



Agenda

**COMMITTEE OF THE WHOLE
GOVERNING BODY
CITY OF LENEXA, KANSAS
17101 W. 87TH STREET PARKWAY**

**JULY 11, 2023
7:00 PM
COMMUNITY FORUM**

CALL TO ORDER

ROLL CALL

APPROVE MINUTES

June 27, 2023 Committee of the Whole meeting draft minutes (located in the Appendix)

DISCUSSION

1. FY 2024 Recommended Budget - Fund/Department Review

ADJOURN

APPENDIX

2. June 27, 2023 Committee of the Whole meeting draft minutes

Dist. Governing Body; Management Team; Agenda & Minutes Distribution List

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COMMITTEE OF THE WHOLE
MEMORANDUM

ITEM 1

SUBJECT: FY 2024 Recommended Budget - Fund/Department Review

CONTACT: Beccy Yocham, City Manager
Nate Blum, Chief Financial Officer

DATE: July 11, 2023

PROJECT BACKGROUND/DESCRIPTION:

At the June 27, 2023 Committee of the Whole meeting, staff presented the City Council with an overview of the [FY 2024 Recommended Budget](#), including a multi-year financial forecast. This follow-up budget discussion is intended to focus on each Fund and Department budget.

Department directors will present their budget highlights, including any major operating budget changes, personnel requests, and non-capital equipment requests that are included in the FY 2024 Recommended Budget.

FINANCIAL IMPLICATIONS/FUNDING SOURCES:

The FY 2024 Recommended Budget is \$224.8 million, including \$154.3 million in expenditures and \$70.5 million for reserves.

The total estimated mill levy for FY 2024 is 27.372, a planned 0.750 mill reduction from the FY 2023 Budget.

ATTACHMENTS

FY 2024 Recommended Budget



**MINUTES OF THE
JUNE 27, 2023
LENEXA COMMITTEE OF THE WHOLE MEETING
COMMUNITY FORUM, 17101 W 87th STREET PARKWAY
LENEXA, KS 66219**

CALL TO ORDER

Mayor Boehm called the meeting to order at 7 PM.

ROLL CALL

Councilmembers Karlin, Eiterich, Nicks, Nolte, Roh, Arroyo, Sayers, and Denny were present with Mayor Boehm presiding.

Staff present included Beccy Yocham, City Manager; Todd Pelham, Deputy City Manager; Mike Nolan, Assistant City Manager; Scott McCullough, Community Development Director; Steven Shrout, Assistant City Attorney; Jennifer Martin, City Clerk; and other City staff.

APPROVE MINUTES

Councilmember Denny made a motion to approve the April 11, 2023 Committee of the Whole meeting draft minutes and Councilmember Eiterich seconded the motion. Motion passed unanimously.

STUDENT INTRODUCTIONS

Reid Walter, Scout Troop 181, attended the meeting for his communication badge.

DISCUSSION

1. Fiscal Year 2024 Recommended Budget Overview

Beccy Yocham, City Manager, thanked Nate Blum, Chief Financial Officer, Nathan Mull, Deputy Chief Financial Officer, Justine Kubicki, Senior Budget and Financial Analyst, and the entire Finance team for their work creating this budget document. She said she would present a high-level overview of the proposed fiscal year (FY) 2024 budget tonight and talked about the budget process and upcoming meetings. She added that a specific email address, budget@lenexa.com, has been set up to receive any questions regarding the budget.

Ms. Yocham talked about the conservative assumptions and projections about the remainder of the current year that must be made during this process in order to plan for the next year. She discussed the City's financial position, reviewing the 2022 year-end tax collections, expenditures, and General Fund reserves and the corresponding 2023 estimates, which have all increased from 2022. She reported that the FY 2023 revised budget increased \$20.6 million from the original budget and explained that

those increases are related to transfers from reserves for capital projects and revenues being higher than projected.

Ms. Yocham said that the recommended FY 2024 budget is \$224.7 million, which is less than a 1% increase over the revised FY 2023 budget.

Ms. Yocham reported that the estimated 2021 assessed valuation grew to \$1.72 billion. She said staff is recommending a mill levy of 27.372, which is a 0.750 reduction and the sixth consecutive mill levy reduction. She talked about this being part of the City's five-year plan to reduce the mill levy, which called for a 0.50 reduction in 2024, but because of the positive revenue results, staff believes the City can responsibly do more than that this year. She added that staff is concerned about legislative action that could impact the City's revenues such as a cap on property tax assessment valuation increases, elimination of the City's sales tax on food, and granting property tax exemption to businesses in competition with government.

Councilmember Karlin asked if asked if changes made by the legislature would impact 2024 or 2025 and Ms. Yocham said it could impact 2024, but that depends on when changes go into effect.

Ms. Yocham said staff also recommends no changes to user fees and the addition of 6.5 full time equivalent (FTE) positions.

Ms. Yocham presented an illustration on how to calculate City taxes and talked about the services Lenexa residents receive for those taxes. She also talked about the Governing Body's Guiding Principles and how they have been used throughout the budget document to reflect alignment.

Mr. Blum talked about the recent economy with housing valuation increases, sales and use tax growth, a strong consumer demand for products and services, and a hot labor market. He said there is an uncertain economy moving forward with inflation remaining elevated, the Federal Reserve temporarily pausing interest rate hikes, continued supply chain disruptions, and a potential housing market contraction.

Councilmember Karlin commented that there could be contraction in the commercial market as well.

Mr. Blum reviewed the budget principles:

- Fund on-going operating expenditures with on-going revenue sources.
- Use one-time revenues for one-time expenditures .
- Maintain sufficient reserve balances to address unforeseen events (COVID-19 pandemic, Great Recession).
- Use conservative approach to revenue estimating.
- Prepare and fund equipment replacement/building maintenance schedules.

Mr. Blum reviewed the key elements of the recommended FY 2024 budget:

- Reduces estimated property tax rate by 0.750 mill – FY 2024 estimated 27.372 mills.
 - General Fund –22.339 mills

- Debt Service Fund –5.033 mills
 - 0.500 mill reduction in FY 2025
 - 0.372 mill reduction in FY 2026
- Maintains sufficient General Fund reserves for AAA (Aaa) bond rating, uncertain economy.
- Continues to focus on providing high quality City services –retain good employees, fund strategic priorities.
- Plans for economic pressures –workforce, inflation, recession/economic downturn.
- The total FY2024 recommended expenditure budget is \$154.3 million, which is an increase of \$10.2 million (7.1%) compared to the FY 2023 original budget of \$144.1 million.
- Total General Fund operating expenditures in the FY 2024 Recommended Budget are \$106.5 million. This is an increase of \$9.2 million (9.5%) compared to the FY 2023 General Fund budget amount of \$97.3 million.
- Total budgeted FTE positions are 559.66 for FY 2024. This is an increase of 6.5 FTE compared to the FY 2023 budget of 553.16 FTE.
- The estimated mill levy of 27.372 mills is a reduction of 0.750 mill from FY 2023 and the Stormwater service charge is \$109 per equivalent dwelling unit, or EDU (unchanged from FY 2023).

Discussion followed regarding the difference between the original, revised, and proposed budgets; changing the mill levy reduction and funding capital projects; residential and commercial property taxes.

Mr. Blum presented the 2014-2023 assessed valuation chart and said it has increased by 8.8% to \$1.72 billion. He presented the 2013-2024 property tax rate chart, explaining the mill levy spike in years 2015-2018 and reductions in the mill levy for the past five years.

Mayor Boehm commented that Ridgeview Road was funded in 2014-2015, which was a major initiative. Ms. Yocham added that additional funds were dedicated to the Pavement Management Program (PMP) at that time as well, although support of the PMP has continued since then even with the mill levy reductions.

Councilmember Roh asked about the calculation for the 0.75 mill levy reduction and if staff considered going as far as a 1 mill reduction. Mr. Blum explained the calculation and said staff had considered a 1 mill reduction but believes the 0.75 reduction is the best option considering uncertainties with the legislature and economy.

Mr. Blum discussed the Revenue Neutral Rate (RNR) and how it is defined and calculated.

Mr. Blum presented the 2015-2024 property tax revenue chart, reporting that estimated property tax revenues increased by 5.8% to \$45.7 million. The 2015-2024 sales tax revenue chart showed estimated FY 2024 sales tax revenue in the General Fund at \$36.2 million, up 12.8% from FY 2023. The 2015-2024 use tax revenue chart showed estimated FY 2024 use tax revenue up 15% or \$14.7 million from the FY 2023 original budget. The 2015-2024 motor vehicle excise tax estimated FY 2024 revenue from this tax to decrease 5% or \$3.16 million. Stormwater service charge revenues are estimated to increase 1% in FY 2024 to \$6.46 million.

Mr. Blum reiterated that the greatest expenditure is personnel and explained how this recommended budget includes 6% for employee compensation increases/adjustments. He also talked about City contribution for employee health insurance increasing by 9% and adding 6.5 FTE positions.

Mr. Blum reported that contractual services and commodities have increased \$1 million in the General Fund for FY 2024. The capital outlay expenditures decrease 4% in FY 2024 due to a lower number of requests for vehicles and equipment.

Mr. Blum talked about the economic development and General Fund transfers. He said economic development payments are \$21.2 million in FY 2024, an increase of 1.4%, due to the addition of three new Community Improvement Districts (CIDs). He pointed out that a majority of the revenue received in these funds are “pass through” and are not revenue to the City. He said General Fund transfer to the Capital Improvement Fund (CIF) for capital projects is \$1.7 million in FY 2024, a decrease of 27.5%, while the transfer for PMP is \$1.3 million or an increase of 8% from FY 2023. He added that the transfer to the Equipment Reserve Fund is flat in FY 2024 at \$1.2 million and the transfer to the Rec Center is \$500,000.

Mr. Blum talked about multi-year forecasts and presented the financial model assumptions chart for 2024-2028. He also presented the General Fund and General Fund Reserve projections for 2024-2028. He said that staff recommends allocating \$8 million of General Fund reserves to the PMP (\$5 million) and the CIF (\$3 million).

Mr. Blum presented the debt service and stormwater fund charts reflecting projections for 2024-2028.

Mr. Blum reviewed the next steps in the process:

- July 11 - staff presents department budget reviews at the Committee of the Whole meeting
- July 18 - Governing Body considers a resolution to set the public hearing
- August 1-10 - Johnson County sends RNR notices to residents
- August 17 - Budget Open House
- August 22 - public hearing for the budget and the public hearing for the RNR; Governing Body considers a resolution to exceed the RNR and approve the FY 2024 budget

Discussion followed regarding residents receiving their RNR notices from the County before the open house date; the possibility of separating the public hearings on August 22 from the resolution considerations to exceed the RNR and approve the

budget; a request for an analysis/breakdown on expenditures, as well as goods/services; and a request for the monetary value of inflation and new growth.

Ms. Yocham said that she and Mr. Blum prerecorded their presentation, and it will be posted to the City's website tomorrow.

ADJOURN

Mayor Boehm adjourned the meeting at 8:04 PM.