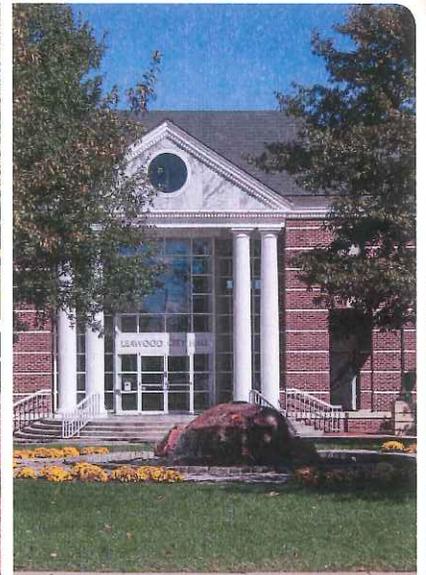


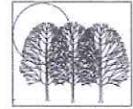


GROWING WITH DISTINCTION



2017

BUDGET-IN-BRIEF



August 1, 2016

Honorable Mayor, Council Members, and the Leawood Community:

Submitted to you is the 2017 Budget for the City of Leawood. The total 2017 Budget equals \$60,702,300 and represents a 2.9% increase from the 2016 Estimated Budget. It continues to reflect conservative revenue estimates, as previous years. The 2017 revenues are projected at \$56,731,440, a 3.9% increase from the 2016 Estimate, and slightly lower than the 2015 actuals of \$56,561,818.

Based upon a solid set of financial measures and benchmarks, the 2017 budget is expected to deliver the same quality and exceptional services which have been standard for over 60 years for the City of Leawood. The primary purpose of a budget document and the budget process is to develop, adopt and implement a plan for accomplishing goals for the upcoming year within given constraints. The 2017 Budget has been designed with the long-term goals of the City and the continuation of Leawood's tradition of maintaining a responsive government, a stable financial position and high service levels.

The sound financial condition of a City depends on its ability to balance the demands for service with available financial resources. Monitoring financial condition allows managers to identify existing and emerging financial problems and develop solutions in a timely manner. Leawood has used a financial forecasting and planning model to monitor financial progress. The City began using this tool over a decade ago. Every year it has been improved and it is monitored throughout the year to ensure that fund balances remain within policy standards, especially when revenue sources and expenditure demands change. Additionally, Leawood continues to have a diversified revenue base. The largest category, 38%, comes from property taxes; followed by other governmental revenue of 33%, which includes franchise fees, licenses, permits, and charges for services; and lastly sales taxes of 29%. Also contributing to Leawood's stability is the fact that the City continues to offer, attract and promote a high quality of life. Leawood was recently ranked as the fifth best city, with populations of 25,000 to 100,000, in the United States by WalletHub.com. Almost 1,300 cities were evaluated on 22 key metrics of financial and quality of life factors.

For the 2017 budget year, Leawood is anticipating an increase in assessed valuation for real property. The final assessed valuation numbers will be released by the County Clerk in December. When staff met with the County Appraiser early this year, the appraisal statistics were again very positive. Residential appraisal growth year-over-year was 4.9% as compared to 6.5% last year; and commercial appraisal growth was 11.8% as compared to almost 4.0% last year. Over the past ten years the City's property tax base has increased 1.9% per year on average. But the strongest growth occurred in the years prior to 2010. Assessed values decreased three years in a row, before rebounding slightly in 2013. The growth for the current year is the same as last year, 5% for two consecutive years. During the last ten years, real commercial property has grown faster than all other classifications, and today represents 22% of

total taxable property. Residential real property continues to comprise the majority of the total, at 68%, while personal property classifications have dropped in importance, once representing 13% of the total base, now only 10% of the total.

The second largest single source of City revenue is sales tax. The 2017 budget projects revenue from the City 1% sales tax to be \$7,279,200 or an increase of 2.95% from the 2016 estimated budget. Over the last five years, revenue from this single source has increased an average of 5.0% per year. The budget is comprised of several types of sales tax revenue: city and county general sales tax; city and county compensating use tax; a city 1/8-cent capital sales tax used for stormwater and street repairs; and a 1/4-cent special county sales and use tax. Over the last ten years, total sales tax collections were bolstered by the collection of the capital taxes. Included in this classification was the Public Safety sales tax which was in existence for four years, ending on March 31, 2011. Absent these tax rate changes, growth in the base has kept pace with changes in population and inflation. For both general and use sales tax collections, 62% of the revenue comes from the City's sales tax levies and the remaining 38% from the City's distributed share of the County-wide taxes.

The budget process is a year round staff endeavor. The formal process for the 2017 Annual Budget began with discussion at the March 7, 2016 Governing Body work session to review the 2017-2021 Capital Improvement Program (C.I.P.) and continued at the May 2, 2016 work session. The financial framework for the development of the 2017 budget was managed around these discussions. Another integral part of the annual operating budget is assessed valuation. The 2017 appraised values were released by the County in early March. All of these aided in the development of the budget directives, which include:

Sustaining financial stability

- ✓ Reserves for all Operating Funds are budgeted at 54% of expenditures, above the 11% minimum.
- ✓ Debt Service reserve levels remain at 35% or above throughout the financial planning period.
- ✓ The 2017 budget includes a mill levy of 24.508. Current projections include a 0.95 mill levy increase in each year of 2021, 2022, and 2023.
- ✓ All long term forecasting parameters have been met as outlined in the budget document.
- ✓ In 2017, all sales and use tax areas are expected to increase 2.95% from the 2016 Estimate. Leawood has become a major restaurant venue over the years, boasting a multitude of restaurants offering a wide-range of food choices in a variety of dining environments and price ranges. Additionally, there are many shopping choices, including specialty food stores, which offer an array of upscale and unique selections.
- ✓ Building permit growth, both residential and commercial, continues strong, however it will more than likely begin to gradually slow as the available land area declines.
- ✓ Capital projects, where practical, are linked to operating costs in order to monitor and maintain long-term financial balance.
- ✓ Carefully monitoring spending with a watchful eye towards inflationary pressure in other commodities, services, as well as capital costs. In multi-year financial planning, capital funds, particularly the City's capital equipment fund and the capital projects fund, all include an inflation factor.
- ✓ Continuation of the City's Aaa Bond Rating.

Sustaining service levels

- ✓ Maintain equitable and competitive employee compensation.
- ✓ Police officers will average 1.8 commissioned officers per 1,000 citizens.
- ✓ Firefighters will average 617 residents per one firefighter.
- ✓ Parks & Recreation will average 523 residents per one FTE.
- ✓ Administrative employees, as a percentage of direct employees, will average 18.3%.
- ✓ Mandates and operating costs of capital are funded.
- ✓ An average PCI rating of 77.4, compared to the Governing Body goal of a street rating of not less than 70.0.

Sustaining efficient delivery of services

- ✓ The City's 2017 Budget continues to provide a high level of service to the citizens by increasing efficiency in service delivery and addressing resource needs in every part of the City. Employees in all departments continually participate in training and obtain certifications to ensure that City services are being delivered by well-trained, knowledgeable individuals. Each department reviews both industry standards and internal goals on a regular basis to determine if services are being delivered efficiently and identify improvements, when needed.
- ✓ Performance measures within each department are linked with the resources needed to meet the expected performance levels during the fiscal year.
- ✓ The City's technology direction continues to grow and expand with an integrated phone system, fiber connectivity, a new data center and police and court technology improvements. All of these have resulted in high computing performance and connectivity, integrated systems with increased communication and capability, virtualization, and higher security. Continued improvement is planned with the installation of fiber from 119th to 123rd Streets in 2016, followed by two more phases in 2017 and 2018 to install fiber from 143rd Street & Mission Rd to Overbrook and south to 154th Street.

THE CITY OF LEAWOOD'S VISION

Leawood prides itself on being a safe, attractive community, which values its distinctive character. The citizens of Leawood are civic-minded and are an important component in shaping Leawood's future. As the City of Leawood looks to the future, it will continue to maintain the residential property values, promote neighborhood-oriented commercial developments, offer a variety of high quality residential neighborhoods, sustain environmental sensitivity, retain natural landscapes and provide public, open space. With vision, as articulated in our comprehensive plan, the City of Leawood will continue to grow with distinction.

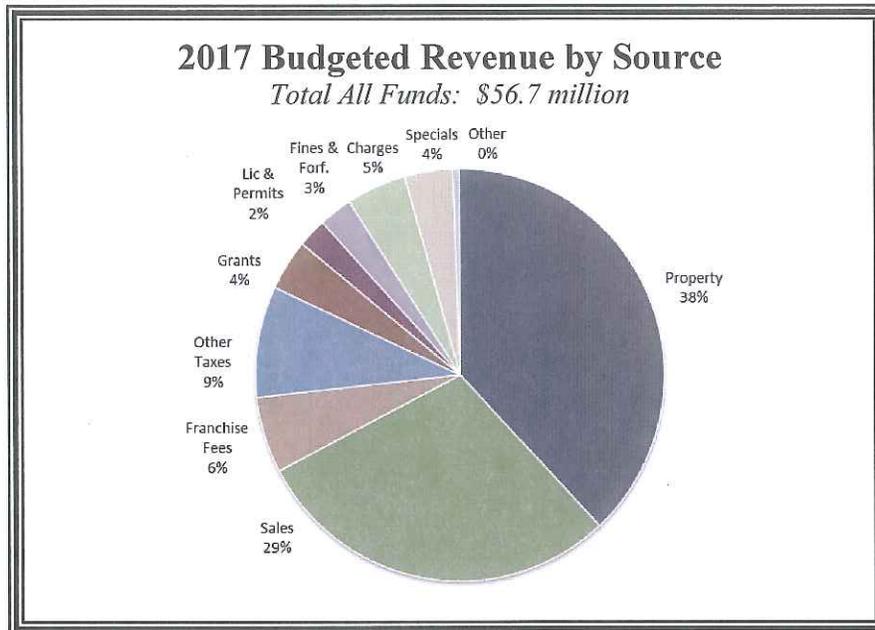
GOVERNING BODY GOALS

Each year the Governing Body reviews, reaffirms and develops strategic goals which support the City's vision. Goals are categorized in the five main areas that have allowed the City to flourish: Public Safety, Financial Stability, Capital Improvements, Growth Management, and Quality of Life. Short-term goals are either incorporated into the 2016 operations plan or will be addressed in the 2017 budget. Long-term goals cover issues that will strategically guide long-range plans for the community. All of the goals are linked to the Long Term Strategic Financial Planning section.

FINANCIAL HIGHLIGHTS

Revenue Highlights

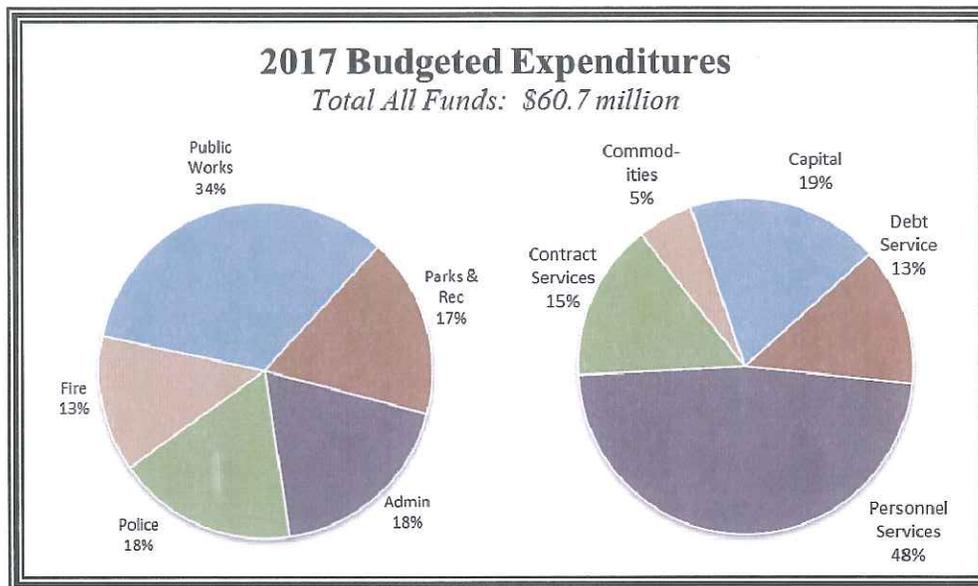
- ❖ Total revenue is expected to increase in 2017 by 3.9% or \$2,114,641.
- ❖ For 2017, the mill levy is 24.508; no change from 2016.



- ❖ Property taxes, of \$21,594,660, represent 38% of the total 2017 budget. Staff is projecting an increase of 5.0% in assessed valuation for 2017; followed by growth of 2.75% for 2018 and each year thereafter. When converted to assessed valuation, real property increased by 6.03%, as compared to an increase of 5.37% last year. The County Clerk will distribute the final assessed valuation at year-end after which the financial planning model projections will be updated.
- ❖ Other Governmental Revenues total 33% of the budget, or \$18,543,280. Included in this area are: franchise fees; taxes on motor and recreational vehicles; alcohol and gasoline taxes as distributed from the State; special assessment payments on bonded projects; contributions from other entities for major street projects; licenses and permits, fees for recreational activities or classes, and court fines/forfeitures.
- ❖ Sales and Use Tax comprises 29% of total revenue in 2017 and is expected to rise 2.95%, in total for all categories, from 2016. Included in the 2017 budget is \$16,593,500 and \$16,117,600 in the 2016 estimated budget. Total collections in 2015 were slightly higher, 0.9%, than 2014 and 1.5% lower than the 2015 estimated budget. The County sales tax areas experienced the greatest growth from 2014 with receipts 1.9% higher in 2015. The City sales and use tax revenue for 2015 were 0.3% more than the 2014 collections.

Expenditure Highlights

- ❖ Expenditure growth for 2017 increased by 2.9% or \$1,729,900.



- ❖ Personnel Services increased by 2.9% over the 2016 Estimated Budget, totaling \$28,839,200 in 2017. In addition to a 3.90% maximum merit wage change, increases have been included for health and dental insurance, social security, unemployment payments, group life, and long term disability payments. Also a total of \$25,000 has been included in 2017 for Paramedic Premium Wages to be paid to eligible firefighters.
- ❖ Operating expenditures increased by 3.6% or \$427,700 from the 2016 Estimated Budget. A large part, \$260,000, of this increase is due to the carryover of the Transient Guest Tax receipts from 2016 to 2017. All types of building, vehicle, and liability insurance are expected to increase by \$14,500, or 4.0%, from 2016. Areas with higher expenses in 2017 include expendable equipment, materials/supplies, and golf course merchandise. These increases are offset by lower streetlight, sidewalk and traffic signal maintenance, and gasoline expense.
- ❖ Capital costs are projected to increase by 4.3%, or \$460,700, from 2016. Planned 2017 pay-as-you-go capital purchases/improvements include: \$3,599,100 for street repairs; \$1,777,400 in replacement vehicles/equipment; \$2,438,000 in City building, park, golf course repairs/maintenance; \$2,200,000 for storm water projects; and \$198,500 for public art.
- ❖ Debt is projected to slightly increase by 0.5%, or \$39,500 from the 2016 Estimated Budget. No new debt will be issued in 2016. In 2017, a total of \$16.5 million in new debt issuance is planned. Projects include: half of the costs for 143rd Street-Nall to Windsor; 2015 and 2016 Curb Replacements; and the 89th & Mission storm sewer improvement projects.

The activity for each budgeted fund is reflected in the following table.

EXPENDITURE SUMMARY, All Budgeted Funds			
FUND	2015 Actual	2016 Estimate	2017 Budget
<i>General Purpose</i>	\$35,082,857	\$40,304,700	\$41,359,100
<i>Special Revenue Funds</i>			
Special Alcohol	260,490	325,000	350,000
Special City St/Hwy	1,537,347	1,613,200	1,497,100
Special Parks/Rec	431,344	716,600	600,000
Special Law Enforce	2,829	15,000	25,800
Transient Guest Tax	321,409	406,200	727,400
<i>Capital Project Funds</i>			
City Equipment	1,284,924	1,740,300	1,619,000
Street Improvements	1,313,438	3,041,200	2,102,000
Capital Improvements	2,343,743	1,791,900	1,996,400
1/8 Cent Sales Tax	34,615	696,000	2,200,000
City Capital Art	9,272	183,500	198,500
Park Impact	0	0	0
Public Art Impact	0	0	0
135th St Corridor Impact	0	0	0
<i>Debt Service</i>	9,863,148	8,138,800	8,027,000
TOTAL BUDGETED FUNDS	\$52,485,416	\$58,972,400	\$60,702,300

FUND HIGHLIGHTS

General Fund

The General Fund is the principal fund of the City, accounting for all financial transactions not accounted for in other funds. Anticipated revenue in 2017 is \$43,565,700 with the largest source coming from property tax collections. The General Fund expenditures, of \$41,359,100, comprise 68.1% of expenses planned for all budgeted funds. The majority of the total expenses in the General Fund, or 70%, is for the payment of wages and benefits for the City's employees. Other notable spending planned for 2017 from the General Fund include:

- \$200,000 for repairs to the courtyard and steps to the City Hall building.
- \$150,000 to reimburse the Hallbrook neighborhood for the installation of LED lighting.
- \$158,400 in the Information Services department for the continuation of fiber installation on 143rd Street between Mission and Overbrook. This new initiative began in 2015 and includes a third phase for completion in 2018.
- \$556,500 to replace 7 Police Patrol/Traffic vehicles; 1 Investigation vehicles; 1 motorcycle; 1 PSO truck; 1 Administration vehicle; a speed control system; and the in-car camera systems.
- \$225,000 to replace the Records Management system in the Police Department.
- \$293,500 for the lease payments due on 2 Fire pumpers and the first year payment for the platform truck to be replaced later this year.
- \$263,000 to replace the HVAC systems at Fire Stations #2 and #3.
- \$57,000 to purchase EMS equipment which represents the final year of a 3-year program to acquire Paramedic certification for Firefighters. Also included is \$25,000 for Paramedic Premium Wages.

- \$393,000 in Public Works to replace 3 pick-up trucks, 2 dump bodies, a color cutter/plotter/scanner, a backhoe, a hot patch unit and other street maintenance equipment.
- \$70,000 for culvert cleaning; \$13,000 for Operation Green light; \$26,000 for bi-annual inspection of bridges; and \$16,000 to update the traffic model and GASB streets/storm water.
- \$140,000 to replace the roof of the Parks Maintenance Material Storage building and renovations to the Park Maintenance office area.
- \$65,000 to repaint the pool at the Aquatic Center.
- \$50,000 for the design and installation plan for bicycle route system signage throughout the City.
- \$55,000 towards the \$500,000 for park improvements as identified in the Park Master plan. The Special Parks/Recreation fund will provide the remainder of the funds in 2017.
- \$1,065,000 for the Ironhorse Golf Clubhouse expansion project to begin in late 2016. A total of \$935,000 is included in 2016.
- \$196,000 for the replacement of 1 vehicle along with mowing and landscape care equipment for the Golf Course.
- \$105,800 for the final year of a 3-year lease to replace the golf carts at the Golf Course.

Special Revenue Funds

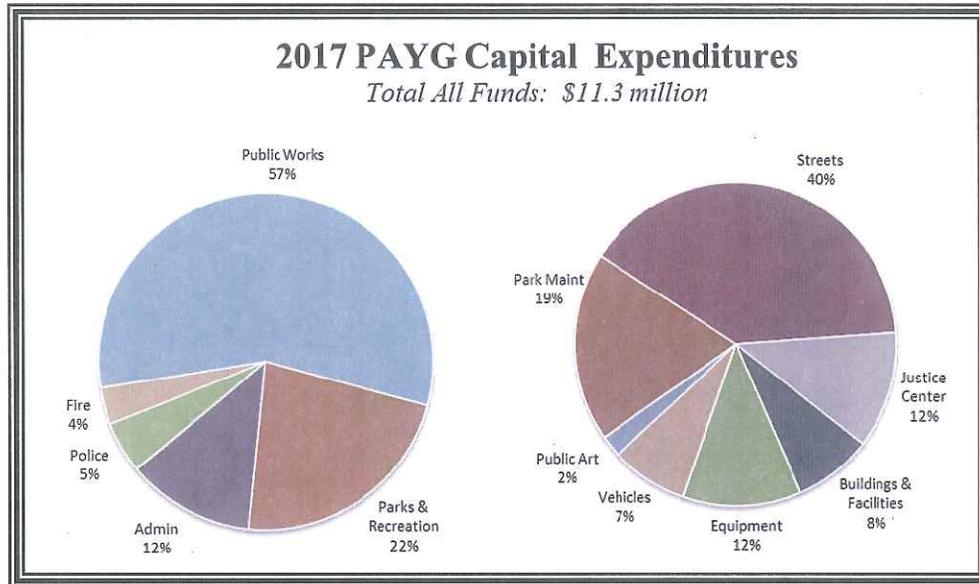
Leawood has five budgeted Special Revenue Funds: the Special Alcohol Fund, the Special City/County Highway Fund, the Special Parks & Recreation Fund, the Special Law Enforcement Fund, and the Special Transient Guest Tax Fund. Special Revenue Funds are used to account for revenue derived from specific taxes, governmental grants or other revenue sources which are designed to finance particular functions or activities of the City.

The Alcohol Fund for 2017 includes a transfer of \$299,000 to the General Fund which will help offset the cost of the Leawood D.A.R.E. program; a total of \$300,000 to the Johnson County Drug and Alcohol Awareness Council; and \$20,000 for local after-prom and after-graduation events. The notable items in the Special City County Highway Fund include \$400,000 for the Slurry Seal program and \$1,097,100 for mill and overlay. The Special Parks & Recreation Fund will finance the park improvements as identified in the Parks Master plan in 2017. The Special Law Enforcement Fund collects the City's share of forfeiture monies and can be used for police equipment. It is estimated that expenses may be approximately \$25,800 in 2017. The Special Transient Guest Tax Fund consists of quarterly hotel tax payments disbursed from the State. The current transient guest tax rate is 8%.

Capital Project Funds

The Governing Body continues its commitment to capital investments. Capital Funds coordinate resources used for the acquisition and/or construction of capital projects or equipment or other fixed assets or infrastructure improvements, not being financed by other funds. The City has eight capital funds which include: the City Equipment fund; the Street Improvements fund; the Capital Improvements fund; the 1/8-Cent Sales Tax (storm repairs) fund; the City Capital Art fund; and three impact fee funds for parks, public art, and the improvements along the 135th Street

corridor. In fiscal year 2017, the Capital Improvement Program totals \$11.3 million dollars. These funds are used to replace and to purchase new capital equipment, for improvements and additions to municipal facilities, storm drainage, and street maintenance and repairs. This represents 18.7% of the total budget of \$60,317,300, slightly higher to the 18.3% in 2016.



PERSONNEL HIGHLIGHTS

Personnel costs and benefits represent a 2.9% increase over 2016. The 2016 approved budget included a net increase of 0.77 FTE's. New was a full-time Police Communications position and a 0.23 Intern to Street Maintenance. These additions were offset by the elimination of two 0.23 Interns in Finance and Human Resources. The 2016 Estimated Budget reflects the reduction of a full-time Fire Administrative Assistant to a 0.75 regular part-time position. No new positions will be added in 2017.

Summary of Personnel

Year	2013	2014	2015	2016	2017
Full-time	256	256	258	258	258
FTE's	292.20	292.20	295.40	295.92	295.92

- ◆ The 2017 budget provides funding for wages for current employees at 3.9% above the 2016 estimated budget. No cost of living increases are budgeted; however funds are included for performance increases which can be granted by management using a range of 0.0% to 3.90%. The 2017 budget is projected conservatively and assumes full employment. The wage base is projected to grow by 2.2% and benefit increases are projected at 3.2%.
- ◆ Funding for both the Kansas Public Employees Retirement System (KPERs) and the Kansas Police and Fire (KP&F) employees are projected to decrease slightly next year. The 2017 budget includes the KPERs employer rate changing from 10.18% to 9.46%; and the KP&F rate from 20.98% to 19.58%. The contribution rate for employees in the KPERs system is 6.00% and 7.15% for KP&F employees. For the year ended June 30, 2015, KPERs 25-year investment return average was 8.5 percent, exceeding the 8 percent target. The

valuation showed the System's new funded ratio at 62%, up from 60% in the previous year, but still well below the 80% that is expected for public pension plans. While these signs are positive, the growth towards financial health is slow and dependent on consistent contributions by the State, along with strong investment performance.

- ◆ The City of Leawood Human Resources Department continues to partner with Blue Cross to increase awareness and education of healthy lifestyle choices among employees. The 2017 Budget anticipates an increase of 10% for health insurance; and 5% for dental insurance rates from 2016. In 2015, the City transitioned to a new benefits consultant and broker and new Life/Long Term Disability/Voluntary Short-Term Disability and Section 125 providers. Also, in addition to the voluntary 457 and 401 retirement plans currently offered, a Roth IRA was added as another option for employees.
- ◆ Historically, the City has been a trustee in a workers' compensation trust (Kansas Eastern Region Insurance Trust), which has been effective in helping to manage work-related injuries and illnesses. The trust allows the City to directly benefit when its experience rate decreases. In 2015, the City paid a total premium of \$329,000 for workers compensation to KERIT; and later in the year, received a dividend in the amount of \$100,453 as a result of a successful safety program and capable claims management for prior claim years. These dividends are not guaranteed. Both the 2016 and 2017 budgets include approximately \$311,000 for annual KERIT payments.

LONG TERM STRATEGIC FINANCIAL PLANNING

During the work sessions held to date in 2016, the Governing Body has discussed and agreed to certain long-term strategic assumptions. Using the City's financial planning model, these assumptions were linked to operating and capital projections. Modeling helps to assure decisions made today can be funded tomorrow. The assumptions used in the model include:

Demographic/Geographic Assumptions:

- ✓ Population will grow at .5% annually; for 2017 it is estimated at 34,926. The 2010 Census assigned Leawood a population of 31,867.

Revenue Assumptions:

- ✓ Total Levy increases in the financial planning model include a projected 0.95 mill in each year of 2021, 2022, and 2023.
- ✓ Assessed Valuation projections for 2017 of 5.0%; and 2.75% in 2018 and each year thereafter.
- ✓ All Sales and Use tax categories are projecting revenue growth of 2.95% for 2017 and each year thereafter.
- ✓ All other revenue annual growth of 2.5% to 3.0% each year.
- ✓ Interest Income of 0.4% in 2017; 2.0% in 2018-2019; 3.0% in 2020-2021; and 3.5% for the remaining years.

Expenditure Assumptions:

- ✓ No new positions in 2017 or 2018. The financial planning model reflects the addition of one full-time position every other year, beginning in 2019.
- ✓ The financial planning model reflects annual salary increases, based on performance, at a maximum of 3.7% in each year.

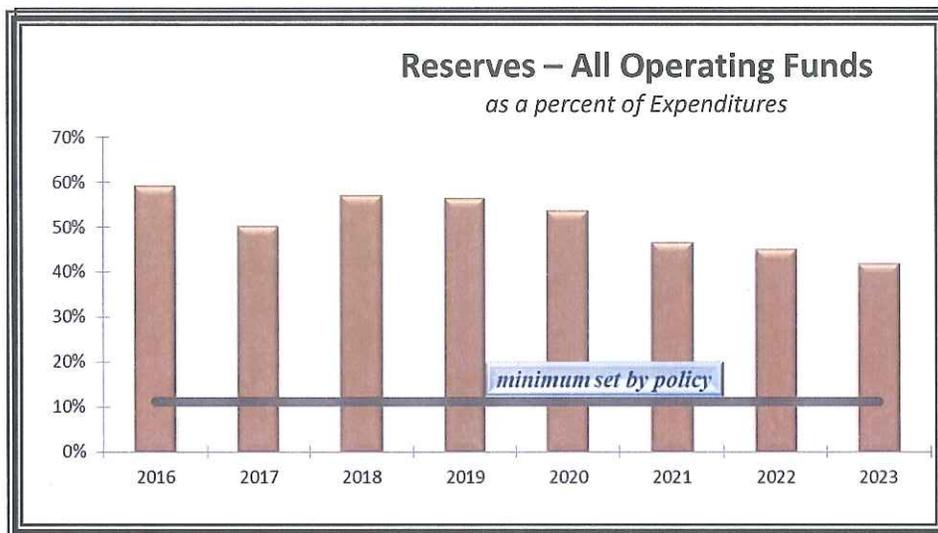
- ✓ Growth in Health Insurance rates beginning at 10.25% in 2018 and increasing slightly each year to 11.50% in 2023.
- ✓ Benefit growth of 5.65% in 2018; increasing each year to 5.90% in 2023.
- ✓ Contractual Services and Commodities for 2018-2023, growth at 1.5% annually.

Accelerated Street, Storm Water, and Curb Programs:

- ✓ Phase II of the *Accelerated Street Reconstruction Program* continues every other year with \$3,000,000 in 2017. Phase III will begin in 2019 at the same funding level, and continue every other year. These street reconstruction costs are financed with long-term debt.
- ✓ The debt-financed *Storm water Improvements Program* begins in 2018 with \$3.0 million and continues every other year at the same amount. The replacement program will address over 105,000 linear feet of galvanized pipe. Initially, this project was going to occur over seven years, with \$5 million spent annually each year for a total cost of \$35 million.
- ✓ The *Curb Repair and Replacement Program* began in 2013. This initiative spanned over four years, ending in 2016, with \$5,000,000 in improvements occurring each year. Approximately 371,000 feet of curbing on arterial/collector streets and 619,000 feet of curbing on residential streets will have been replaced by the end of this year. The debt financing began in 2014.

FINANCIAL POSITION

At the close of 2017, the City’s operating reserves are expected to be at 54% of expenditures, which is above the minimum set by the Governing Body. Reserves are established for three purposes: cash flow, natural emergencies, and large pay-as-you-go capital projects.

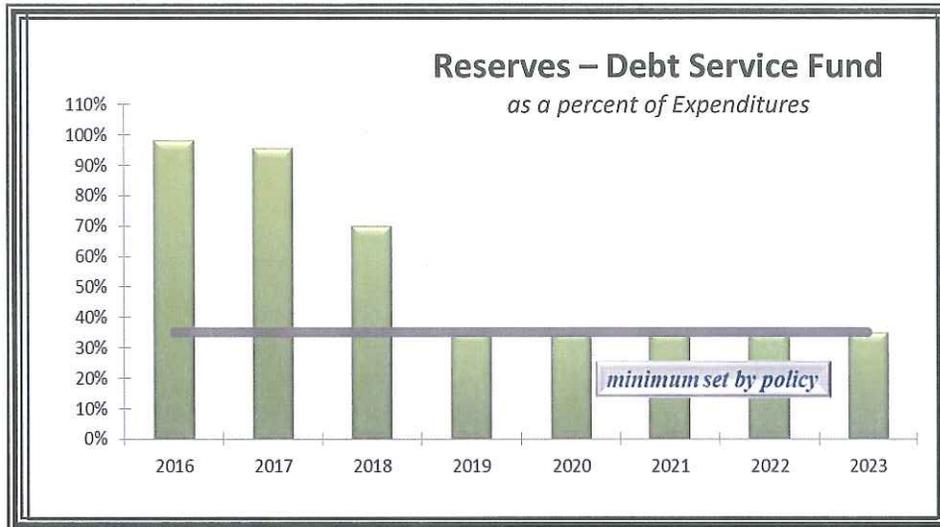


Leawood continues to be in a fortunate position and have good reserves. As major pay-as-you-go capital projects are completed, it is projected that the reserves over the next seven years will continue to be above the 11% goal. As discussed in the Budget & Financial Policies section of this document, Leawood’s minimum policy is to have at least 8.33% on hand at all times.

Debt reserves are maintained to deal with a variety of issues. These total \$7,652,000 in the 2017 Budget or 98% of debt service expenditures. This reserve level provides a financial cushion for the City for any unanticipated change in the economy, lower revenue collections, as well as to

add a layer of protection should special benefit tax payments become delinquent. Excellent reserve levels provide financial security for all stakeholders.

Each year the City staff and the City Council carefully review the capital improvements to be debt financed. With this process there is a clear understanding that the capital obligations made today will be balanced against the cost and the service levels provided in the future.

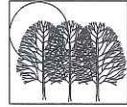


I would like to take this opportunity to thank Mayor Dunn and the City Council for their consistent and positive approach to sustaining growth in a professional and straightforward manner. The Council goals incorporate continued direction for the future of the City, while being ever mindful of maintaining the financial integrity of the City and its core reserves.

The preparation of the Annual Budget is a team approach that maintains and enhances key services while working within financial constraints. The involvement of the Management Team and their support staff demonstrates commitment to this process. Special acknowledgments to Dawn Long, Finance Director; Kathy Byard, Budget Manager; and Mark Andrasik, Director of Information Services, for their efforts in preparing this document.

Respectfully submitted,

Scott Lambers
City Administrator



FINANCIAL OVERVIEW

City of Leawood

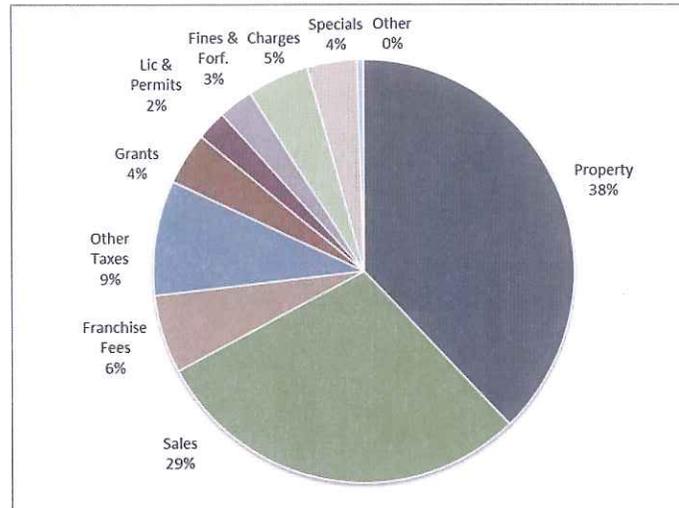
Budget Summary by Year

Listed below are the funding sources and expenditures for the 2017 Budget by fund type. Included in Special Revenue Funds are Alcohol, Special City Highway, Special Parks, Special Law Enforcement, and Transient Guest Tax Funds. Included in Capital Funds are City Equipment, Street Improvement, Capital Improvements, 1/8 Cent Sales, Park Impact Fee, City Capital Art, Public Art Impact and the 135th Street Corridor Impact. This presentation *does not* include transfers in/out between funds.

	2015 Actual	2016 Estimate	2017 Budget	% change
Beginning Fund Balance	\$38,351,400	\$42,427,800	\$38,072,200	-10.3%
Revenues				
Property Taxes	19,166,341	20,407,564	21,594,660	5.8%
Sales & Use Taxes	15,802,523	16,117,600	16,593,500	3.0%
Franchise Fees	3,394,074	3,310,000	3,380,000	2.1%
Other Taxes	4,768,094	4,894,481	4,953,750	1.2%
Grants	2,250,359	1,926,000	2,270,800	17.9%
Licenses & Permits	2,017,186	1,401,800	1,294,600	-7.6%
Fines & Forfeitures	1,587,760	1,500,000	1,500,000	0.0%
Charges for Service	2,499,005	2,607,900	2,691,200	3.2%
Special Assessments	2,305,933	2,208,022	2,153,978	-2.4%
All Other	2,770,543	243,432	298,952	22.8%
Total	\$56,561,818	\$54,616,799	\$56,731,440	3.9%
Expenditures				
<i>by Department</i>				
Administration	11,215,549	10,538,431	11,182,831	6.1%
Police	8,999,951	10,499,200	10,705,200	2.0%
Fire	7,079,712	7,470,763	7,966,513	6.6%
Public Works	17,098,043	20,190,937	20,333,662	0.7%
Parks & Recreation	8,092,161	10,273,069	10,514,094	2.3%
Total	\$52,485,416	\$58,972,400	\$60,702,300	2.9%
<i>by Character</i>				
Personnel Services	26,019,775	28,037,200	28,839,200	2.9%
Contractual Services	6,229,879	8,839,100	9,211,000	4.2%
Commodities	2,168,994	3,243,700	3,299,500	1.7%
Capital	7,967,856	10,816,100	11,276,800	4.3%
Debt Service	10,098,912	8,036,300	8,075,800	0.5%
Total	\$52,485,416	\$58,972,400	\$60,702,300	2.9%
Revenues Over (Under)				
Expenditures	4,076,402	(4,355,601)	(3,970,860)	
Ending Fund Balance	\$42,427,800	\$38,072,200	\$34,101,340	-10.4%



2017 Budgeted Revenue by Source
Total All Funds \$56.7 million



Revenues for all budgeted funds in the 2017 Budget are projected to increase by 3.9% from the 2016 Estimated Budget. All areas, except two, are projecting increases. Decreases are shown in: Licenses & Permits (7.6%), and Special Assessments of (2.4%). The All Other category reflects the largest increase, 22.8%, due to larger fund balances and the potential of rising interest rates. The next largest category projecting an increase is Grants for more reimbursements to be received by the County and other entities for capital projects in 2017. Some of the larger revenue categories are:

Property Tax, 38%: Total property taxes for 2017 are budgeted at \$21,594,660 and comprise 38% of all City revenues. Staff is projecting a 5.0% increase in assessed valuation for 2017, and growth of 2.75% for 2018 and thereafter. In early 2016 the County Appraiser projected that Leawood's market value had increased by 5.80% as compared to 6.19% last year. Using this information, when converted to assessed valuation, real property increased by 6.03%, as compared to 5.37% last year.

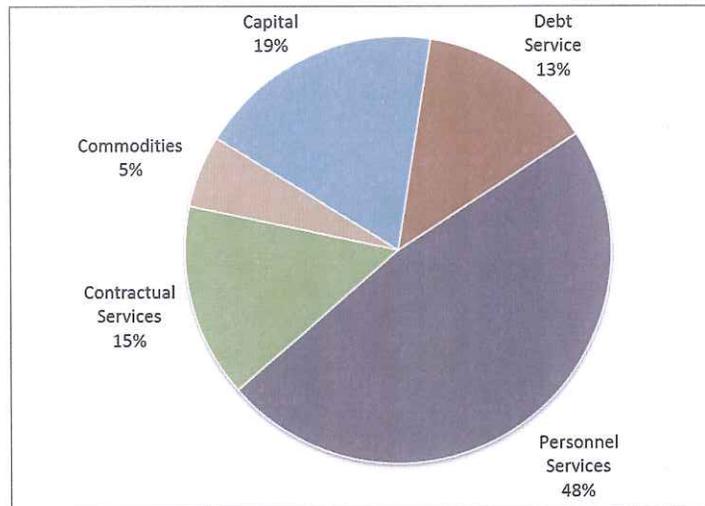
Sales and Use Taxes, 29%: Sales tax revenue represents 29% of total 2017 revenue. This category includes the 1-cent City sales tax, County sales tax, the 1/8-cent sales tax, City & County use taxes, and the .25 special county sales tax. The 2016 Estimated Budget for both City and County sales and compensating use taxes are expected to increase 2.00% over the 2015 actuals. The 2017 Budget then anticipates that these areas will increase by 2.95% over the 2016 estimate; with 2.95% growth each year thereafter. The combined total for these areas is \$16,593,500 in 2017.

Other Taxes, 9%: This category totals \$4,953,750 in 2017 and comprises 9.0% of City revenues. Included are taxes on Motor Vehicles, the Gasoline Tax, and the Special Alcohol Tax. These revenue sources can be found in the General, Debt Service, Special Alcohol, Special Parks/Recreation and Special Highway Funds.

Franchise Fees, 6%: This category totals \$3,380,000 in 2017, an increase of 2.1%, or \$70,000, over the 2016 estimate. Included are electricity, gas, telephone, cable and video franchise payments. A slight increase is anticipated in each area.



2017 Budgeted Expenditures by Character
Total All Funds \$60.7 million



Expenditures for all budgeted funds in the 2017 Budget are projected to increase 2.9% from the 2016 Estimated Budget. Highlights of each of the budget categories are shown below followed by expenditure activity for departments on the next page.

Personnel, 48%: Personnel Services will increase by 2.9% over the 2016 Estimated Budget, totaling \$28,839,200 in 2017. A 4.0% factor has been applied to base wages to cover all merits, promotions, and market and equity issues. A total of \$25,000 has been included in 2017 for Paramedic Premium Wages to be paid to eligible firefighters. Additionally, increases have been included in 2017 for health insurance, social security, unemployment payments, group life, and long term disability plans.

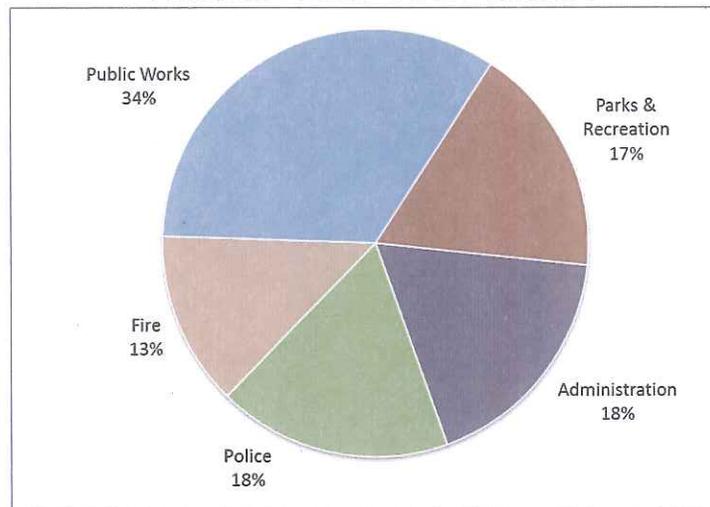
Operating, 20%: Operating expenses, which include contractual services and commodities, have increased by \$427,700, or 3.6%, from the 2016 Estimated Budget. A large part, \$260,000, of this increase is due to the carryover of the Transient Guest Tax receipts from 2016 to 2017. All types of building, vehicle, and liability insurance are expected to increase by \$14,500, or 4.0%, from 2016. Areas with higher expenses in 2017 include expendable equipment, materials/supplies, and golf course merchandise. These increases are offset by lower streetlight, sidewalk and traffic signal maintenance, and gasoline expense.

Capital, 19%: Capital costs are projected to increase by 4.3%, or \$460,700, from 2016. Planned 2017 pay-as-you-go capital purchases/improvements include: \$3,599,100 for street repairs; \$1,777,400 in replacement vehicles/equipment; \$2,438,000 in City building, park, golf course repairs/maintenance; \$2,200,000 for stormwater projects; and \$198,500 for public art.

Debt Service, 13%: Debt is projected to slightly increase by 0.5%, or \$39,500 from the 2016 Estimated Budget. No new debt will be issued in 2016. In 2017, a total of \$16.5 million in new debt issuance is planned. Projects include: half of the costs for 143rd Street-Nall to Windsor; 2015 and 2016 Curb Replacements; and the 89th & Mission Stormsewer improvement projects. Also included in 2017 is the first payment of a ten-year lease for a Fire platform truck.



2017 Budgeted Expenditures by Program
Total All Funds \$60.7 million



Administration & General Operations, 18%: Expenditures in these two areas are projected to rise by 6.1%, or \$644,400, from 2016. A large part, \$260,000, of this increase is due to the carryover of the Transient Guest Tax receipts from 2016 to 2017. Other increases are included in 2017 for auto and liability insurance payments, of \$14,500, a reimbursement of \$150,000 to the Hallbrook neighborhood for LED lighting, and expendable equipment replacements of \$13,600.

Police, 18%: The Police Department projected expenditures will increase by \$206,500, or 2.0%, from the 2016 estimate. Capital increases by \$148,100 from 2016 to allow for the replacement purchase of 10 vehicles, 1 motorcycle, a speed control system, and in-car camera systems. Other planned expenditures include contractual and shared contracts for school crossing guards; housing of prisoners at the county facility; and communication systems with other metropolitan agencies; utilities and operating costs for the Justice Center; gasoline and vehicle repairs; expendable equipment replacements; and officer training.

Fire, 13%: The Fire Department budget is \$495,750 higher, or 6.6%, in 2017 over the 2016 estimate. Approximately 30% of the increase is shown in the Debt Service category for the first lease payment for the replacement platform truck. Other increases are reflected in Capital for the replacement of HVAC systems at stations #2 and #3, a truck, a boat/trailer, mobile data terminals and thermal imaging cameras. The remaining increase in 2017 will provide for planned wage and benefit costs.

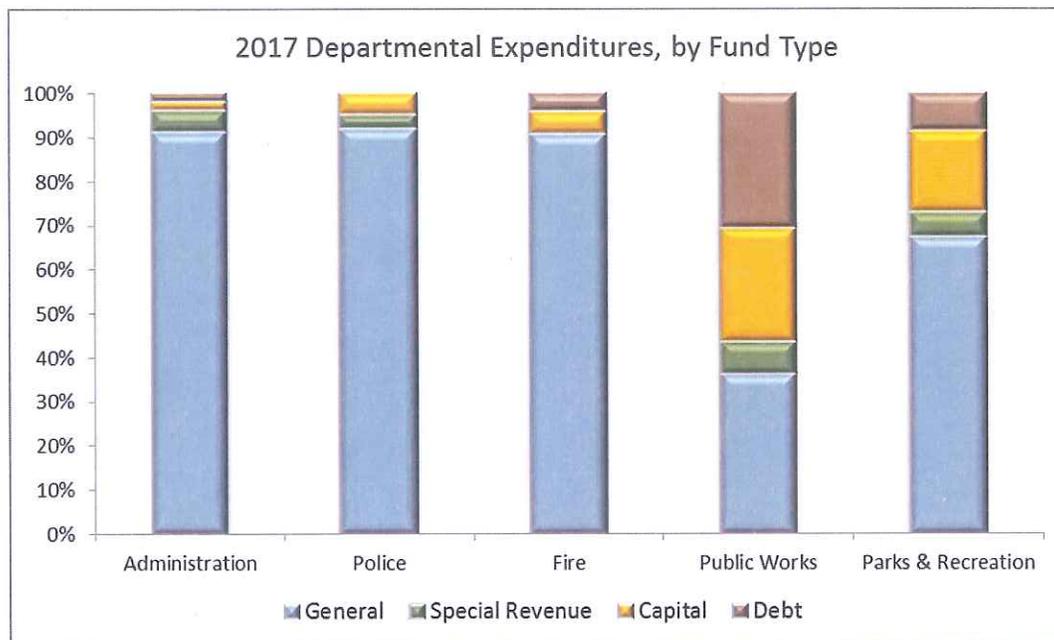
Public Works, 34%: The Public Works department is projecting an increase of 0.7%, or \$142,725, from 2016. Besides planned wage/benefit increases, a decrease is anticipated in contracted streetlight/traffic signal maintenance in 2017 and lower debt service payments as no new debt will be issued in 2016. Within Capital, a decrease for the City's share of the Arterial program in 2017 is offset by an increase for the Patrician Woods storm water project planned for 2017.

Parks & Recreation, 17%: An increase of 2.3%, or \$241,025, is reflected in Parks and Recreation from 2016. The Debt category reflects a decrease of resulting from debt reduction from annual payments. All other areas are showing increases; including \$64,500 for planned wage & benefit changes; \$40,900 for expendable equipment replacements; and Capital by \$170,500 for replacement vehicles and equipment, continuation of the Ironhorse Golf Clubhouse expansion, park improvements as identified in the Parks Master list, and repair/renovation/maintenance of various Parks buildings.

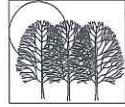


City of Leawood
Budget Request by Department and Fund
For Fiscal Year 2017

	Administration	Police	Fire	Public Works	Parks	Total
General	\$14,962,860	\$10,122,900	\$ 7,223,800	\$ 7,602,600	\$ 7,074,400	\$46,986,560
Special Alcohol	350,000	299,000	-	-	-	649,000
Special City Highway Fund	-	-	-	1,497,100	-	1,497,100
Special Parks & Rec Fund	-	-	-	-	600,000	600,000
Special Law Enforcement Fund	-	25,800	-	-	-	25,800
Special Transient Guest Tax Fund	727,400	-	-	-	-	727,400
City Equipment Fund	170,000	556,500	138,000	345,000	409,500	1,619,000
Street Improvement Fund	-	-	-	2,102,000	-	2,102,000
Capital Improvements Fund	158,400	-	263,000	250,000	1,325,000	1,996,400
1/8 Cent Sales Tax Fund	-	-	-	2,700,000	-	2,700,000
City Capital Art	-	-	-	-	198,500	198,500
Park Impact Fee	-	-	-	-	-	-
Public Art Impact Fee	-	-	-	-	-	-
135 th St Corridor Impact Fee Fund	-	-	-	-	-	-
Debt Service Fund	441,631	-	341,713	6,336,962	906,694	8,027,000
TOTAL	\$16,810,291	\$11,004,200	\$ 7,966,513	\$20,833,662	\$10,514,094	\$67,128,760



*Presentation does include transfers in/out between funds.



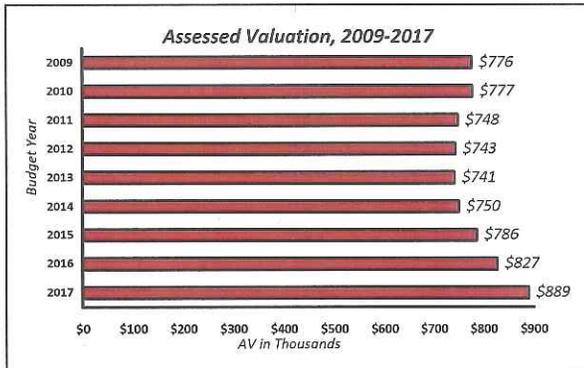
MAJOR REVENUE HIGHLIGHTS

The 2017 budget is based on projected receipts of taxes, fees and other revenues with a total of \$56,731,440. Major categories of City revenue, the projection assumptions and methodology are as follows:

Ad Valorem Property Tax

Comprising 38% of City revenue, fiscal year 2017 ad valorem property tax receipts are estimated at \$21,594,660. Property taxes are collected on the assessed valuation of taxable real and tangible personal property. The Office of the Johnson County Clerk provides the estimated assessed valuation used in budget preparation.

The assessed valuation for the 2017 budget is estimated at \$868,713,883 for Leawood, and is 5.0% higher than 2016. The 2016 certification was \$827,226,989. Estimated projections are received from the County Clerk at the end of June and certified by year-end. The chart below graphically shows Leawood's assessed valuation.

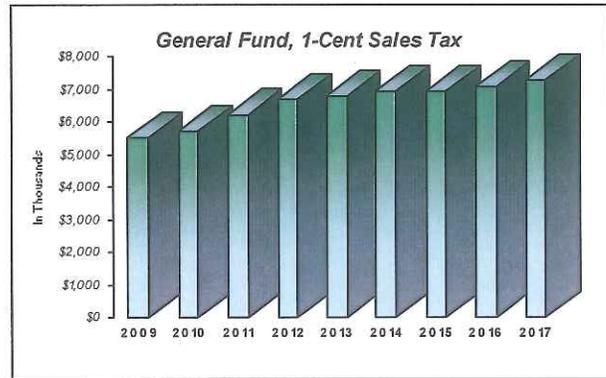


This revenue projection reflects property taxes for both the General and Debt Service funds. Based upon the projected assessed valuation, the mill levy is then calculated to provide the needed property tax revenue for each of these funds. In 2017, the General Fund portion is budgeted to increase from 17.945 mills to 19.104 mills, and conversely, the Debt Service Fund is budgeted to decrease from 6.563 mills to 5.404. The total mill levy for Leawood's 2017 budget is 24.508.

City Sales Tax

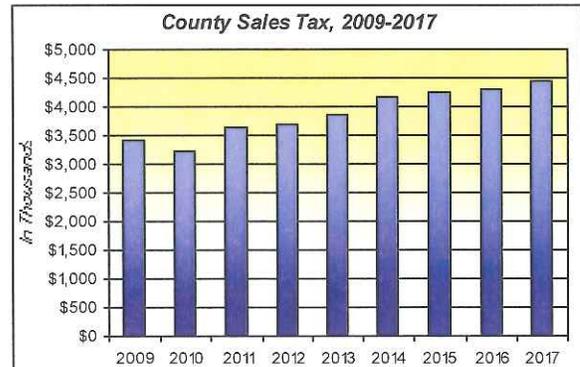
Comprising 16.7% of the General Fund revenues, and being the second largest source of General

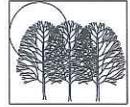
Fund revenue, City sales tax receipts for 2017 are projected to be \$7,279,200, a 2.95% increase over the 2016 Estimated Budget. The original 2016 budget for the 1% City sales tax was \$7,477,200. City sales tax collections for 2015 were \$6,932,102, lower than projections by 3.7% and slightly higher than the previous year collections by 0.1%.



County Retail Sales Tax

County retail tax collections are projected at \$4,457,000 for 2017 or a 2.95% increase over the 2016 Estimated Budget of \$4,318,018. Collections for 2015 were \$4,244,596 or 1.6% higher than the 2014 receipts of \$4,177,979.





1/8-Cent Sales Tax

In July 2000, the City began collecting a 1/8-cent sales tax, which was to be used to accelerate repairs to residential streets and City stormwater projects. When initially approved, this tax was effective for five years; voters approved an extension for five more years in August, 2004 until 2010; and again in August 2008, the continuation for an additional five years until 2015, was approved. An additional extension was approved in November 2014 extending the tax until 2021. In 2017, staff recommends \$500,000 for accelerated street repairs and \$2,200,000 for stormwater repairs, primarily the Patrician Woods stormwater project. The cost of this project will be 75% reimbursed by the County. The 2016 Estimated Budget includes \$500,000 for streets and \$696,000 for stormwater projects. In some cases, a carryover must be reserved until the next year to ensure that funding is available for the total cost of a project, thus causing fluctuations year to year for these repairs.

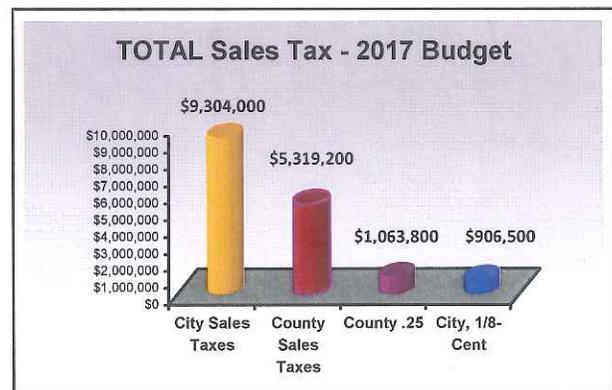
Total Sales & Local Use Taxes

The total sales tax paid in Leawood is 8.850%. The City receives 1.125%. One percent to provide for City services and 0.125% for City Street and stormwater repairs (1/8-Cent Sales Tax). In the Park Place and One Nineteen (Town Center Crossing) TDD development districts and the Camelot Court shopping center CID area, the total sales tax is 1% higher, or 9.850%. The additional sales tax is used to pay for either the transportation-related or infrastructure improvements in these TDD (Transportation Development District) or CID (Community Improvement District) designated areas.

The State of Kansas receives 6.500% of the total sales tax paid and Johnson County receives 1.225%. Of this, 0.85% provides for county services, stormwater, and public safety. Another 0.125% provides funds for the Johnson County Education Research Triangle. This partnership supports bioscience research and education at existing and planned University of Kansas and Kansas State University facilities in Johnson County, KS. There is no end date for this additional tax.

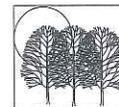
The remaining 0.25% county sales tax is distributed to cities to be used at their discretion. This originally began as an economic development sales tax in January 2003 and was renewed in September 2005 for three years. In August 2008 this sales tax was again approved by voters with no sunset provision. When received, this revenue is placed into the Public Safety Fund. It was used for the construction of the Justice Center and future uses currently include the replacement of public safety equipment and vehicles.

Included in the 2017 Budget is \$16,593,500 for total sales taxes and \$16,117,600 in the 2016 Estimated Budget. It is anticipated that all sales tax areas will increase by 2.95% from 2016 to 2017. The 2015 collections, of \$15,802,522, were slightly higher by 0.9% than the 2014 collections of \$15,662,006.



Special Assessments

Special assessment revenue is the result of a compulsory levy made against certain properties to defray part or all of the cost of a specific improvement deemed to primarily benefit those properties. Typically the amount assessed each year to the property owners is the amount of the annual principal and interest debt due in that year. Once the assessment has been paid and received by the City, the debt payments can be made. Currently, the City has sixteen special assessment general obligation debt projects. The 2017-2021 Capital Improvement Program does not anticipate any future special assessment projects. The 2017 Budget includes \$2,153,978 in special assessment revenue.



Gasoline Tax

This revenue represents a distribution from the State. Currently, a 24-cent/gallon tax is charged on motor vehicle fuel and a 26-cent/gallon tax on special fuel. The collections are then divided among the County Equalization/Adjustment fund, the State Freeway fund, and the Special City and County Highway fund. From the amount allocated to the Special City and County Highway fund, 57% is allocated to Johnson County and the remaining 43% is distributed to the cities within the county, based on per capita. These funds are to be used specifically for street related expenditures and must be placed in a special revenue fund. The 2017 Budget has projected \$892,710 for this revenue source, as compared to \$902,450 in 2016.

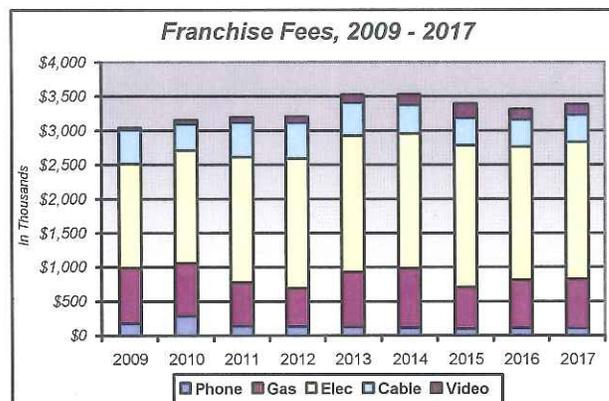
Alcohol Tax

The State levies a 10% surtax on the sale of all alcoholic beverages sold by any club, caterer or drinking establishment. Of the taxes paid within City limits, 70% are returned to the respective cities and must be allocated 1/3 each to each of the following funds: General, Special Park & Recreation and Special Alcohol. The amount in the Special Park & Recreation fund must be expended for the purchase, establishment, maintenance or expansion of services, programs and facilities, all park related. The Special Alcohol portion must be expended only for the purchase, establishment, maintenance or expansion of services, education, and programs on alcoholism and drug prevention. The 2017 Budget has projected a total of \$1,637,846 for this revenue source, or \$545,948 for each of the three funds. The projections are received from the League of Kansas Municipalities annually.

Franchise Fees

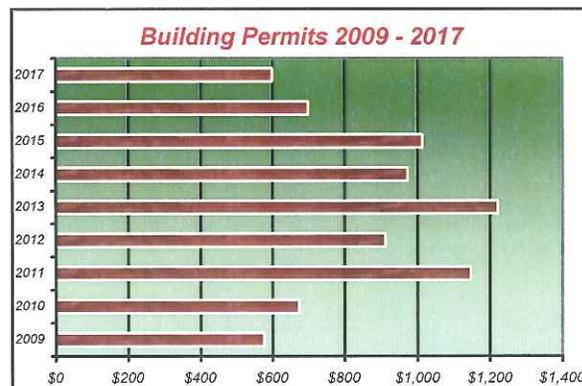
Franchise fees represent a tax levied on utility companies that service the City. The tax is based on the utility company's gross receipts and is typically passed onto the consumer. Currently the franchise fee levied on utility companies (telephone, electric, gas, cable, video franchise) is 5%. Comprising 6.0% of total revenues, this category totals \$3,380,000 in 2017 and \$3,310,000 in the 2016 estimated budget.

Revenues in this area are expected to increase 2.1% from 2016. There is some uncertainty involved with these projections as they are based on a combination of rate increases, usage and weather conditions. Collections in 2015 were \$3,394,074 and 3.9% lower than the 2014 receipts of \$3,532,699.

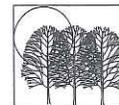


Licenses and Permits

Licenses and Permits include a variety of building, occupation, and animal fees. The 2017 budget for this category is projected at \$1,294,600 or 2.3% of total revenues. This is a decrease over the 2016 estimated budget of \$1,401,800, or \$107,200. The 2015 collections of \$2,017,186 were higher than the previous year collections of \$1,800,828 primarily due to the issuance of a permit for an expansion construction project with a value of \$62.5 million. Building permit activity was still strong through 2015.



Other areas realizing growth include residential and commercial new construction. As the City's available land space continues to decrease, so



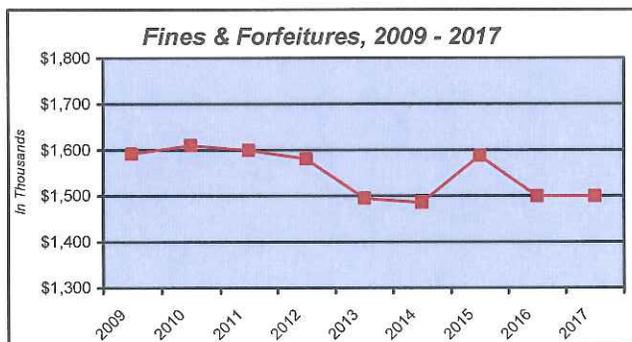
will this revenue source. Collections for new construction, as realized over the last couple of years, will eventually diminish in future years. Revenue will then consist primarily of permits issued on remodels, reconstruction and maintenance-related repairs.

Charges for Services

This category reflects fees for park and recreation programs, including the Ironhorse Golf Club. The 2017 budget is \$2,691,200, a 3.2% increase from the 2016 estimate of \$2,607,900 and 7.7% more than the 2015 collections of \$2,499,005. Golf course user fees are estimated to be \$1,508,800 in 2017 and \$1,429,500 in 2016.

Fines and Forfeitures

The 2017 Budget includes \$1,500,000 in both years for traffic and court-related fines. A total of \$1,587,760 was collected in 2015, which was 8.6% higher than 2014 collections of \$1,462,528.

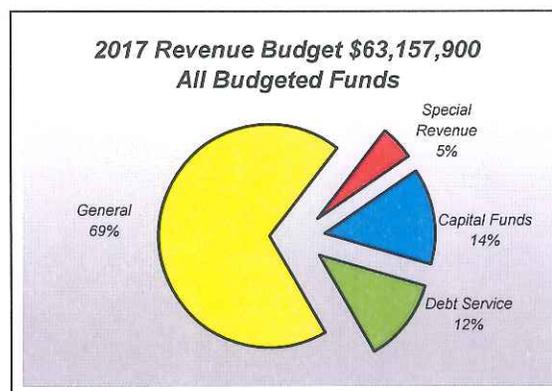


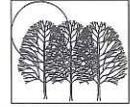
All Funds Revenue

Revenues for all budgeted funds in the 2017 Budget are projected to increase by 3.9% or \$2,114,641, from the 2016 estimate. All areas, except two, are projecting increases. Decreases are shown in: Licenses & Permits (7.6%), and Special Assessments of (2.4%). The All Other category reflects the largest increase, 22.8%, due to larger fund balances and the potential of rising interest rates. The next largest category projecting an increase is the Grants area for more reimbursements to be received by the County and other entities for capital projects in 2017.

FUND	2015	2016	2017	% Change
	Actual	Estimate	Budget	
General Purpose	\$40,614,623	\$41,346,253	\$43,565,700	5.4%
Special Revenue Funds				
Special Alcohol	531,670	545,662	547,900	0.4%
Special City St/Hwy	1,461,686	1,479,585	1,495,600	1.1%
Special Parks/Rec	534,948	544,592	546,500	0.4%
Special Law Enforce	1,174	188	200	6.4%
Transient Guest Tax	453,745	455,410	466,900	2.5%
	2,983,223	3,025,437	3,057,100	1.0%
Capital Project Funds				
City Equipment	1,806,626	1,804,955	1,810,000	0.3%
Street Improvements	1,419,099	2,729,501	2,074,800	-24.0%
Capital Improvements	4,478,205	2,941,034	2,800,700	-4.8%
1/8 Cent Sales Tax	1,244,347	1,031,886	2,108,200	104.3%
City Capital Art	66,707	45,058	45,700	-1.4%
Park Impact	29,824	323	500	54.8%
Public Art Impact	23,681	725	1,000	37.9%
135th St Corridor Impact	90	197	300	52.3%
	9,068,579	8,553,679	8,841,200	3.4%
Debt Service	\$10,554,555	\$8,183,830	\$7,693,900	-6.0%

General Fund revenue is projected to increase by 5.4% in 2017. The Debt Service Fund projects a decrease of 6.0% in property tax and special assessment revenue. A 1.0% increase is expected in Special Revenue funds resulting primarily from higher alcohol and gasoline tax revenues and more interest income due to larger balances and anticipated increased interest rates. The total of all Capital funds increases by 3.4% in 2017. The City's share of project expenses will be lower as contributions from other entities (Johnson County C.A.R.S. and surrounding cities) will cover a larger portion of the expenses. The graph below provides a visual view of the budgeted funds in the 2017 budget.





SALES TAX HISTORY

The City levies a 1.125-cent local option sales and use tax on all applicable goods and services purchased or provided within the City. The total sales tax paid in Leawood, excluding the special districts, is 8.850%. Besides the City's 1.125-cent tax, the State levies a 6.500-cent tax, Johnson County levies a 1.100-cent tax, and the Johnson County Education Research Triangle levies a 0.125-cent tax. The City has three special districts: two Transportation Development Districts (TDD); and one Community Improvement District (CID) each of which levies an additional 1.00% sales tax. From April 1, 2007 until March 31, 2011, the City levied an additional 0.40-cent sales tax, which provided funds for construction of public safety improvements. It was originally due to end on March 31, 2012 or when a total of ten million dollars had been collected. Due to the collection of the \$10m earlier than anticipated, the tax ended one year earlier.

SALES TAX RATE - LEAWOOD, KS	
(Excludes Special Districts)	
State of Kansas.....	6.500%
Leawood, KS.....	1.000%
1/8 Cent Sales Tax.....	0.125%
Johnson County.....	0.500%
Stormwater.....	0.100%
Public Safety.....	0.250%
Public Safety II.....	0.250%
Education Research Triangle....	0.125%
	8.850%

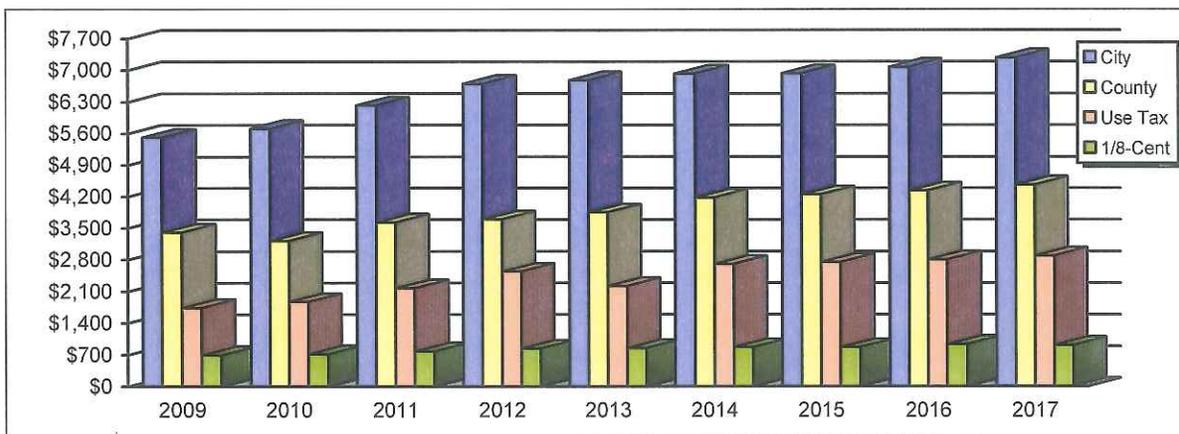
The City currently has 3 designated Special Districts. These include:	
Park Place TDD.....	9.850%
One Nineteen* TDD.....	9.850%
Camelot Court CID.....	9.850%

* Town Center Crossing shops

Year	City Retail Sales Tax 1%	County Retail Sales Tax	1/8-Cent Sales Tax	City Compensating Use Tax	County Compensating Use Tax	County Special .25% Tax**	TOTAL *	Public Safety City Sales & Use Tax .40% **
2009	\$5,517,618	\$3,408,723	\$689,691	\$1,320,507	\$418,568	\$766,644	\$12,121,751	\$2,676,686
2010	\$5,708,892	\$3,219,274	\$713,512	\$1,356,267	\$513,827	\$741,775	\$12,253,547	\$2,764,695
2011	\$6,224,627	\$3,625,812	\$777,053	\$1,500,526	\$672,224	\$859,621	\$13,659,861	\$676,124
2012	\$6,698,189	\$3,696,437	\$836,321	\$1,872,628	\$667,008	\$872,691	\$14,643,273	\$0
2013	\$6,778,035	\$3,851,224	\$845,979	\$1,529,316	\$687,942	\$907,835	\$14,600,331	\$0
2014	\$6,926,500	\$4,177,979	\$863,059	\$1,908,175	\$795,244	\$994,049	\$15,662,006	\$0
2015	\$6,932,102	\$4,244,596	\$863,362	\$1,928,293	\$820,996	\$1,013,173	\$15,802,522	\$0
2016 Est	\$7,070,100	\$4,329,400	\$931,700	\$1,966,800	\$837,300	\$1,033,400	\$16,117,600	\$0
2017 Bud	\$7,279,200	\$4,457,000	\$906,500	\$2,024,800	\$862,200	\$1,063,800	\$16,593,500	\$0

* Not included in the total are the 1-cent sales tax projections for the City's three Special Districts.

** These funds are placed into a non-budgeted capital fund and reserved for public safety expenditures.



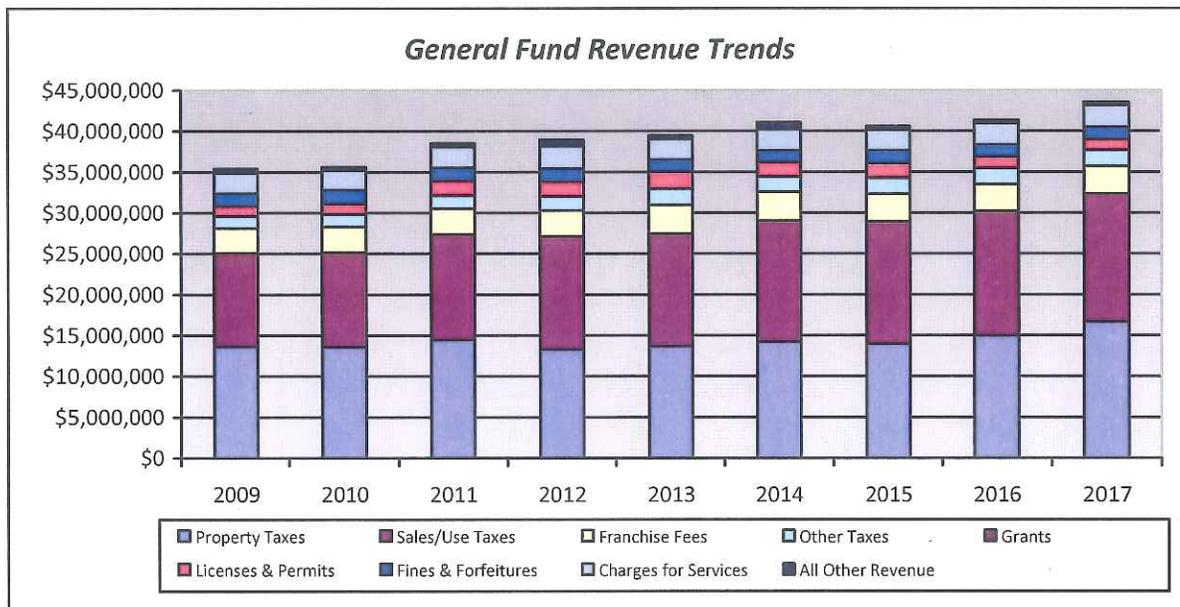
City sales and compensating use taxes are a major source of revenue for the City. Without it, the City mill levy would have to increase 10.71 mills in 2017 to compensate for lost revenues or City-provided services would need to be reduced.

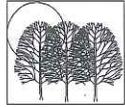


GENERAL FUND REVENUES

The General Fund revenues are projected to increase 5.4% from the 2016 estimate to a total of \$43,565,700 in 2017. All categories are showing increases, except for one. The lower projection in Licenses & Permits occurs in the building permit area as it is anticipated that revenue collections will begin to reflect remodels/replacements as opposed to new growth. The largest growth is being shown in the All Other category, with the anticipation of more interest income due to slowly rising interest rates and a higher fund balance; followed by Property Taxes of 11.0% due partly for the continued growth in the City's assessed valuation and the shift of the mill levy between the General and Debt Service funds. Sales/Use Taxes are projected to increase 3.0% in 2017 over the 2016 estimate. The General Fund revenues are as follows:

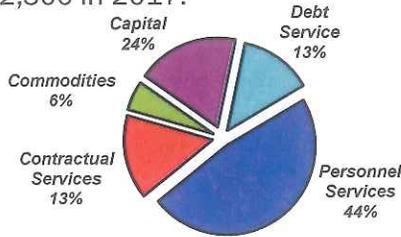
Category	2015 Actual	2016 Estimate	2017 Budget	% Change
Property Taxes	\$ 13,966,238	\$ 14,969,407	\$ 16,614,114	11.0%
Sales/Use Taxes	14,939,161	15,237,000	15,687,000	3.0%
Franchise Fees	3,394,074	3,310,000	3,380,000	2.1%
Other Taxes	1,957,589	1,931,127	1,978,805	2.5%
Grants	16,013	0	0	0.0%
Licenses & Permits	1,784,134	1,401,800	1,294,600	-7.6%
Fines & Forfeitures	1,587,760	1,500,000	1,500,000	0.0%
Charges for Services	2,499,005	2,607,900	2,691,200	3.2%
All Other	182,649	95,019	120,981	27.3%
Transfers In	<u>288,000</u>	<u>294,000</u>	<u>299,000</u>	<u>1.7%</u>
Total	\$ 40,614,623	\$ 41,346,253	\$ 43,565,700	5.4%





EXPENDITURE HIGHLIGHTS

Total expenditures, for all funds, are expected to be \$60,702,300 in 2017.



\$148,100 to allow for the replacement purchase of vehicles, a motorcycle, a speed control system, and in-car camera systems. Operating costs for school crossing guards and communication systems with other metropolitan agencies; Justice Center utilities; expendable equipment replacements; and officer training are also shown.

By CHARACTER	2015	2016	2017	% Change
	Actual	Estimate	Budget	
Personnel	26,019,775	28,037,200	28,839,200	2.9%
Contractual Services	6,229,879	8,839,100	9,211,000	4.2%
Commodities	2,168,994	3,243,700	3,299,500	1.7%
Capital	7,967,856	10,816,100	11,276,800	4.3%
Debt Service	10,098,912	8,036,300	8,075,800	0.5%
TOTAL BUDGETED FUNDS	\$52,485,416	\$58,972,400	\$60,702,300	2.9%

The Fire Department budget is \$495,750 higher in 2017. Close to 30% of the increase is in Debt Service for the replacement platform truck first lease payment. Also higher is Capital to replace HVAC systems at stations #2 and #3, a pickup truck, a boat/trailer, mobile data terminals and thermal imaging cameras. The remaining increase will provide for planned wage and benefit costs.

Total governmental expenditures for 2017 are budgeted as follows:

FUND	2015	2016	2017
	Actual	Estimate	Budget
<i>General Purpose</i>	\$35,082,857	\$40,304,700	\$41,359,100
<i>Special Revenue Funds</i>			
Special Alcohol	260,490	325,000	350,000
Special City St/Hwy	1,537,347	1,613,200	1,497,100
Special Parks/Rec	431,344	716,600	600,000
Special Law Enforce	2,829	15,000	25,800
Transient Guest Tax	321,409	406,200	727,400
<i>Capital Project Funds</i>			
City Equipment	1,284,924	1,740,300	1,619,000
Street Improvements	1,313,438	3,041,200	2,102,000
Capital Improvements	2,343,743	1,791,900	1,996,400
1/8 Cent Sales Tax	34,615	696,000	2,200,000
City Capital Art	9,272	183,500	198,500
Park Impact	0	0	0
Public Art Impact	0	0	0
135th St Corridor Impact	0	0	0
<i>Debt Service</i>	9,863,148	8,138,800	8,027,000
TOTAL BUDGETED FUNDS	\$52,485,416	\$58,972,400	\$60,702,300

The Public Works department is projecting an increase of 0.7%, or \$142,725, from 2016. Besides planned wage/benefit increases, a decrease is shown in contracted streetlight/traffic signal maintenance in 2017 and lower debt service payments as no new debt will be issued in 2016. Within Capital, a decrease for the City's share of the Arterial program in 2017 is offset by increases for stormwater projects planned for 2017.

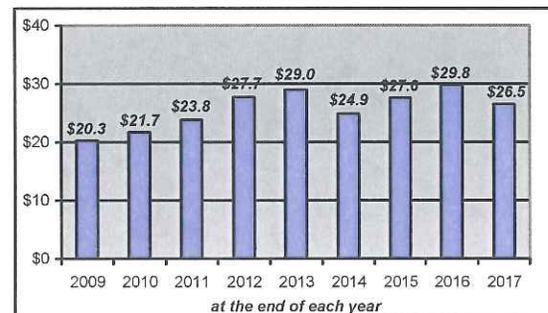
General Government expenditures rise by 6.1%, or \$644,400, from 2016. A large part, \$260,000, of this increase is due to the carryover of the Transient Guest Tax receipts from 2016. Other increases include: 2017 for auto/liability insurance, of \$14,500; LED lighting reimbursement of \$150,000 to a Leawood neighborhood; and expendable equipment of \$13,600.

An increase of 2.3%, or \$241,025, is reflected in Parks and Recreation. Debt decreases due to another year of annual payments. Areas with increases: \$64,500 for wage & benefit changes; \$40,900 for expendable equipment replacements; and \$170,500 in Capital for replacement vehicles and equipment, continuation of the Ironhorse Golf Clubhouse expansion, Parks Master Plan park improvements, and repair/renovation/maintenance of various Parks buildings.

The Police Department expenditures will increase by \$206,000, or 2.0%, from 2016. Capital rises by

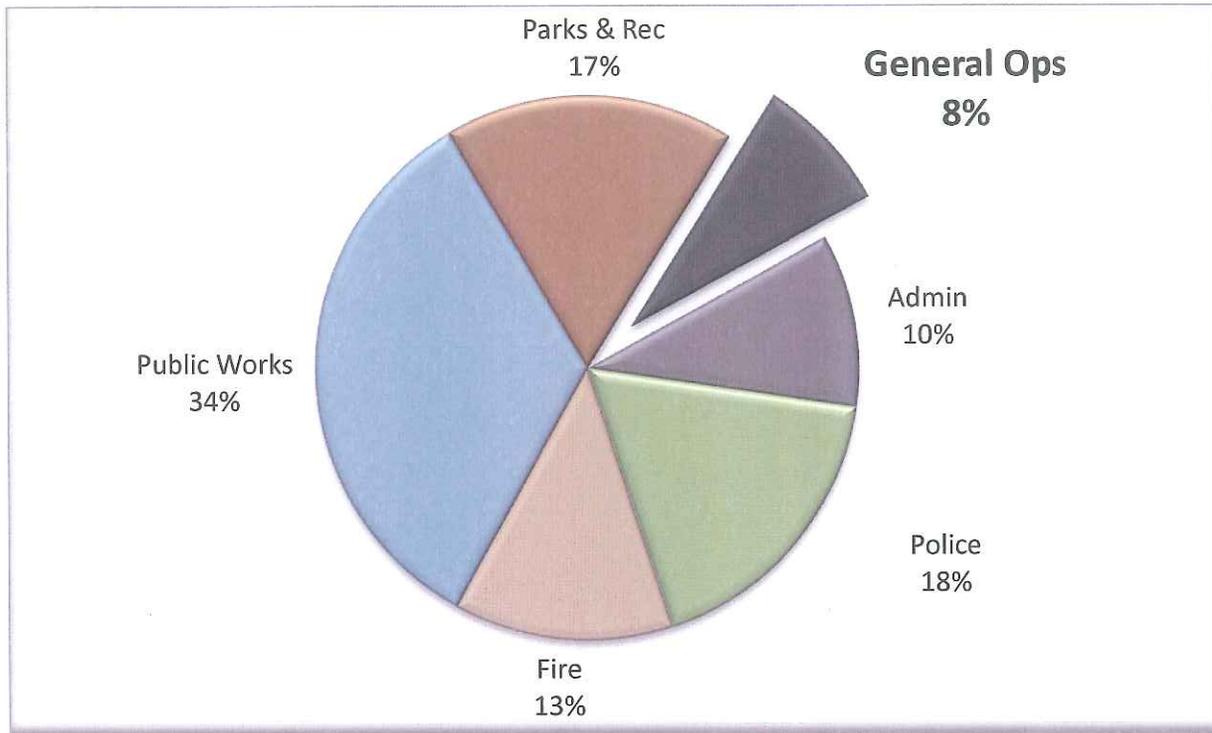
Reserves - General Fund Supported

The City of Leawood has been fortunate to build and maintain a good fund balance in the General Fund supported funds.



General Operations

Budget: \$5M Elected Officials: 9



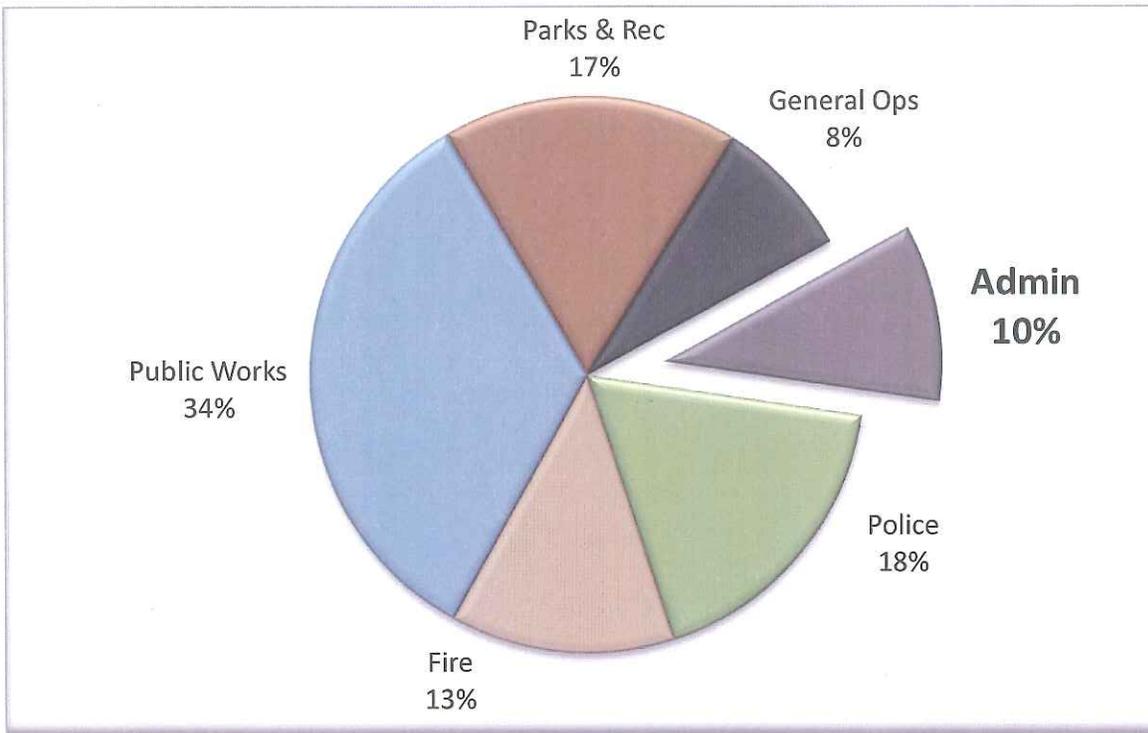
General Operations establishes policies, goals, and objectives to direct the staff in the provision of quality services to the public. Provides leadership, represents the City's best interests and encourages effective and timely action to achieve stated objectives. Seeks ways to encourage and expand citizen participation in local government. Accounts for citywide expenditures associated with multiple programs or departments.

Council Priorities

- *To ensure that Leawood is fiscally responsible, while investing in the infrastructure of the City, modernizing the government, investing in human resources, and improving customer service.*
- *To promote development that sustains rather than depletes the community, that is fiscally sound, that contributes to a high quality of life, and that nourishes the community.*
- *To protect Leawood residents, visitors and businesses by providing quality police and homeland security services. To preserve life and property through excellence in training, community risk management, emergency preparedness and rapid emergency services response.*
- *To maintain the current infrastructure and to provide the highest quality new improvements where economic benefits clearly justify new investment.*
- *To promote a community that offers family-oriented activities and recreational and cultural opportunities that encourages and enhances the quality of life for citizens.*

ADMINISTRATION

Budget: \$6.2M Positions: 45.68



Council Priorities

To ensure that Leawood is fiscally responsible, while investing in the infrastructure of the City, modernizing the government, investing in human resources, and improving customer service.

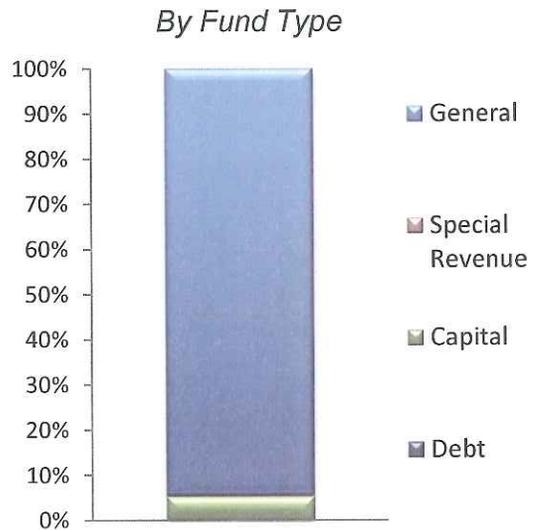
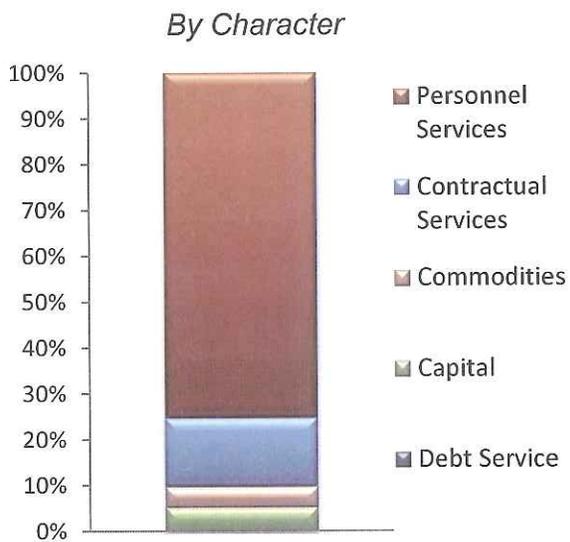
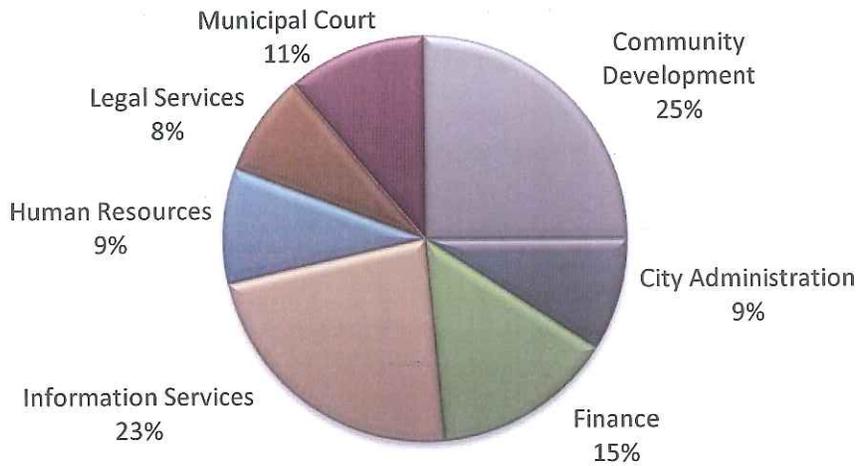
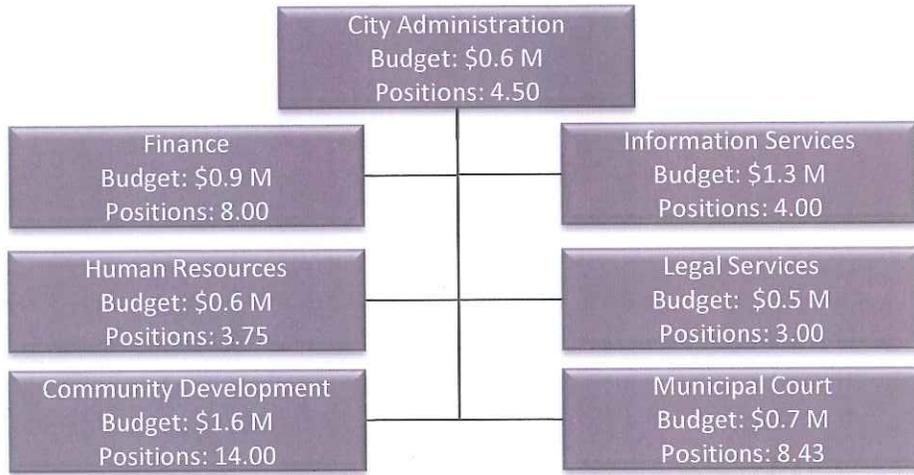
To promote development that sustains rather than depletes the community, that is fiscally sound, that contributes to a high quality of life, and that nourishes the community.

Governing Body Goals For 2017-2021

- Evaluate temporary low-impact uses [e.g., community gardens, horseshoes, etc.] for undeveloped land at Ironwoods Park.
- Integrate upgrades and new improvements to the City's Trail system.
- Evaluate new home building codes with other Johnson County cities.
- Apply for municipal sustainability awards.
- Evaluate I-435 to 103rd Street along State Line Road.
- Evaluate noise level abatement options along the I-435 Corridor in KDOT ROW for non-KDOT funded projects that may include the utilization of natural sound barriers, including trees and landscaping.
- Evaluate land-use options for City-owned property at Town Center Drive (117th Street) and Roe Avenue.
- Evaluate land-use options for remaining undeveloped portion of City-owned property at Town Center Drive (117th Street) and Tomahawk Creek Pkwy.

ADMINISTRATION

Budget: \$6.2M Positions: 45.68



ADMINISTRATION

Budget: \$6.2M Positions: 45.68

	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
Expenditures by Department				
City Administration	502,835	563,600	553,300	566,200
Finance	753,916	858,900	776,400	896,900
Information Services	1,271,323	1,367,300	1,355,400	1,430,300
Human Resources	479,515	581,300	558,200	574,700
Legal Services	378,192	569,500	553,300	507,800
Municipal Court	544,035	659,500	633,000	688,200
Community Development	1,488,841	1,596,200	1,634,300	1,561,400
Total	\$5,418,657	\$6,196,300	\$6,063,900	\$6,225,500

Expenditures by Character

Personnel Services	4,164,977	4,581,900	4,491,100	4,687,700
Contractual Services	691,550	956,700	950,200	932,000
Commodities	192,620	249,300	261,800	277,400
Capital	369,510	408,400	360,800	328,400
Debt Service	-	-	-	-
Total	\$5,418,657	\$6,196,300	\$6,063,900	\$6,225,500

Expenditures by Fund Type

General	5,049,147	5,787,900	5,703,100	5,897,100
Special Revenue	-	-	-	-
Capital	369,510	408,400	360,800	328,400
Debt	-	-	-	-
Total	\$5,418,657	\$6,196,300	\$6,063,900	\$6,225,500

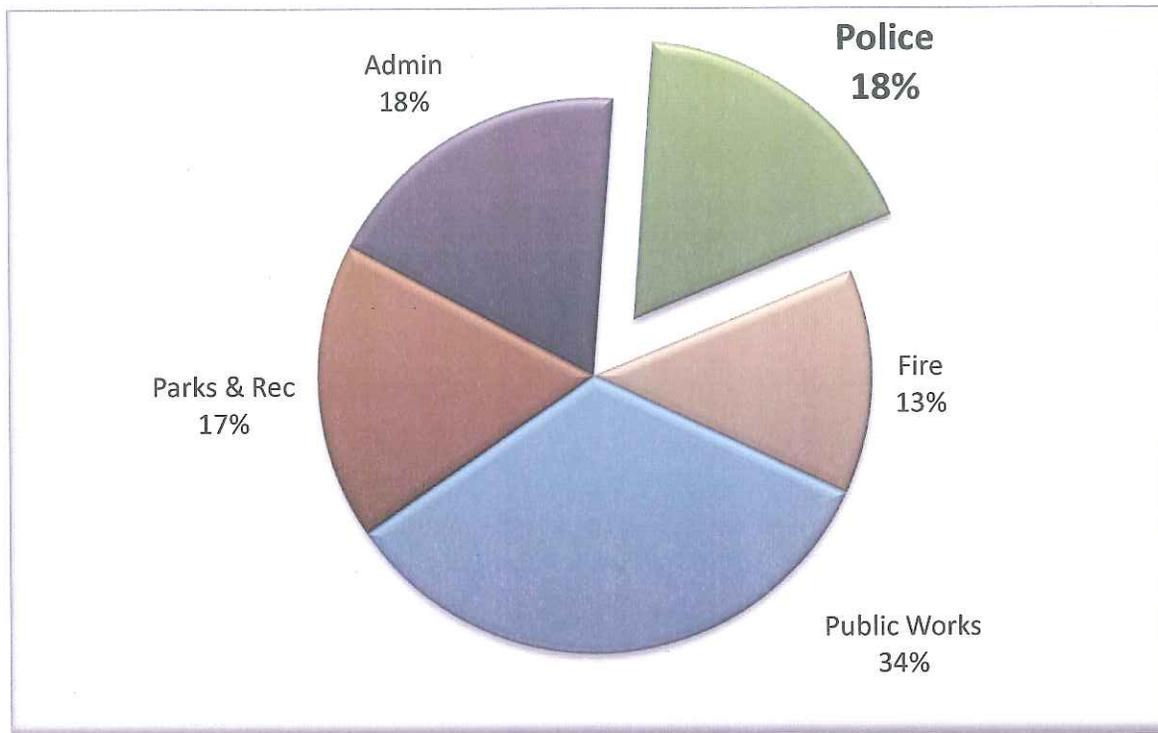
Full-Time Equivalents	46.14	45.68	45.68	45.68
------------------------------	-------	-------	-------	-------

Exhibit: Revenue by Program

City Clerk (Liquor Licenses)	14,000	17,800	17,800	10,600
Finance (Occupational & Animal)	303,771	308,000	308,000	308,000
Municipal Court (Fines)	1,587,760	1,500,000	1,500,000	1,500,000
Planning (Zoning)	18,950	18,000	18,000	18,000
Codes (Bldg Permits/Fees/Review)	1,244,318	786,000	886,000	786,000
Total	\$3,168,799	\$2,629,800	\$2,729,800	\$2,622,600

POLICE

Budget: \$10.7M Positions: 84



Council Priorities

To protect Leawood residents, visitors and businesses by providing quality police and homeland security services.

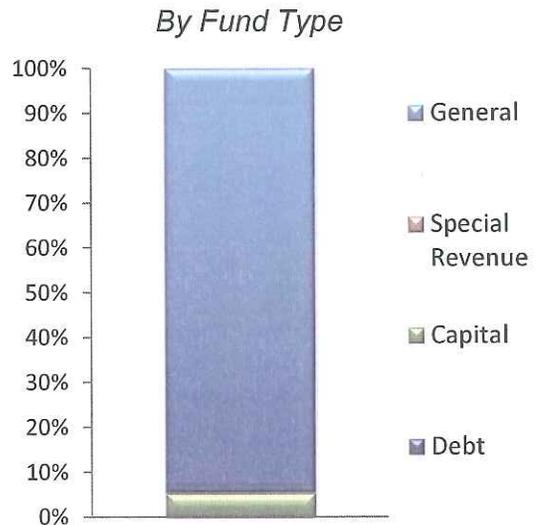
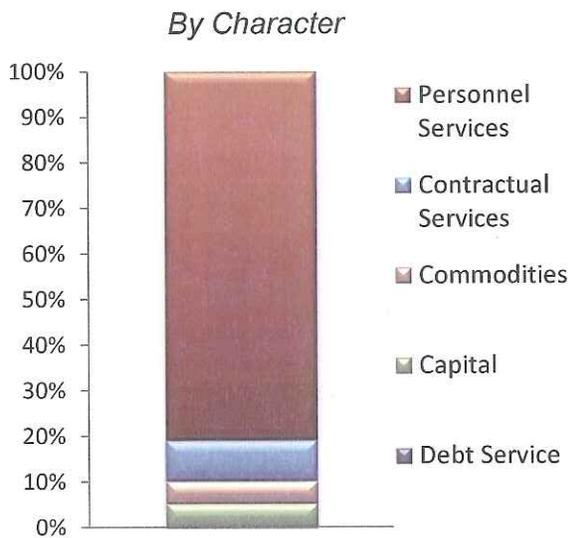
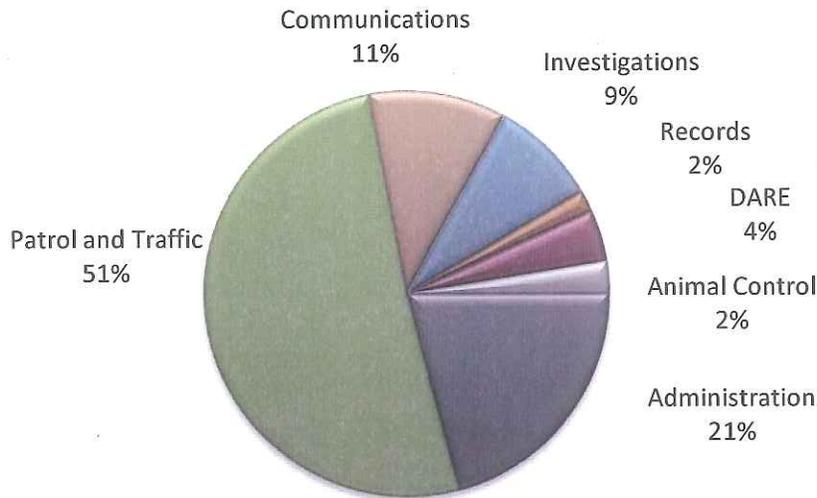
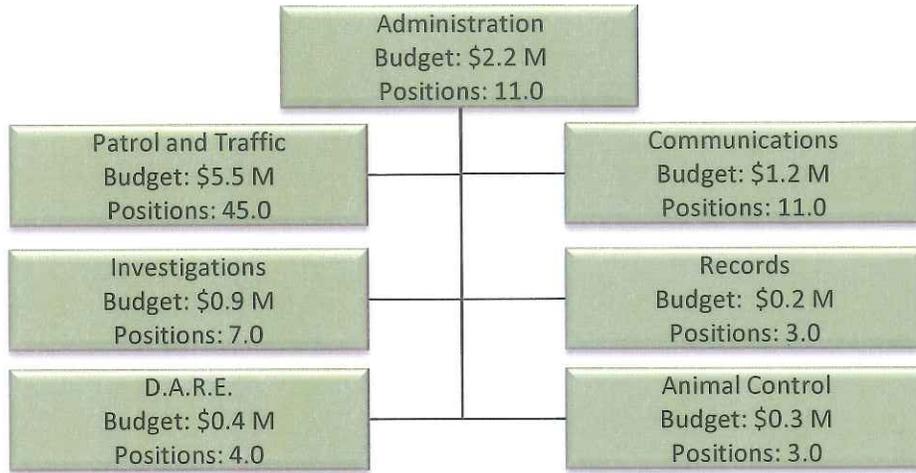
To ensure that Leawood is fiscally responsible, while investing in the infrastructure of the City, modernizing the government, investing in human resources, and improving customer service.

Governing Body Goals For 2017-2021

- Evaluate land-use options for City-owned property at Town Center Drive (117th Street) and Roe Avenue.
- Evaluate land-use options for remaining undeveloped portion of City-owned property at Town Center Drive (117th Street) and Tomahawk Creek Parkway.

POLICE

Budget: \$10.7M Positions: 84



POLICE

Budget: \$10.7M Positions: 84

	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
Expenditures by Program				
Administration	1,831,373	2,396,600	2,339,700	2,236,300
Patrol and Traffic	4,429,349	5,444,300	5,190,800	5,481,900
Communications	970,162	1,162,700	1,140,000	1,171,700
Investigations	852,372	951,100	960,200	921,800
Records	129,550	167,300	175,700	183,000
DARE	562,976	469,100	434,600	439,300
Animal Control	224,169	307,800	258,200	271,200
Total	\$8,999,951	\$10,898,900	\$10,499,200	\$10,705,200

Expenditures by Character

Personnel Services	7,846,774	8,613,100	8,512,100	8,662,900
Contractual Services	651,038	1,058,500	1,039,900	964,000
Commodities	346,156	608,300	538,800	521,800
Capital	155,983	619,000	408,400	556,500
Debt Service	-	-	-	-
Total	\$8,999,951	\$10,898,900	\$10,499,200	\$10,705,200

Expenditures by Fund Type

General	8,841,139	10,245,500	10,075,800	10,122,900
Special Revenue	2,829	34,400	15,000	25,800
Capital	155,983	619,000	408,400	556,500
Debt	-	-	-	-
Total	\$8,999,951	\$10,898,900	\$10,499,200	\$10,705,200

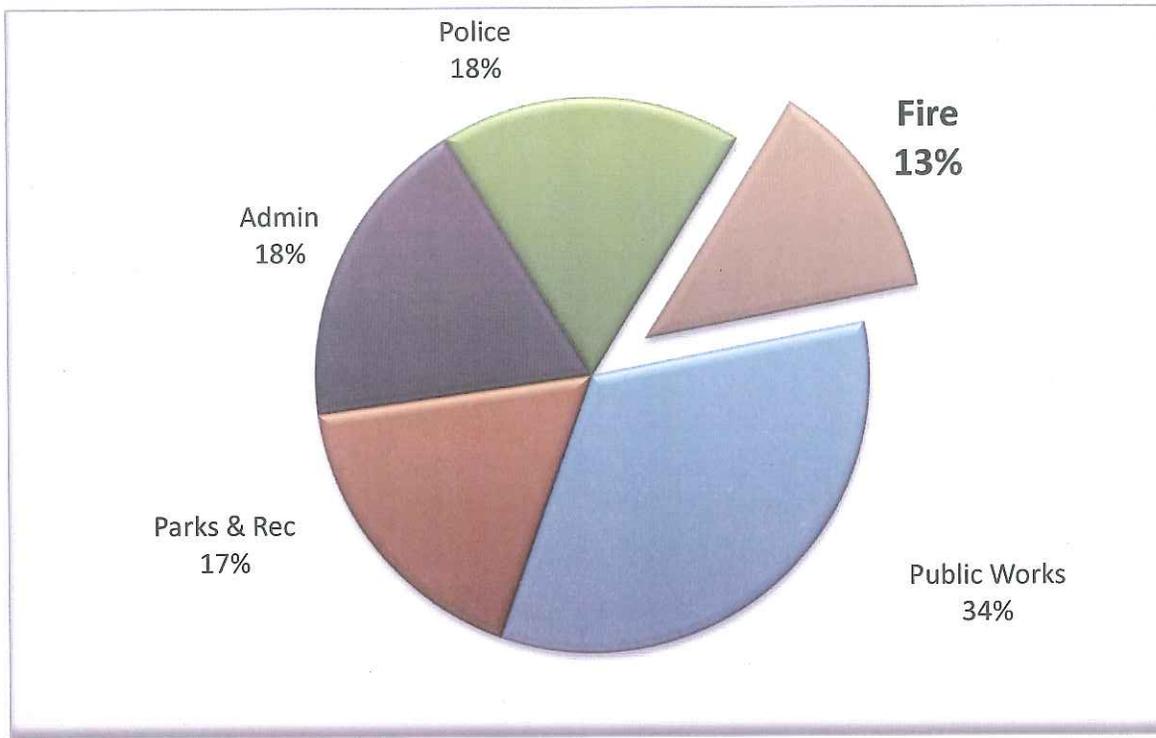
Full-Time Equivalents	83.00	84.00	84.00	84.00
<i>Commissioned Officers</i>	<i>61.00</i>	<i>61.00</i>	<i>61.00</i>	<i>61.00</i>

Exhibit: Revenue by Program

Alarm Fees	54,819	54,000	54,000	54,000
Animal Control/Shelter Fees	2,255	3,000	3,000	3,000
Dare Salary Reimbursement	288,000	294,000	294,000	299,000
School Resource Fees	30,340	30,000	30,000	30,000
Total	\$375,414	\$381,000	\$381,000	\$386,000

FIRE

Budget: \$8M Positions: 53.44



Council Priorities

To protect and preserve life and property through excellence in training, community risk management, emergency preparedness and rapid emergency services response.

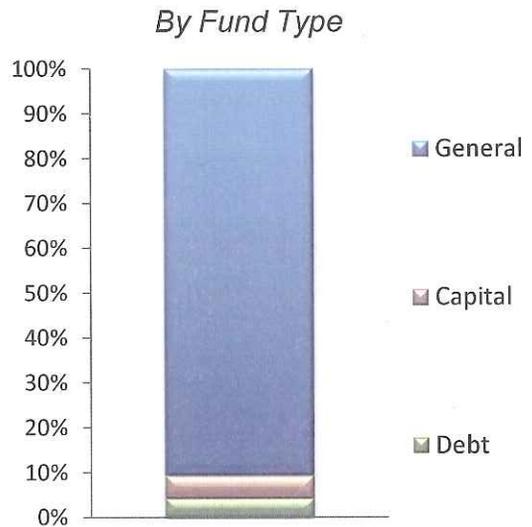
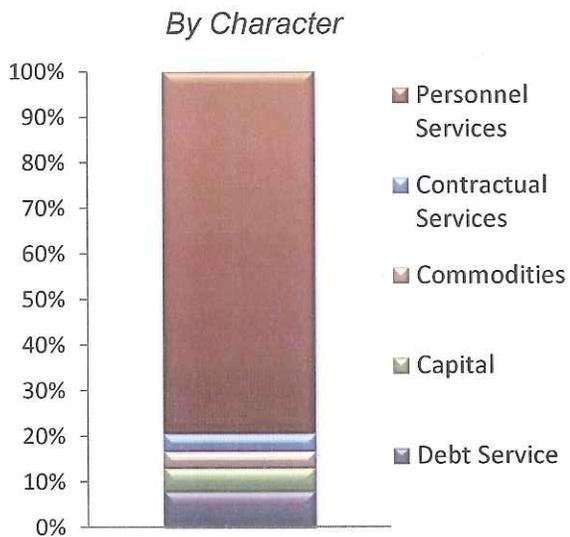
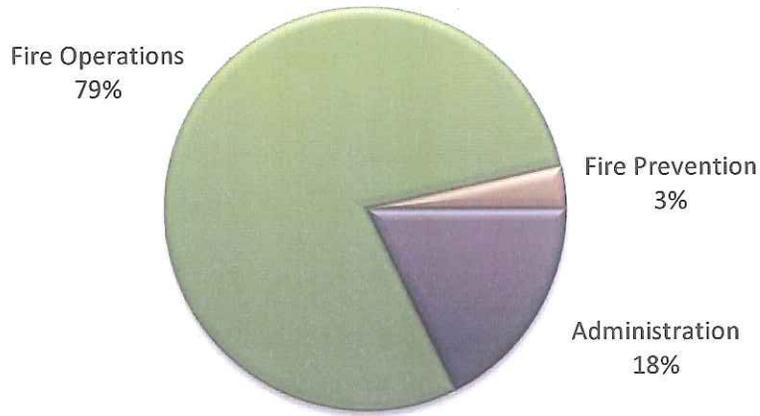
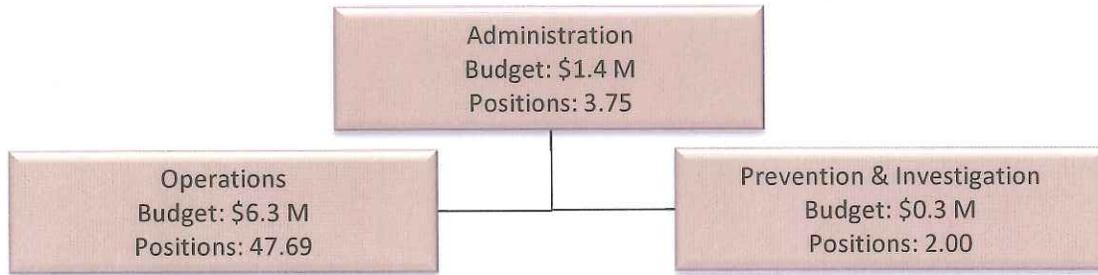
To ensure that Leawood is fiscally responsible, while investing in the infrastructure of the City, modernizing the government, investing in human resources, and improving customer service.

Governing Body Goals For 2017-2021

- Evaluate land-use options for City-owned property at 117th and Roe Avenue.
- Evaluate land-use options for remaining undeveloped portion of City-owned property at Town Center Drive (117th Street) and Tomahawk Creek Parkway.
- Evaluate new home building codes with other Johnson County cities.

FIRE

Budget: \$8M Positions: 53.44



FIRE

Budget: \$8M Positions: 53.44

	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
Expenditures by Program				
Administration	1,156,843	1,297,363	1,290,363	1,413,013
Fire Operations	5,673,653	5,988,000	5,911,600	6,286,700
Fire Prevention	249,216	268,100	268,800	266,800
Total	\$7,079,712	\$7,553,463	\$7,470,763	\$7,966,513

Expenditures by Character

Personnel Services	5,954,986	6,114,400	6,083,700	6,330,300
Contractual Services	370,299	316,700	319,100	307,800
Commodities	162,953	290,800	268,800	292,200
Capital	108,309	348,000	320,200	401,000
Debt Service	483,165	483,563	478,963	635,213
Total	\$7,079,712	\$7,553,463	\$7,470,763	\$7,966,513

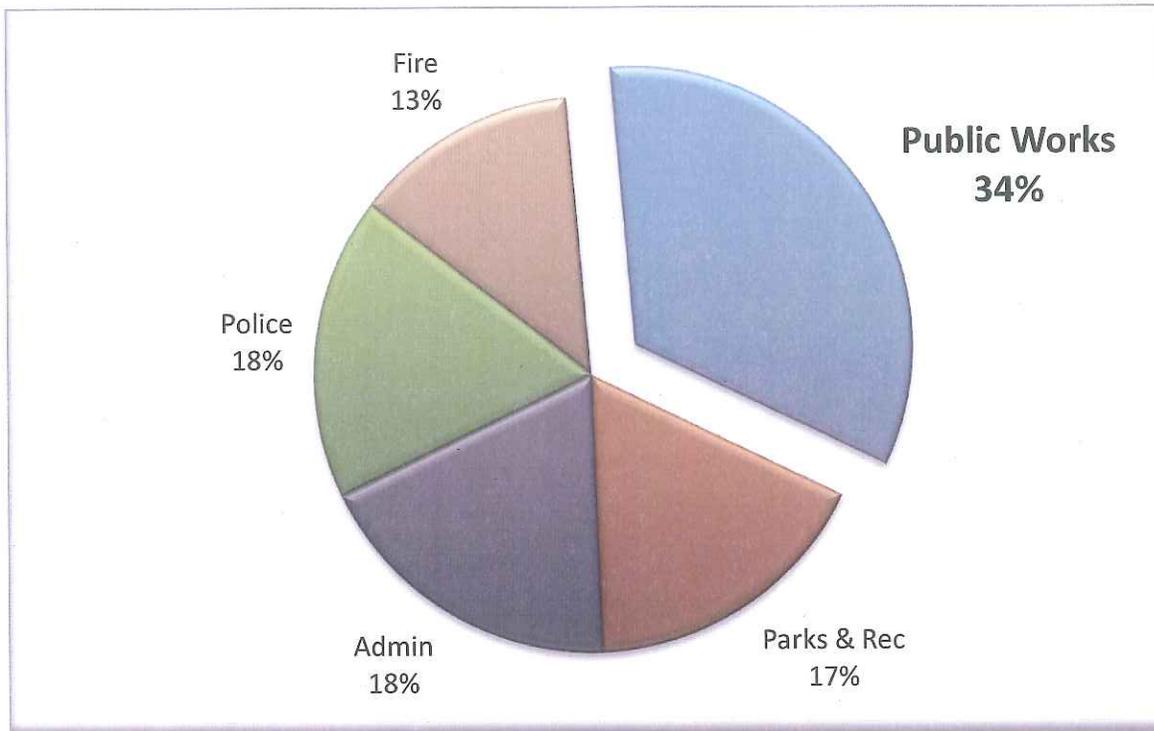
Expenditures by Fund Type

General	6,634,940	6,868,700	6,813,800	7,223,800
Special Revenue	-	-	-	-
Capital	108,309	348,000	320,200	401,000
Debt	336,463	336,763	336,763	341,713
Total	\$7,079,712	\$7,553,463	\$7,470,763	\$7,966,513

Full-Time Equivalents	53.69	53.69	53.44	53.44
------------------------------	-------	-------	-------	-------

PUBLIC WORKS

Budget: \$20.3M Positions: 49.71



Council Priorities

To maintain the current infrastructure and to provide the highest quality new improvements where economic benefits clearly justify new investment.

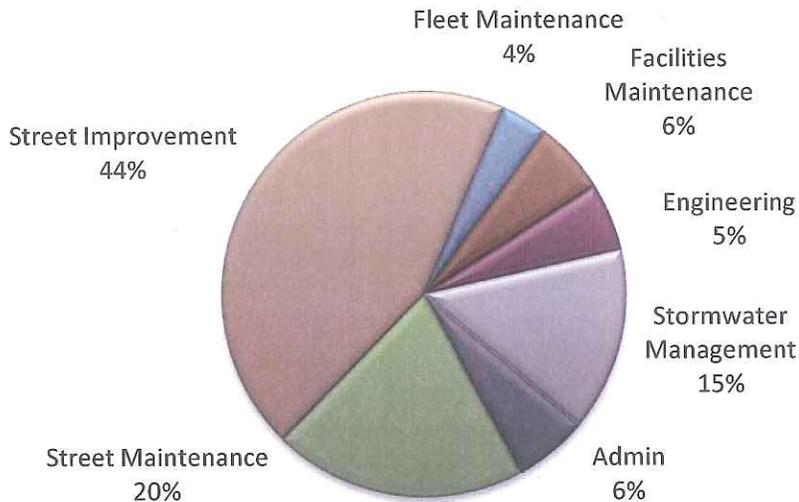
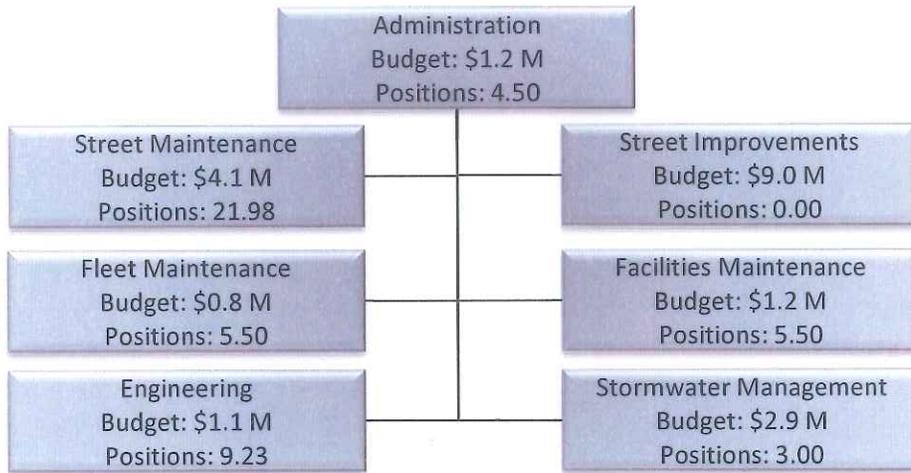
To ensure that Leawood is fiscally responsible, while investing in the infrastructure of the City, modernizing the government, investing in human resources, and improving customer service.

Governing Body Goals For 2017-2021

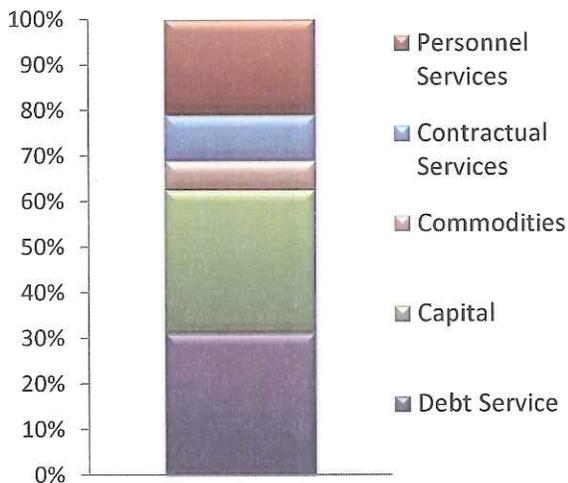
- Evaluate new home building codes with other Johnson County cities.
- Evaluate I-435 to 103rd Street along State Line Road.
- Evaluate noise level abatement options along the I-435 Corridor in KDOT ROW for non-KDOT funded projects that may include the utilization of natural sound barriers, including trees and landscaping.
- Evaluate land-use options for City-owned property at Town Center Drive (117th Street) and Roe Avenue.
- Evaluate land-use options for remaining undeveloped portion of City-owned property at Town Center Drive (117th Street) and Tomahawk Creek Parkway.
- Evaluate feasibility/scope of Activity Center at Town Center Drive and Roe Avenue.
- Apply for municipal sustainability awards.

PUBLIC WORKS

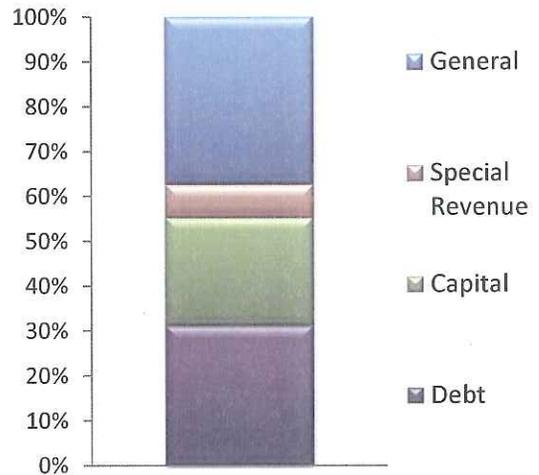
Budget: \$20.3M Positions: 49.71



By Character



By Fund Type



PUBLIC WORKS

Budget: \$20.3M Positions: 49.71

	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
Expenditures by Program				
Administration	640,097	1,229,764	1,224,664	1,231,926
Street Maintenance	3,314,535	4,041,700	4,174,400	4,096,600
Street Improvement	8,049,505	9,126,831	10,036,531	8,979,274
Fleet Maintenance	516,705	773,200	728,300	762,800
Facilities Maintenance	980,189	1,004,300	1,264,500	1,191,500
Engineering	952,623	1,120,000	1,179,400	1,103,800
Stormwater Management	2,644,389	1,907,642	1,583,142	2,967,762
Total	\$17,098,043	\$19,203,437	\$20,190,937	\$20,333,662

Expenditures by Character

Personnel Services	3,791,285	4,089,000	4,141,300	4,275,700
Contractual Services	1,310,319	1,944,100	2,070,700	2,043,400
Commodities	838,744	1,328,200	1,286,200	1,283,500
Capital	5,457,494	5,436,300	6,330,800	6,394,100
Debt Service	5,700,201	6,405,837	6,361,937	6,336,962
Total	\$17,098,043	\$19,203,437	\$20,190,937	\$20,333,662

Expenditures by Fund Type

General	5,940,348	7,361,300	7,498,200	7,602,600
Special Revenue	1,537,347	1,523,300	1,613,200	1,497,100
Capital	3,920,147	3,913,000	4,717,600	4,897,000
Debt	5,700,201	6,405,837	6,361,937	6,336,962
Total	\$17,098,043	\$19,203,437	\$20,190,937	\$20,333,662

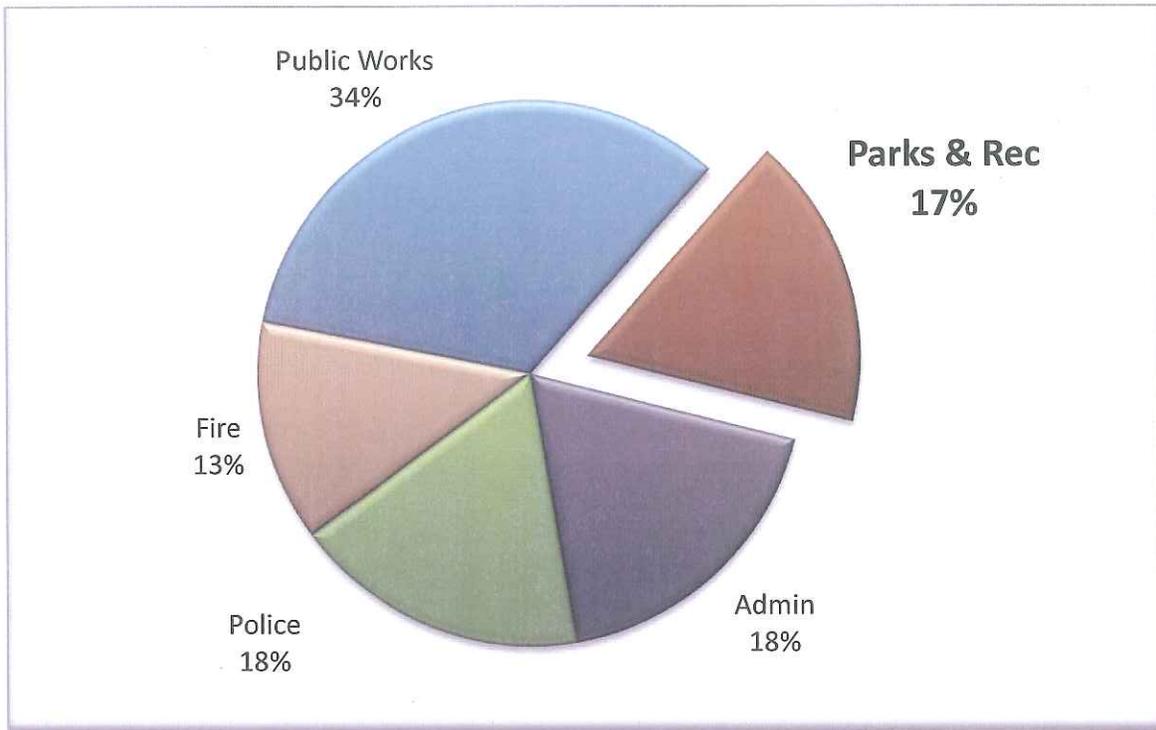
Full-Time Equivalents	49.48	49.71	49.71	49.71
------------------------------	-------	-------	-------	-------

Exhibit: Revenue by Program

County Participation				
Streets	416,384	1,010,000	1,726,000	1,070,800
Stormwater	1,817,962	150,000	200,000	1,200,000
Engineering (Inspection Fees)	113,372	85,000	85,000	85,000
Special Assessments	2,305,933	2,208,022	2,208,022	2,153,978
Total	4,653,651	3,453,022	4,219,022	4,509,778

PARKS AND RECREATION

Budget: \$10.5M Positions: 63.09



Council Priorities

To promote a community that provides family-oriented activities, as well as recreational and cultural opportunities, to encourage and enhance the quality of life for citizens.

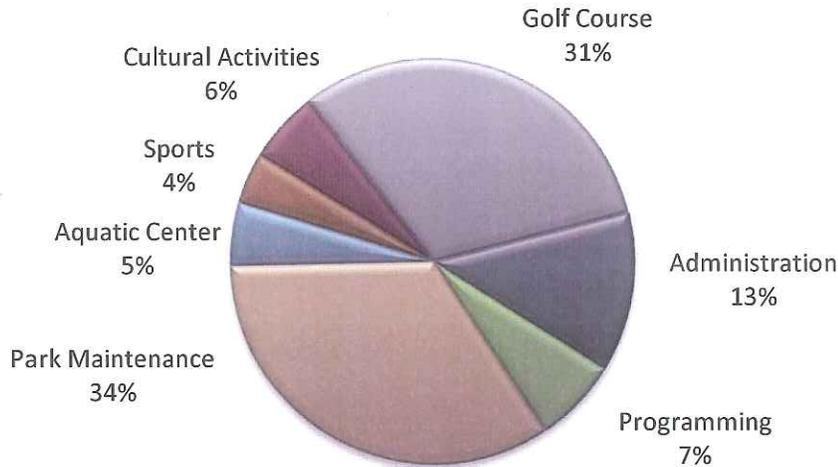
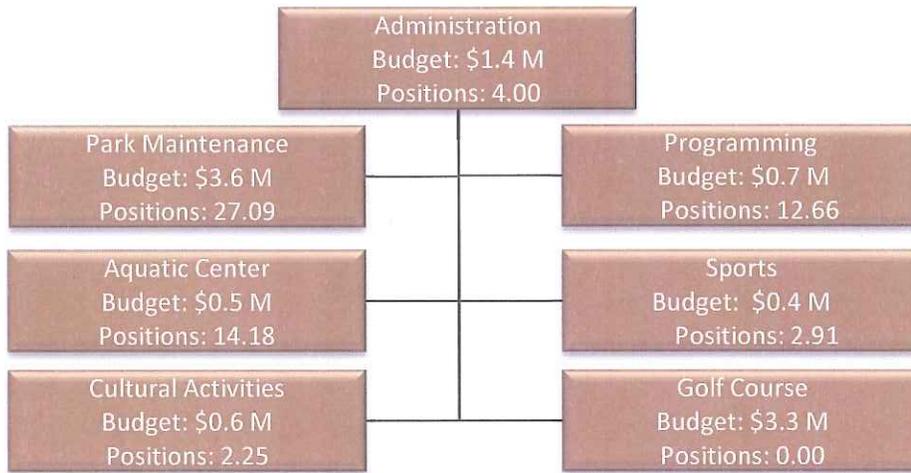
To ensure that Leawood is fiscally responsible, while investing in the infrastructure of the City, modernizing the government, investing in human resources, and improving customer service.

Governing Body Goals For 2017-2021

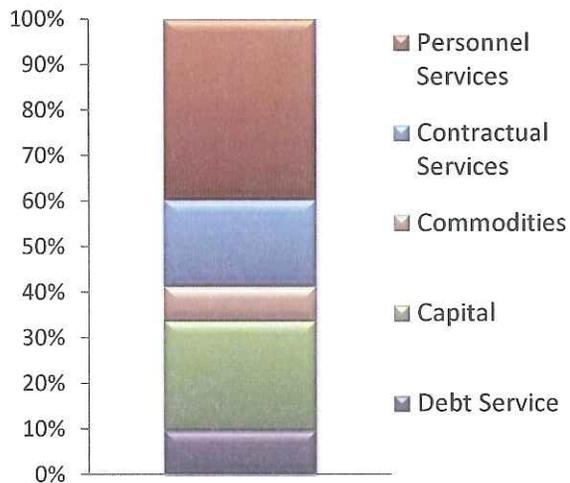
- Evaluate temporary low-impact uses [e.g., community gardens, horseshoes, etc.] for undeveloped land at Ironwoods Park.
- Integrate upgrades and new improvements to the City's Trail System.
- Evaluate land-use options for City-owned property at Town Center Drive (117th Street) and Roe Avenue.
- Evaluate land-use options for remaining undeveloped portion of City-owned property at Town Center Drive (117th Street) and Tomahawk Creek Parkway.
- Evaluate feasibility/scope of Activity Center at Town Center Drive and Roe Avenue.
- Apply for municipal sustainability awards.

PARKS AND RECREATION

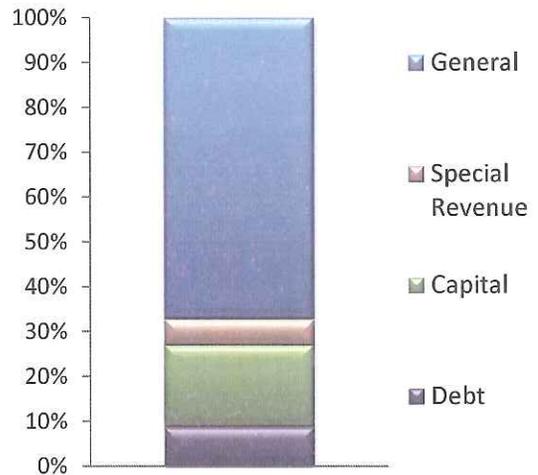
Budget: \$10.5M Positions: 63.09



By Character



By Fund Type



PARKS AND RECREATION

Budget: \$10.5M Positions: 63.09

	2015 Actual	2016 Budget	2016 Estimate	2017 Budget
<i>Expenditures by Program</i>				
Administration	1,324,193	1,369,669	1,354,269	1,345,694
Programming	603,195	768,800	748,800	711,900
Park Maintenance	2,753,358	3,765,300	3,403,100	3,574,100
Aquatic Center	355,730	541,800	554,500	529,500
Sports	310,620	430,500	435,500	433,400
Cultural Activities	334,410	897,300	598,200	604,400
Golf Course	2,410,655	3,170,500	3,178,700	3,315,100
Total	\$8,092,161	\$10,943,869	\$10,273,069	\$10,514,094

Expenditures by Character

Personnel Services	3,679,891	4,038,600	4,112,300	4,176,800
Contractual Services	1,633,892	1,989,400	1,997,200	1,993,100
Commodities	560,982	787,400	767,200	799,200
Capital	863,387	3,094,100	2,362,500	2,533,000
Debt Service	1,354,009	1,034,369	1,033,869	1,011,994
Total	\$8,092,161	\$10,943,869	\$10,273,069	\$10,514,094

Expenditures by Fund Type

General	5,979,972	6,921,200	6,982,000	7,074,400
Special Revenue	431,344	630,200	716,600	600,000
Capital	432,043	2,463,900	1,645,900	1,933,000
Debt	1,248,802	928,569	928,569	906,694
Total	\$8,092,161	\$10,943,869	\$10,273,069	\$10,514,094

Full-Time Equivalents	63.09	63.09	63.09	63.09
------------------------------	-------	-------	-------	-------

Exhibit: Revenue by Program

Administration	7,936	9,000	5,500	7,000
Aquatic Center	277,579	321,600	307,600	315,200
Programming	420,850	425,250	419,200	416,000
Sports	294,756	300,000	307,500	301,500
Cultural Activities	22,244	28,700	24,000	29,100
Golf Course	1,402,389	1,610,000	1,479,500	1,558,800
Total	\$2,425,754	\$2,694,550	\$2,543,300	\$2,627,600



Budget and Financial Policies

It is the policy of the City Council to annually develop a budget that accurately reflects the revenue and expenditure goals and objectives of the City Council and to incorporate those goals, objectives, programs and projects that best serve the public good. The budget of the City of Leawood will be constructed and managed in accordance with the policies set forth below. During the course of each fiscal year, the budget will be used to provide direction in the administration of City services.

BUDGET POLICIES

I. OPERATING BUDGET

1. The City will maintain a financial and budgetary control system to ensure adherence to the budget and awareness of the financial environment. Services provided by the City are categorized in order to set priorities for allocating available funds and are defined as follows:

- A. *Basic or Core Services*: Includes (1) legally mandated commitments or services, (2) those most closely linked to the health and safety of the citizens of Leawood, and (3) those providing a net revenue contribution or reducing identifiable costs in the same fiscal year.

Basic or Core Services

Debt Services
Police & Fire

- B. *Maintenance of Effort Services*: Services that (1) maintain control of City resources (2) reduce identifiable costs in future years, and (3) are necessary to keep the public adequately informed of legislative matters.

Maintenance of Effort Services

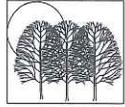
Council
Administration
Human Resources
Finance
Municipal Court
Legal Services
Information Services
Planning
Neighborhood Services
Public Works

- C. *Quality of Life Services*: Activities which are provided for more specialized groups or services that are more aesthetic or promotional in nature.

Quality of Life Services

Parks
Recreation
Aquatic Center
Golf Course
Arts Council
Sister City Program
Historic Commission

2. Increases in staff will be permitted only in cases where the service demands have been expanded.
3. In the General Fund, expenditures for normal operating and personnel services, excluding capital expenditures, will not be permitted to exceed anticipated revenues and carryover.



Budget Basis The basis of budgeting refers to the conversions for recognition of costs and revenue in budget development and in establishing and reporting appropriations that are the legal authority to spend or collect revenues. The City of Leawood budgets all funds on a modified accrual basis. This is the same basis of accounting used in the City's audited financial statements.

Balanced Budget The City of Leawood considers a balanced budget to consist of adequate revenues from both the current year as well as a portion of the carryover from the previous year to meet current year expenditures. Combined reserves from all operating funds must first be held aside from the carryover before the remainder is added to the current year's revenues. The total of the reserve funds must fall within the reserve policy standards.

Fund Balance The City defines fund balance as the excess of a fund's assets over the liabilities, also known as surplus funds.

Non-Budgeted Funds The City's non-budgeted funds consist of funds not required by Kansas statute to be legally adopted because they are exempted by a specific statute. Control over spending in funds that are not subject to legal budget is maintained by the use of internal spending limits established by granting agencies, City policy, or by the City Administrator. Funds not included in the annual budget are:

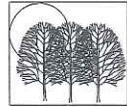
American Revolution Tri-Centennial Fund – established to account for monies donated by the Leawood American Revolution Bi-Centennial Committee. These monies are to be continually reinvested by the City until the year 2076. It is intended that this fund then be used for the overall benefit for the citizens of the City on a special American Revolution Tri-Centennial event/project, needed community facilities, equipment or programs.

Leawood Transportation Impact Fee Fund – established to account for fees imposed on new development in South Leawood for the purpose of assuring that transportation improvements are available and provides adequate transportation system capacity to support new development while maintaining levels of transportation service deemed adequate by the City. The Impact Fee shall be imposed on all new development in South Leawood, except as may be otherwise provided, and all fees collected shall be utilized solely and exclusively for transportation improvements in South Leawood serving such new development.

Insurance Proceeds - established to account for insurance proceeds received by the City whenever any privately owned building or other structure is damaged as a result of fire, explosion or windstorm. When the insured party meets certain requirements to repair the property to the satisfaction of the City, the funds are returned to the insured party.

Leawood Public Safety Improvement Fund – established initially to account for a 4 tenths of one cent public safety sales tax that was effective from April 1, 2007 to March 31, 2011. These collections, along with a .25% county sales tax, were used to construct the Justice Center. After the City one-cent sales tax ended in 2011, the .25% county sales tax collections continued to be receipted in this fund. Future uses may include the replacement of public safety equipment and vehicles.

TDD Agency Funds – established to account for collections and remittance of Transportation Development Districts. Currently the City utilizes two of these funds: One Nineteen Development; and Park Place Development.

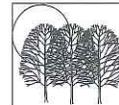


II. BUDGET PROCESS

The annual budget is a fiscal plan that presents the services that will be provided to the community and the funds needed to perform the services. The budget shall be presented as a legislative document that, when combined with the related appropriating ordinance, will represent City Council policy concerning the sources and uses of funds for the budget year.

Development of the City's Budget is an ongoing process that generally begins more than a year before the fiscal year begins on January 1. Opportunities for public input are provided at various stages of development.

<i>November - December, 2015</i>	Planning for the 2017 Budget began with the review of revenue and spending forecasts; review of user fees; and coordination with departments of capital spending needs to prepare the Capital Improvement Program (CIP) document.
<i>January-February, 2016</i>	The Governing Body met to discuss short, near and long-term goals on January 11, 2016; and staff prepared the pay-as-you-go capital replacement schedules and expendable equipment schedules.
<i>February-March, 2016</i>	Preliminary assessed valuation information was received from the Johnson County Appraiser to establish the mill levy for the 2017 Budget. Departments developed their revenue and operating expenditure budget requests; the City Administrator met with departments to review expenditure needs to ensure compatibility with the Governing Body goals.
<i>March-April, 2016</i>	The 2017-2021 CIP was distributed to both the Governing Body and the Planning Commission on March 3, 2016. The Governing Body met to discuss the CIP document in a work session on March 7, 2016; and the Planning Commission reviewed the document and held a public hearing on March 22, 2016.
<i>April – May, 2016</i>	A public hearing for citizen input on the 2017 Budget was held on April 18, 2016. The Governing Body met to review the 2017-2021 budget model assumptions as included in the financial planning model on May 2, 2016; revenue and expenditure projections were reviewed and the financial planning model was updated. The City Council held a public hearing and formally adopted the 2017-2021 CIP for budget planning purposes on May 16, 2016. The proposed 2017 Budget was distributed to the Governing Body and the Budget & Finance Committee on May 26, 2016.
<i>June – July, 2016</i>	The 2017 Budget document was discussed in an open work session on June 7 th with the Governing Body and the Budget & Finance Committee. Estimated assessed valuation information was received from the Johnson County Clerk on June 30, 2016. After agreement by the Governing Body on any changes to the mill levy, the 2017 Budget was published along with the publication notice for a public hearing, as required by state law.
<i>August, 2016</i>	A public hearing on the 2017 Budget was held to obtain citizen input on August 15, 2016; and the Governing Body adopted the 2017 Budget the same evening. Under state law, the budget is required to be approved by the Governing Body and filed with the County Clerk no later than August 25 th .
<i>January 1, 2017</i>	The 2017 Budget goes into effect.



III. BUDGET AMENDMENT

Departments are given the latitude to exceed specific line items; however, total expenditures must not exceed total budgeted expenditures, excluding monies from the Personnel service categories. The City does budget a citywide contingency fund and has statutory authority to budget this account up to 10% of the overall budgeted expenditures.

The state statutes allow for the Governing Body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. A notice of public hearing to amend the budget must be published in the local newspaper. Ten days following publication, the hearing may be held and the budget amended.

IV. CASH BASIS LAW

Kansas Statutes prohibit cities from creating indebtedness unless there is money on hand in the proper fund and unencumbered by previous commitments with which to pay the indebtedness. The execution of a contract or the issuing of a purchase order automatically encumbers money in the fund for payment of the amount represented by the commitment. It makes no difference that the amount may not have to be paid until more monies are in the fund or until the following year. An exception to this cash basis law is the issuance of debt, in the form of bonds, notes or warrants; pursuant to statutory authority, referendum or by the State Board of Tax Appeals. In the event debt is issued, funds need not be on hand for future payments.

V. REPORTING POLICY

Amounts presented in the budget document shall be compared with actual revenues and expenditures for month-end and year-to-date throughout the budget year. Quarterly reports are prepared and printed in the Legal Record.

FINANCIAL POLICIES

I. OPERATING RESERVES

1. The Governing Body has set a goal of 11% minimum for operating fund reserves. The City of Leawood strives to follow financially sound fiscal policies. One such policy that enhances a city to maintain a well-balanced financial structure is a fund balance policy, or commonly called an operating reserves policy. In government, the standard can be anywhere from one month of expenditures (8.33%) to 15% of expenditures.
2. Establishing a formal policy assures the citizenry that funds will be available for the following reasons:
 - a) Provide sufficient working capital to meet daily cash needs.
 - b) Provides reserves to absorb emergency expenditures caused by natural disaster such as fire, flood or earthquake.
 - c) Cover any unanticipated deficit resulting from a shortfall in actual revenues in a given budget year.

II. FINANCIAL FORECASTING - MODEL PARAMETERS

1. The City staff will provide the City Council with a 10-year financial budget model.
2. In any given year, a proposed mill levy increase will not exceed 1.00 mill.
3. There will not be any consecutive years with a mill increase.
4. The model's financial projections will not go below the General Fund one month cash requirement.
5. For any mill levy imposition consideration, the City Council will consider only 7 years of the 10-year financial model.
6. A 1% to 2% variance for both revenues and expenditures will be anticipated in a given fiscal year.



III. DEBT SERVICE RESERVES

Debt reserves shall be established to protect bondholders from payment defaults. Adequate debt reserves are essential in maintaining good bond ratings and the marketability of the underlying bonds. The City can maintain up to one year of payment reserves by state law. In this year's budget, the City of Leawood will strive to maintain a total reserved fund balance equal to 35% of budgeted Debt Service expenditures. Consideration has been given to annual collection rates and to any unforeseen cash shortages associated with any debt that is backed by the full faith and credit of the City.

IV. REVENUE POLICY

1. The City will attempt to maintain a diversified and stable revenue system to shelter it from short-run fluctuations in any one revenue source.
2. The City will attempt to obtain additional major revenue sources as a way of ensuring a balanced budget.
3. The City will rely on user charges, where appropriate, but will refrain from "nuisance" charges. User charges, as opposed to licensing or regulator charges, shall wherever possible recover the full cost (operating, direct, indirect, and capital) of providing the service.
4. All charges and fees will be reviewed annually. Comparisons with other public and/or private organizations will be used when appropriate in determining the level of fees and charges as well as service costs.
5. The City will consider market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees, and charges.
6. The City will refinance outstanding debt whenever economically feasible.
7. The City will follow an aggressive policy of collecting revenues, including past due bills of any type.
8. The City shall dispose of surplus property in the most cost-effective manner.

V. DEBT POLICY

On April 3, 2000, the Governing Body adopted the Debt Policy by Resolution #1518. This policy has been revised several times: by Resolution #2221 on May 3, 2004; by Resolution #2789 on May 5, 2007; by Resolution #3334 on February 1, 2010; by Resolution #3553 on March 7, 2011; by Resolution #3931 on November 19, 2012; by and most recently by Resolution #4173 on February 17, 2014.

Objective

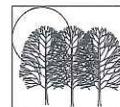
To maintain the City's ability to incur debt and issue other long-term obligations at favorable interest rates in amounts needed for capital improvements, economic development, and facilities or equipment to provide essential city services.

Scope

This Policy provides a general guideline to all debt issued by the City regardless of purpose, source, or type.

Responsibility

The primary responsibility for developing financing recommendations rests with the City Administrator. In developing the recommendations, the Finance Director, City Attorney or designee, Public Works Director, and other Department Heads assist the City Administrator. Responsibilities include annual review of debt capacity, quarterly assessment of progress on the Capital Improvement Program, preparation for debt issues and the ongoing responsibility of oversight and evaluation of services provided by the Financial Advisor and Bond Counsel.



I. Debt Planning Policies

- Section 1: Capital Planning. To enhance creditworthiness and prudent financial management, the City is committed to systematic capital planning, intergovernmental cooperation and coordination, and long-term financial planning. Evidence of this commitment is demonstrated through adoption of an annual Capital Improvement Plan (CIP), and annual assessment of financial condition.
- Section 2: Debt Capacity. Each year the City will review whether it is willing and able to assume new debt beyond what will be retired. The Finance Director or designee shall, prior to the issuance of new debt, or at least annually, calculate the City's statutory debt limit in accordance with K.S.A. 10-308. Debt capacity will be assessed by reviewing debt per capita, general levels of per capita income, debt as a percent of appraised value, debt service payments as a percent of general government expenditures, debt payout over the ensuing ten years, and the level of overlapping net debt of all other local taxing jurisdictions.
- Section 3: Debt vs. Pay-As-You-Go. The City will evaluate annually the relationship between issuing debt and pay-as-you-go financing. The City will consider pay-as-you-go financing for all personal property less than \$100,000.
- Section 4: Appropriate Uses. The City will generally consider long-term financing for the acquisition, maintenance, replacement, or expansion of physical assets having a useful life of at least (5) years. The scheduled maturities of long-term obligations should generally not exceed the expected useful life of the capital project or asset(s) financed. Proceeds should only be used for construction project costs, acquisition of fixed assets, issue costs, debt service reserve requirements, or refunding of outstanding issues. Proceeds from long-term debt may not be used to fund current operating costs.
- Section 5: Timing of Issues. In determining when to issue bonds, notes and other obligations the following factors should be considered:
- The timing of other proposed issues, including those by other jurisdictions;
 - The timing of the preparation, completion and certification of the City's annual budget including special assessment procedures;
 - The availability of the City's audited financial statements for the previous fiscal year;
 - The potential impact on the City's bond ratings.
- Section 6: Types of obligations. In determining the type of obligation to issue, the following factors should be considered:
- The direct and indirect beneficiaries of the project (i.e. a significantly large proportion of citizens should benefit from projects financed by at-large taxes and other revenues);
 - The time pattern of the stream of benefits generated by the project;
 - The sources and timing of revenues available for the repayment of the debt;
 - The cost-effectiveness of user charges or other revenue sources to the extent available;
 - The effect of the proposed issue on the City's ability to finance future projects of equal or higher priority;
 - The interest cost of each type of obligation;
 - The impact on the City's financial condition and credit ratings.
- Section 7: At-Large General Obligation Bonds. At-large general obligation, property tax-supported financing should be used for those capital improvements and long term assets which have been determined to be essential to the maintenance or development of the City and as permitted by law. Consideration should be given to alternative funding sources, such as project revenues, Federal and State grants, and special assessments.



Section 8: Benefit District Bonds. The issuance of benefit district general obligation bonds shall be governed by the most recently approved Resolution.

Section 9: Assessment Methodology. Upon request by a developer, the City may consider approving an assessment methodology for Special Benefit District [SBD] financing that is based upon the improvement and/or land value for each tract of land or tax parcel within the District, provided that the development project is greater than 20 acres in size; has an approved overall floor-area-ratio [F.A.R.] of .5 or greater; and has received a Certificate(s) of Occupancy for 35% of the total approved square footage. As part of the consideration of this methodology for assessment, the City Council may consider requiring a Letter of Credit.

Section 10: Revenue Supported Obligation. Revenue supported obligations should be used to limit potential dependence on property taxes for those projects with available revenue sources, whether self-generated or dedicated from other sources. Adequate financial feasibility studies will be performed for each project to establish assurances as to the self-liquidating nature of the project or adequacy of dedicated revenue sources.

Section 11: Transportation Development District Obligations. The formation of a Transportation Development District [TDD] will be considered by the Governing Body on a case by case basis. The Governing Body will only consider pay-as-you-go [PAYGO] financing funded through a sales tax and/or special property tax assessment. However, bonded indebtedness may be considered by the Governing Body in the case of burying or relocating utility lines. A TDD Project will be initiated by petition pursuant to the TDD Act. The Developer shall comply with all of the statutory requirements of a TDD project. The Developer shall also be responsible for providing a description of the improvements to be financed, a timetable for such improvements to be completed and an itemized listing and estimated total cost of said improvements with the TDD petition. The Governing Body reserves the right to approve any or part of any petition submitted including which costs may be reimbursed, provided, however that in no event shall interest costs be subject to reimbursement from TDD revenues on a pay-as-you-go project. All costs subject to reimbursement from TDD proceeds shall be certified by the City and/or an outside consultant retained by the City prior to any reimbursement payment being made.

Section 12: Lease and Lease-Purchase Agreements. The City may enter into leases and lease-purchase obligations to finance the acquisition of real and personal property as permitted by law. The Finance Director shall review all proposed leases prior to submittal to the Governing Body. Lease financing is appropriate:

- a) Whenever the introduction of leased equipment and/or a capital improvement results in verifiable operating savings, or interest costs that minimizes the loss on resale value, properly discounted, outweigh the lease financing costs;
- b) Existing or incremental new revenues are available to provide for the lease payments;
- c) The capital asset is deemed important enough (for safety, legal, efficiency, or other reasons) to lead to a reallocation of existing revenues; or
- d) Existing state statutes do not provide adequate or expedient methods of financing.

This Policy shall not preclude the use of operating leases in appropriate circumstances such as for office equipment.

Section 13: Other Borrowing Methods. Financial feasibility studies should be performed for other financing methods such as state loan programs and pool participation.



Section 14: Short Term Borrowing. Use of short-term borrowing, such as temporary notes will be undertaken if the available cash is insufficient to meet project requirements or their use is judged to be prudent and advantageous to the City. Temporary notes may also be used to affect the interim financing of capital projects including benefit district projects so that permanent financing can occur on a more orderly basis. The City will conduct a cash flow analysis for a forecast period of no less than 12 months prior to issuing short-term notes.

Section 15: Conduit Financing. The City may sponsor conduit financing such as industrial revenue bonds and tax increment financings that are consistent with the City's overall service, development and Policy objectives. The issuance of industrial revenue bonds and tax increment financings should be governed by Resolutions 598 and 1317 respectively.

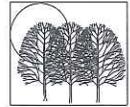
II. Debt Issuance Policies

Section 16: Method of Sale. As required by law, City debt will be issued through a competitive bidding process. Bids on long-term bonds will be awarded on a true interest cost basis, providing other bidding requirements are satisfied. Negotiated sales of debt will be considered when the complexity of the issue requires specialized expertise, or when the negotiated sale would result in substantial savings in time or money. The objective in all situations will be to accomplish the project at the lowest overall cost to the City.

Section 17: Length of Debt. Debt will be structured for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users (Guidelines: - 15 years for General Obligations Debt; 20 years for land, parks and buildings; and 15 to 20 years for Revenue Bonds). Benefit District Debt has a 10 year length; however, upon special approval by the Governing Body, benefit district debt may be extended up to a 15 year term. Transportation Development District [TDD] has a 10-year length however, upon special approval by the Governing Body; this debt may be extended up to a maximum of 22 years, in accordance with Kansas State Statute. The term will commence with the imposition of the tax.

Section 18: Debt Structure. Debt will be structured to achieve the lowest possible net cost to the City given market conditions, the urgency of the capital project, and the nature and type of security provided. Moreover, to the extent possible, the City will design the repayment of its overall debt so as to recapture rapidly its borrowing capacity for future use. The structure should approximate level principal on street projects debt, and level payment for public buildings, land and parks. Level debt service should also be used for revenue bonds. There shall be no debt structures which include increasing debt service levels in subsequent years, except when such structuring will allow debt service to more closely match project revenues during the early years of the project's operation or such structuring is needed to mitigate property tax impacts. There shall be no "balloon" bond repayment schedules that consist of low annual payments and one large payment of the balance due at the end of the term. Normally, there shall be no capitalized interest included in the debt structure unless there are insufficient revenues available from the source of repayment of the debt during the project construction or startup phase.

Section 19: Bond Rating. The City should continually seek to maintain and improve current bond ratings so that borrowing costs are minimized and access to credit preserved. Good communication with bond rating agencies should be maintained and all necessary financial and economic data concerning the City and its borrowing needs shall be provided to the bond rating agencies as needed or requested. The City shall attempt to structure its debt issuance, prepare its operating budgets, and implement policies that will maintain or improve its existing bond rating. Any departure from prior structuring or budgeting processes that may jeopardize the City's bond rating will be discussed in advance with the rating agencies.



Section 20: Credit Enhancements. Decisions regarding credit enhancements such as Letters of Credit or Bond Insurance will be based upon the City's goal of accomplishing its financings at the lowest borrowing cost.

III. Debt Administration Policies

Section 21: Coordination of Local Jurisdictions. The City will participate in communications with overlapping and adjoining jurisdictions concerning plans for future debt issues.

Section 22: Monitoring. The Finance Department should continually monitor the City's outstanding debt issues to verify compliance with debt covenants and record keeping.

Section 23: Reporting. Official statements accompanying debt issues, Comprehensive Annual Financial Reports, and continuing disclosure statements will meet (at a minimum) the standards articulated by, the Government Accounting Standards Board (GASB), the Government Finance Officers Association (GFOA), any clarifying guidance from the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP). The Department of Finance shall be responsible for ongoing disclosure to established national and state information repositories and for maintaining compliance with disclosure standards of state and national regulatory bodies.

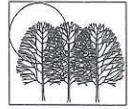
Section 24: Investment of Bond Proceeds. All proceeds of bonds, notes and other obligations shall be segregated into separate funds and invested in a manner consistent with those authorized by existing state laws and by the City's investment practices, consistent with safety, liquidating and return. All interest earned on proceeds shall be used to pay costs associated with the projects being financed or used to pay the principal of or interest on such debt.

Section 25: Arbitrage Rebate. The Finance Director shall ensure that record keeping and reporting meets the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding debt issues. The City should actively monitor its investment practices to ensure maximum returns on its invested bond funds while complying with federal arbitrage guidelines.

Section 26: Refunding. Periodic reviews of all outstanding debt will be undertaken to determine refunding opportunities. As a general matter, advance refundings may be undertaken for economic savings when net present value savings of not less than two percent of the refunded debt can be achieved. The City also may choose to refund outstanding indebtedness when existing bond covenants or other financial structures can be modified to improve financial operations. Savings requirements for current or advance refundings undertaken to restructure debt may be waived upon finding that such a restructuring is in the City's overall best financial interests.

VI. BASIS OF ACCOUNTING & BUDGETING

The budgets/accounts of the general government type funds (i.e. general fund, special revenue funds, capital improvement funds, and the debt service fund) are prepared on a modified accrual basis. This means that revenues are recognized in the accounting period in which they become available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.



The Comprehensive Annual Financial Report (CAFR) shows the status of the City's finances on the basis of "generally accepted accounting principles" (GAAP). Usually, this conforms to the way the City prepares its budget. Two exceptions are the treatment of depreciation expense, which are not a budgeted line item although the full purchase price of equipment and capital improvements is, while just the opposite is true in the preparation of the CAFR. The second exception is compensated absences that are treated differently in the budget than in the CAFR. The City uses the following fund types and account groups:

A. Governmental Fund Types

Governmental Funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (other than those in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position. The following are the City's governmental fund types:

The General Fund is the principal fund of the City and accounts for all financial transactions not accounted for in other funds. The general operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are financed through revenues received by the General Fund.

Special Revenue Funds are used to account for revenues derived from specific taxes, governmental grants, or other revenue sources that are designated to finance particular functions or activities of the City.

Capital Project Funds account for and report financial resources that are restricted and required for the acquisition of capital assets.

Debt Service Funds are used to account for the accumulation of resources and for the payment of principal, interest and other related costs of the City's general obligation bonds other than bonds payable from the operations of the proprietary fund.

B. Proprietary Fund Types

Enterprise Funds account for operations that provide a service to citizens. The fund is financed primarily by a user charge for the provision of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Leawood does *not currently* have any enterprise funds, but has had such funds in the past.

VII. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the City conform to generally accepted accounting principles applicable to local governments. The following represents the more significant accounting and reporting policies and practices of the City:

Reporting Entity. In determining the agencies/entities that comprise the City for financial reporting purposes, the criteria of oversight responsibility over such agencies/entities, special financing relationships, and scope of public service provided by the agencies/entities are used. Oversight responsibility is determined by the extent of financial interdependency, control over the selection of the governing authority and management, ability to significantly influence operations, and accountability for fiscal matters. Based upon these criteria, there are no other agencies or entities that should be included in the financial statements of the City.

VIII. ACCOUNTING POLICIES

Independent Audit. An independent audit shall be made of all accounts, including special funds, of the City at least annually. This audit shall be made as soon after the close of the fiscal year as possible. The audit will be conducted by certified public accountants that are selected by the City Council. The City Administrator shall make available copies of such audit for public inspection at the Office of the City Clerk.