



BUDGET EXECUTIVE SUMMARY

2017



We are pleased to submit the FY 2017 recommended budget and FY 2017 – 2021 Capital Improvement Program (CIP) 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 communications 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 28 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. Maintains the projected property tax mill levy at an estimated 31.807 mills for 2017.
2. Maintains appropriate reserve levels in all city funds for 2017.
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 Rec 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 \$140.9 million (\$104.6 million for expenditures and \$36.3 million for projected reserve amounts). This is an increase of \$6.3 million (4.7%) compared to the 2016 adopted budget.

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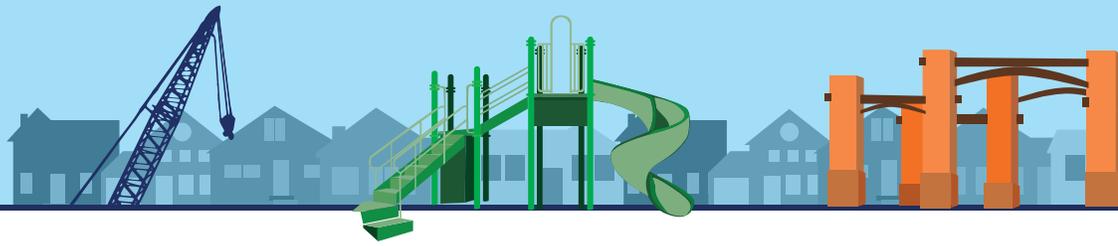
City of Lenexa Credit Ratings*

Moody's
Aaa

S&P
AAA

* These credit ratings were reaffirmed by both Moody's and S&P in June 2016.

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 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 88% of the total budget). The recommended budget maintains structural balance in the General Fund for 2017, 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. The recommended CIP also includes various funded projects to assist with economic development efforts.

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 will also receive additional funding through the Community Development Block Grant (CDBG) program to assist with redevelopment needs.

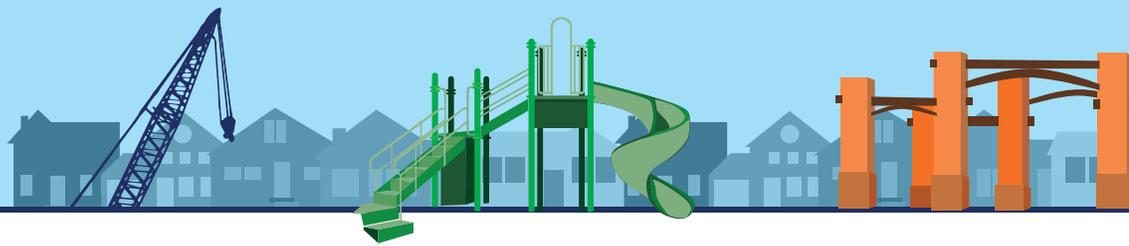
City Center: *Partner in the development of a premier destination point – "City Center" – that serves as a community gathering place integrating a variety of uses (including residential, retail and office uses).*

The city's challenge in meeting this goal has been the economic recession, which stalled proposed development in the City Center area. This changed in 2014 as Lexmark Enterprise Software completed construction of a new 240,000 square-foot corporate headquarters in City Center. Also, the recommended CIP includes the new Rec Center and City Hall currently under construction in City Center. Several other development projects have been completed in City Center, including the Hyatt Place hotel and conference center.

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 Barbeque Battle, Latino Art Bravisimo, the Spinach Festival, Lenexa Freedom Run and the Chili Challenge.

Revenues & Expenditures



Revenue Highlights

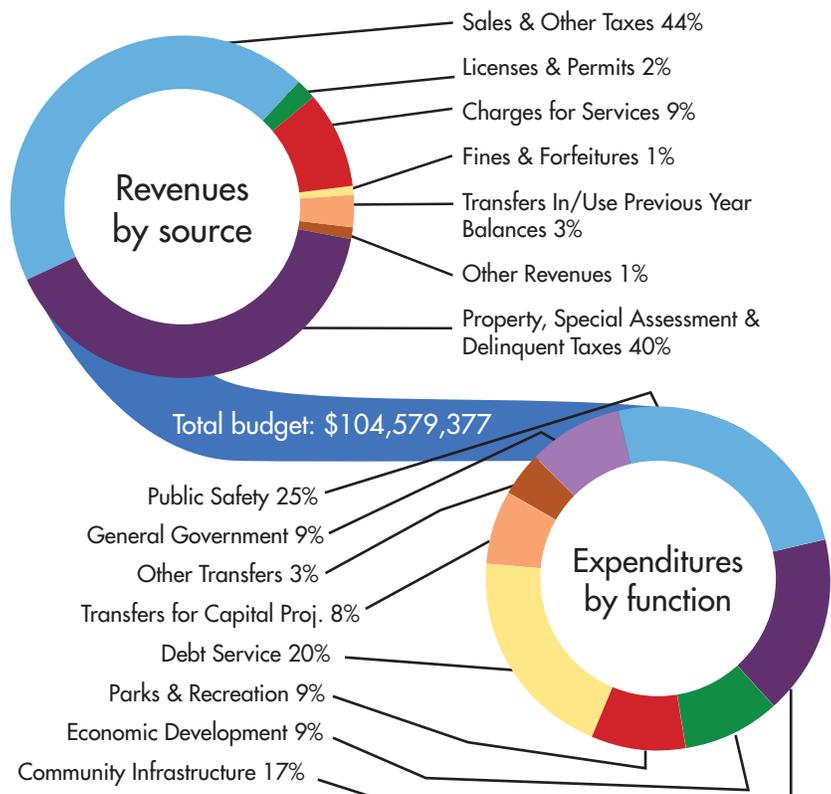
- Estimated mill levy is 31.807 mills – the same as the FY 2016 adopted budget. 23.875 mills are allocated to the General Fund, and 7.932 mills are allocated to the Debt Service Fund. Two mills are re-allocated from the Debt Service Fund to the General Fund to provide future budget flexibility.
- Estimated assessed valuation is \$1.03 billion for 2017 (increase of 5.5%). This is the highest assessed valuation since 2008.
- City sales tax revenues are projected to decrease by 9% compared to the amount budgeted for 2016.
- County sales tax revenues are projected to increase by 1% compared to the amount budgeted for 2016.

Expenditure Highlights

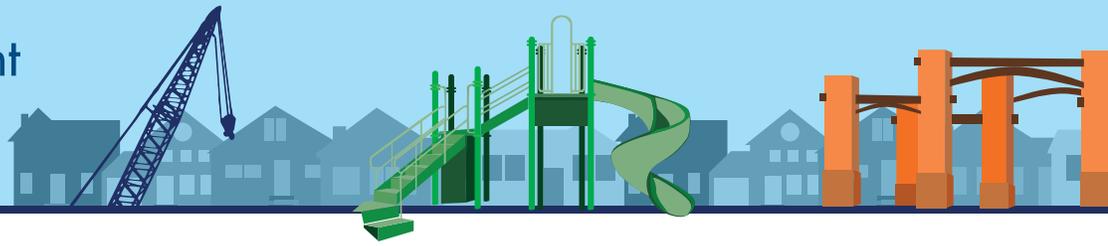
- Total estimated expenditures are \$104.6 million (\$6.5 million increase, or 6.6%). The expenditure increase is primarily due to operating costs for the new Rec Center and City Hall/Public Market (\$2.8 million increase, or 2.8%), projected employee pay increases budgeted in the compensation reserve (\$1.5 million increase, or 1.6%), and additional tax increment financing (TIF) payments due to increased assessed valuation for previously completed TIF economic development projects (\$1.5 million increase, or 1.6%).
- Approximately 3.5% of pay is included as a compensation reserve in the recommended budget. Staff will submit a future proposal to the Governing Body on the allocation of the compensation reserve between merit pay increases and other pay plan increases for employees in 2017.
- Projected full-time equivalent positions (FTEs) are 500 for 2017 – an increase of approximately 41 FTEs (9%). This increase is due to staffing for the new Recreation Center (29 FTEs – 6% increase), staffing for cleaning and maintenance of the new City Hall/Public Market facility (4 FTEs – 1% increase), and additional staffing necessary to meet increasing service demands (8 FTEs – 2% increase).

Revenues by Source		2017	
Property Taxes & Special Assessments	\$41,602,120	40%	
Sales & Other Taxes	\$45,759,200	44%	
Licenses & Permits	\$1,780,500	2%	
Charges for Services	\$10,050,055	9%	
Fines & Forfeitures	\$1,591,000	1%	
Transfers & Use of Previous Year Balances	\$2,635,731	3%	
Other Revenues	\$1,160,771	1%	
Total	\$104,579,377	100%	

Expenditures by Function		2017	
General Government	\$9,386,348	9%	
Public Safety	\$26,507,305	25%	
Community Infrastructure	\$17,553,308	17%	
Parks & Recreation	\$9,148,767	9%	
Economic Development	\$9,384,119	9%	
Debt Service	\$21,019,649	20%	
Transfers for Capital Projects	\$8,034,194	8%	
Other Transfers	\$3,545,687	3%	
Total	\$104,579,377	100%	



Capital Improvement Program (CIP)

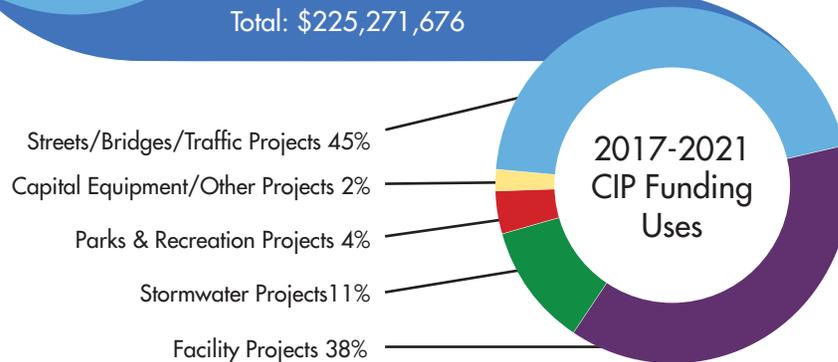
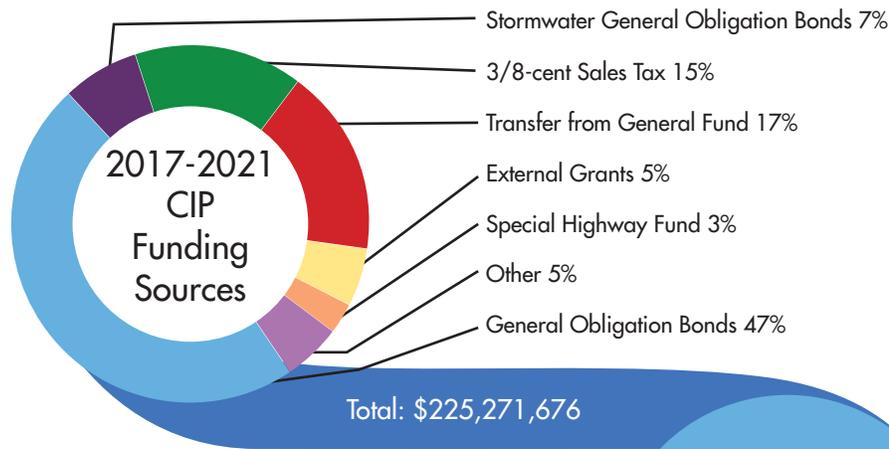


2017 - 2021 Capital Improvement Program

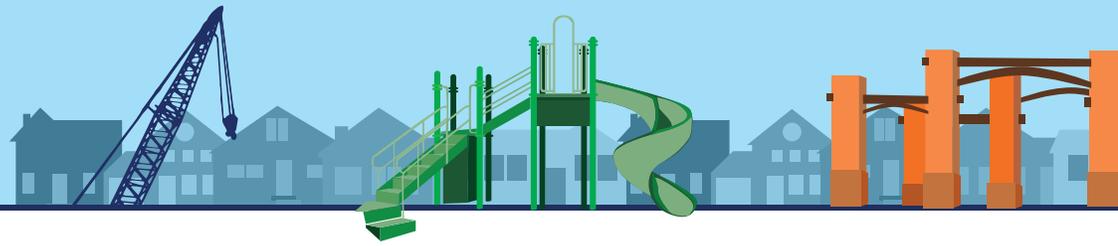
- Recommended CIP for 2017 – 2021 is \$225.3 million.
- Recommended CIP is \$18.9 million higher than the previous CIP due to a number of new projects, including: Cottonwood Canyon Street Special Benefit District, 99th Street and Clare Road Construction, Conversion of Streetlights to LED Lighting, and City Center Parking Structure Construction.
- Five projects comprise over \$158 million (70%) of the recommended CIP: Lenexa Civic Center (\$75.4 million), Pavement Management Program (\$28.0 million), 95th Street & I-35 Interchange (\$12.1 million), Stormwater Infrastructure Replacement (\$16.5 million), and Ridgeview Road (\$26.1 million).

2017-2021 CIP Sources of Funding		
General Obligation Bonds	\$106,341,693	47%
3/8-cent Sales Tax	\$33,761,322	15%
Transfer from General Fund	\$38,987,422	17%
Stormwater General Obligation Bonds	\$15,621,000	7%
External Grants	\$10,655,000	5%
Special Highway Fund (Gas Tax)	\$7,726,228	4%
Other	\$12,179,011	5%
Total	\$225,271,676	100%

2017-2021 CIP Uses of Funding		
Streets/Bridges/Traffic Projects	\$101,843,580	45%
Facility Projects	\$84,552,001	38%
Stormwater Projects	\$25,021,835	11%
Parks & Recreation Projects	\$8,593,541	4%
Capital Equipment/Other Projects	\$5,260,719	2%
Total	\$225,271,676	100%



Quick Reference



Lenexa Real Property Valuation by Property Type

As of March 2016

Category	Appraised Value	% Share
Residential	\$4,331,968,190	67.5%
Residential — Farm	\$16,269,070	0.3%
Commercial	\$1,975,595,150	30.8%
Agricultural	\$2,882,150	0.0%
Vacant, Not-for-Profit & Other	\$89,410,680	1.4%
Total	\$6,416,125,240	100.0%

Category	Assessed Value	% Share
Residential	\$498,176,342	49.5%
Residential — Farm	\$1,870,943	0.2%
Commercial	\$493,898,788	49.1%
Agricultural	\$864,645	0.1%
Vacant, Not-for-Profit & Other	\$10,867,430	1.1%
Total	\$1,005,678,148	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	1.225%	
Total	9.100%	

Lenexa Mill Levies - Recommended 2017 Budget

General Fund	23.875	75.1%
Debt Service Fund	7.932	24.9%
Total Mill Levy	31.807	100.0%

Lenexa Value of One Mill

2016 Final	\$955,829	delinquency rate = 2%
2017 Estimated	\$1,008,558	delinquency rate = 2%
% Change	5.5%	