

What is a Financial Plan

A Financial Plan provides a “road map” for where the City wants to go financially and its plans to get there by combining financial forecasting with financial strategizing. The underlying goal being that the plan can be used as a tool to identify problems, opportunities, and provide an avenue for the City Commission, citizens and staff to discuss policy.

The Financial Plan will guide the City Commission toward:

- How the City government spends money
- What activities are funded
- How the City government pays for its activities
- How much revenue does it raise through different kinds of taxes, fees for services, or aid from the State and Federal governments
- Balancing the City’s budget

The City runs surpluses when revenues are greater than spending. Conversely, gaps are projected when spending is expected to exceed revenues. The City can raise revenues or cut spending to balance its budget. Sometimes, however, the City has used a surplus in one year to close a gap in a future year.

Why do we need a Financial Plan?

A Financial Plan is needed as a communication aide to citizens, staff and rating agencies. When the City Commission and staff receive questions from constituents, the Financial Plan will: i) help provide an answer, ii) provide documentation to support the answer and iii) provide consistency. The purpose of the financial plan is to evaluate current and future fiscal conditions to guide policy and programmatic decisions.

What are the Elements of a Financial Plan?

The elements of a financial plan can be broken down into four major phases:

1. The mobilization phase puts in place the cornerstones for financial planning: resources needed to undertake planning, preliminary financial analysis, definition of the underlying purpose of the planning process, the City’s service-level preferences, financial policies, and define the scope for the planning effort.
2. The analysis phase focuses on the City’s financial position, making long-term projections, and then analyzing the City’s probable future financial position.
3. The decision phase is where strategies, plans, and adjustments are created and agreed upon.
4. The execution phase carries the plan forward into action.

Who Benefits From Having a Financial Plan

Several groups benefit directly from seeing that the City of Newton has a Financial Plan:

- **Citizens:** Effective financial stewardship enhances the quality of life for a community, increasing the desirability of the community as a place to live.
- **City Commission:** Financial plans offer guidance to new Commission members with the City’s finances. The plan also serves as an ongoing context for Commission decisions, thereby providing consistency and quality control.
- **Potential Businesses/Industries:** Financial Plans increase the desirability of the community as a place to locate.
- **Department Heads & Staff:** Knowing that the City’s financial future is a priority with the Commission allows staff to focus on effective service delivery.

Fund Balances

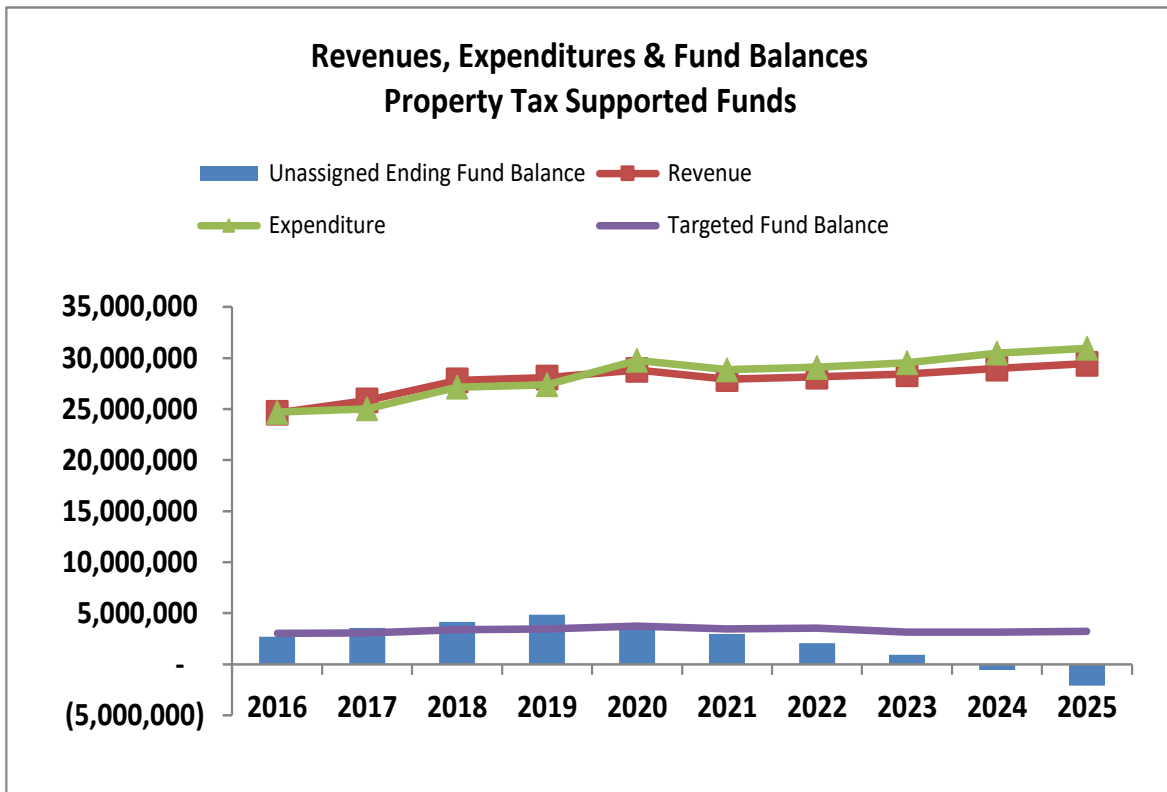
A number of funds in the financial plan are projected to decrease their fund balances below the minimum requirements. The revenues and expenditure assumptions do not take into account actions that the City Commission will take to ensure that this does not occur during any operating budget year.

Forecasting Methodology

The City uses a variety of forecasting methods to develop a five-year revenue and expenditure plan. A combination of time regression; moving average; autoregressive, integrated moving average, and most recent observed actual value were taken into consideration while forecasting. The plan incorporates operating and capital budget data to determine the availability of resources to fund anticipated (and unanticipated) expenditures. A special approach was used to project Ad Valorem Property Tax. First, City Assessed Valuation is projected using a trend regression. Then an estimate of the Mill Levy to arrive at an estimated property tax levy for the year. Then the historical collection rates are calculated.

This financial plan has two sections:

1. Property Tax Supported Operations (General Fund, Debt Service Fund, Airport Fund, Library Fund and Special Liability Fund).
2. Enterprise Fund Operations (Water, Wastewater, Sanitation, Golf Course and Meridian Center).



Financial Plan 2020 - 2025										
City Wide Property Tax Supported Funds										
	ACTUAL 2016	ACTUAL 2017	ACTUAL 2018	ACTUAL 2019	BUDGET 2020	BUDGET 2021	PROJECTED 2022	PROJECTED 2023	PROJECTED 2024	PROJECTED 2025
Beginning Balance	2,743,809	2,800,824	3,688,588	4,321,765	5,038,538	4,092,110	3,156,705	2,238,648	1,104,795	(399,932)
OPERATING REVENUE										
Taxes										
Property Tax	5,991,221	6,562,836	7,391,204	7,457,140	7,548,516	7,735,974	7,824,385	7,920,330	8,025,239	8,139,671
Motor Vehicle Tax	802,199	801,830	908,829	947,123	958,549	991,277	1,018,440	1,038,221	1,059,619	1,081,377
Local Sales Tax	2,020,257	1,988,778	2,002,127	2,105,663	2,050,000	2,050,000	2,101,250	2,153,781	2,207,626	2,262,816
Local Sales Tax - Special	3,189,371	3,117,546	3,097,275	3,250,261	3,200,000	3,200,000	3,280,000	3,362,000	3,446,050	3,532,201
Franchise Tax	1,549,594	1,551,792	1,615,724	1,566,090	1,600,000	1,600,000	1,616,000	1,632,160	1,648,482	1,664,966
Other Taxes	702,699	693,321	53,902	86,341	79,279	86,087	84,940	84,985	85,155	84,983
Total Taxes	14,255,341	14,716,103	15,069,061	15,412,618	15,436,344	15,663,338	15,925,015	16,191,477	16,472,171	16,766,015
Intergovernmental Revenue	123,770	336,596	297,384	321,532	412,820	253,000	253,000	253,000	253,000	253,000
License & Permits	188,896	268,271	211,192	179,581	203,550	200,550	202,483	204,615	206,639	207,855
Charges for Services	1,747,264	1,970,579	1,812,218	1,972,523	1,844,240	1,884,240	1,897,352	1,806,512	1,823,844	1,841,349
Fines, Penalties & Forfeitures	435,154	393,727	454,224	454,634	500,000	500,000	500,000	500,000	500,000	500,000
Use of Money	31,622	157,592	386,454	591,266	404,500	400,000	410,000	420,250	430,756	441,525
Other Revenue	478,426	499,749	509,684	497,588	502,050	507,500	514,150	518,296	522,988	527,728
Sales & Rental	1,313,478	1,410,016	1,291,609	1,240,444	1,510,746	1,451,114	1,440,290	1,452,918	1,465,798	1,478,936
Charges & Other Revenues	8,449	7,469	14,221	11,073	9,000	9,000	9,563	9,896	10,125	10,097
Special Receipts	1,241,825	1,163,990	1,292,360	1,112,889	1,101,949	1,093,105	1,089,769	1,090,082	1,154,796	915,186
Transfer In	4,914,423	4,893,400	6,467,413	6,294,160	6,902,304	5,961,870	5,923,804	5,967,045	6,133,203	6,500,480
Total Operating Revenue	24,738,648	25,817,492	27,805,820	28,088,308	28,827,503	27,923,717	28,165,427	28,414,092	28,973,320	29,442,170
OPERATING EXPENDITURES										
Personal Services	11,946,383	12,043,918	13,658,946	14,067,640	15,255,380	13,607,433	13,896,969	14,195,294	14,502,793	14,819,631
<u>Contractual Services</u>										
Bond & Interest Payments	4,375,588	4,719,716	4,697,338	4,467,428	4,949,880	6,114,399	5,930,186	6,110,506	6,906,098	6,980,809
Other Contractual Services	2,497,983	2,211,040	2,681,600	2,766,771	3,210,621	3,256,018	3,268,641	3,254,814	3,275,853	3,304,360
Total Contractual Services	6,873,571	6,930,756	7,378,938	7,234,199	8,160,501	9,370,417	9,198,827	9,365,320	10,181,951	10,285,169
Commodities & Supplies	1,398,531	1,468,925	1,476,153	1,236,268	1,473,060	1,242,960	1,341,308	1,350,304	1,359,472	1,368,815
Vehicle Operating	451,429	426,282	492,606	488,431	547,943	536,543	538,575	540,162	541,759	543,369
Capital Outlays	103,008	131,840	113,062	53,289	80,600	76,600	66,000	66,000	66,000	66,000
Transfer Out	3,908,711	4,023,007	4,032,859	4,291,708	4,256,448	4,025,169	4,041,804	4,030,865	3,826,071	3,870,801
Total Operating Expenditures	24,681,633	25,024,728	27,152,564	27,371,535	29,773,932	28,859,122	29,083,484	29,547,945	30,478,047	30,953,783
Ending Balance	2,800,824	3,593,588	4,341,844	5,038,538	4,092,110	3,156,705	2,238,648	1,104,795	(399,932)	(1,911,545)
City Assessed Valuation	118,596,219	119,803,769	120,329,442	122,956,830	125,194,134	128,185,872	129,667,088	131,286,614	133,053,961	134,990,359
Mill Levy	52.091	57.121	60.326	62.509	62.470	62.470	62.470	62.470	62.470	62.470



REVENUE ANALYSIS

The City of Newton collects revenues from a variety of sources. The discussion on revenue projections will focus on nine (9) distinct revenue sources.

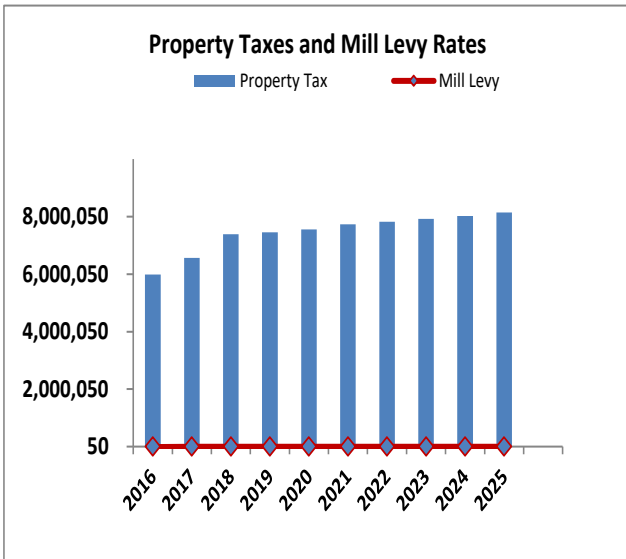
1. Property Tax
2. Transfer In
3. Original 1% Local Sales & Use Tax
4. Additional 1% Local Sales & Use Tax
5. Charges for Services
6. Sales & Rental
7. Franchise Tax
8. Special Receipts
9. Motor Vehicle Tax

Property Tax

Property tax is the largest revenue source for property tax-supported funds. The General Fund receives 69.2% of all property taxes collected by the City. These revenues are used to fund the majority of City services that are not able to self-finance their operations. 20.7% of property tax revenue is allocated for debt service and 8.4% is designated for funding the library operation budget.

The 2021 mill levy will be 62.470. The mill levy has not increased from 2019 to 2021. Property tax projections take into account:

- Property tax increase in future periods as % of CPI;
- Increase in assessed valuation as result of assessment values and increase in construction activity.



Property Tax Supported Funds Revenues		
	2021 Budget	% of Total
Property Tax	7,548,516	26.2%
Transfer In	6,902,304	23.9%
Additional Local Sales & Use Tax	3,200,000	11.1%
Original Local Sales & Use Tax	2,050,000	7.1%
Charges for Services Revenue	1,844,240	6.4%
Sales & Rental Revenue	1,510,746	5.2%
Franchise Tax Revenue	1,600,000	5.6%
Special Receipts Revenue	1,101,949	3.8%
Motor Vehicle Tax Revenue	958,549	3.3%
Other Tax Revenue	79,279	0.3%
Fines, Penalties & Forfeitures	500,000	1.7%
Other Revenue	502,050	1.7%
License & Permits Revenue	203,550	0.7%
Intergovernmental Revenue	412,820	1.4%
Uses of Money	404,500	1.4%
Charges & Other Revenues	9,000	0.0%
	28,827,503	100%

Transfer In

Transfer In reflects funds transferred within funds and from other funds. Items included are transfers into the General Fund for capital improvement reserves and transfers from the enterprise funds (solid waste, wastewater & water). The Enterprise Fund transfers are to account for citywide administrative support for those operations. Additional transfers include transfers from the Special Highway Fund.



Original 1% Local Sales & Use Tax

This is one of the two local sales taxes levied in Harvey County for a total of 2%. The tax combines sales and use tax. Sales tax is paid on purchases made within Harvey County while the local use tax is paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas where no sales tax was paid. The City receives a share of the 1% local sales assessed in Harvey County. The distribution formula is based on the City's population. Currently the City's share is 42.95%. In 2011, the State of Kansas increased the Statewide sales tax from 5.3% to 6.3%. In 2013, the State lowered the Statewide sales tax to 6.15%.

City	Distribution of Original 1% Sales Tax
Burrton	1.8624%
Halstead	5.0449%
Hesston	7.9422%
Newton	42.9531%
North Newton	3.5368%
Sedgwick	3.4350%
Walton	0.4841%
Harvey Unincorporated	34.7414%
	<u>100.00%</u>

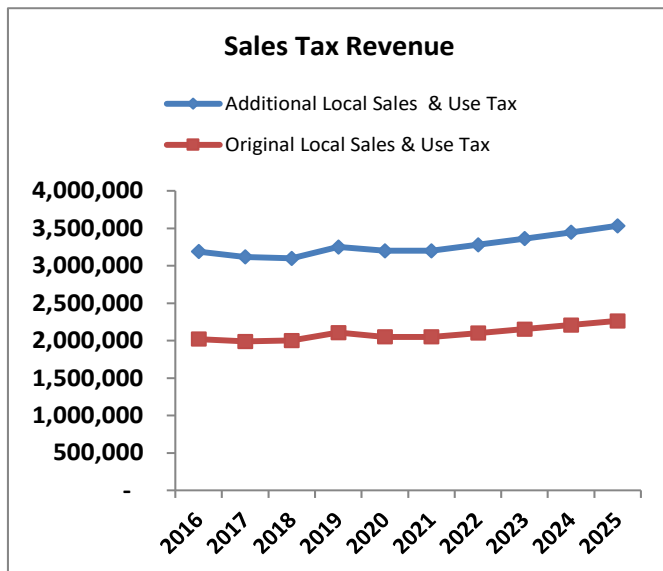
Additional 1% Local Sales & Use Tax

In 2006 the voters of Harvey County approved an additional 1% sales & use tax. The purpose of the sales tax was to provide property tax relief to citizens. Based on a predetermined distribution formula partly associated with the population and points of sale, the City of Newton received 66.51% of sales tax collected in Harvey County in 2020.

City	Distribution of Additional 1% Sales Tax
Burrton	1.4808%
Halstead	4.0153%
Hesston	6.2545%
Newton	66.5146%
North Newton	2.8365%
Sedgwick	2.6782%
Walton	0.3886%
Harvey Unincorporated	15.8316%
	<u>100.000%</u>

Projections for both sales and use tax revenues are based on:

- Increase in taxable retail sales
- Increase in population of the City leading to an increased share of distribution



- Sales tax rate remaining the same during the planning period

Charges for Services

Charges for Services include fees the City charges for use of its services. Some of the fees the City charges include ambulance fees, administrative fees, building inspection fees, cemetery services, engineering services, rural ambulance services and rural fire services. Some of these services are paid directly by the recipients of services and some, such as ambulance service fees, are paid by third parties such as Medicare/Medicaid and health insurance



companies. The City also contracts with other jurisdictions for services.

Projections for charges for service revenues are based on:

- Revising fee schedules
- Increased billing and collection activity
- Increased volume of services offered

Sales & Rental

Sales and rental revenue is mostly generated from the operations of the City-County Airport. The largest share of this revenue is from sale of aviation fuel at the airport and the lease of buildings at the airport facility. There are several hangars at the facility that are leased to private entities.

Projections for sales & rental revenues are based on:

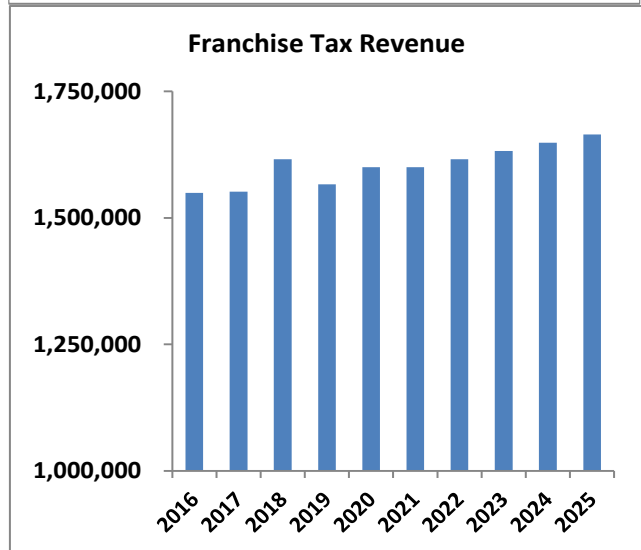
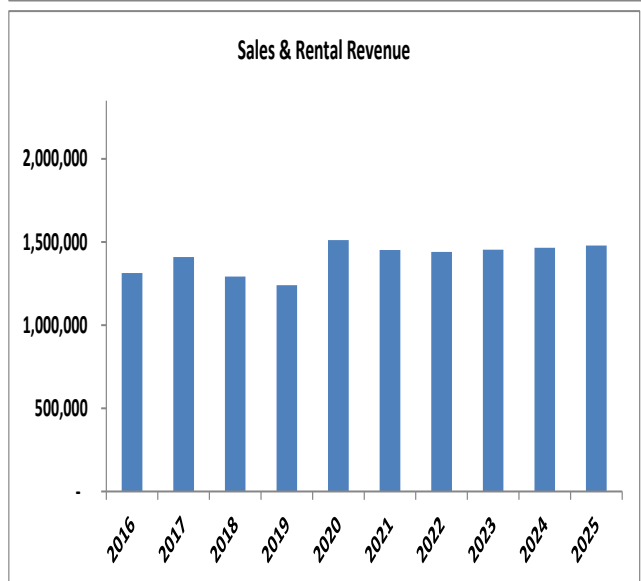
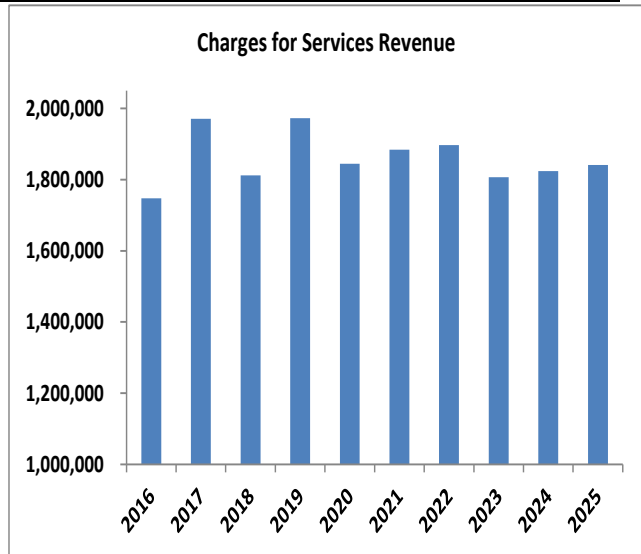
- Increase in volume and services offered

Franchise Tax

Cities charge a franchise fee whenever public easements and rights-of-way are used for private business. Franchise fees are calculated as a percentage of each company's total utility revenues. The City has franchise requirements for cable television, telecommunications, electric power utility services and the transportation, distribution and sale of natural gas. These apply to the extent they utilize the public rights of way for their systems. The major authorized franchisees are:

- Cox Communications (cable TV) – under a State franchise
- Westar Energy
- Kansas Gas Service
- Southwestern Bell

Additionally, the City requires that any natural gas reseller operating in the City through someone else's



transportation lines or distribution system and any telecommunication provider or reseller operating in the City must also have a franchise license.

Special Receipts

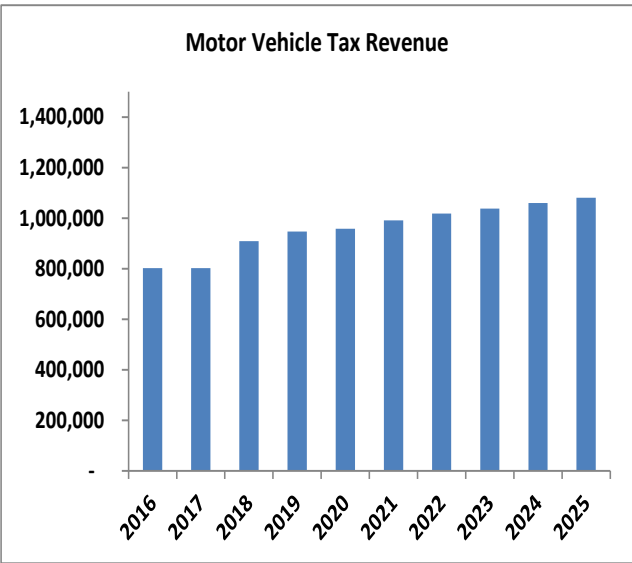
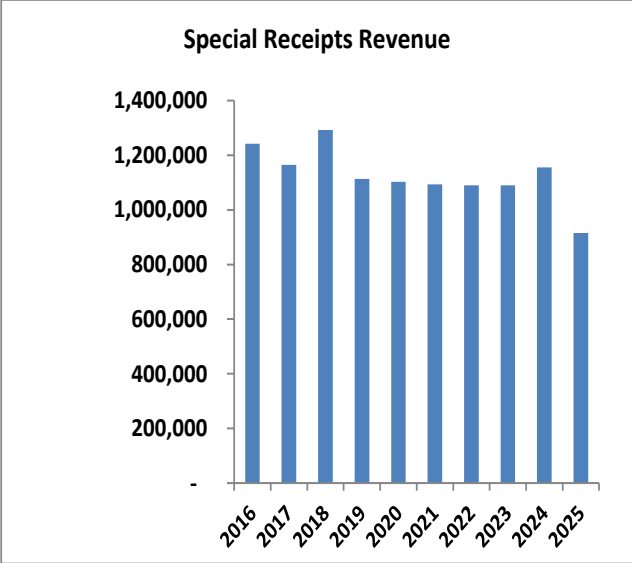
Special receipts are revenues related to the issues of bonds for project financing. The largest component of special receipts are special assessments. A Special Assessment is a fee collected by the City for improvements to new housing additions. Typically the improvements are for water, sewer and street developments. The revenue collected from special assessments is used to repay debt incurred to make these improvements.

Motor Vehicle Tax

All motor vehicles subject to taxation are classified into 20 vehicle classes based on their value. The tax rate is based on the average county-wide mill levy, which is defined as the amount of general property taxes levied within the County by all taxing authorities. The distribution of the taxes is based on the residency of the owner and the ratio of levied taxes by the taxing authority to the total taxes levied.

EXPENDITURE ANALYSIS

Budgeted expenditures are grouped into 6 expenditures categories. Personnel Services,



Budgeted Expenditures Property Tax Supported Funds		
	2021 Budget	% of Total
Personal Services	13,607,433	47%
Contractual Services	9,370,417	32%
Commodities & Supplies	1,242,960	4%
Vehicle Operating	536,543	2%
Capital Outlay	76,600	0%
Transfer Out	4,025,169	14%
	28,859,122	100%

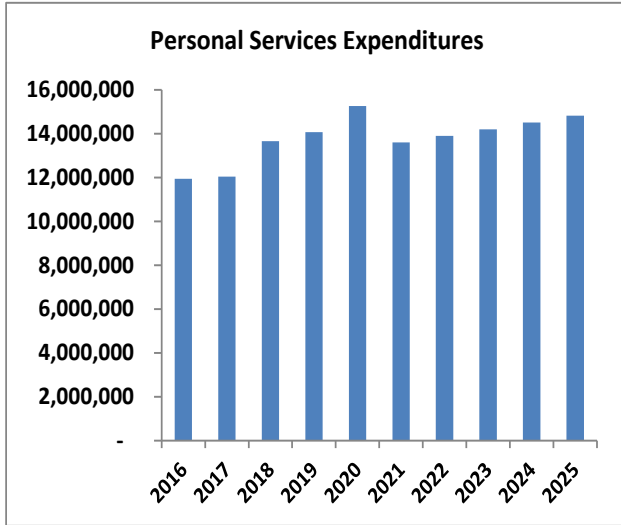
Contractual Services, Commodities & Supplies, Vehicle Operating, Capital Outlay & Transfer Out.

Personnel services is the largest expenditure category, accounting for 47% of property tax-supported expenditure. Contractual services is the second-largest expenditure category, accounting for 32% of property tax-supported expenditure. The General Fund accounts for 77% of property tax-supported expenditures while the Debt Service Fund accounts for 17% of property tax supported expenditures.



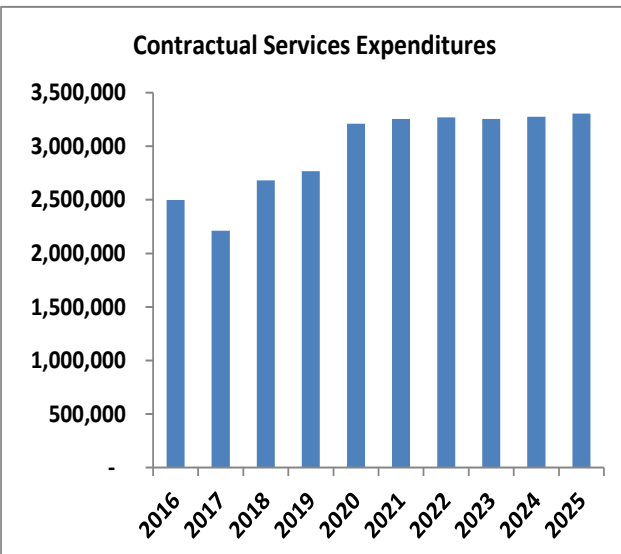
Personnel Services

Most of these costs are for full-time personnel, with the remainder being temporary help costs. All employee benefits, including Social Security, Medicare, pension, health and dental insurance, worker’s compensation, etc., are included in Personnel Services. The City offers a health insurance plan for eligible employees. City health plan costs continue to rise, but have been under national percentage increases. The City periodically reviews the plan providers to assess their competitiveness in the current market. The personnel services projections usually include an annual 2.5% step increase for eligible employees.



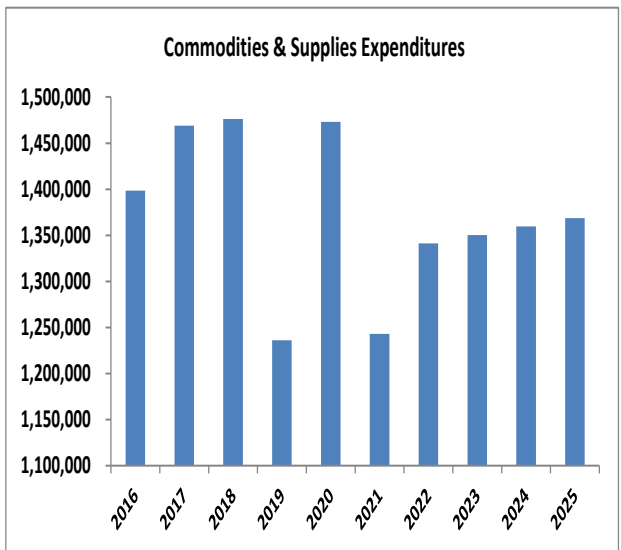
Contractual Services

Contractual services include services purchased and delivered by external entities. Included in this category are payments of debt service. The debt service projection has been split to provide a better understanding of the City’s cost of debt issuance. Large capital improvement projects for the City of Newton normally require long term financing through municipal bonds. It has been City policy to divide bond issues into ten, fifteen, and twenty-year final maturities based upon the expected useful life of the financed project. This enables the life of the asset to match the term of financing. The practical application of this policy has resulted in most issues being “front loaded.” Therefore, annual principal and interest payments are declining over time. This allows the primary financial burden of a project to be borne in its early years rather than deferring a financial burden to future taxpayers.



Commodities & Supplies

Commodities & Supplies include purchases of tangible items and tools required for effective day to day operation. Items under this category are typically not long term. The largest single expenditure item in this category is aviation fuel. The Airport purchases

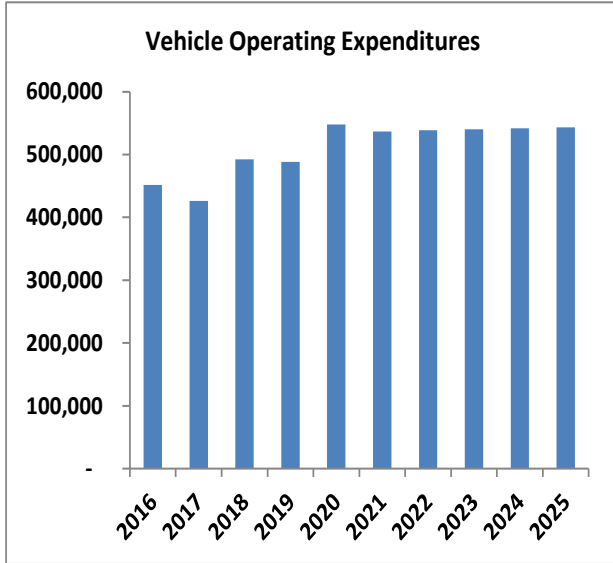


aviation fuel for resale. The decrease in spending on fuel is the result of airport tenants who are also fuel customers exercising their right to self fuel.

The price of fuel continues to be the major influence on the expenditure and revenue projections.

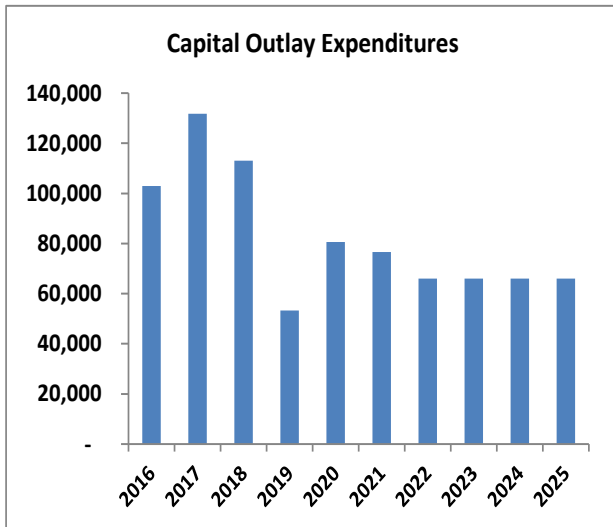
Vehicle Operating

Vehicle operating accounts for expenditures related to the operations of City vehicles. The Departments with the largest vehicle operating expense in the property tax supported funds are Fire, Police, Street and Parks. Future projections are based on price inflation and as vehicles age, the cost of operating them typically increases.



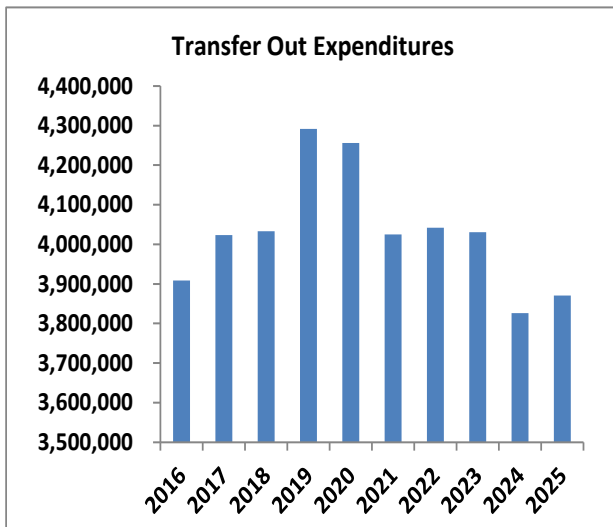
Capital Outlay

Capital outlay are expenses that add a fixed asset to the City. Purchases are normally considered a capital outlay if they benefit the City for more than one year. The City has an aggressive equipment reserve program. Most capital outlays are purchased through the equipment reserve programs. When an item is bought, the City determines the lifespan of that item and then sets aside funds each year for the life of the equipment and pays cash for its replacement. This allows the City to pay cash for most items rather than finance them.



Transfer Out

Within statutory limits, the City is allowed to transfer funding from property tax-supported funds to other funds to finance equipment purchases and other capital improvements. Transfers are typically scheduled. The most common transfer is the transfer to the equipment reserve.



SUMMARY BY PROPERTY TAX FUNDS

The following section will provide a brief discussion of each property tax-supported fund included in the Financial Plan, outline current and future fund balance projections, and discuss major fiscal

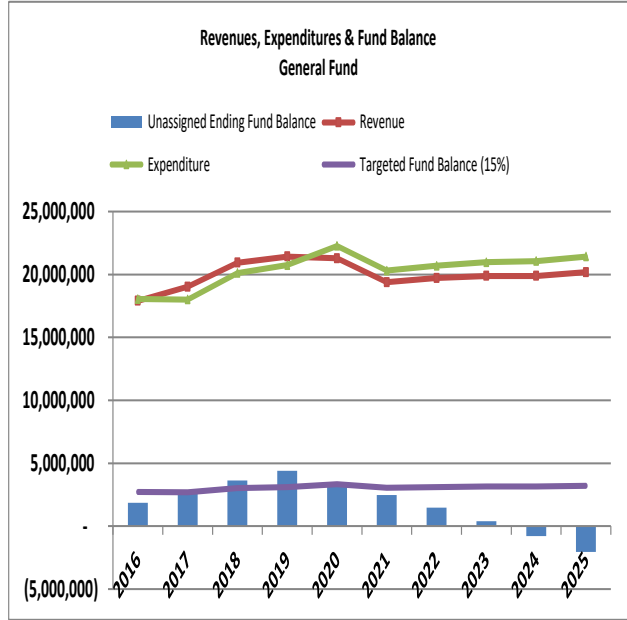
challenges anticipated to impact the fund over the planning period.

General Fund

The City’s fund balance policy requires the General Fund to maintain a minimum balance equal to 15 percent of actual expenditures. Currently, the fund has built a balance exceeding this amount, but the fund is projected to fall below the minimum balance requirement, and policy decisions will need to be made during the planning period.

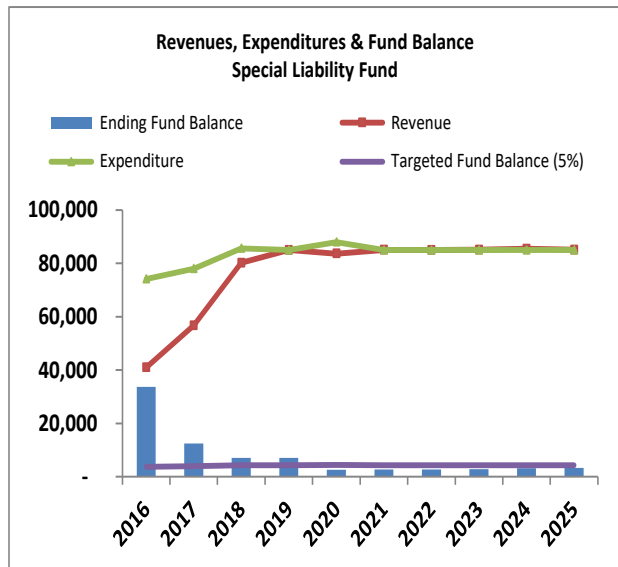
Major fiscal challenges:

- Absorbing over the next several years the impact of economic conditions on various key revenues, such as property taxes and retail sales tax and investment income.
- Maintaining current services and/or service levels as the availability of funding diminishes due to the economic environment.
- Limitations in the ability to address unplanned and emergency funding needs when they arise as the fund balances decline.



Special Liability Fund

Kansas Statutes allow municipalities to establish a special fund to meet the costs for the defense of the City and its employees in lieu of paying these costs out of the General Fund or other existing funds of the municipality. Governing bodies may create and establish a special liability expense fund for the payment of such costs and may place in this fund any moneys received by the municipality from any source whatsoever which may be lawfully utilized for such purpose including the proceeds of tax levies.



Major fiscal challenges:

- The impact of the assessed valuation on property tax revenues.
- Projecting the financing needs of the fund remains a challenge.

Library Fund

The Newton Public Library, although a separate legal entity, is governed by a Board, the appointees of which are approved by the City Commission. The Library is not a separate taxing entity under State Statutes and the City levies taxes for the library operation, which represent a significant portion of its total revenues.



Major fiscal challenges:

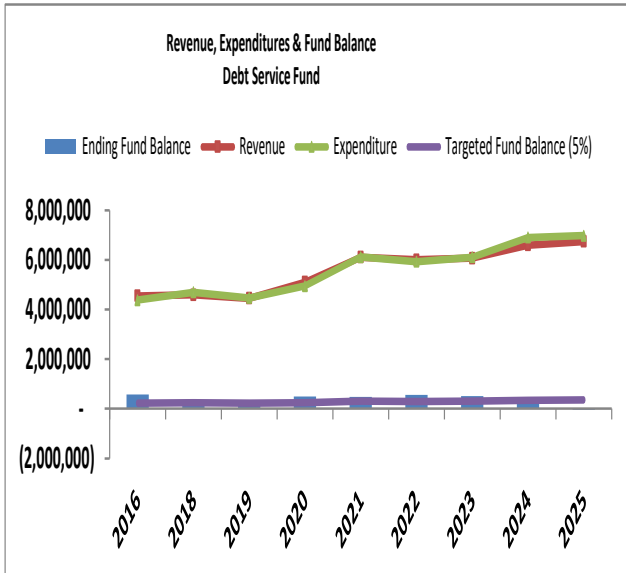
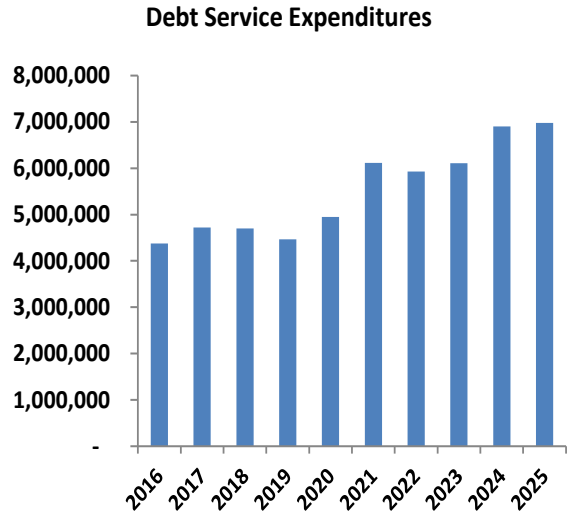
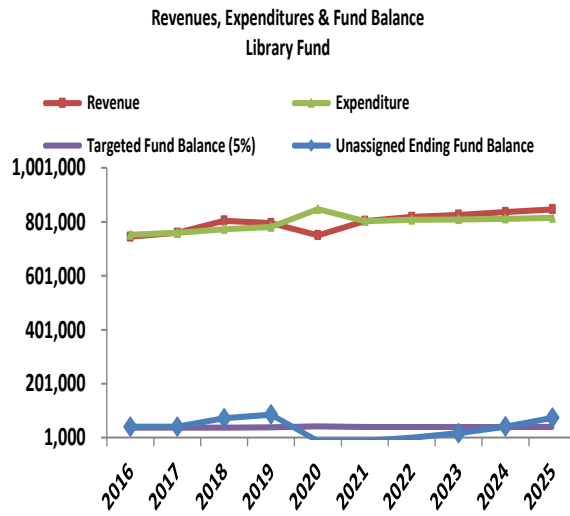
- The impact of the assessed valuation on property tax revenues.
- The library facility needs more space in order to continue to provide needed library services. Financing these needs remains a challenge.

Debt Service Fund

Large capital improvements projects for the City of Newton require long-term financing through municipal bonds. The Bond and Interest Funds (Debt Service Fund) provides for the retirement of General Obligation, Public Building Commission (PBC) revenue bonds and special assessment bonds of the City of Newton. Each year, the City levies taxes that, together with special assessments credited to this Fund, are sufficient to pay the principal and interest payments due throughout the year.

Major fiscal challenges:

- The impact of the assessed valuation on property tax revenues.
- The State of Kansas places strict limits on the amount of debt cities can incur in the course of improving capital infrastructure. As the City seeks to grow, so do the capital and infrastructure needs to meet that growth. The



City continues to aggressively seek alternative sources of financing capital infrastructure.

Airport Fund

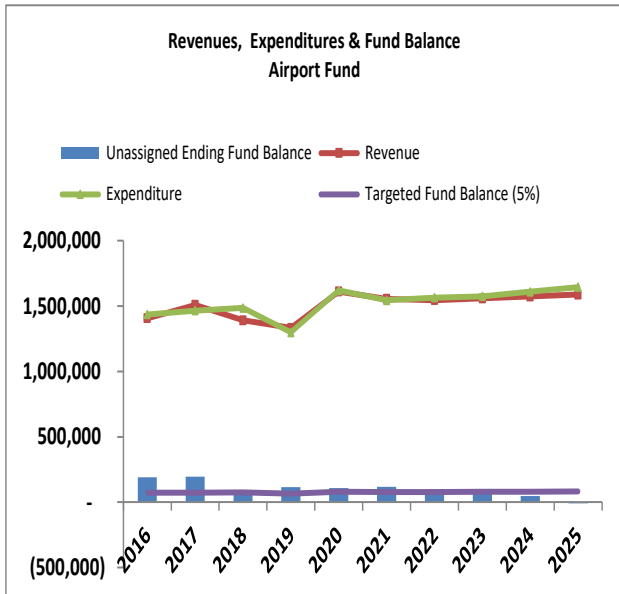
The Newton City-County Airport is a vital asset to the community. Jointly owned by the City of Newton and Harvey County, the Airport is operated by the City. The facility is a reliever airport for Wichita Eisenhower National, thus allowing for infusion of federal funds over the years for a 7,000-foot, lighted runway, crosswind runway, and various automated services for handling flights. Industrial rental buildings, fuel sales, and tax revenues form



the basis of financial support for the facility. Starting in 2020, annually \$180,000 in combined City and County taxes will be put towards the Airport operations.

Major fiscal challenges:

- The impact of the assessed valuation on property tax revenues.
- Fuel sales revenue, a major source of revenue, remains volatile with the ever-changing market and fuel prices.
- Ensuring the facilities at the airport remain rented is a challenge. The City finances the development of the facilities and passes on the debt services in terms of rent payments. When the facilities are vacant, the City incurs the debt payment costs.
- Ongoing maintenance costs for each hangar.



ENTERPRISE FUNDS ANALYSIS

The City owns and operates the Water, Wastewater, Sanitation utilities; the Golf Course and the Meridian Conference Center. These are the essential elements of the City’s enterprise funds. The enterprise funds give the City the flexibility to account separately for all financial activities associated with a broad range of these operations. A separate accounting and financial reporting system is established for each enterprise fund. Revenues and expenses of each service is segregated into these type of funds with financial statements separated from all other governmental activities.

Why Adopt an Enterprise Fund

A community may account for certain services in the General Fund, special revenue or enterprise fund. Advantages of an enterprise fund include that it:

- Identifies a total service cost: Consolidating direct operating, direct capital, and indirect costs helps a community to readily identify a total service cost and determine funding sources. The total service cost may also include a subsidy from the General or other fund or a reimbursement from the enterprise fund to other funds for subsidized costs.
- Provides useful management information: Consolidating revenues, expenses and operating performance of the fund provides a community with useful decision-making information regarding user charges and fees and a subsidy if necessary. The community can also include the enterprise fixed assets and infrastructure as assets and recognize the annual depreciation of these assets in audited financial statements.

WATER FUND

Newton is the sole supplier of potable water to City residents and businesses. Newton’s water is pumped from the Equus Beds aquifer. In addition, Newton is a partner in Public Wholesale Water Supply District No. 17 along with three other municipalities. This includes six wells which are pumped to the Water Plant and treated, the water is then distributed to these neighboring communities under separate contract with each municipality.

The entire water production system is generally in sound condition. Through regular maintenance, we are ensuring proper distribution and treatment of the city’s water supply.

FINANCIAL PLAN 2020-2025										
Water Fund										
	Actual					Budget	Projected			
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Unreserved Cash Balance	2,521,723	2,559,854	2,930,766	2,429,468	2,214,526	1,129,302	156,213	(813,906)	(1,808,109)	(2,849,688)
Waterworks Revenue	4,588,611	4,711,743	4,614,421	4,497,496	4,683,200	4,683,200	4,694,908	4,706,645	4,718,412	4,730,208
Other Revenue	23,773	28,101	28,275	26,528	31,800	26,800	26,867	26,934	27,002	27,069
Total	4,612,384	4,739,844	4,642,696	4,524,024	4,715,000	4,710,000	4,721,775	4,733,579	4,745,413	4,757,277
Waterworks Admin/Billing										
Personal Services	852,907	728,865	481,437	375,442	567,672	1,223,552	1,260,259	1,298,066	1,337,008	1,377,119
Contractual Services	625,540	562,815	322,116	330,547	436,250	439,608	440,000	440,000	440,000	440,000
Commodities & Supplies	12,971	7,347	23,304	6,935	18,050	12,050	12,050	12,050	12,050	12,050
Vehicle Operating	11,151	11,629	9,331	18,356	21,000	21,000	21,000	21,000	21,000	21,000
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Transfer Out	1,410,194	1,407,366	2,579,890	2,191,407	2,671,069	1,784,547	1,836,683	1,813,588	1,812,042	1,950,978
Total	2,912,763	2,718,022	3,416,078	2,922,687	3,714,041	3,480,757	3,569,992	3,584,704	3,622,100	3,801,147
Waterworks Distribution/Transmission										
Personal Services	460,054	457,967	429,939	380,002	486,561	483,155	497,650	512,579	527,957	543,795
Contractual Services	331,186	328,659	425,972	394,475	454,390	531,090	500,000	500,000	500,000	500,000
Commodities & Supplies	12,384	5,703	10,756	8,766	15,600	14,500	14,500	14,500	14,500	14,500
Vehicle Operating	23,266	29,775	46,516	29,282	39,000	39,000	39,000	39,000	39,000	39,000
Capital Outlay	-	-	-	-	20,000	20,000	-	-	-	-
Transfer Out	123,556	175,256	155,800	157,815	160,015	179,753	179,753	179,753	179,753	179,753
Total	950,446	997,360	1,068,983	970,340	1,175,566	1,267,498	1,230,903	1,245,832	1,261,210	1,277,048
Waterworks Production										
Personal Services	164,882	169,231	173,747	179,979	200,754	202,181	208,246	214,494	220,929	227,556
Contractual Services	301,452	324,086	347,140	411,195	471,500	461,400	461,500	461,500	461,500	461,500
Commodities & Supplies	63,344	59,887	64,864	62,722	76,900	77,500	77,500	77,500	77,500	77,500
Vehicle Operating	10,141	8,189	11,892	12,918	15,000	15,000	15,000	15,000	15,000	15,000
Capital Outlay	15,660	-	-	-	65,000	50,000	-	-	-	-
Transfer Out	42,035	54,535	81,266	81,463	81,463	128,753	128,753	128,753	128,753	128,753
Total	597,514	615,928	678,909	748,277	910,617	934,834	890,999	897,247	903,682	910,309
Total Expenditure	4,460,723	4,331,310	5,163,970	4,641,304	5,800,224	5,683,089	5,691,894	5,727,783	5,786,991	5,988,504
Ending Unreserved Cash Balance	2,559,854	2,930,766	2,429,468	2,214,526	1,129,302	156,213	(813,906)	(1,808,109)	(2,849,688)	(4,080,915)



The Water Fund is a self-supporting enterprise fund established to provide residents and businesses with uninterrupted water supply and services. In addition to the maintenance of existing lines, the Fund provides for major capital projects such as line extension and lift station construction. Debt service for the water utility, as well as operational expenses are expected to be financed with water revenue.

Major fiscal challenges:

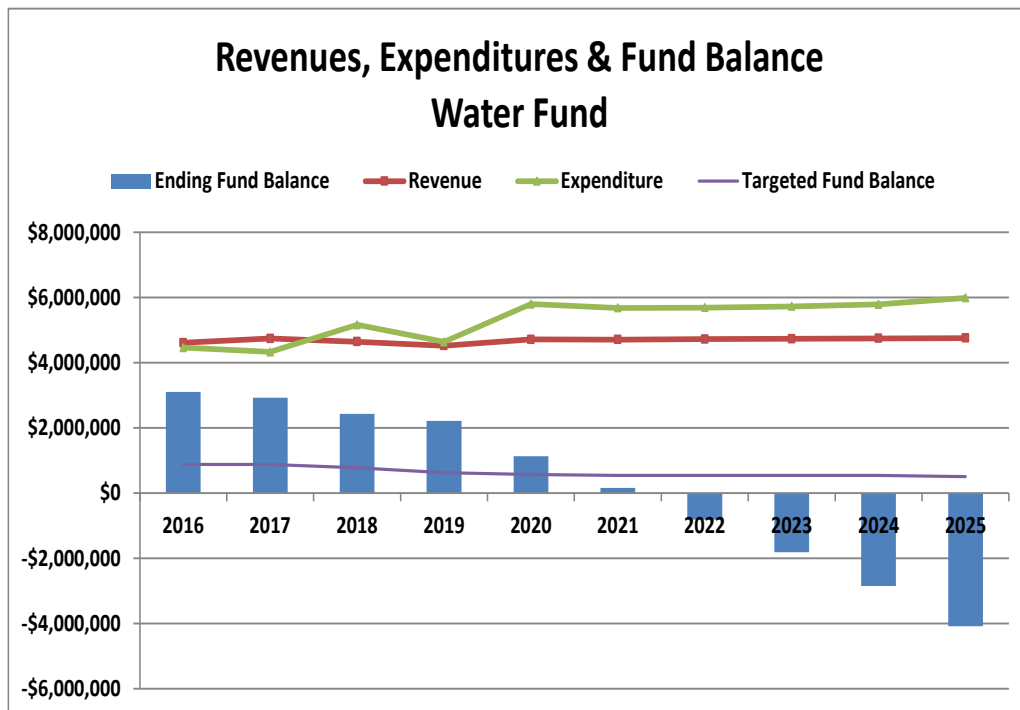
- Maintaining required debt coverage while keeping services affordable to citizens
- Keeping up with the rising costs of operational commodities and supplies
- Compliance with increased unfunded State mandates on water quality and water treatment
- Maintaining and upgrading dilapidated infrastructure

Water Fund Revenue Analysis

The primary source of revenue for the water fund is user fees. The Fund is self-supporting and therefore is required to generate sufficient revenue to meet its operating expenses.

Water Fund Expenditure Analysis

Operationally, the Water Utility is divided into three sections. Water Administration & Billing, Water Distribution & Transmission and Water Production. Personnel and Transfers account for 64% of total expenditures. Because City staff from other departments support and provide oversight to the utility, the personnel expenditures also account for indirect support provided to the utility by other non-utility staff. Transfer Out expenditures include transfers to the Water Bond & Interest Fund for debt service, transfer for equipment replacement and transfers to the General Fund.



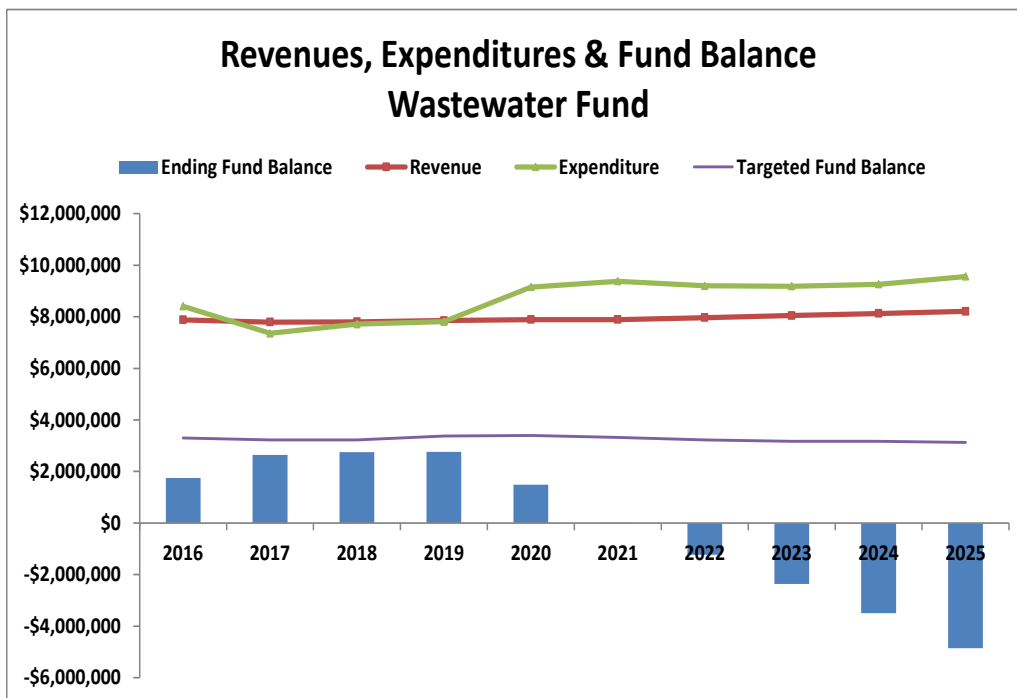
WASTEWATER FUND

Newton owns and operates a regional wastewater treatment plant licensed by the Kansas Department of Health and Environment. In the fall of 2016, Newton completed one of the largest capital projects in recent memory; upgrades to equipment and technology at the wastewater treatment plant. Final project costs came in at \$20.2 million, a \$4 million savings from the projected costs. The wastewater plant was in need of major improvements for three reasons: 1) growth in the community, 2) aging and deteriorating infrastructure, and 3) additional state and federal environmental regulations.

The Wastewater Fund is a self-supporting enterprise fund established to provide residents and businesses with wastewater treatment and sewer services. In addition to the maintenance of existing lines, the fund provides for major capital projects such as line extension and lift station construction. Debt service for the wastewater utility, as well as operational expenses, is expected to be financed with wastewater revenue.

Major fiscal challenges:

- Maintaining required debt coverage while keeping services affordable to citizens
- Keeping up with the rising costs of operational commodities and supplies
- Compliances with increased unfunded State mandates on quality wastewater treatment
- Maintaining and upgrading dilapidated infrastructure



Wastewater Fund Revenue Analysis

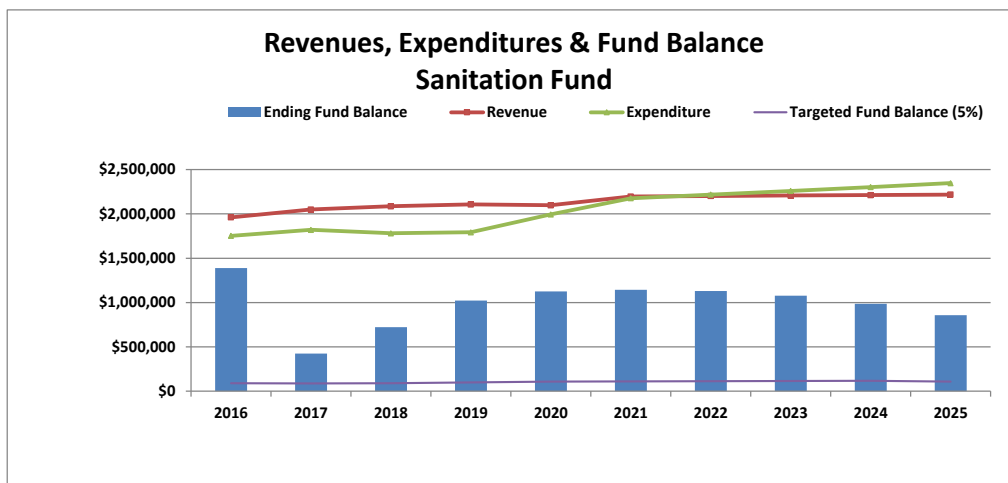
Similar to the Water Fund, the primary source of revenue for the Wastewater Fund is user fees. The Fund is self-supporting and therefore is required to generate sufficient revenue to meet its operating expenses. In 2014, the City Commission adopted a new fee to pay the principal and interest payments for the wastewater plant upgrade. This fee is 38% of the sewer charge billed to each customer.

Wastewater Fund Expenditure Analysis

Operationally, the Wastewater Utility is divided into two sections. Wastewater Administration & Billing and Wastewater Plant Operations. Personnel and Transfers account for 87% of total expenditures. Because City staff from other departments support and provide oversight to the utility, the personnel expenditures also account for indirect support provided to the utility by other non-utility staff. Transfer Out expenditures include transfers to the Wastewater Bond & Interest Fund for debt service, transfer for equipment replacement and transfers to the General Fund.

FINANCIAL PLAN 2020-2025										
Wastewater Fund										
	Actual					Budget		Projected		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Unreserved Cash Balance	2,087,287	2,148,443	2,642,415	2,749,643	2,755,904	1,491,162	4,215	(1,227,570)	(2,366,853)	(3,500,277)
Wastewater Revenue	5,720,903	5,797,591	5,952,466	5,995,321	6,022,000	6,022,000	6,082,220	6,143,042	6,204,473	6,266,517
Treatment Plant Fee	2,160,291	1,995,610	1,854,447	1,857,080	1,868,000	1,868,000	1,886,680	1,905,547	1,924,602	1,943,848
Total	7,881,194	7,793,201	7,806,913	7,852,401	7,890,000	7,890,000	7,968,900	8,048,589	8,129,075	8,210,366
Wastewater Admin/Billing										
Personal Services	1,249,860	1,105,767	637,739	600,917	699,199	1,524,756	1,570,499	1,617,614	1,666,142	1,716,126
Contractual Services	666,672	652,701	273,793	299,449	372,540	356,913	361,196	365,530	369,917	374,356
Commodities & Supplies	47,346	22,490	39,825	24,688	61,050	50,000	50,000	50,000	50,000	50,000
Vehicle Operating	8,286	10,244	18,379	15,042	22,000	22,000	22,000	22,000	22,000	22,000
Capital Outlay	14,995	-	-	-	160,000	160,000	-	-	-	-
Treatment Plant Expenses	-	-	-	-	-	-	-	-	-	-
Transfer Out	5,342,354	4,273,021	5,286,413	5,319,312	5,982,273	5,265,215	5,200,425	5,124,855	5,134,925	5,370,838
Total	7,329,513	6,064,223	6,256,149	6,259,408	7,297,062	7,378,884	7,204,120	7,179,999	7,242,984	7,533,320
Wastewater Plant Operations										
Personal Services	286,373	285,244	255,009	294,255	319,426	349,581	360,068	370,870	381,997	393,456
Contractual Services	397,653	329,965	299,005	342,731	511,700	511,131	500,000	500,000	500,000	500,000
Commodities & Supplies	57,974	32,022	30,436	45,240	61,800	61,700	60,000	60,000	60,000	60,000
Vehicle Operating	11,540	21,750	26,642	19,893	35,000	26,000	26,497	27,003	27,518	28,044
Capital Outlay	-	-	-	-	3,000	3,000	-	-	-	-
Transfer Out	325,544	622,430	847,540	850,282	926,754	1,046,651	1,050,000	1,050,000	1,050,000	1,050,000
Total	1,079,084	1,291,411	1,458,632	1,552,401	1,857,680	1,998,063	1,996,565	2,007,873	2,019,515	2,031,501
Total Expenditure	8,408,597	7,355,634	7,714,781	7,811,809	9,154,742	9,376,947	9,200,685	9,187,872	9,262,499	9,564,821
Ending Unreserved Cash Balance	2,148,443	2,642,415	2,749,643	2,755,904	1,491,162	4,215	(1,227,570)	(2,366,853)	(3,500,277)	(4,854,732)

SANITATION FUND



The Newton Sanitation Division collects refuse and recyclable materials from residential customers in the city. Commercial service was abandoned as a separate operation, although commercial customers who can be serviced in the normal residential refuse and recycling collection process can opt for City service. Refuse is delivered to the Harvey County transfer station, where it is delivered to a landfill out of the county. Recyclables are delivered to the Harvey County Recycling Center for processing.

Sanitation Fund Revenue Analysis

The primary source of revenue for the Sanitation Fund is refuse collection fees. The Fund is self-supporting and therefore it is required to generate sufficient revenue to meet its operating expenses.

FINANCIAL PLAN 2020-2025										
Sanitation Fund										
	Actual					Budget		Projected		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Unreserved Cash Balance	61,411	263,473	424,275	723,496	1,022,583	1,125,655	1,145,099	1,129,262	1,076,838	986,478
Solid Waste	1,960,967	2,049,533	2,086,314	2,106,863	2,097,700	2,196,201	2,201,692	2,207,196	2,212,714	2,218,246
Total	1,960,967	2,049,533	2,086,314	2,106,863	2,097,700	2,196,201	2,201,692	2,207,196	2,212,714	2,218,246
Solid Waste Operations										
Personal Services	825,709	766,044	586,429	591,550	696,512	1,030,779	1,066,856	1,104,196	1,142,843	1,182,843
Contractual Services	409,792	399,384	293,194	314,341	361,734	368,004	372,420	376,889	381,412	385,989
Commodities & Supplies	8,667	31,225	27,362	14,354	17,136	23,196	23,474	23,756	24,041	24,330
Vehicle Operating	180,069	192,839	203,090	226,440	238,640	242,389	242,389	242,389	242,389	242,389
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Transfer Out	328,228	431,038	671,521	646,538	680,606	512,389	512,389	512,389	512,389	512,389
Total	1,752,465	1,820,530	1,781,596	1,793,223	1,994,628	2,176,757	2,217,529	2,259,619	2,303,074	2,347,939
Ending Unreserved Cash Balance	263,473	424,275	723,496	1,022,583	1,125,655	1,145,099	1,129,262	1,076,838	986,478	856,785

Sanitation Fund Expenditure Analysis

Personnel Services and Transfers Out account for 69% of operational expenditures. Contractual Services is the second-largest expenditure category, which accounts for 18% of operational expenditures. The largest component of the contractual expenditures are landfill disposal fees. The department has implemented a single-stream recycling program, and included in this financial plan is a three-year allocation plan in Capital Outlays for replacement and purchase of new recycle bins for all residential customers.

FINANCIAL PLAN 2020-2025										
Sand Creek Station Golf Course										
	Actual					Budget		Projected		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Unreserved Cash Balance	162,799	98,789	54,948	46,283	134,356	162,627	162,627	107,780	115,087	67,868
Golf Course Revenue	1,059,340	1,048,688	1,141,253	1,205,592	1,160,684	1,126,950	1,155,124	1,184,002	1,213,602	1,243,942
Total	1,059,340	1,048,688	1,141,253	1,205,592	1,160,684	1,126,950	1,155,124	1,184,002	1,213,602	1,243,942
Golf Operations										
Personal Services	550,850	529,637	545,927	567,287	598,379	634,469	647,158	660,102	673,304	686,770
Contractual Services	393,535	302,633	316,401	256,187	225,987	226,735	231,066	235,479	239,977	244,560
Commodities & Supplies	160,248	228,917	262,570	248,599	303,047	320,593	324,440	328,333	332,273	336,261
Vehicle Operating	-	-	-	-	-	-	-	-	-	-
Capital Outlay	18,717	11,986	-	1	5,000	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-	-	-	-
Total	1,123,350	1,073,173	1,124,898	1,072,074	1,132,413	1,181,797	1,202,664	1,223,914	1,245,554	1,267,591
Ending Unreserved Cash Balance	98,789	54,948	46,283	134,356	162,627	107,780	115,087	67,868	83,135	44,219

GOLF FUND

The Sand Creek Station Golf Course has established a reputation as the premier golfing destination in the Greater Wichita Area, including both private and public facilities. The ability to give a great product at a very competitive rate gives the course leverage in retaining customers and building new relationships. No other golf course, including world-renowned Prairie Dunes, has hosted more competitive events over the past few years in conjunction with the Kansas Golf Association, than Sand Creek Station.

Golf Fund Revenue Analysis

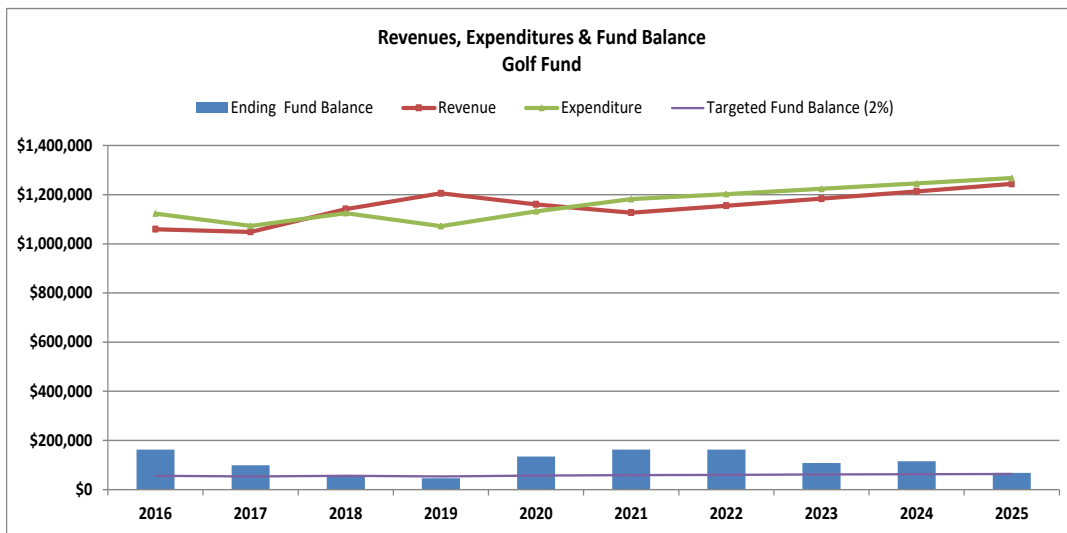
National trends in the golf industry are generally not favorable for operators of golf courses. The total number of "core" golfers is declining and total spending on golf is declining with them. However, Sand Creek continues to be honored in National Golf Foundation (NGF) Loyalty Awards. The awards are given to facilities with the highest customer satisfaction index. The awards are divided into two categories based on the price of the club's green fees. Sand Creek took top honors in the "less than \$70" category for the tenth consecutive year.

Golf Fund Expenditure Analysis

Personnel Services account for 53% of operational expenditures. Commodities & Supplies account for 27% of operational expenditures. In 2020, \$620,000 was transferred from the General Fund to the Golf Fund for payment of the Bond and Interest. Although, property taxes are intended to pay these costs, the construction has lagged during the slowdown in the economy.

Golf Fund Debt Service

Debt service on the golf course and the revenue from the assessed valuation of the improvements are accounted for in the Bond & Interest Fund. Details of the debt service are discussed in the Bond & Interest section of the budget. The revenue source for the debt service is derived from the property taxes generated in the Sand Creek Station subdivision and one special assessment for infrastructure improvements.



MERIDIAN CENTER FUND

The vision of the Meridian Center is to be the premier conference and event center in the greater Newton, Kansas market and to support the overall economic development of the Newton area. The center will support both local and outside visitors with a professional experience unmatched in the Newton or Wichita markets. The vision of the center is to appeal to a variety of audiences through its ideal location, size, amenities and service offerings. The staff at the center will provide a friendly, professional and comfortable atmosphere that will enable patrons to complete successful conferences and events time and time again.

Meridian Center Fund Revenue Analysis

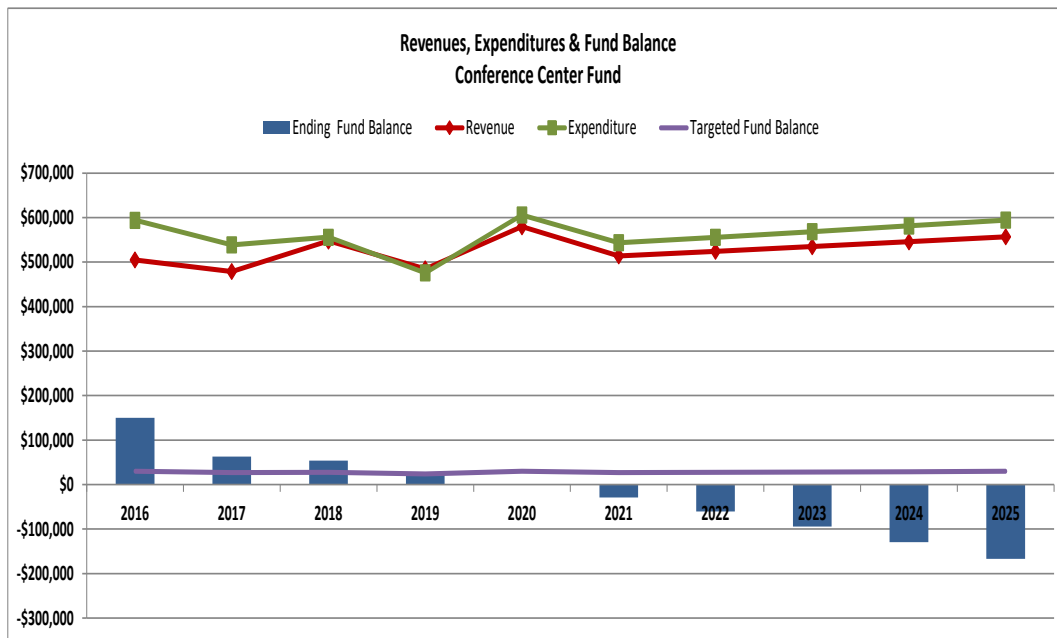
The center anticipates an increase in local real estate development with positive industrial growth in Newton. Also anticipated is growth within the Kansas Logistics Park which will increase the number of middle to upper class families in Newton. This growth will result in an influx of corporate clients to the Meridian Center. Other target groups to support the center include commercial trade associations, corporate and government entities, social, military, educational, religious and fraternal associations, sports organizations and motor coach groups, all of which exist in the greater local area and are anticipated to grow in the upcoming years.

Meridian Center Fund Expenditure Analysis

Personnel Services account for 54.3% of operational expenditures with the balance of expenditures being Contractual Services and Commodities.

Meridian Fund Debt Service

The total cost of the conference center was \$3.6 million. Its construction is being paid for by the new property tax revenues generated from the Holiday Inn Express Hotel and the other commercial lots, as well as the hotel’s total transient guest tax revenues and citywide revenues from a 1 percent increase in the guest tax that went into effect in 2008. The Conference Center is situated in a special Tax Increment Finance (TIF) district that includes a Holiday Inn Express hotel and a restaurant building.



FINANCIAL PLAN 2020-2025										
Meridian Conference Center										
	Actual					Budget		Projected		
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Beginning Unreserved Cash Balance	259,732	149,909	62,775	53,854	26,746	30,327	845	(30,604)	(64,044)	(99,499)
Meridian Center Revenue	429,236	374,623	447,416	385,050	459,525	414,039	424,390	435,000	445,875	457,022
Other Revenue	560	4,337	-	-	-	-	-	-	-	-
Transfer In	75,000	100,000	100,000	100,000	150,000	100,000	100,000	100,000	100,000	100,000
Total	504,796	478,960	547,416	485,050	609,525	514,039	524,390	535,000	545,875	557,022
Meridian Center										
Personal Services	305,618	287,395	267,197	253,558	328,816	289,533	296,771	304,191	311,795	319,590
Contractual Services	208,383	181,372	204,526	151,237	198,220	187,767	191,522	195,353	199,260	203,245
Commodities & Supplies	69,728	70,028	84,240	71,035	78,908	66,221	67,545	68,896	70,274	71,680
Vehicle Operating	-	-	-	-	-	-	-	-	-	-
Capital Outlay	10,551	-	-	-	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-	-	-	-
Total	594,280	538,795	555,963	475,830	605,944	543,521	555,839	568,440	581,329	594,515
Ending Unreserved Cash Balance	149,909	62,775	53,854	26,746	30,327	845	(30,604)	(64,044)	(99,499)	(136,992)