

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 4, 2009

Mayor Karen Messerli and Members of the City Council:

I am pleased to present the proposed municipal budget for Fiscal Year 2009-2010 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. This year's budget process presented many challenges. Notwithstanding, the final product presented to you includes funding for some exciting opportunities as well as the completion of some important public improvement projects that will position the City well in the future.

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.

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 Fiscal Year 2009-2010 budget continues to build on our efforts to address these opportunities.

Our goal was to fund these priorities and maintain the high level of services offered by the City. Staff was additionally challenged this budget year to address the inevitable impacts of the economic downturn facing most municipalities. The strains of the economy have impacted major revenue categories such as Property Tax, Sales Tax, Motor Vehicle Tax and Licenses, Permits and Fees.

To address this financial challenge, the City focused on cost containment efforts to continue to meet its fiscal priorities to residents and prepare the City for long-term financial health and stability. These cost containment efforts began during the current fiscal year, as vacant positions were carefully evaluated and approved and filled only when essential, planned studies were deferred, and contractual services were reviewed. These efforts continued throughout this year's budget process to ensure a fiscally responsible end product was presented.

In the end, through the hard work of Management Team and staff, Fiscal Year 2009-2010 General Fund expenditures are recommended to increase less than 1% over the previous year's budget while still addressing Mayor and City Council priorities and maintaining current service levels or in some cases, such as public safety and street lighting, expanding services. Following are some highlights from the budget process.

Recap of Fiscal Year 2008-2009

Zero-based Budgeting:

- Implemented the first "zero-based" review that will rotate from one department to the next, starting with the Administration Department

Fiscal Year 2008-2009 marked the completion of several new or renovated City facilities:

- Summit Waves, our new aquatics park, in July 2008
- Harris Park Community Center in July 2008
- A second salt dome in October 2008

Completion was made on the following major road projects during Fiscal Year 2008-2009:

- Pryor Road from 4th Street to Longview Road
- Langsford Road between Todd George Parkway and Blackwell Road
- Pryor Road Half-diamond Interchange at I-470
- Street lights at Langsford Road from Todd George Parkway to Blackwell Road
- 4th Street from Jefferson Street to Green Street; this is the last section of the Downtown Improvements
- 3rd Street between Pryor Road and View High Drive
- Permanent traffic signal at Hook Road & Ward Road intersection

Fiscal Year 2009-2010 Outlook

The Fiscal Year 2009-2010 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:** Second year of four-year plan to add 21 Police Officers
- **Storm Water Control:** \$15.4 million bond issue projects are underway
- **Sewer Maintenance (Inflow & Infiltration Reduction):** Funded by Water & Sewer Utility Fees
- **Pavement Management Services;** Crack Seal Program implemented
- **Code Enforcement & Property Maintenance:** Re-assigned Building Inspector to Neighborhood Services Officer

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:** Lee's Summit has evaluated processes to convert the gas produced at the landfill into a beneficial energy, and there appears to be an interest from outside parties in our landfill gas as an energy source. In Fiscal Year 2009-2010, staff will be developing a Request for Proposal (RFP) that would solicit turnkey proposals to convert gas to a beneficial energy use.
- **AS400 Financial System Replacement/Enterprise Resource Planning (ERP) Project:** An RFP will be issued to select a new comprehensive electronic financial system that will meet the City's requirements.
- **Replacement of Fire Station #2**

Significant progress was also made toward several major road projects throughout the City in Fiscal Year 2008-2009, and they should be completed in Fiscal Year 2009-2010:

- Half-diamond interchange at Blue Parkway and I-470 and "connector roads" between Blue Parkway to Pryor Road; the half-diamond is expected to be complete in August 2009 and the connector roads in early 2010
- 5th Street between Grand Avenue and M-291
- Woods Chapel Road from I-470 east to the City limits
- Strother Road Interchange at I-470 Blackwell Road between Langsford Road and Chipman Road

Projects that are expected to begin construction in 2009-2010:

- **Longview Road Phase 2:** Pryor Road to Ward Road and the intersection of Ward Road and Longview Road
- **Todd George Parkway** from Colbern Road to Strother Road
- **Pryor Road** from Longview Road to Scherer Road including widening on Scherer from Pryor to Fire Station No. 7

- Replacement of Chipman Road bridge over Cedar Creek

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 81% 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, General Fund revenues are projected to be \$55,957,731; this level is 0.72% below Fiscal Year 2009's budget and 0.65% below year-end estimates.

Property Tax

The City's largest General Fund revenue source is Property Tax. Early Fiscal Year 2008-2009 Property Tax estimates for Jackson and Cass Counties indicated a \$600,000 shortfall due to decreases in assessed valuation. In January 2009, updated figures were received from the counties, and the projected shortfall was reduced to \$67,631. Year-end projections were again adjusted, and Property Tax will end the fiscal year at \$16,653,810, which is \$59,525, or .36%, below budget. An additional decrease of 1.98%, or \$330,119, to \$16,323,691 is projected for Fiscal Year 2009-2010 due to a continued decline in assessed valuations on property values.

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 projections for Fiscal Year 2009-2010 are estimated at \$12,794,396 for an increase of \$547,437, or 4.4%, more than the Fiscal Year 2008-2009 budget. Natural Gas, Telephone, and Cable are projected to end the current year exceeding budget 13.6%, 21.8%, and 6.7% respectively, while Electric is projected to end the year 8.9% below budget.

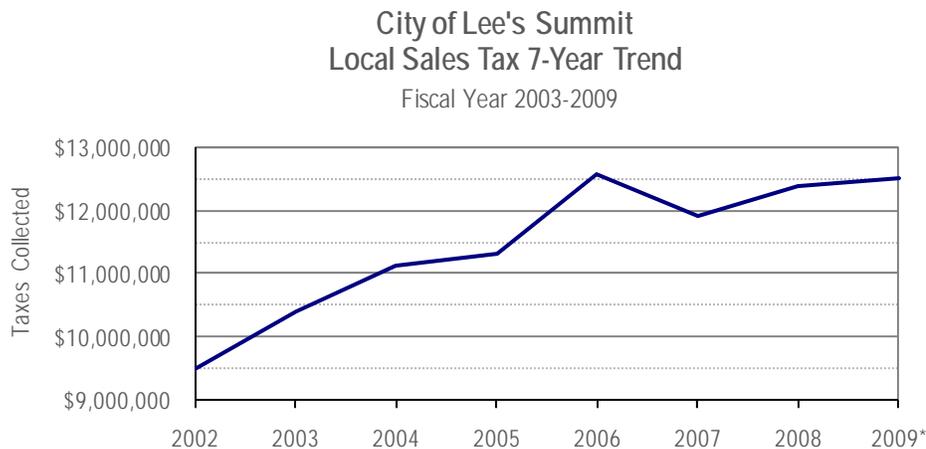
During Fiscal Year 2009-2010, the following Franchise Tax revenues are projected:

	FY 2010 Projected	Chg from FY 2009 Projected Year-End
Natural Gas	\$3,041,852	0.0%
Telephone	3,140,714	4.0%
Electric	5,572,891	0.0%
Cable	1,038,939	0.0%
Total	\$12,794,396	1.0%

As indicated in the above table, Franchise Tax revenues are projected to remain flat from the current fiscal year. Only Telephone is expected to increase, as this fiscal year will be the first full year telephone franchise fees will be received under the new telecommunications agreement.

Sales Tax

The third largest General Fund revenue source is Sales Tax. General Fund sales tax receipts are projected to complete the 2008-2009 fiscal year at \$12,523,762, or 3.95% above the 2008-2009 fiscal year budget. During the year, a taxpayer case settlement with the Department of Revenue of \$300,000 was received, half of which was paid out as Economic Activity Taxes (EATS). This one-time settlement in Fiscal Year 2008-2009 created a net impact to General Fund sales taxes of \$150,000, and as a result the 2009-2010 budget shows a .38% decrease over the previous fiscal year-end projection.



The above graph illustrates the Fiscal Year 2009-2010 sales tax budget projection which is \$12,476,723 and includes partial-year sales taxes from the new Summit Fair

shopping center. Without the one-time settlement, sales taxes are projected to increase less than 1% for the coming year.

License, Permits & Fees

The Licenses, Permits & Fees category experienced decreases in Fiscal Year 2008-2009 from the previous year and is projected to decline again in Fiscal Year 2009-2010 due to slowed housing starts and new development. At \$1,450,778 the Fiscal Year 2008-2009 projection is \$714,077, or 33%, below budget due to reduced inspections. For Fiscal Year 2009-2010, the Licenses, Permits & Fees category is \$1,179,870. This is \$270,907, or 18.7%, less than the Fiscal Year 2008-2009 year-end projection due to further expected declines in the Inspection Fees category.

Motor Vehicle Tax

The Motor Vehicle Tax is projected to end the 2008-2009 fiscal year at \$2,626,689, which is \$326,996 below budget due to a decline in motor vehicle fuel and sales. This trend aligns with reported declines in both fuel and new vehicle sales. A further decline of 5.18% to \$2,490,638 is projected for the 2009-2010 fiscal year.

Fiscal Year 2008-2009 General Fund revenues are projected to end the year \$41,349 below budget. Despite under-performing revenue collections, pro-active cost containment measures will allow the General Fund's balance to grow by \$1.89 million to over \$23 million by June 30, 2009. The 2009-2010 fiscal year General Fund revenue budget is \$364,760 less than projected current fiscal year-end revenues due in part to continued decline in development, decreased intergovernmental revenues and lower interest earnings rates. Due to continued cost containment measures, the General Fund balance is projected to end Fiscal Year 2010 over \$23.3 million.

Expenditures

General Fund expenses for Fiscal Year 2009-2010 are budgeted at \$55.7 million, compared to \$55.3 million in Fiscal Year 2008-2009. This represents an increase of less than 1%. Without the public safety expansions, General Fund expenditures would show a net decrease of \$137,053 from the previous year.

Personnel Services

- Personal Services expenditures are estimated by using a 2% wage adjustment pool for the employee "pay-for-performance" system. Personal Services costs comprise over 70% of the General Fund's spending and are budgeted at \$39,262,961 for Fiscal Year 2010.
- 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. The Employee Compensation and Benefit Task Force met to review and discuss appropriate allocation of costs, and coverages were modified to keep the premium increase within the 10% range.

Fiscal Year 2009-2010 Expansions

The following expansions have been included in the Fiscal Year 2009-2010 budget:

General Fund Expansions

Personnel: 8.75 FTEs, \$572,820

- Court: Court Security Officer (upgrade part-time to full-time), .75 Full-time Equivalent (FTE), \$19,500
- Police: Police Officers, 7 FTEs, \$501,375
- Police: Communications Specialist, 1 FTE, \$51,945

Fleet: \$22,267

- Public Works Operations: Upgrade regular cab truck to a crew cab truck with a dump bed, \$3,500
- Fire: Maintain 2 reserve ambulances through a retention and repurchase option, \$18,767

Information Technology Services (ITS): \$165,879

Request for Proposal (RFP) Project for Enterprise Resource Planning (ERP): \$77,305

Total General Fund Expansions: \$838,271

Other Fund Expansions:

Fleet \$2,584

- Airport: Maintain 3 surplus City vehicles, \$2,584.

ITS \$93,838

Various Projects: \$81,895

- Water: \$68,958
- Parks: \$9,457
- Airport: \$1,095
- Solid Waste: \$637
- Fleet: \$1,748

Personnel: 1.0 FTE, \$11,943 (temp to full-time)

- Inventory and Records Specialist

Total Other Fund Expansions: \$96,422

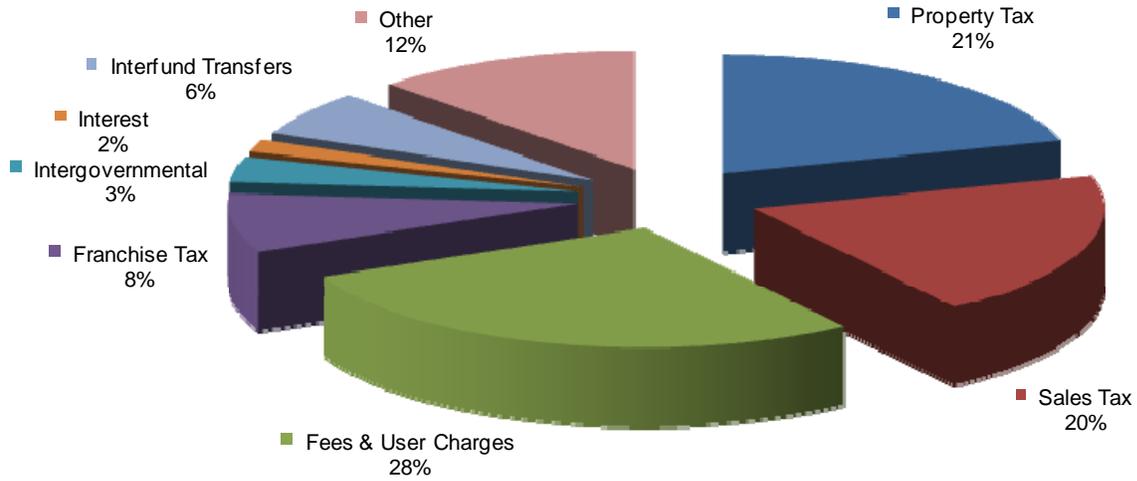
Total Expansions - All Funds: \$934,693

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.

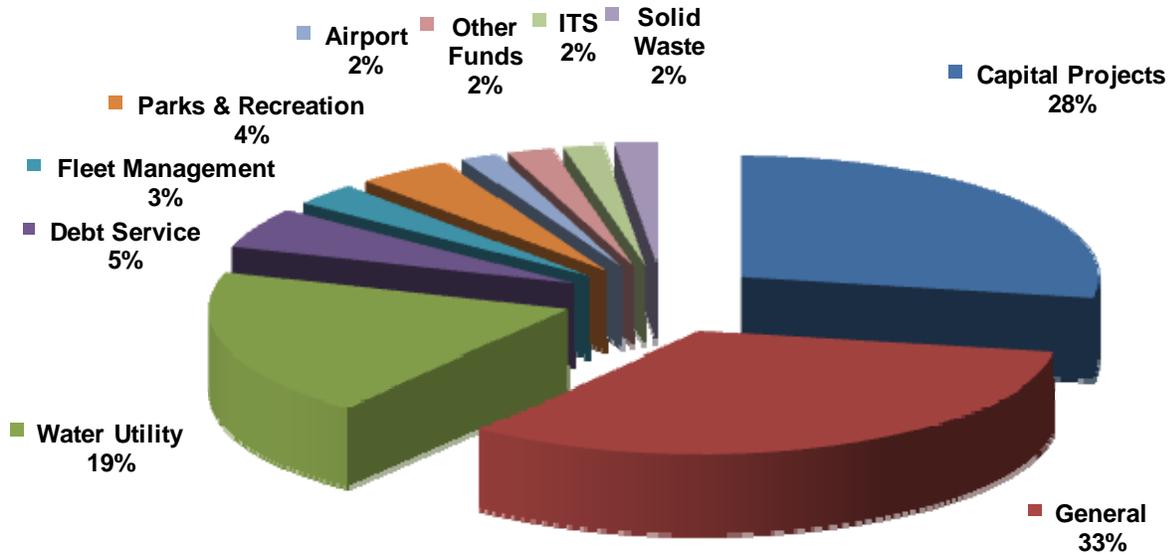
The following two charts reflect revenues and expenditures of all funds by category. Combined revenues are projected at \$159,513,861 for Fiscal Year 2010, 7.7% below Fiscal Year 2009 budget. To accommodate this revenue decline, combined expenditures are budgeted at \$170,026,220, or 8.1% under the current fiscal year budget.

Combined Funds Revenue by Type



	Actual 2007-2008	Budget 2008-2009	Proposed 2009-2010
Property Tax	\$ 32,995,034	\$ 30,607,938	\$ 32,813,825
Sales Tax	28,572,537	29,462,590	\$ 31,513,915
Fees & User Charges	45,695,979	52,696,025	44,640,555
Franchise Tax	14,662,791	12,246,959	12,794,396
Intergovernmental	7,672,882	8,244,815	5,567,267
Interest	7,399,091	3,294,401	2,731,969
Interfund Transfers	5,657,854	13,672,325	9,813,453
Other	<u>9,933,352</u>	<u>22,654,805</u>	<u>19,638,481</u>
TOTAL	<u>\$ 152,589,520</u>	<u>\$ 172,879,858</u>	<u>\$ 159,513,861</u>

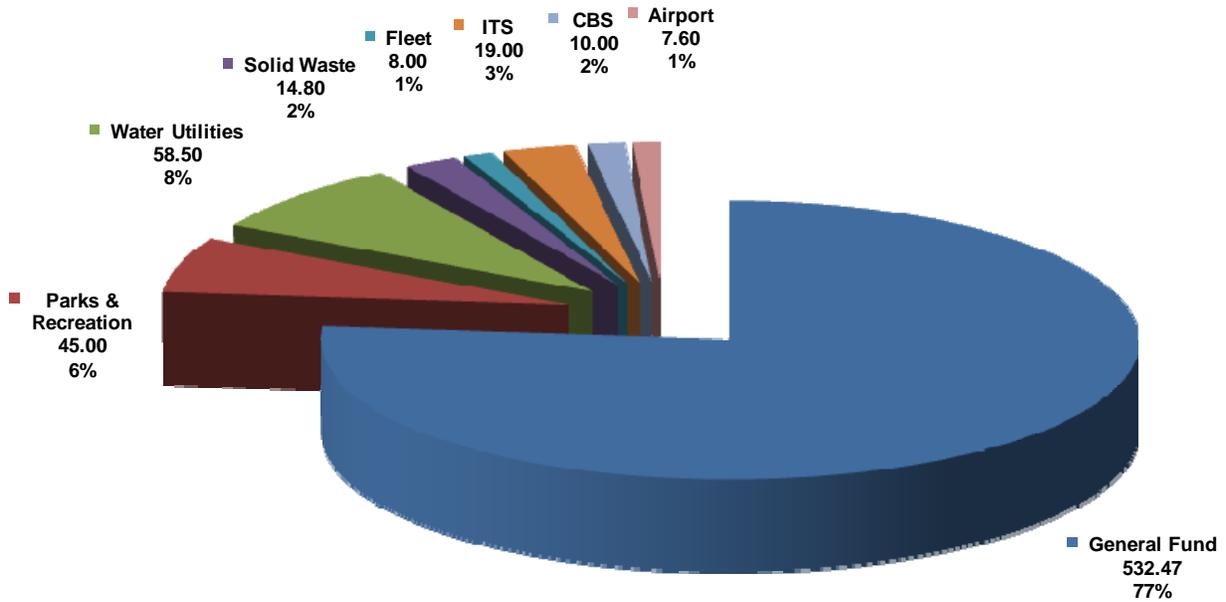
Combined Expenditures By Fund



	Actual 2007-2008	Budget 2008-2009	Proposed 2009-2010
Capital Projects	\$ 42,585,531	\$ 54,828,706	\$ 47,211,939
General	52,266,332	55,255,817	55,691,584
Water Utility	23,676,728	33,172,801	32,922,434
Debt Service	12,858,303	10,993,411	9,141,668
Fleet Management	3,000,337	7,091,219	5,075,709
Parks & Recreation	13,663,196	7,293,092	7,350,968
Airport	1,819,060	6,006,590	2,820,550
Other Funds	1,734,030	3,326,041	3,487,825
ITS	2,938,701	3,763,152	3,071,425
Solid Waste	3,180,687	3,292,544	3,252,118
TOTAL	\$ 157,722,905	\$ 185,023,373	\$ 170,026,220

This third chart reflects the City's total full-time equivalents (FTE) by fund. The total Fiscal Year 2010 increase is due primarily to public safety expansions in both Police and Courts of 8.75 FTE's, as previously discussed.

Combined Full-time Equivalents



	Actual 2007-2008	Budget 2008-2009	Adopted 2009-2010
General Fund	514.52	523.72	532.47
Parks & Recreation	44.05	45.00	45.00
Water Utilities	58.50	58.50	58.50
Solid Waste	14.20	14.80	14.80
Fleet	8.00	8.00	8.00
Information Technology Services (ITS)	17.00	19.00	20.00
Central Building Services (CBS)	11.00	11.00	10.00
Airport	<u>7.98</u>	<u>7.60</u>	<u>7.60</u>
TOTAL	675.25	687.62	696.37
Change from previous year		12.37	8.75

Capital Project Funds for Fiscal Year 2009-2010

Capital project funds are budgeted annually and reflect the implementation of the City's various master plans and goals. Capital projects for Fiscal Year 2009-2010 are budgeted in the following funds:

- Landfill Improvement Fund: \$264,000
- Summit Woods Tax Increment Financing (TIF): \$5,148,652
- Chapel Ridge TIF: \$2,766,786
- Longview TIF: \$240,314
- North East TIF \$1,140,676
- Summit Fair TIF: \$1,136,041
- Todd George/50 HWY TIF \$502,668
- Hartley Block TIF: \$235
- I-470 Business TIF: \$120,000
- Water Tap: \$1,180,630
- Sewer Tap: \$3,410,937
- Water Construction: \$2,567,000
- Sewer Construction: \$342,000
- Road & Bridge Excise and Sales Tax; \$6,465,000
- Road & Bridge Improvement; \$6,661,000
- CIP Sales Tax Extension: \$5,727,000
- Neighborhood Park Development: \$350,000
- Legacy Park Construction: \$15,000
- Fire Station #2: \$950,000
- Sidewalk Program: \$1,442,000
- Storm water Improvements; \$3,767,000
- Arterial Street Lights: \$1,640,000
- Miscellaneous interfund transfers: \$1,375,000

Fiscal Year 2009-2010 capital project funds, including interfund transfers, represent expenditures of \$47,211,939 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 2009-2010 include:

- Gamber Center: \$340,155
- Legacy Park Community Center; \$1,565,922
- Harris Park Community Center; \$1,309,724
- Parks & Recreation: \$3,179,020
- Aquatics: \$727,134
- Cemetery; \$229,013

In total, Parks and Recreation's budgeted expenditures are \$7,350,968, representing a 0.79% increase over Fiscal Year 2009 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 2009-2010, expenditures are budgeted at \$2,820,550, a 64% 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 2010, budgeted expenditures are \$3,252,118, 1.23% below Fiscal Year 2009 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. The fee is calculated at seven percent of revenues.

Water Utilities Fund

The Water Utilities Fund is the second largest fund of the City next to the General Fund and comprises 19% of the City's overall budget. Fiscal Year 2010 expenditures are budgeted at \$32,922,434, or less than 1% below the Fiscal Year 2009 budget.

The Water Utilities Department serves over 33,000 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 2008, max day demand was 22.0 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 2007-2008 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,



Stephen Arbo
City Manager