Budget Framework

The process of developing the budget is guided by statutes, policies, standards, and organizational priorities. The following are summarized:

- City Council Priorities
- Kansas Statutes
- Operating Budgeting Practices
- Capital Improvement Program Process
- Other Planning Processes
- Accounting Standards
- Wichita Financial Policies

Focus Areas - The City of Wichita began a Zero-Based Budgeting process in August 2016. In order to be an exceptionally well-run city, that process resulted in a new organizational mission statement with four organizational focus areas:

- Keeping Wichita Safe
- Building and Maintaining Dependable Infrastructure
- Growing Wichita's Economy
- Living Well

As a part of the Zero-Based Budgeting process, departments updated their mission statements and goals, and visions were developed for each program. Each program consists of one or more activities, and each activity is linked to the organizational focus areas, as well as the departmental goals. Key outcome measures were identified for each department, and performance measures are used for programs.

Kansas Statutes - Statutes of the State of Kansas govern the operating budget process. Three of the most relevant statutes include the Cash Basis Law, the Debt Limit Law, and the Budget Law. The State’s Cash Basis Law is outlined in KSA 10-1101 et seq. This statute includes the following provisions:

- No city can create an indebtedness greater than the funds in the city’s treasury.
- A city can issue “no fund warrants” by a resolution of the governing body declaring an extraordinary emergency.

The Debt Limit Law is contained in KSA 10-308 et seq. These statutes generally limit the total debt of a city to no more than 30 percent of the assessed valuation of the city. Generally, the municipal budgeting process is outlined in the Budget Law—KSA 79-2925, et seq. Senate Bill 13 repealed the former property tax lid during the 2021 legislative session. In 2021, County Clerks calculated a revenue neutral rate for taxing subdivisions. In order to exceed the revenue neutral rate, notification to taxpayers is required. This change was effective for the 2022 Adopted Budget. In addition to changes in notification requirements, the budget calendar was changed.

The Budget Law statutes require that cities:

- Prepare annual, itemized budgets.
- Do not budget fund balances (for applicable funds) of more than five percent of fund expenditures.
- Do not budget contingency amounts greater than 10 percent of budgeted expenditures.
- Provide notice to the County Clerk of the intent to levy above the revenue neutral rate by July 20.
- Provide public notice of budget hearings at least ten days prior to the public hearing.
- Hold a public hearing regarding the revenue neutral rate after August 20.
- Adopt the annual budget no later than September 20.
- Provide the adopted budget to the County Clerk by October 1.

Operating Budget Practices

To ensure continuity in government services, the City of Wichita employs a two-year rolling budget cycle. The City Council adopts the Budget for the next fiscal year. The City Council also reviews the Projected Budget for the ensuing fiscal year to better plan in advance, and a revised budget for the current fiscal year.

The City attempts to maintain a balanced budget, with current year revenues equal to or exceeding current year expenditures. Additionally, the City attempts to maintain its present service level for all priority and essential services within existing tax rates, as adjusted for normal growth in the tax base. No new services are added without offsetting expenditure reductions or increases in revenues. In the event that service level reductions are required, the City attempts to avoid layoffs. However, there are cases in which reductions in force are necessary during periods of economic downturn.

The City measures outcomes by integrating performance measurement with the budget to compare results to resources, as well as to compare progress toward achieving City Council priorities. Performance measurement, data analytics, process improvement, and citizen engagement are used when reviewing service levels and considering program options.
The Capital Improvement Program (CIP) guides new construction and improvements to the City’s infrastructure and facilities, ranging from road expansion to repairs on publicly owned buildings to acquisition of new water sources. The Capital Improvement Program Process is governed by Administrative Regulation 2.8, which was most recently revised in September 2016. Integral to the CIP process is a fiscally sound operating budget and a solid financial base to allow for debt or cash financing of capital projects. A well-prepared operating budget and prudent financial management is viewed favorably by rating agencies.

The annual budget process takes into account requirements of funding infrastructure, maintenance, and related operational costs. Since the CIP is primarily funded from property taxes, mill levy changes in the annual operating budget can mean changes in resources available for capital projects.

**CIP Administrative Committee Membership** - The Capital Improvement Program Administrative Committee is composed of an Assistant City Manager; the Director of Planning; the Director of Public Works & Utilities; the Director of Finance; the Director of Park & Recreation; the City Engineer; and the Budget Officer. In addition, other department directors or staff persons are included in Committee meetings as appropriate.

The Budget Office coordinates publication of the Proposed and Adopted Capital Improvement Program documents. The Planning Department provides technical staff assistance in reviewing CIP materials, as well as assessing the consistency of those materials with the Community Investments Plan.

The CIP Administrative Committee reviews all departmental capital project requests. The committee evaluates the financial capacity of various CIP funding sources and the financial assumptions included in financial projections and considers the relationship of adopted capital projects to the Community Investments Plan, community feedback, and other relevant City master plans. A ten-year spending plan for capital improvement projects and a plan of finance for the various funds used to finance those expenditures is then developed.

Community engagement for the Proposed CIP includes outreach to the Design Council, the Bicycle and Pedestrian Advisory Board, the Board of Park Commissioners, the Wichita Downtown Development Corporation, the District Advisory Boards, and other interested parties. Following the community engagement process, the committee provides a draft CIP to the City Manager for review. Following the City Manager’s presentation of the CIP to the City Council, the CIP is presented to the Metropolitan Area Planning Commission (MAPC) and to the Advance Plans Subcommittee of the MAPC. The 2023-2032 Capital Improvement Program was presented to the City Council concurrent with the Operating Budget on July 12, 2022.

**Overall CIP Guidelines** - The Capital Improvement Program is based on the following general guidelines:

- The ratio of GO at-large debt service to property tax revenue in the Debt Service Fund annually will not exceed the benchmark level - currently set at 66.7%.
- The CIP will be revised annually, and will be developed for a ten-year planning period.
- The CIP will be developed based on the most recently approved Debt Service Fund mill levy rate and the projected utility rates included in the most current Water and Sewer Utilities Cost of Service Analysis.
- Projects in the prior CIP will form the starting basis for consideration of projects to be included in the next CIP.
- The CIP will be developed based on overall guidelines included in the Community Investments Plan.
- Any operating cost impact of projects included in the CIP will be considered.
- Projected debt used to finance the CIP will generally be based on: ten-year GO debt for building, road construction, park, and bridge projects; ten-year to fifteen-year GO debt for Stormwater Utility-funded projects; ten-year to fifteen-year double-barreled bonds for local sales tax financed road, bridge, and highway projects; and up to twenty-year revenue bonds for Sewer and Water Utility projects and Airport projects.
- CIP project prioritization includes a number of factors, including: spending priorities and guidelines included in the Community Investments Plan; leveraging opportunities to maximize the impact of local funding; partnership opportunities to coordinate expenditures in support of community partners; overall City organizational goals as approved by the City Council; engineering considerations; and the impact of CIP projects on the operating budget.

**Budgeting for Ongoing Operating Costs of CIP Projects** - As a general practice, the ten-year CIP is developed and revised in a process that parallels development of the City’s two-year budget. Departments provide estimated ongoing costs associated with CIP projects so all costs can be considered in the evaluation process. When a project is completed, the operating costs are included in the department’s operating budget.
Other Planning Processes

In addition to the Budget Development Process and Capital Improvement Process, other planning processes have been completed by the City of Wichita. The process for each plan varies, depending on the focus and context of the plan. For externally focused plans, citizen engagement, which often includes a citizen steering committee, is a key component. For operational plans, facilitation with internal and external stakeholders is conducted. These plans complement and enhance the budget process. Due to the relatively short timeframe of the annual budget process, and the focus on financial decision-making, completed strategic and operational plans provide another basis for decision-making. Many times, departments submit Program Options or requests for capital projects in order to implement plans. The following plans guide budget decisions for the operating and capital budgets.

The **Community Investments Plan** is the current revision to the Comprehensive Plan. The process began in 2012, and was approved by the Wichita City Council on December 8, 2015, and the Sedgwick County Commission on January 20, 2016. A comprehensive plan covers all aspects of community development, such as population growth, environmental constraints, emergency services, transportation, land use, parkland, wastewater and water treatment, and community appearance. Existing conditions and trends, projected future growth demands, and capital capacity assessments are completed to develop a preferred land use guide for a designated period of time. This plan influences department operating budgets.

**Neighborhood and area plans** are developed by community stakeholders with the assistance of the Wichita/Sedgwick County Metropolitan Area Planning Department. Through these plans, residents are able to define issues affecting their community and ways to address those concerns and improve their neighborhoods. These plans can be viewed as supplements to the Community Investments Plan. As such, these plans can have real and substantial impacts on the CIP and the operating budget. Neighborhood Plans have been adopted for the Central Northeast Area, Delano, Douglas Design District, Hilltop, Midtown, Downtown, and the South Central Neighborhood. The **Places for People Plan**, which addresses urban infill in the Established Core Area, was approved by the City Council on June 4, 2019.

**Long-term operations plans** are completed by departments, sometimes in conjunction with their respective boards. The Police Department's Organizational Assessment is an example of such a plan. These plans provide a longer perspective than the Program Operating Plans that are completed as a part of the annual budgeting process. These plans include projections of costs to fulfill long-term goals and objectives of departments and services, and often these plans form the basis for operating budget discussion.

The **Information Technology Plan** forecasts future technology that aligns with departmental strategic goals. The plan relates to finance in regards to project development and associated operating budgets. The financial impacts of the projects are identified and incorporated into the annual operating budgets.

The **Wichita Bicycle Master Plan** was endorsed by the City Council on February 5, 2013. The planning process lasted more than two years, and more than 4,000 people were engaged. The plan guides development of bicycle facilities, such as on-street bike lanes and off-street paths. The Bicycle-Pedestrian Advisory Board was added as a recommendation of the plan. The **Wichita Pedestrian Master Plan** was endorsed by the City Council on November 4, 2014. The plan identifies the community needs, vision, and future goals related to walking in Wichita. It also recommends prioritized implementation actions and design guidance to help realize the vision.

The **Park, Recreation, and Open Space (PROS) Plan** was adopted on January 5, 2009 and an update was endorsed on July 12, 2016. The PROS Plan used inventoried system resources, citizen feedback, and best practices to recommend levels of service for regional, community, and neighborhood parks. The Recreation **Strategic Plan**, adopted by the City Council in 2010, includes an analysis of recreation center usage trends and facilities. The Aquatics Master Plan was approved on February 21, 2017.

The **Project Downtown—The Master Plan for Wichita** was adopted by the City Council on December 14, 2010. The plan inventoried current conditions and identified catalyst sites for redevelopment. The Self-Supporting Municipal Improvement District, Metropolitan Area Planning Department, PW&U Engineering Division, and Wichita Transit have been engaged in activities to support Project Downtown.

The **Wichita Public Library System Master Plan** was adopted on February 21, 2007. That plan identifies current usage trends, as well as future needs associated with the Wichita Public Library. Following the opening of the Advanced Learning Library in 2018, the focus shifted to branches with **Focused on Community: A Master Plan for the City of Wichita's Branch Library System**, which was endorsed by the City Council on June 11, 2019.

The **Water Conservation Plan** for utility customers was adopted on June 4, 2013, and includes $1 million in rebates for installing water-saving appliances and devices. The **Internal Water Conservation Plan** was adopted by the City Council on June 11, 2013. The internal plan outlines water-saving measures, such as reducing irrigation on City-owned grass covered land, reducing water usage of decorative and interactive fountains, and deploying staff more aggressively to stop slow water leaks. The plan also suggests capital improvements to reduce water usage. The City of Wichita has financial policies that ensure proper adherence to budget appropriations, internal controls, and stewardship of financial resources. These policies are included in the City of Wichita Municipal Code, City Council Policies, and Administrative Regulations.
Budget Adjustments and Amendments

Mid-year Budget Changes: If adjustments to the budget are necessary, there are two methods:

- **Budget Adjustments:** The process for budget adjustments is set by Administrative Regulation 2.5 (Budget Adjustments & Interfund Transfers). During the year, budget adjustments in amounts less than $25,000 are made within funds administratively, based on City policy. Budget adjustments greater than $25,000, or adjustments that change the intent of program expenditures, are brought to the City Council for action.

- **Budget Amendments:** Under Kansas law, the City Council may amend an adopted budget during an operating year, if unforeseen circumstances create a need to increase the expenditure authority of a fund or budget. The process, known as recertification, requires a published, ten-day official notice and a public hearing to be held before the City Council.

Accounting Standards

The City of Wichita uses the **budgetary basis of accounting** when preparing budgets, which is different than generally accepted accounting principles (GAAP basis), which are used to develop the Comprehensive Annual Financial Report (CAFR). For budgeting, and the CAFR, revenues are recognized when those become measurable and available to finance expenditures for the current period, except for special assessments of the debt service fund that are recognized on a cash basis. The major difference between GAAP basis and budgetary basis is the reporting of encumbrances (purchase orders, contracts, and other commitments) as expenditures for budgetary purposes. When developing the budget, all encumbrances are treated as expenditures in order to adequately fund outstanding commitments.

The City maintains a financial control system to ensure adherence to the budget and an awareness of the financial environment. The City emphasizes efforts to control the budget at departmental and character levels. In addition to the CAFR, unaudited quarterly reports are prepared by the Controller’s Office and are presented to the City Council following the close of each quarter.

Auditing and Financial Reporting

Administrative Regulation 2.3 sets the policy for the Audit of City Programs. All programs are audited annually in conformance with State and Federal regulations, as well as Generally Accepted Accounting Principles (GAAP) as outlined by the Governmental Accounting Standards Board (GASB). An independent CPA firm is selected to perform the audit, and conferences with the Controller and affected departments are held regarding information and audit findings. Departments are responsible for implementation of audit firm recommendations. The Comprehensive Annual Financial Report (CAFR) is published by June 30 of each year.

Grant Management Policy

The procedures for grant management are specified in Administrative Regulation 2.4. Application for, and programming of, grant funds must be coordinated with the City’s annual operating and capital budgets, as well as strategic plans and goals of the City. The Budget Office reviews all grant applications and adjustments in order to determine the operating impact of each grant application, which is particularly important for grants with a matching requirement.

Reserve Balance Policies

The General Fund Minimum Reserve Balance Policy is set by Administrative Regulation 2.11, which was approved in August 2015. The minimum balance for the General Fund is 10% of expenditures. This policy is affirmed each year by the City Council when the operating budget is adopted.

Reserve levels for other funds are described in the *Budget Implementation* section on page 41. Generally, the target cash balance for other funds is 10% of expenditures. The City also maintains a Debt Service Fund reserve equivalent to approximately 10% of annual revenues of the Debt Service Fund. Any amount in excess of this reserve will be used to provide pay-as-you-go financing of projects.

Funds with higher reserve balances include the Landfill Post-Closure Fund, due to post-closure liabilities, which is specified in City Council Ordinance 50-139. The Water Fund and Sewer Fund have minimum debt service coverage ratios of 120% due to bond covenants. The Special Alcohol, Building and Construction, and Golf Funds have higher balance requirements due to revenue volatility to support cash flows. The City maintains appropriated reserves in the General Fund, as well as in other funds, to provide for unanticipated expenditures of a non-recurring nature.
**Revenue and Cash Management**

The City considers market rates and charges levied by other public and private organizations for similar services in establishing tax rates, fees, and charges. The City directs efforts to maintain a diversified and stable revenue system to mitigate fluctuations in any one revenue source. The City follows an aggressive revenue collection policy. Where possible, the City establishes user charges and fees at a level related to the full cost (operating, direct, indirect, and capital) of providing the service. The City reviews fees/charges regularly, and designs and modifies revenue systems to include provisions that automatically allow charges to grow at a rate that keeps pace with the cost of providing services.

Cash Management practices are outlined in Administrative Regulation 2.7. The process for collection, reconciliation, deposit, and internal controls are specified so that revenues are safeguarded and the risk of misappropriation is limited.

**Pooled Funds Investment Policy**

The Pooled Funds Investment Policy is annually approved by the City Council and is then submitted to the State of Kansas Pooled Money Investment Board (PMIB) for approval. It was most recently approved in November 2021.

The regulation specifies the objectives for the City’s investment portfolio, which are: safety of principal, minimization of credit risk, minimization of interest rate risk, liquidity, and return on investments. The policy includes available investment options, diversification parameters, collateralization requirements, the process for selecting investment instruments, and standards for brokers and dealers. The policy also references staff qualifications, internal controls, the composition of the pooled funds investment committee, and distribution of investment earnings.

**Debt Management Policies**

The procedure for issuance of debt is outlined in City Council Policy 29. All bonds, with the exception of refundings or advance refundings, are required to be sold competitively.

The City confines long-term borrowing to capital improvements. In anticipation of bonding, the City uses short-term debt in the form of temporary notes. The process for ongoing disclosure is contained in Chapter 2.05 of the City of Wichita Municipal Code.

Revenue bonds are issued when practical for City enterprises to reduce the amount of the City’s general obligation debt; this occurs in the case of debt issued by the Water Utility and Sewer Utility. The City uses general obligation (GO) debt to fund general purpose public improvements including those with Airport and Stormwater. The City uses special assessment general obligation debt to fund special benefit district improvements consistent with existing policies.

The City maintains an aggressive schedule for retirement of existing debt: 10 years for most city-at-large debt and 15 years for special assessment debt, with twenty-year debt used in some cases. The Capital Improvement Program AR 2.8 outlines debt guidelines, including ten-year GO debt for building, road construction, park, and bridge projects; ten-year to fifteen-year GO debt for Stormwater Utility-funded projects; ten-year to fifteen-year double-barreled bonds for local sales tax financed road, bridge, and highway projects; and up to twenty-year revenue bonds for Sewer and Water Utility projects and Airport projects.

**Purchasing Policies**

The Purchasing policy for the City of Wichita is contained in Chapter 2.64 of the City of Wichita Municipal Code. The threshold for public bidding is $50,000, but the Purchasing Manager has authority to negotiate purchases in specific situations such as emergency purchases, cases of public exigency, and intergovernmental cooperative contracts and agreements.

The process for Contracting for Professional Services is outlined in Administrative Regulation 1.2. The City Manager has authority to approve and sign contracts for purchases less than $50,000; purchases greater than $50,000 must be approved and signed by the City Council. For each procurement over $50,000 that is selected by a using the Request for Proposals, there is a screening and selection committee comprised of staff from various departments; each committee member scores and ranks proposals based on pre-defined criteria. Screening materials for projects with fees greater than $150,000 are reviewed by the Internal Auditor for conformance with the selection criteria and adherence to AR 1.2 before the contract is fully authorized.
Budget Development Process

The City of Wichita budget development process follows Kansas Statutes, as well as generally accepted accounting principles and City of Wichita financial policies. In addition to this regulatory framework, the budget process includes financial forecasting, resident engagement, and organizational planning to complete an operating plan that reflects resident priorities in a manner that is financially sustainable.

**Budget Process** - Immediately following the adoption of the 2017-2018 Budget, a Zero-Based Budgeting process was initiated in August 2016. Every service provided by the organization was identified and grouped. Organizational focus areas were based on those groupings, which resulted in a new organizational mission statement. In November 2016, departments began developing Departmental Overviews and Program Operating Plans, which included new or updated mission statements, goals, program vision statements, and performance measures. Extensive research was conducted regarding the centralization of activities that are core to a small number of departments, but performed by multiple departments, such as records retention, graffiti removal, and tree removal.

The budget is developed based on current levels of service and anticipated economic conditions. One of the early steps in the budget development process is the projection of revenues by City staff, assuming all current policies and practices are continued. Revenue forecasts are based on prior year experience, as well as economic conditions and changes in state statute and local ordinances. These forecasts provide a starting place for discussions about resource allocation. Since future revenues cannot be known with certainty, the framework for the whole budget development process, in effect, is built upon assumptions about the City’s economic and financial future.

Trends in the performance of each revenue source are studied, and economic conditions and events that could alter the projections are considered. Many factors affect revenues, including weather conditions (especially important for electric, gas, and water utility franchise taxes), motor vehicle and gas taxes, and local economic conditions, which may influence the sales tax revenue stream, as well as other revenue sources. More details regarding revenue forecasts can be found in the Financial Plan section.

Forecasting revenues is one of the most difficult tasks the City encounters when preparing a budget. If assumptions are too optimistic, policy makers may adopt programs that will not be supported by actual revenues in the coming year. If assumptions are too pessimistic, the budget process becomes constrained by the need to reduce programs and expenditures, or to find new revenue sources, including tax increases.

Detailed wage and benefit projections are the result of current employee demographics, position vacancies and existing bargaining unit agreements. Setting internal service rates also occurs during budget development. IT rates are updated based on service levels, IT staffing, and ongoing support agreements. Workers’ compensation insurance rates vary by department; these are updated based on experience. Building and contents insurance rates include the updated value of the portfolio and loss experience. Vehicle liability insurance rates are reviewed to ensure that revenue is adequate to cover that activities’ exposure. Fleet rental rates are based on anticipated vehicle maintenance and replacement costs.

Other factors that impact the expenditure budget are existing contracts for services that are provided by the private sector, rather than in-house employees, such as turf mowing, custodial contracts, and legal defense services. Additionally, forecasted rates for commodities, such as natural gas and fuel, are included.

**Resource Allocation** - After the City Manager reviews budgets, performance measures, Department Overviews and Program Operating Plans, and Division Annual Updates with departmental leadership and the Budget Office staff, the long-term financial planning process is integrated into the annual budget process. Particular attention is paid to funds facing structural or cyclical financial challenges.

**Resident Engagement** - The budget process is centered around the concept of resident engagement. A community survey is conducted biannually, and that data is used as general feedback about local government services. Staff present budget updates and proposals at each of the six District Advisory Board meetings.

The Social Media Town Hall has guided decision making during the budget process for eleven years. Usually, the focus is on changes in funding levels for particular programs. In 2022 residents were asked about funding initiatives such as embedding social workers in the Police Department and increasing the number of trees planted. In addition to the Social Media Town Hall, an Online Budget Simulator was available in June for residents to increase or decrease a variety of service levels in order to build a balanced budget that reflected their priorities. Feedback from resident engagement informed the recommendations in the 2023 Proposed Budget.

**Budget Adoption** - On July 12, 2022, the Proposed Budget is presented to the City Council, beginning the formal budget adoption process. In compliance with State statute, the governing body sets the maximum amount of taxes to be levied and authorizes the notification of intent to exceed the revenue neutral rate to the County Clerk by July 20. Additional public hearings will be held on August 4 and August 16, and the final public hearing will be held on August 23. The City Council will consider the resolutions to exceed the revenue neutral rate on August 23.
Staff is responsible for implementing the budget as adopted by the City Council. The actions taken by staff to implement the budget are outlined in this section.

**Budget Control Levels**

Expenditures are legally limited, based on state statute, for funds that are certified to the State of Kansas. Non-certified funds are limited to the expenditure levels included in the 2022 Revised and 2023 Proposed Budget. However, for internal purposes, budget control levels are set at a more restrictive level, to provide enhanced controls against potential over expenditures. These control levels include both departmental controls and controls by type of expenditure.

**Departmental Control Levels** - Staff will limit expenditures to the amounts approved by the City Council in the budget for each department.

**Control Levels** - Within each department, staff have established control levels at five levels that exceed requirements set by State Statutes and City Council actions. These categories are: Salaries and Benefits, Contractuals, Commodities, Capital Outlay, and Other. In two areas, Salaries and Benefits, and utility bills (Contractuals), staff will continue to process vouchers that exceed control levels, to ensure timely payments to vendors and employees, and to avoid disruptions to City services.

To ensure the implementation of Council priorities, several specific budget adjustments will be made by staff, to include the following:

**Technical Adjustments** - Budget adjustments will be made by staff when specifically budgeted items are reclassified for accounting purposes to a different character. This typically occurs when budgeted commodity purchases are re-classified retroactively to capital outlay, based on accounting policies.

**American Rescue Plan Act** - The City of Wichita was awarded $72.4 million in American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds. Based on calculations, the City of Wichita can apply use funds broadly to support government services based on the revenue loss calculation. Staff will process a year-end transfer from the ARPA project to the General Fund to offset any net loss at year end.

**Aquatics Master Plan Implementation** - Replacements of existing swimming pools and construction of splash pads began in 2020 and is expected to be complete in 2023. Forecasted changes to operating expenditures and revenue have been included in the budget, but timing may be different than anticipated. Staff will process budget adjustments within the Cultural Arts, Parks & Recreation Department and Public Facilities Maintenance budgets.

**Art Museum Funding** - The Art Museum budget is based on an operating agreement approved by the City Council. Consistent with the approved operating agreement, staff will process budget adjustments as necessary.

**Century II Contract** - A contract for management of Century II was completed 2021. During the transition period, the City of Wichita will continue to provide some services. Staff will process budget adjustments as necessary to reflect expenses associated with the transition.

**Claims for Damages** - Claims for damages are processed through the Self Insurance Fund. A contingency of $1,000,000 is budgeted based on adverse tort and general liability claims experience. Staff will make necessary adjustments from this contingency to fund City Council approved claims, to the extent those claims exceed budgeted amounts. Amounts are budgeted in the Self Insurance Fund for damage claims made by departments, which typically include damage to buildings and equipment. Although funds are budgeted for these claims, the type and appropriate character level are unknown. Staff will make budget adjustments to ensure timely replacements, repairs, and payment of claims and agreements.

**Cultural Arts, Parks & Recreation** - The 2022 Adopted Budget reflected the merger of Arts & Cultural Services and Park & Recreation into a new department. Merger discussions are ongoing. If necessary to implement this policy direction, staffing changes and budget adjustments will be made to reflect the new structure.

**Contracted Staffing/Contractual Services** - Departments will periodically utilize contracted staffing or contractual services in lieu of hiring full time positions. This results in expenses shifting between contractuals and salaries and wages. Budget adjustments will be processed in the case of such shifts.

**Employee Compensation** - When the budget was prepared, the exact amount necessary for employee compensation was not finalized. An amount is budgeted at the fund level for these payments. Staff will process budget adjustments to the appropriate cost center within each fund at year-end, if necessary.
**Excess Fund Balance** - If there is a General Fund net gain and the ending fund balance is projected to exceed 15% of the budget, a transfer to the General Fund Stabilization Reserve to limit the balance in the General Fund to 15% will be subsidized at year-end. Should the ending IT Fund Balance exceed internal service fund reserve requirements, additional transfers for replacement funds for software and equipment will be evaluated at year-end.

**Curb Cuts Program** - The City experiences a high level of volatility in the number of annual curb cuts. Expenditures are offset by additional revenue, with no net impact on the General Fund. In the event of a higher number of curb cuts, staff will reallocate General Fund dollars to accommodate higher expenditures and revenue.

**Fuel Costs** - Fuel is charged to individual departments, and the actual costs are not known in advance. If necessary, budget adjustments from within fund budgets, or reserve amounts designated for, fuel will be processed by staff to reconcile department fuel budgets with the costs incurred.

**Illegal Dumping Clean-ups** - If necessary, budget adjustments from within the Landfill Fund will be processed by staff in order to respond to an increased volume of illegal dumping clean-ups.

**Internal Service Fund Charges** - The City operates two internal service funds that provide service based on relatively constant and predictable level of inputs: the Information Technology Fund and the Fleet Fund. Transfers from the General Fund to these departments may be capped at the level budgeted in the General Fund for these purposes. Transfers to the Fleet Fund for vehicle replacement may be reduced, suspended, or deferred to year-end, pending the financial condition of the General Fund.

**Local Sales Tax Fund Projects** - The purpose of the Local Sales Tax Fund is to finance road, bridge, and freeway projects. Expenditures consist of debt service payments and cash transfers to projects. If necessary, budget adjustments within the budget certified to the State of Kansas will be processed to transfer cash to projects based on construction activity levels.

**Mental Health Public Safety Response** - The Wichita Police Department budget includes a contingency to improve the public safety response to mental health emergency calls for service. Budget adjustments will be made by staff to the appropriate cost center when the plan is implemented.

**Non-departmental Accounts** - Amounts are appropriated by purpose, rather than by character. Budget adjustments will be made by staff to ensure that City Council approved purposes are appropriately implemented.

**Payroll Accrual** - At year-end closing, an accrual adjustment is made to salary and benefit amounts based on the appropriate number of days of wages subject to accrual. This is necessary based on the modified accrual basis of accounting used by the City. The exact amount for each department’s adjustment is not known until year-end. Staff will process budget adjustments to the appropriate cost center at year-end.

**Northwest Water Treatment Plant** - Construction of a new water treatment plant is ongoing. The Water Production budget has been updated to reflect new position classifications, an apprenticeship program, and additional chemicals and utilities costs, but timing may be different than anticipated. Staff will process budget adjustments within the Water Fund budget.

**Nuisance Abatements** - Funding for abatements, is budgeted in the Metropolitan Area Building and Construction Department. The level of required abatements fluctuates; funding for an average amount of abatements is budgeted. Should additional abatements be required, funding will be moved from underspending in other line items within the fund.

**Reforestation** - Reforestation activities are budgeted in the Cultural Arts, Parks & Recreation Department. Trees can be planted by staff or contractors. Based on staffing levels, staff will process budget adjustments so that tree planting funds can be shifted to contractual services.

**Removal of Dangerous and Unsafe Structures** - Funding for the removal of dangerous and unsafe structures is budgeted in the Metropolitan Area Building and Construction Department. The level of required removals fluctuates; funding for an forecasted amount of removals is budgeted. Should additional removals be required, funding will be moved from underspending in other line items within the fund.

**Restricted Municipal Court Fund** - The Restricted Municipal Court Fund was established in the 2019 Revised Budget to account for court fees and bond forfeitures that are either restricted for use by the Municipal Court Administrative Judge or committed by the City Council. In the cases where expenditures are in different classifications than the budget, staff will process budget adjustments necessary to cover
expenditures in an amount equal to or less than underspending in other character levels.

**Snow & Ice Removal** - A reserve of $750,000 for Snow & Ice Removal is budgeted in the General Fund to support increased expenditures in the event of an above average number of snow and ice events and/or more severe snow and ice events. The reserve expenditure authority will be transferred to the Snow & Ice Removal budget as necessary to ensure timely responses and adequate supplies of materials. In addition, particularly for snow events later in the season, staff will shift budget authority within under-expended line items within the Public Works & Utilities budget to cover snow and ice response costs.

**Special Alcohol & Drug Programs Fund** - Funding is used to contract with providers and offset eligible General Fund activities. In order to retain fund balance or contracted services, staff will process budget adjustments to the appropriate cost center.

**Transit Grant Match** - The Transportation Department operating budget represents forecasted activity. However, opportunities often arise for grants to cover additional operating expenses, such as wages and fuel. In those cases, staff will process budget adjustments necessary to cover grant matches in an amount equal to or less than underspending in other character levels.

**Uniforms and Clothing Allowance** - Commissioned Police Department staff are provided uniforms and clothing, which is either an expenditure in commodities or salaries and benefits, depending on the type or purchase. Budget adjustments will be processed in the case of such shifts.

**Water and Sewer Operating Capital Replacement** - The Water Utility and Sewer Utility fund operating capital replacements for items such as water and sewer lines and water meters from the operating budget. These items are re-classified as capital outlay expenditures for capitalization purposes. Technical budget adjustments will be made by staff when these re-classifications occur.

**Fund Reserve Levels**

Staff will prepare budgets and attempt to control expenditures to remain within reserve level policies. These reserve levels are necessarily different for various funds. A fund’s unencumbered cash balance is the sum of its cash and investments, less current commitments. When determining an appropriate cash balance, the cash balance on the last day of each calendar year is compared against the subsequent year’s budgeted annual expenditures and transfers out. Below are general cash balance guidelines for each type of fund. Specific guidelines for individual funds are included if dictated by specific circumstances. Any balance amount in excess of the state limit of 5% will be reflected and budgeted as reserve amounts for specific purposes, in accordance with state guidelines.

**TAXING FUNDS**: The City maintains two governmental, or taxing, funds. To ensure stable tax policy and avoid service disruptions, adequate balances must be maintained.

**General Fund**: The General Fund is the primary operating fund that accounts for City services not otherwise specified in a separate fund. The targeted minimum fund balance is no less than 10%.

**Debt Service Fund**: To ensure adequate funds for existing debt service payments, the targeted minimum fund balance is 10% of expenditures.

**SPECIAL REVENUE FUNDS**: These accounts are for proceeds of designated revenue sources used to finance specified activities as required by law or administrative regulation. The target cash balance for these funds is less than 10% of expenditures, except as noted below for specific funds:

**Special Alcohol Programs Fund**: Due to the quarterly distribution of revenue from the State of Kansas, the targeted fund balance is 25% of annual expenditures.

**Special Parks and Recreation Fund**: This fund serves as a pass-through for dedicated State funds. There is no minimum fund balance required at year end.

**Landfill Fund**: To accumulate an adequate reserve for potential future environmental remediation liability upon landfill closure, the fund balance should be maximized, subject to available revenues and budgeted expenditures.

**Landfill Post-Closure Fund**: Based on Ordinance 50-139, the minimum ending balance of the fund is at least 85% of the estimated post-closure liability.
**Metropolitan Area Building and Construction Fund**: The balance target for the fund is $1,250,000 based on anticipated quarterly reimbursements from Sedgwick County.

**SSMID**: This fund serves as a pass through for funds collected on behalf of and remitted to the Self-Supporting Municipal Improvement District. There is no minimum fund balance required at year-end.

**TIF Funds**: These funds finance debt service for TIF areas, as well as other improvements as allowed by State law. Since many improvements are funded from the TIFs, the accumulation of fund balances in excess of 10% is acceptable.

**ENTERPRISE FUNDS**: Accounts for activities for which a fee is charged to external users for goods and services. The targeted reserve is no less than 10% of annual expenditures.

**Golf**: This fund provides for the operating and debt service costs of the City’s four golf courses. With seasonal cash flows and a revenue source dependent on weather, a reserve balance of 15% of annual expenditures is targeted.

**Water**: To comply with bond covenants, available net revenues for revenue bond debt services should be not less than 120% of debt service requirements for the combined Water Utilities.

**Sewer**: To comply with bond covenants, available net revenues for revenue bond debt services should be not less than 120% of debt service requirements for the combined Water Utilities.

**INTERNAL SERVICE FUNDS**: Accounts for the financing and administration of general services provided to various departments of the City with no minimum reserve. Internal Service Funds have a stable, timely, and predictable revenue stream.

**Self Insurance**: Sufficient balances are targeted to provide a 90% confidence level that all General Liability and Workers Compensation claims can be funded.

**Other Provisions**

**Excess Fund Balance – Non Internal Service Funds**: In the event the unreserved fund balance exceeds the minimum balance requirements in the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds at the end of each fiscal year, the excess may be used in one or a combination of the following ways:

- Debt reduction;
- One-time expenditures that do not increase recurring operating costs. Emphasis will be placed on one-time uses that reduce future operating costs;
- Maintain or increase reserve levels.

**Excess Reserves – Internal Service Funds**: In the event the reserve exceeds the minimum balance requirements in an Internal Service Fund at the end of each fiscal year, the excess may be used in one or a combination of the following ways:

- Reduce the charges for services levied against other funds;
- Return the excess balance to the fund it was originally derived from;
- Increase transfers to equipment replacement funds.

**Authorized Positions**

The 2023 Budget includes itemized lists of the positions and classifications that are funded. These position counts will be established as the authorized position counts for each department upon adoption of the budget. The authorized positions are only adjusted based on the following:

- Occasionally, the City Council will take action subsequent to the adoption of the budget to change the position count. These actions will change the authorized position count included in the 2023 Budget;
- To ensure positions are appropriately classified based on the duties included in the position description, the Human Resources
Department occasionally studies and recommends reclassifications of positions. Once these are approved by the City Manager, the authorized position count is adjusted, and reflected in the subsequent year’s budget;

- The City Manager may approve overfills (a temporary increase in the number or range of positions authorized) or advance fills (filling a currently filled position early, based on the expected termination of the incumbent);
- Based on a staffing plan presented to the City Council in January 2005, the Fire Department may hire up to 12 overfill positions for fire recruit classes. In the 2020 Adopted Budget, the recruit positions were changed from being overfills to itemized positions.

Planned Savings Adjustments to Departmental Budgets

The City budget is based initially on providing complete funding for budgeted activities and positions. However, in reality all positions will not be filled the entire year. Programs or initiatives may or may not be implemented as scheduled in the budget. Employee demographics and benefit characteristics may change, compared to what is budgeted. All of these circumstances will lead to a department under-expending the budgeted amounts. Planned Savings varies from year to year and department to department. The total amount of annual General Fund Planned Savings is shown in the following table.

To anticipate this under-expenditure, a “Planned Savings” adjustment is applied to several General Fund departments in the 2023 Proposed Budget. This adjustment is based on historical experience with under-expenditures by each department. Generally, Planned Savings adjustments are higher on larger departments, since those departments tend to have greater flexibility in managing position vacancies. In addition, Planned Savings adjustments are included where appropriate for non-General Fund departments. Planned Savings adjustments are set at the departmental level to encourage each department to manage their budgets within the confines of available resources. This encourages departments to best determine when to fill positions and what expenditures to curtail in order to best meet departmental objectives.

<table>
<thead>
<tr>
<th>Department</th>
<th>Amount</th>
<th>Percent of Expenditures</th>
<th>2023</th>
<th>2024</th>
<th>2023</th>
<th>2024</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fire</td>
<td>($198,069)</td>
<td></td>
<td>0.4%</td>
<td>0.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cultural Arts, Parks &amp; Recreation</td>
<td>($1,263,687)</td>
<td></td>
<td>5.3%</td>
<td>5.2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Library</td>
<td>($1,389,000)</td>
<td></td>
<td>17.7%</td>
<td>3.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Police</td>
<td>($2,610,515)</td>
<td></td>
<td>2.5%</td>
<td>2.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Works &amp; Utilities</td>
<td>($1,620,303)</td>
<td></td>
<td>4.6%</td>
<td>4.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>($2,021,880)</td>
<td></td>
<td>0.7%</td>
<td>0.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total General Fund Planned Savings</td>
<td>($9,103,454)</td>
<td></td>
<td>3.4%</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The ongoing budget process from initial planning to the first day of an adopted budget is approximately 23-26 months. For example, the City started planning for 2023 in late 2021. The key dates for the 2023-2024 Budget are shown below. Dates with asterisks are broadcast on City Channel 7 and streamed on the internet.

<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 2</td>
<td>Budget staff began development of base budgets</td>
</tr>
<tr>
<td>February 15</td>
<td>Performance measures data was submitted to the Budget Office</td>
</tr>
<tr>
<td>March-April</td>
<td>Budget staff collaborated with Departmental staff to review Program Operating Plans, and Program Options are submitted by Departments</td>
</tr>
<tr>
<td>April</td>
<td>Departmental budget hearings held with City Manager</td>
</tr>
<tr>
<td>April 11 *</td>
<td>City Council Budget Retreat</td>
</tr>
<tr>
<td>May 25 *</td>
<td>City Council Budget Retreat</td>
</tr>
<tr>
<td>June 1-13</td>
<td>Staff presented budget at District Advisory Board meetings</td>
</tr>
<tr>
<td>June 23</td>
<td>Social Media Town Hall</td>
</tr>
<tr>
<td>July 12 *</td>
<td>City Manager formally presented the budget document to the City Council. City Council held first public hearing and authorized publication of notice, which sets maximum taxes levied. Revenue neutral rate notification provided to Sedgwick County Clerk.</td>
</tr>
<tr>
<td>August 4 *</td>
<td>Public hearing held at 7:00 pm.</td>
</tr>
<tr>
<td>August 12</td>
<td>Deadline for Legal Publication of Notice published in the Wichita Eagle and online at wichita.gov</td>
</tr>
<tr>
<td>August 16 *</td>
<td>Public hearing during the City Council meeting</td>
</tr>
<tr>
<td>August 23 *</td>
<td>Final public hearing held and 2022 Revenue Neutral Rate approved at the City Council Meeting</td>
</tr>
<tr>
<td>October 1</td>
<td>Certification forms for the 2022 budget are filed with the Sedgwick County Clerk</td>
</tr>
<tr>
<td>November</td>
<td>Final assessed valuation is recorded and mill levies are calculated by the Sedgwick County Clerk</td>
</tr>
<tr>
<td>January 1, 2023</td>
<td>Fiscal Year 2023 begins</td>
</tr>
</tbody>
</table>

* Shown live on City Channel 7 or via streaming video on www.wichita.gov