
Answers to Governing Body questions (6/30/2020 review session):

Provide balances for “off budget funds”

Staff has listed this information below. The balances are subject to change due to transactions during the remainder of FY2020.

- *Equipment Reserve Fund* (funds used for equipment replacement) - \$1.2 million unobligated balance
- *Facilities Maintenance Fund* (funds used for facilities projects such as roof replacement, HVAC repair/replacement, etc.) - \$2.5 million unobligated balance
- *Capital Improvement Fund – unallocated* (funds used for future capital projects; funding source is transfer from the General Fund) – \$6 million unobligated balance
- *Capital Improvement Fund – parks & recreation* (funds used for future parks & recreation capital projects; funding source is the parks & recreation share of the special alcohol tax) - \$713,000 unobligated balance
- *Capital Improvement Fund – excise tax* (funds used for future street construction capital projects) - \$2.6 million unobligated balance
- *Capital Improvement Fund – 3/8-cent sales/use tax* (funds used for future park & recreation/civic capital projects) - \$2.1 million unobligated balance
- *Capital Improvement Fund – County Courthouse ¼-cent sales/use tax* (funds used for future Public Safety Complex project) - \$4.6 million unobligated balance

Update the PowerPoint budget overview to include the potential use of reserves as an option if actual revenues are less than estimated for FY2021

Staff has updated slide 14 and attached the entire PowerPoint file.

Provide an update on building permit activity for FY2020

Staff has attached the summary building permit report as of 6/30/2020.

Explain the 4% increase in Legler Barn personnel costs (page 2.5 of the budget document)

The City staffs the Legler Barn operation with a “pooled position” where multiple individuals cover the hours of operation. We budget for this pooled position using a lump sum amount since multiple individuals cover the position. For FY2021, the personnel budget amount is the previous year lump sum amount plus the standard 3.5% pay increase in FY2020 plus the estimated 2% increase in FY2021. The net impact is 4% since pay increases are awarded at different times during the year.

Breakout revenues and expenditures for economic development incentives (CID/NRD/TIF)

Staff has completed this request for the FY2019 Actual, FY2020 Original Budget, and FY2021 Recommended Budget and attached the files.



FY2021 Recommended Budget Overview

June 30, 2020

OVERVIEW (slide 1)

Staff has submitted the FY2021 Recommended Budget with these key elements:

- Maintains the estimated property tax rate at 29.319 mills (23.006 mills for the General Fund and 6.313 mills for the Debt Service Fund).
- Maintains appropriate reserve levels in all City funds for FY2021.
- Continues to focus on providing high quality City services.
- Anticipates revenue decreases due to COVID-19 and compensates for these decreases by adjusting expenditures/transfers and using some reserve funds.

OVERVIEW (slide 2)

Staff has used the following approach in managing the FY2020 Budget and developing the FY2021 Recommended Budget:

- View COVID-19 as a short-term financial disruption that will have a major impact on revenues in FY2020 and FY2021.
- Use reserve funds, reduce General Fund transfers, and implement short-term expenditure reductions to mitigate the revenue decreases in FY2020 and FY2021.
- If necessary, develop a longer-term plan to reduce expenditures beyond FY2021 (if the financial impact of COVID-19 becomes a long-term disruption).

OVERVIEW (slide 3)

The total FY2021 Recommended Budget is \$174.1 million, which includes \$122.0 million in expenditures and \$52.1 million in estimated reserve balances. This is a decrease of \$0.1 million compared to the FY2020 Budget of \$174.2 million.

Total General Fund operating expenditures in the FY2021 Recommended Budget are \$78.5 million. This is a reduction of \$4.9 million (6%) compared to the FY2020 General Fund budget amount of \$83.4 million.

Total budgeted full-time equivalent (FTE) positions are 549 for FY2021 (unchanged from the revised amount for FY2020).

The estimated mill levy of 29.319 mills is unchanged from FY2020 (after declining in both FY2019 and FY2020) and the Stormwater service charge is \$109 per equivalent dwelling unit, or EDU (unchanged from FY 2020).

GOVERNING BODY DECISION POINTS

Key decision points for the Governing Body on budget items:

- By 6/30/2020: Direct staff on FY2021 publication amounts for total property tax levy and total expenditures + reserves. The publication amounts establish the maximum amounts for the property tax levy and total expenditures + reserves. Staff will submit the notice of public hearing (which includes the publication amounts) to the Kansas City Star for publication in early July prior to the 7/21/2020 public hearing.
- On or before 8/4/2020: Direct staff on whether the maximum publication amounts should be decreased for the final FY2021 Budget. Staff will schedule approval of the FY2021 Budget for the 8/4/2020 City Council meeting (the budget must be approved and submitted to Johnson County by 8/25/2020 per state law).
- March 2021: By this time, the City will have preliminary real estate assessed valuation amounts for the FY2022 Budget, information on property tax and special assessment collections for FY2021 (January 2021 distribution), and information on sales/use tax collections for the 2020 holiday season. This information will serve as the basis to determine whether the City needs to implement a long-term plan to reduce expenditures for FY2022.

REVENUE ESTIMATES (slide 1)

The City's assessed valuation increases by 6% to \$1.34 billion (vs. \$1.26 billion in FY2020). Estimated property tax revenues also increase by 6% to \$38.1 million (vs. \$35.9 million in FY2020) assuming a delinquency rate of 3%. Property tax revenue is \$29.9 million for the General Fund and \$8.2 million for the Debt Service Fund in FY2021. The estimated value of one mill of property tax is \$1.3 million in FY2021. The proposed property tax levy is \$0.4 million less than the maximum allowed property tax levy (i.e., the tax lid calculation).

Projected City sales and use taxes **decrease** by 15% in FY2020 compared to FY2019 actual and remain at the same reduced level in FY2021. The annual revenue **reduction** from the original FY2020 estimate is a total of \$4.3 million (from \$25.0 million to \$20.7 million). The annual revenue **reduction** is \$3.1 million for the City's 1% sales/use tax and \$1.2 million for the City's 3/8-cent sales/use tax. The City accounts for these revenues in the General Fund.

Projected County sales and use taxes **decrease** by 15% in FY2020 compared to FY2019 actual and remain at the same reduced level in FY2021. The annual revenue **reduction** from the original FY2020 estimate is a total of \$1.7 million (from \$11.4 million to \$9.7 million). The annual revenue **reduction** is \$1.5 million for on-going County sales/use taxes and \$0.2 million for the County courthouse sales/use tax. The City accounts for these revenues in the General Fund.

The sales and use tax estimates are very preliminary and will likely change based on actual sales tax receipts during the remainder of FY2020 and FY2021. Staff is projecting the decreases due to the economic disruption caused by COVID-19.

REVENUE ESTIMATES (slide 2)

Projected City investment income from operating funds **decreases** by 75% in FY2020 compared to FY2019 actual and remains at the same reduced level in FY2021. The **decrease** is due to lower interest rates. The annual revenue **reduction** from the original FY2020 estimate is a total of \$0.6 million (from \$1.1 million to \$0.5 million), with \$0.5 million of the **reduction** occurring in the General Fund.

Projected special liquor taxes **decrease** by 75% in FY2020 compared to the FY2020 original estimate and remain at the same reduced level in FY2021. The annual revenue **reduction** from the original FY2020 estimate is a total of \$0.7 million (from \$0.9 million to \$0.2 million), with \$0.23 million of the **reduction** occurring in the General Fund.

Projected gas taxes **decrease** by 17% in FY2021 compared to the FY2020 estimate. The annual revenue reduction is \$0.25 million in the Special Highway Fund. These funds are used for the Pavement Management Program.

Projected transient guest tax revenues (accounted for in the Tourism & Convention Fund) **decrease** by 58% in FY2020 compared to FY2019 actual and remain at the same reduced level in FY2021. The annual revenue **reduction** from the original FY2020 estimate is a total of \$1.1 million (from \$1.7 million to \$0.6 million).

These revenue estimates are very preliminary and will likely change based on actual receipts during the remainder of FY2020 and FY2021.

REVENUE ESTIMATES (slide 3)

Projected court fine revenue decreases by 25% in FY2020 compared to FY2019 actual and remains at the same reduced level in FY2021. The annual revenue reduction from the original FY2020 estimate is a total of \$0.3 million (from \$1.2 million to \$0.9 million). The City accounts for these revenues in the General Fund.

Projected building permit revenues decrease by 25% in FY2021 compared to the FY2020 original estimate. The annual revenue reduction from the original FY2020 estimate is a total of \$0.25 million (from \$1.0 million to \$0.75 million). The City accounts for these revenues in the General Fund.

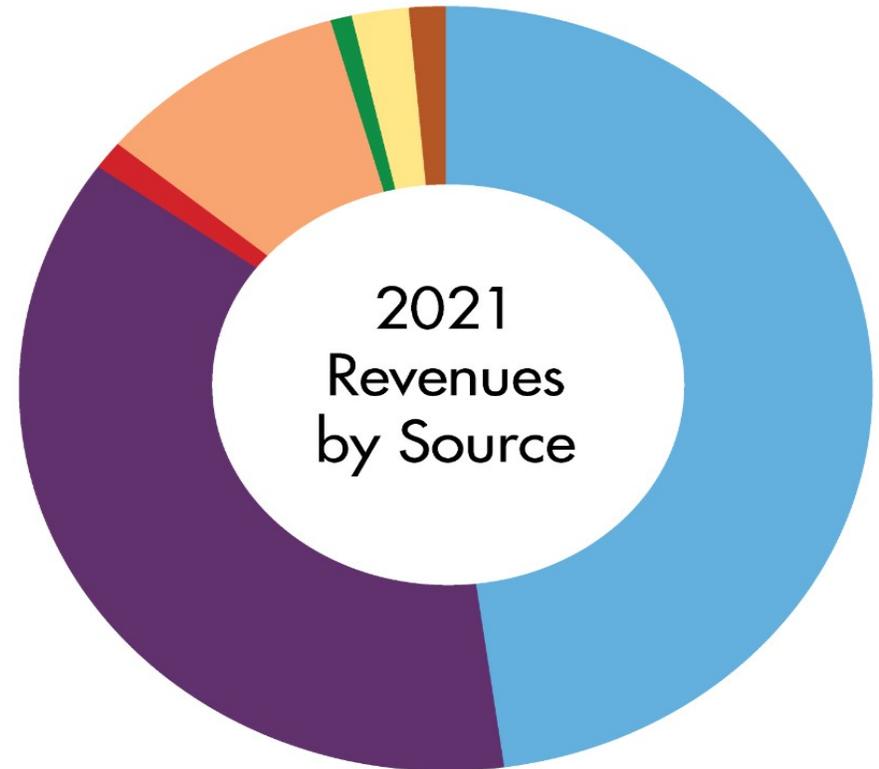
Projected franchise tax revenues from gas service decrease by 14% in FY2020 compared to FY2019 actual and remain at the same reduced level in FY2021. The annual revenue reduction from the original FY2020 estimate is a total of \$0.24 million (from \$1.34 million to \$1.1 million). The City accounts for these revenues in the General Fund.

Impact on General Fund revenues: original FY2020 budget = \$83.4 million; revised FY2020 estimate = \$75.3 million (decrease of \$8.1 million or 9.7%); recommended FY2021 budget = \$76.8 million (decrease of \$6.7 million or 8%)

These revenue estimates are very preliminary and will likely change based on actual receipts during the remainder of FY2020 and FY2021.

REVENUE ESTIMATES (slide 4)

2021 Revenues by Source			
Property Taxes & Special Assessments	\$58,319,181	48%	
Sales Taxes & Other Taxes	\$45,169,122	37%	
Licenses & Permits	\$1,465,000	1%	
Charges for Services	\$11,701,564	10%	
Fines & Forfeitures	\$991,000	1%	
Use of Prior Year Balances	\$2,626,959	2%	
Other Revenues	\$1,688,221	1%	
Total	\$121,961,047	100%	



EXPENDITURE INFORMATION (slide 1)

Personnel costs:

The recommended budget includes 2% for employee pay increases in FY2021. This amount is a placeholder only and may change – staff will make a recommendation to the Governing Body in FY2021 on pay raises as we gain a better understanding of the COVID-19 impact on revenues. In addition, staff has put the compensation study (originally scheduled for completion in 2020) on hold.

The City contribution for employee health insurance costs increases by 10% (\$0.47 million) from \$4.76 million in FY2020 to \$5.23 million in FY2021. In recent years, the employee health plans had favorable claims experience, which allowed the City to keep employer contributions relatively stable. However, FY2019 claims experience was not good, so staff proposes to begin increasing the dollar amount of City contributions in FY2021. The City will determine amounts for employee contributions prior to open enrollment in fall 2020.

Staff has not included any new FTE positions in the FY2021 Recommended Budget.

FY2020, staff is holding approximately 13 FTE positions vacant across all funds (\$846,000 annual total budget amount). These positions are still shown as funded in the FY2021 Recommended Budget. The General Fund financial projections shown in Tab 2 include personnel savings of \$660,000 (2% of the personnel budget) for FY2020.

EXPENDITURE INFORMATION (slide 2)

Contractual services/Commodities/Capital Outlay:

FY2021 contractual services and commodities expenditures are \$15.25 million in the General Fund, compared to \$15.53 for the FY2020 Budget. The decrease of \$0.28 million is due to one-time purchases approved for FY2020 that are not included in the FY2021 Recommended Budget.

FY2021 capital outlay expenditures are \$430,000 in the General Fund, compared to \$990,000 for the FY2020 Budget. The decrease of \$560,000 is due to one-time purchases approved for FY2020 that are not included in the FY2021 Recommended Budget.

For FY2020, staff has put a hold on employee travel due to the COVID-19 outbreak and expects to save at least \$400,000 (out of an original budget of \$850,000) in the General Fund during the year. This estimated savings is included in the General Fund financial projections (shown in Tab 2 of the budget document).

EXPENDITURE INFORMATION (slide 3)

Economic Development payments:

FY2021 economic development payments (CID, Neighborhood Revitalization District, special benefit districts, TIF) are \$20.3 million, compared to \$17.6 million for the FY2020 Budget. The increase of \$2.7 million (15.5%) is primarily due to increased assessed valuation in TIF districts and the addition of the Lenexa Point CID.

General Fund transfers:

The General Fund transfer to the Capital Improvement Fund (CIF) for capital projects is \$1.3 million for FY2021, compared to \$4.3 million in FY2020 (decrease of \$3 million or 70%). The General Fund transfer to the CIF for the Pavement Management Program is \$1.01 million for FY2021 (equivalent of 0.78 mills) compared to \$0.95 million in FY2020 (increase of \$62,000 or 6%).

The General Fund transfers to the Equipment Reserve Fund (ERF) and Facilities Maintenance Fund (FMF) decrease by 50% in FY2021 (from \$1.7 million to \$0.85 million for the ERF; from \$0.5 million to \$0.25 million for the FMF). The General Fund transfers to the Rec Center and CIF for art purchases are \$0 for FY2021 (Rec Center transfer budgeted at \$363,000 and art purchase transfer budgeted at \$22,000 in FY2020).

EXPENDITURE INFORMATION (slide 4)

General Fund expenditures:

Original FY2020 budget = \$83.4 million; revised FY2020 estimate = \$80.6 million; recommended FY2021 budget = \$78.5 million (decrease of \$4.9 million or 6%).

Other funds:

FY2021 expenditures are lower in a number of other funds, including the Tourism and Convention Fund, Stormwater Fund, Rec Center Fund, and Special Alcohol Fund (see Tab 2 of the budget document).

Total expenditures:

Original FY2020 budget = \$126.0 million; recommended FY2021 budget = \$122.0 million (decrease of \$4.0 million or 3%).

EXPENDITURE INFORMATION (slide 5)

What expenditures could we adjust if FY2021 revenues come in less than estimated?:

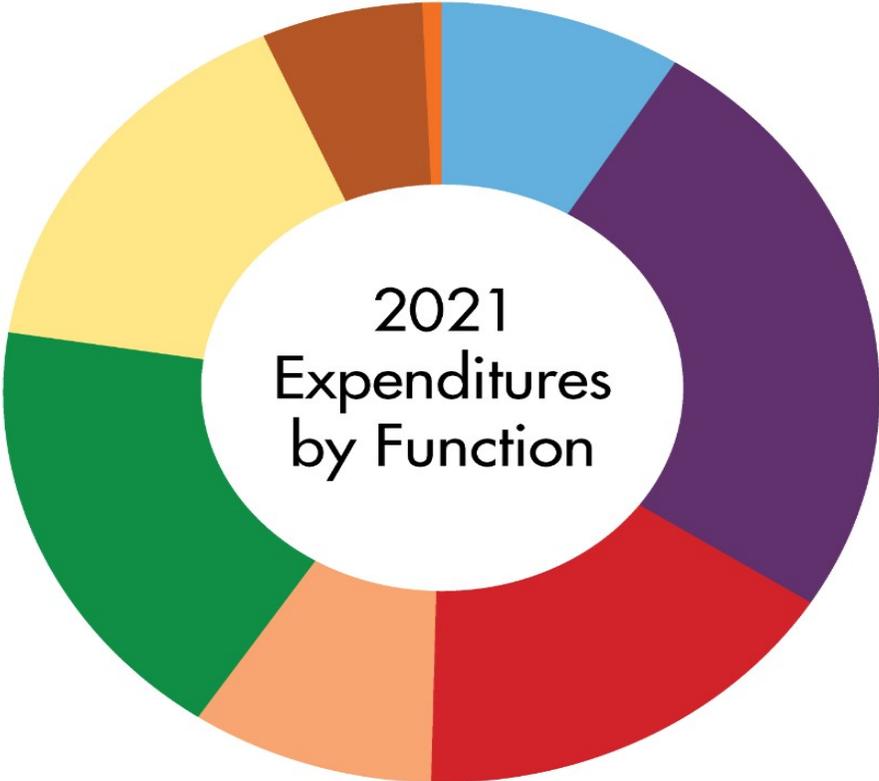
- Current vacant positions - \$846,000 (13 FTEs)
- Travel - \$843,000 (General Fund)
- General Fund transfer to the Capital Improvement Fund (\$1,297,000)
- Employee pay increases (\$360,000 for FY2021)

Total FY2021 = \$3,346,000

Depending on the amount required, we could also use additional reserve funds to cover the gap between estimated and actual revenues (for example, we estimate the General Fund reserve balance will be \$5.5 million above the 35% reserve calculation as of 12/31/2021 – these funds would be available for use if needed).

EXPENDITURE INFORMATION (slide 6)

2021 Expenditures by Function		
General Government	\$10,928,133	9%
Public Safety	\$30,609,525	25%
Community Infrastructure	\$19,909,881	16%
Parks & Recreation	\$10,966,927	9%
Economic Development	\$22,071,633	18%
Debt Service	\$19,361,048	16%
Transfers for Capital Projects	\$7,263,900	6%
Other Transfers	\$850,000	1%
Total	\$121,961,047	100%



RESERVE BALANCES

Staff is proposing the use of reserve funds to cover estimated deficits in FY2020 (\$7.6 million) and FY2021 (\$2.6 million), including:

- General Fund: use \$5.3 million of reserves in FY2020 and \$1.7 million of reserves in FY2021.
- Debt Service Fund: use \$0.6 million of reserves in FY2020 (no projected use of reserves in FY2021).
- Tourism and Convention Fund: use \$0.37 million of reserves in FY2020 and \$0.35 million of reserves in FY2021.
- Stormwater Fund: use \$0.13 million of reserves in FY2020 (no projected use of reserves in FY2021).
- Rec Center Fund: use \$1.1 million of reserves in FY2020 and \$0.39 million of reserves in FY2021).
- Special Alcohol Fund: use \$0.16 million of reserves in FY2020 and \$0.16 million of reserves in FY2021.

Projected reserve balances for all funds are \$52.1 million as of 12/31/2021 and exceed minimum reserve requirements established by City policy. Even with the proposed use of reserves described above, the estimated 12/31/2021 balances are \$3.9 million larger than the estimated amount of \$48.2 million included in the FY2020 original budget. The increase is due to better-than-expected financial performance in FY2019 for the General Fund, Stormwater Fund, and Rec Center Fund (each of these funds had higher reserve balances as of 12/31/2019 than originally projected by staff).

CALENDAR & WRAP-UP

Proposed budget calendar:

- Governing Body budget review session on 6/30/2020 if needed
- Publication of public hearing notice in Kansas City Star (early July)
- Public hearing (7/21/2020 City Council meeting)
- Adopt FY2021 Budget (8/4/2020 City Council meeting)
- Submit state budget forms to Johnson County and State of Kansas (by 8/25/2020)

Questions?



Building Permits Report June 2020

Permit Type	2020 Total This Month	2020 Total Year-To-Date	2020 Total Valuation This Month	2020 Total Valuation Year-To-Date	2019 Total This Month	2019 Total Year-To-Date	2019 Total Valuation Year-To-Date
RESIDENTIAL	Permits/Units	Permits/Units			Permits/Units	Permits/Units	
Single Family	22	95	\$8,989,162.87	\$38,696,062.54	14	55	\$24,529,847.66
Duplexes	0	0	\$0.00	\$0.00	2	22	\$5,336,350.25
Townhomes	0	0	\$0.00	\$0.00	0	36	\$5,821,724.44
Apartments ***	0 / 0	2 / 298	\$0.00	\$53,528,030.00	1 / 67	1 / 67	\$10,500,000.00
Additions, Alterations, Misc. *	185	784	\$1,588,176.58	\$7,026,514.96	155	780	\$7,552,385.31
SUBTOTAL RESIDENTIAL:	207	881	\$10,577,339.45	\$99,250,607.50	172	894	\$53,740,307.66
COMMERCIAL							
New Building Construction ****	4	15	\$24,465,695.82	\$56,124,493.84	3	12	\$20,366,016.04
Additions, Alterations, T.F. **	22	127	\$13,223,943.00	\$39,555,880.51	24	191	\$22,792,732.70
Eng Permits, Signs, C/O, Misc.	28	187	\$0.00	\$0.00	26	250	\$0.00
SUBTOTAL COMMERCIAL:	54	329	\$37,689,638.82	\$95,680,374.35	53	453	\$43,158,748.74
TOTALS:	261	1210	\$48,266,978.27	\$194,930,981.85	225	1347	\$96,899,056.40

* Includes re-roofs, fences, pools, detached garages, demolitions and structural modifications such as decks, remodels, and room or garage additions.

** Permits for structural modifications such as additions, remodels, tenant finishes, plumbing, mechanical and electrical work.

*** Beginning in 2014, monthly reporting for apartment, duplex and townhome permits will be altered from previous years. Permits for apartment buildings will be reported as residential construction, whereas previously they were reported as commercial construction, and the number of buildings and units will be reported as well. Permits are issued for each living unit in a duplex or townhome; therefore, the number of permits and units will be the same.

**** Includes garage and carport permits for apartment complexes.

Commercial/Apartment Projects This Month (New, Addition, Tenant Finish, and Remodel) >= \$250,000

Project	Permit Type	Address	Valuation
Johnson County VA - EDR	New	15512 W 113TH ST	\$11,900,000.00
Mill Creek CTE-ECC	New	8201 MIZE BLVD	\$11,162,905.00
Thermo Fisher Project Patriot- EDR	Remodel	17000 W 116TH ST	\$8,000,000.00
Red Door Woodfired Grill-EDR	Tenant Finish	15918 W 88TH ST	\$1,200,000.00
Mill Creek District Warehouse	New	8181 MIZE BLVD	\$1,144,089.06
Ceva 9006 PCR Labs-EDR	Remodel	9006 ROSEHILL RD	\$965,861.00
USDA Market Administration-EDR	Remodel	10801 RENNER BLVD	\$494,107.00



Building Permits Report June 2020

Commercial/Apartment Projects This Month (New, Addition, Tenant Finish, and Remodel) >= \$250,000

Project	Permit Type	Address	Valuation
The One Bridal-EDR	Tenant Finish	8801 PENROSE LN	\$425,000.00
Mill Creek Fieldhouse	New	8075 MIZE BLVD	\$258,701.76

New Home Permits By Subdivision

This Month

ARBOR LAKE	4
CANYON CREEK POINT	5
CEDARCREST	1
CREEKSIDE WOODS	2
RESERVE	3
THE TIMBERS AT CLEAR CREEK	3
TIMBER ROCK	2
WATERCREST LANDING	2

This Year

ARBOR LAKE	4
Benton House	3
BRISTOL HIGHLANDS	5
BRISTOL RIDGE WEST	1
CANYON CREEK POINT	8
CEDARCREST	3
COTTONWOOD CANYON	6
CREEKSIDE WOODS	10
HILL CREST	1
LENEXA	1
RESERVE	12
RESERVE AT MANCHESTER PARK	1
THE TIMBERS AT CLEAR CREEK	6
TIMBER ROCK	16
WATERCREST LANDING	9

Revenues by Source
(FY2019 Actual, FY2020 Budget, FY2021 Recommended Budget)

FY2021 Recommended Budget:

Source	2021	
Property Taxes & Special Assessments	\$42,701,181	35%
Sales Taxes & Other Taxes	\$43,421,122	36%
Economic Development Taxes (CID/NRD/TIF)	\$17,366,000	14%
Licenses & Permits	\$1,465,000	1%
Charges for Services	\$11,701,564	10%
Fines & Forfeitures	\$991,000	1%
Use of Prior Year Balances	\$2,626,959	2%
Other Revenues	\$1,688,221	1%
Total	\$121,961,047	100%

FY2020 Original Budget:

Source	2020	
Property Taxes & Special Assessments	\$40,526,450	32%
Sales Taxes & Other Taxes	\$52,003,664	41%
Economic Development Taxes (CID/NRD/TIF)	\$14,668,000	12%
Licenses & Permits	\$1,841,500	1%
Charges for Services	\$11,835,019	9%
Fines & Forfeitures	\$1,321,000	1%
Use of Prior Year Balances	\$473,655	0%
Other Revenues	\$3,329,801	3%
Total	\$125,999,089	100%

FY2019 Actual:

Source	2019	
Property Taxes & Special Assessments	\$35,896,030	29%
Sales Taxes & Other Taxes	\$51,493,217	42%
Economic Development Taxes (CID/NRD/TIF)	\$9,439,863	8%
Licenses & Permits	\$2,334,114	2%
Charges for Services	\$13,117,851	11%
Fines & Forfeitures	\$1,299,840	1%
Use of Prior Year Balances	\$0	0%
Other Revenues	\$9,348,833	8%
Total	\$122,929,748	100%

Expenditures by Function
(FY2019 Actual, FY2020 Budget, FY2021 Recommended Budget)

FY 2021 Recommended Budget:

Function	2021	
General Government	\$10,928,133	9%
Public Safety	\$30,609,525	25%
Community Infrastructure	\$19,909,881	16%
Parks & Recreation	\$10,966,927	9%
Economic Development (Other)	\$4,705,633	4%
Economic Development (CID/NRD/TIF)	\$17,366,000	14%
Debt Service	\$19,361,048	16%
Transfers for Capital Projects	\$7,263,900	6%
Other Transfers	\$850,000	1%
Total	\$121,961,047	100%

FY 2020 Original Budget:

Function	2020	
General Government	\$11,481,721	9%
Public Safety	\$30,125,055	24%
Community Infrastructure	\$21,365,688	17%
Parks & Recreation	\$11,137,269	9%
Economic Development (Other)	\$4,880,144	4%
Economic Development (CID/NRD/TIF)	\$14,668,000	12%
Debt Service	\$19,353,260	15%
Transfers for Capital Projects	\$11,287,952	9%
Other Transfers	\$1,700,000	1%
Total	\$125,999,089	100%

FY 2019 Actual:

Function	2019	
General Government	\$10,174,705	9%
Public Safety	\$27,801,283	24%
Community Infrastructure	\$18,541,270	16%
Parks & Recreation	\$9,605,465	8%
Economic Development (Other)	\$649,333	1%
Economic Development (CID/NRD/TIF)	\$9,595,704	8%
Debt Service	\$20,980,925	18%
Transfers for Capital Projects	\$18,209,975	16%
Other Transfers	\$1,700,000	1%
Total	\$117,258,660	100%