

On August 9, 2016, the City Commission adopted the 2017 City Budget of \$50,444,792. This is a .003% decrease over the 2016 Adopted Budget of \$50,617,364. The adoption of the budget concludes a process where City Commissioners, after listening to community agencies, City Departments and citizens, allocate resources to fund

essential functions of the City.

The 2017 budget does include a mill increase over the prior year. The chart below serves as a complete picture to the city's source of revenues and expenditures within each fund for 2017.

	2017 Budget By Fund Type					Total All Operating Funds
	General Fund	Debt Service Funds	Special Revenue Funds Property Tax Supported	Non Property Tax Supported	Enterprise/ Internal Service	
<b>Revenues</b>						
Taxes	12,916,897	520,979	850,081	410,000	-	14,697,957
Intergovernmental	32,000	-	-	-	-	32,000
License & Permits	207,250	-	-	-	-	207,250
Charges for Services	1,676,750	-	-	-	-	1,676,750
Fines, Forfeitures & penalties	600,350	-	-	-	-	600,350
Other Revenue	455,575	-	-	-	461,100	916,675
Charges & Other Revenue	-	-	6,900	-	-	6,900
Fuel Sales	-	-	770,000	-	451,000	1,221,000
Rental Revenue	-	-	-	-	45,000	45,000
Sales/Rentals	-	-	728,000	-	-	728,000
Solid Waste	-	-	-	-	2,140,598	2,140,598
Special Receipts	-	1,355,233	-	-	-	1,355,233
Special Revenue	-	-	-	150,000	-	150,000
Golf Course Revenue	-	-	-	-	1,228,070	1,228,070
Waterworks Revenue	-	606,155	-	-	4,841,050	5,447,205
Wastewater Revenue	-	2,541,387	-	-	7,452,000	9,993,387
Use of Money	10,300	-	-	300	-	10,600
Meridian Center Revenue	-	-	-	-	638,624	638,624
Transfer In	2,563,436	2,732,562	38,437	-	156,620	5,491,055
Receipts from State	-	-	-	496,250	-	496,250
<b>Total Revenues</b>	<b>18,462,558</b>	<b>7,756,316</b>	<b>2,393,418</b>	<b>1,056,550</b>	<b>17,414,062</b>	<b>47,082,904</b>
<b>Expenditures</b>						
Personnel Services	13,088,216	-	477,213	59,580	5,965,882	19,590,891
Contractual Services	2,256,892	8,040,331	1,067,052	32,475	3,854,380	15,251,130
Commodities & Supplies	1,517,594	-	651,900	2,000	1,552,275	3,723,769
Capital Outlay	200,356	-	-	20,000	439,000	659,356
Transfer Out	2,794,207	-	258,554	812,196	7,354,707	11,219,664
<b>Total Expenditures</b>	<b>19,857,265</b>	<b>8,040,331</b>	<b>2,454,719</b>	<b>926,251</b>	<b>19,166,244</b>	<b>50,444,810</b>
<b>Revenue over (under) expenditures</b>	<b>(1,394,707)</b>	<b>(284,015)</b>	<b>(61,301)</b>	<b>130,299</b>	<b>(1,752,182)</b>	<b>(3,361,906)</b>
*Includes Interfund Transfers From and To Other Funds						

## Factors Influencing the 2017 Budget

### Current Economic Conditions

The City of Newton has not been immune to the economic downturn that has taken a toll on U.S. cities, forcing many to slash jobs, raise taxes and fees and limit hours of operation at libraries, zoos, parks and other popular facilities.

Because of how cities raise and collect their revenues, cities will be weathering the effects of the downturn long after a national economic recovery is underway. Persistent state budget shortfalls will also contribute to cities' fiscal woes, as states continue to slash aid to local governments. When these elements are combined, it only adds to the challenges of running a first class city in the present day.

### 2016 Year-End Activities

To face the current economic challenges and upcoming property tax lid, the City of Newton was faced with many difficult decisions throughout the fiscal year. Commissioners and city staff chose to be proactive and meet these challenges head-on by making several fiscal and operational adjustments.

Under the direction of City Manager and Senior Legal Counsel Bob Myers, city staff responded to the Commissioners requests and came up with several cost saving actions to include:

- Revised the FY 2016 budget in order to reduce expenditures for the remainder of the 2016 budget year.
- Decreased the reliance on transfers.
- Froze, eliminated, or consolidated designated positions.
- Eliminated the employee wage market adjustment.
- Enacted an annual fee-for-service review.
- Adjusted the WWTP fee in order to pay off the Wastewater Treatment Plant bonds early.
- Developed a new budgeting and finance processes and analysis.
- Continue to receive and seek out grant-funding opportunities.

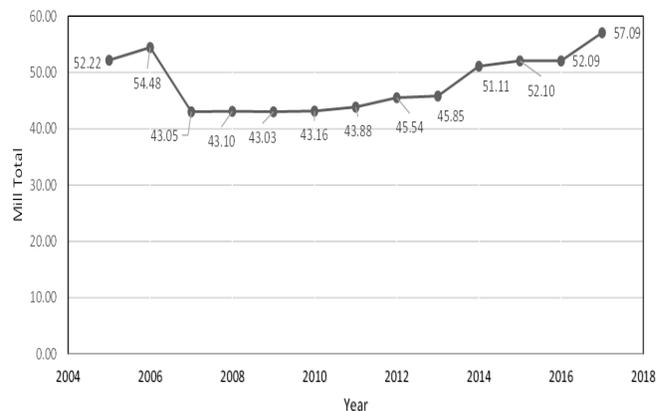
### 2017 Budget Priorities and Highlights

The 2017 Budget focuses funding on programs and services that meet the expectations of the community. Specific funding was directed toward fully staffing the police department as well as dedicating funding toward the emergency response team (ERT). Additional funding was allocated for costs associated with building demolition, as well as funding for essential Warkentin House repairs. Finally, a law enforcement center allocation was set aside to begin saving for the cost a future law enforcement center.

### 2017 Mill Levy

During the budget process, City Commissioners finalized and adopted a city budget with a 5 mill increase. For the 2017 fiscal year, the City of Newton has a mill levy of 57.091.

City of Newton Mill Levy History



In 2006, the residents approved an additional 1% Countywide sales tax in exchange for a mill levy reduction. 50% of the additional sales tax is for economic development and infrastructure and the remainder is for operating expenses. For the first time in twelve years, the 2017 mill levy rate will exceed the rate set in 2006. However, the State of Kansas has passed legislation that will limit the growth rate of future property tax growth. This "property tax lid" will require municipalities to hold a public vote with voter approval, if they intend to increase the city's mill levy rate beyond what that tax increase limitations are for the community. This tax rate limitation is set by a formula in development by the State of Kansas.

**Budgeted Fund Balance**

Each year, the city maintains a reserves known as a fund balance. It is a reserve of money set aside incase there are unbudgeted expenses that occur in the fiscal year. For example, if the City has a disaster occur, such as a tornado, funds could be utilized from the reserve to help off set some of the costs that would come from such a significant event. For the General Fund, the city policy requires that we maintain a fifteen percent fund balance based on the expenditures of the general fund. Each additional property tax supported fund also carries a five percent fund balance requirement, per policy. These funds include: Airport Fund, Library Fund, Special Liability Fund, and the GO Bond and Interest Fund. At a minimum, these fund balances need to be sustained at their five percent limits. For 2017, it is projected that these funds will remain at or above their five percent limits. However, the general fund is projected to be below the city imposed policy of fifteen percent. Addressing this in a way that quickly restores the fund balance will be a priority in 2017 and beyond.

<b>Property Tax Supported Funds Unassigned Ending Fund Balances</b>				
	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 Projected</b>
Debt Service	528,849	231,791	225,000	295,945
General Fund	3,101,374	3,236,455	1,736,455	871,147
Airport	248,299	382,697	365,000	64,304
Library	43,303	46,522	46,000	38,075
Special Liability	91,603	45,103	37,000	4,400

**6 Budget Priorities & Highlights**

**Funding Equipment Reserves**

The City of Newton continues its aggressive plan of paying for major equipment in cash. Each Department annually transfers funds into the equipment reserve fund to pay for equipment on a pay-as-you-go basis. For example, the City paid cash for two new fire engines in 2015 and 2016. These funds were set aside in the years leading up to the purchases. When the old engines reached their maximum

service life, cash was used to pay for their replacement. This enables the City to pay cash rather than finance the purchase. In addition to this, paying cash upfront often lowers the price of the equipment, as was the case of the fire engines.

The 2017 budget maintains funding for these reserves so that departments may replace equipment at the end of their lifespan. However, city administration and the finance department have made it a priority to review and update how the equipment reserve is funded. This will be achieved through collaboration with department heads and finance staff to best determine future funding strategies that ensure the long term viability of the equipment reserve.

**Staffing Levels**

The 2017 budget also includes funding for just over 200 FTE positions. The City has reorganized functions and consolidated part-time positions to enhance efficiencies in service delivery. Many of those changes occurred within administration over the course of 2016. In addition to this, several open positions have been frozen for short-term periods of time. This gives city staff a chance to evaluate the job functions and make adjustments before the position is filled. In some situations, it was determine to freeze positions indefinitely in order to best determine service delivery and staffing levels. As the budget continues to be addressed, city staff will continue to look for ways to combine roles and responsibilities, while balance these adjustments with optimal service delivery and efficiency.

**Street**

The Street Department stayed on the go throughout 2016 working to complete a list of projects and tasks while working around a wet year. In total, 2,891 miles of street were sweep, while 202,256 sq. yards of concrete were slurry sealed and over 335,000 sq. yards of concrete were crack sealed. The Street Department will continue their busy pace into 2017 with more projects unfolding. Funding for the street department will be increasing in 2017 in order to better fund their equipment reserve and accommodate for increasing street material costs.

**Parks**

2016 served as a busy year for the Parks Department. The wet spring and summer months kept the grass growing and staff worked around the clock to keep each park looking pristine. One of the more popular parks in Newton is the Springlake Splash Park, which opened in 2010. Located on the south side of the city, this park draws people from around the region. This increase in popularity also increased the need for services, such as a restroom area. To accommodate the need, a temporary restroom was placed near the splash park. Funding for a permanent restroom area was approved and will be ready for the opening of the park in 2017. During the 2017 budget process, commissioners toured one of the several city maintained parks and to get a first hand glimpse at the equipment and facility needs that continually challenge this department. As a result, funding was approved for improvements to park grounds and facilities.

**Infrastructure Development**

In 2016, significant construction projects were accomplished by the City’s Public Works Department. Milestone accomplishments covered a wide range of projects from the 17th/18th St. and Grandview St. drainage improvements to the South Kansas (Quail Creek to SE 24th St.) road reconstruction project. These types of projects are constantly in various forms of development year around and require a great deal of technical application to move from concept to completion.

In the 2017 Budget, continued funding for will continue to be a priority. Details of capital improvements are discussed in the City’s Capital Improvement Plan (CIP). The CIP is created by the Director of Public Works and staff in order to strategically plan for city growth, development, and updating. Timing and grants play a significant role in CIP projects and when they potentially start. Public Works staff regular updates the CIP and provides those updates to city staff, commissioners, and community members on a regular basis.

**Public Safety**

Newton Fire/EMS experienced a great deal of success and change in 2016. In the first part of the year, the ISO-Class 2, department expanded upon their service delivery by rolling out the community paramedicine program. The CP program focuses on improving the quality of life of certain EMS users who could potentially benefit from access to a

variety of community resources. A second phase of the program focuses on fall prevention efforts, which focuses on those who utilize EMS services due to falls. Nearly 30% of NFEMS calls are fall related in nature. In addition to this, the department recently restructured their staffing levels to better accommodate for service delivery based on the demands of the community. Beyond this, NFEMS saw a number of retirements of long time employees, including the Fire/EMS Chief. Between the retirements and restructuring, NFEMS has been able to decrease their personnel line item by nearly \$175,000.

Public Safety Funding			
	2015	2016	2017
<b>Fire/EMS</b>	5,539,570	5,978,890	5,876,536
<b>Police</b>	4,161,194	4,573,075	4,924,579
<b>Total</b>	9,700,764	10,551,965	10,801,115

Fire/EMS was not alone in seeing changes made to staffing levels. In 2017, Commissioners made it a priority to full staff the Police Department by approving two additional police officer positions in addition to the two authorized in 2016. This increase will increase the number of officers on the street to be more inline with the standards of coverage common for populations similar to Newton. In addition to this, a line item was also established to help support the Emergency Response Team (ERT). The ERT is one of the local and regionally recognized SWAT teams in South Central Kansas. ERT is a joint venture between Harvey County and their Sheriff Deputies and the City of Newton Police Department and Fire/EMS. The ERT is specializes in high risk and technical law enforcement operations that typically can not be alleviated by street-level police officers without significant risk.

In 2017, commissioners also authorized funding for additional costs associated with prisoner care and savings for a law enforcement and justice facility. This facility has been in budget discussion since 2014 due to facility issues. In a proactive measure, the City Commissioners authorized \$225,000 to be set aside to start saving for future costs of a new law enforcement and justice facility.

## Major Initiatives Impacting Newton

### Wastewater Treatment Plant Upgrades Completed

Newton's Wastewater Treatment Plant underwent major upgrades, which were completed in the Fall of 2016. The upgrades increase wastewater capacity from 3 million gallons a day to 4.4 million gallons per day. The updated Newton plant meets the more stringent Biological Nutrient Reduction (BNR) requirements. In total, the WWTP upgrade project came in just over \$20 million, which was nearly \$4 million under budget. The cost savings opened the door for the City Commission to consider lowering the monthly fee, but after gathering citizen input, they voted to keep the fees at the same rate in order to pay the bonds off early and save taxpayers \$2.3 million in interest.

### YMCA Opens

Recreation facilities and amenities were identified as high priority by participating citizens in the 2010 20-year comprehensive plan of the City of Newton. To that end, the existing facilities of the Newton Recreation Commission were renovated in 2014, in part with a 5-year no-interest loan from the City. Not long after that, the City Commission authorized the issuance of \$16 million in Industrial Revenue Bonds to finance the construction of the YMCA facility, and the Newton community generated \$5 million in private donations. The end result is a 75,000 square foot facility that is projected to serve 20,000 people annually.

### City Introduces New Mobile App

In 2016, city staff introduced commissioners and citizens to the Newton Connect mobile app. The free app is built around a citizen request management system that allows users to request services, such as bulky-item pickup, submit crime tips to NPD, report code violations, or share maintenance problems. Requests are routed directly to the appropriate department, and users get notified when city staff have completed the request. Additional features of the Newton Connect app include: city news and announcements; a community events calendar; listings for shops, restaurants, parks; job openings with the city; connections to the various City social media accounts.

### New Housing Additions

In early 2016, the City Commission approved a Rural Housing Incentive District (RHID) for the Cottonwood Crossing development. Located at SE 24th St. and I-135, the development will consist of 32 one- and two- bedroom apartments and 10 duplex units. The RHID will utilize the newly generated property tax revenue for 15-years to help developers pay for eligible construction costs, which should equate to about \$1.6 million for things like utilities, streets and parking, and development fees. No existing tax dollars are used for RHID approved projects. City Commissioners also approved development plans for a multi-family housing project west of Walmart on Windward Drive. Known as the Prairie Fire housing addition, this 63 unit development will be supported by a RHID similar to the Cottonwood Crossing development. RHID construction costs should equate to \$2.5 million with a total project estimated at \$11.1 million.

### Warkentein House Support

The historic Warkentein House is an 1887, Victorian period home of the late Bernhard and Wilhelmina Warkentin. Owned and operated by the City of Newton as a house museum, the house offers a glimpse into the way the Warkentine's lived, since 80% of the original furnishings remain. For years, the museum has been in need of some repairs, so the City Commission approved \$100,000 in expenditures for the 2017 fiscal year to help maintain the facility. Not long after that, city staff welcomed The History Channel into the community as they filmed a documentary on immigration. The featured portion of the filming focuses on the rich history of the Warkentin House and the role the family had in Mennonite immigration.

### Business and Development

Numerous businesses expanded and opened their doors in Newton during the 2016 year. They include: Tractor Supply Co., Goodwill, Twelve Brew Drive Thru coffee shop, 701 Café, Hart & Soule Boutique, Billy Sims Barbecue, and Panda Kitchen. In addition to this, Health Ministries open a new clinic on the medical center campus, Newton Medical Center opened a new convenient care clinic. Finally, Millennium Machine and Tribine, both experienced expansions in 2016.