

# **2020-2021 Proposed Budget and 2019-2028 Proposed Capital Improvement Program**

Department of Finance

June 2019



# ZBB Background

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## City Council mission statement with goals

As an exceptionally well-run City we will:

Keep Wichita safe

Grow our Economy

Build and maintain dependable Infrastructure

Provide conditions for living well

# Budget Simulator

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- May 13 – June 15
- Results will be available online
- Data will be compiled into a report for consideration
- Themes will be used to build Social Media Town Hall topics



# Proposed Budget Calendar

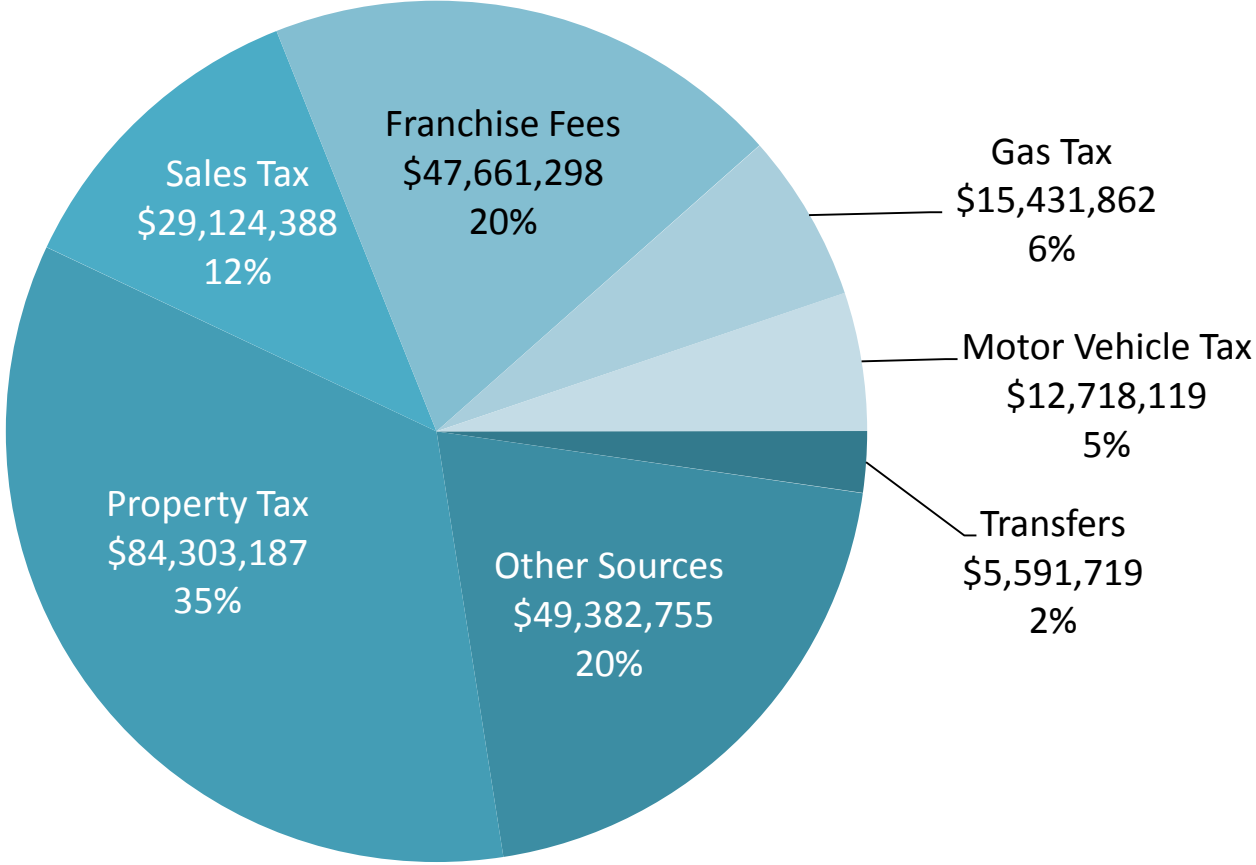
- June 15 - Online budget simulator closes
- June 26 - Social Media Town Hall
- July 23 - City Manager presents budget
- August 6 - Public hearing
- August 13 - City Council adopts budget

# Focus on the General Fund

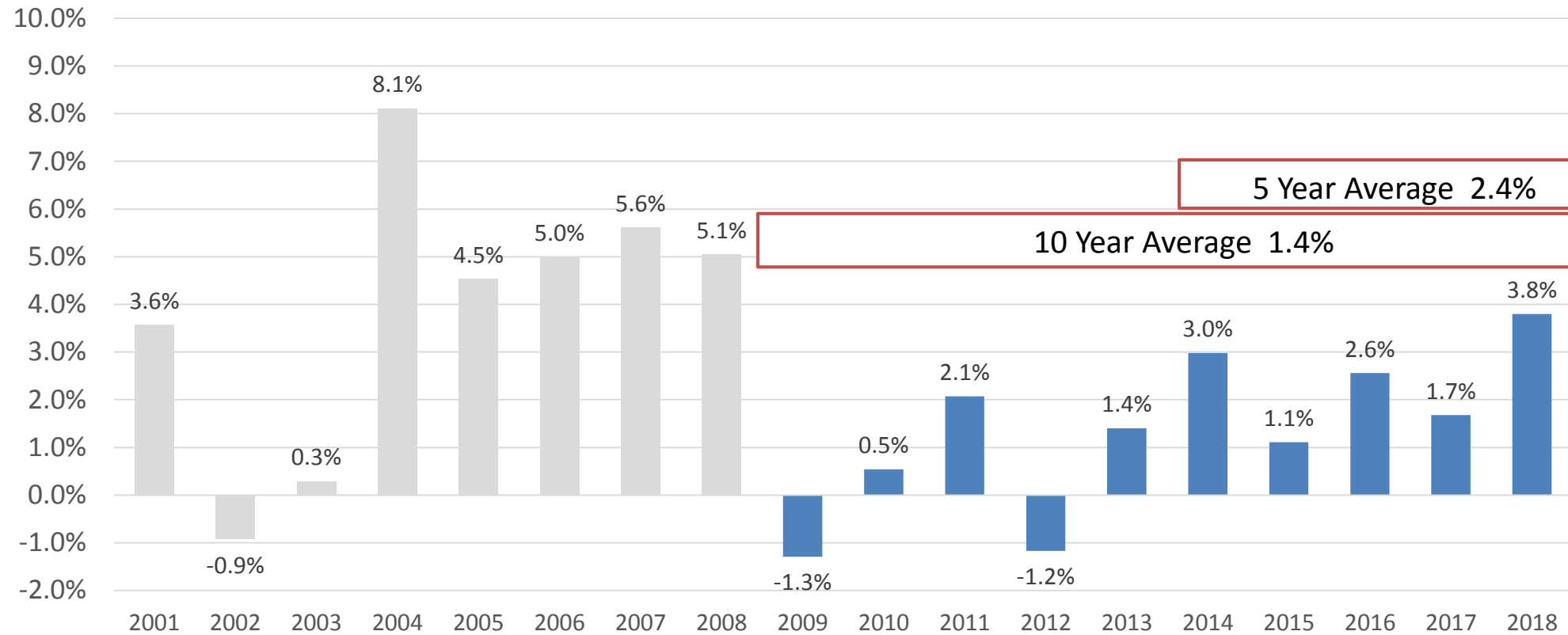
- Main taxing fund; 1/3 of the City budget; main source for funding City departments
- Due to technological and legal changes future growth expected to be slower than past growth
- Revenues are economically sensitive and impacted by assessed valuation (AV) changes

# General Fund Revenues

GENERAL FUND 2019 ADOPTED BUDGET, \$244,213,328



# GF Adjusted Revenue Growth 2009 - 2018



# Recession Impact on Revenues

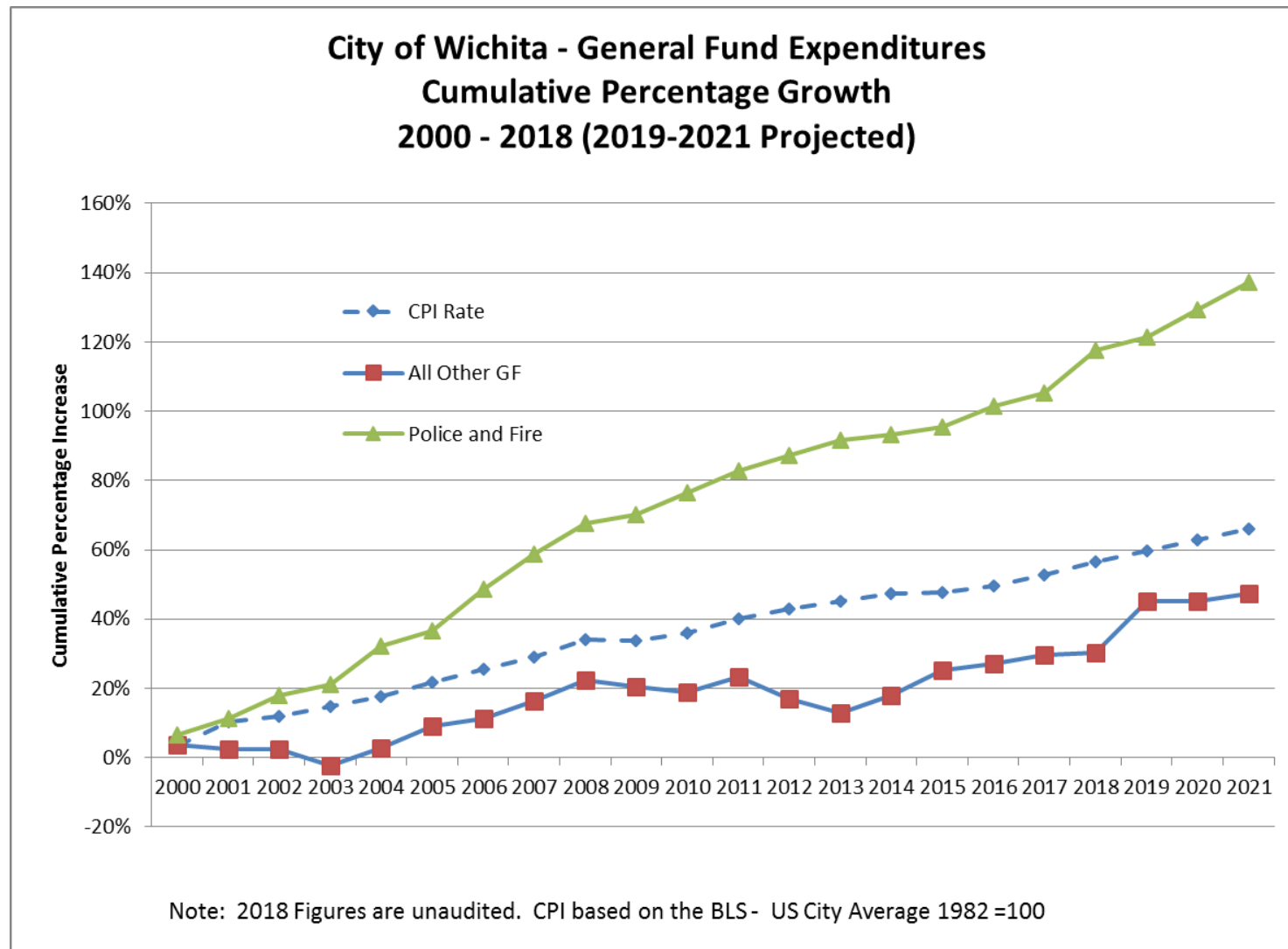
- Recessions impact City revenues on a lagging basis
- Property tax, sales tax, motor vehicle tax and interest earnings are usually impacted negatively
- Total General Fund revenues usually are flat or decline for one or two years



# General Fund Expenditures

- Salaries and benefits are 73% of total expenditures
- All other expenditures (27%) tend to grow slowly and predictably (with volatility due to fuel)
- Expenditure growth has averaged 3.0% since 2009; much slower than the previous decade
- Most growth has been in public safety

# Police and Fire Portion of GF



# Reserves

- General Fund reserves are important for flexibility, for an emergency and for cash flow
- City policy is a reserve level of at least 10% of expenditures
- Currently reserves are at 14.8% of expenditures

# Reserves

- Reserves are important: they provide flexibility
- Rating agencies monitor reserves very closely, and a change (decrease) in reserves is viewed negatively

# Looking Forward

- Moderate expenditure and revenue growth, with moderate structural imbalance
- Continued emphasis on public safety
- Continued use of ZBB process to focus dollars on priority areas; identify process improvements to better align expenditures with revenues

# New Projected Outlook

Projected General Fund Revenues and Expenditures (in millions)					
	2019	2020	2021	2022	2023
Adopted Revenues	\$244.2	\$250.0	\$255.7	\$262.6	\$268.7
On-going adjustments	\$0.4	\$0.8	\$1.2	\$1.8	\$1.9
Interest earnings	\$5.5	\$3.5	\$2.5	\$1.5	\$1.5
<b>New Projected Revenues</b>	<b>\$250.1</b>	<b>\$254.3</b>	<b>\$259.4</b>	<b>\$265.9</b>	<b>\$272.1</b>
Adopted Expenditures	\$244.2	\$250.0	\$256.8	\$263.8	\$271.0
On-going adjustments	\$4.9	\$4.3	\$4.3	\$3.7	\$3.5
<b>New Projected Expenditures</b>	<b>\$249.1</b>	<b>\$254.3</b>	<b>\$261.1</b>	<b>\$267.5</b>	<b>\$274.5</b>
<b>Surplus (Deficit)</b>	<b>\$1.0</b>	<b>\$0.0</b>	<b>(\$1.7)</b>	<b>(\$1.6)</b>	<b>(\$2.4)</b>

# CIP Development

- Develop prioritization score for each project
- Develop financial capacity models
- Consider operating budget impact
- Align with City Council direction

# CIP Project Prioritization

Prioritization model developed with Council input

- Community Investments Plan Alignment (20%)
- Consistency with Planning Processes (25%)
- Financial Considerations (30%)
- Other considerations (25%)



# Linking the CIP and Budget

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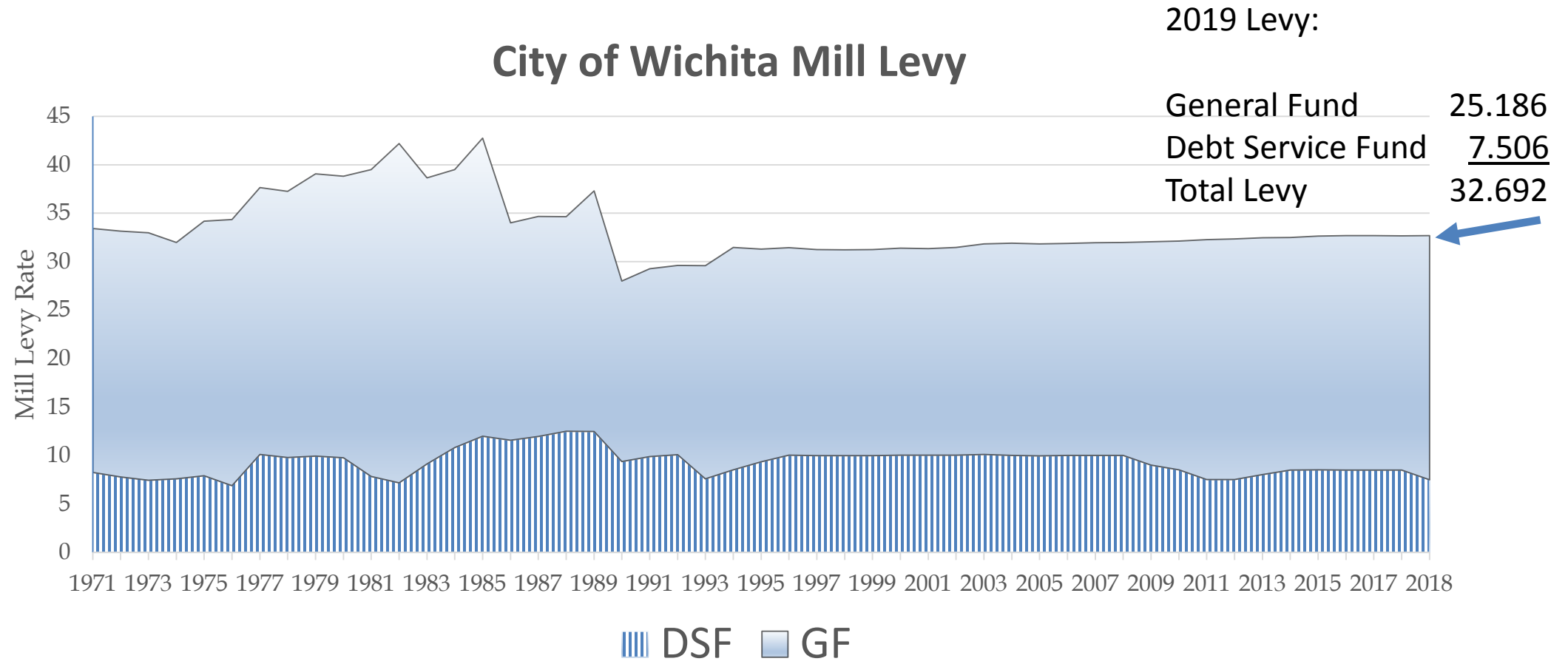
- The Capital Improvement Program (CIP) is linked to the operating budget
- Both are funded with a portion of the City's mill levy
- Both align strategically to the same mission and goals

# Linking the CIP and Budget

	2012	2013	2014	2015	2016	2017	2018	2019
General Fund	24.839	24.443	24.003	24.114	24.177	24.117	24.156	25.186
Debt Service Fund	7.520	8.028	8.537	8.506	8.509	8.508	8.511	7.506
Total	32.359	32.471	32.540	32.620	32.686	32.625	32.667	32.692

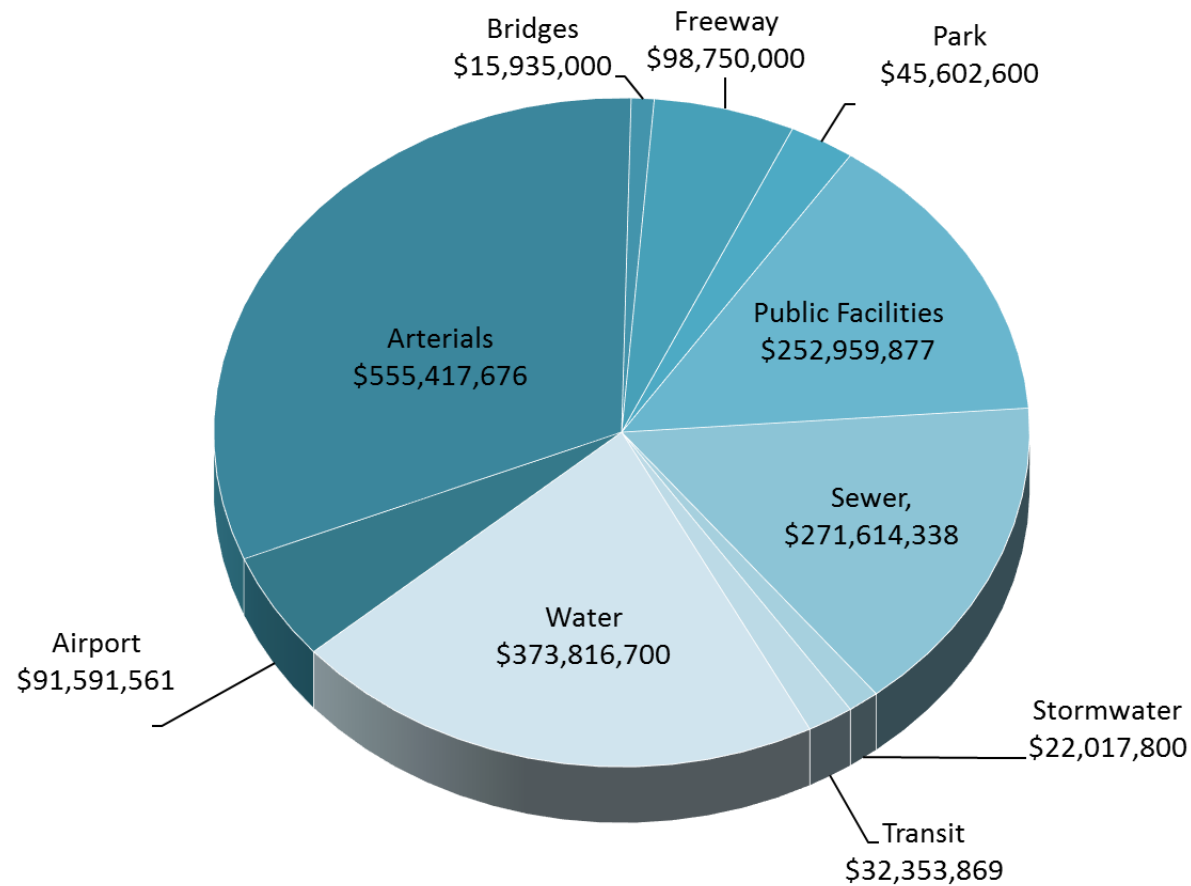
The City mill levy has remained flat, but the allocation between the Debt Service Fund and General Fund has changed.

# GO At-Large Background



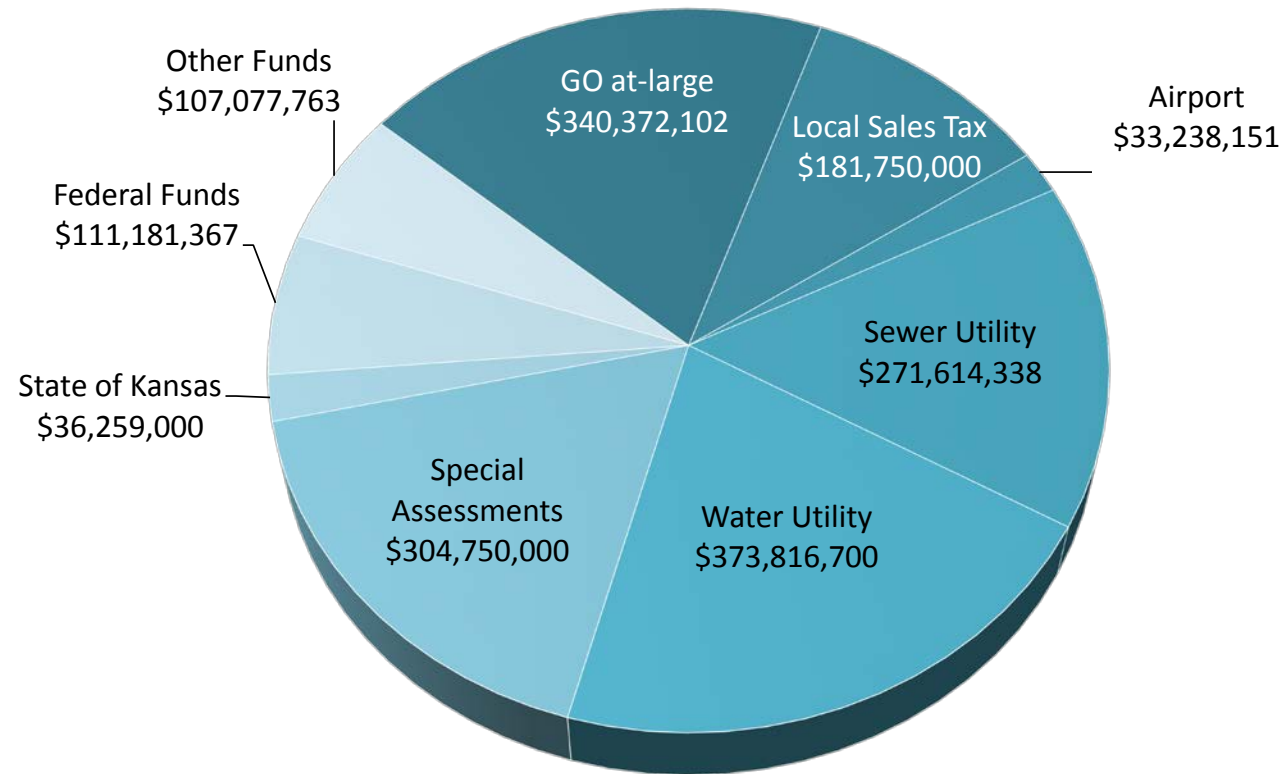
# Financing the CIP

**Where City of Wichita CIP Dollars Go**  
**2018-2027 ALL FUNDS EXPENDITURES \$1,760,059,421**



# Funding CIP Projects

Where City of Wichita CIP Dollars Come From  
2018-2027 ALL FUNDS REVENUES \$1,760,059,421



# Flexible Funding Sources

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Debt Service Fund – completely fungible, can be used for streets, parks, buildings, etc.

Transient Guest Tax Fund – used for assets related to conventions and tourism

Local Sales Tax Fund - used for roads, bridges and highways

# Determining Debt Capacity

Policies impacting the amount of additional debt that can be added include:

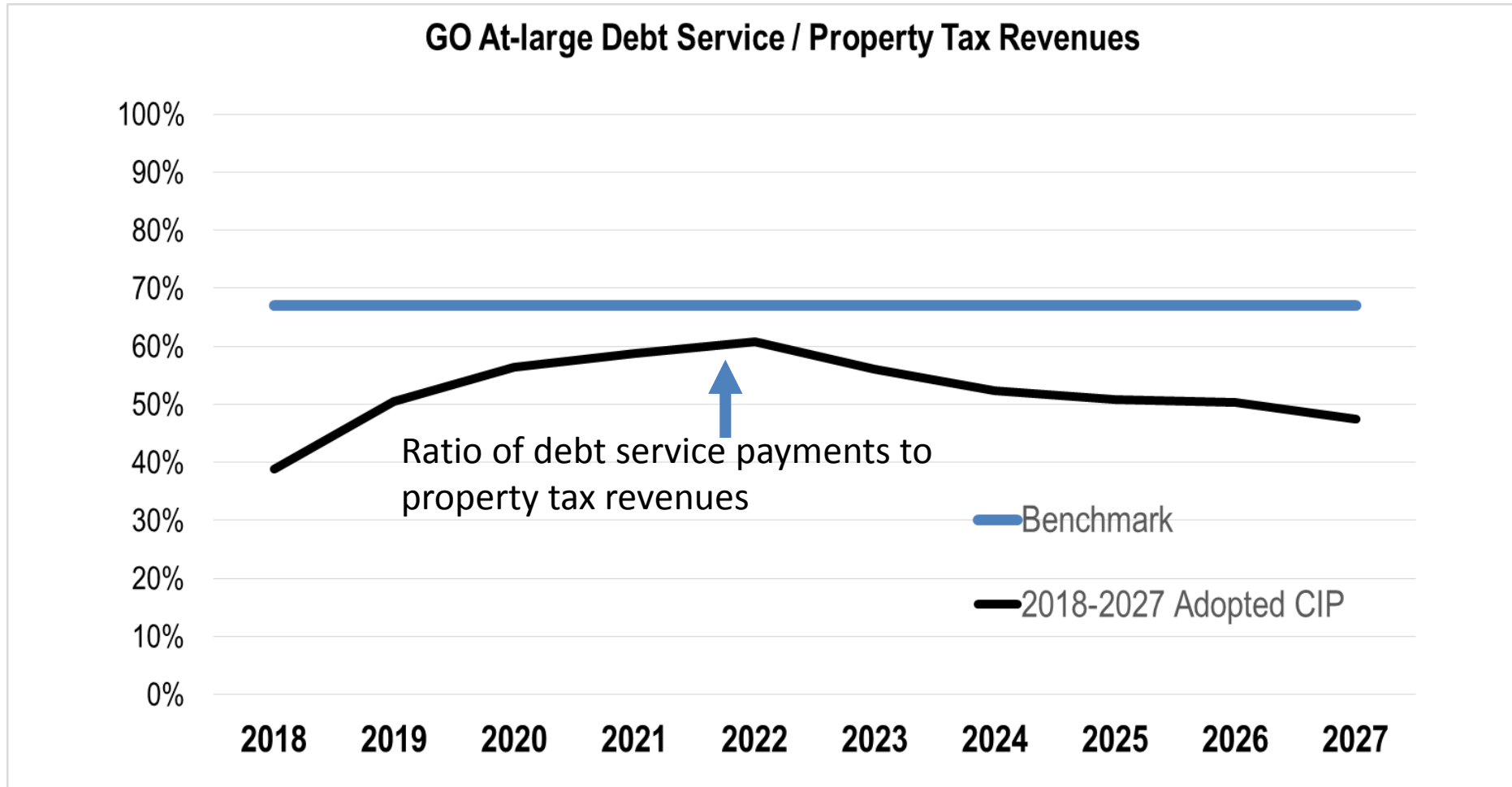
- Legal limit
- Bond covenants
- Coverage ratio / percent spent on debt service
- Rating agency analysis

# Legal Debt Limit

- Kansas State Statute KSA 10-308 limits applicable City debt to 30% of the assessed valuation base
- The City is at 24.8% of the debt limit
- Debt margin is \$853.2 million (Dec 31, 2018)



# City Policy - Debt Capacity



# Adopted CIP Update

- Aquatics Master Plan
- More street maintenance and rebuild projects, fewer freeway projects
- Library Branch Study
- Police and Fire stations

**2020-2021 Proposed Budget  
and  
2019-2028 Proposed Capital  
Improvement Program**

**Finance Department**

