



Revenue and User Fee Policy

I. Authority:

The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

Local governments create value for the public by providing services and creating stable institutions, which contribute to an orderly society. Revenues are central to constituents' perceptions of the value governments create for them for two reasons. First, sufficient and stable revenues are needed to consistently produce the programs and services that constituents prefer. Second, "public value" is not just a function of the services constituents receive, but also what and how they pay for those services – revenue sources that are fair and consistent will be more acceptable to the public.

This Revenue and User Fee Policy establishes standards and guidelines that support efficient and fair revenue streams. The goals are a broad philosophy that supports how the government will manage revenues in terms of diversification and stabilization, equity, relation to economic development, and collections.

III. Applicability and Scope:

This policy shall apply to all Funds under the budgetary and fiscal control of the Mayor and the Board of Commissioners.

IV. Policy:

A. Revenues Goals

1. Diversification and Stabilization – The goal of Unified Government is to maintain diverse and stable revenue sources. Three primary revenue sources, including property tax, sales tax, and franchise or payment in-lieu of tax provide a strong revenue base. Nearly 60% of revenue received by the UG is from the three sources stated above. A combination of other charges for services, various fees, fines and other miscellaneous revenues broaden the revenue base.
2. Equity – The Unified Government strives to maintain a sound and fair tax appraisal system, consistent with State statutes. The County's diversified tax structure results

in property, sales or franchise tax payments from most residents and businesses. For example, a business receiving a property tax incentive or abatement is still subject to the local utility franchise or PILOT charges (payment-in-lieu of tax).

3. Relation to Economic Development – Tax incentives will be provided to encourage investment in both residential and commercial sectors that stimulate growth and provide future fiscal and economic impact to the community. Tax incentives will be consistent with the government’s tax abatement and economic development policies.
4. Collections - The collection of delinquent taxes is a high priority. Delinquent taxpayer notifications, tax sales, and the Kansas set-off program are important tools used by the government to reduce delinquency and increase governmental revenues

B. Non-Recurring and Volatile Revenues

Non-recurring revenues should not be used on a continual basis to balance the budget. Capital investment is a more appropriate use of the funds.

C. New Revenues and Changes to Revenues

New revenue sources will be evaluated in terms of their fairness, economic impact and cost.

D. Revenue Estimates

Because revenues are sensitive to local and regional economic conditions, the UG takes a conservative forecasting approach in projecting revenues. Forecasting of revenues should consider prior year trends and current economic conditions. Staff will estimate annual revenues by an objective, analytical process utilizing trend, judgmental, and statistical analysis as appropriate. Revenue budget estimates shall be supported with documented variable assumptions (base, rate, etc.). Revenue initiating departments shall provide guidance to the Finance Department in the formulation of revenue estimates. Additionally, revenue forecasts should be monitored on an ongoing basis and adjusted as necessary.

E. Earmarking

In order to maximize the flexibility of current and future UG administrations, it is the goal of this policy to limit the use of earmarking specific revenues for specific programmatic expenditures.

F. User Fees

For services that benefit specific users, the County Administrator shall establish and collect fees to fully or partially recover the costs of providing those services and determine the appropriate cost recovery level in establishing the fees. Where feasible and desirable, the UG shall seek to recover full direct and indirect costs. User fees shall be reviewed on a regular basis to calculate their full cost recovery levels, to compare them to the current fee structure, and to recommend adjustments where necessary.

Utility rates and enterprise funds user fees shall be set at levels sufficient to recover operating expenditures, meet debt obligations, provide additional funding for capital improvements, and provide adequate levels of working capital. The UG shall seek to eliminate all forms of subsidization to utility/enterprise funds from the General Fund.

G. Property Taxes

The UG shall endeavor to reduce its reliance on property tax revenues by revenue diversification, implementation of user fees, and economic development. The City shall also strive to minimize the property tax burden on Unified Government citizens.

V. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer and the Budget Director to ensure the presence of procedures that provide sufficient guidance to affected Unified Government personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VI. Metrics:

To be developed and managed accordingly.

VII. Definitions and Acronyms:

- A. Cash Basis of Accounting / Kansas Cash Basis Law – Cash basis of accounting is the practice of recording revenues when cash is received and recording expenses when the expense is paid. Kansas cash basis law, K.S.A. 10-1101 et seq. is designed to prohibit cities and counties from spending cash the entity does not have or incurring obligations that cannot be met promptly. The law makes it unlawful to create any indebtedness in excess of the amount budgeted and appropriated for the purpose during the current budget year. Any contract of the municipality creating indebtedness, in violation of the law, would be declared void. Accordingly, multi-year contracts must have a provision that allow for the cancellation of contracts if the funding to pay the obligation was not appropriated for the budget year. There are certain exceptions to the cash basis law in the Kansas statutes, specifically pertaining to the issuance of certain types of government debt.
- B. Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources, together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying out specific activities or attaining certain objectives. Funds can be divided into various types, depending on their purpose. These types include Governmental (general Fund, special revenue Funds, capital project Funds, debt service, proprietary Funds (internal service and enterprise Funds) and Fiduciary Funds (trust Funds, agency Funds).
- C. Non-Recurring Revenues – Revenues that are one-time in nature causing a pike in revenues. Recurring revenues will show mild fluctuations depending on the economy and other factors that fluctuate within a range such as one to five percent. This type of fluctuation is distinguished from a revenue spike that shows unusually large increases for one or two years (over five percent). Economic booms and recessions can create such revenue spikes. The increased revenues (above the normal fluctuation) will be considered one-time or non-recurring revenues.

- D. Operating Revenue - Revenues from regular taxes, fees, fines, permits, charges for service and similar sources. Operating Revenues exclude proceeds from long-term debt instruments used to finance capital projects and other financial sources.
- E. Other Financing Sources - The other financing sources category normally is used only for items that authoritative reporting standards have identified as such. Those items are: the issuance of long-term debt; inception of a capital lease; debt service on demand bonds reported as Fund liabilities; sales of capital assets; insurance recoveries; and transfers.
- F. Program - A set of activities, operations, or organizational units designed and directed to accomplish a specific service outcomes or objectives for a defined customer.
- G. User Fees – A revenue or charge for services assessed to recover all or a portion of the cost of providing the services rendered.

VIII. Related Documents and References:

- A. Budget process manuals and budget resolutions
- B. Operating and Capital Budget Policy
- C. Expenditure Policy
- D. Long-Term Financial Planning Policy
- E. County Administrator policies as applicable