City of Bel Aire
Comprehensive Financial Policy
Effective Upon Adoption of the Governing Body

PURPOSE

The City of Bel Aire, Kansas (herein after referred to as "City") is committed to wise stewardship of all public funds entrusted to its care. This responsibility includes careful accounting, maximizing revenue, minimizing expenditures, proactive planning for the payment of debt obligations, and funding of services and capital improvements. This Comprehensive Financial Policy (Policy) formally establishes the criteria and guidelines to provide structure for continuing fiscal stability, thereby reducing financial risk and maintaining adequate reserves for future requirements. Implementation of this policy is designed to:

A. Provide advice to citizens and other taxpayers of the City regarding criteria for City financial actions in order to maintain public confidence.

B. Ensure that the Governing Body is informed about the City's financial capacity before making decisions that will result in major changes to the operating program, capital and maintenance activities.

C. Provide for a balanced and dependable revenue structure that is responsive to economic conditions and ensures delivery of City services and maintenance of capital assets.

D. Maintain and improve the City's bond rating by providing a clear picture of the City's financial condition and security to investors.

E. Retain a prudent level of fund balance in the General Fund, to provide a stable financial base for future fiscal periods to facilitate:

   1. Uninterrupted delivery of essential governmental services

   2. Tax rate stability

   3. Financial stability during significant economic downturns or revenue shortfalls

   4. Sufficient cash flow for daily financial/operational needs

   5. Maintaining and improving the City's bond rating.

FINANCIAL PLANNING POLICIES

A. Balanced Budget and Budgetary Basis

The annual budget adopted by the Governing Body shall be prepared in accordance with State budget laws which set specific time constraints and prohibit a budget from projecting spending in excess of available resources (current revenues and available fund balance).

1. The City's budget is prepared on the modified accrual basis for all funds, and assumes that prior year ending cash balances may be utilized to balance the budget. The basis of accounting is also modified accrual.

2. The City avoids the use of non-recurring revenues to finance ongoing expenditures. The City shall pay the full cost of current services with current revenues. However, reserves may be used on a short-term basis to offset the impact of economic downturns or emergencies.

3. Budget Amendment - The City cannot legally exceed approved budgeted expenditures. If a budget amendment is required, it must be approved through the same steps as the original budget adoption.

B. Long Range Financial Planning

1. Five Year Financial Forecasts - The City shall maintain and enhance long-range fiscal planning and budgeting processes which anticipate underlying economic conditions and provide for orderly, year-to-year changes to City taxes, service levels, and responses to unanticipated events to help avoid service disruptions. The budget process shall also incorporate Citywide and departmental strategic planning processes.

    a. In conjunction with the annual budget process, the City Manager shall direct that a Five Year Revenue and Expenditure Forecast be prepared for each budgeted fund. Such forecasts shall be used by the Governing Body in the annual budget process for reviewing proposed capital project, maintenance and operating program requests to ensure long-term financial sustainability.

    b. The assumptions used for revenue projections will incorporate review of national, regional and local economic indicators, such as population growth, personal income growth, inflation, business growth, unemployment, retail trends, and property valuation trends.

    c. The annual budget and Capital Improvement Program shall be in agreement with the long term forecasts.

2. Five Year Capital Improvement Program (CIP)

It shall be the policy of the City to identify and set priorities among the capital improvement needs of the community, and to develop a schedule for making these improvements in accordance with financial capacity. Goals of the CIP include responding to and anticipating future growth of the City, increasing the efficiency of City operations, and encouraging and sustaining economic development. Capital expenditures by their nature have long term useful lives. Generally, equipment, infrastructure or facilities with a value less than $100,000 and a useful life less than 10 years will be acquired through the City's operating budget.

a. Review - The City Manager shall annually provide to the Governing Body an updated five-year CIP for budget planning purposes, proposing projects over the ensuing five year period. The Planning Commission shall review the CIP for consistency with the City's Comprehensive Plan.

b. Content - The CIP shall include:

   i. A clear summary of its contents
   ii. A list of all capital improvements proposed for the ensuing five year period, along with supporting information for each project
   iii. Cost estimates, methods of financing, and recommended time schedules for each project
   iv. The estimated annual operating impact of capital projects (if any)

c. Projects related to development - When possible, capital projects constructed in response to residential or commercial development should be financed through growth in the tax base, development fees, or special assessments.

3. Asset Inventory - In conjunction with the annual financial audit, the City shall review the inventory of capital assets in order to verify possession and assess condition. Information from such inventory shall be used to assist in determining a prudent, orderly replacement of City-owned assets through the operating budget and CIP.

4. Equipment Replacement and Maintenance - The City's goal is to provide for adequate, ongoing funding for required equipment replacement either through the Equipment Reserve Fund or the General Fund. A five-year schedule for Equipment Replacement shall also be submitted along with the Capital Improvement Plan during the annual budget process.

REVENUE POLICIES

The City shall maintain a diverse revenue structure which is dependable and responsive to economic conditions. The City shall pursue a partnership with taxpayers to encourage sharing of public service costs in a fair and equitable manner.

A. One-time (Non-recurring) and Unpredictable Revenues

The City shall avoid the use of non-recurring and unpredictable revenues to fund ongoing expenditures. Ongoing expenditures shall be funded with reliable, ongoing sources of revenue.

B. User Fees and Charges
The City will establish and evaluate fees and charges based on the cost of service, community benefit and cost recovery best practices. The City's goal is to review and consider possible revisions to fees annually to avoid significant adjustment in any single year.

C. Funds from Other Agencies
The City shall seek to partner with other intergovernmental agencies to share operational services, facilities, and equipment-related costs when prudent and beneficial to the City. The City will seek sustainable intergovernmental funding to support ongoing operational and maintenance expenditures. In addition, the City shall aggressively seek funds from federal, state, county and other agencies for use in implementing the CIP, and shall normally give priority to projects which maximize the use of such funds in meeting the objectives of the CIP.

DEBT POLICIES

The City's debt policy provides a framework to e~~i~~nsure that debt is issued in accordance with established public policy, and managed in a fiscally prudent manner which seeks to maintain or improve current credit ratings, comply with federal and state laws, minimize cost to taxpayers, and not adversely affect future generations. The debt policy shall provide general guidelines for debt issuance and management. The City's Governing Body shall approve all debt issuances.

A. Use of Debt Financing

The City shall limit the use of debt to the financing of capital projects and equipment through the City's CIP or related to the development of newly developing benefit areas in accordance with Council approval. The City shall avoid the use of debt to fund recurring operating expenditures. The City may issue debt in those instances where public policy, equity and efficient use of limited resources favor debt financing over funding with current revenues. Decision criteria shall include the following:

1. City's current and projected debt level, legal debt limit, overall financial health and economic conditions.

2. Availability of alternative financing sources, including use of current revenues (pay-as-you-go financing) and leveraged revenue sources from private and intergovernmental contributions. Projects which include a substantial portion of leveraged financing shall normally be given priority.

3. Purpose and useful life of the asset. Debt shall be issued in a manner in which the term of the debt financing does not exceed the asset's useful life. Debt shall be issued primarily as a financing tool of the City's CIP or as a conduit for economic development.

   a. Debt related to capital improvements shall normally be issued as general obligation debt for ten to twenty years. The length of the issue is based on the type of asset and expected useful life.

   b. Debt for equipment may be bonded for a period of less than ten years; however, it shall not be bonded for a period of time longer than the anticipated useful life.

B. Debt Capacity

The total amount of outstanding debt the City will incur is based on a review of various factors, including the following:

1. Debt shall not exceed 30% of the assessed valuation, as authorized under K.S.A. 10-308.

2. Rating agency criteria - in order to maintain and improve the City's bond rating, the Finance Director will monitor reports and financial statements indicating the City's financial position and results of operations. The Finance Director will also periodically consult with the City's financial advisor to review municipal bond markets and trends in municipal finance.

3. The City's financial planning standards include monitoring of several key guidelines related to the amount of debt outstanding, including:

   a. Total Direct Debt per Capita - the amount of per capita debt directly issued by the City, for which the City has pledged its full faith and credit.

   b. Percentage of Direct and Overlapping Debt to Market Value - the City's direct bonded debt and overlapping debt of other taxing jurisdictions as a percentage of estimated market valuation of property within the City ~~of Bel Aire~~.

   c. Percentage of debt service cost to operating expenditures - the City's annual principal and interest debt service cost divided by the total operating expenditures (excluding transfers) of the General Fund and other applicable funds.
   d. Ratio of principal retirement within ten years.

   e. City staff will evaluate the capacity of the Bond and Interest Fund to service each proposed bond issue.

C. Debt Instruments

1. General Obligation Bonds

2. Special Assessment Bonds

3. Revenue Bonds

4. Temporary Notes

5. Lease-Purchase Agreements

6. Industrial Revenue Bonds (Conduit financing)

D. Debt Issuance and Management Policies

1. Debt should be marketed on a competitive bid basis. A negotiated sale may be undertaken upon the recommendation of the City's financial advisor, if one or more of the following conditions exist: issue lacks sufficient credit quality, the principal amount is extremely large or small, the issue appeals to a relatively narrow investor base, the bonds are issued under a new statutory authority, or the market is experiencing extreme volatility.

   a. If a negotiated sale is advised, the City will competitively select the underwriter(s) needed to accomplish the structuring, marketing, pricing and sale of the bonds.

   b. The financial advisor shall maintain complete independence from the underwriting process.

2. Debt structure shall be designed in accordance with the following, unless the City's financial advisor recommends an alternative approach:

   a. Fixed rate obligations only.

   b. Optional prepayment provisions may be included in each bond issuance.

   c. Derivative transactions are prohibited unless specifically approved by the City's Governing Body.

3. Refundings or prepayment of outstanding debt may occur when the possibility of interest cost reduction exists, or the city wishes to restructure its debt service and/or amend its contractual bond requirements.

4. The City shall have the ability to add an administrative fee of up to 5% on any temporary note and/or bond issuance.

5. The City shall hire qualified bond counsel and financial advisors in a competitive process whenever feasible and cost beneficial.

6. The City shall insure that it fully complies with all state and federal regulatory requirements, including post-issuance compliance related to continuing disclosure, private use and arbitrage rebate.

E. Tax-Exempt Financing Compliance - The City is required under the Continuing Disclosure Undertaking to provide disclosures of certain financial information and operating data and to file notices of certain material events to the marketplace to facilitate informed secondary market trading in Tax-Exempt Bonds issued by the City. The City is committed to full compliance with the tax and securities law requirements for all of its outstanding and future Tax-Exempt Bonds. This Compliance Procedure is in accordance with the IRS and SEC directives.

F. The City will appoint a Bond Compliance Officer who shall be responsible for adherence to the specific procedures outlined in the separate Adopted Tax Exempt Financing Compliance Policies.

FUND BALANCE POLICY

A. General Fund Unassigned Fund Balance Target - The City's targeted General Fund unassigned fund balance is at least 30% of the subsequent year's budgeted revenues. The target amount is expressed as a goal, and may fluctuate from year to year in the normal course of operations. The targeted minimum for the General Fund unrestricted fund balance is 17%, which represents the Government Finance Officers Association (GFOA) recommended minimum of no less than 2 months of operating revenues/expenditures.

1. Use of Unassigned Fund Balance - May be reduced to a level below the 30% target level to provide temporary funding for emergency needs in the case of a natural disaster, prolonged economic downturn, or other non-recurring need at the Governing Body's discretion.

2. Replenishment of Unassigned Fund Balance - If it is anticipated at the completion of any fiscal year that the projected amount of unassigned fund balance in the General Fund will be less than the minimum established target, the City Manager shall prepare and submit in conjunction with the Five Year Financial Forecasts a plan for the expenditure reduction and/or revenue increases necessary to restore the minimum target amount within a five year period.

B. Fund Balance Classifications - The following classifications, defined by governmental accounting standards, serve to enhance the usefulness of fund balance information:

1. Non-spendable: Assets legally or contractually required to be maintained, or assets not in spendable form, such as inventory or prepaid items. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.

2. Restricted: Assets with externally imposed constraints, such as those mandated by creditors, granters or contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, law or regulations.

3. Committed: Assets with a purpose formally imposed by resolution of the Governing Body of the City, binding unless modified or rescinded by the Governing Body.

4. Assigned: Assets constrained by the express intent of the Governing Body, City Manager or Deputy City Manager. Encumbrances shall be considered to be assigned, unless they specifically meet the requirements to be committed or restricted.

5. Unassigned: All amounts not included in other fund balance classifications. The unassigned fund balance serves as a measure of expendable available financial resources.

C. Order of Unrestricted Fund Balance Expenditure- For unrestricted fund balance, committed amounts should be reduced first, followed by assigned amounts, followed by unassigned amounts.

FINANCIAL ACCOUNTING AND REPORTING

A. General Policies

1. The City will adhere to generally accepted accounting principles (GAAP), including pronouncements by the Government Accounting Standards Board (GASB).

2. The City will adhere to a policy of full and open public disclosure of all financial activity and information. The City will strive to provide transparent financial information which is easily accessible by the public.

3. Each year, the City will employ an independent public accounting firm to perform the annual audit in accordance with K.S.A. 75-1122.

B. Expenditure Accountability

1. The City will maintain a budgetary control process and will produce monthly financial reports that measure actual revenues and expenditures compared to budgeted revenues and expenditures.

    a. Department Directors will have primary responsibility for ensuring that expenditures adhere to the appropriations of the adopted budget. Department Directors have individual spending authority up to 5,000.00 on items included in their respective budget.

b. The Finance Director and City Manager will monitor the City's financial position by department and fund, including revenues and expenditures, in relation to the adopted budget and long-term financial forecast. The City Manager has the authority to approve individual purchases up to $~~10,000.00~~15,000.00. However, that limit may be waived in emergency situations.

2. The City Manager with input from the Director will ~~establish and~~ enforce uniform Purchasing Policies and Procedures in order to maximize the use of financial resources through sound procurement practices.

3. Management will enforce appropriate internal controls and procedures for processing invoices for payment. Expenditures will be recorded in the proper accounts.

4. If adjustments are needed in the City's planned expenditures in order to ensure the City's long term financial sustainability, the City Manager may:

   a. Administratively reduce or redistribute annual budget allocations, and/or

   b. Provide information to the Governing Body regarding options for expenditure adjustments.

INVESTMENT POLICY

A. Investment Objectives

1. Safety: The primary objective of the City ~~of Bel Aire~~'s investment policy is safety of capital. All investments will first seek to minimize risk to capital and insure the preservation of taxpayers' investments.

2. Liquidity: Potential changes in economic conditions, revenue projections or unanticipated expenditures require a portion of the investment portfolio of the City to be invested in easily liquidated instruments.

3. Yield: The investment portfolio of the City shall seek to maintain a market average rate of return to withstand changes in the marketplace.

B. Investment Parameters

1. The City is authorized to invest only in investments vehicles as those set forth in Kansas Statutes:

   a. Kansas Municipal Investment Pool

   b. US Treasury Instruments or direct obligations thereof

c. Certificates of Deposit, Savings Accounts, Money Market Accounts in a qualified public depository

COORDINATION AND REVIEW

City staff shall review this policy annually, coordinating with other related policies. The policy will be submitted to the Governing Body for review and approval ~~of any updates~~ at least every three years and upon any requested updates.

This policy supersedes all prior financial policies adopted to date.

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Adopted by the Governing Body of the City of Bel Aire, Kansas on the ___st day of ____, 2026.

CITY OF BEL AIRE, KANSAS

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Jim Benage, Mayor

ATTEST:

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Melissa Krehbiel, City Clerk