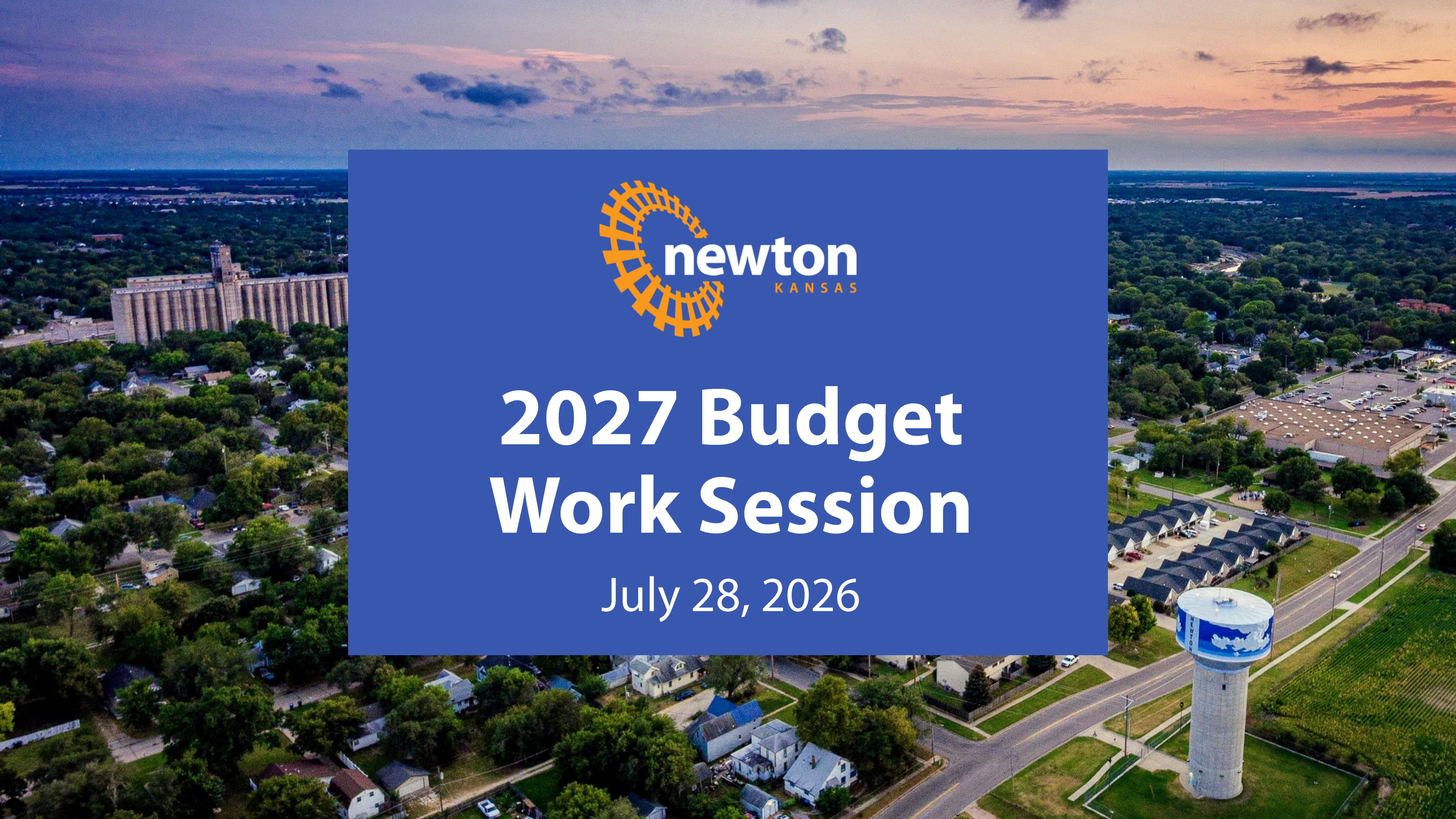


newton KANSAS

2027 Budget Work Session

July 28, 2026

2027 Budget – Stabilizing Year

Intentional focus on:

- Identifying opportunities to optimize spending and work more efficiently while keeping the organization strong and effective.
- Sustaining investments in people, services & infrastructure.
- Continued support for sustainable growth from a conservative approach.

Strategic Priorities

SUSTAIN EXCEPTIONAL PUBLIC SERVICE

CREATE A WELCOMING PLACE TO CALL HOME

PLAN AND GROW FOR THE FUTURE

Our Approach to 2027 Budget

Personnel Budgets

- Maintain merit (3%) & COLA increases (3%)

Department Budgets

- Remain as flat as possible.
- Increases reviewed with opportunities to reduce in other areas.
- MER transfer requests reviewed for savings opportunities.

Contractual Budgets

- Identified cost savings through:
  - Renegotiations
  - Bundling of services & combining across departments
- Pursuing grants & cost-sharing
- I.T. evaluate improvements to streamline/enhance service
- Reduce operational budget lines using 3-year trend model
- Credit card fees & pass-throughs
- Transfers out

What's Different about 2027 Budget Process

- Overview of all funds and how they interconnect
- Less focus on departments individually
- Holistic look toward savings
- Cash funding philosophy
    - Municipal Equipment Reserve (MER) Transfers
    - Utility Transfers

External Challenges

- Federal and State mandates
- Debt obligations of the City for aging infrastructure
- Balancing the services residents expect with the tax and fee levels they are willing to support
- Benefits/costs of prior City Commissions' commitments in projects
- Competition with neighboring communities
- Costs associated with software, hardware, and data security
- Increasing maintenance costs and deferred capital needs of City-owned buildings
- 14% of staff are retirement eligible

Potential Legislative Impacts

- Protest Petition and Tax Limits: Bills like House Bill 2745 restrict taxing jurisdictions to no more than 103% of the prior year's property tax revenue if a successful petition of 5% of voters is triggered. This severely constrains local spending power, making it difficult to keep up with inflation.
- Bonding and Debt Impact: Recent legislative measures targeting local property taxes lack exemptions for existing bonding and debt obligations. This threatens ongoing infrastructure projects and Capital Improvement Plans (CIP) funded by general obligation bonds.
- Revenue Neutral Rate (RNR) Changes: The state has consistently debated repealing or adjusting the RNR notice and hearing requirements to establish an alternative cap.
- State Structural Imbalance: State-level income and tax cuts have led to forecasted structural deficits. Local municipalities face the risk of reduced state-shared revenue or downloaded service costs as the state attempts to shrink its general fund expenses

Budget Outlook and Resilience Model

Revenue Assumptions- projections

- Ad valorem revenue is projected to grow approximately 1%.
- Sales tax revenue is projected to grow 1-2%.
- Charges for services are projected to increase 1%.
- Utility revenue is projected to remain flat.
- Transient guest tax collections are projected to remain flat.

Bond and Interest Fund Review

Debt capacity and long-term obligations

- 2027 Fund Summary (maintaining Mil Levy)

Starting Cash Balance -	$ 1,945,072
Revenue	$ 5,988,673
Expense	($6,094,105)
Ending Balance	$ 1,839,640

- Capacity for future
  - 2028 Obligations
  - CIP/Other investments

CIP Review - 2026/2027 Major Projects

- Infrastructure
  - Hillside, Spencer, KLP Rail Spur
- Fisher Field Press Box improvements
- Golf Course Improvements
- Public Safety Study
- Public Works Facilities Study
- 2027 CCLIP
- Plum Street Bridge
- Golf Course Clubhouse Improvements

CIP Potential Additions- Future Years

- New growth/development
  - Airport
  - Downtown Corridor
  - Logistics Park
- Implementation of Comprehensive Plan
- Maintaining existing buildings (Warkentin House, Meridian Center, NRC etc.)
- Implementation of Public Works and Public Safety Plans
- Quality of Life Amenities

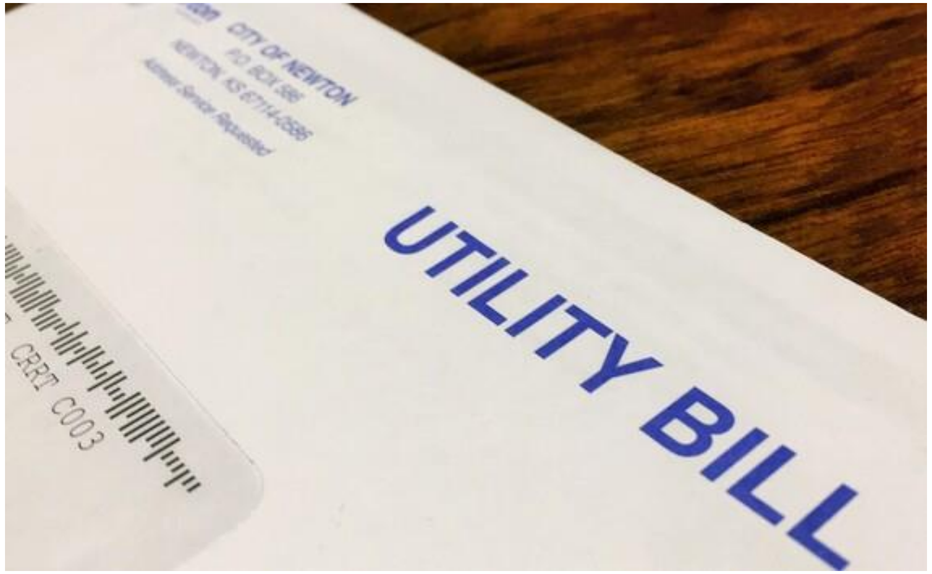
	ACTUAL 2025	Budget 2026	Proposed 2027	PROJECTED 2028	PROJECTED 2029	PROJECTED 2030	PROJECTED 2031	PROJECTED 2032	PROJECTED 2033	PROJECTED 2034	PROJECTED 2035
Financial Plan 2025 - 2035 BOND & INTEREST FUND											
Beginning Balance	**2,172,358**	**2,171,690**	**1,945,072**	**1,839,640**	**2,342,191**	**1,132,179**	**1,370,343**	**1,269,003**	**(57,584)**	**(1,180,274)**	**(2,029,430)**
OPERATING REVENUE											
TAXES											
Property Tax	1,543,624	1,670,196	1,670,196	1,686,898	1,703,767	2,857,800	3,454,945	4,090,093	4,263,237	4,430,195	4,601,931
Motor Vehicle Tax	151,118	172,640	172,640	174,366	176,110	177,871	179,650	181,446	183,261	185,093	186,944
Other Taxes	7,719	7,113	7,113	7,184	7,256	7,329	7,402	7,476	7,551	7,626	7,702
	1,702,461	**1,849,949**	**1,849,949**	**1,868,448**	**1,887,133**	**3,043,000**	**3,641,997**	**4,279,016**	**4,454,048**	**4,622,915**	**4,796,577**
REFUNDS	-	-	-	-	-	-	-	-	-	-	-
HARVEY COUNTY REIMBURSEMENTS	15,560	-	15,649	15,649	15,649	15,649	15,649	15,649	15,649	15,649	15,649
BOND PYMT REIMBURSEMENTS	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
SPECIAL ASSESSMENTS	938,937	1,131,486	1,057,895	1,033,828	836,851	825,280	632,239	629,978	629,587	553,478	552,195
SPEC ASSESSMENTS-PAID BY CITY	(40,828)	(35,000)	(42,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)	(35,000)
OTHER REVENUE	231,500										
	1,210,169	**1,161,486**	**1,096,544**	**1,079,477**	**882,500**	**870,929**	**677,888**	**675,627**	**675,236**	**599,127**	**597,844**
TFR FROM AIRPORT	16,864	16,879	16,837	16,814	16,955	16,702	9,825	9,868	9,678	-	-
TFR FROM SALES TAX (ECO DEVO)	1,173,698	1,419,177	1,506,755	945,641	498,149	629,860	629,491	627,831	632,826	627,585	630,681
Eco Devo			122,761	444,940	441,685	438,274	434,702	430,960	427,040	422,933	418,632
TFR FROM CVB (fund 280) for Meridian Cente	202,900	202,650	202,250	201,700	207,900	198,900	-	-	-	-	-
TFR FROM SEWER	1,302,951	1,227,160	1,009,052	1,231,757	529,116	307,196	285,424	287,522	290,724	286,098	289,018
Sewer	-	-	-	40,920	194,076	192,661	293,479	352,569	349,727	346,751	343,633
TFR FROM WATERWORKS	222,793	236,431	184,526	245,892	183,437	180,704	180,921	181,539	180,035	57,483	58,429
SRF	-	-	-	624,033	619,534	747,813	1,386,411	1,375,591	1,364,256	1,352,383	1,339,946
Water	-	-	-	40,920	40,625	40,316	142,293	202,597	201,027	199,382	197,659
	2,919,206	**3,102,297**	**3,042,181**	**3,792,618**	**2,731,477**	**2,752,426**	**3,362,547**	**3,468,476**	**3,455,313**	**3,292,616**	**3,277,999**
Total Operating Revenue	**5,831,836**	**6,113,732**	**5,988,673**	**6,740,544**	**5,501,110**	**6,666,354**	**7,682,432**	**8,423,118**	**8,584,598**	**8,514,658**	**8,672,420**
OPERATING EXPENDITURES											
BOND & INTEREST PAYMENTS	5,832,504	6,340,350	6,094,105	5,205,338	4,173,280	3,702,090	3,258,015	3,256,846	3,265,976	2,976,499	2,919,224
2026 NEW DEBT SERVICE	-	-	477,743	474,299	470,692	466,913	462,955	458,808	454,465	449,915	445,150
2027 NEW DEBT SERVICE	-	-	-	558,356	554,331	550,115	545,698	541,072	536,226	531,150	525,833
2028 NEW DEBT SERVICE	-	-	-	-	1,512,819	1,501,914	1,490,491	1,478,525	1,465,990	1,452,860	1,439,107
2029 NEW DEBT SERVICE	-	-	-	-	-	207,158	205,665	204,101	202,462	200,746	198,948
2030 NEW DEBT SERVICE	-	-	-	-	-	-	1,820,948	1,807,822	1,794,072	1,779,668	1,764,581
2031 NEW DEBT SERVICE	-	-	-	-	-	-	-	2,002,532	1,988,096	1,972,975	1,957,135
2032 NEW DEBT SERVICE	-	-	-	-	-	-	-	-	306,901	304,689	302,372
2034 NEW DEBT SERVICE	-	-	-	-	-	-	-	-	-	-	460,352
Total Operating Expenditures	**5,832,504**	**6,340,350**	**6,094,105**	**6,237,993**	**6,711,122**	**6,428,190**	**7,783,772**	**9,749,705**	**9,707,288**	**9,363,814**	9,249,977
			2026 Projects	**2027 Projects**	**2028 Projects**	**2029 Projects**	**2030 Projects**	**2031 Projects**	**2032 Projects**	**2033 Projects**	
Ending Balance	2,171,690	1,945,072	1,839,640	2,342,191	1,132,179	1,370,343	1,269,003	(57,584)	(1,180,274)	(2,029,430)	(2,606,988)
5% Policy Reserve	291,625	317,018	304,705	311,900	335,556	321,410	389,189	487,485	485,364	468,191	462,499
City Assessed Valuation	170,904,698	179,374,523	186,914,727	195,834,379	205,665,099	216,188,828	227,015,276	237,533,734	247,589,107	257,285,288	267,258,872
Mill Levy (Actual)	9.219	9.219	9.219	9.219	9.219	9.219	9.219	9.219	9.219	9.219	9.219

Credit Card Fees Across All Funds

Time Period:	Transaction Count	Sales	Fees	Fee per Trans %
May 2025–April 2026	**51,992**	**$8,044,779**	**$260,582**	**3.24%**
Utility Funds	48,524	$7,522,265	$242,208	3.22%
General Fund	3,468	$ 522,513	$ 18,374	3.52%
May 2024–April 2025	**32,311**	**$4,942,160**	**$325,947**	**6.60%**
Utility Funds	30,223	$4,532,969	$307,690	6.79%
General Fund	2,088	$ 409,191	$ 18,257	4.46%
Inc(Dec) comparison	**60.9%**	**62.8%**	**-20.1%**	

Credit Card Fee Options

- Pass on all credit cards fees
  - Potential savings of **$260,000**
- Pass on half of credit card fees
  - Potential savings of **$130,000**
- Retain paying the fess
  - No potential savings



Airport Budget

	2024 Actual	2025 Actual	2026 Adopted Budget	2027 Budget Request	2028 Budget Est	2029 Budget Est
Beginning Cash	**29,225**	**108,330**	**40,308**	**30,132**	**89,406**	**123,840**
Revenue						
City - Ad Valorem	113,360	117,748	124,478	150,000	150,000	150,000
County	90,000	90,000	90,000	150,000	150,000	150,000
Rent/Leases	587,693	662,521	680,000	801,000	830,000	830,000
Fuel/Oil	638,673	517,310	896,500	885,000	885,000	885,000
Interest	114,796	18	-	-	-	-
Other	41,933	21,348	3,000	3,521	3,521	3,521
Total Revenue	**1,586,455**	**1,408,945**	**1,793,978**	**1,989,521**	**2,018,521**	**2,018,521**
Expenditure						
Personnel Services	675,370	752,248	769,705	853,910	905,145	959,453
Contractual Services	282,612	237,086	219,920	232,700	235,027	237,377
Commodities & Supplies	19,823	18,870	25,150	27,800	28,078	28,359
Fuel/Oil	468,086	391,874	665,000	665,000	665,000	665,000
Vehicle Operating	39,554	27,090	22,500	28,000	28,000	28,000
Capital Outlay	-	-	10,000	-	-	-
Transfers						
Equipment/Capital	46,126	-	75,000	106,000	106,000	106,000
Debt	7,000	16,864	16,879	16,837	16,837	16,837
Total Expenditure	**1,538,570**	**1,444,033**	**1,804,154**	**1,930,247**	**1,984,087**	**2,041,026**
Net Profit	**47,885**	**(35,087)**	**(10,176)**	**59,274**	**34,434**	**(22,505)**
Ending Cash	**108,330**	**40,308**	**30,132**	**89,406**	**123,840**	**101,335**
Reserve Policy 5%			90,208	96,512	99,204	102,051

Airport Budget

Funding the City/County Airport

Option 1 - Increase the City's dedicated airport levy

- Raise the City's allocation by an additional $26,000. Request County match the increase

Option 2 - Reallocate mills from the General Fund

- Shift mills out of the General Fund to Airport Fund. Total levy unchanged; no new burden on the taxpayer. Request County match the increase

Option 3 - Hold the levy and reduce expenditures

- Leave the allocation at 0.635 mills and balance the fund by reducing airport expenses (similar to 2024/2025).

Option 4 - Ask County to match City and hold levy

-

2027 Budget Enhancement Requests

Requests for Additional Staffing:

Department	Funding Source	Position Title	Estimated Cost
Admin.	General Fund	Management Analyst	≈ $85,649
Fire/EMS	General Fund	(3) Firefighter/EMT's	≈ $294,503
Engineering	General Fund	Code Enforcement Officer	≈ $85,649
CVB	CVB/General Fund	CVB/Main Street Coordinator	≈ $85,649

Options to fund Budget Enhancements (personnel)

- General Fund positions could be funded with increase in valuation.
  - Fire/EMS 100%, Code Enforcement 30%, Management Analyst 100%
  - Code Enforcement position split- 50% sanitation, 20% sewer, 30% engineering. Offset with Utility credit card fees.
- Code Enforcement position
  - Fund with above split
  - Could be looked at using contracts
  - Hold off hiring

Options to fund budget enhancements (personnel) Cont.

3) Fire/EMS positions (3)

- 100% General Fund
- Or Hold off - Public Safety Analysis completion in Spring 2027

4) CVB/MainStreet position

- Deficit spend transient guest tax fund- 100% TGT
- Or Split between General Fund (50%) and TGT (50%)
- Or Hold off & Re-align projects

5) Management Analyst position

- 100% General Fund
- Or Hold off & Re-align projects

Mill Levy History

Fiscal Year	General	General Ad Valorem	B & I	B & I AD Valorem	Airport	Airport Ad Valorem	Library	Library	Special Liability	Special Liability	Total Mils	Inc/Dec	Assessed Valuation
2027	56.528	10,657,446	9.235	1,741,111	0.635	119,719	5.599	1,055,601	0.356	67,118	72.353	0.00	188,533,932
2026	56.528	10,223,368	9.235	1,670,195	0.635	114,843	5.599	1,012,607	0.356	64,384	72.353	0.13	180,854,932
2025	56.428	10,103,938	9.219	1,650,744	0.633	113,344	5.588	1,000,581	0.355	63,566	72.223	0.14	179,058,934
2024	56.583	9,692,935	9.109	1,553,148	0.675	113,361	5.608	941,988	0.386	64,674	72.361	1.98	170,904,698
2023	53.711	8,287,370	10.049	1,538,089	0.670	102,357	5.570	851,260	0.383	58,246	70.383	7.88	151,880,818
2022	45.806	6,413,562	10.066	1,427,144	0.671	91,660	5.580	765,524	0.383	48,852	62.506	0.03	138,964,581
2021	42.828	6,151,760	13.071	1,782,833	0.671	92,035	5.773	782,766	0.192	26,367	62.535	0.07	129,796,772
2020	43.355	5,551,886	13.058	1,672,161	0.670	85,798	5.195	665,253	0.192	24,587	62.470	0.04	128,056,417
2019	48.467	6,067,784	7.312	915,420	0.605	75,742	5.934	742,902	0.191	23,912	62.509	2.18	125,194,134
2018	47.615	5,744,067	6.173	744,684	0.593	71,537	5.758	694,620	0.187	22,559	60.326	3.21	120,635,654
2017	45.622	5,475,154	4.833	580,014	0.698	83,768	5.809	697,145	0.159	19,082	57.121	5.03	120,011,268
2016	41.849	4,977,253	3.920	466,220	0.647	76,950	5.675	674,948	0.000	0	52.091		118,933,630

How does CPI affect the City's levy?

What is CPI-U?

- Published by the U.S. Bureau of Labor Statistics, it's the price of what households actually buys like housing, food, fuel, & insurance.
- Indexed so 1982-84=100. We use the calendar-year average, matched to each budget year.
- It answers one question: what does a dollar still buy?

What a 2016 Dollar Buys You?

+120%

Nominal Levy Growth

$6,195,000 ---> $13,641,000

+43%

CPI-U Inflation, same years

+54%

Real Growth in Purchasing Power

$6,195,000 ---> $9,539,000

stated in 2016 constant dollars

External Agency Funding

Decision on funding external agencies

- Senior Center request: $20,000
- Heart to Heart request: $ 8,000
- Safe Hope request: $12,000

= $40,000

2026 Estimated Assessed Valuation

Final Assessed Valuation Nov. 1, 2025	$180,854,932
July 1, 2026 Estimated Assessed Valuation	$188,533,932

This is a 4.2% increase over November 1, 2025, assessed valuation.
Each mill increased by $7,679

Scenario 1 Assumptions- Revenue Neutral Rate

- Special Liability, B&I, Airport and Library maintain Mil Levy at 2026 level
  - Library to meet proposed budget
  - Special liability, B&I, Airport to maintain health of fund
- Needed cuts come from General fund only.
  - Reduction of $121,500 needed
  - Could be offset by passing on a portion of CC fees and not including any budget enhancements

Current Budget Mil Rate for City 2026 = 72.353

- Total Ad Valorem = $13,085,397
  - General Fund 56.528 = $ 10,223,368
  - Special Liability 0.356 = $ 64,384
  - B&I 9.235 = $1,670,195
  - Airport 0.635 = $ 114,843
  - Library 5.599 = $ 1,012,607

Scenario 1- Lower Mil Levy to RNR & Budget 2026 Tax Revenues = 69.408

- Total Ad Valorem = $13,085,397
  - General Fund 53.583= $10,101,848
  - Special Liability 0.356 = $ 67,118
  - B&I 9.235 = $1,741,111
  - Airport 0.635 = $119,719
  - Library 5.599 = $1,055,601

*does not include MV tax

Scenario 2 Assumptions

Retain 50% of the increase in Assessed Valuation

- Maintain Mil Levy in Special Liability, B&I, Airport, and Library
- Increase of $156,279 to General fund
  - Could assist in funding one or more of the position asks
    - Dependent on which to fund
    - Dependent to decision to use Transient Guest Tax and to pass on Credit card fees

Scenario 2.5 Assumptions

Retain 50% of the increase in Assessed Valuation

- Maintain Mil Levy in Special liability, General Fund, Airport and Library
- Increase of $156,279 to Bond & Interest to fund increased investment in development needs
    - This investment would allow for projects to be funded and completed without large jumps in the B&I Mil Levy
    - This would prioritize growth and development in the community

Current Budget Mil Rate for City = 72.353

- Total Ad Valorem = $13,085,397
  - General Fund 56.528 = $ 10,223,368
  - Special Liability 0.356 = $ 64,384
  - B&I 9.235 = $1,670,195
  - Airport 0.635 = $ 114,843
  - Library 5.599 = $ 1,012,607

Scenario 2 & 2.5- Lower Mil Levy to absorb half of valuation increase≈ 70.757

- Total Ad Valorem = $13,363,196
  - General Fund 54.955 = $10,379,647
  - Special Liability 0.356 = $ 67,118
  - B&I 9.235 = $1,741,111
  - Airport 0.635 = $119,719
  - Library 5.599 = $1,055,601

*does not include MV tax

- **Scenario 3 Assumptions**
  - Each fund takes full increase in assessed valuation
  - General fund utilizes the increase ($555,599) to fund the additional position requests.

    - $294,503- 100% Fire/EMS positions (3)
    - $ 85,649 - 100% Management Analyst (1)
    - $ 42,824 - 50% CVB/Main Street position (1)
    - $ 25,695 - 30% of Code Enforcement (1)

    <u>$448,671 - TOTAL</u>

Current Budget Mil Rate for City = 72.353

- Total Ad Valorem = $13,085,397
  - General Fund 56.528 = $ 10,223,368
  - Special Liability 0.356 = $ 64,384
  - B&I 9.235 = $1,670,195
  - Airport 0.635 = $ 114,843
  - Library 5.599 = $ 1,012,607

Scenario 3 -Keep Mil Levy at 2026 Mil Rate = 72.353

- Increase in 2027 Tax Collection = $555,599 Total Ad Valorem $13,640,996
  - General Fund 56.528 = $ 10,657,446
  - Special Liability 0.356 = $ 67,118
  - B&I 9.235 = $1,741,111
  - Airport 0.635 = $119,719
  - Library 5.599 = $1,055,601

*does not include MV tax

Impact on Homeowner Examples - $250,000 home ~ $95/per year

Current Residential Example

2025 Property Tax Statement

282,500 Residential Value *(Example)*

X

11.50% Property Assessment Rate *(Kansas Law)*

32,488 Taxable Value

Mill Levy Rate		Taxes Collected	
1.50	State of Kansas	**$48.73**	0.9% *(of total taxes levied)*
52.865	USD 373	**$1,717.45**	30.8% *(of total taxes levied)*
44.706	Harvey County	**$1,452.39**	26.1% *(of total taxes levied)*
	City of Newton		
56.527	General Fund	$1,836.42	
5.599	Library	$181.90	
9.235	Bond & Interest	$300.02	
0.38	Special Liability	$12.35	
0.612	Airport	$19.88	
72.353	**Total**	**$2,350.57**	42.2% *(of total taxes levied)*

2025 Property Tax Bill

171.42 Mills **$5,569.14**

RNR Residential Example

2025 Property Tax Statement

282,500 Residential Value *(Example)*

X

11.50% Property Assessment Rate *(Kansas Law)*

32,488 Taxable Value

Mill Levy Rate		Taxes Collected	
1.50	State of Kansas	**$48.73**	0.9% *(of total taxes levied)*
52.865	USD 373	**$1,717.45**	31.4% *(of total taxes levied)*
44.706	Harvey County	**$1,452.39**	26.5% *(of total taxes levied)*
	City of Newton		
53.583	General Fund	$1,740.78	
5.599	Library	$181.90	
9.235	Bond & Interest	$300.02	
0.38	Special Liability	$12.35	
0.612	Airport	$19.88	
69.409	**Total**	**$2,254.92**	41.2% *(of total taxes levied)*

2025 Property Tax Bill

168.48 Mills **$5,473.49**

Decisions for today

- Budget enhancements- personnel
  - Management Analyst
  - (3) Firefighter/EMT's
  - Code Enforcement Officer
  - CVB/Main Street Coordinator
- Airport Funding
- Credit card fees
- Fund external agencies
- Mil levy option

Next Steps

- City Manager presents budget – August 11
- Approve not-to-exceed budget to publish - August 25
- Conduct public hearings & Adopt 2027 Budget - September 8
- After Adoption
  - Budget to County Clerk
  - Adopted budget posted on website