

City of Marysville

Financial Plan

The City Government has a responsibility to its citizens to carefully account for public funds, to wisely manage finances, and to adequately plan for future improvements that will contribute to the overall economic and social vitality of the City and provide reliable services such as good roads, a safe drinking water supply and a good sewer system. In order to maintain these improvements it is sometimes necessary to issue debt instruments to provide adequate funding for construction. In addition to debt financing it is necessary to provide adequate reserves for future replacement needs and/or unforeseen emergencies or extraordinary capital outlays that may occur.

In order to guide staff and future councils these guidelines are set forth as an effort to assure the public that tax dollars and other sources of revenue are being spent wisely. The plan also exists to establish a debt management policy to provide for fiscal stability, reduce financial risk and provide adequate contingency assets for present and future requirements.

GENERAL POLICIES

1. The City will conduct its debt management functions in a manner designed to maintain or enhance its existing credit worthiness. However, the City of Marysville does not issue rated debt because of the population size and level of debt instruments issued. This provision is meant to keep the level of debt at a manageable level based on current and future financial trends and/or projections.
2. Debt issuance will be utilized by the City whenever public policy or efficient use of resources favors debt over current (pay as you go) financing. When considering financing of various projects and improvements, the criteria to be considered shall include, but not be limited to, the following:
 - a) Debt shall be self supporting whenever possible. This means the use of revenue bonds, special assessments or other capital improvement charges.
 - b) Debt shall be used primarily to finance capital projects with a relatively long useful life, i.e., 10 years or greater.
 - c) Debt shall be issued in such a way so that the term of the financing does not exceed the useful life of the asset.
 - d) When appropriate, temporary note financing will be used to reduce the term of financing if possible.
3. It shall be the responsibility of the City Administrator and the staff to maintain all necessary documents associated with the issuance of City debt.
4. The City Administrator shall submit to the City Council a fiscal impact statement prior to any Council action authorizing a project involving the issuance of debt. The fiscal impact statement shall contain, at a minimum, an estimate of the debt service levy to be required at

the time of long term debt issuance and a calculation showing the impact of the additional levy on the existing debt service levy. The statement shall also provide information on any projected user fee rate increases in the case of revenue bond or revolving loan financing. The plan shall also detail any limitations or requirements imposed by state or federal regulations or financing provisions.

GENERAL FUND

The General Fund is the preeminent fund for most city operations and therefore has the most demands placed upon it for funding services. The General Fund relies heavily on property taxes and utility franchise fees for the greatest share of revenues and without the annual transfer of sales tax funds could not remain viable. The policy of the City of Marysville for the General Fund will be to budget for a reserve balance that is equal to or greater than 15% of budgeted General Fund revenues for that same budget year (shown as carryover).

In an effort to hold the line on property tax increases the Governing Body desires to hold the mill levy steady or with allowable increases under the limits imposed by the legislative tax lid imposed in 2015.

BOND AND INTEREST FUND

The fund balance in the Bond and Interest fund will be maintained at a level equal to or greater than the total principal and interest payable from that fund for the upcoming annual debt service payments plus any semi-annual payments for proposed improvements that would be charged to the fund. The fund balance shall be managed to maintain a mill levy amount that will avoid sharp increases and decreases.

BOND AND INTEREST #1 FUND

This fund serves as the debt service fund for short and long term debt instruments issued for the water utility. The fund balance in the Bond and Interest #1 fund will be maintained at a level equal to or greater than the total principal and interest payable from that fund for a minimum of twelve months' debt service requirement. Transfers are made into this fund on a monthly basis from the Water Revenue Fund. Debt service paid from this fund consists primarily of revolving loan funds from the Kansas Department of Health and Environment. Funds held in excess of twelve months' debt service requirements may be used to fund advance payments on outstanding revolving loans. Efforts shall be made to make advance payments on the lowest outstanding balance or loan amount. Most RLF advance payments require a minimum payment of 10% of the loan amount or \$50,000 whichever is greater. The City Administrator shall annually review the outstanding loans and fund balance to determine if funds are available for advance payments.

BOND AND INTEREST #1A FUND

This fund serves as the debt service fund for short and long term debt instruments issued for the sewer utility. The fund balance in the Bond and Interest #1A fund will be maintained at a level equal to or greater than the total principal and interest payable from that fund for a minimum of twelve months' debt service requirement. Transfers are made into this fund on a monthly basis from the Sewage Revenue Fund. Debt service paid from this fund consists primarily of revolving loan funds from the Kansas Department of Health and Environment. Funds held in excess of

twelve months' debt service requirements may be used to fund advance payments on outstanding revolving loans. Efforts shall be made to make advance payments on the loan with the lowest outstanding balance or loan amount. Most RLF advance payments require a minimum payment of 10% of the loan amount or \$50,000 whichever is greater. The City Administrator shall annually review the outstanding loans and fund balance to determine if funds are available for advance payments.

INDUSTRIAL DEVELOPMENT FUND

This fund was created for the purpose of fostering economic development in the City of Marysville. The fund derives its resources primarily from a mill levy which has historically been between 1 and 2 mills. The fund is used to pay primarily for economic developments projects that benefit the City in the long term. Funds may be used to pay for airport improvements, matching funds or contributions for commercial or residential developments that need assistance for utility improvements such as water or sewer lines, purchase of property for the city and other needs as deemed necessary by the City Council.

EMPLOYEE BENEFITS FUND

The Employee Benefits Fund (EBF) pays the employer share of benefits for those employees whose wages are not covered by an enterprise fund. This fund has historically seen swings in the carry over. Revenues for the fund are generated strictly from the ad valorem tax levy and motor vehicle taxes. The policy of the City of Marysville for the EBF will be to maintain a reserve equal to 25% of the annual budgeted expenses in order to avoid extreme increases in the annual mill levy. Attempts will be made to adjust health insurance benefits to obtain the maximum benefit for employees at a reasonable cost. Efforts should be made to review the deductible amounts annually and make adjustments accordingly that are in the best interests of the employees and the City.

SALES TAX IMPROVEMENTS FUND

The Sales Tax Improvement fund was created by Ordinance #1554 when the 1% sales tax was implemented in October of 1999. The purpose of this fund is to receive all sales tax distributions and earnings on the same in addition to state reimbursements on projects paid for from this fund. Debt service payments on some street and road projects are paid from this fund, therefore, the policy for this fund will be to budget for a reserve balance that equals the next succeeding years' debt service requirements of the fund plus 15% of the budgeted expenses.

SWIMMING POOL SALES TAX FUND

This Swimming Pool Sales Tax Fund was created in Dec. 2012 by Ordinance #1800 for the purpose of paying the operation, maintenance and debt service costs of building a new swimming pool to be operational in 2014. Operation and maintenance costs started in budget year 2014 but construction costs started in 2013 with the receipt of bond proceeds for construction of the pool. Per requirements of the bond documents the bond and interest reserve amount is to be held at \$321,000. If that amount is used in any period to pay for debt service, then the amount must be restored to that level with monthly transfers of 10% of the amount until fully funded. Proper funding level for this fund should equal 15% of the annual budgeted expenses over and above debt service requirements.

ENTERPRISE FUNDS

Water Revenue Fund

The Water Revenue Fund which was established by Ordinance #1148 is supported by user fees related to providing customers water supplied by the City of Marysville. The major source of revenue is the service charge for consumption. Other revenues consist of fees generally related to installation costs or miscellaneous revenues. In accordance with Government Finance Officers Association recommendations, the Water Revenue Fund will maintain a target of no less than 90 days worth of annual operating expenses and other working capital needs of the Water Revenue Fund.

Sewage Revenue Fund

The Sewage Revenue Fund which was established by Ordinance #1148 is supported by user fees related to providing customers with sanitary sewer and storm sewer services. The major source of revenue is the service charge for discharge into the sewer system, based on the number of gallons of water consumed. In accordance with Government Finance Officers Association recommendations, the Sewage Revenue Fund will maintain a target of no less than 90 days worth of annual operating expenses and other working capital needs of the Sewage Revenue Fund.

OPERATING RESERVES

Maintaining adequate operating reserves is essential to the financial strength and flexibility of the City as a whole. Adequate operating reserves are integral to the financial structure of the City and help make it possible for the City to issue debt or operate with current funds. Reserve funding comes from annual or periodic transfers to the appropriate reserve funds as listed below:

Sewage Replacement Fund

A Sewage Replacement Fund was established by *Ordinance 1148* to set aside funds for emergency needs and for major replacement costs associated with the sanitary sewer system including the collection system, lift stations, main pump station, force mains and lagoons and any extraordinary costs of the same. Funds are transferred annually on a monthly basis from the Sewage Revenue fund into the replacement fund. Transfers shall be determined annually during the budget process. No cap shall be placed on the balance in the fund, however, if major replacements, emergency or otherwise, of any part of the system require immediate attention, the replacement fund shall be considered for funding the needs before issuing any long term debt to fund the same.

Fire Equipment Reserve Fund

A Fire Equipment Reserve Fund was established in January 1989 by Ordinance #1332 under the provisions of K.S.A. 12-1,117 to set aside funds for the replacement of fire equipment.

Transfers to the fund are set by the Council each year during budget preparation and the current transfer is \$24,000 annually. The transfer comes from a portion of the proceeds paid to the City by the townships as per their agreements with the City. A portion of debt service for purchase of fire equipment bought in 2003 is paid from this fund.

Municipal Equipment Reserve Fund

A Municipal Equipment Reserve Fund was established by Ordinance #1759 in 2010 under the provisions of K.S.A.12-1,117 to provide for the replacement of equipment for all departments with the exception of the Fire Department. Transfers into the fund started in 2011 with original transfers from the General Fund, Water Revenue Fund and Sewage Revenue Fund. Amounts transferred were \$35,000, \$20,000 and \$20,000 respectively at the beginning of the fiscal year. Amounts are set annually during the budget process. The intent of the fund is to capitalize the fund to an appropriate amount that will allow all departments to purchase needed equipment as planned. Proceeds from the sale of any surplus equipment are to be placed into this fund to be used for replacement purchases.

Capital Improvements Reserve Fund

This fund was created by Ord. #1411 under the provisions of K.S. A. 12-1,118. It has been capitalized with annual transfers from the General Fund of between \$8,000 and \$12,000 dollars. The fund is used to pay for extraordinary expenses from time to time that typically would be paid from the General Fund.

Water Utility Reserve Fund

The Water Utility Reserve Fund was established by Ordinance #1148 according to K.S.A. 12-825d to set aside funds for the repair and/or replacement of the water system. Transfers are determined annually during the budget process and for many years have been much less than transfers into the Sewage Replacement Fund. No cap shall be placed on the balance in the fund, however, if major replacements, emergency or otherwise, of any part of the system require immediate attention, the replacement fund shall be considered for funding the needs before issuing any long term debt to fund the same.

Adopted this 14th day of December, 2015.