

Budget Retreat



Finance Department

April 21, 2020



Outline



- Revenue Outlook Review and Update
- Budget Process Overview
- Expenditure and Capital Budget Concepts



Revenue Outlook



- Economic forecasts have deteriorated since 4/7
- Current environment:
 - April 11 Unemployment claims – 5.3 million
 - April 4 Unemployment claims – 6.6 million
 - March 28 Unemployment claims – 6.9 million
 - Estimated Q2 GNP – down 10% - 34%



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GF Revenues Impact in 2020



- General Fund impact \$8 to \$10 million in 2020

GF Revenue Source	Amount
Sales tax	\$2.0 million
Interest earnings	\$2.0 million
Fees, rents	\$2.8 million
Other revenues	<u>\$3.2 million</u>
Total General Fund Budget	\$10.0 million



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Benchmarks - General Fund Revenues



Revenue	March	April	May	June	July	December	June 2021
Sales Tax			X	XXX			
MVT				XXX		XXX	
Property Tax				X		XXX	XXX
Franchise Fees		X	XXX				
Interest Earnings		XXX					
Gas Tax		X			XXX		
Fees & Rents	X	XXX					
Court fines	X	XXX					
Licenses	X	XXX					

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Revenue and Expenditure Overview



- Pause Point: Clarification about economic, revenue, and expenditure trends

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Budget Process



- Strategic Management Model
 - Financial Forecasting
 - Performance Measurement
 - Zero-Based Budgeting
 - Capital Project Prioritization
 - Resident Engagement



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Performance Measurement



- Inventory of 400 measures
 - Outcomes
 - Community Conditions
 - Resident Feedback
 - Peer, agency, and best-practice benchmarking



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Performance Measurement



Fire Incidents Confined to Room of Origin: One and Two-Family Residential Structures

BENCHMARK		2014	2015	2016	2017	2018	2019	2019	2020	2021	2022
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL	TARGET	TARGET	TARGET
ICMA	54.9%	68.7%	75.9%	63.9%	64.8%	58.0%	57.5%	74.0%	69.4%	57.0%	56.5%



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Performance Measurement



Library Downloadable Circulation as a Percentage of Items Circulated

BENCHMARK		2015	2016	2017	2018	2019	2019	2020	2021	2022
		ACTUAL	ACTUAL	ACTUAL	ACTUAL	TARGET	ACTUAL	TARGET	TARGET	TARGET
ICMA	14.2%	3.1%	4.2%	5.5%	9.9%	9.0%	12.9%	15.0%	15.0%	15.0%



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Zero-Based Budgeting



Year 1 – August 2016-July 2017

- Developed organizational mission statement
- Departments grouped services into focus areas
- Departments completed Program Operating Plans that were reviewed by peers



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Zero-Based Budgeting



Year 2 – August 2017-July 2018

- Services were ranked by department
- Untouchable activities and rankings were affirmed by the City Council
- Prioritization model for CIP was developed



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Zero-Based Budgeting



Year 3 – August 2018-July 2019

- Prioritization model for CIP was enhanced
- Budget simulator was launched
- Innovation investments were funded with surplus



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Zero-Based Budgeting: Prioritization



- Criteria for prioritization in 2018
 - Core activity: provided directly to residents
 - Support activity: provided in response to core activity
 - Non-core activity: does not align to department mission statement



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Zero-Based Budgeting: Prioritization



- Criteria for prioritization in 2018
 - Activities designated as Untouchable:
 - Legal requirements
 - Intrinsic to department's existence
 - Department administration and leadership

A support activity can be untouchable



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Zero-Based Budgeting: Prioritization



- Reaffirm and/or update listing in 2020
 - Ability to deliver services in environment of social distancing
 - Critical nature of services in period of declining revenue
 - Services with differing levels of importance due to economic and public health context



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Zero-Based Budgeting: Prioritization



- Pause Point: Are there services that should be reprioritized in the current environment?



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Revenue Outlook - Capital Project Impact



- Property tax and special assessment delinquencies and sales tax revenue erosion is expected
- A short-term re-evaluation and postponement of new projects would enhance liquidity and reduce potential for increased debt



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Revenue Outlook - Debt Service Fund



- Property taxes fund most GO at-large debt
- Impact of property tax is expected to lag
- Other threats include increased special assessment delinquencies, lower TIF valuations and higher TIF delinquencies



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Revenue Outlook - Debt Service Fund



- For several years, GO at-large debt levels have been projected to rise and approach the benchmark in 2022
- To avoid exceeding the debt benchmark level and enhance flexibility, project deferrals could be considered

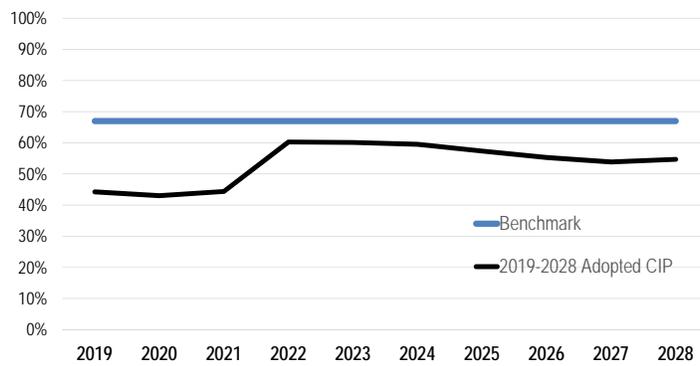


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Revenue Outlook - Debt Service Fund



GO At-large Debt Service / Property Tax Revenues



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ZBB: Capital Project Prioritization



- Projects for 2020 are approved in the Adopted CIP, but not all have been presented to the City Council for initiation
- Projects that have been initiated may not have been bid yet
- A short-term postponement could be considered

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ZBB: Capital Project Prioritization



- CIP Prioritization Model
 - Community Investments Plan alignment 20%
 - Consistency with other planning processes 25%
 - Financial considerations 30%
 - Other considerations 25%



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ZBB: Capital Project Prioritization



- Prioritization scores for the 2019-2028 Adopted CIP have been reviewed
 - Elements of projects identified by staff to proceed as planned:
 - Leverage – Funding from external partners
 - Maintenance
 - Safety
 - Examples:
 - North Junction, Bridge Inspection, Tennis Center, Fire Apparatus Replacement, Police Radios



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ZBB: Capital Project Prioritization



- Elements of projects identified by staff for potential deferral:
 - Enhancements or proactive replacements
 - Locally funded
 - “Shovel ready” for potential stimulus funding
 - Requires additional maintenance costs
- Examples:
 - Library enhancements, Fire Storage Facility, Commerce Area Improvements, Comprehensive Wayfinding



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Impact on Debt Service Fund



- Staff have identified \$29 million in projects between 2021-2023 that could be deferred
- Project selection focused on non-leveraged projects with lower priority scores



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Impact on Local Sales Tax Fund



- In the Adopted CIP, concurrent with the completion of current freeway projects, LST was shifted to street projects
- Since street project scheduling is more flexible than freeways, LST capacity was fully utilized with street projects



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Impact on Local Sales Tax Fund



- LST funding is expected to drop \$2 million in 2020
- Deferring projects will avoid eroding fund reserves and increasing debt levels
- Staff have identified \$8MM in projects that are recommended for deferral



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ZBB: Capital Project Prioritization



- Pause Point: Staff reviewed projects for deferral or proceeding as planned.

Which projects should:

- Be deferred
- Proceed as planned



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ZBB: 2020 Tactical Shifts



- Ensure a balanced budget for 2020
- Avoid dramatic service delivery reductions if/when the recession is prolonged
- Adapt operations to reflect stay-at-home order and recovery



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ZBB: 2020 Tactical Shifts



- Tactical concepts to consider:
 1. Vacant full-time position savings
 - 1a. Furloughs during stay-at-home order
 2. City payments to various organizations
 3. Public Art and capital projects



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ZBB: 2020 Tactical Shifts



1. Vacant full-time position savings
 - Savings due to turnover is included in the budget
 - A hiring freeze is a swift approach that slows spending
 - As the downturn continues, a framework needs to be developed to guide hiring for essential positions

Recommendation: Continue hiring freeze and develop framework for limited hiring for selected positions



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ZBB: 2020 Tactical Shifts



1a. Furloughs Due to Social Distancing

- March 23 – May 3
- 216 positions are furloughed due to:
 - Closure of work facility
 - Inability to social distance
 - Inability to work remotely
- 55 employees would be in a leave deficit for April 24- May 3

Recommendation: Continue furloughs during social distancing



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ZBB: 2020 Tactical Shifts



2. City payments to various organizations

- City of Wichita has contracts with Visit Wichita, WDDC, GWP, WIBA, Kansas Global, and cultural institutions
- An equitable approach to these contracts could be considered for the current year and 2021 agreements

Recommendation: Provide direction to staff about potential review of contracts.



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ZBB: 2020 Tactical Shifts



3. Public Art and capital projects

- Funding per 2% Public Art Ordinance was included in the Adopted CIP
- 2021-2028 Projects have not been initiated
- Additional funding has been requested for Aquatics Master Plan (\$1.4 million) and Police Patrol East (\$400,000)

Recommendation: Provide direction to staff on which approach to model.



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ZBB: 2020 Responses to Stay-at-home Order



- Concepts in response to the pandemic:
 4. Convention Center rental adjustments
 5. Parking and retail space rental adjustments
 6. License fee deferrals
 7. Garage sale license fee waiver
 8. Municipal Court fee waivers



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ZBB: 2020 Responses to Stay-at-home Order



4. Convention Center rental adjustments
 - Century II tenant rent- \$4,000 monthly
 - Century II room rentals - \$17,000 monthly

Recommendation: Waive tenant rent for two months and defer room rental charges.



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ZBB: 2020 Responses to Stay-at-home Order



- Concepts in response to the pandemic:
 5. Parking and retail space rental adjustments
 - Old Town Parking - \$23,000 per month
 - Old Town Retail Space - \$20,000 per month
 - Other Garages and Parking Lots - \$26,000 per month

Recommendation: Waive parking and retail rent for two months.



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ZBB: 2020 Responses to Stay-at-home Order



- Concepts in response to the pandemic:
 6. License fee deferrals
 - An estimated 400 licenses in areas impacted by the virus will be renewed in the next three months (\$180,000)
- Recommendation: Pro-rate renewal rate for impacted licenses.



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ZBB: 2020 Responses to Stay-at-home Order



- Concepts in response to the pandemic:
 7. Garage sale license fee waiver
 - Lost revenue would be \$3,000-\$5,000
 - Options with regard to limiting annual sales and requiring a license during waiver period
 - Social distancing implications
- Recommendation: Designate four weeks for no-fee garage sales.



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ZBB: 2020 Responses to Stay-at-home Order



- Concepts in response to the pandemic:
 8. Municipal Court fee waivers
 - Waive fees for failure to comply with a citation and warrant fees
 - Program available for 90-day period after Municipal Court reopens



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ZBB: Operating a Well-Run City



- Aligning to the mission statement to be a well-run city in order to:
 - Continue critical operations
 - Ensure sustainability
 - Address employee safety and retention



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ZBB: Operating a Well-Run City



- Concepts in response to ensure a well-run city:
 9. Contract extensions
 10. Parental leave peer review
 11. Staff wage stratification review
 12. Pension contribution rates



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ZBB: Operating a Well-Run City



9. Contract extensions
 - Eleven contracts have been identified for extension
 - Challenges with receiving proposals, convening staff to evaluate proposals, and the transition to a new contract have been identified

Recommendation: Direct staff with to proceed with presenting for City Council approval a list of contracts to be extended.



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ZBB: Operating a Well-Run City



10. Parental leave peer review

- Current City of Wichita HR policy is to follow FMLA
- Research is underway regarding the number of new parents that have been in unpaid status for the past two years
- All four peers follow FMLA but supplement with:
 - Shared Leave
 - Short Term Disability
 - Limited Amounts of Paid Parental Leave (4-8 weeks)

Recommendation: Continue to research gap between paid and unpaid parental leave and return with recommendations.



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ZBB: Operating a Well-Run City



11. Staff wage stratification review

- Wage rates are set by union contract and the annual salary ordinance
- Currently 97% of employees earn less than \$100,000 per year
- Employees that earn more than \$100,000 per year have 19.4 years of service on average



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ZBB: Operating a Well-Run City



12. Pension contribution rates

- State Statute requires that the WPF make the actuarially required contributions
- Making actuarially required contributions is important for the City's bond rating
- Pension reserve fund is available to smooth pension contribution rates (last used in 2011)



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ZBB: Twelve Topics



- Pause Point: What topics should staff:
 - Proceed with implementation
 - Save for consideration at a later date
 - Further research



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Budget Calendar



Week of May 11	Review April Revenue
Week of May 18 TBD	City Council Budget Retreat
Week of June 1 and 8	DAB Presentations
Week of June 8	Review May Revenue
May or June Dates TBD	Online Resident Engagement
Week of July 5	Review June Revenue



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Budget Calendar



Week of July 13	Proposed Budget presented, first public hearing, setting of maximum taxes levied, authorization of publication of notice
August 4	Second public hearing
August 11	Final public hearing and adoption of budget



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