

Budget and CIP Retreat

2023-2024 Budget



Finance Department

May 25, 2022



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Outline



- Capital Improvement Program
- Operating Budget and updated forecast
- City Council priorities and feedback



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What is the CIP?



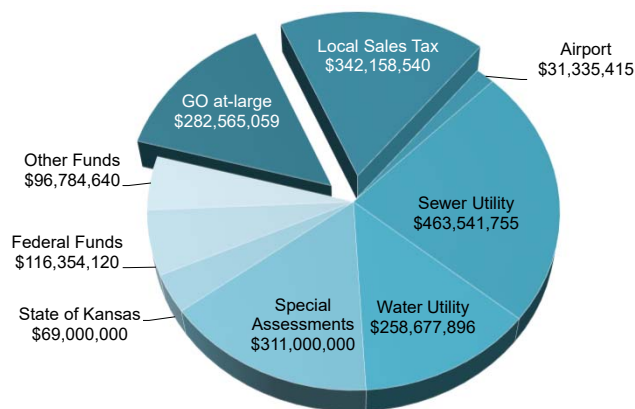
- A **ten-year plan** for long-term infrastructure improvements (roads, buildings, freeways, water and sewer, etc.)
- Funded with City mill levy funds, water and sewer local sales tax, federal and state and other revenues
- Financed with a mixture of debt and cash payments



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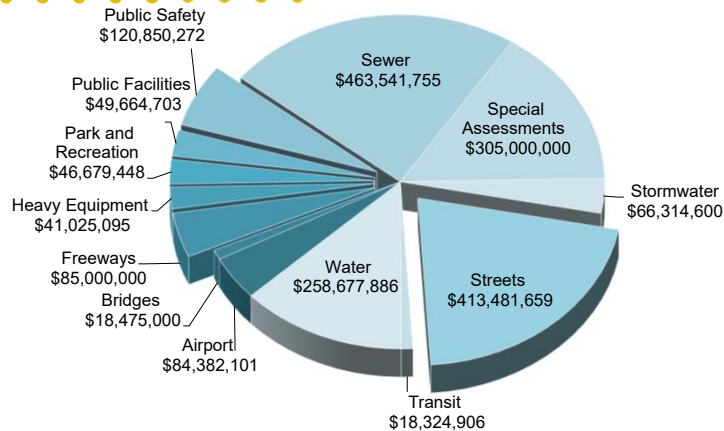
CIP Funding Sources - \$1.9 Billion over 10 years



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CIP Functional Areas - \$1.9 Billion over 10 years



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How do we develop the CIP?

- 1. Identify Projects Prioritization criteria; City Council direction; previous CIP
- 2. Determine amount available - Projected revenues, estimate use of debt & metrics
- 3. Determine timing and inclusion - Matching capacity with project costs, both annually and in total



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Identifying projects



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Determine the Amount Available (Financial Capacity)

- Debt Level - Target is 50% - The amount spent on debt payments divided by revenue
- Fund Balance - Target is 10%-20%; Provides flexibility and helps with bond rating
- Annual Margin – Target is > \$0; Varies annually, but demonstrates stability

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Why Debt Metrics Matter



- Provide advanced warning of potential issues and demonstrate policy compliance
- Provide a reliable and consistent way to determine the amount available for projects
- Demonstrate a comprehensive CIP planning process – which is viewed as a strength by rating agencies



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Determining the timing of projects



- Adapting to new priorities or information
- Matching annual and overall revenues with expenditures
- Aligning to staff capacity
- Considering leveraging, partnerships, etc.



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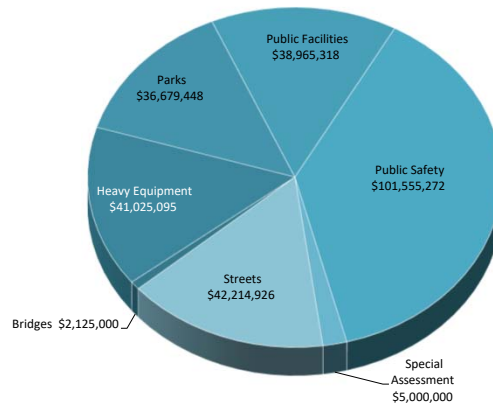
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Debt Service Fund (Mill Levy funds)



- Uses property tax mill levy funds (7 mills)
- Finances General Obligation (GO) at-large debt
- Funds buildings, parks, heavy equipment, public safety

Where City of Wichita CIP Dollars Go
2022-2031 GO-AT LARGE EXPENDITURES \$282,565,059



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Challenges – 2023-2032 CIP



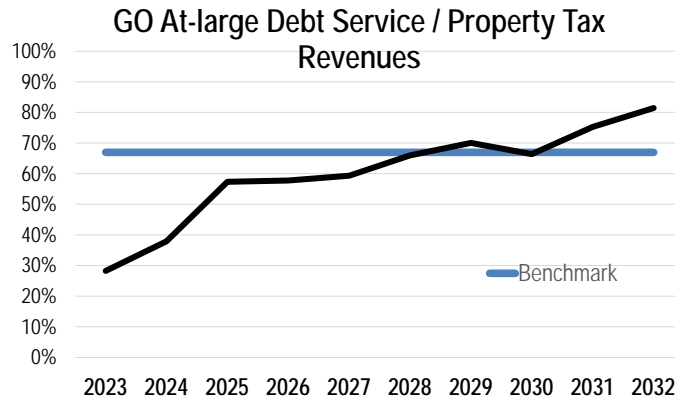
- Increasing Cost – Staff have increased the cost of many projects
- Maintenance Projects - Increasing emphasis on maintenance funding, based on community investments plan
- Community Priorities - Increased emphasis on projects that enhance the livability of our community
- Acceleration - Continued interest by staff in accelerating projects



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Unacceptable Debt Metric – Current requests



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Additional GO Spending – Public Safety



- Including More Fire Stations - \$15 million for fire stations in 2026, 2028 and 2030 (not in Adopted CIP)
- Including cost increases on Fire Stations - \$9.75 million for 6 stations in the Adopted CIP
- Including cost increases on Police Stations - \$14.65 million for 4 stations in the Adopted CIP



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Additional GO Spending – Parks



- New Park Projects - Staff have requested 18 new Park projects totaling \$68.6 million
- Larger Park Requests - Larger projects include \$25 million for Crystal Prairie Lake Park; \$10 million for a Park Maintenance facility; and \$7 million for parking lots
- Other Park Requests - Park included \$1 million for Finlay Ross Park and \$3.3 million for Pickle Ball courts



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Additional GO Spending – Other areas



- New Projects for Consideration - Staff have identified several projects for consideration. These include:
 - Art Museum, City Hall repairs - \$500,000 in 2023
 - Fire communications and computers - \$4.25 million in 2023, 2024 and 2030
 - ITS – Greenwich corridor - \$500,000 in 2023
 - Riverfront improvements - \$3.5 million in 2023 and 2027



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Local Sales Tax Fund (LST)



- City's portion of the County-wide sales tax (about 29%), only used for roads, bridges and freeways
- "The Governing Body ... pledges ... one-half of the one percent (1%) of any revenues received to Wichita road, highway and bridge projects ..." (Ordinance 41-815)



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Local Sales Tax Uses



- From 1992-2016, LST was focused on freeways, with annual allocations for roads
- In 2018, focus shifted to roads, due to leveraging opportunities for freeways, coupled with less DSF capacity for roads



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Policy Option: Paving Dirt Streets



- There are 167 lane miles of unpaved streets in Wichita, mostly in Districts 3, 4, and 6
- Under current policy, streets are paved based on a petition process, with costs assessed to property owners
- Eliminating unpaved streets would cost \$133 million



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Policy Option: Paving Dirt Streets



Staff have prepared two options to use Local Sales Tax funding:

- 1) Freeze current maintenance at \$11 million and use annual growth for unpaved streets
- 2) Maintain the current base level (\$11 million) for annual maintenance and split budget growth between existing streets and unpaved streets



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Policy Option: Paving Dirt Streets



Both models would impact maintenance levels on existing streets: reducing the Asset Value and Remaining Service Life compared to current projections

	Lane Miles Paved in 10 Years	Decrease in Paved Street Metrics	Amount Spent on Unpaved Streets
Option 1	81.6	35%	\$62 million
Option 2	40.8	25%	\$31 million



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Policy Option: Freeways



- LST Fund has capacity for matching freeway projects that leverage KDOT funding
- To extend Kellogg with interchanges at 119th and 135th would cost \$120 million
- Large locally-funded freeway expansions would require a shift away from road expenditures



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Transient Guest Tax Fund



- Revenues are from the 6% Transient Guest Tax (TGT)
- Funds tourism promotion as well as facility maintenance and capital improvements at eligible facilities



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Policy Options - TGT Funding Options



- Century II Maintenance - The current level of CIP maintenance is \$250,000 annually. There is capacity for \$500,000 in improvements annually; or for \$4 million in improvements in 2023.
- New Performing Arts Center - There is no identified funding source for a performing arts center. With current projections, there is no capacity within the Debt Service Fund or Transient Guest Tax Fund.



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Policy Options - TGT Funding Options



- Expanded Convention Center - There is no identified funding source for an expanded convention center. With current projections, there is no capacity within the Debt Service Fund or Transient Guest Tax Fund.



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Discussion



- Timing and number of Fire and Police Stations (21,22)
- Including new Park projects; deferring current Park projects (23)
- Including new projects (24)



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Discussion



- Paving Dirt Streets: Reducing street maintenance to fund dirt street paving (25)
- Future Use of LST: Roads or Freeways (26)
- Funding Century II Maintenance (27)
- Funding a Convention Center or Performing Arts Center (28) (29)



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Budget Forecast



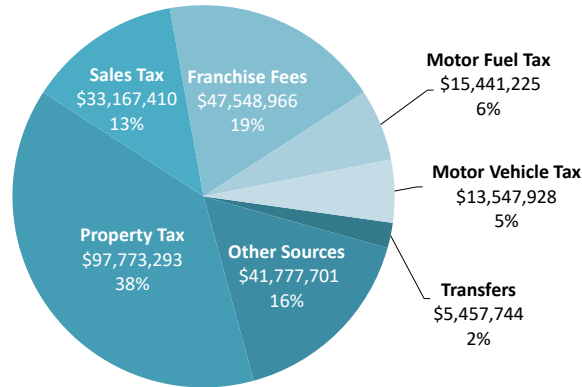
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Adopted Budget – General Fund Revenue



GENERAL FUND 2022 ADOPTED BUDGET, \$254,714,267



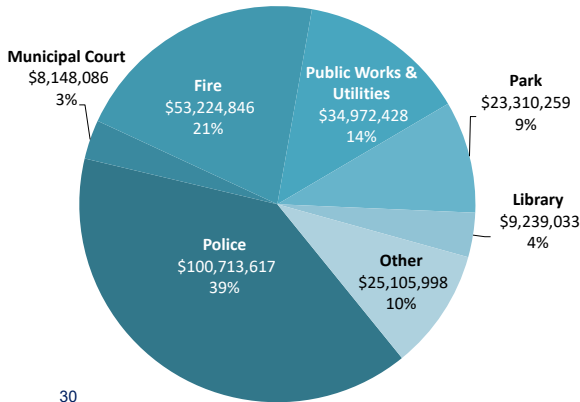
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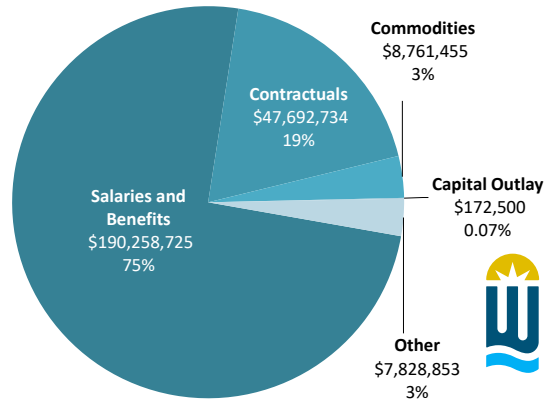
General Fund Expenditures



GENERAL FUND 2022 ADOPTED BUDGET,
\$254,714,267



GENERAL FUND 2022 ADOPTED BUDGET
\$254,714,267



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Five-Year Outlook



- The 2022-2023 outlook is positive: surpluses are likely if revenues overperform and wage and benefit costs are manageable
- The five-year outlook is challenging due to the structure of the General Fund revenue base and the expiration of ARPA funds



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American Rescue Plan Act (ARPA) Background



- Each ARPA project is approved by the City Council
- \$19.4 million has been initiated in 22 projects
- Next round of grants will be presented in June
- General Fund support is \$20.9 million



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ARPA: Adjusted Conceptual Plan



ARPA PROJECTS (IN MILLIONS)					
ADJUSTED CONCEPTUAL PLAN: APRIL 11, 2022					
PROJECT	2021	2022	2023	2024	TOTAL
Rehiring Government Staff		\$4.0	\$4.0	\$4.0	\$12.0
Initiatives		\$1.5	\$1.5	\$1.5	\$4.5
Infrastructure Projects	\$2.9	\$10.0	\$6.7	\$7.4	\$27.0
Negative Economic Impact Initiatives		\$20.0			\$20.0
General Fund Support		\$1.2	\$1.5	\$6.2	\$8.9
Total	\$2.9	\$36.7	\$13.7	\$19.1	\$72.4



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General Fund Outlook



	2022	2023	2024	2025	2026
Revenue	\$260.7	\$267.5	\$271.7	\$278.0	\$283.9
Expenditures	264.7	273.0	281.9	288.4	295.1
Net Gain / (Loss)	(4.0)	(5.5)	(10.2)	(10.4)	(11.2)
ARPA Funding:					
2022 Budget	4.0	5.5	10.2	0.0	0.0
Net Gain / (Loss)	\$0.0	\$0.0	\$0.0	(\$10.4)	(\$11.2)



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Prioritization: Planning for 2025



- Structural challenges are expected when ARPA funding period ends
- Early awareness provides time to make decisions that impact costs in a positive way
- Prioritization provides staff with direction to shape budget proposals and align CIP



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Permanent Reserve



- Established in the 2009 Adopted Budget
- Intended for one-time non-recurring purposes
- Contributions were made in 2020 and 2021
- The General Fund Permanent Reserve balance is \$7.8 million



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Prioritization: Budget Proposals



- Budget Proposals provide options for service delivery changes
- Requests address changing conditions and priorities



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Budget Proposals



Twenty concepts in three categories:

- Service level changes
- New programs
- Priority Objectives



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Budget Proposals: Service Level Adjustments



1. Forestry grapple truck
2. Dangerous structure removal
3. Neighborhood inspection services
4. Community and neighborhood plans



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Budget Proposals: Service Level Adjustments



5. Animal Control field response
6. Facilities staffing
7. Crosswalk marking



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Budget Proposals: Service Level Adjustments



- 8. Illegal dumping clean-ups *
- 9. Planning staffing *
- 10. Zoning enforcement inspector *



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Budget Proposals: New Programs



- 11. Fire and Emergency Response – Amidon Bridge
- 12. Zoning Enforcement - Short-term rentals
- 13. Vision Zero Plan



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Budget Proposals: New Programs



- 14. Downtown hydration stations
- 15. Mental Health & Substance Abuse Coalition *



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Budget Proposals: Priority Objectives



- 16. Transit Services – Second and Third shift
- 17. Reforestation
- 18. Park cleanliness
- 19. Mental health public safety response
- 20. Fire and Emergency Response standards



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Budget Proposals: Discussion



Action steps for Budget Proposals:

- Further research
- Engage residents
- Include in 2023 Proposed Budget



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Next steps: Resident Engagement



- Online Budget Simulator – until June 30
- Facebook, Twitter, Nextdoor, YouTube, wichita.gov
- Social Media Town Hall – mid to late June



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Next steps: Budget Adoption



- July 19 Presentation of Proposed Budget and CIP; Authorization to exceed the Revenue Neutral Rate
- August 4 Second public hearing (Evening)
- August 16 Third public hearing
- August 23 Public hearing - approval to exceed Revenue Neutral Rate; Final public hearing and adoption of budget and CIP



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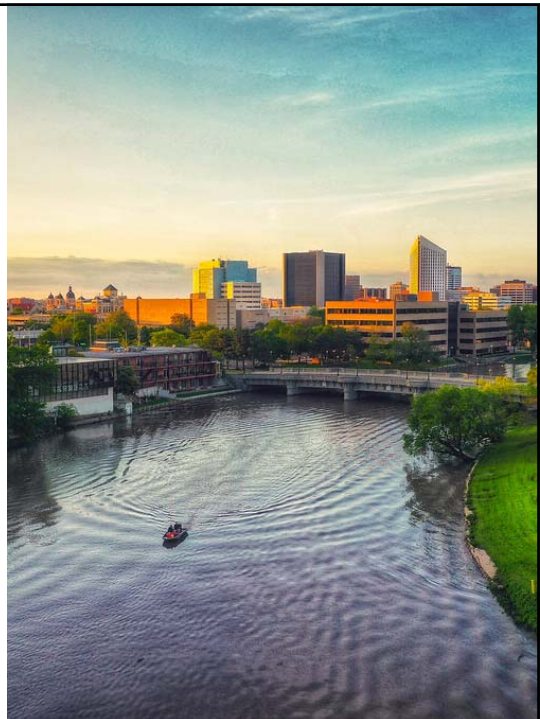
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