Building a Better Future: A Proposed Sales Tax

June - July 2014

Strategic Plan Development

- Community surveys were mailed to Wichita and Sedgwick County residents to determine priorities as part of the Community Investments Plan.

- Late in 2013 and early 2014, citizen meetings were held with over 2,000 participants to further assess City priorities as part of ACT ICT.

Strategic Plan Development

- Results from the survey were generally reinforced by responses from area residents during citizen meetings in Wichita.

- Concurrent with the survey and community outreach, the City Council developed a Strategic Plan to shape the future of Wichita.

Strategic Plan Development

- The Strategic Plan considered the following priorities:

- Water Resources
- Economic Development
- Transit
- Pavement Maintenance
- Affordable Housing
- Homelessness
- Passenger Rail Service
- Quality of Life Facilities

- These priorities were narrowed to four focal issues – water resources, economic development, transit and pavement maintenance.

Water Supply Planning

Water Supply Planning

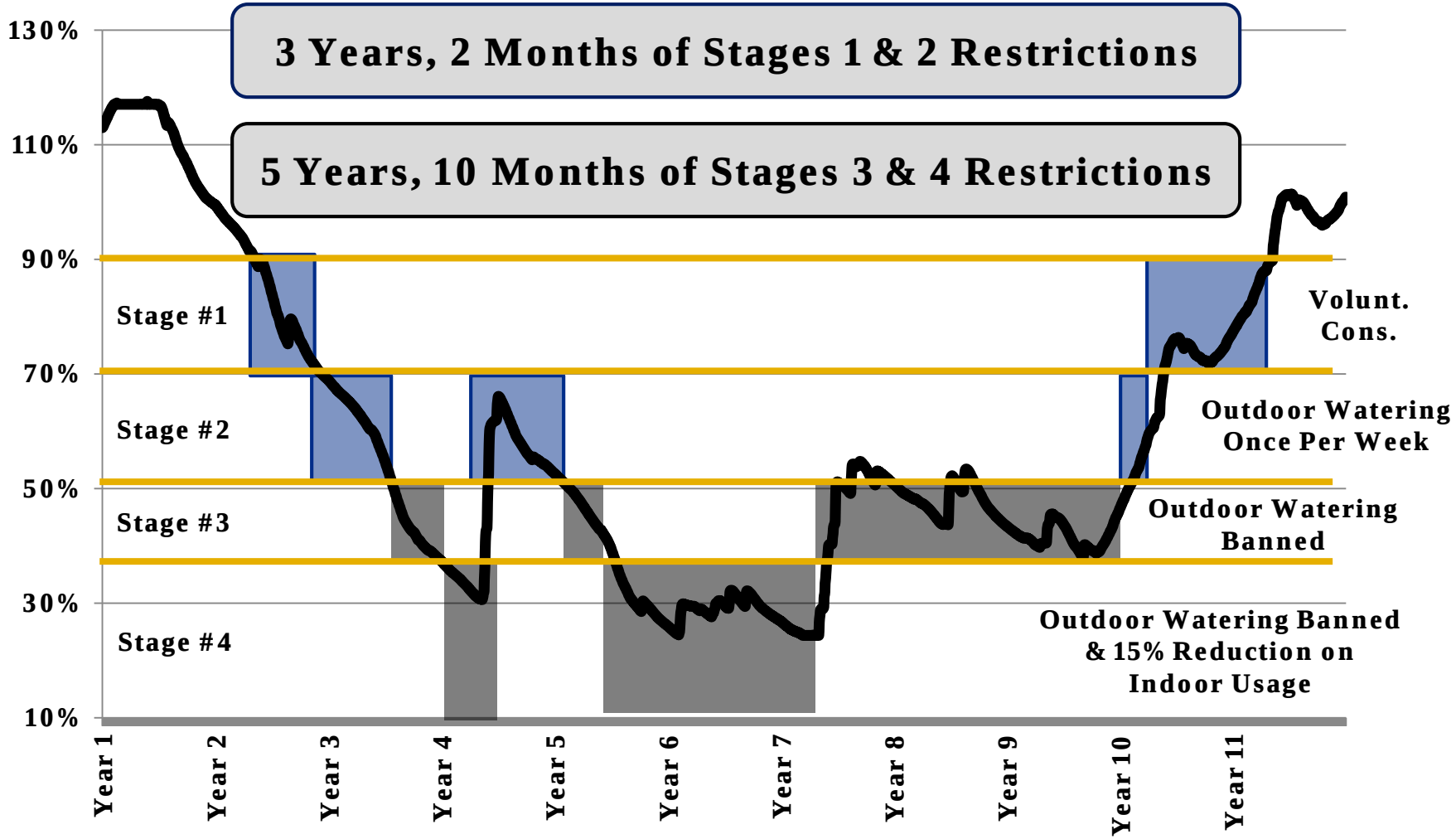
- Ensuring a water supply has been identified as a community priority.
- Demand is expected to increase by 7 billion gallons by 2060. Current supplies are not sufficient to meet anticipated demand.
- Without new supplies, significant conservation would be required (harmful to business and the current quality of life of residents).

Water Supply Planning - Drought Stages

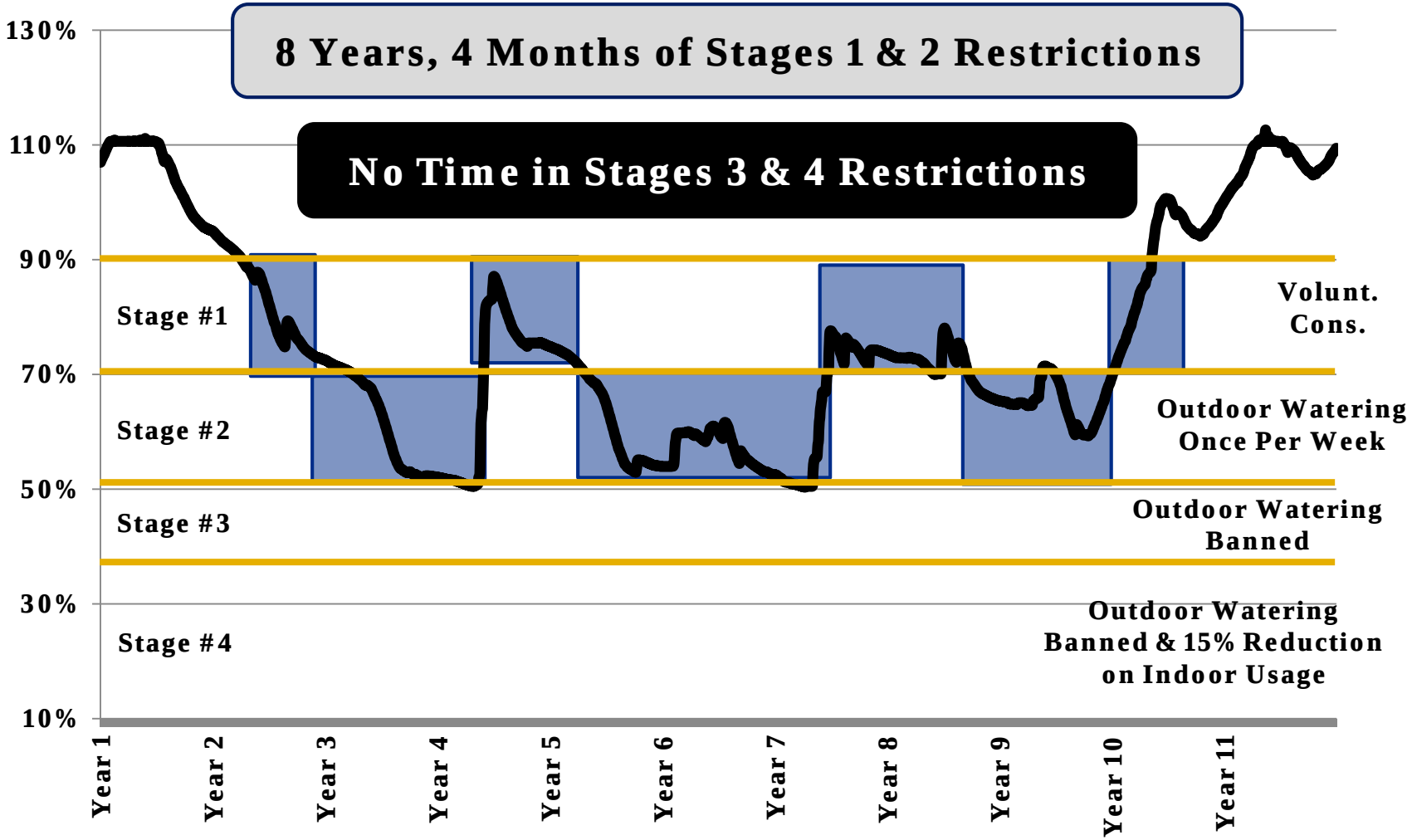
Stage	Trigger	Restriction	Exemption
1	70% - 90%	None – voluntary conservation	NA
2	50% - 70%	Outdoor watering allowed only one day per week	Food producing gardens and businesses reliant on irrigation
3	35% - 50%	All outdoor watering banned	Food producing gardens and businesses reliant on irrigation
4	Below 35%	All outdoor watering banned. Base demand reductions of 15%.	No exemptions for irrigation. Hospitals exempt from base demand reductions

Trigger is the 12-month average lake level at Cheney

1% Drought Without New Supply



1% Drought – With New Supply



Water Supply Planning

- Two supply options were selected, costing $250 million: improving the ASR system or using treated El Dorado water.
- The ASR option would fund new wells and a water storage site but would not require funds for water purchases.
- There are three variations of the El Dorado option: all fund a treatment plant as well as a pipeline, and require water purchases.

Water Supply - Rate Scenarios

Comparison of Water Supply Options and Sales Tax Funding				
	With Sales Tax Funding		No Sales Tax Funding	
Option	**Total Cost through 2060**	**Impact to Water Rates**	**Total Cost through 2060**	**Impact to Water Rates**
1: El Dorado 30 MGD	**$1.4 billion**	**11.6%**	**$4.0 billion**	**41.5%**
2: El Dorado 10 MGD	**$633 million**	**4.0%**	**$1.5 billion**	**15.8%**
3: El Dorado Hybrid	**$756 million**	**5.3%**	**$1.8 billion**	**18.9%**
4: ASR Improvements	**$376 million**	**1.3%**	**$597 million**	**6.2%**

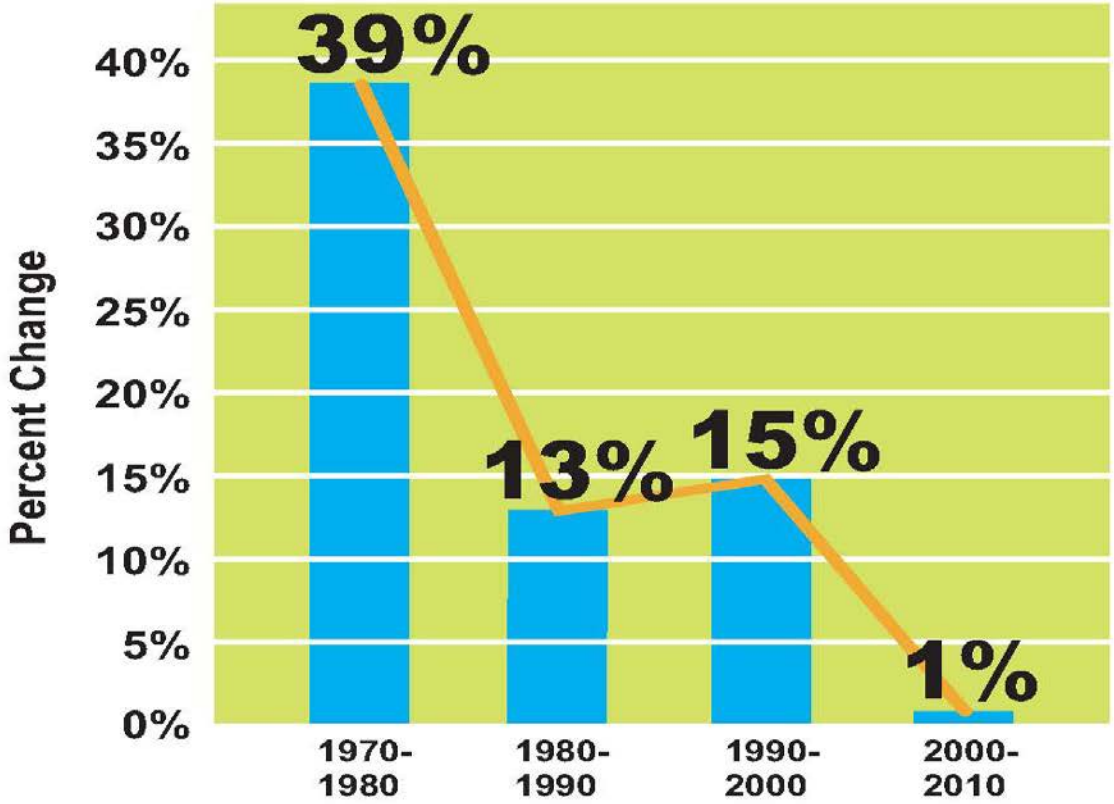
With sales tax funding, $250 million of the "Total Cost through 2060" would be financed with the sales tax. The remainder would be paid with water revenues. Without cash (sales tax) funding, the total cost of each option increases considerably.

Option 3 includes the full 30 MGD treatment plant, but only having a take-or-pay provision based on a 10 MGD minimum. The "Required Annual Conservation" would extend the drought protection to 2060.

A new water supply would provide drought protection through at least 2030. A new water supply coupled with modest conservation efforts would provide drought protection through 2060.

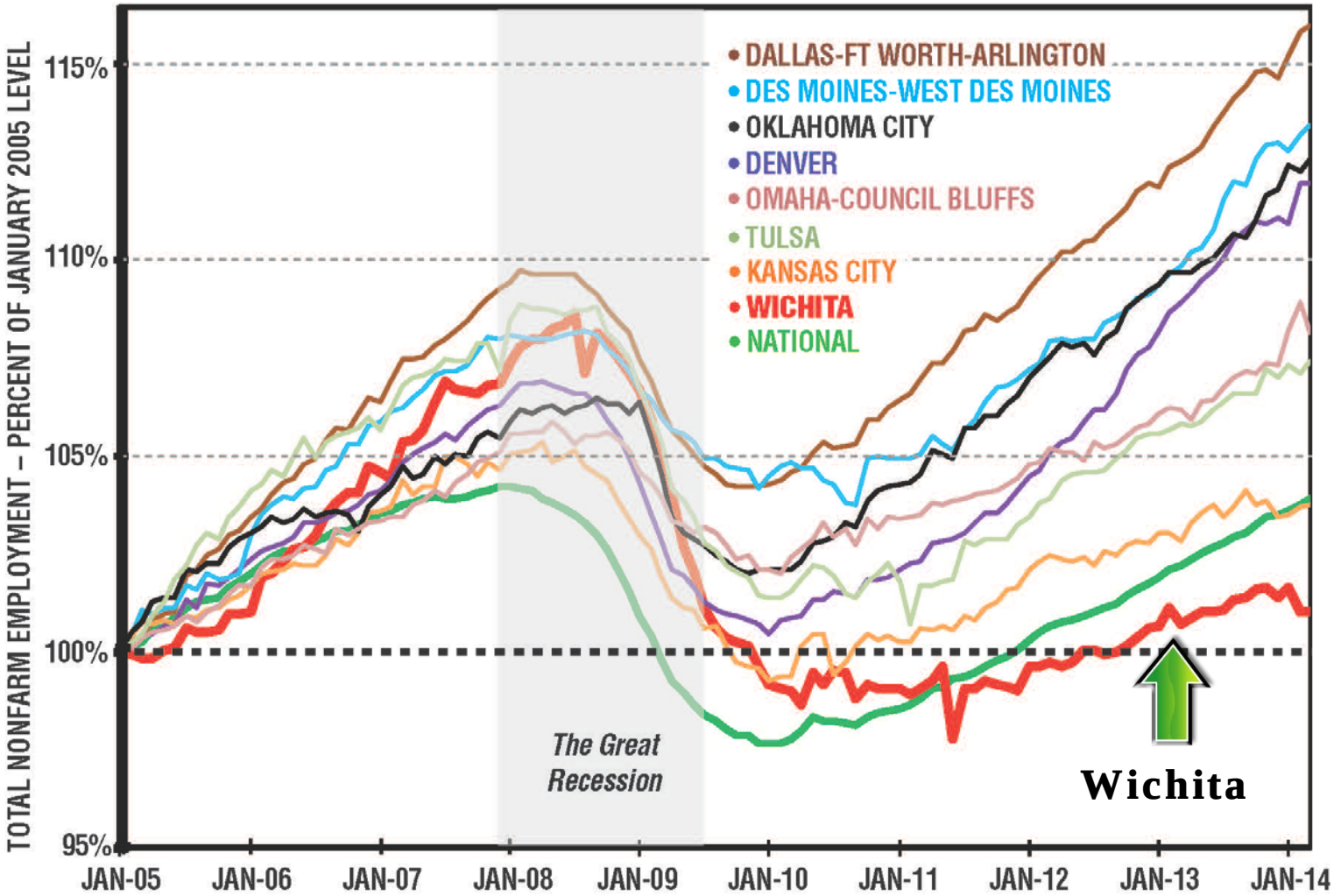
Economic Development - Jobs Fund

Sedgwick County Employment – Growth by Decade



Source: Woods & Poole Economics, Inc., U.S. Census Bureau, and Bureau of Labor Statistics.

Midwest Metro Employment Recovery



Source: Federal Bureau of Labor Statistics

Estimated Fund Allocation

40%

- Infrastructure

  -Broadband internet

  -Project-specific roads, sewers, etc.

  -Rail, runways, etc.

40%

- Workforce Training

  -Diversification

20%

- Expansion/ relocations costs

  -Offset expenses

Fund Administration and Oversight

City Council

- Appoints new Commission
  -3 business leaders
  -2 City Council members
- Appoints Oversight Committee

New Commission

- Reviews each potential project
- Determines benefit to community/eligibility
- Allocates potential funding in open meeting

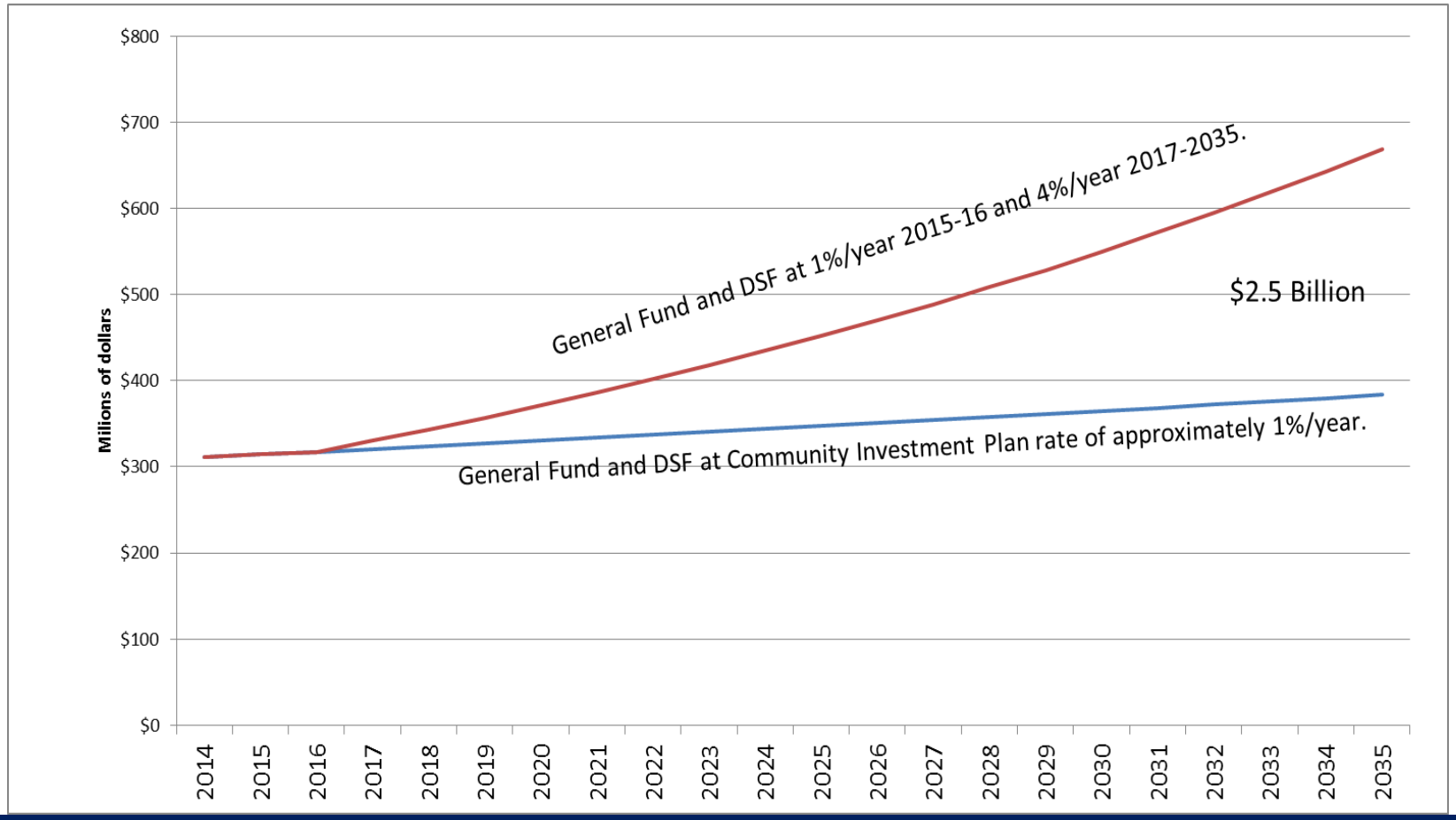
Oversight Committee

- Audits all transactions
- Tracks all outcomes
- Ongoing reports to City Council and public

Collaboration and Focused Effort

- Calls on existing business.
- Match companies with workforce.
- Increase exports with education and mentoring.
- Increase diversification and innovation.
- Local companies marketing Wichita.
- Local executives involved in sales calls.
- Collaboration and communication.

Long-Term City Resource – Differing Growth Assumptions



Investing in job growth today will provide tax base growth for the future

Public Transportation

Transit

- Transit provides over 2 million rides annually, many to those that are unable to drive.
- In the past, operations have been maintained by service reductions, City loans, deferred capital purchases, and increased use of Federal funds for operations.
- Severe reductions will be required by 2016 without additional funding.

Transit – Growing Public Support

- Local public input indicates a strong need for increased public transit service including extension of routes, more frequent service, addition of evening and Sunday service, and exploration of service to neighboring cities.

Transit – Community Importance and Return on Investment

- Transit is a critical component of an economically prosperous community and an integral economic development strategy.

- The American Public Transit Association estimates that for every dollar invested in transit, the return to the local economy is **four dollars**.

Transit – with Sales Tax Funding

- A baseline sustainable Wichita Transit can be funded with as little as 10% of a 1 cent sales tax.
- This would provide $39.8 million over the next five years, or around $8 million annually.
- Wichita Transit would have newer buses with better and more frequent routes, improving service to current riders and attracting additional riders.

Pavement Maintenance

Pavement Maintenance

- The City has over 5,000 lane miles of paved streets.
- Pavement conditions have slowly deteriorated over the last decade in Wichita.
- New pavement maintenance strategies will enhance the effectiveness of City efforts.

Pavement Maintenance

- The street network is measured by the remaining service life (RSL); a higher number means better streets with more years of life remaining.
- Better evaluation of the timing and type of maintenance applications will preserve streets longer, stretching the remaining service life.
- The degree to which improved maintenance can be applied is still dependent on the dollars spent.

Pavement Maintenance

- New strategies maximize return on investment.
- Additional funding will improve streets.

Impact of Maintenance Strategies and Funding - Next 40 Years			
Maintenance Strategy	Network Service Value	Network RSL (Lane Mile Years)	Lane Miles at RSL = 0
	Current Street Network Measurements		
	$444 million	42,213	927
	Projected Street Network Measurements in 40 Years		
Past Strategies	$80 million	5,524	4,113
New Strategies	$458 million	42,898	2,729
$2 Million Increase in Annual Funding	$505 million	46,772	2,399
Additional $27.8 Million Over Next 5 Yrs	$520 million	48,648	2,384

Estimated Local Sales Tax Revenue

- A one-cent Wichita sales tax would generate an estimated $397.6 million over five years.

Estimated Proceeds from a City of Wichita 5-Year Sales Tax (2015-2019)	
Strategic Priority	**Total**
Water Resources (63%)	**$250 million**
Economic Development (20%)	**$80 million**
Transit (10%)	**$39.8 million**
Pavement Maintenance (7%)	**$27.8 million**
Total (1 cent)	**$397.6 million**

City Sales Tax Background

- Since 1986, the City has faithfully kept its pledge to use sales tax dollars for property tax reduction and road, highway, and bridge improvements (i.e., Kellogg Freeway).

- A sales tax would import revenues into Wichita when non-residents make taxable purchases in the community.

Metro Area Sales Tax Rates

The City of Wichita currently has a lower mill levy rate and lower total sales tax rate than most cities.

Wichita Metro Area Tax Rates					
City	**Rate**	**County**	**Rate**	**Total Rate**	**Mill levy**
Wichita	**n/a**	**Sedgwick**	**1.0%**	**7.15%**	**32.509**
Derby	.5%	Sedgwick	1.0%	7.65%	47.504
Haysville*	1%	Sedgwick	1.0%	8.15%	48.672
El Dorado	1%	Butler	0.25%	7.40%	47.237
Andover	1%	Butler	0.25%	7.40%	38.519
Rose Hill	1%	Butler	0.25%	7.40%	44.121
Augusta	2%	Butler	0.25%	8.40%	41.782
Newton	n/a	Harvey	2.00%	8.15%	51.114
Wellington	1.50%	Sumner	0.50%	8.15%	51.526
Hutchinson	0.75%	Reno	1.50%	8.40%	41.485

**The Haysville sales tax will be effective on July 1st, 2014*
Note: The Mill Levy rate reflects the 2013 levy (for tax year 2014) and is reported from the County Clerk's Office of the respective counties.

Implementing a Sales Tax

- June – July – Community engagement
- July 22 – City Council workshop
- August 5 – City Council action on a sales tax referendum
- November 4 – Potential sales tax election

Summary

- Priorities are addressed - Five year sales tax will fund water resources, jobs and economic investment, Transit and pavement maintenance.

- Oversight is key - Oversight groups will monitor expenditures and outcomes.

- Outcomes are important - Developing a drought resistant water supply through 2060; creating up to 20,000 new jobs; enhancing Transit service levels and financial viability; and improving the condition of City streets.