



Agenda

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

**JUNE 27, 2023
7:00 PM
COMMUNITY FORUM**

CALL TO ORDER

ROLL CALL

APPROVE MINUTES

April 11, 2023 Committee of the Whole meeting draft minutes (located in the Appendix)

DISCUSSION

1. Fiscal Year 2024 Recommended Budget Overview

ADJOURN

APPENDIX

2. April 11, 2023 Committee of the Whole meeting draft minutes

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

IF YOU NEED ANY ACCOMMODATIONS FOR THE MEETING, PLEASE CONTACT THE CITY ADA COORDINATOR, 913/477-7550. KANSAS RELAY SERVICE 800/766-3777. PLEASE GIVE 48 HOURS NOTICE



ITEM 1

SUBJECT: Fiscal Year 2024 Recommended Budget Overview

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

DATE: June 27, 2023

PROJECT BACKGROUND/DESCRIPTION:

The Governing Body will begin its review of the FY2024 Recommended Budget at this meeting.

The complete [FY2024 Recommended Budget](#) is posted on the City's website. Finance staff will provide a budget book, containing the FY2024 Recommended Budget and associated budget supplement, to the Committee on Friday, June 23, 2023.

VISION / GUIDING PRINCIPLES ALIGNMENT:

ATTACHMENTS

1. FY2024 Recommended Budget presentation



FY2024 Recommended Budget Overview

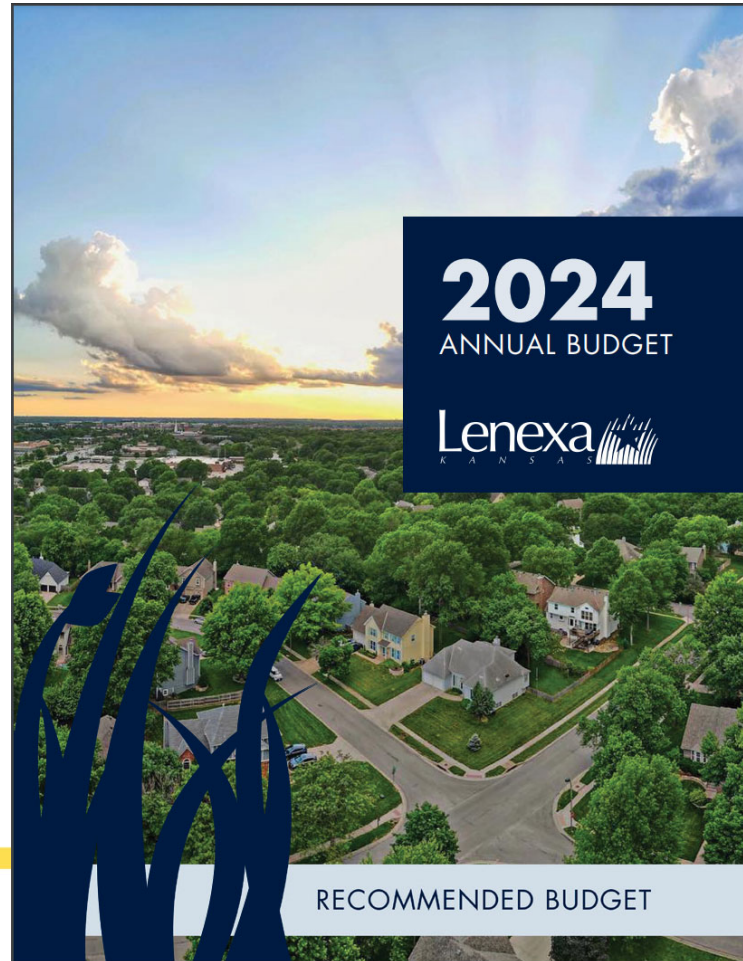
June 27, 2023



Agenda

- Overview
- Economic Outlook
- Budget Principles
- Key Elements of Recommended Budget
- Revenue/Expenditure Projections
- Fund Forecasts
- Next Steps

Overview



Overview – Financial Position

- FY2022 Year-End
 - Strong Sales and Use tax collections
 - Expenditures within budget
 - General Fund reserves – 43%
- FY2023 Estimates
 - Strong Sales and Use tax collections – up 10%
 - Franchise Fees (Gas) – up 28%
 - Property Tax collections up – 5%
 - General Fund reserves increase

Overview – Financial Position

FY2023 Original Budget	\$204,159,901
Expenditures	\$144,058,040
Reserves	\$60,101,861
FY2023 Revised Budget	\$224,735,257
Expenditures	\$153,893,421 (\$9.8M increase)
Reserves	\$70,841,835 (\$10.7M increase)

Overview – Total Budget

Total Recommended FY2024 Budget: \$224,781,100

Expenditures \$154,335,843

Reserves \$ 70,445,257

Total Revised FY2023 Budget: \$224,735,257

Percent increase = <1%

Overview – Budget Highlights

- Total Estimated 2024 Assessed Valuation: \$1.72 billion
- Recommended Mill Levy: 27.372, a 0.750 mill reduction
- Recommend **no changes** to user fees
- Recommend addition of 6.5 FTEs

Overview – Calculating Your City Taxes

TAX VALUE ILLUSTRATION

To determine the assessed valuation of your home, multiply the Johnson County appraised value of the home by 11.5%. (Commercial properties have a 25% assessment rate.)

$$\mathbf{\$439,697 \times .115 = \$50,565}$$

Assessed valuation = \$50,565

To determine how much you pay in City taxes, multiply the assessed valuation by the mill levy.

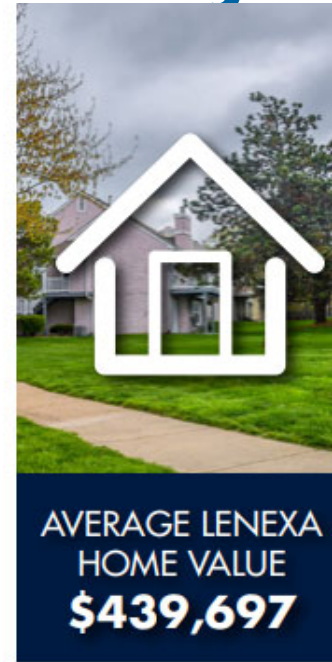
$$\mathbf{\$50,565 \times .027372 = \$1,384}$$

City tax liability = \$1,384

To determine your monthly expense for city services, divide tax liability by 12 months.

$$\mathbf{\$1,384 / 12 = \$115.33}$$

Monthly expense for City services = **\$115.33**



AVERAGE LENEXA
HOME VALUE
\$439,697

QUICK CALC

(Every \$100,000 of home value is \$314.78 in City tax per year or \$26.23 per month.)

Overview – Value for Your Lenexa Dollar

— VALUE OF YOUR LENEXA DOLLAR —

The following list represents a sample of the city services provided for the \$107.42 per month

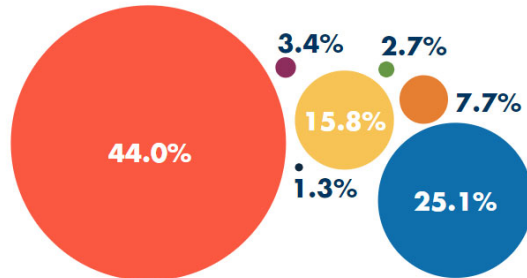
FIRE PROTECTION / PREVENTION / SAFETY ★ COMMUNITY STANDARDS ENFORCEMENT
COMMUNITY FESTIVALS AND EVENTS COMMUNITY CENTER ★ REC CENTER
PUBLIC SWIMMING POOLS DRUG PREVENTION EDUCATION
GOVERNMENT ADMINISTRATION STORMWATER MANAGEMENT
SCHOOL CROSSING GUARDS NEW ROAD CONSTRUCTION
COMMUNITY DEVELOPMENT SNOW AND ICE REMOVAL
PUBLIC PARKS AND TRAILS COMMUNITY NEWSLETTER
STREET MAINTENANCE/REPAIR BUILDING AND FIRE INSPECTION
SENIOR CENTER AND PROGRAMS MUNICIPAL COURT PROSECUTION
FARMERS MARKET ★ GRANTS PUBLIC MARKET ★ ANIMAL CONTROL
SIDEWALK REPAIR ★ STREET LIGHTING ★ POLICE PROTECTION ★ TRAFFIC CONTROL



Overview - 2022 Total Property Tax Rates

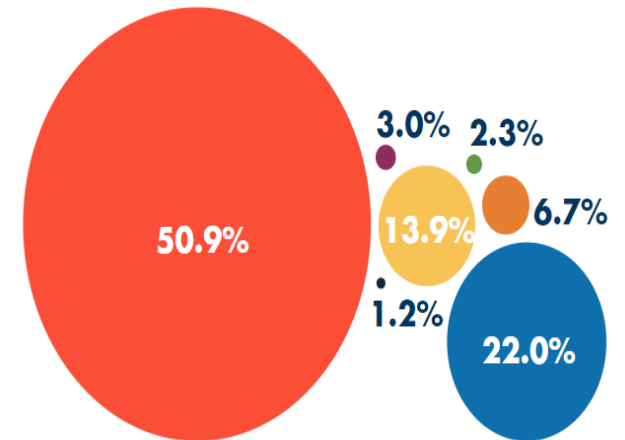
SHAWNEE MISSION SCHOOL DISTRICT

State of Kansas	1.500
Johnson County	17.772
Johnson County Community College	8.617
Johnson County Parks & Recreation District	3.021
Johnson County Library	3.815
City of Lenexa	28.122
SM School District	49.386
TOTAL MILL LEVY	112.233



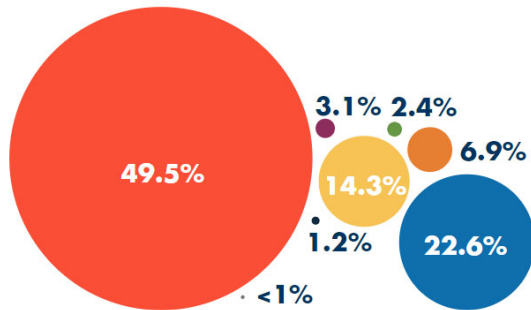
OLATHE SCHOOL DISTRICT

State of Kansas	1.500
Johnson County	17.772
Johnson County Community College	8.617
Johnson County Parks & Recreation District	3.021
Johnson County Library	3.815
City of Lenexa	28.122
Olathe School District	65.168
TOTAL MILL LEVY	128.015



DESOTO SCHOOL DISTRICT

State of Kansas	1.500
Johnson County	17.772
Johnson County Community College	8.617
Johnson County Parks & Recreation District	3.021
Johnson County Library	3.815
City of Lenexa	28.122
DeSoto School District	61.673
Monticello Cemetery	0.035
TOTAL MILL LEVY	124.555



Overview - Guiding Principles



SUPERIOR QUALITY SERVICES
Ensure that services are provided efficiently and effectively in ways that create a safe, clean, and attractive community for residents, businesses, and visitors.



PRUDENT FINANCIAL MANAGEMENT
Provide exceptional value in public investments by committing to structural fiscal balance in operational and capital activities while upholding transparent finance and budgeting processes.



STRATEGIC COMMUNITY INVESTMENT
Purposefully invest in high-quality infrastructure, facilities, programs, and initiatives across all areas of the community.



EXTRAORDINARY COMMUNITY PRIDE
Celebrate Lenexa's history and reputation as a visionary community and use that heritage to instill future generations with the pride that is reflected in the City's public places, plans, programs, and people.



INCLUSIVE COMMUNITY BUILDING
Enthusiastically engage the public in community initiatives and visioning, including intentionally seeking input and ideas from a diverse assembly of stakeholders.



RESPONSIBLE ECONOMIC DEVELOPMENT
Fortify the city's economic base by encouraging high-quality private development as well as fostering economic opportunity through thoughtful planning processes and the judicious use of economic development investment programs.



SUSTAINABLE POLICIES AND PRACTICES
Lead by example in implementing sustainable and resilient practices where financially and operationally practical as well as enact community-wide policies and strategies that motivate both residents and businesses to do so when reasonable.



VALUES-BASED ORGANIZATIONAL CULTURE
Create an organization that reflects the community's diversity and fosters a superior culture by employing, supporting, and rewarding professionals who make decisions with integrity, deliver results through teamwork, provide exceptional service, lead into the future with vision, are dedicated to excellence, and who truly care about Lenexa.

Economic Outlook

Recent Economy

- Housing valuation increases
- Sales and Use tax growth
- Strong consumer demand for products and services
- Hot labor market

Uncertain Economy Moving Forward

- Inflation remains elevated
- Federal Reserve temporarily pausing interest rate hikes
- Continued supply chain disruptions
- Potential housing market contraction

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

Key Elements

- Reduces estimated property tax rate by 0.750 mill – FY2024 est. 27.372 mills
 - General Fund – 22.339 mills
 - Debt Service Fund – 5.033 mills
 - 0.500 mill reduction in FY2025
 - 0.372 mill reduction in FY2026
- Maintains sufficient General Fund reserves for A AA (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

Key Elements

The total FY2024 recommended expenditure budget is \$154.3 million, which is an increase of \$10.2 million (7.1%) compared to the FY2023 original budget of \$144.1 million.

Total General Fund operating expenditures in the FY2024 Recommended Budget are \$106.5 million. This is an increase of \$9.2 million (9.5%) compared to the FY2023 General Fund budget amount of \$97.3 million.

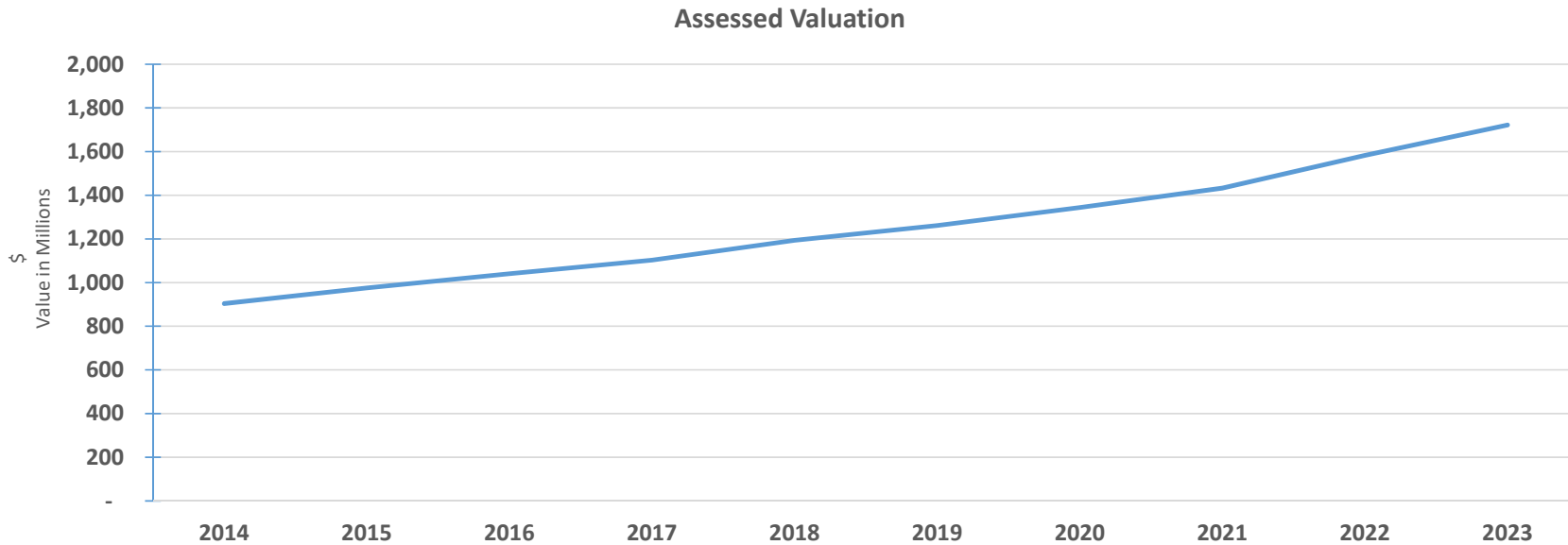
Total budgeted full-time equivalent (FTE) positions are 559.66 for FY2024. This is an increase of 6.5 FTE compared to the FY2023 budget of 553.16 FTE.

The estimated mill levy of 27.372 mills is a reduction of 0.750 mill from FY2023 and the Stormwater service charge is \$109 per equivalent dwelling unit, or EDU (unchanged from FY 2023).

Major Revenue Projections

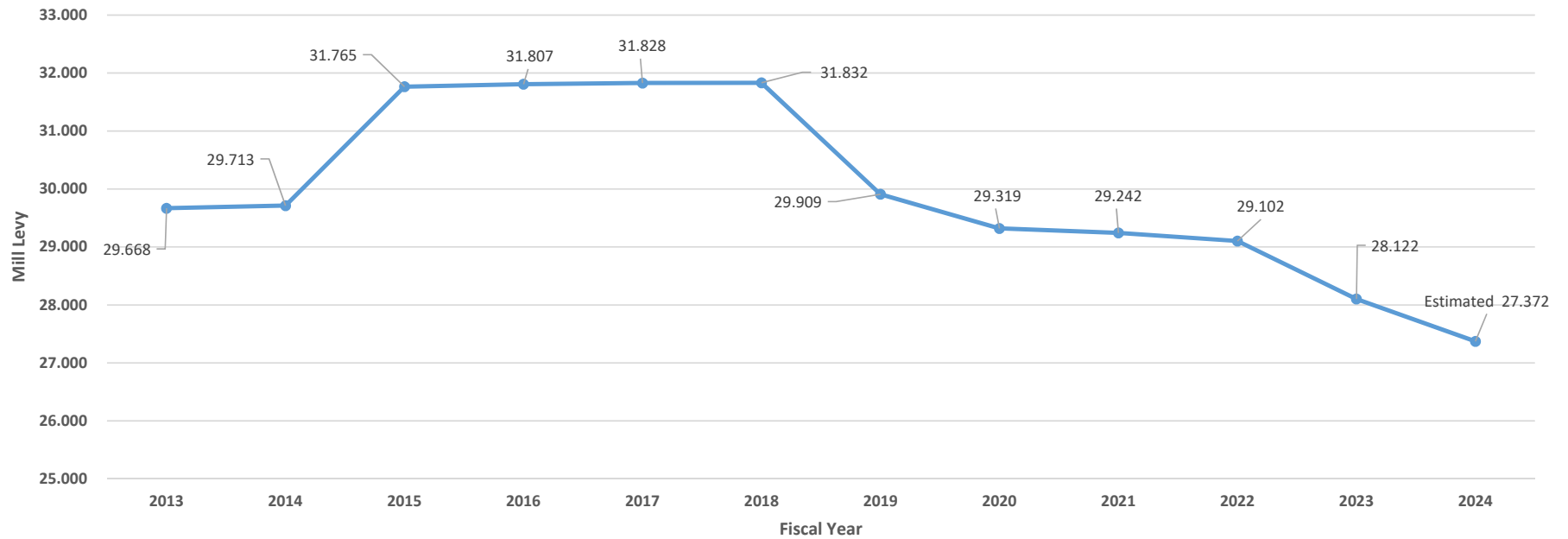
Assessed Valuation

Lenexa's assessed valuation increased by 8.8% to \$1.72 billion (vs. \$1.58 billion in FY2023).



Property Tax Rate

Lenexa Mill Levy
2013- Est. 2024



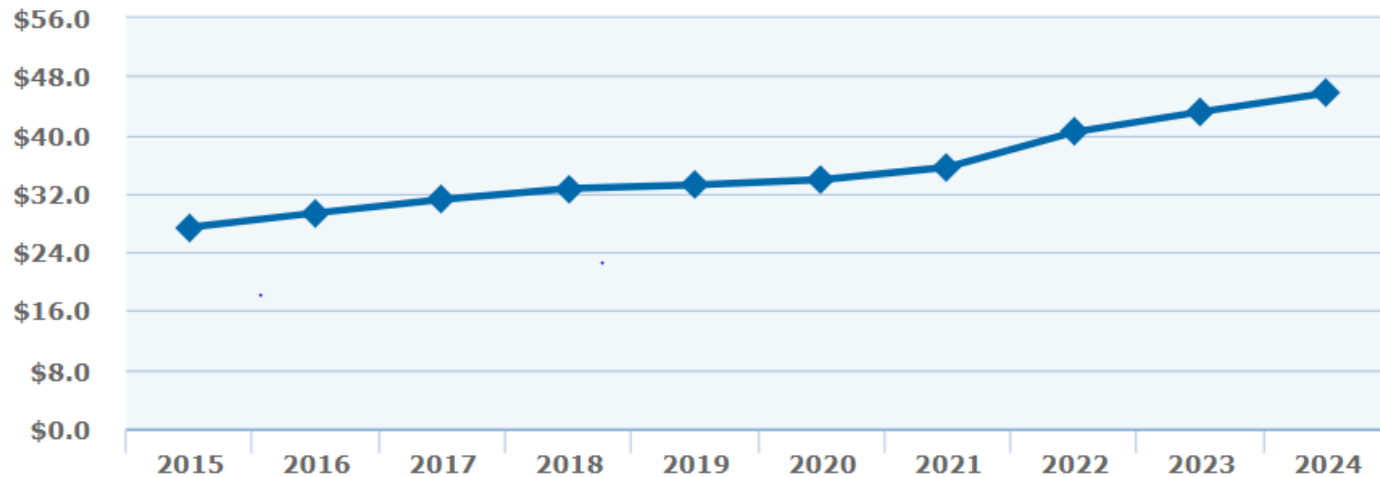
Revenue Neutral Rate

- Definition – “the mill levy required to raise the same amount of property tax revenue as the prior year, using current year assessed valuation amounts.”
- Assessed valuation for Revenue Neutral Rate calculation: \$1.72 billion
- Mill levy for Revenue Neutral Rate calculation: 25.858
 - Reduction of 2.264 mills from FY2023 tax rate of 28.122 mills
 - Reduction of 1.514 mills from FY2024 estimated tax rate of 27.372 mills
- Dollar value of reduction for Revenue Neutral Rate calculation (1.000 mill = \$1.67 million)
 - FY2023 reduction value is \$3.8 million
 - FY2024 estimate reduction value is \$2.5 million

Property Tax Revenue

Estimated property tax revenues increased by 5.8% to \$45.7 million (vs. \$43.2 million in FY2023) assuming a delinquency rate of 3%. Property tax revenue is \$37.3 million for the General Fund and \$8.4 million for the Debt Service Fund in FY2024.

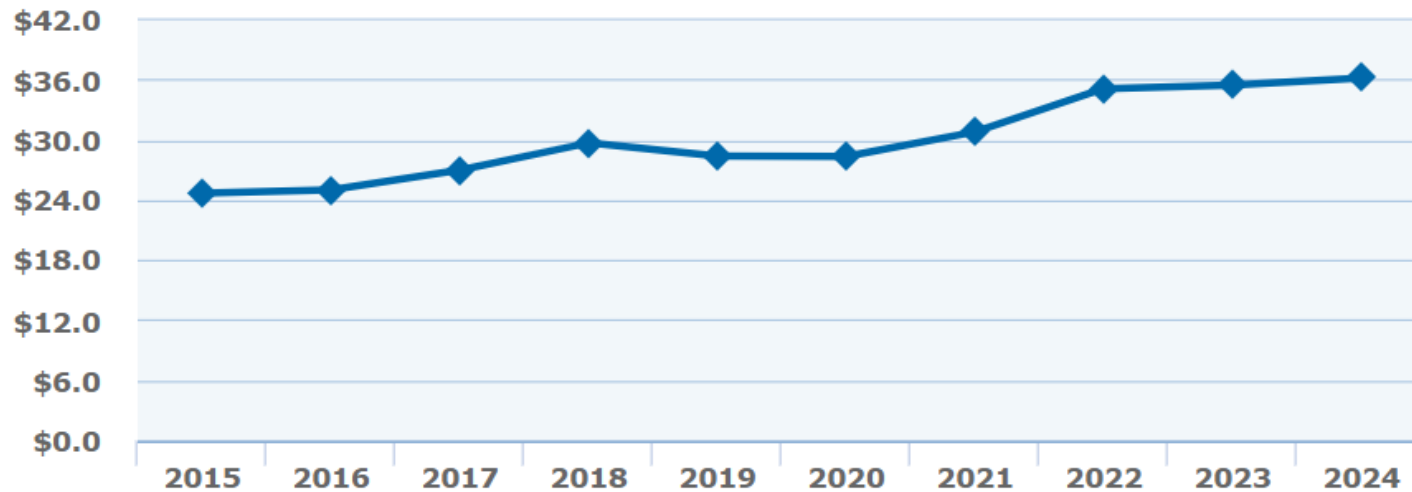
PROPERTY TAXES
(in millions)



Sales Tax Revenue

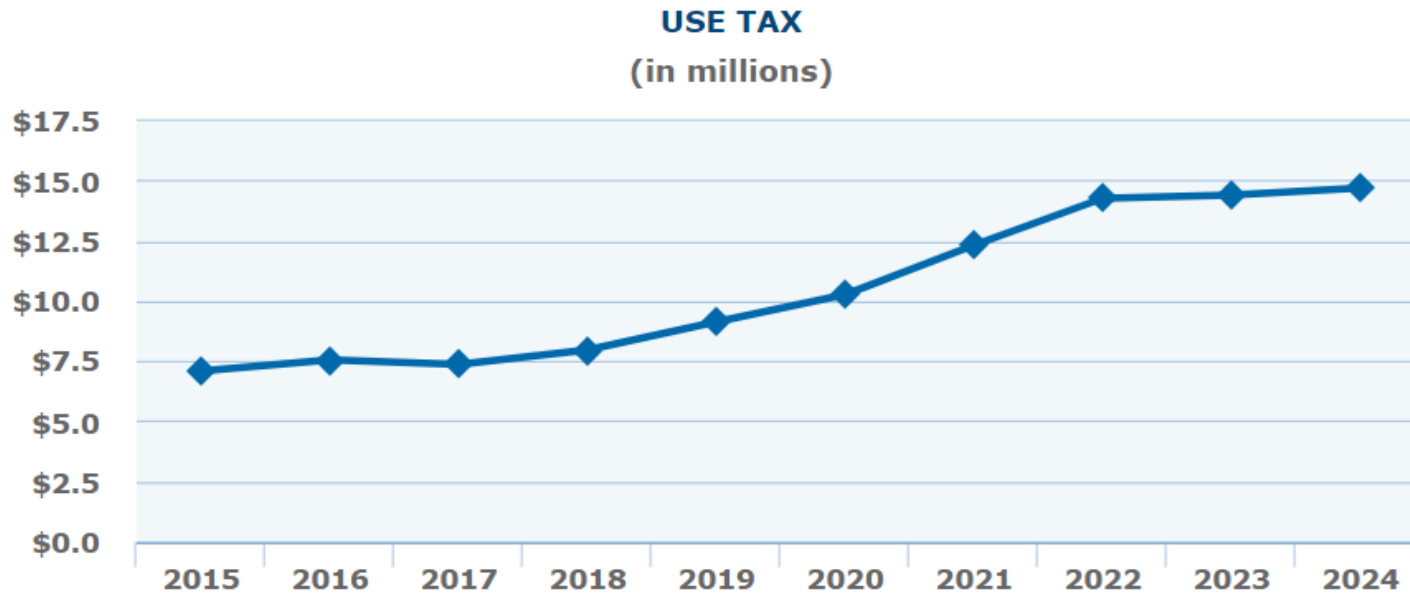
Estimated FY2024 sales tax revenue in the General Fund is \$36.2 million (City and County) which is up 12.8% from the FY2023 original budget of \$32.1 million and up 2% from FY2023 re-estimate of \$35.5 million.

SALES TAX - CITY & COUNTY
(in millions)



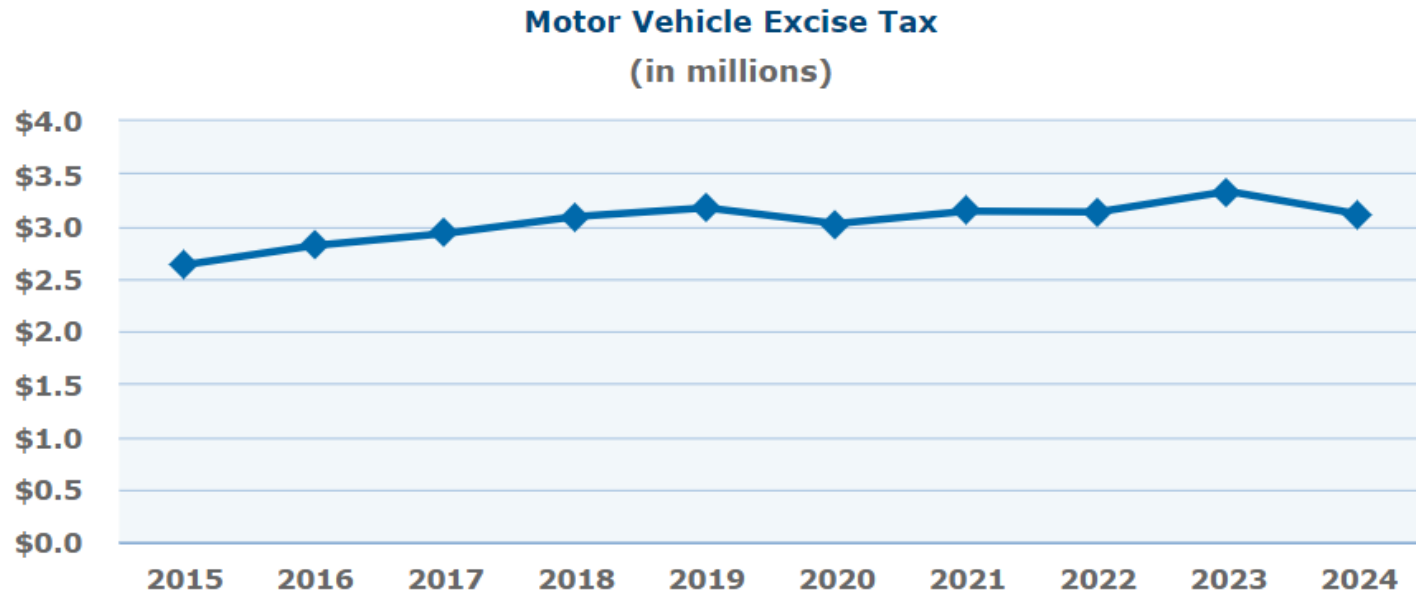
Use Tax Revenue

Estimated FY2024 use tax revenue in the General Fund is \$14.7 million (City and County) which is up 15% from the FY2023 original budget of \$12.8 million and up 2% from FY2023 re-estimate of \$14.4 million.



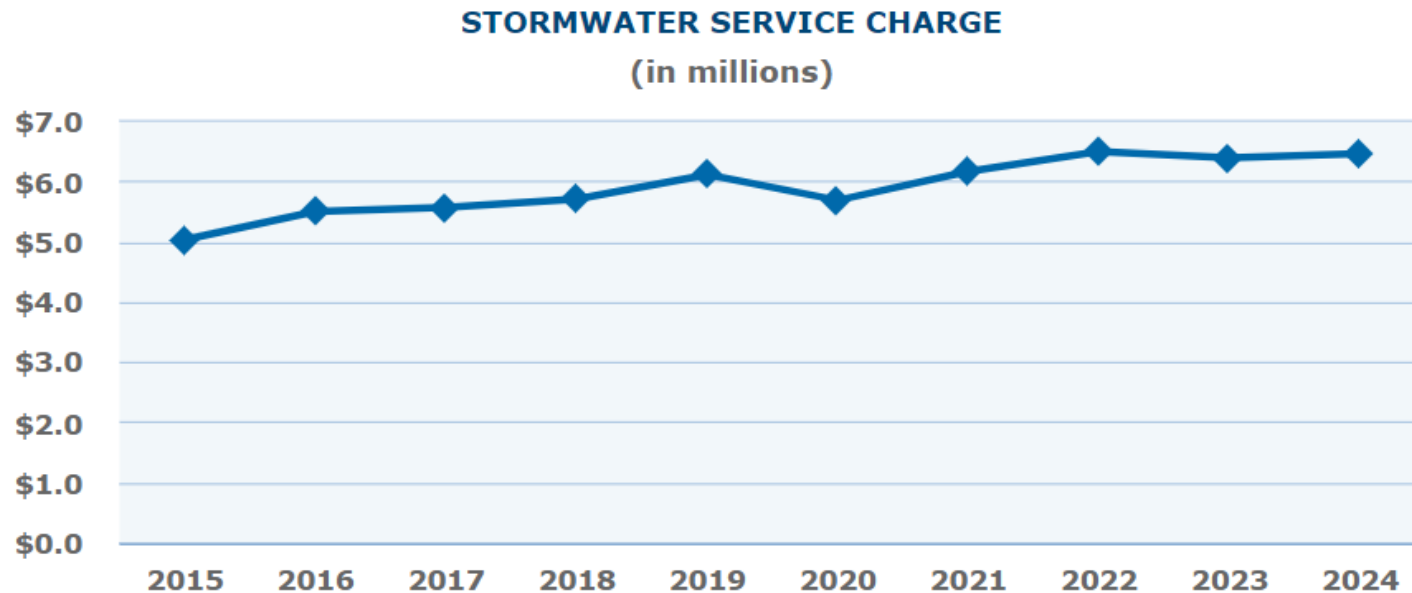
Motor Vehicle Excise Tax

Estimated FY2024 revenue from motor vehicle taxes is \$3.16 million which is a decrease of 5.0% from the FY2023 original budget of \$3.33 million.



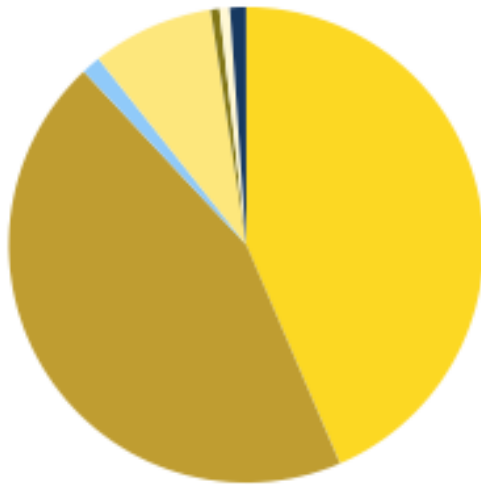
Stormwater Service Charge

Estimated FY2024 revenue from the stormwater service charge is \$6.46 million which is up 1% from the FY2023 original budget of \$6.40 million.



Revenue Budget

2024 REVENUES BY SOURCE



REVENUES BY SOURCE			
Property Taxes	\$67,214,718	43.6%	
Non-Property Taxes	68,657,380	44.5%	
Licenses & Permits	2,038,500	1.3%	
Charges for Services	12,734,353	8.3%	
Fines & Forfeitures	991,000	0.6%	
Transfers In & Use of Prior Yr. Bal.	1,056,578	0.7%	
Other Revenues	1,643,314	1.1%	
TOTAL	\$154,335,843	100.1%	

Expenditure Projections

Personnel Costs

- Staff has received direction from the Council to not fall behind on compensation and benefits
- Recommended budget includes 6% for employee compensation increases/adjustments
 - 3% reserved in Non-Departmental
- City contribution for employee health insurance increases by 9% (\$0.63 million) from \$6.98 million in FY2022 to \$7.61 million in FY2023
- Total budgeted full-time equivalent (FTE) positions are 559.66 for FY2024. This is an increase of 6.5 FTE compared to the FY2023 budget of 553.16 FTE

Cont. Services/Commodities/Capital Outlay

FY2024 contractual service and commodities expenditures are \$17.69 million in the General Fund, compared to \$16.67 million for the FY2023 budget. The FY2024 increase of \$1.00 million is 6% over the FY2023 budget.

FY2024 capital outlay expenditures are \$0.69 million in the General Fund, compared to \$0.73 million for the FY2023 budget (4% decrease). This decrease is due to a lower number of requests for new vehicles and equipment.

Lingering issues related to supply chain and inflationary pressures

- Vendors unable to deliver orders for years
- Prices for goods and services remain elevated
- Shortage of supplies and materials

Economic Development/General Fund Transfers

FY2024 economic development payments (CID, Neighborhood Revitalization District, Special Benefit Districts, TIF) are \$21.2 million, compared to \$20.9 million for the FY2023 Budget. The increase of \$0.3 million (1.4%) is primarily due to the addition of three new CIDs. A majority of the revenue received in these funds are “pass through” and are not revenue to the City.

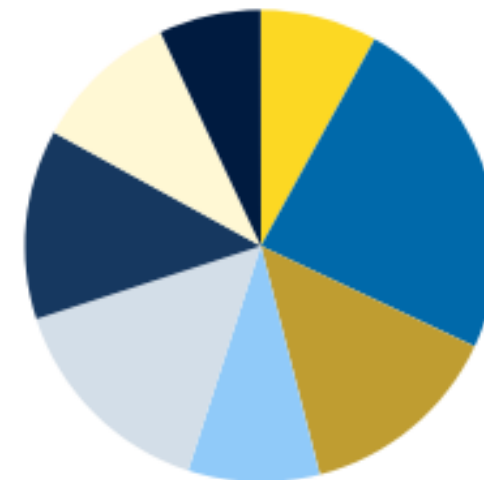
The General Fund transfer to the Capital Improvement Fund (CIF) for capital projects is \$1.7 million for FY2024, compared to \$2.3 million in FY2023 (decrease of \$0.6 million or 27.5%). The General Fund transfer to the CIF for the Pavement Management Program is \$1.30 million for FY2024 (equivalent of 0.78 mills) compared to \$1.20 million in FY2023 (increase of \$0.10 million or 8%).

The General Fund transfer to the Equipment Reserve Fund (ERF) remains flat at \$1.20 million in FY2024. The General Fund transfer to the Rec Center is \$0.50 million and was \$0.94 million for FY2023.

Expenditure Projections

EXPENDITURES BY FUNCTION			
General Government	\$13,068,751	8%	
Public Safety	36,847,328	24%	
Community Infrastructure	22,201,636	14%	
Parks & Recreation	14,599,407	9%	
Economic Development	23,838,635	15%	
Debt Service	20,243,707	13%	
Transfers for Capital Projects	14,725,220	10%	
Other Transfers	8,811,159	7%	
TOTAL	\$154,335,843	100%	

2024 EXPENDITURES BY FUNCTION



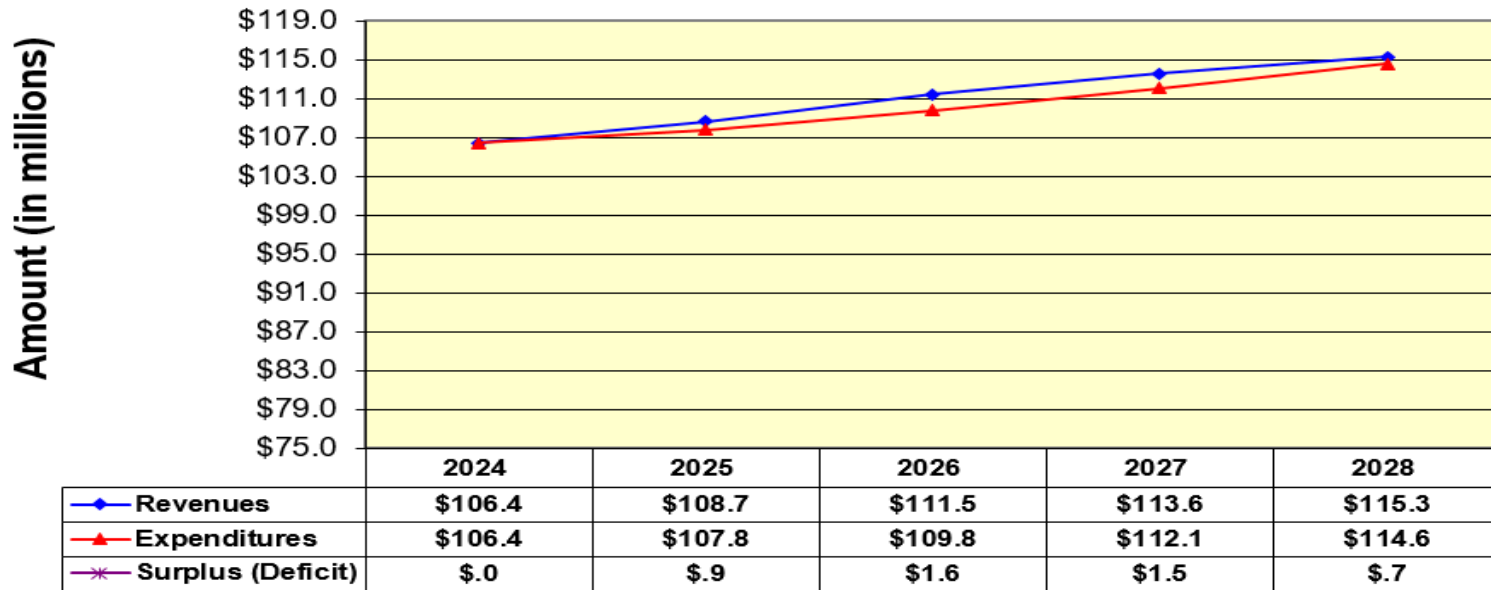
Multi-Year Forecasts

Financial Model Assumptions

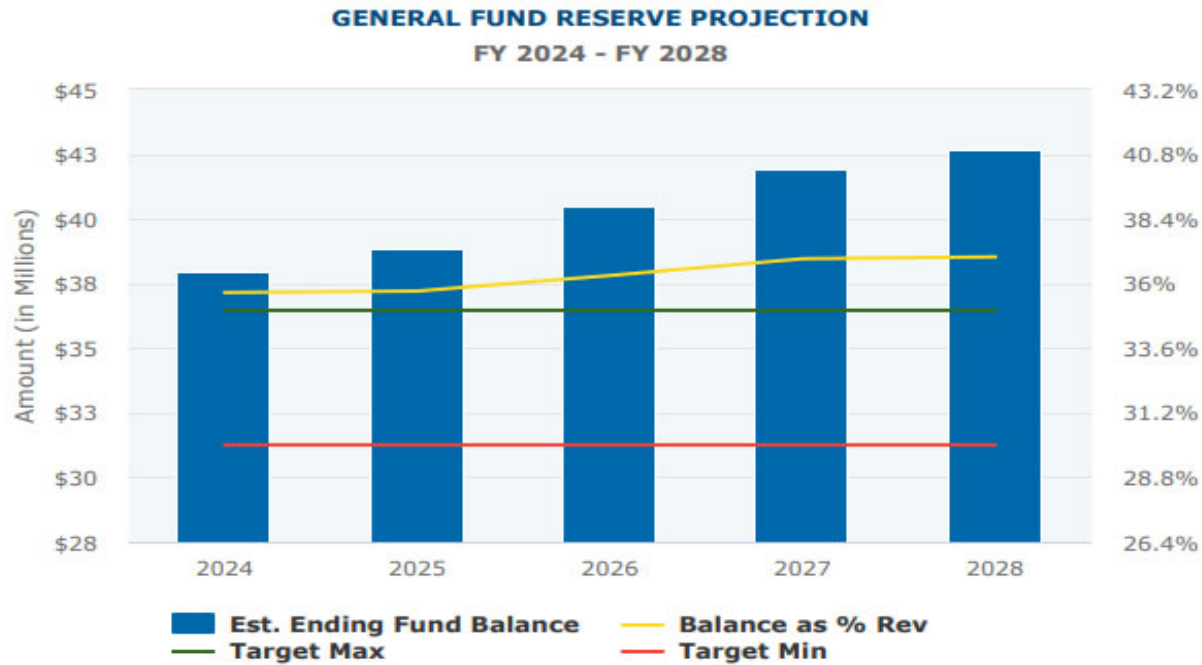
TABLE #1: FINANCIAL MODEL ASSUMPTIONS – GENERAL FUND					
	2024	2025	2026	2027	2028
Assessed Value % annual change	9%	4%	4%	4%	4%
Total Mill Levy (2023=28.122)	27.372	26.872	26.500	26.500	26.500
Estimated property tax delinquency rate	3%	3%	3%	3%	3%
City Sales Tax % change (1.375% rate)	2%	2%	2%	2%	2%
Personnel: % of pay allocated for compensation increases/adjustments	6%	4%	4%	4%	4%
General Fund Transfer to Equipment Reserve Fund (equipment replacement) – in millions	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
General Fund Transfer to Capital Improvement Fund (pay as you go funding for CIP – funded from general revenue) – in millions	\$3.3	\$3.4	\$3.4	\$3.3	\$3.8

General Fund

General Fund Projections FY 2024 - FY 2028 (in millions of \$)



General Fund Reserve



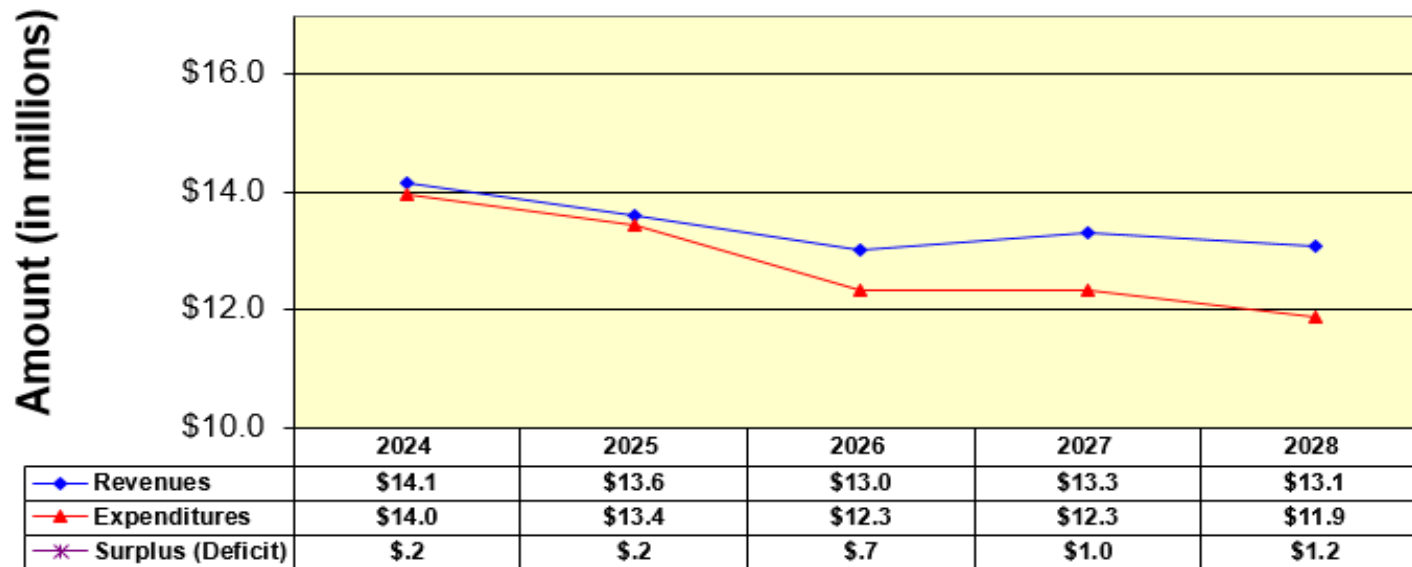
General Fund Reserve Allocation

At the end of FY2022, the General Fund reserve balance was \$43.0 million or 43% of revenues. Staff is recommending that \$8.0 million of General Fund reserves be allocated to the following projects/funds in order to bring the reserve balance closer to the max target of 35% of revenues.

- Pavement Reconstruction Program \$5.0 million
- Transfer to Capital Improvement Fund (CIF) \$3.0 million

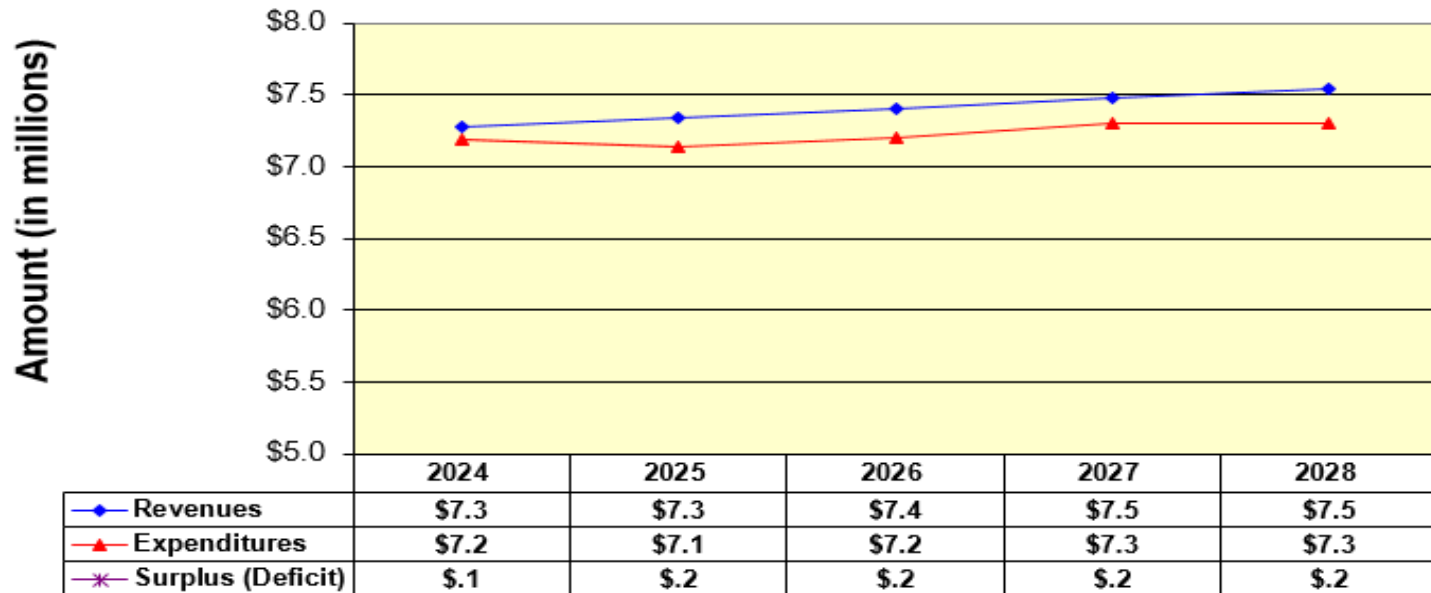
Debt Service Fund

Debt Service Fund Projections FY 2024 - FY 2028 (in millions of \$)



Stormwater Fund

Stormwater Fund Projections
FY 2024 - FY 2028 (in millions of \$)



Next Steps

- Department Budget Review July 11
- Consider Resolution to Set Public Hearing July 18
- County Sends Notices for RNR Hearing/Est. Mill Levy August 1-10
- Budget Open House August 17
- Public Hearing/Revenue Neutral Rate Hearing August 22
- Consider Resolution to Exceed RNR and Approve FY24 Budget August 22

Questions?



**MINUTES OF THE
APRIL 11, 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, Roh, Arroyo, and Sayers were present with Mayor Boehm presiding. Councilmembers Nicks, Nolte, and Denny were absent.

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

APPROVE MINUTES

Councilmember Roh made a motion to approve the January 24, 2023 Committee of the Whole meeting draft minutes and Councilmember Sayers seconded the motion. Motion passed unanimously.

DISCUSSION

1. Rec Center 2022 Annual Report

Logan Wagler, Parks and Recreation Director, said this is a review of the Rec Center's fifth year of operations. He said he is proud of the facility and what it provides to the community and beyond but is most proud of the staff that keeps it running.

Erika Geering, Rec Center Manager, presented a review of the Rec Center's focus and goals for 2022. She talked about target membership, member acquisition and engagement strategies, webpage updates, social Media advertisements, free classes for teachers and nurses, and the prize wheel. She also said they had great engagement and participation in the refer-a-friend campaign and that the corporate incentive program includes Chick-fil-A, Angel Competition Bikinis, and City of Lenexa employees.

Ms. Geering said they surpassed the 9,500 member goal with 10,288 members. She said the average membership over the past 5 years is 8,242. She said that knowing these trends helps them establish staffing needs for the facility. She presented a breakout of the memberships, noting that 60% of memberships are household

memberships.

Ms. Geering talked about retention efforts like Forever Fit happy hours, Workout Partner Wednesdays, Thankful Thursdays in November, and education series such as how to use tools in the facility, as well as the fitness equipment replacement program.

Ms. Geering reviewed the cost recovery and revenue/expense comparisons, reporting 124% cost recovery, 34% revenue increase, and 60% membership increase. She also talked about some of the operational improvements that were made in 2022 like requiring identification for ages 18 and older, the creation of a rental space brochure, implementation of a youth waiver email process, and the establishment of seasonal gym schedules.

Kevin Bruns, Assistant Rec Center Manager, reviewed day pass and membership visits, saying that pricing is competitive, and the Rec Center is one of the only facilities to offer full-court basketball. He said people visit the Rec Center for group classes, forever fit happy hours, karate, swim lessons, preschool sports, and preschool pals.

Mr. Bruns presented a recap of the birthday party rentals, which generated \$179,000 in revenue through 823 parties with over 20,000 guests. He noted that non-party rentals generated \$17,000 in revenue, which was an 189% increase. He added that the Rec Center shop generated \$4,000 in revenue through sales of 449 items including shirts, towels, and goggles.

Mr. Bruns talked about several events held at the Rec Center. From the Underwater Egg Hunt to the 5-year Celebration to the Naughty or Nice Games, events sell out and hundreds of people are eager to participate in the games and activities. He talked about staff retention efforts like RED Friday's, Candy Grams, the Shout-Out Board, Birthday cookies, staff game nights, and graduation announcements.

Ms. Geering reported on program statistics, which is attendance in addition to daily passes and check-ins:

- Summer Camp/Kids Day Out – 708 enrollments
- Karate – 1,208 enrollments
- Art Classes – 106 participants
- Gym for Me – 900 participants
- Drop-in pickleball - 3,164 participants

Ms. Geering reported that membership rates will increase in May 2023 to help cover operational expenses. She also said that some treadmills, rowers, and cycle bikes would be replaced. She added that facility improvements would include the installation of blinds on the 2nd floor and some Rec Shop updates with fresh items.

Councilmember Karlin thanked Ms. Geering for doing a great job and said everyone at the Rec is so friendly and he likes that it is clean. He asked about the membership breakdown and Ms. Geering said that 75% are Lenexa resident memberships. Councilmember Karlin asked if peak times are close to capacity and Ms. Geering said

it depends on schedules and the day of the week, but they are constantly adjusting to make it work and to keep it safe.

Mayor Boehm said he has heard from non-residents about using facility and asked if non-residents are causing inaccessibility to programs for residents. Ms. Geering said the facility is first come first served and they work to make sure needs are being met, especially with swimming lessons. Mayor Boehm asked if the SMSD Aquatic Center is competing with the Rec for swim lessons and swim team and Ms. Geering said there have not been any issues.

Councilmember Roh thanked Ms. Geering and Mr. Bruns for their presentation, work, and leadership.

Councilmember Eiterich said she thinks the Rec is the birthday party capital of the city because parents are always attending parties there.

STUDENT INTRODUCTIONS

Arissa Turner and Randa Coate-Brock, Shawnee Mission West students, attended the meeting for a Government class requirement.

2. 2022 Economic Development Report

Mike Nolan, Assistant City Manager, thanked Kyle Glaser for his work on this report. He talked about the Governing Body's guiding principle of responsible economic development, its direct connection to Vision 2040 – Thriving Economy, and how these things help create a balanced tax base that allows Lenexans to have the quality of life that they do.

Kyle Glaser, Economic Development Analyst, reviewed the tools of economic development:

- Tax Increment Financing (TIF)
- Industrial Revenue Bonds (IRB)
- Community Improvement Districts (CID)

Mr. Glaser presented a map reflecting the projects in the report that are using one or more of the tools.

Mr. Glaser presented a summary of the TIF tool. He reported there are five active TIF districts, 37 active project plans, and three complete/expired project plans. He said these have a base assessed value is \$33.4 million and the 2022 assessed value is \$191.6 million. He explained how to read the Total TIF Reimbursement charts found in the report and went through examples of the Lifetime Fitness and Meritex Subsurface Development.

Mr. Glaser presented a summary of the IRB & Tax Abatement tool. He reported there are 23 active tax abatements, with estimated 2022 payment in lieu of taxes (PILOT) payments of \$2.7 million; 7 pending tax abatements, estimated average annual PILOT \$783,000; and 10 completed tax abatements since 2000 with 2022 taxes of \$3.2 million. He went through examples of Williams Equity (Skyline) and Lenexa

Logistics Centre East, Building 2.

Mr. Glaser presented a summary of the CID tool. He reported there are 13 active CIDS and four pending, all of which have a 1% CID sales tax. He explained the Total CID Reimbursement chart and went through examples of Orchard Corners and 95th Street & Quivira Road.

Councilmembers asked clarifying questions about the tools and the report and Mr. Glaser addressed their questions.

Mayor Boehm talked about how these tools help the City to support development and address blighted areas throughout the city that might be undevelopable otherwise, as well as the importance of staff negotiations in the process.

Beccy Yocham, City Manager, said that staff always considers how the community's goals can be achieved with these tools. She talked about public and private development, as well as the importance of meeting the community goals. She explained how each instance can look different.

Councilmember Sayers asked how this document could be used in the future and what the next steps are to communicate this with the public.

Ms. Yocham commented that it is impossible to explain this complex information to the general public, but she hopes it helps people to understand how incentives work and benefit the city.

Mayor Boehm commented that he liked this document better than a spreadsheet.

Mr. Pelham said when this becomes an historical document he would like for it to include before and after pictures of the development to reflect the changes made.

ADJOURN

Mayor Boehm adjourned the meeting at 8:16 PM.