,000
- Summit Woods (TIF): \$2,930,852
- Chapel Ridge TIF: \$2,159,247
- Longview TIF: \$449,104
- North East TIF \$993,597
- Summit Fair TIF: \$771,023
- Todd George/50 HWY TIF \$1,091,234
- Hartley Block TIF: \$50,780
- Airport Improvement : \$7,700,000
- Water Tap: \$1,184,207
- Sewer Tap: \$338,176
- Water Construction: \$1,472,000
- Sewer Construction: \$237,000
- Road & Bridge Improvement; \$8,533,00
- CIP Sales Tax Extension: \$7,018,000
- Park Development: \$393,000
- Greenway: \$645,000
- Public Safety (Police Training/Detention Facility Renovations): \$5,160,000
- Senior Center Fund: \$504,984
- Infrastructure Improvements (Curb Replacement): \$4,360,000
- Road Improvements (Strother Rd, Independence Ave to Lee's Summit Rd): \$3,175,000
- Tudor Road Improvements: \$9,870,000
- Enterprise Resource Planning (ERP): \$1,192,728

Fiscal Year 2011-12 capital project funds represent expenditures of \$61,444,682 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 2011-12 include:

- Gamber Center: \$377,849
- Legacy Park Community Center; \$1,900,318
- Harris Park Community Center; \$1,311,938
- Parks & Recreation: \$3,105,995
- Aquatics: \$628,367
- Cemetery: \$315,427

In total, Parks and Recreation's budgeted expenditures are \$7,639,894 representing a 3.7% increase over Fiscal Year 2010-11 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 2011-12, expenditures are budgeted at \$7,307,216, a 252.7% increase from the current fiscal year's budget due primarily to \$5.4 million in federal grants that will be transferred to the Airport Construction Fund.

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 2011-12, budgeted expenditures are \$2,890,573, 0.4% below Fiscal Year 2010-11 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.

Water Utilities Fund

The Water Utilities Fund is the second largest fund of the City next to the General Fund and comprises 17.8% of the City's overall budget. Fiscal Year 2011-12 expenditures are budgeted at \$34,888,395, or less than 42.6% above the Fiscal Year 2010-11 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 Lee's 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.

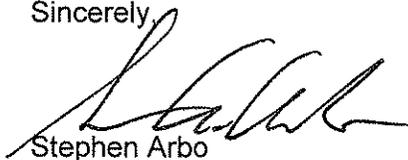
The Operations Division continues to direct more attention toward existing assets and the preventative maintenance requirements of the system. In Fiscal Year 2008 the Equipment Replacement Fund was expanded to include water tank re-coating to maximize the life of the utility's water storage facilities. 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.

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,



Stephen Arbo
City Manager