

2006 BUDGETED REVENUE – MAJOR SOURCES

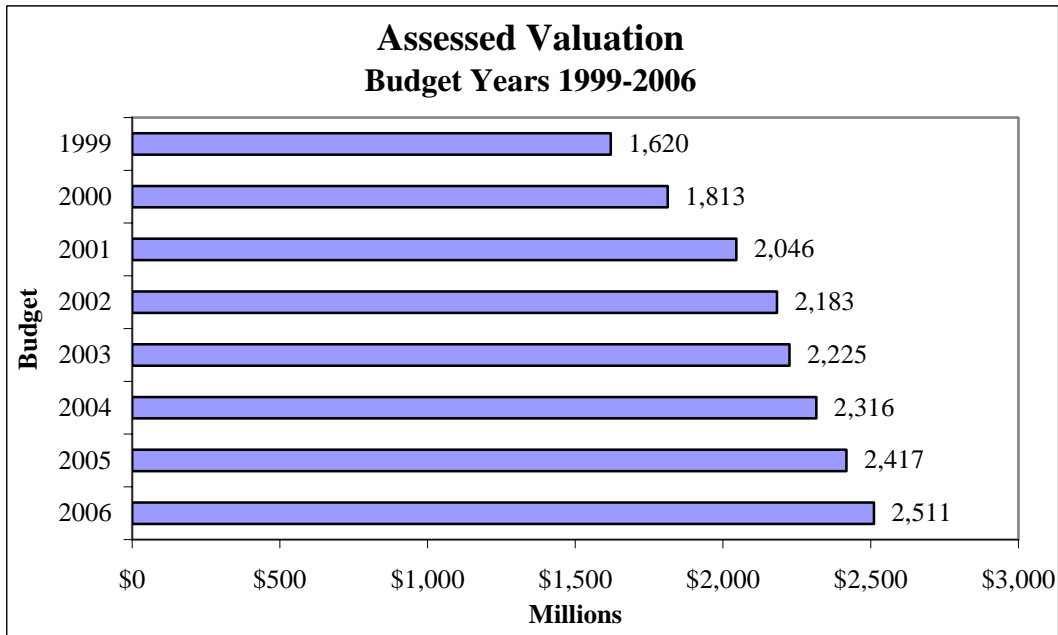
Three sources comprise the majority of City-funded revenues: property taxes, sales taxes and franchise taxes. These revenue sources are discussed in this section.

Ad Valorem Property Tax

Budgeted 2006 ad valorem property taxes total \$22,012,400 or 9.8% of total budgeted revenues. General Fund ad valorem property taxes comprise \$8,070,000 or 5.7% of total General Fund budgeted revenues. Fire Service ad valorem property taxes budgeted total \$11,533,400 or 64.2% of Fire Service Fund budgeted revenues. Budgeted Stormwater Utility ad valorem property taxes total \$2,409,000 or 33.3% of total Stormwater Utility Fund budgeted revenues.

Property taxes are collected on the assessed valuation of taxable real and tangible personal property. The Office of the County Clerk provides the estimated assessed valuation used in budget preparation.

Total assessed valuation in Overland Park has continued to grow and has increased by 3.9% over the 2005 budgeted assessed valuation.



Based upon the projected assessed valuation, the mill levy is calculated to fund ad valorem property tax revenue requirements. Historically, the City's mill levy has been stable (as presented in the following table) and is the lowest of any first class city in Kansas.

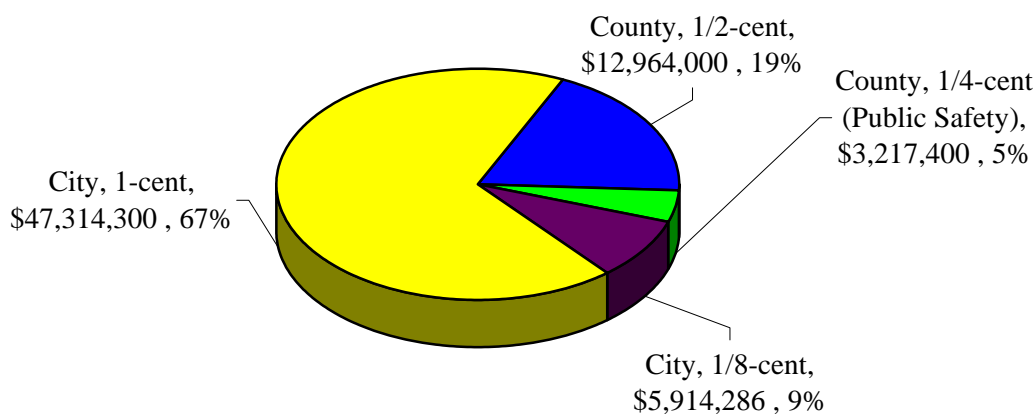
Fund	2002 Budget	2003 Budget	2004 Budget	2005 Budget	2006 Budget
General Fund	2.456	2.437	3.319	3.313	3.313
Fire Services Fund	4.2	4.418	4.746	4.735	4.735
Stormwater Utility	0.993	0.992	0.992	0.989	0.989
Total	7.649	7.847	9.057	9.037	9.037

The Governing Body remains committed to maintaining low property taxes. The 2006 Budget maintains the 2005 budgeted mill levy of 9.037 mills for the 2006 Budget. This mill levy is estimated and will be finalized by the County Clerk in October 2005, after all property tax appeals are resolved and the City's assessed value is certified.

Sales Tax

Sales tax revenues are anticipated to total \$69.4 million in 2006. Collections of the City's 1-cent sales tax, which includes compensating use tax, and the City's share of the county 1/2-cent general and 1/4-cent public safety sales tax support general operations of City government. Revenues from the City's 1/8-cent sales tax support the 1/8-Cent Sales Tax for Street Improvement Fund and finance improvements to residential streets and thoroughfares. Overland Park voters approved this tax in November of 1998 and in April of 2003 voters approved a five-year extension of the tax, extending the tax through March 2009. The County's 1/4-cent economic development (school) school sales tax is scheduled to sunset on December 31, 2005, and therefore is not included in the 2006 budgeted revenues.

The chart below summarizes sales tax revenues by type. Further discussion of the City's 1-cent and County 1/2-cent sales taxes follows.



City 1-cent Sales Tax

The City's primary source of income is a 1-cent sales tax on items purchased within the City of Overland Park. City sales tax revenues budgeted for 2006 total \$47,314,300, which is an increase of 4.8% over estimated 2005 sales tax receipts. In 2006, City sales tax revenues are projected to comprise 33% of General Fund resources and 21% of total budgeted revenues.

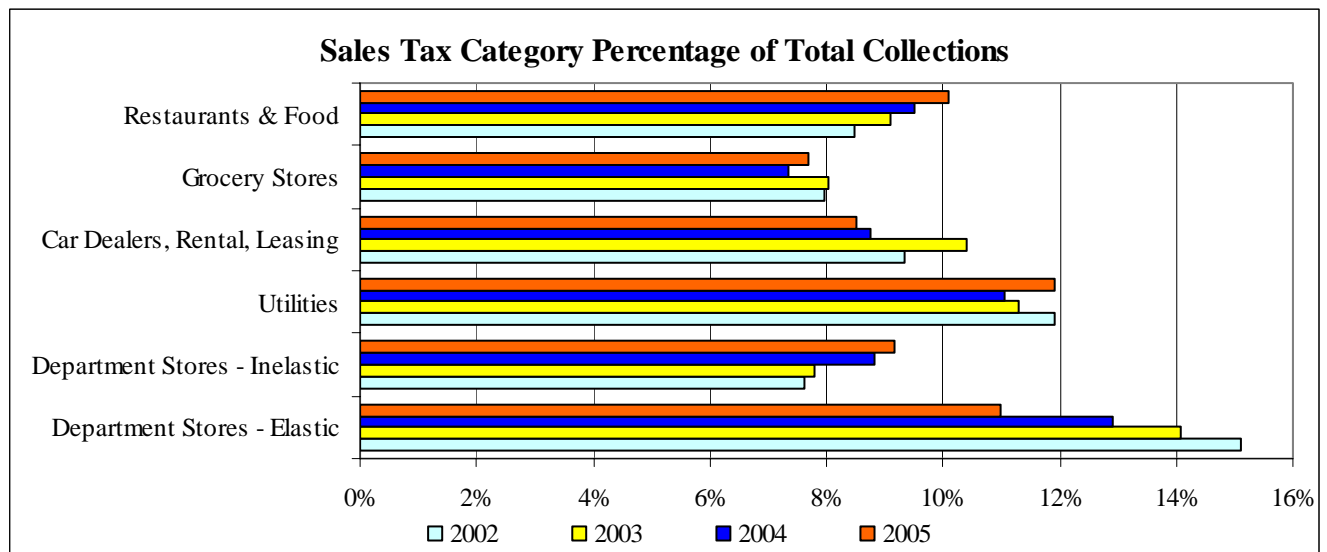
During the 2003 Legislative session, the Kansas Legislature passed legislation to “streamline” sales tax, which would permit the state of Kansas to take part in the national Internet sales tax initiative. Effective July 1, 2003, local “compensating” use taxes now apply to any type of tangible personal property shipped from a retailer outside of Kansas to a Kansas consumer for use, storage or consumption. Overland Park has been receiving the increased compensating use tax collections since late summer 2003. This tax is included as part of the City’s 1-cent sales tax collections, and is responsible for the largest component of the increase in City sales tax revenue.

City sales tax revenue growth is projected using the most current quarterly forecast of sales tax. The sales tax forecast is based on historical data and is derived from the use of two different statistical models – regression and Box Jenkins. In addition, sales tax collections by business category are analyzed, and external events, which cannot be measured by the models, are considered.

The table below summarizes historical sales tax performance:

Year	Sales Tax Receipts (City 1-cent Sales Tax)	% Change
2001	\$33,966,692	0.23%
2002	\$34,754,369	2.32%
2003	\$35,750,420	2.87%
2004	\$44,194,697	23.62%
2005 Estimated	\$45,130,500	2.12%
2006 Budget	\$47,314,300	4.84%

Since 1991, the City has captured specific sales tax data and has developed a system to categorize sales tax collections by sales type. This data has provided more accurate information regarding the diversification of the sales tax base and the total retail sales by category for the last several years. The following graph depicts the percentage of total sales tax collected in the top six categories from 2002 through June of 2005. These revenue types represent approximately 50% of total collections.



Countywide Sales Tax

The City's allocation of the countywide sales tax is made up of two components: 1) the City's share of the countywide 1/2-cent sales tax, and 2) the City's share of the County 1/4-cent public safety sales tax. A third component, the City's share of the County 1/4-cent economic development (school) sales tax, is scheduled to sunset on December 31, 2005 and therefore is not included in the 2006 Budget.

Proceeds from countywide sales taxes are distributed by the State Department of Revenue and are based on two distinct distribution formulas. The total countywide sales tax budgeted for 2006 is \$16,181,400, which is a 10.0% decrease from the 2005 Budget. This decrease is attributed to the sunset of the 1/4-cent economic development (school) sales tax (if this tax were not sunsetting, countywide sales tax would be projected to increase 7.9% over 2005). In 2006, county sales tax is estimated to comprise 11.4% of budgeted 2006 General Fund revenues and 7.2% of total budgeted revenues for all funds.

Historically, the City's proceeds from the countywide 1/2-cent sales tax have been relatively proportional to the City's retail sales; therefore, the forecast of this portion of the countywide sales tax assumes the same rate of growth as the City sales tax. The 2006 budgeted amount of \$12,964,000 reflects an increase of 7.9% over the 2005 Budget, the same increase as is anticipated for the City's sales tax over the 2005 Budget.

The table below illustrates the relationship between the countywide 1/2-cent sales tax and the City sales tax.

Year	Countywide 1/2-cent Sales Tax	City 1%-cent Sales Tax	% of City Sales Tax
2002	\$9,542,091	\$34,754,369	27.46%
2003	\$9,884,453	\$35,750,420	27.65%
2004	\$11,609,117	\$44,194,697	26.27%
2005 Estimated	\$12,366,000	\$45,130,500	27.40%
2006 Budget	\$12,964,000	\$47,314,300	27.40%

The County 1/4-cent Public Safety sales tax went into effect July 1, 1995. The proceeds from these taxes are distributed by a different formula than the countywide 1/2-cent sales tax, therefore the 2006 budgeted amount of \$3,217,400 each is estimated at the same growth rate as the City sales tax.

Franchise Tax

The City levies electric, telephone, gas service and telecable franchise taxes. Revenues for each source are forecasted separately; however, due to volatility of the electric and gas service components more emphasis is placed on the accuracy of the total forecasted franchise taxes. Telephone and telecable franchise taxes are related to the City's population. Electric and gas franchise taxes, while related to population, are largely driven by the weather. The 2006 revenues from this source are estimated to increase 1.8% from 2005 budgeted revenues, based on year-to-date 2005 collections. Total budgeted franchise tax revenue for 2006 is \$7,485,000 and comprises 5.3% of budgeted General Fund revenues and 3.3% of budgeted revenues for all funds.

GENERAL FUND

Description	2006 Budget	Applicable Laws
Cash Balance - Jan, 1	Based on estimated 2005 revenues and expenditures.	
Local Ad Valorem Property Tax	<p>Levy is based on amount needed to fund the Ad Valorem Property tax requirement for this fund based on projected valuation in 2006 of \$2,511,110,031 and 3.313 mills. This is the same mill levy as in the 2005 Budget.</p> <p>(3% delinquency estimate was used.)</p>	<p>The basis of this tax is the assessed valuation of taxable real & tangible personal property in each county & special taxing district. State law requires that all real & tangible personal property shall be assessed at fair market value. Property is divided into various classes & assessed at different percentages based on classification. Each individual government controls the tax levy set for its jurisdiction. However, in accordance with state law, a resolution or ordinance acknowledging an increase in property tax dollars levied over the prior year must be passed to increase property tax, except with regard to increases attributable to new improvements to real estate; increased personal property valuation for most subclasses; property located within an added jurisdictional territory; and property that has changed in use.</p>
Motor Vehicle Tax	Based on the City's anticipated share of the estimated county wide collections.	<p>The basis of this tax is the levy of a county average mill rate applied against the assessed valuation of registered motor vehicles within the City. The tax is payable in full annually at the time of registration. Distribution is made as the revenue is collected.</p>
Delinquent Property Tax	Based on historical receipts.	<p>The County Clerk is responsible for adding any lands or improvements that have previously escaped taxation to the tax rolls. Properties are placed on the tax rolls at the amount that would have been paid had the property been on the tax rolls, plus delinquent taxes paid after the due date.</p>
Special Weed & Sewer	Based on historical receipts.	<p>Delinquent payment of City assessments for weed & sewer charges are certified to the County Clerk & upon collection by the County, the funds are returned to the City.</p>
Rental Excise Tax	Based on prior year receipts.	<p>Excise tax on rental cars per K.S.A. 79-5117. Distributed semi-annually by the County.</p>
Countywide Sales Tax	Based on 2005 forecasted revenues plus 4.8 percent growth.	<p>The proceeds of the Countywide sales tax are distributed by the State Department of Revenue based on the following formula: One-half of all revenue collected within the County shall be apportioned among the County & cities based on the total taxing effort of all cities & each entity's total taxing effort in that preceding year relative to the total taxing effort of all cities & the County in the preceding year. The remaining one-half of the revenue shall be apportioned to the County & cities in the proportion each entity's population has relative to the total population in the County. The County's share shall be calculated by the percentage of people residing in unincorporated areas.</p>

GENERAL FUND (continued)

Description	2006 Budget	Applicable Laws
Countywide Sales Tax-Public Safety	Based on 2005 forecasted revenues plus 4.8 percent growth.	The portion of the Countywide sales tax due to the passage of the public safety sales tax is based on the following formula: One-half of all revenue collected from the additional ¼-cent sales tax shall be apportioned to the County. The remaining half shall be apportioned based on the formula used to distribute the Countywide Sales Tax as previously stated.
Countywide Sales Tax-Schools	This sales tax is scheduled to sunset on Dec. 31, 2005. Therefore, this tax is not included as a revenue in the 2006 Budget.	The portion of the Countywide sales tax due to the passage of the economic development sales tax to support schools is based on the following formula: One-half of all revenue collected from the additional ¼-cent sales tax shall be apportioned to the County. The remaining half shall be apportioned based on the formula used to distribute the Countywide Sales Tax as previously stated.
State Highway Commission	Based on 2005 estimate with a 4 percent growth allowance.	The State makes quarterly payments to the City for "connecting link" highways maintained by the City.
Liquor Tax	Based on estimates provided by Johnson County.	The State levies a 10% surtax on the sale of all alcoholic beverages sold by any club, caterer or drinking establishment. 70% of the taxes paid within City limits are returned to the respective cities & must be allocated 1/3 to each of the following funds - General, Special Park & Recreation and Special
City Sales Tax	Based on 2005 forecasted revenues plus 4.8 percent growth.	The City levies a 1-cent tax on all nonexempt sales within the City of Overland Park.
Kansas City Power and Light Electric Franchise Tax	Based on 2005 forecasted revenues with no growth percentage applied.	The City levies a franchise tax of 3% of gross receipts from the electric utility operating within the City limits. The current franchise agreement expires on 8-11-16.
Southwestern Bell Telephone Franchise Tax	Based on 2005 forecasted revenues with no growth percentage applied.	The City levies a franchise tax of 3% of gross revenues for local exchange telecommunications service rendered wholly within the corporate limits of the City of Overland Park. The City is currently renegotiating this franchise agreement to bring it into compliance with state legislative changes.
Kansas Gas Service Franchise Tax	Based on 2005 forecasted revenues with no growth allowance. Assumes continuation of current franchise agreement rates.	The City levies a franchise tax of 1% of gross receipts for gas sold to other levying entities & 2.5% of gross receipts for the sale of gas to all other customers. The City is currently renegotiating this franchise agreement.
United Cities Franchise Tax	Based on 2005 forecasted revenues with no growth allowance. Assumes continuation of current franchise agreement rates.	The City levies a franchise tax of 1% of gross receipts for gas sold to other taxing entities & 2.5% of gross receipts for the sale of gas to all other customers. The City is currently renegotiating this franchise agreement.
Time Warner Cable Franchise Tax	Based on 2005 forecasted revenues with no growth percentage applied.	The City levies a franchise tax of 4.5% of gross receipts. The agreement expires on 04-20-10.
Everest Telecable & Telecommunications Franchise Tax	Based on 2005 forecasted revenues with no growth percentage applied.	The City levies a franchise tax of 4.5% of gross revenues. The agreement expires on 12-12-16.

GENERAL FUND (continued)

Description	2006 Budget	Applicable Laws
Pool Memberships Pool Gate Receipts Pool Concession Swimming Lessons Farmstead Concessions Leisure Service Fees Arts Commission	Based on departmental estimates. Based on departmental estimates. Based on departmental estimates. Based on departmental estimates. Based on departmental estimates. Based on departmental estimates. Based on departmental estimates.	The Governing Body sets fees by resolution. The Governing Body sets fees by resolution. The Governing Body sets fees by resolution. The Governing Body sets fees by resolution. The Governing Body sets fees by resolution.
Municipal Court Fines Alcohol Diversion Fees Victim Assistance	Based on departmental estimates. Based on departmental estimates. Based on departmental estimates.	All fines & forfeited bonds are paid to the City Treasurer by the Municipal Court. Monthly monitoring fee (\$35) paid by individuals in Overland Park's diversion program. A \$1.50 court cost is assessed per incident to offset costs associated with the mandated victim assistance program (Effective July 1, 2004).
Animal Licenses	Based on departmental estimates.	The City imposes a license fee of \$10/year (\$6/year for neutered or spayed animals) for each dog or cat kept within City limits.
Liquor Licenses and Cereal Malt Beverage Licenses	Based on 2005 forecasted revenues.	The City collects an annual charge for each liquor license granted within the City of Overland Park. The charge is \$250 for restaurants, private clubs and caterers. Retail liquor stores pay \$300 annually. The City levies a fee of \$100 for each license issued for retail sales & consumption of CMBs & \$50 for each license issued to sell CMBs for off-premise consumption.
Other Licenses and Permits	Based on 2005 forecasted revenues	Fees are set by the Governing Body.
Alarm Permits	Based on 2005 forecasted revenues	Ordinance APD 2120 sets forth a one time \$10 fee for an alarm permit which will be valid as long as the permit holder continuously operates an alarm system at the same location. Ordinance APD 1982 sets forth the assessment of fees against alarm users who have recorded "chargeable" false alarms as follows: \$0 for the 1st & 2nd false alarms, \$50 for the third, \$100 for the fourth, \$150 for the fifth, \$200 for the sixth and \$250 for the seventh & any subsequent false alarms.
Building Permits	Based on departmental estimate.	Resolution 3352 establishes the following fees: Single-family & duplexes are 15 cents/square foot, commercial structures are at 19 cents/square foot.
Plan Review Fees - Engineering Services & Building Safety	Based on departmental estimate.	Resolution 2906 establishes a fee of 3% of the bond amounts for the construction of the improvements. (Engineering Services) Resolution 3352 establishes a fee of 50% of the building permits with a \$25,000 maximum for each submittal for plans logged into the plan review information system (Building Safety). Single family residential permits are \$100.

GENERAL FUND (continued)

Description	2006 Budget	Applicable Laws
Excise Tax/Transitional Revenue	Based on departmental estimates assuming tax rate of .190/sq. ft.	City Ordinance EX-2258 establishes excise tax on the act of platting real property with certain rebates as provided for in the ordinances.
Other Building Safety Fees	Based on departmental estimate.	Fees established by Resolution 3352 include: Escalator inspections - \$60 per escalator per year. Elevator inspections - Inspections for 2 landings are \$75 per elevator per year; 3 or more landings \$125 per elevator per year. TCO - Issuance of a commercial TCO is \$100 and residential TCO is \$50.
Zoning & Other Planning Fees	Based on departmental estimates.	Fees for Rezoning, Special Use Permits, Subdivision & Planning Applications are set by Resolution 3164.
Police Auction	Based on departmental estimates.	Prior to 1991, vehicles were used as trade-ins when purchasing new vehicles. It was determined that it would be to the City's benefit to auction off the vehicles.
Local Govt Funding of Capital Projects	Based on departmental estimates.	Reimbursement to the City of Overland Park for capital projects completed on behalf of local cities.
Reimb School Resource Officers	Based on departmental estimates.	Reimbursement to the City of Overland Park from the school districts that benefit from the SRO's.
Miscellaneous Revenue		Various revenues of a miscellaneous nature including but not limited to copy fees, sale of books and maps, and various reimbursements. Because of the nature of these revenues, it is difficult to make accurate estimates of the individual sources so they have been grouped for the purpose of this presentation.
Interest Earned on Investments	Based on percentage return on investments.	Home Rule powers allow City to invest temporarily idle funds, K.S.A. 12-1675 and City Ordinance No. IIM-1770 restrict the type of investments and where they may be purchased.

FIRE SERVICE FUND

Description	2006 Budget	Applicable Laws
Local Ad Valorem Property Tax	Levy is based on amount needed to fund the Ad Valorem Property tax requirement for this fund based on projected valuation in 2006 of \$2,511,110,031 and 4.735 mills. (3% delinquency rate was used.)	The basis of this tax is the assessed valuation of taxable real & tangible personal property in each county & special taxing district therein. State law requires that all real & tangible personal property shall be assessed at fair market value.
Delinquent Taxes	Based on historical receipts.	The County Clerk is responsible for placing on the tax rolls any land or improvements that have previously escaped taxation in the amount equal to that amount that would have been paid had the property been on the tax rolls, plus delinquent taxes paid after the due date.

FIRE SERVICE FUND (continued)

Description	2006 Budget	Applicable Laws
Motor Vehicle Tax	Based on the City's anticipated share of the estimated county wide collections.	The basis of this tax is the levy of a county average mill rate applied against the assessed valuation of registered motor vehicles within the City. The tax is payable in full annually at the time of registration. Distribution is made as the revenue is collected.

STORMWATER UTILITY FUND

Description	2006 Budget	Applicable Laws
Local Ad Valorem Property Tax	Levy is based on amount needed to fund the Ad Valorem Property tax requirement for this fund based on projected valuation in 2006 of \$2,511,110,031 and .989 mills. This is the same mill rate as in the 2005 Budget. (3% delinquency rate was used.)	The basis of this tax is the assessed valuation of taxable real & tangible personal property in each county & special taxing district therein. State law requires that all real & tangible personal property shall be assessed at fair market value.
Stormwater Utility User Fee	Based on amount of impervious service area associated with a property. Impervious surface area is measured by equivalent residential units (ERUs).	This is a user fee, set by the City's Governing Body. The fee is \$2 per equivalent residential unit (ERU). One ERU is equal to 2,485 square feet of impervious area.
Motor Vehicle Tax	Based on the City's anticipated share of the estimated county wide collections.	The basis of this tax is the levy of a county average mill rate applied against the assessed valuation of registered motor vehicles within the City. The tax is payable in full annually at the time of registration. Distribution is made as the revenue is collected.

SPECIAL STREET AND HIGHWAY FUND

Description	2006 Budget	Applicable Laws
Gasoline Tax	Based on a 5-year average growth rate in gallons applied to the 2005 estimate.	K.S.A. 79-34,141. The current basis of this revenue is a 24 cent/gallon tax on Motor Vehicles Fuel and 26 cent/gallon tax on Special Fuel. The revenue from this tax is divided as follows: \$2.5 million - County Equalization and Adjustment Fund, of the balance: 64.6% - State Freeway Fund; 35.4% - Special City and County Highway Fund; 57% is allocated to Johnson County and 43% to the cities within the County. Cities' portion is determined on a per capita basis.

1/8-CENT SALES TAX FOR STREET IMPROVEMENTS FUND

Description	2006 Budget	Applicable Laws
1/8-cent Sales Tax	Based on 2005 estimated revenues plus a 4.8 percent increase.	State law K.S.A. 12-187 allow the City to impose additional sales tax with approval of the voters to be used for economic development, strategic planning, or public infrastructure projects. City Ordinance No. ST-2122 levies a 1/8-cent retailers' tax for improvements to residential streets and thoroughfares through March 31, 2004. In April 2003, voters approved a five-year extension of this tax. City Ordinance No. ST-2429 extended the tax through March 31, 2009.

SPECIAL PARKS & RECREATION FUND

Description	2006 Budget	Applicable Laws
Liquor Tax	Based on estimates provided by Johnson County.	The State levies a 10% surtax on the sale of all alcoholic beverages sold by any club, caterer or drinking establishment. 70% of the taxes paid within City limits are returned to the respective cities & must be allocated 1/3 to each of the following funds - General, Special Park & Recreation, and Special Alcohol Program.

SPECIAL ALCOHOL FUND

Description	2006 Budget	Applicable Laws
Liquor Tax	Based on estimates provided by Johnson County.	The State levies a 10% surtax on the sale of all alcoholic beverages sold by any club, caterer or drinking establishment. 70% of the taxes paid within City limits are returned to the respective cities & must be allocated 1/3 to each of the following funds - General, Special Park & Recreation, and Special Alcohol Program.

TRANSIENT GUEST TAX

Description	2006 Budget	Applicable Laws
Transient Guest Tax	Based on Convention and Tourism estimates.	Revenue is derived from a 6% tax on room rental for hotels and motels within Overland Park.

TRANSIENT GUEST TAX - OPERATING FUND

Description	2006 Budget	Applicable Laws
Transient Guest Tax	Based on Convention and Tourism estimates.	Revenue is derived from a tax on room rental for hotels and motels within Overland Park.

TRANSIENT GUEST TAX - CAPITAL PROJECTS

Description	2006 Budget	Applicable Laws
Transient Guest Tax	Based on Convention and Tourism estimates.	Revenue is derived from a tax on room rental for hotels and motels within Overland Park.

GOLF COURSE FUND

Description	2006 Budget	Applicable Laws
Municipal Golf Course: Memberships Green Fees Riding Carts/Pro Shop Restaurant Receipts Driving Range/Lessons	Based on departmental estimates. Based on departmental estimates. Based on departmental estimates. Based on departmental estimates. Based on departmental estimates.	Set by the Governing Body by resolution. Set by the Governing Body by resolution. Set in contract with Golf Pro. Set in contract with Golf Pro. Set in contract with Golf Pro.

BOND AND INTEREST FUND

Description	2006 Budget	Applicable Laws
Special Assessments	Based on expected special assessment receipts from on-line improvements - 3% delinquency.	
Transfers	Amount needed in revenues to cover current year expenditures.	

BUSINESS IMPROVEMENT DISTRICT

Description	2006 Budget	Applicable Laws
Business Service Fees	Estimates provided by the Downtown Business Improvement District Advisory Board which are based on the number of businesses located within downtown Overland Park.	Ordinance Number BID-2533 states a fee is to be levied annually to applicable businesses located within the Downtown Business Improvement District. Each tier 1 (core) business is assessed 19 cents per leased or owned square footage of floor area as measured from the inside structural walls with a minimum fee of \$126 and maximum not to exceed \$1,260. Each tier 2 business is assessed 17 cents per leased or owned square footage of floor area as measured from the inside structural walls with a minimum fee of \$115 and maximum not to exceed \$1,155.