



BUDGET EXECUTIVE SUMMARY

2016





We are pleased to submit the FY 2016 adopted budget and FY 2016 – 2020 Capital Improvement Program (CIP), which were approved at the Aug. 4, 2015 City Council meeting. As required by law and by sound fiscal management, the adopted budget is balanced and ready for implementation.

The budget represents the ingenuity and hard work of many city employees. As such, it communicates staff's ideas on how to allocate the resources available to best serve the residents and businesses of Lenexa.

Based on the city's strong financial position and positive future financial outlook, we are submitting an adopted budget with these key elements:

1. The projected property tax mill levy is 31.807 mills for 2016 (compared to 31.765 mills in 2015).
2. Maintains appropriate reserve levels in all city funds for 2016.
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 due to the 3/8-cent sales tax approved by voters in 2008.

The total adopted budget for all funds, including projected reserve amounts, is \$134.6 million (\$98.1 million for expenditures and \$36.5 million for projected reserve amounts). This is an increase of \$12.1 million (9.8%) compared to the 2015 adopted budget.

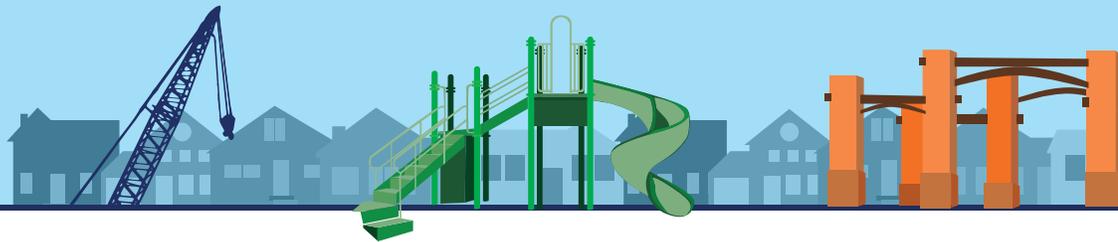
City of Lenexa Credit Ratings*

Moody's
Aaa

S&P
AAA

* These credit ratings were reaffirmed by both Moody's and S&P in November 2015.

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 adopted budget includes additional staffing (roughly 10 full-time equivalent positions) 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 90% of the total budget). The adopted budget maintains structural balance in the General Fund for 2016, 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 adopted 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 adopted budget continues to support this goal by providing exterior grants to help property owners reinvest in properties located within the Neighborhood Revitalization District (NRD). In addition, the city continues to offer a property tax rebate program for improvements made to properties within the NRD. CID financing has also assisted with redevelopment efforts for aging retail properties such as the Orchard Corners and the Greystone Plaza shopping areas.

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 was the economic recession, which stalled proposed development in the City Center area. This changed in 2014 when Lexmark Enterprise Software (formerly Perceptive Software) completed construction of a new 240,000-square-foot corporate headquarters in City Center. Also, the adopted CIP includes a new Civic Center (estimated cost of \$75 million) to be constructed in City Center. Several other projects are under construction in City Center, including a 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

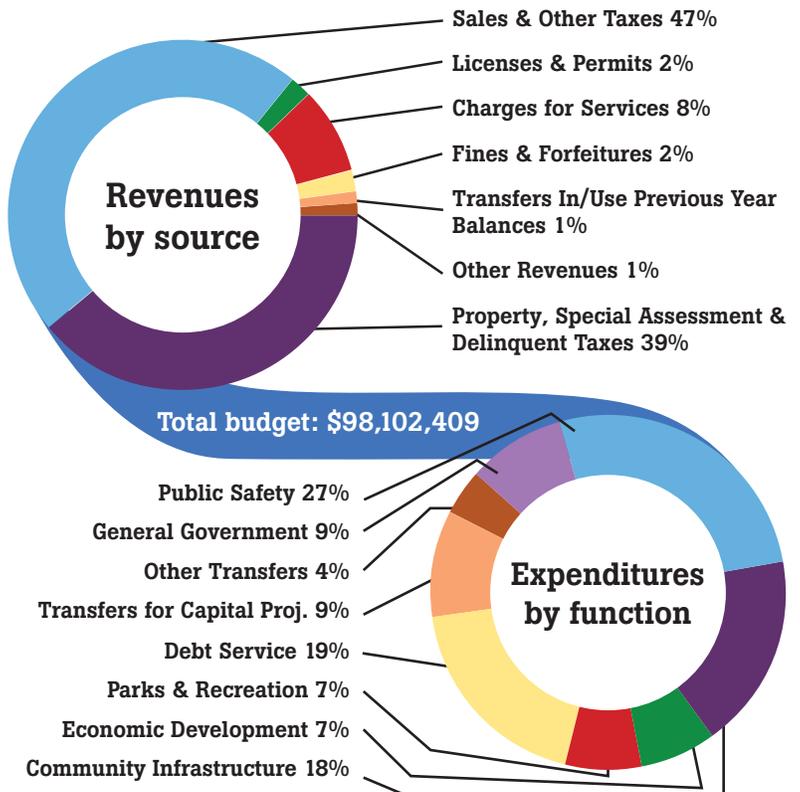
- Mill levy is 31.807 mills. 21.875 mills are allocated to the General Fund, and 9.932 mills are allocated to the Debt Service Fund.
- Estimated assessed valuation is \$962 million for 2016 (increase of 6.4%).
- One mill of property tax generates \$943,000 in property tax revenue (increase of 6.4%).
- City sales tax revenues continue to improve and are projected to increase by 7.3% compared to the amount budgeted for 2015.
- County sales tax revenues are projected to increase by 11.3% compared to the amount budgeted for 2015.
- The stormwater service charge user fee is \$109 per equivalent dwelling unit (EDU) in 2016 compared to \$102 per EDU in 2015 (increase of 6.9%).

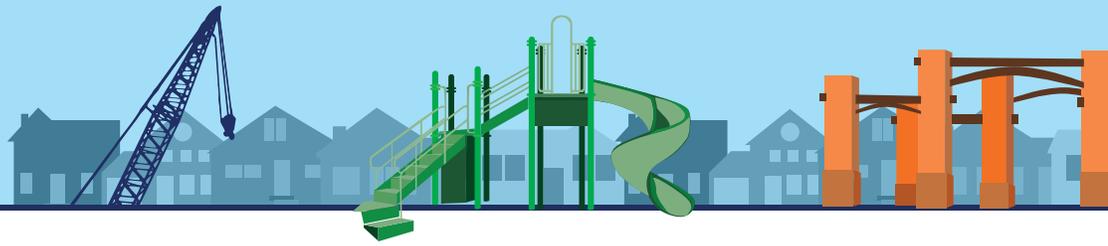
Expenditure Highlights

- Total estimated expenditures are \$98.1 million (increase of 8.9%).
- Estimated expenditures for the General Fund (the city's primary operating fund) are \$69.1 million (increase of 7.8%). The increase in General Fund expenditures is primarily due to projected pay increases, additional staffing and more funding for capital projects.
- The City began implementation of a new pay plan in 2015 in order to attract and retain a quality workforce. To continue implementation of the pay plan, approximately 5.5% of pay (the same percentage as budgeted in 2015) is included as a compensation reserve in the budget. Staff will submit a proposal later this year on how to allocate the compensation reserve between merit pay increases and other pay plan increases.
- Full-time equivalent positions (FTEs) are 459.13 for 2016 – an increase of approximately 10 FTEs (2.3%). Additional staffing is necessary to meet increasing service demands.

Revenues by Source		2016	
Property Taxes & Special Assessments	\$38,510,355	39%	
Sales & Other Taxes	\$45,905,962	47%	
Licenses & Permits	\$1,560,500	2%	
Charges for Services	\$8,142,125	8%	
Fines & Forfeitures	\$1,587,500	2%	
Transfers & Use of Previous Year Balances	\$1,203,092	1%	
Other Revenues	\$1,192,875	1%	
Total	\$98,102,409	100%	

Expenditures by Function		2016	
General Government	\$8,849,530	9%	
Public Safety	\$26,142,398	27%	
Community Infrastructure	\$17,517,729	18%	
Parks & Recreation	\$6,790,587	7%	
Economic Development	\$7,260,060	7%	
Debt Service	\$18,301,501	19%	
Transfers for Capital Projects	\$9,526,689	9%	
Other Transfers	\$3,713,915	4%	
Total	\$98,102,409	100%	



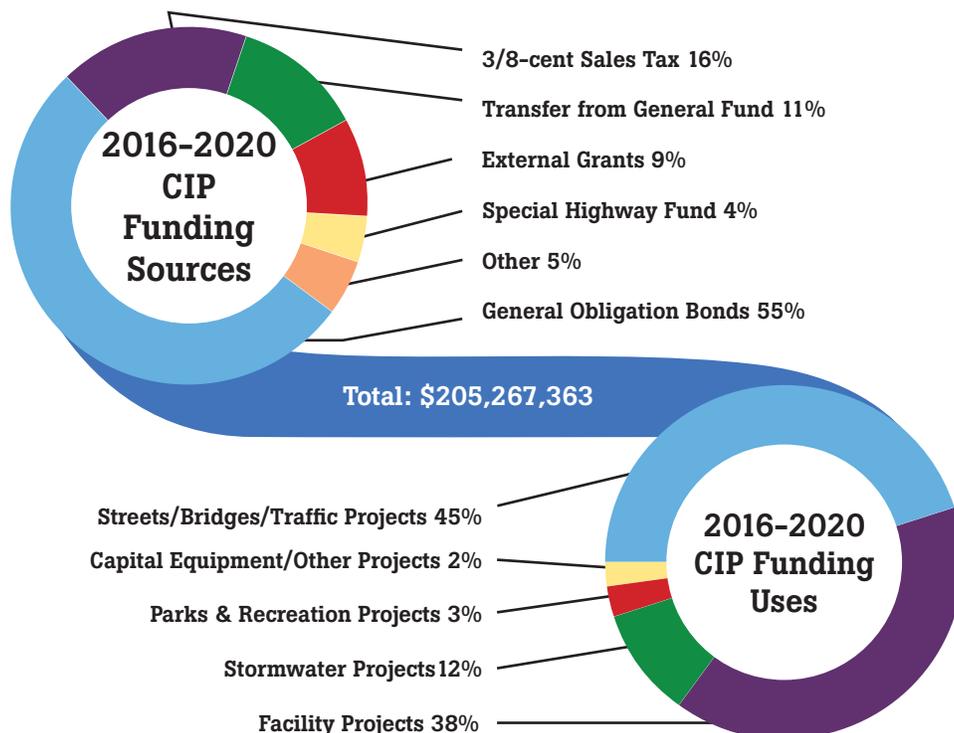


2016 - 2020 Capital Improvement Program (CIP)

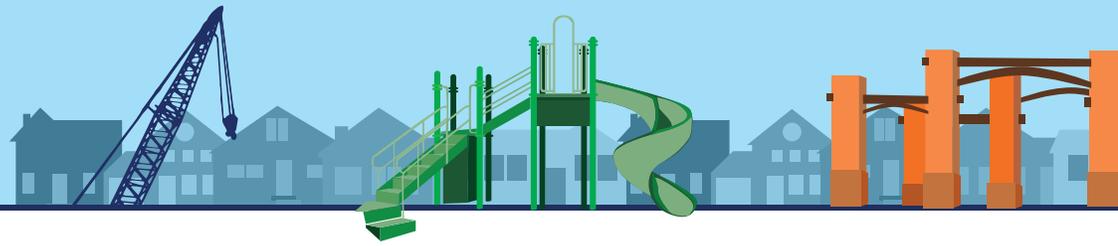
- Adopted CIP for 2016 – 2020 is \$205.3 million.
- Adopted CIP is \$2.9 million lower than the previous CIP due to the completion of a number of projects, including: Renner Boulevard north of 87th Street Parkway, Lenexa Logistics Special Benefit District, and the Freedom Fields Renovation.
- Six projects comprise over \$161 million (79%) of the adopted CIP: Lenexa Civic Center (\$75.4 million), Pavement Management Program (\$28.3 million), 95th Street & I-35 Interchange (\$20.5 million), Stormwater Infrastructure Replacement (\$15.8 million), Ridgeview Road Phases 2 & 3 (\$15.1 million), and Ridgeview Road Phase 1 (\$6.3 million).

2016-2020 CIP Sources of Funding		
General Obligation Bonds	\$112,409,181	55%
3/8-cent Sales Tax	\$33,648,017	16%
Transfer from General Fund	\$23,597,405	11%
External Grants	\$17,751,000	9%
Special Highway Fund (Gas Tax)	\$7,695,000	4%
Other	\$10,166,760	5%
Total	\$205,267,363	100%

2016-2020 CIP Uses of Funding		
Streets/Bridges/Traffic Projects	\$92,682,869	45%
Facility Projects	\$78,278,408	38%
Stormwater Projects	\$24,611,650	12%
Parks & Recreation Projects	\$5,719,927	3%
Capital Equipment/Other Projects	\$3,974,509	2%
Total	\$205,267,363	100%



Quick Reference



Lenexa Real Property Valuation by Property Type As of March 2015

Category	Appraised Value	% Share
Residential	\$4,050,390,790	67.9%
Residential — Farm	\$15,538,350	0.3%
Commercial	\$1,823,871,164	30.6%
Agricultural	\$3,033,560	0.1%
Vacant, Not-for-Profit & Other	\$68,455,546	1.1%
Total	\$5,961,289,410	100.0%

Category	Assessed Value	% Share
Residential	\$465,794,941	49.9%
Residential — Farm	\$1,786,910	0.2%
Commercial	\$455,967,791	48.9%
Agricultural	\$910,068	0.1%
Vacant, Not-for-Profit & Other	\$8,435,091	0.9%
Total	\$932,894,801	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 - 2016 Budget

General Fund	21.875	68.8%
Debt Service Fund	9.932	31.2%
Total Mill Levy	31.807	100.0%

Lenexa Value of One Mill

2015 Final	\$885,803	delinquency rate = 2%
2016 Estimated	\$942,728	delinquency rate = 2%
% Change	6.4%	