



Honorable Mayor Carl Brewer,  
Members of Wichita City Council

August 30, 2011

## Dear Mayor Brewer and Members of the City Council:

The 2012 Adopted Budget continues the organizational transformation that has ensured fiscal sustainability during economically challenging times. Based on prudent policy direction from the City Council and hard work by a dedicated City workforce, the City of Wichita has avoided much of the draconian service degradations and spending reductions experienced by other local governments across the country. Although the worst of the economic downturn appears to be over, there is little doubt that many challenges remain; challenges that demand continued vigilance to ensure the City remains on a path to long term financial sustainability. The 2012 Adopted Budget provides an appropriate time to review the many challenges that the City still faces. Cognizant of those challenges, the budget is presented as a roadmap to sustainability and as an operating plan to make certain that the most important outcomes are provided to citizens.

This budget was developed by staff based on several underlying themes. Transparency and citizen engagement are essential to the process. In addition, funding recommendations are guided by past City Council direction on the core strategic priorities, including the protection of life and property, the preservation of the City's infrastructure, and the enhancement of a growing community. Opportunities to improve the efficiency of City operations are also emphasized in this budget. Finally, none of this is possible without an environment in which City employees can provide the best possible service to Wichitans.

**Key Policy Issues:** In crafting the 2012 Adopted Budget, staff identified a number of key policy items. The following points summarize these items, and the policy direction provided by the 2012 Adopted Budget. Additional discussion is also included in the Budget Issues section of the budget.

- ◆ **No property tax mill levy increase will be required.** This is the 18<sup>th</sup> consecutive year in which the City will meet its obligations without increasing the overall mill levy rate. The mill levy rate has held steady around 32 mills since 1994.
- ◆ **A balanced General Fund will maintain a reserve of at least 10%.** Stabilizing the General Fund has been a major theme of recent budgets because of the precarious position of the local economy. Along with measures taken since 2009, this budget has closed the initially projected gap between revenues and expenditures, solidifying the condition of the General Fund. In addition, the fund will maintain a balance of slightly more than 10% of expenditures, consistent with City Council policy. The fund balance assures rating agencies of the City's financial stability and provides an emergency reserve.

- ◆ **Core strategic priorities are emphasized in the budget.** Four core strategic priorities were previously adopted by the City Council that link to the City's mission. Budgeted resources are allocated for those services directly tied to meeting those strategic priorities.
- ◆ **Water and Sewer finances have been solidified.** A cost of service analysis of the City's Water and Sewer operations was underway when this budget was developed. Since financial difficulties were first identified in January 2010, a number of expenditure reductions have been initiated, including elimination of several positions and merging operations under the Public Works & Utilities Department. A new rate structure will be recommended to the City Council that will provide the revenue necessary to complete crucial system upgrades while securing viable sources for the community's water supply. It will also more equitably share costs among residential, commercial, and industrial customers based on the demands placed on the utilities.
- ◆ **Equitable employee compensation has been incorporated.** Aside from merit increases for employees, most employee wages have been held flat for several years, an effort that has been commendably led by the City Council. However, it is important to ensure the stability and productivity of the workforce, of whom much sacrifice has been asked during the downturn. A modest amount has been incorporated to reward meritorious performance and to fund the employer share of health insurance and pension benefits for City employees and their dependants.
- ◆ **Transit Fund will be stabilized.** Increasing fuel costs and the expiration of ARRA grants have combined to create a shortfall in the Transit Fund, which finances bus and paratransit operations. The City has engaged the community through a variety of meetings to determine transit priorities. Fare increases and support from the Permanent Reserve Fund are expected to stabilize the Transit Fund until July 2013, when increased state grants become available to offset operating costs. However, prior to 2013, a continued community dialogue is essential to determine the future of transit services in Wichita.
- ◆ **Improved integration of the Capital Improvements Program (CIP) budget with the operating budget.** Capital investment is prioritized using the same core priorities that drive the operating budget. The CIP budget and the operating budget are intrinsically linked; many CIP projects affect operating needs, leading to changes in the annual budget. An enhanced effort will be launched to identify those operating impacts to better align capital investment with the long-term sustainability of the operating budget.
- ◆ **Street maintenance funding is increased.** Funding for maintaining Wichita's streets will increase to \$6.6 million in 2011. Increased funding is expected to slow the deterioration of Wichita's Pavement Condition Index (PCI). The PCI assesses the community's roadways and is an important indicator of the condition of Wichita's road network. Longer term, in conjunction with the proposed Capital Improvement Program, street maintenance will be increased to \$10 million annually.
- ◆ **Half a mill of property tax revenue will be shifted to the Debt Service Fund.** In 2013 and 2014, half a mill of property tax revenue will be shifted from the General Fund to the Debt Service Fund. This will follow the shift in 2011 of one mill to the General Fund in order to capitalize on economic development opportunities. The shift of the millage back to the Debt Service Fund is consistent with past Council direction and the City Council's priority of maintaining existing infrastructure through the CIP.
- ◆ **Technological advancements will continue in 2012.** A number of technological advancements have begun in 2011 that will be completed next year. Wireless connectivity will be increased across the City's network, including enhancements at the City's fire stations through the Point-to-Point system. The Interactive Voice Recognition (IVR) system allows citizens to pay bills and receive information from the City with ease. Electronic citation equipment will be explored. The new technology would allow Police Officers more time to enforce traffic ordinances, making Wichita's streets safer for all who travel through the City while also enhancing clerical staff efficiency.

- ◆ **Retirement Incentive Program for 2012.** A retirement incentive program has been developed. The program will provide eligible staff with compensation aimed to ease the transition between work and retirement. Accelerating retirements will enhance opportunities to re-evaluate staffing levels, resulting in savings for the City. In addition, staff will review the DROP provisions of City retirement plans, to evaluate the continued benefit of those programs.

**Issues Affecting City Finances:** City operations are carried out in a dynamic economic environment that has been stressed since the last recession. Local and national economic conditions substantially affect the organization's financial outlook. Significant factors influencing the budget are summarized in the following points.

- ◆ **Weak Economic Growth:** The local economy appears to have stabilized, with weak growth in a number of sectors. Specifically, sales tax collections have increased in 2011, while the Wichita State University Current Conditions Index has stabilized. Trends point to growth locally, although the current expansion is much less robust than what was experienced coming out of prior recessions. Additionally, the national economic condition is still questionable. Markets continue to fluctuate, and an abundance of other data, notably unemployment rates and housing prices, show underperformance in many areas key to economic growth. Low growth is projected in 2011 and 2012 because of the weak local economy and uncertain national economic conditions.
- ◆ **Unprecedented Weakness in Property Values:** For the first time since at least 1990, Wichita property values are projected to decline or stay flat for three consecutive years (2009 – 2012). This unprecedented weakness has been caused by historic drops in the local and national housing markets. Although a mild recovery is expected to increase property values by 2% in 2013, the trend through next year seriously affects the property tax revenue available to the General Fund. Property taxes comprise about 35% of General Fund revenue, so any weakness in area property values will necessitate a variety of expenditure reductions to balance the budget.
- ◆ **Increasing Benefits Costs:** Health insurance premiums and pension contribution rates continue to increase, similar to what was experienced in last year's budget. Employer contribution rates for the pension system remain the same for commissioned staff but will increase by 0.4% in 2012 for civilian personnel. Depending on market performance, rates could increase again in 2013. Premiums for health insurance are estimated to grow by 10% annually. It is becoming increasingly challenging to absorb the rising benefits expenses without higher growth in annual revenue.
- ◆ **Union Negotiations:** The City currently does not have contracts with two of its bargaining units, while contracts with the other three unions will expire in 2012. Compensation costs comprise the majority of General Fund expenses, so the terms of future contracts will have a substantial impact on City finances in the coming years.
- ◆ **Rising Fuel and Commodities Prices:** Fuel prices have increased dramatically in 2011; through early June, average weekly fuel prices in the Midwest grew by 45% over the prior year. Prices have begun to moderate, with fuel expenses declining in recent weeks. The City uses about 1.3 million gallons of fuel annually, so every 10¢ increase raises the City's fuel costs by \$130,000. Currently, the City is identifying strategies for conserving fuel. The budget assumes City fuel prices of \$2.70 in 2011, \$2.90 in 2012, and \$3.10 in 2013 (up from \$2.49 in 2010). Additionally, fuel costs are impacting the prices of all commodities. Chemicals, equipment, and other goods will cost more in future years if fuel prices remain at current levels.

**City Financial Forecast:** The 2012 Adopted Budget includes a long-term financial forecast, through 2016. Although the financial environment is still full of unknown variables, this forecast represents staff's assessment of that environment and the level of resources that are projected to be available to fund City operations. This forecast includes a review of the key assumptions and a discussion of the potential threats that will impact the long-term sustainability of the City. In addition, to enhance sustainability, a number of strategies are recommended.

- ◆ **Continued efforts to mitigate the impact of major cost drivers:** As noted earlier, health insurance costs are one of the primary drivers of growth in City expenditures. City staff will continue to explore innovative ways to reduce costs,

including efforts to encourage healthy behaviors. Fuel significantly impacts many funds. The City will take steps to reduce consumption each year, with steps that will include a review of the appropriate usage and type of equipment, a modification of vehicle operating practices, and the use of new technology and fuels, including compressed natural gas.

- ◆ **Continued re-alignment of staff capacity to workload demands:** The 2012 Adopted Budget includes reductions in Engineering & Architecture, Planning, and the Office of Central Inspection, all due to the decrease in workload from a decline in development activity. Staff will continue to implement layoffs, position freezes and position eliminations if activity levels remain depressed. However, it is equally important to maintain a base level of capacity in these areas, to prepare for the eventual expected return of increased activity.
- ◆ **Reduced use of non-recurring revenue sources to balance the budget:** To weather the downturn, the City has relied on the use of non-recurring revenues. While an effective short term solution, staff will reduce the use of these funding sources over the longer term. This strategy started two years ago with the reduction in the transfer to the General Fund from the Landfill Post Closure Fund. Transfers from the Pension Reserve are eliminated by 2014 in the long term financial plan. These efforts will continue, with the objective made to match one-time revenues with one-time expenditures.
- ◆ **Use of technology:** City staff are constantly exploring ways to use technology to improve customer service and reduce costs. These projects include the use of IVR technology, the implementation of an e-citation system and improvements to e-commerce applications. In addition, the accounting and payroll systems are both due for replacement. New systems will be explored to increase automation in those areas. Wireless technology will continue to expand connectivity.
- ◆ **Review of operating practices to ensure effective and efficient performance:** City staff will continue to review the efficiency of City services to ensure that dollars are spent as efficiently as possible. In many cases, efficiency performance measures are useful in benchmarking the cost effectiveness of City services with other cities to identify potential areas for improvement. Although much has been done through the previous three years, the effort to enhance efficiency will be ongoing.

**Total City Revenues and Expenditures:** The 2012 Adopted Budget includes \$549,313,783 in expenditure authority among all of the City's funds. For the 2011 Revised Budget, a total of \$464,739,369 is recommended; an increase of \$45.3 million over 2010 actual expenditures. These increases are due to a budgeted increase in cash financing in 2011 from the Debt Service Fund, a planned increase in Economic Development Fund expenditures, and increases in both the Water and Sewer Utility Funds due to higher debt service requirements and the impact of budgeting for more gallons produced and treated by the utilities. Aside from those adjustments, total growth in 2011 is 2.8%.

### ALL FUNDS EXPENDITURE SUMMARY: 2010—2013

FUND	2010 ACTUAL	2011 ADOPTED	2011 REVISED	2012 ADOPTED	2013 APPROVED
General Fund	\$201,277,252	\$212,939,566	\$212,765,078	\$217,912,874	\$220,814,782
Debt Service	82,636,464	105,668,794	94,242,091	104,792,452	94,798,044
Special Revenue	53,407,670	99,568,944	61,149,313	114,340,127	64,087,411
Enterprise	126,238,136	155,020,971	147,494,488	166,229,338	161,349,081
Internal Service	61,177,246	76,832,590	73,696,795	77,815,082	81,727,060
Interfund Transfers	(105,257,965)	(130,732,002)	(124,628,395)	(131,776,091)	(134,718,388)
<b>NET ANNUAL BUDGET</b>	<b>\$419,478,803</b>	<b>\$519,298,864</b>	<b>\$464,739,369</b>	<b>\$549,313,783</b>	<b>\$488,057,989</b>

The 2012 Adopted Budget is \$84.6 million more than the 2011 Revised Budget. However, this growth includes the artificial impact of including appropriated reserves (in accordance with State Law); this accounts for \$49.2 million. As shown in the table on page 25, most of the remaining growth is attributable to increases in the Debt Service Fund and the Sales Tax Construction Pledge Fund. These increases are mostly for anticipated increased debt service payments associated with future CIP projects. Aside from those funds, the total increase in 2012 is \$11.5 million, or 2.5%.

**General Fund:** The General Fund receives about three-quarters of the City's property tax levy. These funds are used to finance services cited by residents as the most important ones provided by the City of Wichita, including police operations, fire protection, parks, transit, and infrastructure maintenance. General Fund expenditures account for almost half of the entire City budget. Expenditures in the General Fund are aligned with revenues, resulting in a balanced budget for 2012.

General Fund expenditures in 2011 are projected to increase by \$11.5 million or 5.7% over 2010 expenditures. Nearly one half of this increase is \$2.5 million for economic development activities and \$2.5 million for jail fees. Both of these costs were included in the 2011 budget adopted last year. Other increases are primarily for wages and benefits, including \$1.7 million for increased pension costs and \$2.6 million for additional health insurance costs. Longer term, health insurance and base wage adjustments are budgeted to account for nearly all increases in General Fund expenditures.

CITY BUDGET GROWTH COMPONENTS (MILLIONS OF DOLLARS)		
	2011 REVISED	2012 ADOPTED
<b>TOTAL ANNUAL INCREASE</b>	<b>\$45.3</b>	<b>\$84.6</b>
<b>Debt Service Fund</b>		
Planned increase in pay-as-you-go (cash) financing	11.6	
Budgeted capacity for new debt issuances		7.8
<b>Economic Development</b>		
Increase for economic development activities	2.7	
<b>Sales Tax Construction Pledge Fund</b>		
Planned increase in pay-as-you-go (cash) financing		16.1
<b>Water and Sewer Utilities</b>		
Budgeted capacity for debt issuances, and anticipated higher volumes	16.8	
<b>All Funds</b>		
Budgeted reserves (in accordance with State Law)	2.4	49.2
<b>All other changes</b>	<b>\$11.8</b>	<b>\$11.5</b>
<b>PERCENTAGE INCREASE (NOT INCLUDING ITEMS ABOVE)</b>	<b>2.8%</b>	<b>2.5%</b>

Associated with this budget is a long term projection for the General Fund. The purpose of this plan is to forecast the capacity of the General Fund based on current policies, and then to identify the expenditure assumptions necessary to maintain a balanced budget. Very modest growth is expected long term in the General Fund. Growth in 2013 and 2014 will be tempered by the shift of 0.5 mill each year back to the Debt Service Fund. To remain in balance, nearly all growth is forecasted to be in the areas of health insurance and very modest base wage adjustments each year. This will require continued efforts to control costs. In addition, if the economic conditions do not gradually improve as envisioned in this plan, a meaningful dialogue regarding the prioritization of City services will be necessary.

LONG TERM GENERAL FUND FINANCIAL PLAN (MILLIONS OF DOLLARS)						
	2011 REVISED	2012 ADOPTED	2013 APPROVED	2014 PROJECTED	2015 PROJECTED	2016 PROJECTED
Revenues	\$212.8	\$217.9	\$220.8	\$224.9	\$231.5	\$238.4
Expenditures	\$212.8	\$217.9	\$220.8	\$224.9	\$231.5	\$238.4
<b>PERCENT CHANGE</b>	<b>5.7%</b>	<b>2.4%</b>	<b>1.3%</b>	<b>1.8%</b>	<b>2.9%</b>	<b>3.0%</b>

**General Fund Balance:** The 2012 Adopted Budget is in line with the City Council's policy of maintaining a General Fund balance of between 10% and 15%. A balance of \$22,592,679, or 10.4% of expenditures, will be maintained in 2012. Although the cash balance has held steady for several years, as a percentage of expenditures, the General Fund balance has eroded in the past due to increasing expenditures. The measures outlined in this budget will ensure that the balance will be maintained above the 10% threshold throughout the budget planning period. This level of General Fund reserve provides two important benefits: it provides an emergency reserve that can be used to respond to unforeseen events, and it strengthens the City's standing with rating agencies, which ultimately results in lower costs to construct vital infrastructure.

**Mill Levy Rate:** This budget continues an 18-year trend of a stable mill levy rate for Wichita taxpayers. The levy is held flat at 32.272 mills, equal to the rate levied in 2011. The total mill levy is split between the General Fund, which receives 24.772 mills, and the Debt Service Fund (7.50 mills). Wichita's mill levy is lower than all but four of the 46 municipalities in the metropolitan

statistical area. More importantly, Wichita has the lowest mill levy in Kansas of any first-class cities without a city-only sales tax. Additional information on the City of Wichita mill levy, including comparisons to other jurisdictions with similar tax structures, is included in the appendix beginning on page 291.

CITY OF WICHITA MILL LEVY		
	2011 REVISED	2012 ADOPTED
General Fund	24.772	24.772
Debt Service Fund	7.500	7.500
<b>TOTAL</b>	<b>32.272</b>	<b>32.272</b>

**Other Funds:** Most of the City's other funds are in stable condition, with trends explained in the financial plan section beginning on page 78. Due to deteriorating conditions in revenue levels, five funds are worth noting: Transit, Planning, Central Inspection, Water, and Sewer.

The Transit Fund pays for bus and paratransit operations. Initial projections showed a shortfall beginning in 2011. After extensive public input on an initial staff plan to increase fares and eliminate Saturday service, at the direction of the City Council staff developed an alternative scenario that is incorporated into the Adopted Budget. This scenario is included in more detail in the Budget Issues Section, and will retain Saturday service by increasing fares by 50 cents, seeking administrative efficiencies and using the Permanent Reserve Fund for back-stop financing in the event of additional shortages.

Dwindling construction activity over the past three years has hampered revenue generation in the City/County Planning Fund and Central Inspection Fund. Position eliminations have been targeted to the areas experiencing decreased workloads in an effort to balance the funds. Both funds continue to be monitored but are expected to maintain positive cash balances.

The Water and Sewer Funds have been troubled since January 2010 and were highlighted in last year's budget. A cost of service analysis has been completed and includes recommendations to stabilize both funds; it will provide a 10-year plan for financing necessary capital improvements, including crucial main replacements and water supply and treatment expansion. The budget assumes some financial adjustments that will be discussed later in 2011.

**Performance Measurement & Citizen Survey Results:** The City of Wichita, for the first time in its history, was acknowledged by the Government Finance Officers Association (GFOA) for its record of measuring service performance. The award places the City in a rare class; according to the most recent GFOA data, it is one of only 11 American cities to receive both the Distinguished Budget Award and GFOA recognition for performance measurement. Wichita is the third largest city in the United States and the only city in Kansas to earn both honors.

The recognition is due to a new model of measuring performance that was instituted last year. It relies much more on national standards and industry benchmarks to better assess the outcomes experienced by residents. The City is in its second year of membership in the International City/County Management Association's Center for Performance Measurement (ICMA-CPM), a consortium comprising more than 160 local governments that compare their service outcomes. Data were also culled from 17 different industry associations to define metrics in areas that are not a part of the ICMA-CPM reporting set. The data from all of these organizations are cited on the departmental and service summary pages throughout the budget.

Another step was taken in 2010 to infuse the budget with more meaningful metrics regarding outcomes important to the public. A citizen survey was commissioned that measured the public's perceptions of all aspects of the City organization, from customer service to public safety and infrastructure conditions. The citizen survey results and the performance measurement data formed the foundation for budget policy direction and allocation of resources. Strategic, data-driven conclusions about improving services have guided the stabilization of the City's different funds. Continual refinement of the performance measure model will strengthen the ability of staff to respond to the diverse needs of the Wichita community.

**Organizational Transformation:** Numerous initiatives have been implemented since 2009 to restructure departments and staffing; this budget continues those efforts to transform how the City provides services. The 2009 Adopted Budget included 3,426 FTE positions. The 2012 Adopted Budget funds 3,267, for a decrease of 159 FTE over three years. Position reductions include 67 positions associated with park mowing outsourcing, 8 positions due to custodial restructuring, 12 positions due to changing the delivery of Park & Recreation services, 15 positions associated with the consolidation of Public Works & Utilities. In addition, a net of 57 other positions have been eliminated through continued efforts to transform the City of Wichita organization.

While the 2012 Adopted Budget does not include as many position reductions as in the prior two budgets, a net total of 10.15 full-time equivalent (FTE) positions have been eliminated. These changes are detailed beginning on page 302. The 2011 Revised Budget also includes a number of adjustments. Fifteen new firefighters and eight additional grant funded police officers are added. Workload decreases in Planning have led to 2 positions eliminated. A variety of technical adjustments led to an increase of 20.6 FTE in 2011.

Restructuring continues to be a collaborative effort that includes input from bargaining units. This includes adjustments to custodial, recreation and Public Works & Utilities staff as reorganizational efforts in those areas are fully implemented (in some cases restoring positions that had previously been eliminated during initial restructuring efforts). These efforts retained several custodial services positions and allowed the cancellation of planned furloughs for park maintenance staff while simultaneously delivering increased efficiency. In addition, adjustments included in the 2012-13 Adopted Budget for Fire Department restructuring have benefited from constructive input from labor groups.

Additional savings have been realized by attempting to realign staffing capacity with current service levels. This is particularly evident in Central Inspection, Planning and Public Works & Utilities engineering staff. In these areas, economic conditions have diminished the required workloads. Efforts have been made to minimize staffing disruptions and maintain the ability to increase capacity, while at the same time reducing staffing and expenditures based on current service requirements. Organizational restructuring efforts will continue in 2012, after a comprehensive review of the organizational structure of each department. Efforts have been made to break down barriers to inter-divisional and inter-departmental integration and coordination. Examples include restructuring plans in the Finance, Police, and Fire Departments.

**Core Strategic Priorities:** The mission of the City of Wichita is to provide an environment to protect the health, safety, and well-being of all who live and work in the community; to preserve the assets and natural resources entrusted to its growth; to assure equality of opportunity; and to contribute to the quality of life for all its citizens. The budget's policies and financial goals are directed at meeting that mission through addressing the priorities identified by Wichitans.

Four core strategic priorities have been established by the City Council: ensuring physical safety, protecting property, protecting public infrastructure, and creating a growing community. Services provided by the City of Wichita are classified as core, essential, or support due to their affect on meeting the core strategic priorities. Core services tie directly to fulfilling the four priorities, while support services are the foundation of core services. They provide the internal support necessary for the core services to be delivered to residents. Essential services are related to other functions and only have a secondary impact on the City Council's core strategic priorities. The key initiatives and programs included in the budget are aimed at meeting the four core strategic priorities. The four core strategic priorities also drive departmental goals, which are included in the budget documents. These departmental goals drive strategic decision making within each department. Finally, as noted earlier, the City extensively uses performance measures to ensure that operations are both effective and efficient.

### **General Fund Investment in Core Strategic Priorities**

The community's highest priority services drive how the City allocates its resources. The budget invests in the core services that protect life and property, maintain infrastructure, and foster economic development, as well as the internal functions that support the City Council's goals. Reductions have been targeted at those operations that are not directly tied to the core strategic priorities. Operational efficiencies have also been implemented in all departments, providing more effective business models. Strategic reductions have allowed for a more focused investment in the priorities of the City Council.

SUMMARY OF 2012 POSITION CHANGES (FTE) COMPARED TO THE 2011 ADOPTED BUDGET		
DEPARTMENT	2011 REVISED	2012 ADOPTED
<b>TOTAL FTE</b>	<b>3,277.33</b>	<b>3,267.18</b>
Planning staff	(2.0)	
Police Officers	8.0	
Firefighters	15.0	
Technical adjustments	20.6	(.35)
Golf Course closure		(5.0)
Other	(8.25)	(4.8)
<b>NET CHANGE IN POSITIONS - FULL-TIME EQUIVALENT</b>	<b>32.35</b>	<b>(10.15)</b>



Public safety operations will receive almost 60 cents of every General Fund dollar. This ensures the physical safety and protection of property of everyone in Wichita. Public safety expenditures are committed to services in a number of departments, but the budgets for the Police and Fire Departments comprise the primary component of the public safety operations. Both departments will receive increased levels of funding in this budget. Only 5% of the General Fund budget is devoted to administrative support services, including management staff, finance operations, legal counsel, and human resources. These support services must maximize efficiency in their operations in order to provide the highest possible level of funding to direct services.

- ◆ **Ensuring the Physical Safety of Citizens:** The City's Police Department has a solid rate of solving violent crimes. Clearance rates for homicides, rapes, and aggravated assaults are substantially higher than the FBI averages. Nearly seven of every ten violent crimes were solved in 2010; this is 14% better than the ICMA average. Funding for the Police Department's beat patrol and investigatory operations is increased in the 2012 budget, which is expected to continue the department's exceptional investigations performance. Programs to reduce criminal recidivism are funded in the \$6.6 million budget provided for Municipal Court activities. These and other services provide a safe and secure community.
- ◆ **Protecting Private Property:** Increased funding for the Fire Department will improve the high level of protection that is provided to Wichita residents and businesses. The number of arsons decreased by 21.7% in 2010, while the City exceeded the ICMA benchmark for solving such cases. Services that protect property are also provided by the Police Department. Property crime clearance rates improved from 19.2% in 2009 to 24.3% in 2010, which is almost double the ICMA benchmark. In order to maintain this level of private property protection, the Fire Department budget is increasing by \$1.2 million in 2011, while the Police Department budget will increase by \$3.9 million.
- ◆ **Protecting the Investment in Public Infrastructure:** Additional funding will increase street maintenance activities by 10% in 2011. The extra funds are expected to slow the deterioration of Wichita's road network. The condition of the Water and Sewer systems will dramatically improve. Renewal and replacement of the Water system will increase by 156% in 2011, along with a 252% increase for the Sewer system. Water and Sewer utility priorities are shifted to maintaining existing assets, bringing these renewal and replacement rates much closer to industry averages. In addition, the City will spend \$127.9 million in the Debt Service and Sales Tax Funds to pay for a variety of bridge, road, freeway, and arterial improvements, along with upgrades to public facilities.

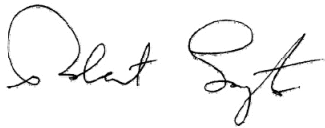
- ◆ **Promoting a Sustainable, Growing Community:** Numerous activities are funded by the budget to promote economic development activities, ultimately showcasing Wichita as a desirable place for businesses, residents, and tourists. As part of a joint agreement with the State of Kansas and Sedgwick County, the City is providing \$2.5 million to Hawker Beechcraft to retain approximately four thousand high-paying jobs. Construction of a new airport terminal and garage is also included in this budget, ensuring that Wichitans and others in the region have access to quality air service in the coming decades. The City continues to devote one mill of its property tax revenue to fund a variety of arts programs that culturally enrich the community.

**Conclusion:** The 2012 Adopted Budget includes a number of key policy issues and recommendations for all service areas. It highlights the forecasted financial environment, potential adjustments, and future policy issues that will impact continued financial sustainability. Key performance measures are used to provide feedback to citizens and the City Council, ensuring engagement and transparency regarding the expenditure of public funds. Finally, the budget serves as an operating plan, highlighting creative strategies to accomplish City Council goals.

Input from residents, the leadership of elected officials, and the feedback from advisory boards have been the cornerstones of the budget process. District Advisory Boards met twice, reviewing revenue and expenditure projections and providing crucial ideas about the priorities of the community. Workshops and public hearings generated important community input, while the Wichita Independent Neighborhood group provided feedback on the City's service needs. All of these perspectives are synthesized in the budget.

The efforts to improve City performance and efficiently conduct business must continue; it is the only way to continue to operate in this challenging economic climate. City staff will keep developing new and less expensive ways to deliver services. This allows the organization to stabilize its financial condition while fostering an environment friendly to business growth, resulting in the best possible investment of the community's resources to achieve the priorities of all Wichitans.

Sincerely,



Robert Layton  
*City Manager*

## **ACKNOWLEDGEMENTS**

The City's budget is based on the input and contributions of many individuals. Community feedback and the input of the District Advisory Board members was invaluable. Many City staff, including the management staff and Assistant City Manager Cathy Holdeman played key roles in the budget process. Staff in the Finance Department spent a great deal of time assessing revenue and expenditure trends, refining the performance measurement model, researching policy alternatives, and producing this document. The staff was led by Finance Director Kelly Carpenter and Budget Officer Mark L. Manning, and includes analysts Trinh Bui, Ben Nelson, Elizabeth Goltry Wadle, Troy Tillotson, Branden Hall, and Corinne Bannon.



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**The Law Enforcement Memorial, located on the City Hall Campus at Central and Main. Designed by local artist Connie Ernatt, the memorial honors 29 local government law enforcement officers killed in the line of duty. Dedicated on April 2, 2011, the memorial was funded through generous community donations and built in partnership with the local construction industry.**

## 1. Transform the Government Service Model

**ISSUE** - Several restructuring efforts will transform how the City of Wichita provides services, continuing a process that is resulting in \$23 million in savings through the budget planning period.

The City continually seeks ways to improve its business models, ensuring that resources are stretched as far as possible. A number of initiatives have been completed in past years and continue to provide savings to taxpayers, while new plans will be implemented to adapt to limited resources.

### Planned Restructuring

The Police and Fire Departments will undergo restructuring, resulting in elimination of administrative positions. However, on-street staffing will be increased so that the City can respond to emergencies with the same speed and quality as it always has.

Staff realignments will also occur with the engineering work groups and the Finance Department. The position changes in Finance will flatten the management structure and encourage greater collaboration between work groups. Planning and engineering capacity will be temporarily reduced in line with the diminution of construction activity over the last three years.

### Past Initiatives

Several other restructuring efforts have occurred over the last two years, including large-scale changes in the Park & Recreation Department. The recreation model was rebuilt in 2011, while mowing was outsourced the previous year. The changes have resulted in annual Park & Recreation Department savings of \$2.5

million. Consolidation efforts in Public Works and the former Water Utilities Departments have also provided significant savings, along with a variety of other staffing changes enacted since 2010.

SAVINGS FROM RESTRUCTURING THROUGH 2013	
<b>Past Initiatives</b>	
Mowing Outsourcing	\$4,525,204
Recreation Restructuring	\$4,010,719
Public Works/Water Utilities Consolidation	\$1,369,630
Custodial Reorganization	\$1,359,996
Other Efforts	\$8,955,689
<b>Future Initiatives</b>	
Finance and Planning Realignments	\$783,000
Non-Street Police Staffing	\$757,500
Fire Management Restructuring	\$609,000
Engineering Efficiencies	\$609,000
<b>Total Savings through 2013</b>	<b>\$22,979,738</b>

## 2. Develop Innovative Solutions

**ISSUE** - Staff continue to develop novel approaches to meeting the goals of the City Council. An employee budget committee identified four priorities that will be the focus of innovation during 2011 and 2012.

For the second consecutive year, employees from all departments were represented on a staff budget committee, which has been charged with identifying creative ways to serve citizens. Input from residents and performance data were infused in the process, ultimately resulting in four areas that will be the subject of future study. It is expected that this research will drive new innovation in the organization for the next two years.

- ◆ **Technological Innovation:** Several crucial information systems are nearing replacement, and it will be important to create new systems that maximize productivity. Training will also be critical, as employees begin to develop more robust technology skills.
- ◆ **Expanded E-Commerce:** Staff will research how better to serve citizens through electronic means. The current website has

limited capabilities more focused on static information delivery. The City's online presence will be expanded, providing a plethora of ways to conduct business with the organization.

- ◆ **Employee Empowerment:** The City's workforce is its most potent asset. New ways of empowering staff will be identified and implemented, improving their ability to serve Wichitans. Delegation of authority and enhanced accountability will create a climate encouraging staff to meet their full potential.
- ◆ **Best Practice Implementation:** A clearinghouse of best practices will be created by tapping into the innovation occurring in local governments nationwide. This effort will identify ways that the City can enhance its business processes, thereby increasing productivity and maximizing existing resources.

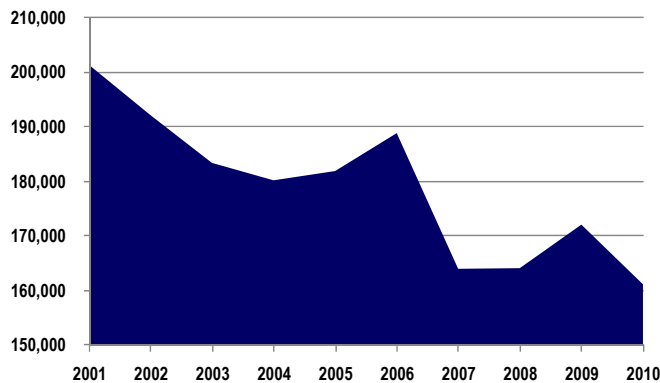
## 3. Realign Golf Capacity to Consumer Demand

**ISSUE** - Decreases in golfing activity at the City's five courses has led to excess capacity, and impacts the ability to fund needed capital improvements.

The City's five golf courses have experienced a steady decline in the number of rounds played over the past ten years. Golf popularity peaked around 2001. Since then, rounds played at City courses gradually declined by 20% in the ensuing decade. There are no national or local trends to indicate that demand for municipal golf will increase.

Between the five courses, the municipal golf system has capacity for 340,000 rounds a year, yet last year's total of 161,179 rounds meant that less than half of the system's capacity (47%) was used.

**ROUNDS PLAYED: 2001—2010**



GOLF CAPACITY			
YEAR	ROUNDS PLAYED	CAPACITY	UTILIZATION
2001	201,396	340,000	59%
2010	161,179	340,000	47%
2012	159,150	272,000	59%

Additionally, the operating savings from closing a course could be used to provide much needed capital improvements to the remaining four courses.

The closure of one course is estimated to generate approximately \$385,000 in savings annually. This funding would be available to pay down current debt and fund new capital improvements, improving the condition of the clubhouses, parking lots, and other areas at the remaining four courses.

Several criteria may be appropriate for determining which course to close. The course operating margin, the condition of the current infrastructure, the amount needed for future capital improvements, and the rounds played should all be considered. Ultimately, the Park Board of Commissioners will be engaged in the process of restructuring the golf system.

## 4. Adjust to Reduced Federal Funding

**ISSUE** - Revenue pressures confronting the federal government have reduced the grant funds allocated to the City of Wichita.

Legislative actions taken by the U.S. Congress have resulted in substantial reductions in the grant programs that are funneled through local governments. These reductions have primarily affected operations in the Housing and Community Services Department that are targeted to help low income Wichitans with a variety of social services.

Federal reductions have been made to the Community Services Block Grant (CSBG), Community Development Block Grant (CDBG), HOME, and Section 8 programs.

The federal funding reductions have been addressed in the planned allocations to department operations and community agencies. In total, the reductions will result in almost \$1.1 million less than what was originally allocated. This equates to a 14% reduction in federal funding for these programs.

Reduction plans are included in the budgeted totals and were based on citizen priorities that were identified when the 2009 Consolidated Plan was developed. The reductions will result in a series of programming changes, position eliminations, and other positions that will be held open through the planning period.

REDUCTION IN FEDERAL & COUNTY FUNDING		
AGENCY	AMOUNT	PERCENTAGE
CDBG	\$493,581	16%
Section 8	\$315,792	21%
HOME	\$219,215	12%
CSBG	\$33,323	3%
<b>TOTAL</b>	<b>\$1,061,911</b>	<b>14%</b>

## 5. Minimize Fuel Expenditures

**ISSUE** - Increasing fuel costs have stressed many of the City's operating funds. Strategies will be implemented to conserve fuel, containing the impact of rising fuel prices.

The rising price of fuel is perhaps the most volatile factor affecting City expenses. Fuel costs have increased by 44.9% between June 2010 and June 2011. The City uses 1.3 million gallons of fuel annually, so price increases create considerable financial stress.

The budget assumes increases in the price of fuel since last year and also includes the assumption of continued price increases. For comparison purposes with market prices, it is important to remember the City prices are often lower than the market price for consumers, since the City is not required to pay certain excise taxes.

BUDGETED FUEL ASSUMPTIONS				
	2010	2011	2012	2013
Price	\$2.49	\$2.70	\$2.90	\$3.10
Gallons	1.3 million	1.24 million	1.24 million	1.24 million

(5% reduction)

In addition to increasing the budget based on fuel pricing, City staff will also strive to reduce consumption in the future. The budget assumes a 5% reduction in fuel usage beginning in 2011. Strategies to reduce fund consumption are currently being developed.

Those strategies may include consideration of the number and usage of City take-home vehicles, reviewing the type of equipment being purchased to ensure that the smallest and most fuel efficient vehicles are purchased, and eliminating any unnecessary idling of City vehicles.

In addition, the use of compressed natural gas (CNG) technology will be reviewed. Although a CNG-based fleet would require additional infrastructure, the new system could potentially result in significant decreases in operating costs. The City's diesel fleet, including the buses used for transit routes, would particularly benefit from a transition to CNG.

## 6. Strengthen Performance Measurement

**ISSUE** - The City of Wichita earned the special performance measurement recognition from GFOA for the first time in its history last year. This budget utilizes an outcomes-based model in allocating resources.

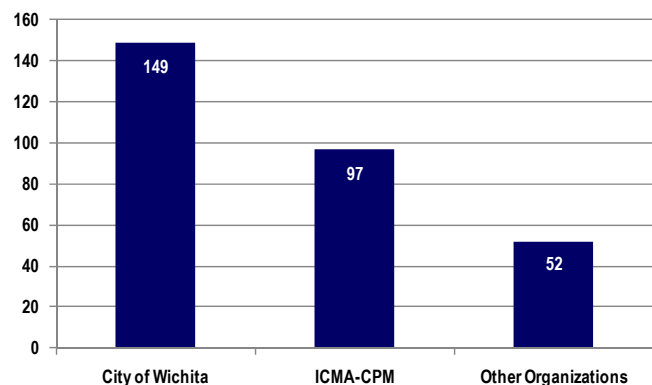
Last year, the City updated its model of managing performance through data that better measure service outcomes. That model resulted in the GFOA presenting the City with its special performance measurement recognition.

This budget includes all of the elements that earned the GFOA recognition last year, but it also has strengthened the metrics used to make funding decisions. In many cases, measures that focus on outputs have been replaced with outcomes or efficiency measures, and the transition to benchmarks based on industry standards continues.

More importantly, performance data have driven resource allocation decisions. A comprehensive report was developed and shared with the governing body and the public in a special City Council workshop. The performance data were central to the creation of departmental operating plans that map how services will be provided over the next two years.

The performance measurement system resulted in changes that have aligned City expenses with available revenues so the organization can better serve citizens while maximizing resources.

**BENCHMARK SOURCES: 2012 ADOPTED BUDGET**



## 7. Adjust Capacity to Activity Levels

**ISSUE** - Work activity has notably declined in three areas, precipitating position changes that align the staff capacity to the amount of work available.

The economic weakness from the last several years has substantially affected the volume of work for the City's Engineering, Central Inspection, and Planning work groups. Targeted position changes will bring the staffing levels in line with the reduced level of work activity.

### Engineering

Workload in the Engineering Division has declined recently, with a 63% decrease in projects awarded since 2005. Open engineering positions will not be filled due to the decreased workload, saving \$300,000 annually until activity increases.

### Central Inspection

Construction activity deteriorated during the economic recession and has yet to rebound. This has diminished work activity in the

City's Office of Central Inspection, leading to a variety of expenditure reductions. Recently, 11 layoffs were instituted and other staff were furloughed. Three of these layoffs were in the neighborhood inspection work group. This fund has faced problems for the last two years, but a series of operational changes have ensured its solvency. With continued monitoring of construction prospects and its cash position, the City will maintain a positive balance in the Central Inspection Fund.

### Planning

The same factors affecting Central Inspection have diminished activity in the Current Plans Division, necessitating elimination of both a planning and support position. The two position changes will position the department to maintain service levels during a period of lessened work activity.

## 8. Solidify Water & Sewer Finances

**ISSUE** - A cost of service analysis has been completed and is expected to address the financial problems that have impacted the water and sewer utilities since January 2010.

Financial problems were identified in early 2010. Revenues were lower than projected due primarily to reduced irrigation caused by rainy weather. At the same time, the City was proceeding with the \$250 million second phase of the Aquifer Storage & Recovery (ASR) project that is replenishing Wichita's aquifer water supply.

Potential solutions will be reviewed in the fall of 2011 as part of a cost of service analysis. The consultants have recommended rate adjustments to more equitably spread costs to different customers based on the demands they place on the two utilities. Combined with expense reductions, the new rate structure should address the financial shortfalls of the Water and Sewer Funds.

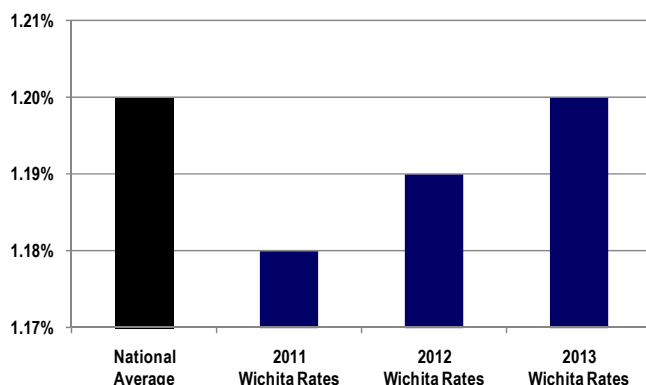
INFRASTRUCTURE RENEWAL & REPLACEMENT RATES			
System	Benchmark	Current Rate	2013 Rate
Water	4.80%	0.59%	1.65%
Sewer	2.40%	0.44%	1.94%

The new rates would be 34% lower for commercial customers and 22% lower for residential customers compared to 12 similar utilities in the Midwest. Additionally, residential bills be at 1.19% of median household income, well below the 4% affordability standard established by the EPA.

The upcoming changes would also better fund the important replacement of water mains and sewer system assets. The renewal and replacement rates for both systems have been inadequate due to the postponement of several infrastructure projects. The new structure will considerably boost the renewal and replacement rates, bringing them much closer to the industry benchmark for utilities serving a similar size of customer base.

Customers are most concerned with the rates. While bills would increase under a new structure, the utility rates would still be below regional and national averages. The changes will ensure a viable water supply and sewage treatment capabilities through 2050.

**WATER & SEWER RATES AS PERCENTAGE OF MEDIAN INCOME**



Source: 2008 AWWA Water & Wastewater Survey

## 9. Recognize the Impact of Capital Projects

**ISSUE** - Infrastructure improvements and other capital projects create new obligations for the City, and the financial impact of the CIP is more clearly defined in this operating budget.

The most recent CIP includes 416 projects totaling \$2.6 billion over a ten-year period. Many of these projects are improvements to existing assets, so they will not create any additional operating costs. Other projects represent new construction. New expenses for staff, utilities, maintenance, and other operational functions will be obligated by these projects. The most substantial new operating costs will be created by constructing a new airport, downtown library, public safety facilities, and the aquifer storage and recovery project.

### Airport Terminal & Garage

A new airport terminal and parking garage will be constructed to replace the existing Mid-Continent Airport facilities, and about \$650,000 in additional annual operating costs will be incurred by the City. New positions for baggage conveyance and parking systems will total about \$275,000 per year, while additional insurance coverage would cost \$211,000 annually.

### Central Library

A new downtown library is currently being considered. The City would need to create nine new positions to staff the facility, adding \$336,480 to the Library Department's operating budget. Other non-personnel expenses will total around \$369,000 annually. The new library will generate approximately \$30,000 in revenue to defray some of the costs. However, book fines and other library income

cannot offset all of the new costs. In total, the net operating costs of the new Central Library will be about \$680,000 per year.

### Public Safety Facilities

New police substations are planned for Wichita's east and west side - creating better locations to base police operations. In addition, the Heartland Preparedness Center is a major new facility that will house training and other resources for the region. There will be additional costs for operating these new facilities. This training facility will be considerably larger than the one it replaces. The two new police stations will be larger than current facilities; in addition, it is likely that the current facilities will be maintained as well. At this point, these additional operating costs have not been determined.

### Aquifer Storage & Recovery

The second phase of the ASR project will create new operational costs beginning in 2011, with additional costs in 2012. This ASR component will add approximately \$1.8 million annually to the operating budget of the Water Fund. Electricity and chemical costs incurred during the treatment process will add about \$900,000 in annual costs. A contingency of \$300,000 would be necessary in case weather conditions cause the need for additional treatment capacity, although this would be offset by increased billing revenue. Capital costs—including a \$200,000 crane in 2012—will periodically be incurred to run the ASR Phase II facilities.

## 10. Improve Outcomes with the Wireless Network

**ISSUE** - A wireless, point-to-point network will become operational in 2012. It will enhance communications between emergency responders as well as transportation systems.

A new wireless network will be deployed and fully operational beginning in 2012. The point-to-point system comprises two rings of towers that serve the east and the west sides of Wichita. Outlying facilities will be connected through the new wireless system, including eight fire stations. Faster connections will be provided by the network.

The \$1.3 million project was mostly funded by a federal grant, which covered 80% of the project costs. The additional 20% of expenses were funded by a local match from the IT Fund. The system will improve communications between fire, police, and command staff. This will enhance the ability of first responders to serve residents during emergencies.

Transportation services will also be improved by the point-to-point network. The wireless connectivity will be used to coordinate traffic signals throughout Wichita, while the Intelligent Transportation System (ITS) will rely on the point-to-point network to transmit data.



The towers constructed for the point-to-point are essential components in the City's strategy to upgrade the connectivity of public safety personnel and Wichita's transportation systems.

## 11. Resolve Transit Funding Issues

**ISSUE** - Increased operating costs and fewer opportunities to charge expenditures to grants have strained Wichita Transit to the point where immediate fare increases are necessary.

High fuel prices have significantly increased the cost of providing transit services. The overall increase in fuel costs for 2011 is estimated to be \$500,000 over what was previously budgeted. Not only were fuel costs lower in 2010, Wichita Transit was able to charge nearly \$400,000 in fuel to an ARRA grant that is no longer available. Last year, the City's financial plan identified the Transit Fund as being stressed, with deficits forecasted. However, the impact of fuel prices has significantly hastened the criticality of action, to ensure that the fund remains solvent.

The Wichita Transit Fund must remain in compliance with the State of Kansas Cash Basis Law. Because of the financial strains facing the City of Wichita General Fund, there is no capacity to increase the annual transfer from the General Fund to the Transit Fund, which currently totals \$3.95 million. The financial situation is such that immediate action must be taken.

### Initial Staff Plan

A public hearing was held on June 23, 2011 to consider an initial plan to raise the base fare from \$1.25 to \$1.75 and eliminate Saturday service, both effective September 3, 2011. Combined, these measures would result in adequate revenue to maintain solvency in the Transit Fund through July 2013, when more grant opportunities will be available from the Kansas Department of Transportation T-Works 10-year transportation program. However, to avoid the disparate impact of eliminating Saturday service, the

City Council directed staff to seek additional solutions to the Transit fund issues to avoid reducing service levels.

### Adopted Budget Plan

Based on City Council direction, the budget includes a new plan to solidify the financial condition of the Transit Fund. A 50¢ base fare increase has been approved, with no service reduction. This will be coupled with efforts to create administrative efficiencies, a review of grant match requirements and the possible deferral of some capital grants, an enhanced focus on safety to mitigate future accident costs, and an accelerated effort to draw down federal grant funds.

Finally, any remaining deficit after the implementation of these steps will be financed with transfers from the City's Permanent Reserve Fund. An estimated \$700,000 is expected to be required through 2013. At that time, additional State funding is anticipated, which would reduce City funding requirements.

### Transit Community Outreach Study

Concurrent with this short term solution, a Transit Community Outreach Study will be carried out in fall 2011. The results of the study will be used to plan for future growth. Topics included in the study are location of routes, frequency of service, funding sources, and public willingness to fund the system.

## 12. Reduce Jail Fee Expenses

**ISSUE** - The City began paying jail fees to Sedgwick County in 2011, and numerous strategies will be identified to lower the annual liability associated with booking suspects on City of Wichita charges.

The Board of Sedgwick County Commissioners adopted resolution 110-07 on May 2, 2007, establishing a charge on cities for prisoners incarcerated at the Sedgwick County jail on municipal charges. Earlier this year, the City resolved jail fees incurred from 2008 through 2010 by deeding several properties to the County. Beginning in 2011, cash payments will be made by the City.

Sedgwick County has encouraged cities to better use the jail facility by a more prudent record of detaining suspects. As a 2007 letter from the County Manager said, "the County believes that a municipal fee could contribute to an overall lower detention cost for our community in the future."

City staff have reviewed a number of strategies to reduce jail usage. One strategy is the reassessment of how suspects are charged

when crimes are committed in the Wichita city limits. In addition, in some cases where discretion allows, defendants may be cited rather than booked into jail.

Diversion initiatives will also be developed to lower the number of defendants jailed and should also result in lower rates of recidivism. These programs may include additional mental health court programs, as well as diversion for additional City misdemeanor offenses. In addition, staff will more aggressively audit jail fee billings, to ensuring that the only appropriate fees are charged.

Finally, staff will propose a new fee for defendants. This will recover a portion of City costs from the defendants creating the liability. Above all, Wichitans can be assured that the City will not sacrifice public safety to reduce jail fees.

## 13. Determine Strategies for 2013 Fiscal Year

**ISSUE** - The 2013 budget is balanced, but several ideas will be fully researched prior to implementation to ensure they are the most prudent methods to lower costs while maintaining service levels.

The General Fund is balanced through the budget planning period, but there are assumptions based on implementation of a variety of strategies that have been identified by City staff. These new initiatives will be researched and more fully developed prior to any decisions about implementation.

Some of the strategies would provide non-recurring revenue, while others would permanently reduce operating costs. It is imprudent to rely on one-time revenue sources, so an appropriate mix of strategies will ultimately be enacted. In total, they provide \$1.5 million in reductions to the General Fund in 2013.

### Implement e-Citation Program

The Police Department is exploring the potential of electronic citation equipment to improve revenue collections. If deployed, the e-citation capabilities will fully automate the ticketing process, eliminating handwritten citations.

Additional annual revenue of about \$500,000 would be expected from the new equipment due to efficiencies. For example, the automated citation process is less time-consuming, allowing officers more opportunities to enforce traffic laws. This will increase the volume of infractions cited by the Wichita Police Department.

Secondly, some revenue is lost due to mistakes on the handwritten citations. With the new equipment, there would be no more illegible tickets, nor would any citations be dismissed due to incomplete entries on the citation forms.

### Transition Software Licenses

The IT Department has been studying the organization's use of technology systems and has determined that some software licenses will no longer be needed in 2013. It is important that City staff have access to the software necessary to serve citizens, but changes in the service model will allow licenses to expire in 2013 without the need to renew them.

For the General Fund, the transition away from the current software licenses will result in about \$120,000 in annual savings, while the savings for all funds is expected at \$140,000 each year.

### Reorganize Neighborhood Assistants

Currently, the City provides services through Neighborhood Assistants in each of the six City Council districts. These staff coordinate with community groups and the governing body to ensure that residents are adequately served by the City. Over the next 18 months, staff will be studying the current model to determine how effectively these citizens needs can be served by a different mix of resources.

### Restructure Law Department

Attorney positions would be re-purposed to enhance litigation capabilities, review jail fee bills, and process diversion participants. The position changes would be expected to save the City about \$50,000 annually, but more importantly, the restructuring better positions the organization to reduce its jail fee liabilities and respond to legal challenges.

### Expand Library Services

Two service changes at the City's libraries are under review: adding self-checkout capabilities and allowing patrons to pay fines with credit and debit cards. Both options would provide savings to the General Fund while improving services for library users.

### Other Potential Strategies

Three other initiatives have been identified and could be used to balance the 2013 budget.

#### ◆ Elimination of SRO Program

The City will work with USD 259 to study the School Resource Officer (SRO) Program. Seven SRO staff the high schools, and the outcomes produced by the SRO will be researched.

#### ◆ Sell Land at 33rd & South Rock Road

Land donated to the City will be assessed to determine whether it is appropriate for public use or whether it can be sold.

#### ◆ Reduce Pension Contributions

The City could tap into pension funds for money that is left when an employee leaves without becoming fully vested. It would be a non-recurring source of up to \$500,000 in 2013.

GENERAL FUND SAVINGS STRATEGIES IN 2013	
Implement e-Citation Program	\$500,000
Transition Software Licenses	\$120,000
Reorganize Neighborhood Assistants	\$60,000
Restructure Law Department	\$50,000
Expand Library Services	\$40,000
Other Potential Strategies	\$730,000
- Evaluation of the SRO Program	
- Sell Land at 33rd & Rock Road South	
- Reduce Pension Contributions	
<b>Total Reductions</b>	<b>\$1,500,000</b>

Operations in 16 departments are funded by the 2012-2013 Adopted Budget. Brief reviews of each department are provided in this section. Some departmental budgets and individual funds reflect growth in expenses for salaries and benefits.

**Airport**—The 2012 Adopted Budget includes \$19,394,378 in expenditures from the Airport Fund. Debt service payments are expected to increase as improvements are made to Jabara and Mid-Continent Airports. Expenditures are adjusted in order to maintain a positive net revenue target of more than \$2 million.

**City Manager's Office**—The 2012 Adopted Budget includes a total \$21,154,070 to fund organizational management, arts, cultural programming, economic development, parking, and other services provided in the City Manager's Office. This budget includes \$10,799,223 in General Fund expenses.

A new operational division, the City Hall Call Center, will be created in 2012 to organize the staff and other City resources being used for the Customer Service Center. The division will be staffed by 11 positions transferred from the former Customer Service Division of Public Works & Utilities, and all 11 positions are fully reimbursed by transfers from the Water and Sewer Funds.

The City Manager's Office also includes the Downtown Parking Fund, which funnels revenue and expenses associated with the City's lot leases. While the fund will remain with the City Manager's Office, the Finance Department will assume some of the operational support for the function.

**Finance Department**—The department has a General Fund budget of \$4,868,347 in 2012, along with \$137,553,589 in expenses for all funds. The 2012 General Fund is lower than the 2011 Revised Budget, due primarily to a forthcoming restructuring plan that will save about \$100,000 annually.

An accounting position will remain in the department to assist with financial monitoring of the water and sewer utilities. This function was transferred to the Finance Department during the prior budget but has been slightly restructured in the 2011 Revised Budget. A new Utility Operations Division in the Public Works & Utilities Department will assume some of the responsibilities, but the Finance staff will provide overall financial management capabilities.

**Fire Department**—The Adopted Budget includes \$40,694,268 from the General Fund for 2012, which is \$1.5 million greater than the 2011 Adopted Budget. The increase is largely due to the need to enhance staffing to cover employee leave and vacation and increased data center and fuel costs. The Adopted Budget would increase the number of fire fighters by 15 while flattening the management structure.

**Housing and Community Services**—The 2012 Adopted Budget totals \$28,622 from the General Fund and \$29,267,179 from all funds, which is an increase of 1.6% over the 2011 Adopted Budget. Carry-over funds have lessened the impact of federal action. The

reduction in Wichita's grant allocations in upcoming grant periods are: 16% reduction in Community Development Block Grants funding, 12% reduction in HOME Investment Partnerships Funding, 21% reduction in Section 8 funding, and 3% reduction in Community Services Block Grants funding.

**Human Resources Department**—The Adopted Budget includes \$1,493,472 from the General Fund for 2012, which is 3.8% less than the General Fund 2011 Adopted Budget. The General Fund decrease is the result of holding open a position.

**Information Technology Department**—The IT Fund will generate \$10,373,903 in revenue from charges to departments for technology services. The 2012 Adopted Budget includes \$10,256,482 in expenses for the department, which is an increase over 2011 levels. This is due to higher equipment replacement needs that have been created by postponing computer and server replacements. The IT Fund should end 2012 with approximately \$220,000.

**Law Department**—The 2012 Adopted Budget includes \$2,507,544 from the General Fund. This represents a 2.1% increase from the 2011 Adopted Budget. The Adopted Budget includes the elimination of a part-time prosecutor position due to the expiration of the Mental Health Court grant. In order to continue this program, the Law Department will add a full-time prosecutor position to participate in the Mental Health Court program as well as to audit jail fee invoices submitted by Sedgwick County.

**Library Department**—The 2012 Adopted Budget includes a total of \$7,709,915 in expenditures from the General Fund and \$295,169 from grant funds. This represents approximately a 1.5% increase in the General Fund over the 2011 Adopted Budget and about a 34.2% decrease in grant funds. The General Fund increases are due to growth in wages and benefit costs. The grant fund decreases have resulted from the 7% reduction of State Grant-In-Aid and the elimination of the Blind and Physically Handicapped grant funds.

**Municipal Court**—The 2012 Adopted Budget includes \$6,363,839 from the General Fund and \$242,693 in the Alcohol and Drug Safety Action Program (ADSAP) Fund in 2011. The minimal increase of 0.25% in the General Fund and approximately 2.1% increase in the ADSAP Fund over the 2011 Adopted Budget are mainly attributable to increases of employee wages and benefits.

The ADSAP Fund is fully supported by fees. Municipal Court and Law Department staff are exploring a variety of new strategies to reduce jail fees costs. These strategies will include increasing diversion programs, and increases charges to defendant that are incarcerated. In addition, to offset program costs, increases in court costs for domestic violence and public defender programs will be adopted.

**Office of Central Inspection**—The Adopted Budget includes \$773,275 from the General Fund for 2012 and \$6,628,066 for all funds. This represents 8.8% increase from the 2011 General Fund Adopted Budget, but an overall decrease of 11.4% for all funds.

The decrease results from budget reductions in the Central Inspection Fund stemming from declining revenue and activity. Additional staffing and other expenditure reductions and/or revenue enhancements will be necessary if revenue falls below projections for the OCI Fund.

**Park and Recreation Department**—The 2012 Adopted Budget includes \$13,520,627 in expenditures from the General Fund for 2012 and \$21,559,841 from all funds. This represents 6.3% increase from the 2011 General Fund Budget, and an overall increase of 5.3% for all funds. Increases are attributable to higher data center charges, pension contributions, other salary and benefit costs, and fuel prices.

The department was restructured in the fall of 2010, with a specific focus on rebuilding the recreation operation. The restructuring effort resulted in a net decrease of 12 positions in the department and total annual savings of \$877,000.

As part of the restructuring effort, additional funding for advertising and recreation equipment has been included in this budget. These extra funds are expected to boost program attendance and upgrade the aging equipment at each of the recreation centers.

A new position was added in fall 2010 to assume responsibility for marketing efforts, volunteer coordination, and fundraising initiatives. The department has fundraising goals of \$300,000 in 2011 and \$500,000 annually beginning in 2012. The external funding will support enhanced recreational programming and improved park assets.

The Golf Course System has approximately \$7 million in outstanding debt and another \$6 million in capital needs over the next ten years. Financial conditions and regional market saturation have precluded the Golf Course System from making principal payments on debt. One course is recommended for closure, which better matches regional supply and demand for Golf recreation.

**Planning Department**—The 2012 Adopted Budget includes expenditures of \$2,879,421 for all funds, with \$1,818,458 in the City/County Planning Fund, of which \$822,601 is transferred from the General Fund in 2012. This is an all funds decrease of 6.2% compared to the 2011 Adopted Budget.

A decreased budget is adopted that includes staffing reductions, newly identified grant funds, and general shrinkage. Two positions continue to be held open, another position will be solely supported through grants, and two positions are slated for elimination, including one support and one professional position.

**Police Department**—The 2012 Adopted Budget of \$76,909,605 for the Police Department includes \$75,975,372 from the General Fund for 2011 and \$934,233 from grant funds. This represents a 1.9% net increase from the General Fund and an 145% increase from grant funds over the 2011 Adopted Budget.

The slight General Fund net increase is attributable to budget reductions from departmental reorganization and the cost increase of employee wages and benefits. The increase from grant funds included the addition of new grants from the American Recovery and Reinvestment Act program, which supports eight additional Police Recruit positions. In 2013, the Police Department is planning to implement E-Citation Solutions, which automates the issuance of cite-and-release citations.

**Public Works & Utilities**—The department is budgeted at \$230,596,268 in 2012 across 11 funds. These funds include the General, Landfill, Landfill Post-Closure, State Office Building, two environmental TIF Districts, City/County Flood Control, Sewer Utility, Water Utility, Stormwater Utility, and Fleet. Of the total expenses, \$39,054,434 will come from the General Fund, representing a 2.5% decrease over expenses in the 2011 Adopted Budget.

Staffing reductions were not as deep as anticipated during the prior year budget. A number of custodial services positions were retained as a result of restructuring the operation. In the 2011 Adopted Budget, the Animal Control Services was transferred to the Police Department. Eleven staff funded by the Water and Sewer Funds will be moved to the City Manager's Office in 2012 as part of the new Customer Service Center. Combined, these efforts are resulting in substantial staff changes in the department, with position counts being reduced from 939 in 2010 to 865 in 2012.

Notable operational changes include a realignment of staffing in the Engineering & Architecture Division, saving \$300,000, along with a \$600,000 increase to improve street conditions. The 10% increase in contract street maintenance for 2011 will slow the gradual deterioration of Wichita's road network.

Other notable items include a planned \$5 increase in the per ton tipping fee, which enhances the long-term sustainability of the Commercial & Demolition Landfill. A new division has been created in the Water Fund. The new Utility Operations Division will oversee financial activity of the water and sewer utilities.

**Wichita Transit**—The Adopted Budget expenditures include \$7,048,816 from the local Transit Fund and \$14,876,990 from all funds. This represents a 9.3% increase for the local Transit Fund budget and an 8.2% increase overall as compared to the 2011 Adopted Budget.

The Transit Fund has been stressed due to increasing fuel costs and the expiration of federal grants. The City received public feedback on service and fare changes that would stabilize the fund.

The greatest changes are the result of substantial public input, including a community meeting held on June 23 and a joint District Advisory Board meeting on June 29.

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 2012 Adopted 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 in the budget for each department.

**Character Control Levels** - Within each department, control levels are established at five character levels. These categories include: 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. Except at year-end closing, when budget control levels are overridden by staff, an agenda report will be prepared for City Council action at the next available meeting.

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

**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.

**Contracted Staffing** - Departments will periodically utilize contracted staffing 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.

**Claims for Damages** - Claims for damages are processed through the Self Insurance Fund. A contingency of \$1 million 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 the timely replacements and repairs.

**Transit Fund Cash Balance** - Staff will make necessary transfers from the Permanent Reserve Fund to ensure the Transit Fund has a positive balance.

**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.

**Payroll Accrual** - At year end closing, an accrual adjustment is made to salary and benefit amounts based on either one or two days of wages. This is necessary based on the modified accrual basis of accounting used by the City. An amount is budgeted at the General Fund level for these accrual adjustments, since the exact amount for each department is not known until year end. Staff will process budget adjustments to the appropriate General Fund cost center at year end.

**Employee Compensation** - When the budget was prepared, the exact amount necessary for employee compensation in individual budgets can not be exactly calculated, specifically due to exempt staff merit payment calculations. An amount is budgeted at the General Fund level for these payments. Staff will process budget adjustments to the appropriate General Fund cost center at year end, if necessary.

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

## **AUTHORIZED POSITIONS**

The 2012 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 2012 Budget;
- ◆ To ensure positions are appropriately classified based on the duties included in the position description, the Human Resources Department occasionally studies and recommends reclassification 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 advanced 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. These overfills will be based on an analysis of projected turnover, and will be used to reduce projected overtime payments in maintaining appropriate staffing levels.

## **INTERNAL SERVICE FUND CHARGES**

The City operates two internal service funds that provide service based on a relatively constant and predictable level of inputs: the IT/IS Fund and the Fleet Fund. Transfers from the General Fund to these departments may be capped at the level of funds budgeted in the General Fund for these purposes. Exceptions may be approved by the City Manager, if service levels are materially increased over the level included in the budget. In addition, position reimbursement transfers from the General Fund to the IT/IS Fund may be reduced at year end, based on the financial condition of the General Fund. Transfers to the Fleet Fund for vehicle usage and replacement were budgeted separately last year. The transfer amount for replacement may be reduced, suspended, or deferred to year end, pending the financial condition of the General Fund.

## **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.

**GOVERNMENTAL 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 cash balance is no less than 10%.

**Debt Service Fund:** To ensure adequate funds to fund existing debt service payments, the targeted minimum balance for this fund is 3% 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 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:** The fund balance should be maximized, to maintain cash flow, subject to the estimated annual environmental remediation liability, as certified by KDHE.

**Central Inspection Fund:** Based on Resolution 95-560, the balance target for the OCI Fund is 33% of annual expenditures.

**SSMID:** This fund serves as a pass through for funds collected on behalf and remitted to the SSMID. There is no minimum 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 other improvements are funded from a TIF's cash balance, the accumulation of balance 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 cash balance is no less than 10% of annual expenditures.

**Golf:** This fund provides for the operating and debt service costs of the City's five golf courses. With seasonal cash flows and a revenue source dependent on weather, a fund balance of 15% of annual expenditures is targeted. To the extent that the projected year end cash balance is less than 10% of expenditures, debt service transfers may be deferred to maintain adequate fund operating reserves.

**Water:** To comply with bond covenants, a fund balance of not less than 120% of debt service requirements for the combined Water Utilities is targeted.

**Sewer:** To comply with bond covenants, a fund balance of not less than 120% of debt service requirements for the combined Water Utilities is targeted.

**INTERNAL SERVICE FUNDS:** Accounts for the financing and administration of general services provided to various departments of the City with no minimum fund balance. 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 cash 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 cash balance – internal service funds:** In the event the cash balance 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(s) it was originally derived from.

### SHRINKAGE 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-expenditure the budgeted amounts. Shrinkage varies from year to year and department to department. The total amount of annual General Fund shrinkage is shown in the following table.

To anticipate this under-expenditure, a “shrinkage” adjustment is applied for each General Fund department in the 2012 Adopted Budget. This adjustment is based on historical experience with under-expenditures by each department. Generally, shrinkage adjustments are higher on larger departments, since those departments tend to have greater flexibility in managing position vacancies. In addition, shrinkage adjustments are included where appropriate for non-General Fund departments.

Shrinkage adjustments are set at the departmental level to encourage each department to manage their budgets within the confines of the available fund resources. This encourages department managers to best determine when to fill positions and what expenditures to curtail in order to best meet departmental objectives. In some cases, particularly smaller departments with less staff, it may be difficult to achieve a shrinkage target. This will occur if there is no employee turnover during the year. If these cases occur, year end budget adjustments will be necessary.

SHRINKAGE RATES—GENERAL FUND DEPARTMENTS				
DEPARTMENT	AMOUNT		PERCENT OF EXPENDITURES	
	2012	2013	2012	2013
City Manager’s Office	(54,003)	(55,180)	0.5%	0.5%
Finance	(521,001)	(524,996)	9.7%	9.7%
Fire	(272,125)	(277,734)	0.7%	0.7%
Human Resources	(67,567)	(68,149)	4.3%	4.3%
Law	(99,834)	(100,206)	3.8%	3.8%
Library	(332,127)	(335,290)	4.1%	4.1%
Municipal Court	(243,728)	(246,368)	3.7%	3.7%
Park & Recreation	(1,183,663)	(1,202,288)	8.0%	8.0%
Police	(1,856,625)	(1,876,304)	2.4%	2.4%
Public Works & Utilities	(943,636)	(956,612)	2.4%	2.4%
Other	(2,958,333)	(3,132,995)	NA	NA
<b>TOTAL GENERAL FUND SHRINKAGE</b>	<b>(\$8,532,642)</b>	<b>(\$8,776,122)</b>	<b>3.8%</b>	<b>3.8%</b>