



Agenda

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

**JULY 9, 2024
7:00 PM
COMMUNITY FORUM**

CALL TO ORDER

ROLL CALL

APPROVE MINUTES

June 25, 2024 Committee of the Whole meeting draft minutes (located in the Appendix)

DISCUSSION

1. FY 2025 Recommended Budget - Fund/Department Review

ADJOURN

APPENDIX

2. June 25, 2024 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 2025 Recommended Budget - Fund/Department Review

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

DATE: July 9, 2024

PROJECT BACKGROUND/DESCRIPTION:

At the June 25, 2024 Committee of the Whole meeting, staff presented the City Council with an overview of the [FY 2025 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 2025 Recommended Budget.

FINANCIAL IMPLICATIONS/FUNDING SOURCES:

The FY 2025 Recommended Budget is \$246.7 million, including \$168.3 million in expenditures and \$78.4 million for reserves.

The total estimated mill levy for FY 2025 is 26.970, a planned 0.500 mill reduction from the FY 2024 Budget.

ATTACHMENTS

1. FY 2025 Recommended Budget (link)



**MINUTES OF THE
JUNE 25, 2024
LENEXA COMMITTEE OF THE WHOLE MEETING
COMMUNITY FORUM, 17101 W 87th STREET PARKWAY
LENEXA, KS 66219**

CALL TO ORDER

Mayor Sayers called the meeting to order at 7 PM.

ROLL CALL

Councilmembers Karlin, Eiterich, Charlton, Nicks, Arroyo, Williamson, Denny, and Herron were present with Mayor Sayers presiding.

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 Nicks made a motion to approve the May 14, 2024 Committee of the Whole meeting draft minutes and Councilmember Eiterich seconded the motion. Motion passed unanimously.

DISCUSSION

1. Fiscal Year 2025 Recommended Budget Overview

Beccy Yocham, City Manager, thanked Nate Blum, Chief Financial Officer, and the Finance Department staff and other staff who have been involved in producing the recommended budget document. She talked about the budget process and timeline and said that feedback can be sent to budget@lenexa.com.

Ms. Yocham talked about the City's budget principles and the importance of being conservative when budgeting. She reported that at the end of fiscal year (FY) 2023 the City had strong tax collections, record revenue from building permits and investments, expenditures within budget, and General Fund reserves at 48%. She said that the FY 2024 tax collections were down from FY 2023 and Property Tax revenue returns to normal increases.

Ms. Yocham went over the total recommended budget for FY 2025, which is \$246,751,383. She talked about the recommended increases in expenditures (\$14 million) and reserves (\$8 million) over FY 2024. She reported that the budget highlights include: a total estimated 2025 assessed valuation of \$1.82 billion; a recommended Mill Levy of 26.970, which is a 0.500 mill reduction; no recommended changes to user fees; and the recommended addition of five full-time equivalent (FTE)

positions. She added that this is the seventh consecutive year the mill levy has been rolled back.

Ms. Yocham reviewed an example of how property owners can calculate their city taxes and said that for the average Lenexa home, about \$120.92 per month is paid for city services. She talked about the value residents receive for their taxes including many city services such as community festivals and events, stormwater management, new road construction, public parks and trails, snow and ice removal, Public Market, newsletters, school crossing guards, community/rec/senior centers and programs, traffic control, and farmers market in addition to fire and police protection. She added that the 2023 citizens satisfaction survey results showed that respondents were highly satisfied with the value for their dollar. A breakdown of the FY 2023 total Property Tax rates was presented to show the percentage of Lenexa taxes in comparison to all the others.

Ms. Yocham spoke about the Guiding Principles adopted by the Governing Body and how they are considered during the budgeting process and included in the document.

Mr. Blum reviewed the key elements of the recommended budget beginning with the economic outlook. He said that there have been property valuation increases, strong Sales and Use Tax growth, strong consumer demand for products and services, and a hot labor market. He also said that looking ahead inflation remains elevated, the Federal Reserve is postponing rate cuts, there are continued workforce pressures, there are challenges in the municipal insurance market, and City revenues are returning to pre-COVID19 norms.

Discussion followed regarding insurance increases.

Mr. Blum said that navigating these challenges is done through 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
- Use conservative approach to revenue estimating
- Prepare and fund equipment replacement/building maintenance schedules

He added that these principles help the City maintain its AAA bond rating, which saves money.

Mr. Blum explained and reviewed the budget basics: balanced budget law, funds, and fund categories. He then presented graphics with the recommended budget by category:

Total recommended budget: \$246,751,382

Total budget excluding reserves: \$168,316,081

Lenexa Operating Budget (excluding Economic Development funds): \$145,289,503

Mr. Blum presented the General Fund broken down by expenditure types, which reflects an increase of 8.7% or about \$12.6 million over the FY 2024 adopted expenditures.

Mr. Blum said the key elements of the recommended budget are that it reduces the estimated Property Tax rate of 0.500 mills to 26.970 mills; maintains sufficient General Fund reserves for AAA (Aaa) bond rating; continues focus on providing high-quality services by retaining good employees and funding strategic priorities; plans for economic pressures.

He said the total recommended expenditure budget is \$168.3 million, which is an increase of \$14.2 million compared to the FY 2024 original budget of \$154.3 million; the total General Fund operating expenditures are \$114.2 million, which is an increase of \$7.7 million compared to the FY 2024 General Fund budget of \$106.5 million; the total budgeted FTE positions are 565.88, which is an increase of 5.0 FTE compared to the FY2024 revised budget of 560.88 FTE; the estimated mill levy of 26.970 mills is a reduction of 0.500 mill from FY2024; and the Stormwater service charge is \$109 per equivalent dwelling unit, or EDU (unchanged from FY 2024).

Mr. Blum presented several graphs and talked about major revenue projections. He reported that the assessed valuation increased by 5.8% to \$1.82 billion and the Property Tax rate has decreased for six consecutive years and is estimated at 26.970 for FY 2025.

Mr. Blum reviewed the Revenue Neutral Rate (RNR). He said the assessed valuation for the RNR calculation is \$1.82 billion; the mill levy for the RNR calculation is 25.872, with a reduction of 1.598 mills from FY 2024 tax rate of 27.470 mills and a reduction of 1.098 mills from the FY 2025 estimated tax rate of 26.970 mills. He said the dollar value of reduction for the RNR calculation for FY 2024 is \$2.82 million and for FY 2025 is estimated at \$1.93 million.

Mr. Blum said that Property Tax Revenue increased by 3.9% and is \$39 million for the General Fund and \$8.5 million for the Debt Service Fund in FY 2025. He said Sales Tax Revenue increased slightly over FY 2024 and is \$36.9 million in the General Fund. He said Use Tax Revenue has increased and is at \$16 million in the General Fund; the Motor Vehicle Excise Tax increased 4% and is \$3.3 million; and the Stormwater Service Charge increased and is \$6.63 million. He showed a graphic reflecting revenues by source totaling \$169.3 million.

Expenditure projections were presented by Mr. Blum. He said that Personnel Costs are the City's largest expense and staff is following the Governing Body's direction to keep up with compensation and benefits for employees. He said they are recommending 6% for compensation increases and adjustments, 3% of which is reserved in Non-Departmental. He said they also expect health insurance costs to increase by 11%. He added that there is an increase of five FTE positions in this recommended budget, for a total of 565.88 for FY 2025.

Mr. Blum said that FY 2025 contractual service and commodities expenditures are \$18.5 in the General Fund, up from \$17.7 in 2024. He said the capital outlay expenditures are up 2.6% from 2024. He added that there are still issues related to delivery of critical equipment.

Mr. Blum talked about the economic development and General Fund transfers, saying the FY 2025 economic development payments (CID, Neighborhood Revitalization District, Special Benefit Districts, TIF) are \$28.4 million, an increase of \$5.4 million primarily due to new development. He pointed out that most of the revenue received in these funds are “pass through” and are not revenue to the City. He said the General Fund transfer to the Capital Improvement Fund (CIF) for capital projects is \$1.8 million for FY 2025, compared to \$1.7 million in FY 2024; the General Fund transfer to the CIF for the Pavement Management Program is \$1.4 million for FY 2025 compared to \$1.30 million in FY 2024; the General Fund transfer to the Equipment Reserve Fund (ERF) increased to \$2.5 million compared to \$1.95 million in FY 2024; and the General Fund transfer to the Rec Center is \$0.30 million and was \$0.50 million for FY 2024.

Mr. Blum presented a graphic for the expenditure projections totaling \$168.3 million.

Mr. Blum reviewed the multi-year forecast, the five-year financial model assumptions (2025-2029), which assumes renewal of the 3/8-cent sales tax. He talked about the General Fund and General Fund Reserve projections, as well as the recommended allocation of \$8 million from the General Fund reserve balance to the Capital Improvement Fund (CIF) to bring the balance closer to the maximum target of 35% of revenues. He went over the Debt Service Fund and the major capital projects included, as well as the Stormwater Fund.

Mr. Blum said that the department budget overview would be at the July 9th Committee of the Whole meeting and the Budget Open House would take place on August 15th.

Discussion followed regarding the recommended compensation percentage and the potential impacts to the budget if there is a need to make adjustments in the future, and the possibility of amending the reserve policy verbiage to explain why the City is consistently higher than the maximum target percentage.

Ms. Yocham reminded the Governing Body of the 9 AM Saturday communications training that will be held in the Prairie Star Conference Room. She also said that next Tuesday they would consider adoption of the Comprehensive Plan at the City Council meeting.

ADJOURN

Mayor Sayers adjourned the meeting at 7:50 PM.