Citizen Questions
FY2026 Recommended Budget
(Updated 8/28/2025)

The following questions were submitted by citizens of Lenexa regarding the FY2026 budget and have been summarized for clarity, effectiveness and common themes. Responses have been provided by City staff to help explain key aspects of the proposed budget, including spending priorities, funding sources, and the anticipated impact on City services. This Q&A is intended to address common questions raised by the community.

Q: It appears that residential properties pay 70% of property taxes while commercial accounts for 30%? In 1988, 47% of property taxes came from residential.

That is not accurate for the City of Lenexa. Approximately 56% of property tax revenue comes from residential properties (including multi-family), and 44% comes from commercial properties. The breakdown by property type is:

- Single-Family Residential – 45%
- Multi-Family Residential – 11%
- Commercial – 44%

Q: The City's reserves have continually grown – will the funds ever be spent or will they continue to grow above the City's policy?

On page 66 of the FY2026 Recommended Budget, available on the City's website, the General Fund reserve balance is projected to range between 35% and 38% from FY2026 through FY2030. While maintaining sufficient funds for unexpected events is the primary purpose of the General Fund reserve, it also plays a critical role in supporting the City's AAA (Aaa) bond rating from Moody's Investors Service and Standard & Poor's—the highest possible credit rating for a municipality. These ratings reflect the City's conservative financial management, minimal debt burden, and strong, diverse tax base. Both rating agencies cite available cash as a key factor in achieving and maintaining this top rating. While staff recognizes that sustaining such high reserve levels indefinitely is not feasible, the goal is to maintain reserves at or slightly above the City's policy target.

Additionally, Lenexa's Reserve Policy lays out four options for the use of General Fund reserves (unassigned) that exceed the target:

General Fund reserve amounts in excess of 35% of the budgeted annual General Fund revenues are one-time funds and shall be used only for the following purposes:

- For one-time expenditures, including capital outlays, studies, and payments to reduce outstanding City debt
- For capital projects through transfers to the Capital Improvement Fund and other City funds
- To increase reserve amounts in other City funds as needed
- To offset the impact of economic downturns on a short-term (one or two fiscal years) basis

One of the most impactful uses of these funds is transferring them to the Capital Improvement Fund—either to pay for capital projects originally planned to be debt-financed (thereby saving taxpayers interest costs) or to fund essential projects that may have been delayed due to a lack of available funding (thereby improving services). Both uses have a positive impact on the City's residents and support the potential for continued mill levy reductions in future years which results in "returning budget overages" to taxpayers.

Q: How much is our revenue projected to increase over the coming years?

The City has published multi-year financial forecasts for its major funds in the FY2026 Recommended Budget, available on the City's website. The financial forecast section, beginning on page 63, includes projections for the General Fund, Debt Service Fund, and Stormwater Fund, which together account for approximately 75% of the City's operating budget.

Q: It appears that the City has dedicated 2.500 mills to the Debt Service fund? Will the mill levy in the Debt Service fund go away once the City's debt is paid off?

The proposed FY2026 budget allocates 4.549 mills to the Debt Service Fund to pay the City's debt obligations. This represents a decrease of 0.300 mills from the FY2025 budget.

As stated in the July 25, 2025, Q&A document, "the mill levy for the Debt Service Fund is reviewed annually and adjusted based on projected needs and revenue requirements. Because the City's debt program is used to finance major capital improvements, there will likely always be a need to issue debt. As the community grows, the City must construct new infrastructure; as it matures, investment will shift toward the replacement and maintenance of existing assets. As a result, the City anticipates the continued need for a dedicated debt service mill levy for the foreseeable future."

FY2026 Budget Q&A – Posted 7/25/2025

Q: Each City department listed efficiencies during their budget presentations – what were the savings to taxpayers for these efficiencies? Did these efficiencies

determine incentive pay? Are incentive payments made to each person in the department? Do department heads receive incentive pay?

Efficiencies identified by departments during their budget presentations ranged from a few thousand dollars to over one hundred thousand dollars. Many of these efficiencies are ongoing and will continue to generate taxpayer savings in future years.

All City departments are expected to seek efficiencies and cost savings as part of their regular operations. This aligns with the City's core values of integrity and dedication to excellence. The City does not provide incentive payments to any employees based on efficiencies identified within their departments. Rather, this is a standard expectation of responsible public service. Further, department heads do not receive any incentive pay.

Q: How will the City measure revenue vs expenses for the World Cup?

The City anticipates increased sales and transient guest tax revenue in 2026 related to the World Cup events, which will be recorded in both the General Fund and the Tourism & Convention Fund, respectively. Any expenditures associated with the events — including public safety overtime, equipment, public transportation support, and other direct costs — will be tracked by the appropriate departments and monitored by Finance staff.

Q: Tariff Impact: Please provide details on the amount of contingency funding included in the proposed 2026 budget to account for potential tariff impacts (i.e.: padding of the budget) and specify the expenditure categories to which these funds would be allocated.

As noted in the City's budget presentations, the potential impact of tariffs on the City's budget remains largely unknown due to the federal government's ongoing changes to tariff rates and, in some cases, temporary suspensions of their implementation. The proposed FY2026 General Fund expenditure budget reflects a 1.8% increase — below the current inflation rate — and includes no additional "padding" to account for potential tariff impacts. The City will continue to follow its procurement policies and adjust as necessary in response to any future tariff-related changes.

Q: Property Tax Increase: The 2026 budget proposes a 5.26% property tax increase, significantly higher than the 2.6% forecasted in the 2025 multi-year plan. While this may reflect higher-than-expected assessed value changes, could an adjustment to the mill rate achieve the same revenue goals while moderating the tax burden?

The budget year is the most accurate and well-defined portion of the multi-year financial plan, as it reflects relatively well-known revenues, expenditures, staffing levels, and policy decisions. The "out years" (years two through five) are based on a consistent set of reasonable assumptions related to inflation, assessed valuation growth, revenue trends, and expenditure patterns. While these projections provide valuable insight into the City's long-term financial position, they are inherently less certain and should be viewed as planning tools rather than precise forecasts.

As noted in the FY2025 multi-year plan, Lenexa projected 4% growth in assessed valuation and anticipated a mill levy reduction of 0.372 mills in 2026. These projections were made nearly three years in advance and were intentionally conservative, accounting for potential risks such as a state-imposed valuation cap, a weakening economy, and a cooling labor market – all while planning a mill levy reduction. As the City moves through the long-term planning horizon, the budget year is re-evaluated using current data and economic conditions, including new growth impacting assessed valuation, position vacancy rates, labor market pressures, inflationary cost adjustments, changes in service levels, and upcoming capital projects.

Due to strong new growth and continued strength in the housing market, the City is now proposing a larger mill levy reduction than what was projected for 2026 in the earlier forecast.

Q: Mill Rate Alignment: Is there consideration to adjust Lenexa's mill rate to better align with surrounding cities (excluding landlocked Prairie Village), given our growth and competitive position?

With the FY2026 recommended budget, the City plans to reduce the mill levy for the eighth consecutive year. Lenexa is one of only a few cities in Johnson County proposing a mill levy reduction in 2026. Among those, Lenexa is proposing the largest tax rate decrease (aside from DeSoto which is experiencing structural changes due to Panasonic), and all cities in Johnson County are exceeding the revenue-neutral rate. In contrast, two cities in the county are proposing mill levy increases. The City remains committed to responsibly lowering the mill levy and will continue to evaluate future reductions during every budget cycle.

While staff remain aware of trends among other Johnson County cities, it's important to recognize that each community operates under unique circumstances. As mentioned, Lenexa's growth and competitive position have contributed to increased assessed valuation, supporting reductions in the property tax rate. However, this growth also brings increased responsibility to fund infrastructure, public safety, and other services in newly developed areas. For example, while a landlocked city like Prairie Village may have a higher property tax rate (including a separate fire district mill levy), it does not face the financial burden of constructing $40–50 million in new roads to serve future neighborhoods and commercial development — a challenge Lenexa continues to manage.

Q: Why does the budget project a significant decline in sales tax relative to 2025's adjusted growth and the performance of neighboring cities?

The 2026 sales tax projections do not reflect a decline from the 2025 re-estimate but instead include a conservative increase. For 2026, City sales tax collections are expected to remain flat, while the City's portion of the Countywide sales tax is projected to increase, based on County revenue estimates. In 2024, the City's revenue from both its own sales tax and its share of the Countywide sales tax declined, as shown in the City's audited financials, and fell short of budget expectations. Through June 2025, City sales tax revenue continues to trend below both 2024 actual collections and the 2025 re-estimates. If staff had retained the original 2025 budget projections, the City would

currently be down significantly in City sales tax revenue — and the shortfall for 2026 could be even greater if based on those original projections.

City sales tax revenue is composed of three sources: the general sales tax, the 3/8-cent sales tax, and the City's share of the Countywide sales tax. The 3/8-cent sales tax, approved by Lenexa voters, is dedicated to parks and street improvements and is passed through the General Fund to support those projects. Because contracts for the Pavement Management Program (PMP) and Parks & Recreation capital projects are established at the beginning of the budget year and are not easily adjusted, the City must use conservative revenue estimates to avoid potential shortfalls.

The City's share of the Countywide sales tax is determined by a statutory formula that considers the amount of property tax levied by each jurisdiction in Johnson County. As Lenexa continues to lower its property tax rate and total levy relative to other jurisdictions, its share of the Countywide sales tax also decreases. This revenue source also includes the 1/4-cent Public Safety Sales Tax III, which was dedicated to funding the Lenexa Justice Center project. Given Lenexa's downward trend in property tax rate in comparison to other jurisdictions, it is essential that the City continue to apply conservative revenue projections to plan for potential reductions in the sales tax revenue stream.

Finally, several high-priority projects — such as the City's Pavement Reconstruction Program — cannot be debt-financed and lack an ongoing dedicated revenue source. To ensure funding for these projects and maintain financial stability, the City must continue to use conservative revenue estimates from sales taxes.

Q: Use Tax Growth: The 2025 Use Tax reflects strong growth, yet the 2026 budget does not sustain this trend. Could you clarify the factors contributing to this conservative projection?

At the end of FY2024, the City's use tax collections increased by 3.2%, while revenue from the City's portion of the Countywide use tax declined by 0.4%. For FY2026, the City is projecting a 2% increase in total use tax revenue, as collections from the Countywide portion came in under budget. Additionally, Lenexa has a major taxpayer who submits an annual use tax payment each January, which can inflate year-over-year comparisons at the beginning of the fiscal year.

Q: Lenexa's assessed property values have risen from $1.45 billion to $1.93 billion in 4 years, a 33% increase. Additionally, property tax revenue in the same period, even with a 3.05 mill levy reduction, increased from $57.5 million to $73.3 million, a 27.8% increase. It seems that the two percentages should be closer, is this due to incentives offered to new construction?

No. Excluding the assessed value of motor vehicles, the City's assessed valuation—including real property, personal property, and utilities—increased from $1.34 billion in 2021 to $1.82 billion in 2025, driven by new growth and a strong housing market. This represents an increase of approximately 35.8%. As noted in the question, the City also reduced its mill levy (property tax rate) during the same period by approximately 7.8%.

The gap between the 35.8% increase in assessed valuation and the growth in property tax revenue is attributable to the 7.8% reduction in the mill levy.

Q: I understand the premise that adding population to a significant degree would increase sales tax but it seems wide of the mark since sales taxes for the first time are secondary to property taxes. Non-property taxes are only up 1% in the budget and it seems like property owners are supplying the tax increases to facilitate the City expenditures? Do tax advantages to developers ever pay out?

From FY2021 to FY2024, revenue from the City's sales tax increased by 18.3%, resulting in a revenue split in the FY2025 budget of 43.3% from property taxes and 42.5% from non-property taxes. In comparison, the FY2021 budget reflected a split of 48% property taxes and 37% non-property taxes. This increase in sales tax revenue has supported the continued reduction of the City's mill levy during a period of rapid growth and has decreased reliance on property tax revenue.

Looking ahead, the conservative growth projected in non-property tax revenues is due to two factors: the State of Kansas exempting certain communications equipment from sales tax—leading to a 55% reduction in sales tax revenues from Information Services through June 2025—and the City's adherence to conservative revenue estimates as outlined in its budget principles.

Tax incentives do generate long-term returns for the City. For example, three properties with expiring IRBs will fully return to the tax rolls in the FY2026 budget. Based on the City's recommended mill levy of 26.459 mills, these properties are projected to generate approximately $450,876 in revenue for the City in 2026—an increase of $120,576 over the prior PILOT payments. This estimate reflects only the City's portion; other jurisdictions, such as Johnson County and the applicable school district, will also receive their respective shares of the increased tax revenue. The additional revenue from these properties directly support the proposed reduction of the City's mill levy in FY2026.

Q: I noticed in Lenexa's Reserve Policy that there were excellent directions on how to secure the funding needed if there was going to be a shortfall. What I didn't see were any directions on how to return budget overages to the taxpayer?

Lenexa's Reserve Policy lays out four options for the use of General Fund reserves (unassigned) that exceed the target:

General Fund reserve amounts in excess of 35% of the budgeted annual General Fund revenues are one-time funds and shall be used only for the following purposes:

- For one-time expenditures, including capital outlays, studies, and payments to reduce outstanding City debt
- For capital projects through transfers to the Capital Improvement Fund and other City funds
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One of the most impactful uses of these funds is transferring them to the Capital Improvement Fund—either to pay for capital projects originally planned to be debt-financed (thereby saving taxpayers interest costs) or to fund essential projects that may have been delayed due to a lack of available funding (thereby improving services). Both uses have a positive impact on the City's residents and support the potential for continued mill levy reductions in future years which results in "returning budget overages" to taxpayers.

Q: I noticed that the City's reserve policy has a minimum and a maximum as benchmarks. However, it seems the reserve is exceeding the maximum of 35% - now at approximately 40%. It also appears the overage is predicted to grow to almost 42% by 2029 – is this accurate?

Assuming this comment refers to the "General Fund Reserve Projection" chart on page 66 of the FY2025 budget document, the reserve balance shown for FY2025 is approximately 37.3% of revenues, or $43 million, and is projected to decline slightly to 36.1% of revenues, or $44 million, by FY2029.

While maintaining sufficient funds for unexpected events is the primary purpose of the City's General Fund reserve, it also plays a critical role in supporting the City's AAA (Aaa) bond rating from Moody's Investors Service and Standard & Poor's—the highest possible credit rating for a municipality. These ratings reflect the City's conservative financial management, minimal debt burden, and a very strong and diverse tax base. Both rating agencies cite available cash as a key factor in achieving and maintaining the top credit rating. While staff recognizes that maintaining high reserve levels is not feasible, our goal is to keep reserves at or slightly above our policy target.

Q: Has the City considered reducing the mill levy rate to get the reserve back in line with the policy maximum target? A reduction of 2.87 mills divided over the next 3 years would achieve that goal.

The City is committed to responsibly lowering the mill levy, as it has done for the past eight consecutive years, and intends to continue this practice in the future. However, as outlined in the City's financial policy, reserves above the policy target are considered one-time revenues and may only be used for one-time expenditures or one-time revenue replacement.

When the City reduces the mill levy, the resulting decrease in revenue is ongoing—and its impact compounds as the City's assessed valuation grows due to new development or rising appraisals. Lowering the mill levy has ongoing financial impacts and using one-time cash reserves to achieve any reductions will eventually lead to structural fiscal imbalance in future years that would necessitate tax rate increases to fund services.

Q: At the end of 2024, $8,000,000 was transferred into the Capital Improvement Fund. Where did that money come from and how was the transfer approved? Where in the financials is it subtracted or added?

This transfer is based on positive financial results in the General Fund for FY2023. The primary revenue drivers included record-high building permit revenue from

unprecedented development activity within the City, record investment income due to the strategic management of the City's investment portfolio and elevated interest rates, and a general increase in sales and use tax revenues. On the expenditure side, the City experienced numerous position vacancies, particularly in public safety. For more detailed information, the City's FY2023 Annual Comprehensive Financial Report (ACFR) is available on the City's website.

Staff presents any recommended reserve transfer from the General Fund to the Capital Improvement Fund as part of the annual budget process. A separate resolution is brought before the City Council for formal approval – in this case the resolution was approved at the December 17th Council meeting. Once approved, the funds are allocated through the public Capital Improvement Program (CIP) process and reflected in the CIP document as funding from the General Fund/Capital Improvement Fund. The FY2024 transfer funded the City's Pavement Reconstruction Program, including the reconstruction of Falcon Valley Drive and the streets in the Pennygreen neighborhood.

In the City's financial statements, the transfer is recorded as a transfer-out from the General Fund and a corresponding transfer-in to the Capital Improvement Fund. The funds are then allocated to specific projects through the CIP process, as referenced above.

Q: It looks like 4.851 mills are dedicated to servicing the City's debt. That's $8,489,250 in the current budget. Looking at the Lenexa Financial Report Exhibit E, it appears that $13,936,940 is budgeted to Debt Retirement. That makes sense given the accelerated approach to clear this expenditure. It seems not all of the budgeted money is slated for Debt Payment – is this true? Will the 4.851 mills dedicated to this expenditure expire along with the retirement of this debt?

Funds in the Debt Service Fund may only be used to service the City's debt and cannot be used for operations or other expenditures. As shown in the Debt Service Fund projections included in the FY2026 Recommended Budget, expenditures are expected to exceed revenues in each year of the multi-year forecast. This is intentional, as the City is obligated to construct several major road projects in the coming years, in addition to supporting its ongoing debt financing program.

To prepare for this, the City has built up reserves in the Debt Service Fund over the past several years while continuing to lower the mill levy. These reserves will be drawn down over the next few years as projects are completed. However, the City is required to maintain a minimum reserve balance in the Debt Service Fund and will not reduce the fund to zero.

As with the General Fund, the mill levy for the Debt Service Fund is reviewed annually and adjusted based on projected needs and revenue requirements. Because the City's debt program is used to finance major capital improvements, there will likely always be a need to issue debt. As the community grows, the City must construct new infrastructure; as it matures, investment will shift toward the replacement and maintenance of existing assets. As a result, the City anticipates the continued need for a dedicated debt service mill levy for the foreseeable future.

FY2026 Budget Q&A – Posted 7/3/2025

Q: Why are 2024 General Fund Reserves 44% while the city's target is 35%—has the target changed?

The City's reserve policy for the General Fund sets a target reserve level of 30–35%, but there are many factors to consider, including changing economic conditions and the potential impacts of state statutory changes. Due to the timeline required by Kansas budget laws, staff prepares the City's revenue and expenditure projections almost two years in advance of the end of the budget year. Predicting economic conditions that far in advance can be challenging, so the City adheres to its budget principles and uses conservative revenue estimates. Several direct comparisons with our neighbors, Shawnee, were highlighted in the community questions. For comparison with Lenexa's proposed budget, Shawnee carries a 54% reserve balance for their General Fund while having a comparable reserve policy.

In 2024, the City's revenues exceeded expectations, driven primarily by strong development activity and an excellent return on its investment portfolio. The City issued its second-highest number of building permits ever in 2024, generating $3.0 million in revenue. Additionally, staff strategically managed the City's investment portfolio to generate $4.6 million in revenue. City expenditures also came in under budget, primarily due to personnel cost savings from vacant positions—mainly in public safety.

Q: Why were reserves increased by $9.2 million to over $87 million in FY2026?

Approximately 52%, or $4.8 million, of the increase in reserves is attributable to the City's economic development funds. These are not revenues to the City but are required by Kansas law to be budgeted as expenditures. The funds can only be used for eligible expenses within the respective districts, yet the City cannot disburse them until eligible costs are submitted by the developer and certified by the City. If the developer does not certify costs, the funds remain in the fund balance (reserves) until eligible expenses are certified.

Another 22%, or $2.0 million, of the increase in reserves is due to special revenue funds, which are restricted in their use based on their specific revenue sources. For example, Special Alcohol Funds can only be used for programs focused on preventing alcohol abuse and treating its consequences.

Q: Is it correct that the average residential appraisal rose by 6.8%, with the 0.50 mill rate reduction offsetting 1.8%, resulting in a net 5% property tax increase for the average homeowner?

No. The City's total assessed valuation (residential and commercial) increased by 7.2% for the FY2026 budget. With the recommended mill levy reduction of 0.500 mills, the City's property tax revenue is projected to increase by 5.3% over FY2025. However, approximately 30% of that increase is due to new development within the City, meaning

pre-existing residential and commercial properties account for approximately 3.71% of the total increase in property taxes.

For further context, Lenexa's property tax revenue is generated by both residential (55%) and commercial (45%) properties. This equates to an average residential impact of just over 2% in property tax increases for existing residential taxpayers.

Q: Why is the 2026 budgeted sales tax revenue essentially flat since 2022 and down 1.4% from the 2025 budget?

While there are normal fluctuations month to month in sales tax collections, the State of Kansas recently exempted certain communications equipment and software from sales tax, which has significantly reduced the City's sales and use tax revenue in the Information Services category. As a result, revenue in this category is down nearly 55% through June 2025 and has been trending down since the sales tax exemption was implemented in July 2024. Conversely, sales tax revenue from Retail Trade and Hotels, Restaurants, & Bars continues to remain strong, up 6% and 5% respectively which helps to offset the reductions in the information services category. The strong performance in these industries indicates that the public is spending their disposable income in Lenexa.

The following chart details the City's sales tax revenue by industry and compares FY2025 collections to FY2024. This information is provided to the City by the Kansas Department of Revenue.

Lenexa Sales Tax By Industry (June 2025)

Industry	FY2024 Revenue	FY2025 Revenue	$ Increase/Decrease	% Increase/Decrease
Construction & Manufacturing	$987,074	$907,102	-$79,972	-8%
Information Services	**$754,655**	**$337,075**	**-$417,580**	**-55%**
Leasing & Rental Services	$282,175	$278,786	-$3,389	-1%
Retail Trade	**$5,299,161**	**$5,601,281**	**$302,120**	**6%**
Hotels, Restaurants, & Bars	**$1,217,987**	**$1,284,644**	**$66,657**	**5%**
Utilities	$787,391	$781,042	-$6,349	-1%
Whole Sale Trade	$1,348,736	$1,315,496	-$33,240	-2%
Other Merchants	$1,251,081	$1,251,197	$116	0%
Total	**$11,928,260**	**$11,756,623**	**-$171,637**	**-1%**

While the City's overall sales tax revenue chart (included in the FY2026 budget document) appears relatively flat since 2022, it's important to note that annual projections have increased each year—by approximately $700,000 to $750,000—reflecting our expectation of steady growth until the recent exemptions by the State. Between 2021-2024, the city experienced an 18.3% growth in sales tax revenue – one of the largest increases in Johnson County.

Looking ahead, the City anticipates a potential short-term boost in sales tax revenue related to the World Cup. One metro organization has estimated that the World Cup impact to Lenexa could be approximately $18 million to local businesses – if this estimate is accurate, it could potentially generate approximately $250,000 in sales tax revenue to the City. However, given the unprecedented nature of the event in the Kansas City region and the short-term nature of the potential impact, we remain cautiously optimistic and do not intend to rely on a potential one-time revenue windfall to support ongoing revenue expectations.

Q: The 6% compensation increase seems generous compared to local organizations. How is this increase determined?

The City will complete a comprehensive compensation study in 2026 and will bring forward a resolution with recommended compensation adjustments, based on the study's findings, for Council consideration after the study is completed. The 6% funding included in the recommended budget for compensation increases and appropriate market adjustments is an estimate. By approving the budget, Council is not approving across-the-board 6% pay increases - 3% has been included in department budgets while 3% is reserved in non-departmental as potential funding for the results of the study. If the study results in a recommendation for compensation increases of less than 6%, the City will not spend the full amount and will consider other ways to best utilize any excess funds – including possible future mill levy reductions.

Q: While the city's contribution to employee health insurance is increasing by 12.2%, how much additional are employees paying? Is this cost shared, as is typical in the private sector?

Yes, this cost is shared between the employee (17%) and the City (83%). The 12.2% increase for the City is an estimate based on current market conditions and recent experience. Final rates and the employee cost share for 2026 will be determined later this year, but it is expected to be relatively consistent with prior years.

Q: What is the average ratio of employee benefits to compensation, and how does it compare to other local organizations?

The City's ratio of employee benefits to compensation is approximately 40/60. While the City conducts periodic surveys of compensation and benefits to assess how the City compares to other jurisdictions, we do not specifically track this ratio.

Q: Why are the City's economic development payments only increasing $100,000 in FY2026 as there are TIF/CID project developments nearing completion?

The increase in economic development payments is primarily due to the new Midas Dual Hotel CID, which will come online in 2026, and an increase to the estimated reimbursement amount for the CCE #2 CID. The City anticipates having sufficient budget authority in other TIF/CID funds to meet its obligations under the agreements with the developers.

Q: The City has several properties with expiring tax abatements, how much tax revenue will the City receive from these properties in 2026?

Three properties with expired IRBs will fully return to the tax rolls for the FY2026 budget. Based on the City's recommended mill levy of 26.459 mills, these properties are projected to generate approximately $450,876 in revenue for the City in 2026—an increase of $120,576 over the prior PILOT payments. This estimate reflects only the City's portion; other jurisdictions, such as Johnson County and the applicable school district, will also receive their respective shares of the tax revenue.

Q: Shawnee, with a population approximately 15% larger than Lenexa, has a general fund budget nearly $40 million less. What are some of the factors creating the difference?

There are significant differences in how cities account for their revenue and expenditure transactions. Lenexa uses the General Fund to track many types of transactions that Shawnee records in separate, specialized funds. While both approaches are appropriate, these differences make it difficult to directly compare each city's General Fund.

For example, Lenexa's 3/8-cent sales tax dedicated to parks and pavement—generating approximately $10 million annually—is accounted for in the General Fund. In contrast, Shawnee has a similar sales tax dedicated to parks and pipes but records those transactions in a separate fund rather than in the General Fund.

There are other differences between cities that can impact a direct comparison such as a city's assessed valuation split between commercial and residential development. In this case, commercial properties make up a significantly larger portion of Lenexa's assessed valuation compared to Shawnee. As a result, comparing each city's General Fund budget on a per-capita basis incorporates the substantial revenue generated by commercial properties in Lenexa but ignores the costs associated with providing services to those businesses. This can lead to a misleading interpretation of how much funding or expenditure is actually allocated to each resident.

Q: By comparing Lenexa and Shawnee's General Funds, it appears Lenexa's residential property taxes are 33% higher per capita than Shawnee. Is this accurate?

This is not a valid comparison. Specifically, there are significant differences in how cities account for their revenue and expenditure transactions. Lenexa uses the General Fund to track many types of transactions that Shawnee records in separate, specialized funds. While both approaches are appropriate, these differences make it difficult to directly compare each city's General Fund.

One example is that Shawnee has a separate property tax mill levy for its Public Safety Equipment Fund which generates approximately $2.0 million in revenue for the City while these same expenses are paid for out of Lenexa's General Fund.

Along with the revenue from this separate mill levy, there are other things that could be taken into account when comparing residential property taxes generated by each city which would make such a comparison more appropriate - such as the number of housing units, the difference in the value of land and cost of making land developable, the split between multi-family and single-family homes in residential assessed valuation and the service levels provided by each city.

Q: If reserves exceed the maximum target in the city's General Fund, can the additional reserves be returned to taxpayers through lower property taxes instead of transferring to the Capital Improvement Fund?

The City's reserve policy, published on the Finance Department's website, outlines the acceptable uses of General Fund reserves that exceed the 35% target. Excess reserves are one-time revenues and lowering on-going property taxes based upon this would violate the City's budget principles.

One of the most impactful uses of these funds is transferring them to the Capital Improvement Fund—either to pay for capital projects originally planned to be debt-financed (thereby saving taxpayers interest costs) or to fund essential projects that may have been delayed due to a lack of available funding (thereby improving services). Both uses have a positive impact on the City's residents and support the potential for continued mill levy reductions.

The mechanics of transferring these funds to the Capital Improvement Fund is a very public process – the City has noted this transfer in the recommended budget, brings forward a resolution to the City Council to approve the transfer and finally allocates the funds to specific capital projects through the budgeting process for the City's Capital Improvement Program.

Q: Will the Fire Station 6/Old City Hall project be brought forward for a public vote?

To date, the City Council has only approved a study of a potential Fire Station at the Old City Hall site and have not fully approved a project to construct anything at this location. We anticipate reviewing the study results and making a decision later this year.

The city is not required by law to seek a public vote prior to approving such a project nor financing it and we do not anticipate doing so in this instance.

Q: Has the final decision been made to pursue the K-10 and Lone Elm Interchange project?

The Lone Elm Interchange is one element of KDOT's K10 Project and the final decision to construct the interchange lies with KDOT. The City's local contribution to this project will be for a fraction of the total cost of the interchange and is significantly less expensive than the cost to widen both 101st Street and Woodland Road should the interchange not be constructed – 100% of the cost of which would have to be borne by the City of Lenexa.

Q: With Lenexa reportedly having the highest ratio of rentals/apartments to owned homes in the county, has the city analyzed the economic impact of this trend?

While Lenexa's ratio of rented to owned households is slightly higher than other neighboring communities, a significant number of apartments are located in or adjacent to Lenexa City Center which is a longstanding community goal where a certain level of density is necessary to support the mixed-use walkable amenities and community gathering spots that our community desired. If apartments which are either in or located very near LCC were excluded from this comparison, Lenexa's numbers and ratios look very similar to neighboring communities.

The vast majority of apartments in Lenexa received no tax incentives. Of those that received or are receiving TIF, the projects will always continue to pay the base year tax amount (which is shared prorata among all jurisdictions) and the state school mill levy. The remaining taxes which are captured in the TIF (which includes everything but the base year taxes and the school mill levy) are partially or entirely rebated to them for approved, eligible expenses. The City also receives reimbursements for its eligible expenses, which pay for infrastructure and other costs that would otherwise be paid by general tax dollars.

Q: What makes up the "other transfers" function and transfers to Capital Improvement Fund line items in the General Fund?

The complete list of transfers is shown on page 91 of the FY2026 recommended budget document under Non-Departmental. These transfers fund the City's Equipment Reserve Fund, Facilities Maintenance Fund, and Capital Improvement Fund. The City also shows the TIF reserve amount as a transfer in the General Fund, however, this is a placeholder and is not spendable.

Q: Can you explain the City's department level budget process?

The City's budget process begins with a comprehensive review of departmental operations to identify efficiencies and reduce costs without compromising service quality. Staff evaluates employee compensation to ensure the organization remains competitive in attracting and retaining talent. Emerging technologies, including AI, are leveraged to streamline workflows and improve productivity. Throughout the process, the broader economic environment—including revenue trends and demand for City services—is carefully analyzed to inform budget decisions and ensure long-term fiscal sustainability.

Additional information on the departmental budgeting process will be discussed during the department budget presentations on July 8th.