

City of Wichita, Kansas



Popular Annual Financial Report

Fiscal Year Ended December 31, 2011



The City of Wichita is the largest city in Kansas, with an estimated population of 382,368. It encompasses approximately 162 square miles and serves as a regional hub for business, entertainment, health care and education. As a three time All-American City award winner, Wichita offers its residents a quality of life that is clean, safe and growing.

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Top 10 Employers 2011

1. Spirit AeroSystems
2. Via Christi Health System
3. USD 259 Wichita
4. Hawker Beechcraft Corporation
5. Cessna Aircraft Company
6. State of Kansas
7. City of Wichita
8. Sedgwick County
9. United States Government
10. Bombardier Learjet

Financial Reporting Awards

The City of Wichita received the following awards from the Government Finance Officers Association in 2011

- Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR)-38th consecutive year
- Certificate of Achievement for Excellence in Financial Reporting for the Pension CAFR-12th consecutive year
- Outstanding Budget Presentation Award-23rd consecutive year
- Award for Outstanding Achievement in Popular Annual Financial Reporting-2nd year



The City of Wichita

Local Economy

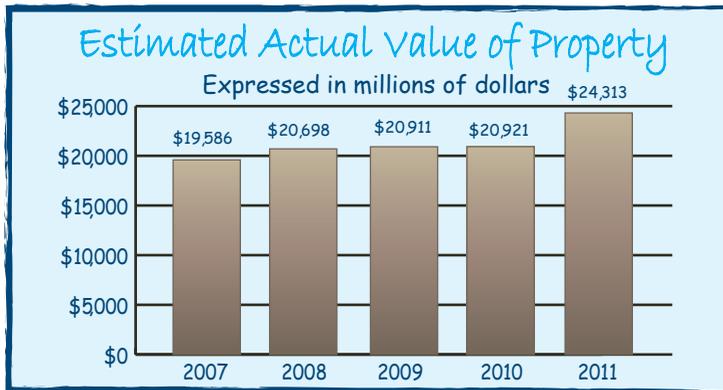
The City continues to feel the effects of the current recession. However, measured by unemployment, the local economy has fared better than the national economy through most of the recession. Wichita's 2011 rate equaled the national rate, dropping below 2010 levels.

- The City of Wichita's 2011 annual unemployment rate dropped .5% to 8.9%
- The annual unemployment rate for Wichita MSA also decreased .5% from 2010 to 8.1%



Source: State of Kansas, Department of Labor

The Wichita Metropolitan Statistical Area (MSA) includes four counties: Sedgwick, Butler, Harvey and Sumner.



Source: Sedgwick County Clerk and Sedgwick County Appraiser

- The 2011 estimated actual value of taxable property is \$24.3 billion with an assessed value for tax purposes of \$3.2 billion.
- The City's 2011 tax levy is 32.359 mills or \$32.359 per \$1,000 of assessed value, which is utilized to pay for City services.



Looking Ahead

Positioning the City for long term economic growth remains a key business objective, based on a diversified foundation of business and industry. Partnering with all levels of government, the City has worked to incentivize job growth and mitigate the negative impacts of industry losses.

The City is continuing to implement strategic initiatives to provide stability with fewer financial resources. With a combination of approaches, the City has focused on energy savings, mitigating rising insurance premiums, and seeking opportunities for increased efficiency in delivering essential services. Through engagement of stakeholders, the focus of the City remains on the reliable delivery of the priority services and the prudent use of the community's resources.

Momentum for downtown development continued in 2011, based on the adoption of the master plan for Downtown Wichita in late 2010. Also in 2011, a new Downtown Incentives Policy was created, establishing guidelines for striking an appropriate balance between public and private investments. A few of the projects taking place in the downtown area:

- The City continued renovations and improvements to the Century II Convention Center.
- Partnering with the private sector, the Fairfield Inn opened providing additional rooms for convention guests.
- The historic Broadview Hotel was renovated and reopened in 2011 by Drury Inn, retaining historic features and with extensive riverfront improvements, making the hotel one of Wichita's centerpieces.



Ambassador Hotel

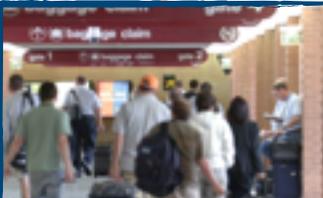
● Renovation is underway for an Ambassador Hotel in the downtown district. The private-public partnership will result in a four-star hotel, a small park and a 257-stall parking garage scheduled to open in 2012.

● Cargill Inc. opened a new \$14.7 million facility in the downtown area devoted to research, development, culinary sciences and pilot plant capabilities, employing approximately 65 people.

- The public investment portion of the WaterWalk area is nearly complete, including final construction of a \$1.5 million "Waltzing Waters" fountain and surrounding plaza.



City Service Statistics



1,536,354 Passengers served
35 Daily flights



2,073,725 Fixed route riders



134,534 Sewer customers



226,047 Calls for 911 service

Despite the challenging economic times, the City remained steadfast in its focus on core services and efficient government.



72,226 Unit responses
62% of fires contained to room of origin



145,105 Botanica
Garden visitors



14 Miles of street resurfaced
54,075 Potholes repaired



144,710 Water customers

Revenue Sources

Where the Money Comes From

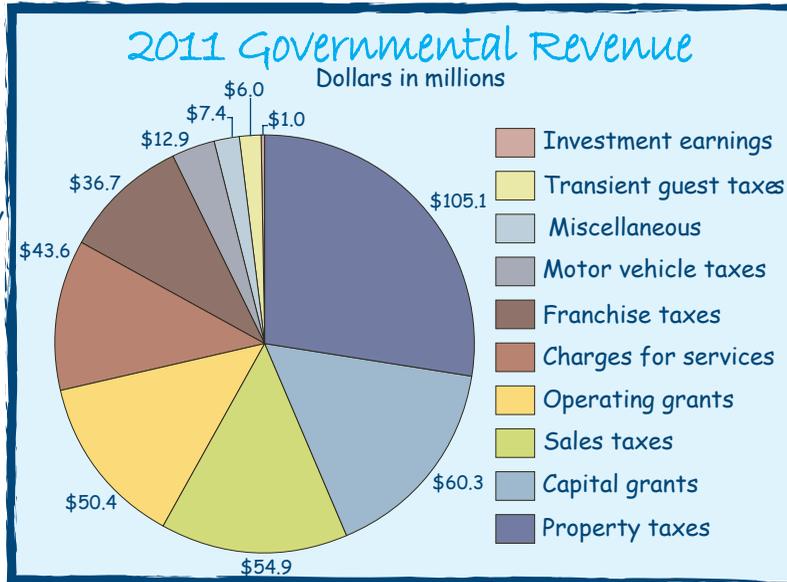
The City of Wichita maintains 24 governmental funds with multiple subfunds, which account for the City's basic services including public safety, general government administration, highways and streets, culture and recreation and the physical environment.



Revenue totaling over \$378 million (excluding transfers) financed these services from the following sources:

TAXES

- **Property**-taxes collected from property owners on real estate and other equipment
- **Sales**-City's portion of the County-wide sales tax
- **Franchise**-percent of revenue from utility companies for the use of the City's right-of-way to deliver utility services
- **Motor Vehicle**-local portion of the property tax levied on motor vehicles
- **Transient Guest**-set by the City Council and collected by local hotels to fund tourism and convention programs



GRANTS AND CONTRIBUTIONS

- **Operating**-resources received from other governments for specific services such as housing and community assistance programs, transportation, police services and environmental health programs
- **Capital**-primarily received from other governments and special assessments from property owners used for the construction of capital assets, normally for roads and bridges

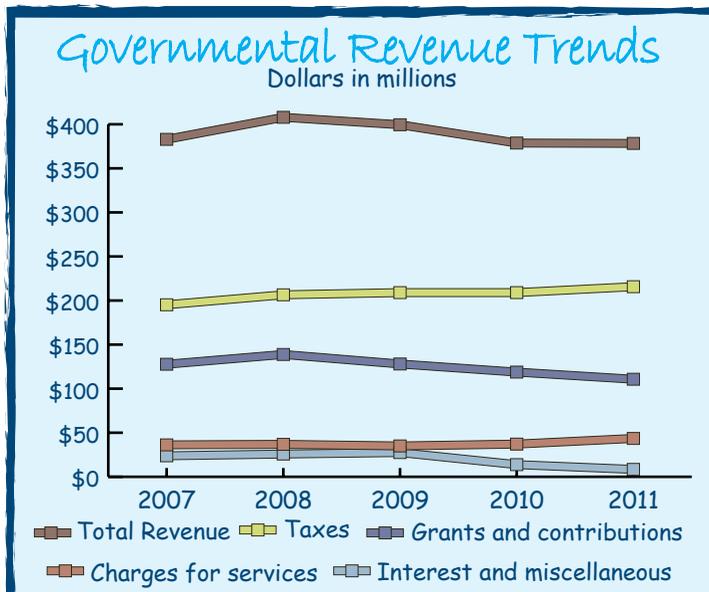
CHARGES FOR SERVICES

- Resources paid to the City for services such as recreation classes, building rentals, licenses, inspection fees and fines

INVESTMENTS AND MISCELLANEOUS

- **Investment Earnings**-revenues earned on the investment of cash balances
- **Miscellaneous**-revenues from the sale of unused property, repayment of loans, insurance settlements and other reimbursements

- Tax revenue increased due to increased sales tax revenue of \$6.7 million.
- Grants and contributions declined for the third consecutive year.
- Revenue from charges for services has increased in the last two years as the City improves cost recovery and evaluates the appropriateness of current user fees.



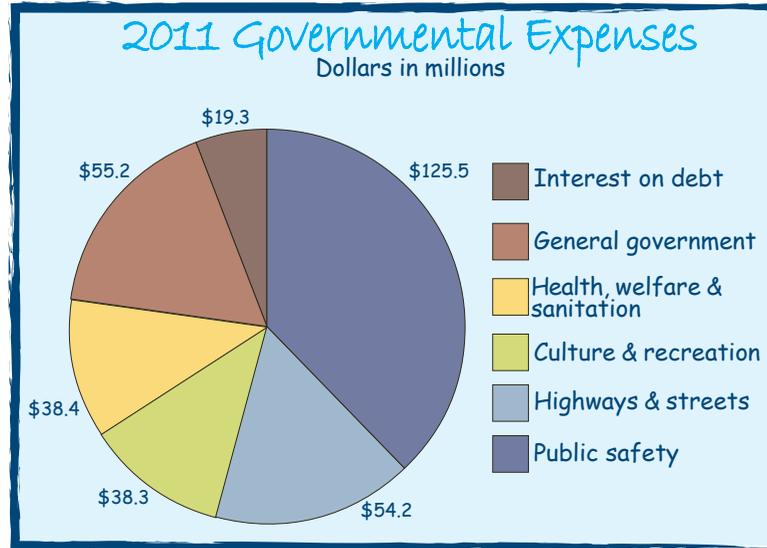


Expense Categories

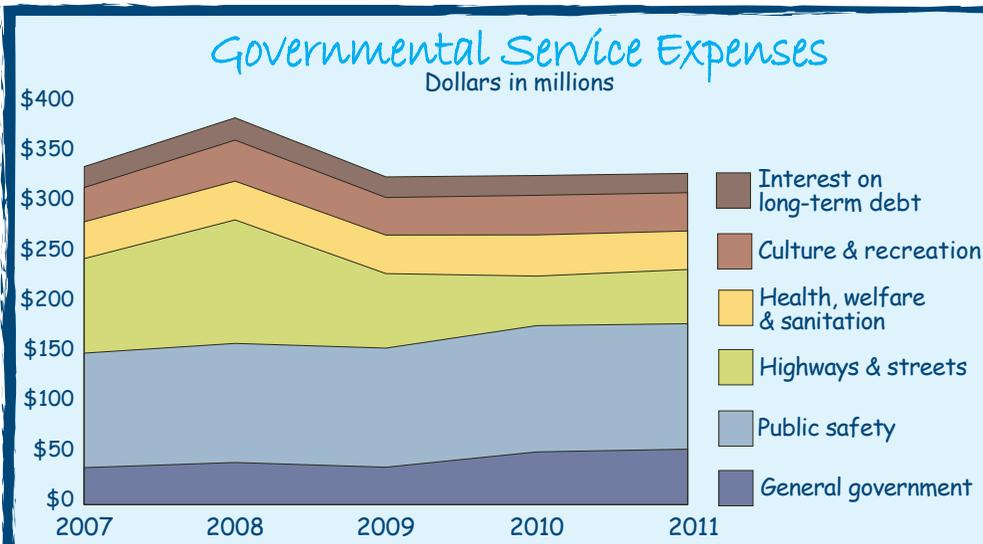
How the Money is Spent

City Service Expense Categories

- **Highways and Streets**-construction and maintenance
- **Public Safety**-fire and police
- **General Government**-elected officials, administrative offices and municipal court
- **Culture and Recreation**-park and library programs including Wichita Art Museum, Cowtown, Mid-America All-Indian Center, CityArts and Botanica
- **Health and Welfare**-housing and community assistance programs, environmental services, animal control, day care licensing and inspection of food service providers
- **Interest on Long-Term Debt**-cost of financing investments in streets, bridges, buildings, attractions, and technology
- **Sanitation**-street cleaning, weed and blight control



- The 2011 cost of governmental services was 2.0% below the 2007 cost of governmental services.
- The cost of highways and streets increased in 2011 as the City targeted maintenance to the areas of greatest need.
- Public safety, primarily police and fire services, continues to be a service priority.

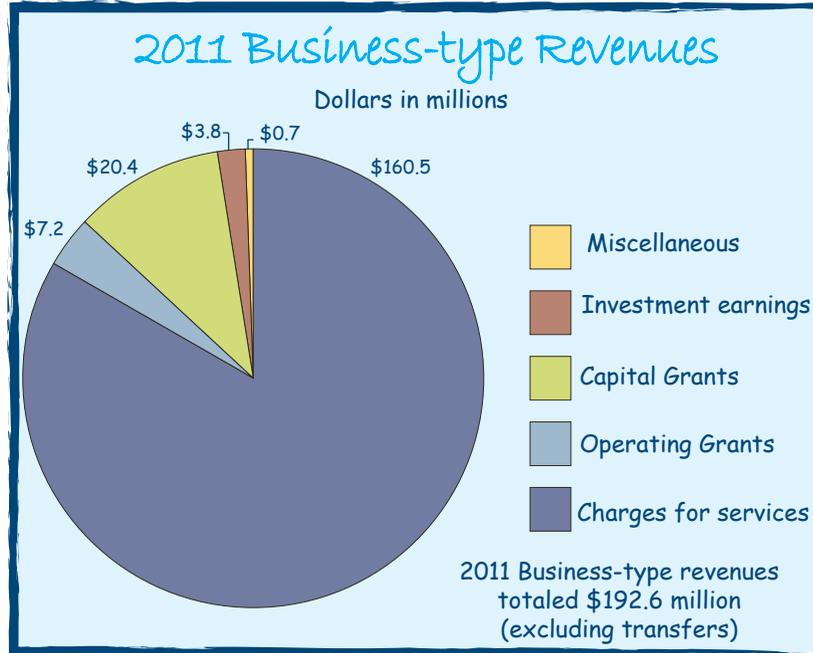


Business-type Activities

Revenues

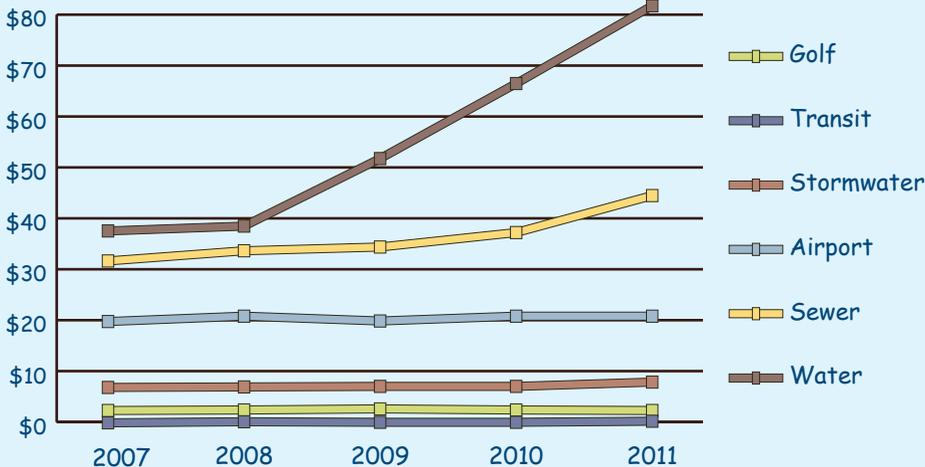
Business-type activities include Water, Sewer, Stormwater, Airport, Transit and Golf Course. These areas operate more like private businesses, with self-supporting revenue sources. The services provided are generally not supported with sales or property tax.

- The Water, Sewer, Stormwater, Airport and Golf departments operate from money received for the services provided.
- Transit uses money received from services and is subsidized by local taxes. Transit also receives revenue from state and federal grants.
- The Airport receives support from federal grants and federally authorized passenger facility charges.



Business-type Revenues from User Fees

Dollars in millions



- Revenues have grown an average of 6.2% over the past five years.
- Rate increases have been implemented in the Water and Sewer Utilities to fund the capital program.

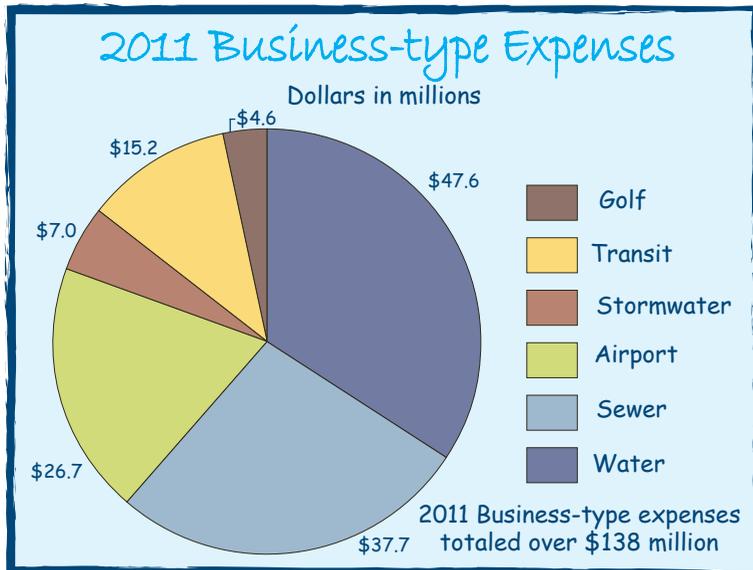


Aerial view of ASR project

- Expenses of the business-type activities reflect operating expenses only, excluding current year investments in new capital assets.
- Careful cost control resulted in a 3.6% increase in total operating expenses.

Major Initiatives

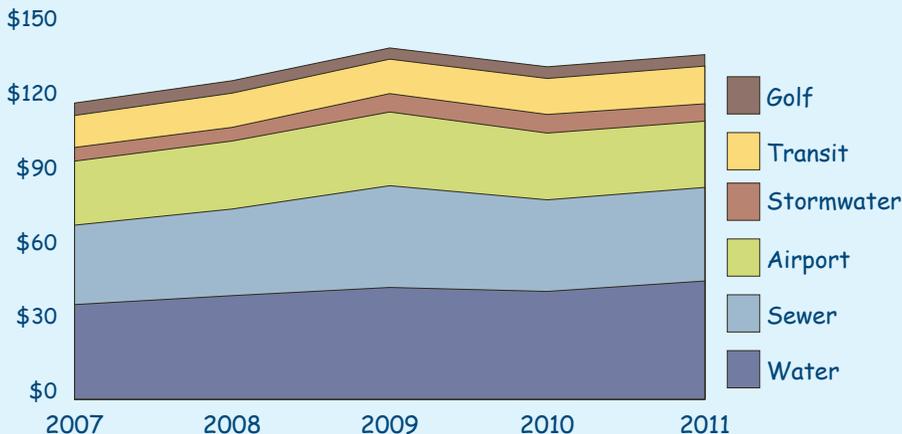
- The Stormwater Utility is constructing the 11th pump station with an expected final cost of \$5.6 million. The pump station moves excess surface water from City streets during heavy rains.
- Transit invested in technology upgrades that increase efficiency in operations and fleet maintenance. The new maintenance facility, funded by the American Recovery and Reinvestment Act, was completed and will shorten vehicle down time for para-transit services.
- In preparation for construction of a new airline terminal at Mid-Continent Airport, aprons and utilities were relocated. Bids for the new terminal will be accepted in 2012 with a target completion date of 2015.



Transit Operations Center

Business-type Expenses

Dollars in millions



- Expenses in the business-type activities have grown an average of 3.8% over the past five years.
- Water, Sewer and Transit operations recorded increases in expenses; Airport, Stormwater and Golf were able to affect modest decreases in operating costs.

Assets

Business-type and Governmental

Delivering services to the citizens of Wichita requires more than just dollars. Many types of assets are also needed to keep the City running. In 2011 depreciated assets were valued at \$2.5 billion.



Business-type

Business-type assets include land, buildings, water and sewer lines, pumping equipment, sewer cleaners, airport taxiways, vehicles, buses and industrial mowers.

Assets of the business-type activities are financed with a mixture of available cash, grants and long-term debt. Utility assets are customarily financed on a long-term basis and repaid from user charges. Transit assets are usually purchased from grant revenue with a small portion from local revenue. Airport assets are customarily purchased from passenger facility charges, other user charges and grant revenue.



2011 business-type assets totaled over \$1.4 billion and are made up of the following departments (dollars in thousands):

- Water Utility \$664,566
- Sewer Utility \$428,711
- Airports \$155,363
- Stormwater \$158,182
- Transit \$19,584
- Golf Courses \$7,485

Governmental

Governmental assets are used to deliver City services such as police and fire rescue, parks and recreation, and streets and bridges.

Assets used to deliver general governmental services are financed with available cash, grants and long term debt. The City's portion of the 1% Sedgwick County sales tax provides funding for major arterials and the Kellogg Freeway with state and federal contributions when available. Buildings, equipment and other improvements are paid from general revenues, which includes taxes, user fees, licenses, permits and other charges.



Governmental assets totaled over \$1.1 billion in 2011 and are made up of the following categories (dollars in thousands):

- Land \$242,914
- Buildings \$167,311
- Improvements \$56,684
- Equipment \$36,479
- Infrastructure \$564,822
- Construction In Progress \$51,670

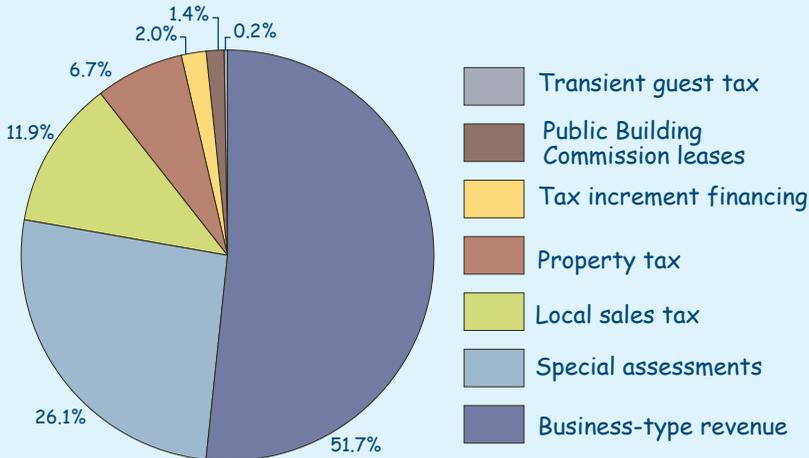
Miracle Field at Orchard Park

Assets are financed with a mixture of cash and long-term borrowing. Money is borrowed on a long-term basis to spread the cost of assets over their useful lives. Funds are only borrowed to fund capital acquisitions and improvements.

Outstanding debt is continuously evaluated for opportunities to take advantage of lower interest rates to reduce long-term borrowing costs. In 2011, \$59.9 million in general obligation bonds were refinanced to achieve lower interest costs, in addition to refinancing \$16.2 million in general obligation bonds that will be repaid from sales tax revenue. For the same reason, Water and Sewer Utilities refinanced \$105.3 million of revenue bonds, reducing long term interest costs substantially. The refinancing did not extend the repayment period, but simply took advantage of lower interest costs.

Kansas law establishes a legal debt limit. The City of Wichita is well within the legal debt limit established by the State of Kansas.

Debt Repayment Sources



- Total long-term debt outstanding on December 31, 2011 was \$1,034 million.
- Business-type activities repay debt from the Water, Sewer, Stormwater, Airport and Golf Course revenues.
- Taxes and special assessments are also utilized to repay debt from governmental funds.

Bond Rating

- The City of Wichita holds an AA+ rating from Standard and Poor's and a rating of Aa1 from Moody's Investor Service.
- The Water and Sewer Utilities currently hold an AA- rating from Standard and Poor's.
- The credit ratings express the confidence of the rating agencies that the City has a very strong capacity to meet its financial commitments, making the City's bonds high credit-quality investments.





Questions

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This Popular Annual Financial Report (PAFR) has been prepared to inform citizens about the City of Wichita and its operations, services and programs, as well as its financial condition for the fiscal year ended December 31, 2011. It is suitable for readers who prefer to review operational and financial information in summary form and does not substitute for the City's Comprehensive Annual Financial Report (CAFR). This publication is derived from information provided in the CAFR which is based on generally accepted accounting principles (GAAP). This report is presented in GAAP format and is not inclusive of all funds or the City's component unit, the Wichita Public Building Commission. The City's financial statements have been audited by Allen, Gibbs and Houlik, an independent firm of certified public accountants. The auditors' report concluded that the financial statements fairly reflect the financial condition of the City in all material respects.

The PAFR and a full copy of the CAFR are published on the City's website at www.wichita.gov/CityOffices/Finance/Controllers/DocumentsForms.htm

