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## *City of Leawood* **2017 Budget Summary**

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**

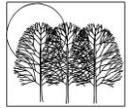
- ✓ Reserves for all Operating Funds are budgeted at 54% of expenditures, above the 11% minimum.
- ✓ Debt Service reserve levels remain at 35% or above throughout the financial planning period.
- ✓ The 2017 budget includes a mill levy of 24.508. Current projections include a 0.95 mill levy increase in 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**

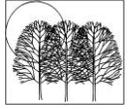
- ✓ The City's 2017 Budget continues to provide a high level of service to the citizens by increasing efficiency in service delivery and addressing resource needs in every part of the City. Employees in all departments continually participate in training and obtain certifications to ensure that City 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 119<sup>th</sup> to 123<sup>rd</sup> Streets in 2016, followed by two more phases in 2017 and 2018 to install fiber from 143<sup>rd</sup> Street & Mission Rd to Overbrook and south to 154<sup>th</sup> Street.



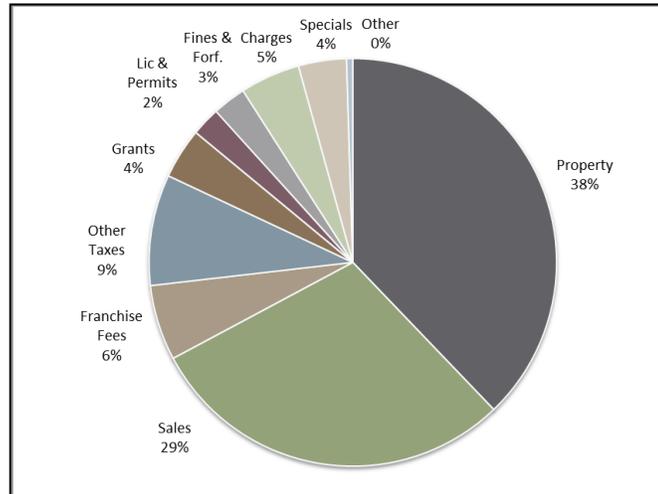
## City of Leawood Budget Summary by Year

Listed below are the resources and expenditures for all budgeted funds for the City of Leawood. This includes General, Special Revenue, Capital, and Debt Service Funds. This presentation does not include transfers in/out between funds.

	2015 Actual	2016 Estimate	2017 Budget	% change
<b>Beginning Fund Balance</b>	\$38,351,400	\$42,427,800	\$38,072,200	-10.3%
<b>Revenues</b>				
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%
<b>Total</b>	<b>\$56,561,818</b>	<b>\$54,616,799</b>	<b>\$56,731,440</b>	<b>3.9%</b>
<b>Expenditures, by Department</b>				
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%
<b>Total</b>	<b>\$52,485,416</b>	<b>\$58,972,400</b>	<b>\$60,702,300</b>	<b>2.9%</b>
<b>by Character</b>				
Personal 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%
<b>Total</b>	<b>\$52,485,416</b>	<b>\$58,972,400</b>	<b>\$60,702,300</b>	<b>2.9%</b>
<b>Revenues Over (Under) Expenditures</b>				
	4,076,402	(4,355,601)	(3,970,860)	
<b>Ending Fund Balance</b>	<b>\$42,427,800</b>	<b>\$38,072,200</b>	<b>\$34,101,340</b>	<b>-10.4%</b>

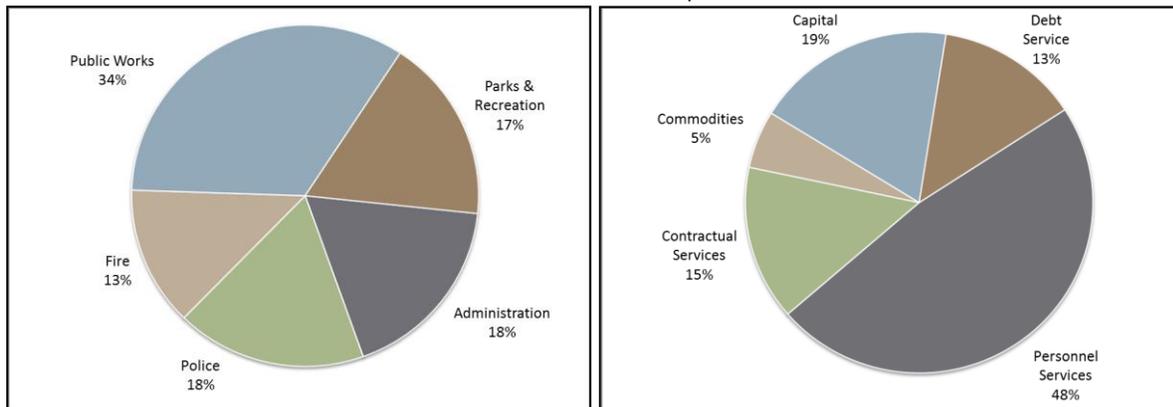


*City of Leawood*  
**2017 Budgeted Revenue by Source**  
**Total All Funds \$56.7 million**



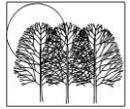
Revenues for all budgeted funds in the 2017 Budget are projected to increase by 3.9% from the 2016 Estimated Budget. All areas, except two, are projecting increases. Decreases are shown in: Licenses & Permits (7.6%), and Special Assessments of (2.4%). The All Other category reflects the largest increase, 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.

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



These funds provide valuable city services, such as:

- |                                |                                      |   |
|--------------------------------|--------------------------------------|---|
| <i>Fire Protection</i>         | <i>Police Protection</i>             | <i>Snow Removal</i>                             |
| <i>Fire Prevention</i>         | <i>DARE/School Resource Officers</i> | <i>Road Maintenance</i>                         |
| <i>Emergency Preparedness</i>  | <i>Community Safety Programs</i>     | <i>Building &amp; Property Code Enforcement</i> |
| <i>Disaster Planning</i>       | <i>Citizen's Police Academy</i>      | <i>Street Lighting</i>                          |
| <i>Municipal Court</i>         | <i>Crime Prevention Programs</i>     | <i>Property Maintenance</i>                     |
| <i>City Planning</i>           | <i>Traffic Control</i>               | <i>Financial Management</i>                     |
| <i>Development Services</i>    | <i>Animal Control</i>                | <i>Park Maintenance</i>                         |
| <i>Sustainability Programs</i> | <i>Action Center</i>                 | <i>Public Parks/Trails</i>                      |
| <i>Aquatic Center</i>          | <i>Information Services</i>          | <i>Community Centers</i>                        |
| <i>Public Art/Cultural Art</i> | <i>Community Theater</i>             | <i>Sports/Recreation Activities</i>             |
| <i>Golf Course</i>             | <i>Special Community Events</i>      | <i>Club/Company Outdoor Activities</i>          |



## City of Leawood Property Tax Rate Comparison

Property taxes, also known as ad valorem taxes, are levied on the assessed value real property, residential or commercial. Property owners pay taxes each year. These are paid to the county and then disbursed among several governmental units. Each separate unit determines their own tax rate annually, based on current and future needs. Property taxes are based on mills and are expressed through a mill levy. One mill is equal to \$1 for every \$1,000 of assessed property value. The Johnson County Appraiser’s Office reevaluates all property annually, usually in February, and determines an appraised value. The appraised value is then multiplied by 11.5% for residential property or 25% for commercial property, to determine the assessed property valuation. The mill levy for the City of Leawood is as follows:

<b>2016 Mill Levy</b>	<b>2017 Proposed Mill Levy</b>
17.945 General Fund	18.871 General Fund
<u>6.563</u> Debt Service Fund	<u>5.637</u> Debt Service Fund
<b>24.508 TOTAL</b>	<b>24.508 TOTAL</b>

## Tax Value Illustration

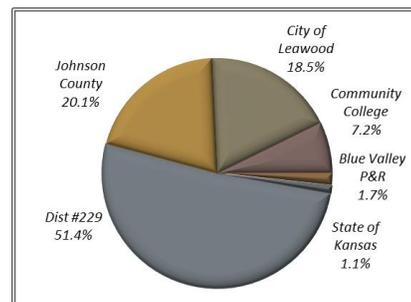
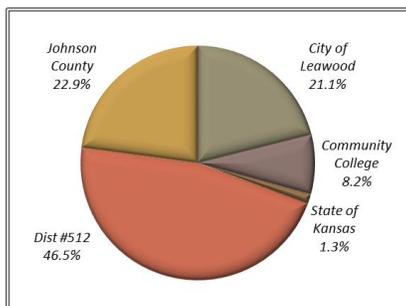
According to the 2016 Johnson County Property Tax Listing, the average home in Leawood has a market value (appraised value) of \$472,405, as compared to the 2015 average of \$453,859.

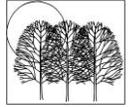
	<b>2016</b>	<b>2017</b>	<b>Difference</b>
Valuation	\$827,226,989	\$877,120,025	\$49,893,036
Ad Valorem	\$20,260,439	\$21,496,436	\$1,235,997
City of Leawood Mill Levy	24.508	24.508	0.00
City Annual Tax-Average Home	\$1,279.17	\$1,331.44	\$52.27
City Monthly Tax-Average Home	\$106.60	\$110.95	\$4.35

## Where Do Your Tax Dollars Go?

The City of Leawood is served by two school districts. Therefore, the total property tax paid by a resident will depend on which school district the property is located. The tax rates for the entities, except for the City of Leawood, represent the mill levy for the 2016 budget. Changes in the mill levy will not be approved by the individual entities until August 25<sup>th</sup> for the 2017 budget.

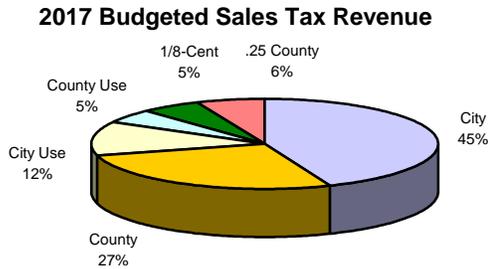
<b>Shawnee Mission School District</b>		<b>Blue Valley School District</b>	
School District	54.059	School District	67.889
City of Leawood	24.508	City of Leawood	24.508
Johnson County	26.595	Johnson County	26.595
JoCo Community College	9.469	JoCo Community College	9.469
State of Kansas	1.500	State of Kansas	1.500
		Blue Valley Park/Rec	2.200
<b>TOTAL Mill Levy</b>	<b>116.131</b>	<b>TOTAL Mill Levy</b>	<b>132.161</b>





## City of Leawood Sales Tax History

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 the total of all areas of sales and use taxes will increase 2.95% over previous year collections. The 2015 collections, of \$15,802,523, were 0.9% higher than the 2014 collections of \$15,662,006.



*Sales tax generally applies to three types of transactions:*

- 1) *Retail sales, rental, or lease of tangible personal property;*
- 2) *Charges for some labor services; and*
- 3) *Sale of admissions to places providing amusement, entertainment or recreation services.*

*Use tax is a tax on goods purchased by Kansans from outside Kansas and used, stored or consumed in Kansas on which no sales tax was paid, or a sales tax less than the Kansas rate was*

The sales tax for the City of Leawood is 8.850%, except for the City's two Transportation Development Districts (TDD) and one Community Improvement District (CID) where the sales tax rate is 9.850%. The breakdown, by governmental unit, is as follows:

State Sales Tax	6.500%
City of Leawood Sales Tax	1.000%
City of Leawood 1/8-Cent Sales Tax	.125%
Johnson County Sales Tax	.500%
Johnson County Sales Tax – Stormwater	.100%
Johnson County Sales Tax – Public Safety	.250%
Johnson County .25 Sales Tax	.250%
Johnson County Education Research Triangle Tax	.125%
<b>TOTAL</b>	<b>8.850%</b>

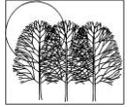
The City's first TDD district was the Park Place development. It is located east of Nall Avenue between 117th Street and Town Center Drive. The additional 1.000% City sales tax began on October 1, 2007. The second TDD is known as the One Nineteen development (Town Center Crossing), located on the corner of 119th Street and Roe Avenue. This 1.000% City sales tax began on January 1, 2009. The CID additional sales tax of 1.000% began January 1, 2015 for sales in the Camelot Court shopping area.

The City of Leawood 1/8-cent sales tax became effective July 1, 2000 for a period of five years. In August, 2004 this tax was extended for another five years until June, 2010 and in August, 2008 voters approved the continuation for an additional five years until 2015. A further extension was approved in November 2014 for it to continue until 2021. This tax is collected to provide for the improvement of City-owned stormwater projects as well street improvement repairs.

Johnson County receives 1.225% of the total sales tax paid for county services, stormwater, and public safety. The .250% County Sales tax began in January 2003 and was renewed in September 2005 for an additional three years. In August 2008 this sales tax was again approved by voters with no sunset provision. The county refers to this sales tax as Public Safety Sales Tax II. Leawood's share of this tax was used for the construction of the Justice Center and future uses include the replacement of Fire Station #1 and public safety equipment and vehicles.

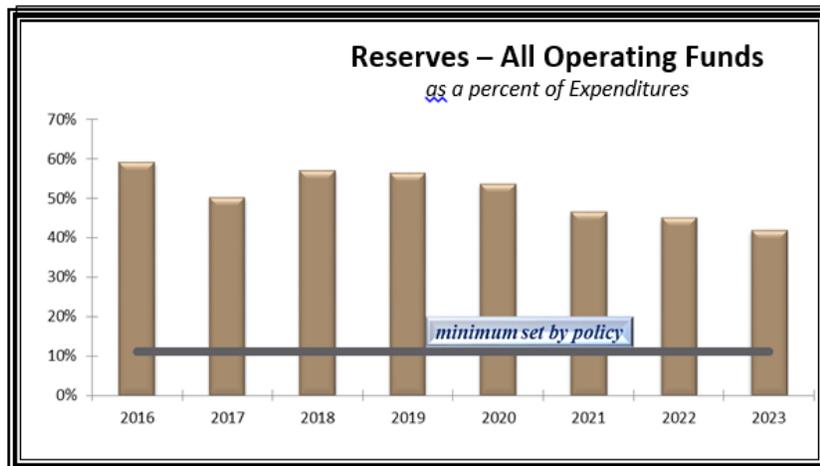
Included also is a .125% sales tax, which became effective in April 2009 after voter approval. This tax provides funds for the Johnson County Education Research Triangle. This partnership supports bioscience research and education at existing and planned University of Kansas and Kansas State University facilities in Johnson County, KS. There is no end date for this additional tax.

The State of Kansas receives 6.500% of the total sales tax paid.

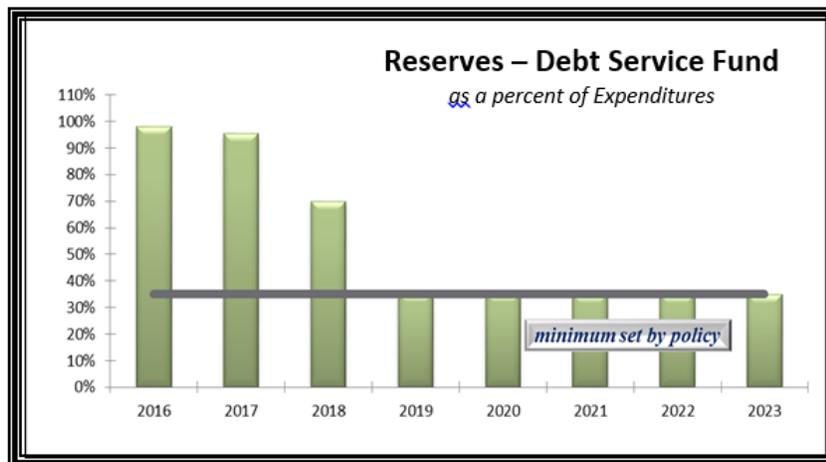


*City of Leawood*  
**Financial Position**

At the close of 2017, the City’s operating reserves across all funds except debt service are expected to be at 50% of expenditures, which is above the minimum set by the Governing Body. Reserves are established for three purposes: the first is cash flow, the second for emergencies and the third for 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 be above the 11% goal. Leawood’s minimum policy is to have at least 8.33% on hand at all times. Reserves are needed so that the City has adequate cash flow and in the event of unforeseen natural disasters and other emergencies.



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 financial circumstances which could include: a decline in property tax collection rates; delayed payments from special benefit debt; or any change in planned debt expenditures. Excellent reserve levels provide financial security for all stakeholders.



Each year the City staff and City Council members 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.