



City of Lenexa Quarterly Financial Report (Quarter ending 6/30/2016)

Prepared by the Finance Department



The information contained in this report is unaudited & is prepared on a cash basis. The report focuses on key indicators in 5 different areas:

- Revenues
- Expenditures
- Reserve Policy
- Debt Management
- Investments

Each key indicator is assigned a current rating based on the following scale:

Rating Scale for Key Indicators	
	Positive Outlook
	Area of Concern
	Negative Outlook



Overall, the City's goal is to achieve a "positive outlook" rating on each of the key indicators.

Key indicators are also presented for the local economy. These economic indicators are also assigned a specific rating according to the same rating scale. However, the rating results for these economic indicators are beyond the City's control.

Through June 30, 2016, the City's key revenues increased by \$1.7 million (3%) compared to revenue collections for the same period in 2015. The revenue change is primarily due to increased receipts of property taxes.

Expenditures for operating & debt service activities are projected to remain within budget for 2016 based on 2nd quarter results. The remaining sections of the report review the key indicators & contain exhibits with details on the City's major revenue collections, operating & debt service expenditures, investment holdings, reserve balances by fund, & Thompson Barn financial activity.



REVENUE INDICATORS		
<u>Status</u>	<u>Indicator</u>	<u>Comments</u>
	Property Taxes (current)	Property tax revenues have increased by 5% (compared to the same time period in 2015) & are projected to meet the budget estimate.
	Sales Tax - City	City sales tax revenues have decreased 7% & are noted as an area of concern.
	Sales Tax - County	County sales tax revenues have increased 1% & are noted as an area of concern.
	Compensating Use Tax - City	City use tax revenues have increased 16% & are projected to meet the budget estimate.
	Compensating Use Tax - County	County use tax revenues have increased 5% & are projected to meet the budget estimate.
	Franchise Tax - Electric	Franchise tax (electric) revenues have increased 5% & are projected to meet the budget estimate.
	Franchise Tax - Gas	Franchise tax (gas) revenues have decreased 23% & are noted as an area of concern.
	Stormwater Service Charges	Stormwater Service Charges have increased 6% & are projected to meet the budget estimate.



Revenue Indicator Discussion

Collections for the City's key revenue sources have increased by \$1.7 million (3%) compared to the first 6 months of 2015.

Total property tax collections are \$28.6 million for 2016 year-to-date, which is \$1.5 million higher (5%) than collections for the same period in 2015.

City sales tax revenues are \$7.7 million for 2016 year-to-date, which is \$0.6 million lower (7%) than collections for the same period in 2015. This decrease is primarily due to a single major taxpayer which reported greatly reduced sales tax collections during the first six months of 2016. In addition, this taxpayer received a significant refund of sales taxes from a prior year during the first quarter of 2016. Excluding this major taxpayer, City sales tax revenues increased by 0.4% during the first six months of 2016.

Exhibit A includes additional information on the City's key revenue sources.

<u>EXPENDITURE INDICATORS</u>		
<u>Status</u>	<u>Indicator</u>	<u>Comments</u>
	Operating Expenditures - General Fund	General Fund operating expenditures have increased 3% & are projected to be within budget.
	Operating Expenditures - Stormwater Fund	Stormwater Fund operating expenditures have increased 8% & are projected to be within budget.
	Debt Service Expenditures - Stormwater Fund	Stormwater debt service expenditures have decreased 4% & are projected to be within budget.
	Debt Service Expenditures - Debt Service Fund	General debt service expenditures have increased by 20% & are projected to be within budget.

Expenditure Indicator Discussion

The City's expenditure indicators are trending favorably in comparison with the 2016 budget.

General Fund operating expenditures have increased by 3% compared to the first 6 months of 2015 & are 44% of the budget estimate. Stormwater operating expenditures have increased 8% compared to 2015 due to purchase of a street sweeper in 2016 & are 52% of the budget estimate. Operating expenditures for both funds are projected to be within budget for 2016.

Debt service expenditures for the Debt Service Fund have increased 20% & debt service expenditures for the Stormwater Fund have decreased 4% compared to 2015. Debt service expenditures for both funds are projected to be within budget for 2016.

Exhibit B includes additional information on the City's expenditure indicators.

RESERVE POLICY INDICATORS		
<u>Status</u>	<u>Indicator</u>	<u>Comments</u>
	General Fund	The current General Fund reserve balance is 55% of budgeted revenues. This percentage exceeds the 30% minimum reserve target established by policy.
	Debt Service Fund	The current Debt Service Fund reserve balance is 128% of budgeted expenditures/transfers. This percentage exceeds the 10% minimum reserve target established by policy.
	Risk Management Fund	The current Risk Management Fund reserve balance is \$1.3 million, which exceeds the minimum reserve target of \$1.0 million established by policy.
	Stormwater Fund	The current Stormwater Fund reserve balance is 103% of budgeted revenues. This percentage exceeds the 10% minimum reserve target established by policy.
	Tourism & Convention Fund	The current Tourism & Convention Fund reserve balance is 116% of budgeted revenues. This percentage meets the 5% minimum reserve target established by policy.

Reserve Indicator Discussion

The City's key reserve indicators are trending favorably in comparison to the City's reserve policy.

The significant balances in the Debt Service Fund & Stormwater Fund will be reduced over the next few years until structural balance is achieved in both funds in 2019.

Exhibit E contains additional information on the City's reserve balances.

DEBT MANAGEMENT INDICATORS		
<u>Status</u>	<u>Indicator</u>	<u>Comments</u>
	Ratio of budgeted debt service to budgeted total expenditures	The ratio of debt service to total expenditures is 20.5% for the 2016 budget (this percentage is considered "high" by the credit rating agencies).
	Ratio of direct g.o. debt to appraised valuation	The ratio of city g.o. (general obligation) debt to appraised valuation was 2.8% as of June 2016. This is above median values for cities nationwide, but is considered manageable by the credit rating agencies.



Debt Management Indicator Discussion

In order to finance previous & existing capital improvements, the City has issued a significant amount of general obligation (g.o.) debt.

The previous debt issued has resulted in a ratio of debt service to total expenditures of 20.5% for the 2016 budget. This is considered to be above average by the credit rating agencies (generally, the rating agencies prefer ratios of 15% or lower) and has been assigned an “area of concern” rating.

However, the ratio of g.o. debt to appraised value (estimated market value) is 2.8% - the rating agencies consider this to be manageable.

INVESTMENT INDICATORS		
<u>Status</u>	<u>Indicator</u>	<u>Comments</u>
	Portfolio distribution compared to policy parameters	The portfolio value by investment type is within the limits established by the city's investment policy.
	Current yield vs. short-term portfolio rate of return benchmark	Current investment yield of 0.43% exceeds benchmark of 0.26%.
	Current yield vs. long-term portfolio rate of return benchmark	Current investment yield of 0.67% exceeds benchmark of 0.45%.

Investment Indicator Discussion

The City's investment indicators are favorable in comparison to the investment policy.

The portfolio value by investment type is within the limits established by the investment policy.

The current short-term portfolio rate of return is 0.43%, which exceeds the benchmark (3-month Treasury yield) of 0.26%. The current long-term portfolio rate of return is 0.67%, which exceeds the benchmark (1-year Treasury yield) of 0.45%.

Exhibits C & D include additional information on the City's investments.

ECONOMIC INDICATORS

Status	Indicator	Comments
	Commercial Building Permits	Total valuation of commercial building permits is \$102.8 million for 2016, compared to \$46.3 million average for the same period the last five years.
	Single Family Residential Building Permits	Total valuation of single family residential building permits is \$40.4 million for 2016, compared to \$22.5 million average for the same period the last five years.
	Apartment Building Permits	Total valuation of apartment building permits is \$41.8 million for 2016, compared to \$11.7 million average for the same period for the last five years.
	Average Home Value (Appraised Value)	As of March 2016, the average appraised value of a Lenexa home is approximately \$274,000, an increase of 5.3% from the previous year.



Economic Indicator Discussion

Building permit activity remains strong. Commercial building permit valuation is \$102.8 million for the second quarter of 2016, compared to an \$46.3 million average for the same period the last five years. Single family residential permit valuation is \$40.4 million for 2016, compared to a \$22.5 million average for the same period the last five years.

Total building permit revenue is \$805,704 for 2016 (the budget estimate for the entire year was \$800,000).

The average appraised value of a Lenexa home is \$274,000 for 2016, an increase of 5.3% from 2015 (per the Johnson County Appraiser's Revaluation Report dated February 2016).



City of Lenexa Quarterly Financial Report (6/30/2016)

Other Information

Additional exhibits in the report include:

- Thompson Barn financial report (Exhibit F)
- Purchase Order report (Exhibit G)

Please contact Doug Robinson or Jill Grube if you have any questions about the 6/30/2016 quarterly financial report.

**CITY OF LENEXA QUARTERLY FINANCIAL REPORT
(6/30/2016)**

Exhibit A – Budget and Actual Collections for Major Revenue Sources

6/30/2016	FY 2016	Actual 2016	% Change	\$ Change		
Description	Budget	as a % of	from FY	from FY		
Actual thru	Estimate	Budget	2015	2015		
6/30/2015	6/30/2016	Estimate	2015	2015		
Property Taxes (current)	\$27,096,864	\$30,655,173	\$28,572,378	93%	5%	\$1,475,514
Sales Tax - City	\$8,284,831	\$17,566,615	\$7,727,438	44%	-7%	(\$557,393)
Sales Tax - County	\$3,729,741	\$7,757,883	\$3,759,120	48%	1%	\$29,379
Comp Use Tax - City	\$2,705,107	\$5,451,376	\$3,131,384	57%	16%	\$426,278
Comp Use Tax - County	\$740,231	\$1,434,230	\$774,184	54%	5%	\$33,953
Franchise Tax - Electric	\$2,025,036	\$4,604,100	\$2,127,642	46%	5%	\$102,606
Franchise Tax - Gas	\$680,625	\$1,030,000	\$525,011	51%	-23%	(\$155,613)
Stormwater Service Charges	\$5,008,397	\$5,385,881	\$5,321,997	99%	6%	\$313,600
Totals	\$50,270,831	n/a	\$51,939,154	n/a	3%	\$1,668,323

Exhibit B – Operating and Debt Service Expenditures

6/30/2016	FY 2016	Actual 2016	% Change	\$ Change		
Description	Budget	as a % of	from FY	from FY		
Actual thru	Estimate	Budget	2015	2016		
6/30/2015	6/30/2016	Estimate	2015	2016		
Operating Expenditures:						
General Fund	\$23,076,072	\$54,310,516	\$23,792,471	44%	3%	\$716,399
Stormwater Fund	\$836,122	\$1,729,193	\$900,964	52%	8%	\$64,842
Totals	\$23,912,194	\$56,039,709	\$24,693,435	44%	3%	\$781,242
Debt Service Expenditures:						
Debt Service Fund	\$1,375,800	\$13,334,686	\$1,652,573	12%	20%	\$276,773
Stormwater Fund	\$574,257	\$3,815,198	\$553,290	15%	-4%	(\$20,967)
Totals	\$1,950,057	\$17,149,884	\$2,205,864	13%	13%	\$255,807

**CITY OF LENEXA QUARTERLY FINANCIAL REPORT
(6/30/2016)**

Exhibit C – Investment Summary

Investment Type	Market Value	% of Market Value	Maximum % Allowed by Policy
U.S. Government Agency Obligations	\$129,251,110	84%	90%
U.S. Treasury Notes and Bills	\$8,090,040	5%	100%
Collateralized Time and Demand Deposits	\$805,079	<1%	100%
Kansas Municipal Investment Pool Fund (MIP)	\$6,780,746	4%	30%
Repurchase Agreements	\$9,504,000	6%	30%
Total Portfolio	\$154,430,975	100%	n/a

**CITY OF LENEXA QUARTERLY FINANCIAL REPORT
(06/30/2016)**

Exhibit D - List of Investments

		<u>Purchase Date</u>	<u>Maturity Date</u>	<u>Par Value</u>	<u>Market Value</u>	<u>% of Current Value</u>	<u>Maximum % of Current Value Allowed by Policy</u>
<u>Repurchase Agreements</u>							
UMB Bank - Operating		6/30/16	7/1/16	\$7,069,000	\$7,069,000	4.6%	
UMB Bank - Health		6/30/16	7/1/16	\$1,598,000	\$1,598,000	1.0%	
UMB Bank - Workers Compensation		6/30/16	7/1/16	\$837,000	\$837,000	0.5%	
Sub-total				\$9,504,000	\$9,504,000	6.2%	30.0%
<u>Collateralized Time & Demand Deposits</u>							
UMB Bank		n/a	n/a	\$775,404	\$775,404	0.5%	10.0%
Commerce Bank		n/a	n/a	\$29,676	\$29,676	0.0%	10.0%
Sub-total				\$805,079	\$805,079	0.5%	100.0%
<u>U.S. Treasury Notes and Bills</u>							
	912828C73	12/21/15	4/15/17	\$4,000,000	\$4,012,520	2.6%	
	912828NK2	12/21/15	6/30/17	\$4,000,000	\$4,077,520	2.6%	
Sub-total				\$8,000,000	\$8,090,040	5%	100.0%
<u>U.S. Government Agency Obligations</u>							
	CUSIP						
Fannie Mae (FNMA)							
	3135GOXP3	4/17/14	7/5/16	\$3,000,000	\$3,000,000	1.9%	
	313588C37	1/22/16	8/16/16	\$4,000,000	\$3,998,880	2.6%	
	313588C52	1/25/16	8/18/16	\$4,000,000	\$3,998,800	2.6%	
	3135GOYE7	6/11/14	8/26/16	\$3,000,000	\$3,001,200	1.9%	
	31359M2D4	11/17/14	12/15/16	\$4,000,000	\$4,079,600	2.6%	
	3135G0JA2	2/9/15	4/27/17	\$3,000,000	\$3,014,100	2.0%	
	31359M7X5	2/5/15	5/11/17	\$3,000,000	\$3,112,800	2.0%	
	31398ADM1	3/27/15	6/12/17	\$3,000,000	\$3,133,800	2.0%	
	3135G0PQ0	6/11/15	10/26/17	\$3,000,000	\$3,009,600	1.9%	
	3135G0TG8	10/16/15	2/8/18	\$3,000,000	\$3,013,200	2.0%	
	3135G0WJ8	12/15/15	5/21/18	\$3,000,000	\$3,011,400	1.9%	
						23.6%	33.0%
Federal Home Loan Bank (FHLB)							
	313384ZS1	1/25/16	7/22/16	\$5,000,000	\$4,999,350	3.2%	
	3130A2DK9	6/12/14	9/12/16	\$3,000,000	\$3,001,200	1.9%	
	3130A2T97	5/6/16	9/28/16	\$3,000,000	\$3,000,900	1.9%	
	3130A2T97	6/6/16	9/28/16	\$3,000,000	\$3,000,900	1.9%	
	3130A34L5	9/19/14	11/18/16	\$3,000,000	\$3,003,300	1.9%	
	313384Q69	6/7/16	11/23/16	\$5,000,000	\$4,994,250	3.2%	
	313371PV2	12/18/15	12/9/16	\$4,000,000	\$4,019,600	2.6%	
	3133782N0	2/5/15	3/10/17	\$3,000,000	\$3,006,600	1.9%	
	3130A5ML0	6/9/15	8/28/17	\$3,000,000	\$3,007,200	1.9%	
						20.7%	33.0%
Federal Home Loan Mortgage Corp. (FHLMC)							
	313396ZK2	12/17/15	7/15/16	\$4,000,000	\$3,999,680	2.6%	
	3137EACW7	6/10/14	8/25/16	\$3,000,000	\$3,006,900	1.9%	
	3137EACW7	7/21/15	8/25/16	\$3,000,000	\$3,006,900	1.9%	
	3137EACW7	12/18/15	8/25/16	\$4,000,000	\$4,009,200	2.6%	
	3137EADS5	6/6/16	10/14/16	\$2,000,000	\$2,002,400	1.3%	
	3137EADS5	9/19/14	10/14/16	\$3,000,000	\$3,003,600	1.9%	
	3137EADS5	12/18/15	10/14/16	\$4,000,000	\$4,004,800	2.6%	
	313397AS0	6/9/16	1/17/17	\$5,000,000	\$4,989,150	3.2%	
	3137EAAM1	12/18/15	2/16/17	\$4,000,000	\$4,110,000	2.7%	
	3137EADT3	12/15/14	2/22/17	\$3,000,000	\$3,006,300	1.9%	
	3137EADC0	6/9/16	3/8/17	\$2,000,000	\$2,006,200	1.3%	
	3134G3ZH6	5/4/15	7/25/17	\$2,000,000	\$2,007,800	1.3%	
	3137EABA6	6/11/15	11/17/17	\$3,000,000	\$3,183,900	2.1%	
	3137EADP1	11/19/15	3/7/18	\$3,000,000	\$3,009,300	1.9%	
						29.4%	33.0%
Federal Farm Credit							
	3133EDVU3	6/9/15	9/22/17	\$3,000,000	\$3,017,700	2.0%	
	3133EEV98	7/17/15	12/11/17	\$3,000,000	\$3,011,100	1.9%	
	31331YF21	12/15/15	4/16/18	\$3,000,000	\$3,188,100	2.1%	
	3133EFSH1	12/15/15	6/14/18	\$3,000,000	\$3,026,700	2.0%	
	31331VPW0	3/3/16	7/2/18	\$3,000,000	\$3,254,700	2.1%	
						10.0%	33.0%
Sub-total				\$128,000,000	\$129,251,110	83.7%	90.0%
<u>Municipal Investment Pool</u>							
		6/30/16	7/1/16	\$2,345,834	\$2,345,834	1.5%	
		1/22/16	Matures 8/18/16	\$4,000,000	\$4,000,000	2.6%	
		6/30/16	7/1/16	\$434,911	\$434,911	0.3%	
				\$6,780,746	\$6,780,746	4.4%	30.0%
Total Portfolio				\$153,089,825	\$154,430,975	100.0%	n/a

**CITY OF LENEXA QUARTERLY FINANCIAL REPORT
(6/30/2016)**

Exhibit E - Reserve Balances by Fund

6/30/2016						
Fund	6/30/2016 Reserve Balance	FY 2016 Budget	Policy Minimum Reserve Target	Minimum Reserve Target (per policy)	6/30/2016 Reserve Percentage	Projected 12/31/2016 Reserve Percentage
General Fund	\$37,730,341	\$69,092,679	30%	\$20,727,804	55%	34%
Debt Service Fund	\$17,440,912	\$13,614,502	10%	\$1,361,450	128%	50%
Health Plan Fund	\$6,869,125	n/a	n/a	\$1,359,582	n/a	n/a
Risk Management Fund	\$1,310,289	n/a	n/a	\$1,000,000	n/a	n/a
Worker's Compensation Fund	\$1,554,357	n/a	n/a	\$1,452,335	n/a	n/a
Stormwater Fund	\$6,041,953	\$5,849,451	10%	\$584,945	103%	24%
Tourism and Convention Fund	\$885,198	\$765,000	5%	\$38,250	116%	98%
Special Alcohol Fund	\$372,111	\$242,319	5%	\$12,116	154%	147%

**CITY OF LENEXA QUARTERLY FINANCIAL REPORT
(6/30/2016)**

Exhibit F - Thompson Barn Financial Report

<u>Account Description</u>	<u>Amount as 6/30/2015</u>	<u>Amount as 6/30/2016</u>
<i>Revenues:</i>		
Community Rentals	\$133,308	\$109,221
Total Revenues	\$133,308	\$109,221
<i>Expenditures and Encumbrances:</i>		
Personnel Costs	\$22,381	\$24,534
Contractual Services	\$4,085	\$5,038
Commodities	\$32,020	\$16,650
Total Expenditures and Encumbrances	\$58,486	\$46,222
Revenues less Expenditures and Encumbrances	\$74,822	\$62,999
Unspent Balance as of January 1st	\$237,540	\$234,496
Unspent Balance as of June 30th	\$312,362	\$297,495
<u>Rental Activity:</u>		
<u>Number of Rentals</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
Chamber of Commerce	12	10
City of Lenexa	24	16
Public	118	139
Totals	154	165
<u>Types of Rentals</u>	<u>6/30/2015</u>	<u>6/30/2016</u>
Meetings	59	62
Social Functions	95	103
Totals	154	165

Purchase Orders Exceeding \$10,000				
For the quarter ending June 30th, 2016				
Organization	Vendor Name	Total Price	Description	PO Date
Enterprise Systems and Technology - Infrastructure	Telvent USA Holdings LLC	20,000.00	ArcFM server fiber management software	04/04/2016
Executive - CDBG	Mosaic Community Planning LLC	22,600.00	Housing market and needs assessment	04/05/2016
Police Administration	Johnson County Government	70,000.00	2016 Prisoner boarding fees	04/13/2016
Municipal Services Fleet Division	Kranz of Kansas	13,179.00	11' dumping flatbed with liftgate	04/14/2016
Equipment Reserve Fund Municipal Services	J & D Equipment Inc	17,917.93	Force hydraulic system	04/14/2016
Equipment Reserve Fund Municipal Services	Kranz of Kansas	14,446.00	9' dumping flatbed	04/14/2016
Equipment Reserve Fund Municipal Services	Kobota Tractor Corporation	38,235.39	Utility cab tractor	04/14/2016
Stormwater Maintenance	Vac-Con Service	213,760.00	Street sweeper	04/15/2016
Equipment Reserve Fund Municipal Services	Coleman Equipment Inc	15,102.12	10' Landpride folding mower	04/15/2016
Municipal Services Facilities	Siemens Building Technologies	13,800.00	2016 Advantage maintenance agreement to maintain building efficiency systems	04/19/2016
Brookwood Storm Drainage Project	RLC LLC	42,731.00	Storm sewer design improvements	04/21/2016
Hydraulic Lift Truck Project	J & D Equipment Inc	89,930.00	Swap loader, hooklift, frames, hydraulics & beds	04/21/2016
2016 Pavement Management Program	Harbour Construction Inc	1,658,556.66	Chip Seal (Granite Seal)	04/21/2016
Equipment Reserve Fund Municipal Services	J & D Equipment Inc	89,741.00	Hooklift, dumpbed, flatbed & hydraulics	04/25/2016
Parks and Recreation Maintenance	Turf Etc LLC	14,943.25	Artificial turf at Indian Trails pool to cover sand area	04/25/2016
Post Oak Drainage Improvements Project	Kansas Heavy Construction LLC	1,470,000.00	Storm drainage improvements	04/28/2016
Equipment Reserve Fund Municipal Services Traffic	K & K Systems Inc	20,072.38	Solar powered changeable message board	05/02/2016
Enterprise Systems and Technology - Infrastructure	Allied Staffing LLC	21,400.00	Sharepoint support services block of prepaid time	05/03/2016
Enterprise Systems and Technology - Support Services	Midwest Presentations Inc	17,080.00	Fire Station #3 auditorium upgrades	05/04/2016
Fire Logistics Equipment	Impact Design LLC	10,616.63	Uniform pants	05/05/2016
Facilities Maintenance Fund	BluSky Restoratation Contractors LLC	42,235.64	Fire Station #4 locker room and restroom renovation	05/09/2016
Website Redesign Project	Reliance Communications LLC	21,500.00	CivicLive professional services for website redesign	05/10/2016
Stormwater Administration	OptiRTC, Inc.	48,000.00	Continuous monitoring and adaptive controls initiative	05/12/2016
Municipal Services Street Division	Independent Salt	137,800.00	Salt and Ice control for snow storm events	06/10/2016
2016 Stormwater Infrastructure	HDR Engineering	38,480.00	Century Estates storm drainage improvements preliminary design	06/16/2016
Lenexa Civic Center	C&C Sales Inc	462,099.00	Security systems for Rec Center and City Hall facilities	6/21/2016