



2018 RECOMMENDED BUDGET

EXECUTIVE SUMMARY



We are pleased to submit the FY 2018 recommended budget for your review and consideration. As required by law and by sound fiscal management, the recommended budget is balanced and ready for your consideration.

The budget represents the ingenuity and hard work of many city employees. As such, it communicates staff's ideas on how to allocate the resources available to best serve the residents and businesses of Lenexa.

We look forward to beginning the review and discussion of the recommended budget at the May 23 budget review session. If needed, we will schedule additional meetings to continue discussion of the budget.

Based on the city's strong financial position and positive future financial outlook, we are submitting a recommended budget with these key elements:

1. Slightly reduces the projected property tax mill levy (estimated 31.817 mills for 2018).
2. Maintains appropriate reserve levels in all city funds for 2018.
3. Continues the focus on providing quality city services, including an increase in staffing levels to address greater service demands from the community.
4. Continues funding for the pavement management program and parks/civic projects (including the new Recreation Center) due to the 3/8-cent sales tax approved by voters in 2008.

The total recommended budget for all funds, including projected reserve amounts, is \$153.9 million (\$116.0 million for expenditures and \$37.9 million for projected reserve amounts). This is an increase of \$12.6 million compared to the 2017 adopted budget.

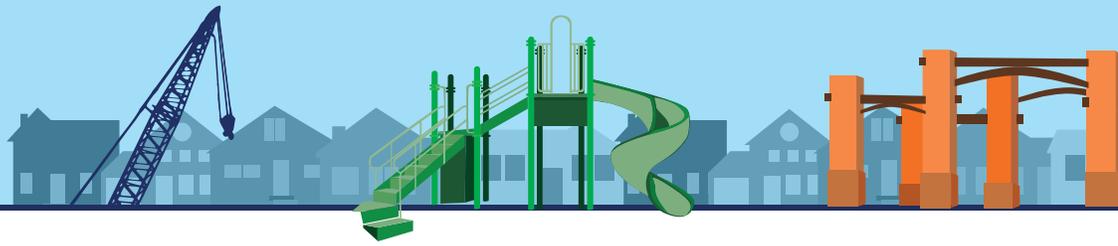
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City of Lenexa Credit Ratings

Moody's
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The Governing Body has established six strategic goals that guide the city's activities and allocation of resources.

City Services: *Ensure that city services assist in creating a superior quality of life and a safe atmosphere where people desire to live, work and play.*

The primary challenge in meeting this goal is addressing increased demands for services. The recommended budget includes additional staffing to help meet service demands. The budget also continues to provide funding for technology and training to enhance staff productivity.

Fiscal Responsibility: *Provide exceptional value for community-provided resources and strive for long-term financial balance in the city's operational and capital activities.*

The primary challenge in meeting this goal is achieving structural financial balance (revenues equal to or exceeding expenditures and transfers) in the General Fund, Debt Service Fund, and Stormwater Fund (these three funds comprise almost 86% of the total budget). The recommended budget maintains structural balance in the General Fund for 2018, and the long-term financial forecast shows structural balance for all three funds by 2019.

Economic Development: *Promote and stimulate quality development (including retail, corporate headquarters, bioscience, high technology companies and residential) to enhance the city's diverse economic base.*

The city continues to offer various incentives to stimulate economic development projects within the community. Current active programs include the issuance of private activity bonds in conjunction with tax abatements, tax increment financing (TIF) for projects located within existing TIF districts, and community improvement district (CID) financing. CID financing in particular has been successful in creating new retail development.

Reinvestment: *Promote and support efforts to redevelop retail sites and improve our neighborhoods to continue the city's reputation as a safe and friendly community.*

The city's primary challenge in meeting this area is balancing new development opportunities with redevelopment needs in the eastern part of the city. The recommended budget continues to support this goal by providing funding for the pavement management program. In addition, CID financing has assisted with redevelopment efforts for aging retail properties such as the Orchard Corners and the Greystone Plaza shopping areas. The City is also receiving additional funding through the Community Development Block Grant (CDBG) program to assist with redevelopment needs.

City Center: *Partner in the development of a premier destination point – "City Center" – that serves as a community gathering place integrating a variety of uses (including residential, retail and office uses).*

The development of Lenexa City Center has made significant progress in the past few years. The new civic campus – with the Lenexa Rec Center and City Hall featuring the Lenexa Public Market and Park University – will open July 31, 2017. Several new hotels, restaurants, multifamily housing and retail are either open or will soon be under construction. We will break ground this fall for the new Johnson County Public Library branch and in the near future for the Shawnee Mission School District aquatic stadium.

Sense of Community: *Celebrate Lenexa's heritage and history to enhance the sense of community, pride and quality of life for residents.*

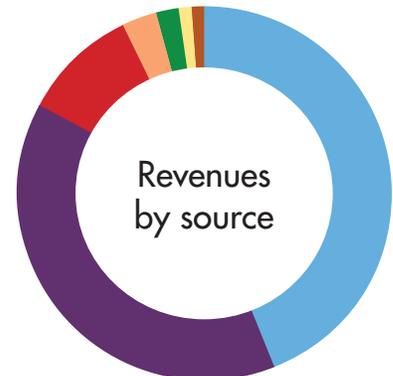
To meet this goal, the city continues to fund a number of community festivals in the adopted budget, including the Art Fair, Great Lenexa BBQ Battle, Latino Art Bravisimo, the Spinach Festival, Lenexa Freedom Run and the Chili Challenge.

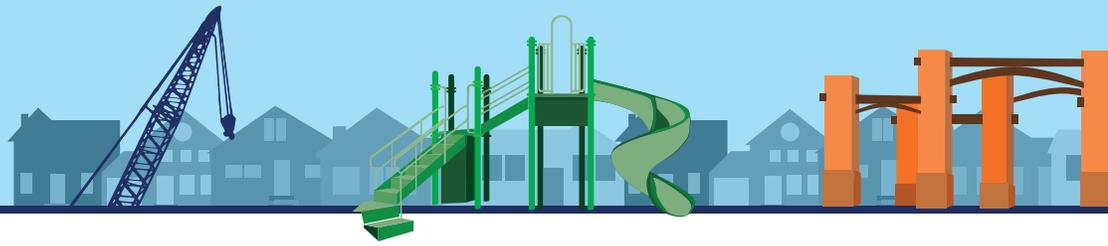


Revenue Highlights

- Estimated mill levy is 31.817 mills (decrease of .011 mills compared to the 2017 mill levy of 31.828). 23.880 mills are allocated to the General Fund, and 7.937 mills are allocated to the Debt Service Fund.
- Estimated assessed valuation is \$1.1 billion for 2018 (increase of 6.1%).
- One mill of property tax generates \$1,070,000 in property tax revenue.
- City sales tax revenues are projected to increase by 8.6% compared to the amount budgeted for 2017.
- County sales tax revenues are projected to increase by 22.2% compared to the amount budgeted for 2017 due to the countywide ¼-cent sales tax increase effective April 1, 2017.
- City use tax revenues are projected to increase by 2.9% compared to the amount budgeted for 2017.
- The recommended stormwater service charge user fee is \$109 per equivalent dwelling unit (EDU) in 2018 (no change from 2017).

Revenues by Source		2018	
Sales & Other Taxes	\$50,777,079	44%	
Property Taxes & Special Assessments	\$45,680,207	39%	
Charges for Services	\$10,903,112	10%	
Transfers & Use of Previous Year Balances	\$3,846,165	3%	
Licenses & Permits	\$1,884,500	2%	
Fines & Forfeitures	\$1,311,000	1%	
Other Revenues	\$1,556,506	1%	
Total	\$115,958,569	100%	

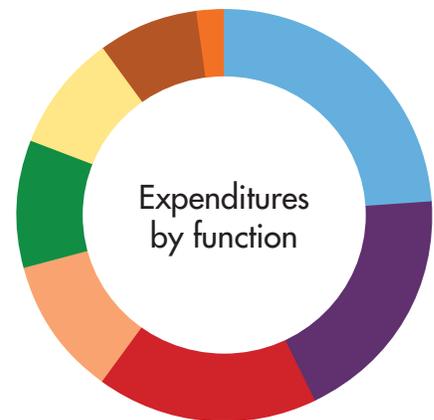


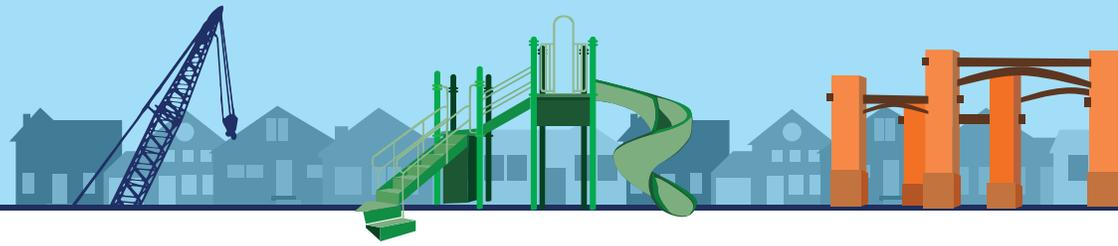


Expenditure Highlights

- Total estimated expenditures are \$116.0 million (\$11.1 million increase, or 10.6%). The expenditure increase is due to a variety of factors, including: increased operating costs for the General Fund (\$5.8 million), additional tax increment financing (TIF) payments due to increased assessed valuation for economic development projects (\$2.0 million), increased operating costs and capital project funding for Stormwater Management (\$1.1 million), and a full year of operation for the new Recreation Center (\$0.6 million).
 - Approximately 4% of pay is included for increased employee compensation in the recommended budget.
- Staff will submit a proposal to the Governing Body on the allocation of the 2018 compensation funding between merit pay increases and other pay plan increases in the 4th quarter of 2017.
- Projected full-time equivalent positions (FTEs) are 537 for 2018 – an increase of approximately 37 FTEs (7.5%). This increase is due to a full year of operation for the new Rec Center, Public Market, and City Hall (20.5 FTEs) and additional staffing to meet increasing service demands in various departments (16 FTEs).

Expenditures by Function		2018	
Public Safety	\$27,899,360	24%	
Debt Service	\$21,645,929	19%	
Community Infrastructure	\$19,378,949	17%	
Economic Development	\$13,092,746	11%	
Transfers for Capital Projects	\$12,071,394	10%	
General Government	\$9,943,685	9%	
Parks & Recreation	\$9,926,506	8%	
Other Transfers	\$2,000,000	2%	
Total	\$115,958,569	100%	





Lenexa Real Property Valuation by Property Type

As of March 2017

Category	Appraised Value	% Share
Residential	\$4,727,048,270	68.5%
Residential — Farm	\$16,057,410	0.2%
Commercial	\$2,043,303,270	29.6%
Agricultural	\$3,117,370	0.0%
Vacant, Not-for-Profit & Other	\$114,054,290	1.7%
Total	\$6,903,580,610	100.0%

Category	Assessed Value	% Share
Residential	\$543,611,663	50.8%
Residential — Farm	\$1,846,608	0.1%
Commercial	\$510,826,284	47.7%
Agricultural	\$807,786	0.1%
Vacant, Not-for-Profit & Other	\$13,775,177	1.3%
Total	\$1,070,867,518	100.0%

Lenexa Sales Tax Rate

By Governmental Unit

State of Kansas	6.500%	
City of Lenexa:		
General Purpose	1.000%	General Fund - no expiration
3/8-cent (roads, parks & civic facilities)	0.375%	Expires 10/1/2028
City of Lenexa Total	1.375%	
Johnson County	1.475%	0.25% expires 4/1/2027
Total	9.35%	

Lenexa Mill Levies - Recommended 2018 Budget

General Fund	23.88	75.1%
Debt Service Fund	7.937	24.9%
Total Mill Levy	31.817	100.0%

Lenexa Value of One Mill

2017 Final	\$1,019,605	delinquency rate = 2%
2018 Estimated	\$1,070,389	delinquency rate = 3%
% Change	5%	