

2020 RECOMMENDED BUDGET SUMMARY

EXECUTIVE SUMMARY



We are pleased to submit the FY 2020 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 June 11 budget review session. A second work session is planned for June 25.

Based on the city’s strong financial position and continued tax base growth, we are submitting a recommended budget with these key elements:

1. Reduces the projected property tax mill levy (estimated 29.462 mills for 2020).
2. Maintains appropriate reserve levels in all city funds for 2020.
3. Continues the focus on providing quality city services.
4. Continues funding for the pavement management program and parks/civic projects 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 \$174.2 million (\$126 million for expenditures and \$48.2 million for projected reserve amounts). This is an increase of \$10.1 million compared to the 2019 adopted budget.

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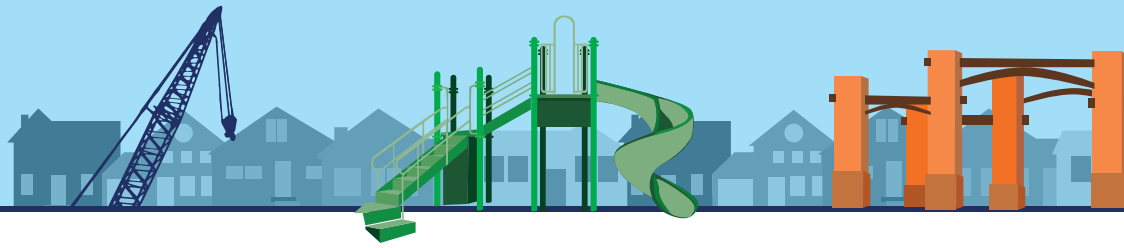
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City of Lenexa Credit Ratings

Moody's
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GOVERNING BODY GOALS



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 limited 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 approximately 80% of the total budget). The recommended budget maintains structural balance in the General Fund for 2020, and the long-term financial forecast shows structural balance for all three funds by 2021.

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 attracting 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 goal 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 in low- to moderate-income areas and to income-qualified residents through our Minor Home Repair Program.

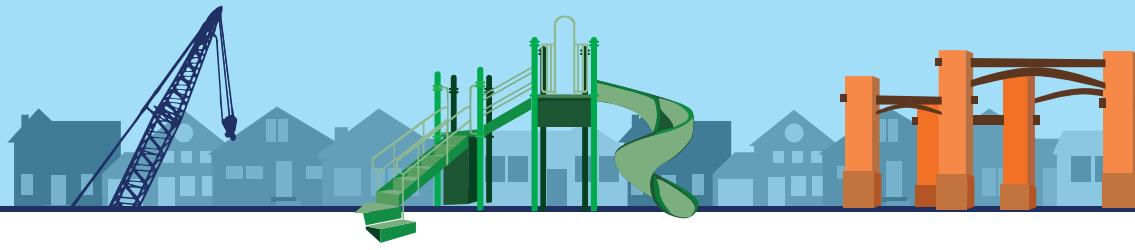
City Center: *Partner in the development of a premier destination point – "City Center" – that serves as a community gathering place integrating a variety of uses (including residential, retail and office uses).*

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 – opened July 2017. Johnson County's City Center Library opened in June 2019, and the Shawnee Mission School District Aquatic Center is scheduled to open in late 2019. Other mixed-use projects under construction feature space for retail, office, restaurant and multifamily housing.

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, the Spinach Festival, Lenexa Freedom Run and the Chili Challenge. Other programs and amenities, including the Public Market and Farmers Market, also support this goal.

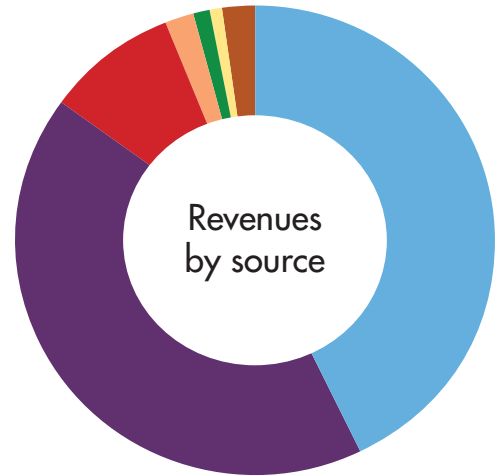
REVENUES



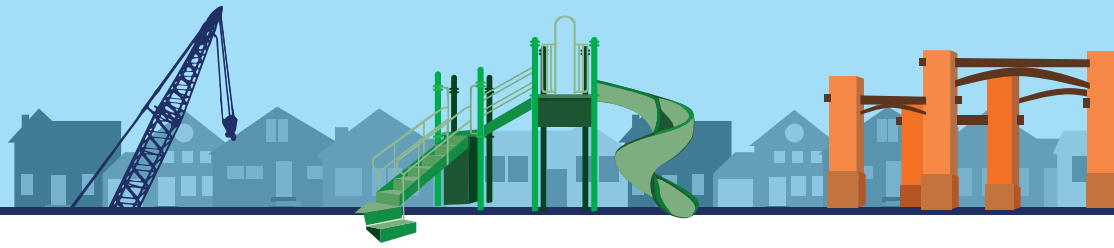
Revenue Highlights

- Estimated mill levy is 29.462 mills. This is a decrease of 0.447 mills (1.5%) compared to the 2019 mill levy of 29.909. Of this, 23.118 mills are allocated to the General Fund, and 6.344 mills are allocated to the Debt Service Fund.
- Estimated assessed valuation is \$1.26 billion for 2020 (increase of 5.2%).
- One mill of property tax generates \$1.22 million in property tax revenue.
- City sales tax revenues are projected to increase by 3.9% compared to the amount budgeted for 2019.
- County sales tax revenues are projected to decrease by 3.3% compared to the amount budgeted for 2019.
- City use tax revenues are projected to increase by 2% compared to the amount budgeted for 2019.
- The recommended stormwater service charge user fee is \$109 per equivalent dwelling unit (EDU) in 2020 (no change from 2019).

Revenues by Source		
Property Taxes & Special Assessments	\$53,763,450	43%
Sales Taxes & Other Taxes	\$53,434,664	42%
Charges for Services	\$11,835,019	9%
Licenses & Permits	\$1,841,500	2%
Transfers & Use of Prior Year Balances	\$1,219,142	1%
Fines & Forfeitures	\$1,321,000	1%
Other Revenues	\$2,584,314	2%
Total	\$125,999,089	100%



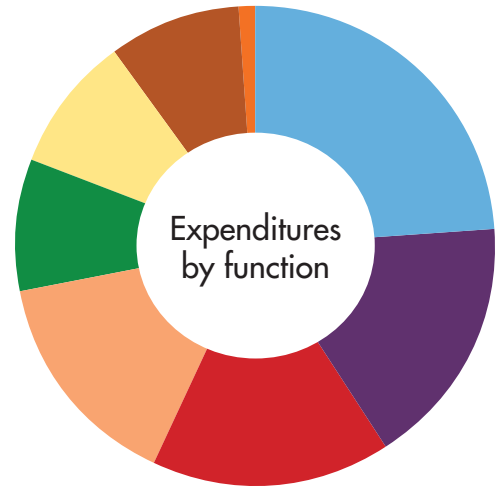
EXPENDITURES



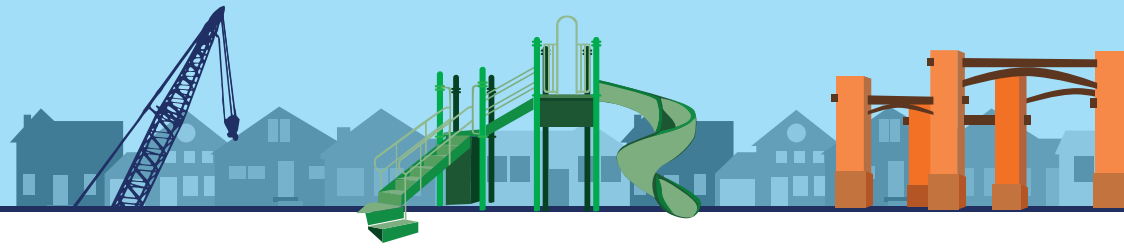
Expenditure Highlights

- Total estimated expenditures are \$126.0 million (\$5.5 million increase, or 4.6%). The expenditure increase is due to a variety of factors, including: increased operating costs for the General Fund (\$1.9 million), additional tax increment financing (TIF) payments due to increased assessed valuation for economic development projects (\$2.9 million), and additional community improvement district (CID) payments due to increased sales tax collections for economic development projects (\$0.3 million).
- Approximately 4% of pay is included for increased employee compensation in the recommended budget. Staff will submit a recommendation to the Governing Body on the allocation of the 2020 compensation funding between merit pay increases and other pay plan increases in the 4th quarter of 2019.
- Projected full-time equivalent positions (FTEs) are 545 for 2020 – an increase of approximately 3 FTEs. This increase is primarily due to additional staffing for Police Department activities, park maintenance and the Rec Center.

Expenditures by Function		
Public Safety	\$30,125,055	24%
Community Infrastructure	\$21,365,688	17%
Economic Development	\$19,548,144	16%
Debt Service	\$19,353,260	15%
Transfers for Capital Projects	\$11,287,952	9%
General Government	\$11,481,721	9%
Parks & Recreation	\$11,137,269	9%
Other Transfers	\$1,700,000	1%
Total	\$125,999,089	100%



QUICK REFERENCE



Lenexa Real Property Valuation by Property Type

As of March 2019

Category	Appraised Value	% Share
Residential	\$5,509,113,720	69.0%
Residential — Farm	\$16,353,340	0.2%
Commercial	\$2,316,381,340	29.0%
Agricultural	\$2,489,390	0.0%
Vacant, Not-for-Profit & Other	\$139,548,390	1.7%
Total	\$7,983,886,180	100.0%

Category	Assessed Value	% Share
Residential	\$633,549,107	51.4%
Residential — Farm	\$1,880,637	0.2%
Commercial	\$579,095,831	47.0%
Agricultural	\$649,571	0.1%
Vacant, Not-for-Profit & Other	\$16,839,818	1.4%
Total	\$1,232,014,964	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	9.350%	

Lenexa Mill Levies - Recommended 2020 Budget

General Fund	23.118	78.5%
Debt Service Fund	6.344	21.5%
Total Mill Levy	29.462	100.0%

Lenexa Value of One Mill

2019 Final	\$1,157,908	delinquency rate = 3%
2020 Estimated	\$1,217,635	delinquency rate = 3%
% Change	5.2%	