

CITY OF MERRIAM, KANSAS

# POPULAR ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

2018





## A Message from the Finance Director

Dear Merriam Residents,

I am pleased to present the City of Merriam's Popular Annual Financial Report (PAFR) for the fiscal year ending December 31, 2018. This report provides a brief analysis of where City revenues come from and where those dollars are spent. It is intended to inform citizens about the City's financial activity in a simple, easy-to-read format.

The PAFR contains highlights from the City's 2018 Comprehensive Annual Financial Report (CAFR), which is a more detailed, audited document. The PAFR and CAFR are prepared in accordance with Generally Accepted Accounting Principles (GAAP). Copies of both reports are available by contacting me directly or by visiting the web at [merriam.org/finance](http://merriam.org/finance).

If you have questions or comments regarding this report, please contact me at 913-322-5504.

Sincerely,

*Cynthia L. Ehart*

Cynthia Ehart  
Finance Director  
913.322.5504  
[cehart@merriam.org](mailto:cehart@merriam.org)



Government Finance Officers Association

### Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to  
**City of Merriam  
Kansas**

For its Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Monell*  
Executive Director/CEO

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## ABOUT MERRIAM

**LOCATION** // Northeastern Kansas. The City is part of the Kansas City metro area, just eight miles from downtown Kansas City, Missouri

**SIZE/POPULATION** // 4.5 square miles; 11,212 residents

**DEMOGRAPHICS** // Median age 39.1; per capita income \$40,206; average home value \$191,541

**UNEMPLOYMENT RATE (JOHNSON COUNTY)** // 2.90%

**BOND RATING** // Series 2018 General Obligation Bonds were rated AAA (Stable) by S & P Global

**TOP 5 EMPLOYERS** // Adventist Health (formerly Shawnee Mission Medical Center); Synchrony Financial Services; DS Bus Lines/First Student; IKEA Home Furnishings; Seaboard Allied Milling

**MAJOR INDUSTRIES** // Medical; New and Used Automotive Dealers; Automotive Maintenance and Repairs; Home Furnishings and Improvements

**HISTORY** // In 1870, the first railroad station was built and the town was named “Merriam” in honor of Charles Merriam, a railroad superintendant. In 1880, the town became home to a large, well-planned amusement park that attracted more than 20,000 visitors per day who would ride the train in from nearby Kansas City. Merriam played a role in the desegregation movement for schools. In 1949, 39 families filed suit against the local school district when their children were rejected from a white-only school located in Merriam. Success of the case paved the way for the historic *Brown v. Board of Education*, which removed segregation from the public school system. The City continues to be a vibrant middle-class suburb of Kansas City.





## Financial Activity Statements

Governmental funds are used to account for tax-supported activities. Merriam's governmental funds include the General Fund, Capital Improvement (CIP) Funds, Equipment Replacement Fund, Bond Fund, and Tax Increment Financing Funds (TIF). Merriam also has a Transient Guest Tax Fund and four special revenue funds.

The City's basic services, including police and fire protection, parks and recreation, streets, community and economic development services, maintenance and capital improvements, are accounted for in these funds.

In February 2018, the City issued 10-year general obligation bonds to construct a new recreational facility. Sales taxes for 2018 increased due to collection of a new, voter-approved 0.25% City sales tax to assist with debt service on the bonds. Interest income was higher due to investment of \$24 million in bond proceeds prior to construction of the project. Debt service expenditures increased significantly because the first principal and interest payment on the new bond was due in October 2018. Debt service also included the return of unused tax increment funds on the terminated Merriam Town Center district. The funds were returned to Johnson County for distribution to the original taxing jurisdictions in 2019. Other taxes declined in 2018 due to the state's discontinuation of the TIF replacement tax.

Capital outlay included project costs for Johnson Drive Reconstruction, Sidewalk Infill (Phase II), Owen Heights Corrugated Metal Pipe Replacement, Police Department renovation, and the new recreational facility.

## Financial Activity Statement for Years Ended December 31

### GOVERNMENTAL FUNDS

REVENUES	2016	2017	2018
Sales taxes	\$12,120,079	\$12,108,424	\$14,161,897
Property taxes	4,112,928	4,624,853	4,642,478
TIF property taxes	4,510,269	4,195,263	4,122,373
Transient guest taxes	542,476	537,276	424,766
Other taxes	1,449,107	1,339,890	738,872
Franchise fees	1,475,514	1,451,264	1,494,896
Intergovernmental revenues	1,426,445	985,694	1,220,535
Licenses, permits, charges for service	728,490	675,345	929,572
Fines & forfeitures	889,729	861,201	921,705
Interest on investments	118,727	184,832	832,153
Miscellaneous	162,678	137,622	114,799
<b>TOTAL REVENUES</b>	<b>\$27,536,442</b>	<b>\$27,101,664</b>	<b>\$29,604,046</b>
EXPENDITURES			
General government	\$2,674,801	\$2,720,163	\$2,874,497
Police and fire protection	6,013,685	6,307,836	6,550,919
Public works & project administration	2,902,989	2,706,338	3,280,691
Community development	1,087,251	1,083,676	1,171,314
Parks & recreation	1,238,796	1,276,211	1,298,065
Capital outlay	5,169,489	7,168,645	7,425,077
Debt service ( <i>principal, interest &amp; TIF obligation</i> )*	3,783,970	3,844,648	9,041,090
<b>TOTAL EXPENDITURES</b>	<b>\$22,870,981</b>	<b>\$25,107,517</b>	<b>\$31,641,653</b>
OTHER FINANCING SOURCES (USES)			
General obligation bonds issued/premium	-	-	24,156,436
Proceeds from sale of capital assets	108,278	44,850	81,462
Net transfers in/out	-	-	-
<b>NET CHANGE IN FUND BALANCES</b>	<b>\$4,773,739</b>	<b>\$2,038,997</b>	<b>\$22,200,291</b>
Fund balances January 1	\$28,095,073	\$32,868,812	\$34,907,809
<b>FUND BALANCES DECEMBER 31</b>	<b>\$32,868,812</b>	<b>\$34,907,809</b>	<b>\$57,108,100</b>

\*Debt Service includes TIF obligations classified as community development expenditures in the CAFR.



## Net Position

The City's net position provides a useful indicator of the government's financial position. The City's assets exceeded liabilities by \$131,779,296 at the close of 2018. The largest component of net position is the \$103,699,928 for net investment in capital assets such as land, buildings, streets, stormwater facilities, machinery and equipment. The City uses these assets to provide services to its citizens and so they are not available for future spending. Restricted net position of \$12,738,762 represents resources subject to external restrictions like state statutes or debt service requirements on how the funds may be spent. Unrestricted net position of \$15,340,606 is available for revenue shortfalls, emergencies, or other unexpected needs.

Overall net position increased by \$3,957,425 in 2018 and was primarily due to construction of major capital projects.

## Net Position for Years Ended December 31

NET POSITION	2016	2017	2018
Net Investment in capital assets	\$94,004,370	\$99,965,594	\$103,699,928
Restricted	11,849,396	13,679,699	12,738,762
Unrestricted	14,370,671	14,248,605	15,340,606
<b>TOTAL NET POSITION</b>	<b>\$120,224,437</b>	<b>\$127,893,898</b>	<b>\$131,779,296</b>



## REVENUES

### Where does the money come from?

**SALES TAXES** // 1.50% tax on sales occurring within the City (effective January 1, 2018). Johnson County shares a portion of its 1.475% sales tax with Merriam and other cities. *See page 9 for more information on sales taxes.*

**PROPERTY TAXES** // City taxes on real estate and personal property. *See page 8 for more information on property taxes.*

**TIF PROPERTY TAXES** // Tax Increment Financing is a tool used to promote economic redevelopment. Such taxes arise from the difference between the original or base value and the current value of properties within an established TIF district. Taxes must be used for specific development purposes per Kansas statutes.

**TRANSIENT GUEST TAXES** // 7% room tax on room rentals for City hotels and motels.

**OTHER TAXES** // Special assessment taxes on the Merriam Point development plus TIF replacement taxes paid by Kansas per state statute.

**FRANCHISE FEES** // 5% fee is charged on electric, natural gas, telephone (landline only), and cable TV usage; 7% fee on trash haulers.

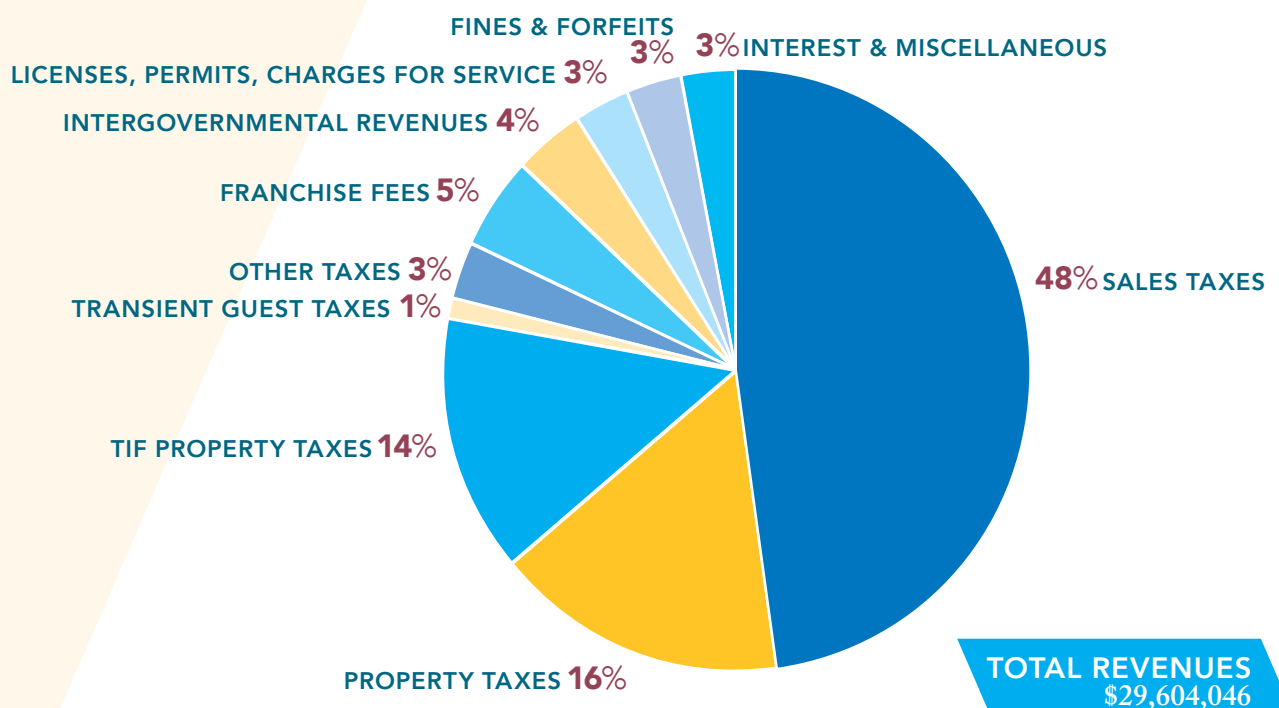
**INTERGOVERNMENTAL REVENUES** // Federal and local grants for capital projects plus the City's share of Kansas highway funds.

**LICENSES & PERMITS** // Fees from City business licenses and building permits.

**CHARGES FOR SERVICES** // Fees from the aquatic center, community center fitness center, parks and recreation programs, and facility rentals.

**FINES & FORFEITURES** // Fines and fees assessed in the City's municipal court.

**INTEREST & MISCELLANEOUS** // Interest on investments, administrative fees from developers, and workers compensation dividends.





## EXPENDITURES

### Where does the money go?

**POLICE AND FIRE PROTECTION** // Operations for police and fire services.

**PUBLIC WORKS AND PROJECT ADMINISTRATION** // Maintenance of streets including snow removal performed by public works staff. Expenditures for engineering staff and administration of capital projects.

**GENERAL GOVERNMENT** // Expenditures related to the city council, city administrator's office, finance, municipal court, legal, insurance, human resources, and information technology.

**PARKS & RECREATION** // Program administration and facility maintenance for the community center, parks, and aquatic center.

**COMMUNITY DEVELOPMENT** // Expenditures related to economic development, planning, zoning, building inspection, and code enforcement.

**CAPITAL OUTLAY** // Construction for street, drainage, building, and park improvements.

**DEBT SERVICE** // Principal and interest payments on general and special obligation debts.  
*See page 9 for more information on debt.*



**TOTAL EXPENDITURES**  
\$31,641,653



## PROPERTY TAX

### How much is it and what City services does it provide?

Currently, homeowners pay \$2,647 in annual real estate taxes on a home with market value of \$190,000. The City of Merriam receives \$606 or 23% of this amount.

#### HOW MUCH IS PROPERTY TAX IN MERRIAM?

TAXING JURISDICTION	2018 RATE	COST	% OF TOTAL
State of Kansas	1.500	\$33	1%
Merriam Drainage Board ( <i>where applicable</i> )	2.403	52	2%
Community College	9.503	208	8%
Johnson County	26.351	576	22%
City of Merriam	27.741	606	23%
Shawnee Mission Schools	53.663	1,172	44%
<b>TOTAL MILL</b>	<b>121.161</b>	<b>\$2,647</b>	<b>100%</b>



23% MERRIAM

77% SCHOOLS,  
COUNTY, OTHER

MERRIAM'S SHARE OF TOTAL PROPERTY TAX

#### WHAT CITY SERVICES DO PROPERTY TAXES PROVIDE?

PROGRAM	2018 SHARE	ANNUAL COST	MONTHLY COST
Police and fire protection	0.454	\$275	\$23
Public works	0.140	85	7
General government	0.199	121	10
Parks and recreation	0.070	42	4
Community development	0.050	30	3
CIP (sales tax supported)	0.000	-	-
Equipment Reserve	0.049	30	2
Debt Service	0.037	23	2
<b>TOTAL</b>	<b>100%</b>	<b>\$606</b>	<b>\$51</b>

HOMEOWNER  
MERRIAM, KANSAS 66202

101

City of Merriam

\$51.00

PAY TO THE ORDER OF

Fifty-one and 00/100

DOLLARS

MEMO: Monthly cost of city police,  
fire, streets, parks, other services

Homeowner



## SALES TAX

### How much is it and who receives it?

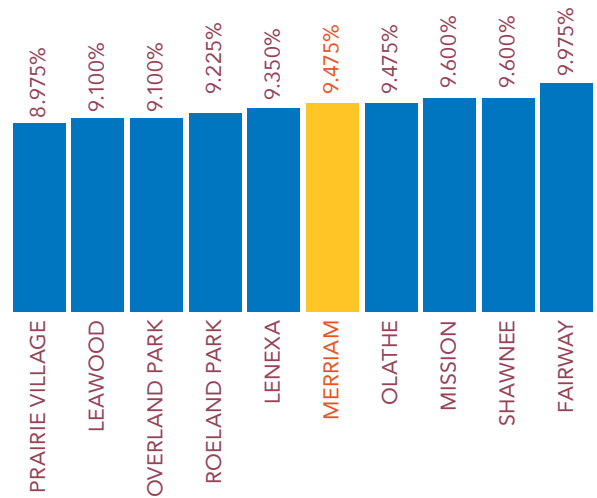
The City's 2018 sales tax rate of 9.475% compares favorably to surrounding cities and is divided among three different taxing entities. The State of Kansas receives 6.500%, Johnson County receives 1.475% and the City of Merriam receives 1.50%.

Of the City's 1.50% sales tax, 1.00% is for General Fund operations, 0.25% is dedicated to street and stormwater projects, and 0.25% is dedicated to debt service on bonds for the new recreational facility.

The total City sales tax collected in 2018 was \$12,091,093, a significant amount for a City of only 4.5 square miles. In fact, Merriam has the highest "pull-factor" in the State of Kansas at 4.76, meaning that more purchases are made by shoppers who live outside of the City than those who live within the City. It is a measure of the strength of the City's retail business community.

### SALES TAX RATE COMPARISON

Base sales tax rate only



Several cities have special district sales taxes. Sales tax is the same throughout Merriam. Rates as of 12/31/2018

### WHO RECEIVES SALES TAXES PAID IN MERRIAM?

On a \$1 purchase



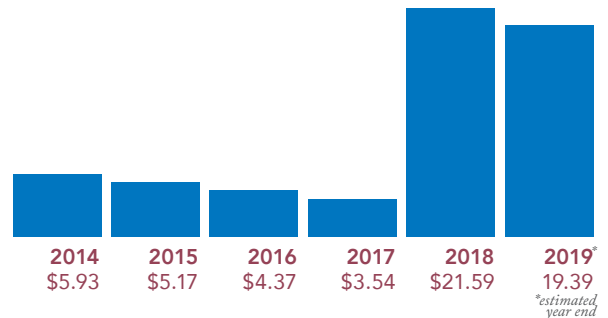
## DEBT

### How much does the City owe?

The City has \$21,585,000 in bonded debt for infrastructure improvements as of December 31, 2018. In 2018, the City issued additional bonds for \$20,935,000 to construct a new recreational facility. S&P Global rated the latest issue as AAA, its highest credit rating. Because the AAA rating is an indicator of financial strength, the City will pay lower interest expense – less than 2% overall on the new bonds. Debt service for the latest issue will be funded in part by a new 0.25% city sales tax. All debt will be paid in full by October 1, 2027.

### OUTSTANDING BONDED DEBT

in millions



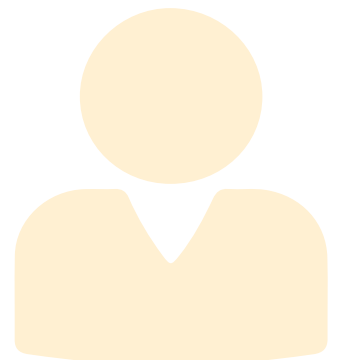
## EMPLOYEES

### How many people work for the City?

The City employs approximately 111 employees including full-time, part-time, and seasonal. The decrease between 2014 and 2015 was due to the transfer of 22 firefighters to employment with the City of Overland Park. Merriam's fire station is fully staffed, but the City pays Overland Park for the cost of all fire services.

Additions since 2014 include a part-time administrative assistant and a management intern. After 2016, staffing was reduced by one employee since the director of public works also serves as the capital improvements director.

111 // 2018  
111 // 2017  
112 // 2016  
112 // 2015  
133 // 2014



## CITY COUNCIL MEMBERS

### Who is my elected official?

The mayor is elected on a City-wide basis (“at-large”) and serves a four-year term.  
The eight council members are elected by ward and serve four-year terms.

**KEN SISSOM**  
MAYOR

*mayors@merriam.org*



**SCOTT DIEBOLD**  
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*1981stag@gmail.com*



**JASON SILVERS**  
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**AL FRISBY**  
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**CHRIS HANDS**  
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**NANCY HUPP**  
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