

Budget Retreat

2022-2024 Budget



Finance Department

April 11, 2022



Outline



- Budget process
- Resident Engagement
- Preliminary budget forecast
- American Rescue Plan Act (ARPA)
- Sustainability and City Council priorities



Budget Process



Budget Process Background



- City Council reaffirms priorities
- Resident engagement efforts generate feedback
- Staff estimates available resources and prepares Proposed Budget
- City Council adopts the budget



Budget Process – Priorities



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 and

Provide conditions for living well.



Budget Process – Priorities



- City mission and goals provide overall guidance
- Prioritization of programs and services allows staff to align operating and hiring strategies with City Council direction
- Prioritization also enables staff to make recommendations aligning available resources with City Council direction



Budget Calendar



- April 11 City Council Retreat – Preliminary Outlook
- May 24 City Council Retreat – Budget Options
- June Resident Engagement
- June 15 Assessed Valuation estimate received
- July 19 Presentation of Proposed Budget and Authorization to exceed the Revenue Neutral Rate



Budget Calendar



August 4 Second public hearing (Evening)

August 16 Third public hearing

August 23 Public hearing - approval to exceed Revenue Neutral Rate; Final public hearing and adoption of budget



Budget Process – Tax Lid



- Based on the State’s Tax Lid Law, the City must notify the County Clerk by July 20 of the intent to exceed the “revenue neutral” tax rate
- Using any growth in Assessed Valuation *will* trigger the RNR notification requirement
- Maintaining a flat mill levy rate *will* trigger the notification requirement



Budget Process – Tax Lid



- Estimated valuation will be received by June 15
- The City has until July 20 to notify the County Clerk if the RNR will be exceeded
- Based on preliminary estimates, remaining at the RNR for 2023 would reduce revenues by \$4.8 million and reduce the mill levy by 1.2 mills



Budget Process – Tax Lid Notification



- If the RNR is exceeded:
 - The County Clerk provides every taxpayer with a notification
 - The City adopts a resolution including the name and vote of each member of the governing body*
 - The State posts RNR information for each local government on the Department of Administration website*



Resident Engagement



Resident Engagement History



- Public Hearings
- Community Meetings
- Budget Document: Web and Wichita Public Library
- Social Media Town Hall: 2012 to present
- Online Budget Simulator: 2019 and 2020



Resident Engagement Options



- Social Media
- Forum
- Website
- Online Budget Simulator
- Community Meetings
- Public Hearings



Resident Engagement Options: Social Media



- Facebook, Twitter, Nextdoor, YouTube, Instagram
- Live Q&A Events
- Topical posts with questions for residents
- Live Tweet budget presentation



Resident Engagement Options: Forum



- Curated online town hall
- Topical engagement and conversation
- Staff engagement with participants
- Subsections for various conversations



Resident Engagement Options: Website



- Budget documents posted Friday before Proposed Budget presentation
- Budget hub
- Media Advisories



Online Simulator: 2019 and 2020



✔ Move the sliders to see how changing the service levels can help you balance the budget.

Overspend **\$0.00m**
On Budget **0.0%**

Total Expenses **\$247.77m**

-10% -5% 0% 5% 10% Impacts

Parks & Libraries	i Park Maintenance	Continue same service level for maintenance of parks, athletic fields, multi-use paths, and natural areas More
Police & Fire	i Street and Park Trees	This option would maintain the current level of planting and maintenance More
Public Safety & Health	i Recreation	All facilities at usual hours and staffing levels to provide programming and services More
Streets	i Libraries	All library facilities will operate with schedules, services and programs as they existed prior to COVID-19. More



Resident Engagement: Meetings and Hearings



- June DABs
- Advisory Boards
- Community Groups
- Public Hearings in July and August



Preliminary Budget Forecast



Preliminary Budget Forecast



- Staff prepare a model based on current policies and update environmental analysis
- Staff provide a baseline outlook: both short-term and long-term
- Process allows focus to be on issues of sustainability, policy options, and priorities



City Budget Summary



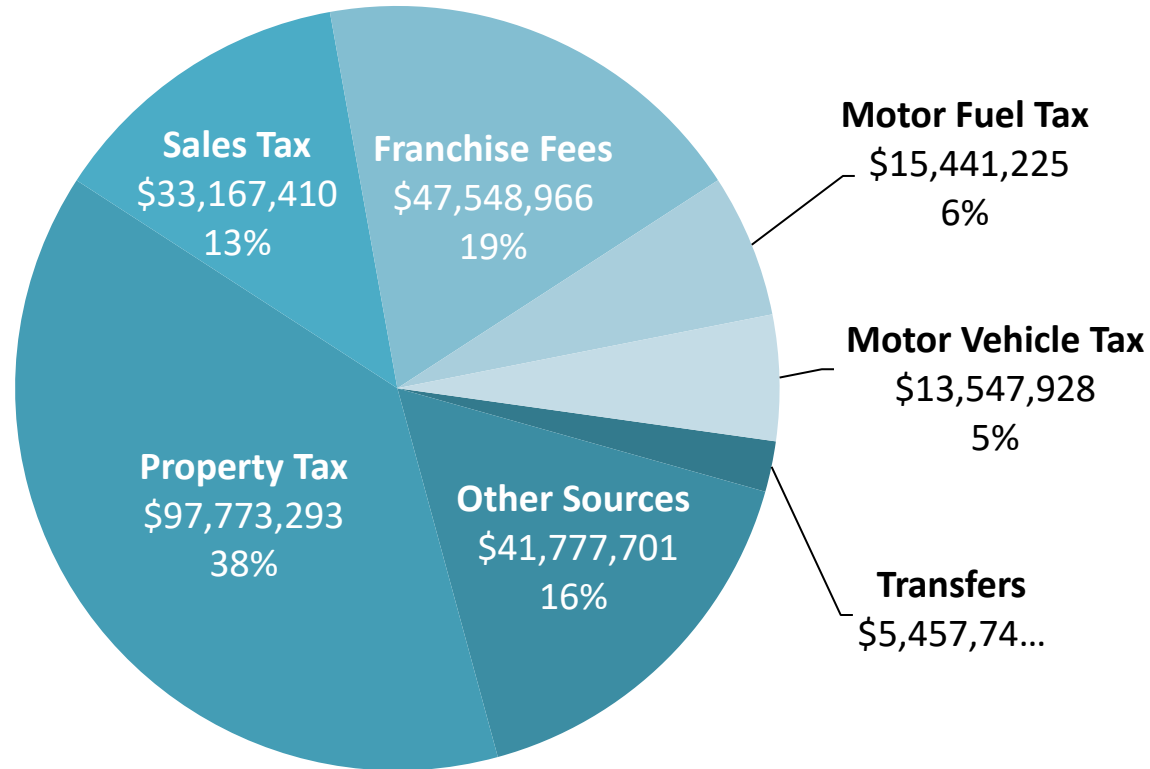
- Total City budget is \$810 million:
 - Separate business units - \$233 million
 - Specific and dedicated funding sources - \$226 million
 - **General Fund - \$255 million**
 - **Debt Service Fund - \$93 million**



Adopted Budget – General Fund Revenue



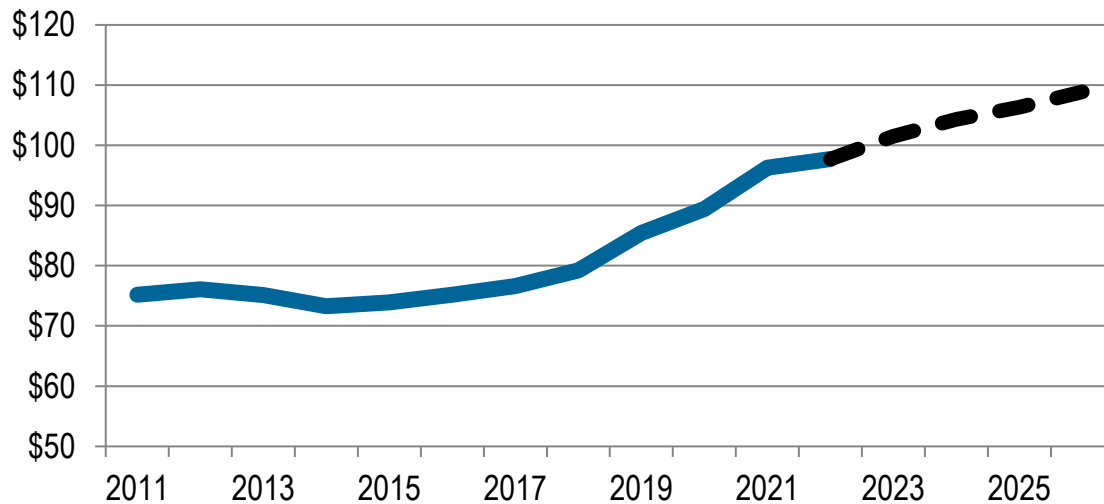
GENERAL FUND 2022 ADOPTED BUDGET, \$254,714,267



Property Tax



PROPERTY TAX REVENUE 2011 - 2026
(Dollars in Millions)



Note: 2022 - 2026 are projected

Property Tax is 38% of the General Fund

Revenues are based on two variables: Assessed Valuation (AV) growth and the mill levy rate

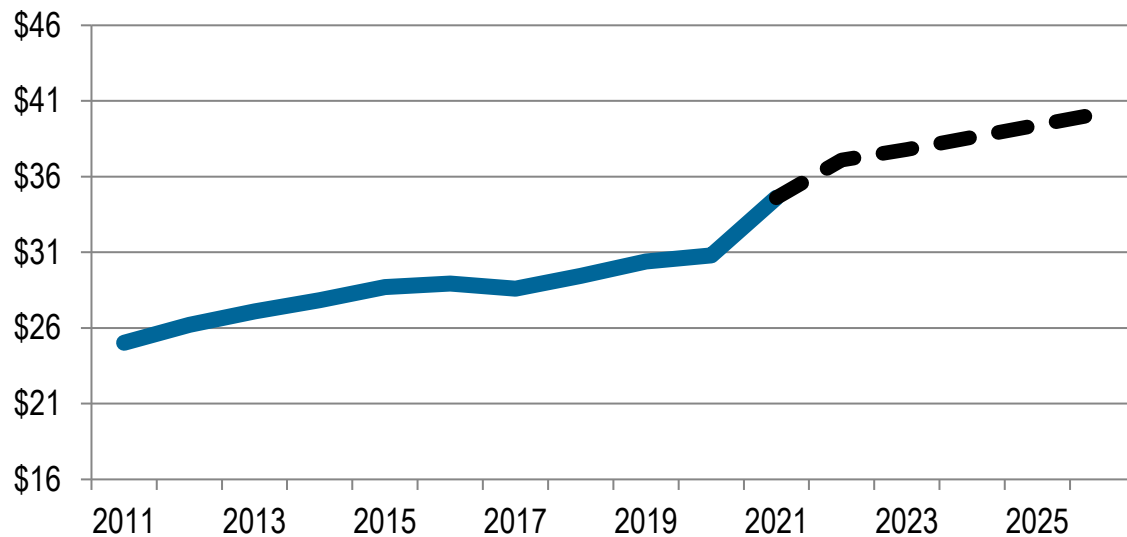
Expecting stronger short-term growth, moderate long-term growth (3.9% in 2023; 2.9% in 2024; 2% in out years)



Sales Tax



LOCAL SALES TAX REVENUE 2011- 2026
(Dollars in Millions)



Note: 2021 - 2026 are projected

Sales Tax is 12% of the General Fund

Expecting strong growth in 2022 (in part due to inflation); more moderate long-term growth (2%)

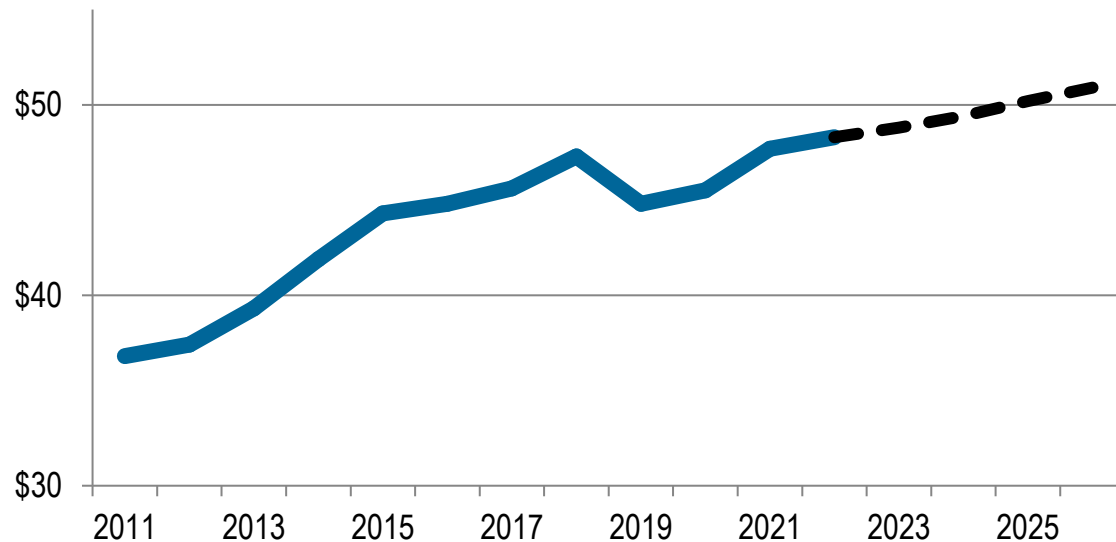
Sales tax is economically sensitive, with a long-term around 2% - 3%



Franchise Fees



FRANCHISE FEES 2011- 2026
(Dollars in Millions)



Note: 2021 - 2026 are projected

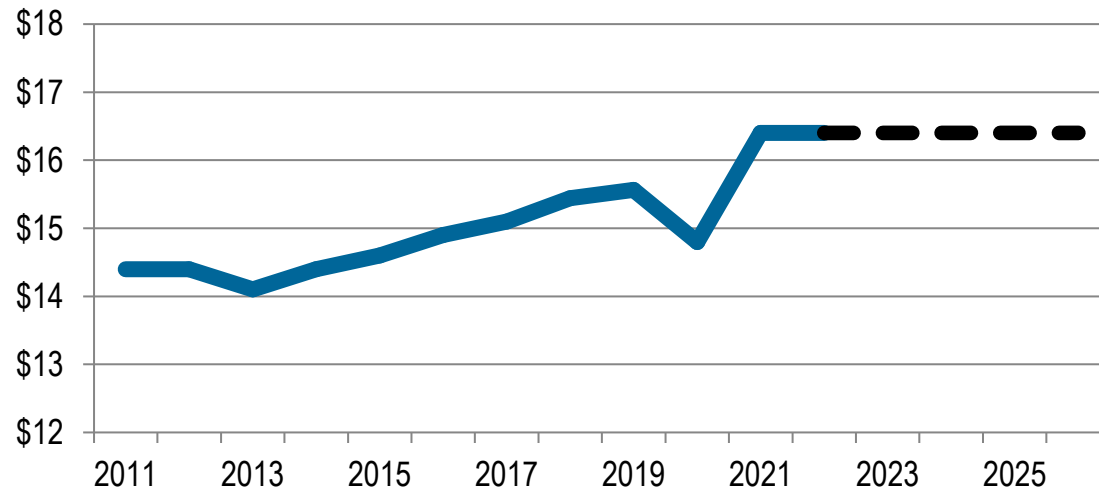
- Franchise fees are 19% of General Fund
 - Impacted by the weather, technology, commodity pricing and the economy
 - Electricity, Natural Gas, Water & Sewer, Cable TV, Phones all behave differently
 - Can be volatile and difficult to forecast



Gas Tax



MOTOR FUEL TAX REVENUE 2011 - 2026
(Dollars in Millions)



Note: 2021 - 2026 are projected

- Gas Taxes are 6% of General Fund
 - Based on gallons consumed; **not** price of fuel
 - Consumption has been relatively flat for decades
 - Continued high fuel prices may require a downward revision



Other General Fund Revenues



- Motor Vehicle Tax – Based on number and value of vehicles
- Court - Dependent on enforcement activity, collection activity and judicial assessments
- Charges for Services, Rents, Licenses & Permits – Based on activity levels



General Fund Revenue Summary



	2022	2023	2024	2025	2026
Revenue	\$260.7	\$267.5	\$271.7	\$278.0	\$283.9

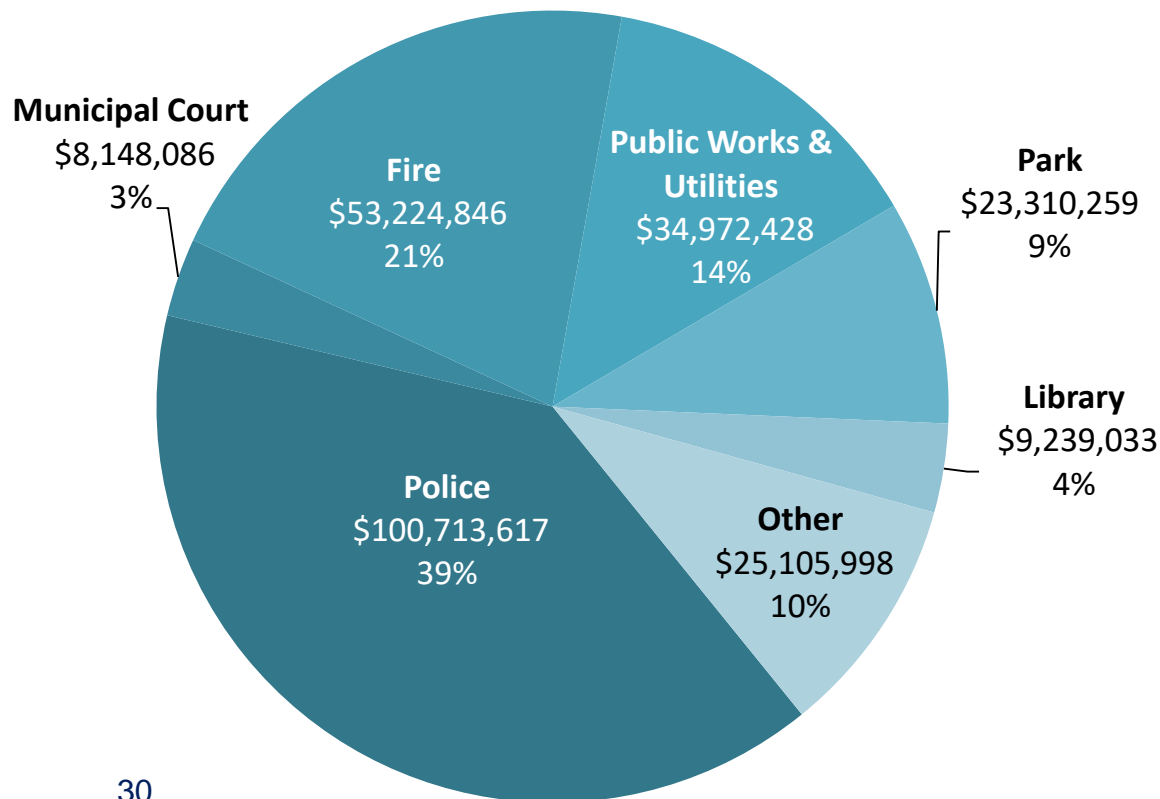
- Revenues in 2022 Revised are expected to be \$4 million higher due to higher and sales tax estimates
- Long-term revenue growth is expected to be moderate, consistent with prior trends



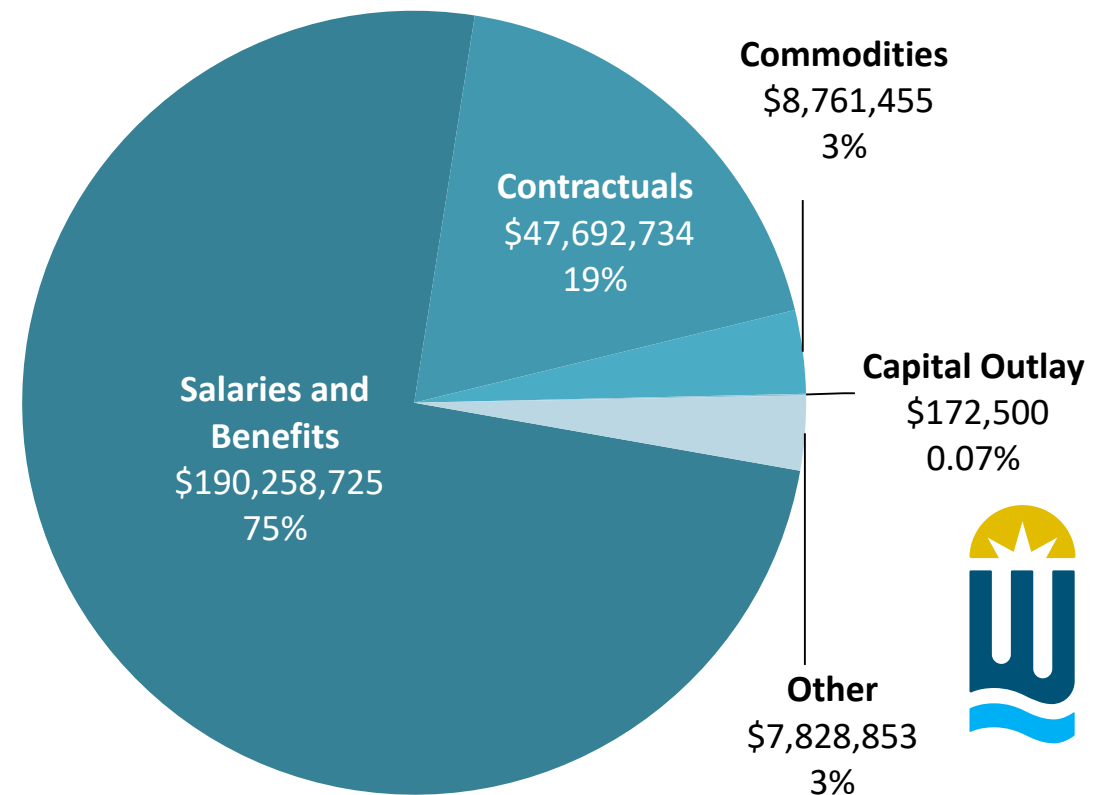
General Fund Expenditures



**GENERAL FUND 2022 ADOPTED BUDGET,
\$254,714,267**



**GENERAL FUND 2022 ADOPTED BUDGET
\$254,714,267**



Expenditure Summary: Changes



- Staff incorporate revised labor contracts and insurance rates
- Adjustments are made for inflation pressure
- Wage models are updated based on recruitment and retention assumptions



General Fund Summary: 2022 and 2023



- Stronger revenue growth: Assessed Valuation and sales tax growth
- Increased expenditures due to inflationary pressure
- Probable surpluses based on labor market conditions



Revenue Summary: 2024 to 2026



- Slower revenue growth, due to technical obsolescence and moderate economic assumptions
- Expenditure growth is expected to outpace revenue growth
- Structural imbalance after ARPA funding ends



Long-term Forecast Variables



- Assessed Valuation and sales tax performance
- Wage and benefit costs
- Vacancies and employee demographics
- Policy changes that impact sustainability



General Fund Outlook



	2022	2023	2024	2025	2026
Revenue	\$260.7	\$267.5	\$271.7	\$278.0	\$283.9
Expenditures	264.7	273.0	281.9	288.4	295.1
Net Gain / (Loss)	(4.0)	(5.5)	(10.2)	(10.4)	(11.2)
ARPA Funding: 2022 Budget	4.0	5.5	10.2	0.0	0.0
Net Gain / (Loss)	\$0.0	\$0.0	\$0.0	(\$10.4)	(\$11.2)



American Rescue Plan Act (ARPA)



American Rescue Plan Act (ARPA) Background



- The City has been allocated \$72.4 in ARPA funds
- Funds must be obligated by December 31, 2024
- Each ARPA project is approved by the City Council



ARPA: Conceptual Plan Guiding Principles



- Avoid creating new programs without identification of an ongoing funding source
- Infrastructure projects are well-suited for one-time funding, but ongoing costs should be considered
- Coordinate regional initiatives so that there is augmentation rather than duplication



ARPA: Current Approved Conceptual Plan



ARPA PROJECTS (IN MILLIONS)					
2022 ADOPTED BUDGET					
PROJECT	2021	2022	2023	2024	TOTAL
Rehiring Government Staff	\$2.2	\$4.0	\$4.0	\$4.0	\$14.2
Initiatives		\$1.5	\$1.5	\$1.5	\$4.5
Infrastructure Projects		\$8.9	\$6.7	\$7.4	\$23.0
Negative Economic Impact Initiatives		\$20.0			\$20.0
General Fund Support			\$5.0	\$5.7	\$10.7
Total	\$2.2	\$34.4	\$17.2	\$18.6	\$72.4



ARPA: Infrastructure



ARPA PROJECTS (IN MILLIONS)					
INFRASTRUCTURE PROJECTS					
2022 ADOPTED BUDGET					
PROJECT	2021	2022	2023	2024	TOTAL
Fire Station			\$3.4		\$3.4
Police Stations (2)		\$6.0	\$0.6	\$6.4	\$13.0
Library Improvements (4)			\$2.7	\$1.0	\$3.7
Fire Station Alerting System		\$2.9			\$2.9
Current Projection		\$8.9	\$6.7	\$7.4	\$23.0
Previously Initiated	\$2.9				\$2.9



ARPA: Infrastructure – Inflation Adjustments



ARPA FUNDED PROJECTS (IN MILLIONS)					
INFRASTRUCTURE PROJECTS					
2022 CONSTRUCTION ESTIMATES					
PROJECT	2021	2022	2023	2024	TOTAL
Fire Station			\$5.0		\$5.0
Police Stations (2)		\$9.0	\$0.9	\$10.0	\$19.9
Library Improvements (4)		\$3.2	\$1.2		\$4.4
Fire Station Alerting System	\$2.9				\$2.9
Current Projection	\$2.9	\$12.2	\$7.1	\$10.0	\$32.2
Previously Initiated	\$2.9				\$2.9



ARPA: Adjusted Conceptual Plan



ARPA PROJECTS (IN MILLIONS)					
ADJUSTED CONCEPTUAL PLAN: APRIL 5, 2022					
PROJECT	2021	2022	2023	2024	TOTAL
Rehiring Government Staff		\$4.0	\$4.0	\$4.0	\$12.0
Initiatives		\$1.5	\$1.5	\$1.5	\$4.5
Infrastructure Projects	\$2.9	\$10.0	\$6.7	\$7.4	\$27.0
Negative Economic Impact Initiatives		\$20.0			\$20.0
General Fund Support		\$1.2	\$1.5	\$6.2	\$8.9
Total	\$2.9	\$36.7	\$13.7	\$19.1	\$72.4



ARPA Considerations



- Each ARPA project is approved by the City Council
- Inflationary pressure will impact infrastructure project costs
- Conceptual plan will be adjusted annually



Sustainability and City Council Priorities



Sustainability



- The 2022-2023 outlook is positive: surpluses are likely if revenues over-perform and wage and benefit costs are manageable
- The long-term outlook is challenging due to the structure of the General Fund revenue base and the expiration of ARPA funds



General Fund Expenditure Summary



	2022	2023	2024	2025	2026
Revenue	\$260.7	\$267.5	\$271.7	\$278.0	\$283.9
Expenditures	264.7	273.0	281.9	288.4	295.1
Net Gain / (Loss)	(4.0)	(5.5)	(10.2)	(10.4)	(11.2)
ARPA Funding: 2022 Budget	4.0	5.5	10.2	0.0	0.0
Net Gain / (Loss)	\$0.0	\$0.0	\$0.0	(\$10.4)	(\$11.2)



Sustainability: Why Projections Matter



- With early warning...
 - Adjustments can be more strategic
 - Service delivery impacts are less abrupt
- Fiscal health can be maintained: reserve levels, debt levels, and annual operating surpluses



Sustainability: Options for 2025



- Prioritization
- Manage Costs and Evaluate
- Leverage Reserves
- Ongoing integration of CIP and Budget



Sustainability: Prioritize



- The Mission Statement has guided prioritization
- The forecast is based on current service levels
- Reprioritization could result in a modified budget forecast



Sustainability: Manage Costs and Evaluate



- Salaries and Benefits: 75%
- Contracts, health insurance
- Continue to develop strategies to increase efficiencies in operating areas
- Evaluation of funded programs could improve efficiency or effectiveness



Sustainability Options: Leverage Reserves



- Reserves provide:
 - Flexibility to avoid drastic service level changes
 - Ability to avoid debt by using cash to fund projects



Sustainability Options: Integrate CIP and Budget



- Preliminarily the CIP is benefiting from higher AV growth, but suffering from project inflation
- The CIP and Budget are both funded by property tax
- Integrating the CIP and Budget promotes a coordinated approach to financing and enhances long-term sustainability



Sustainability Options: CIP Overview



- Most of the CIP is not funded with property taxes
 - Water, Sewer, Airport, Transit and Stormwater – funded by user fees, federal and state funds
 - Streets, Bridges and Freeways – mostly funded with sales tax dollars
 - Neighborhood Improvements – funded by special assessments



Sustainability Options: GO Projects



- General Obligation (GO) projects total \$283 million over 10 years
 - Heavy Equipment - \$41 million allocated based on current replacement schedules
 - Parks - \$37 million based on Master Plans and maintenance needs
 - Public Facilities - \$39 million based on mostly maintenance needs



Sustainability Options: GO Projects



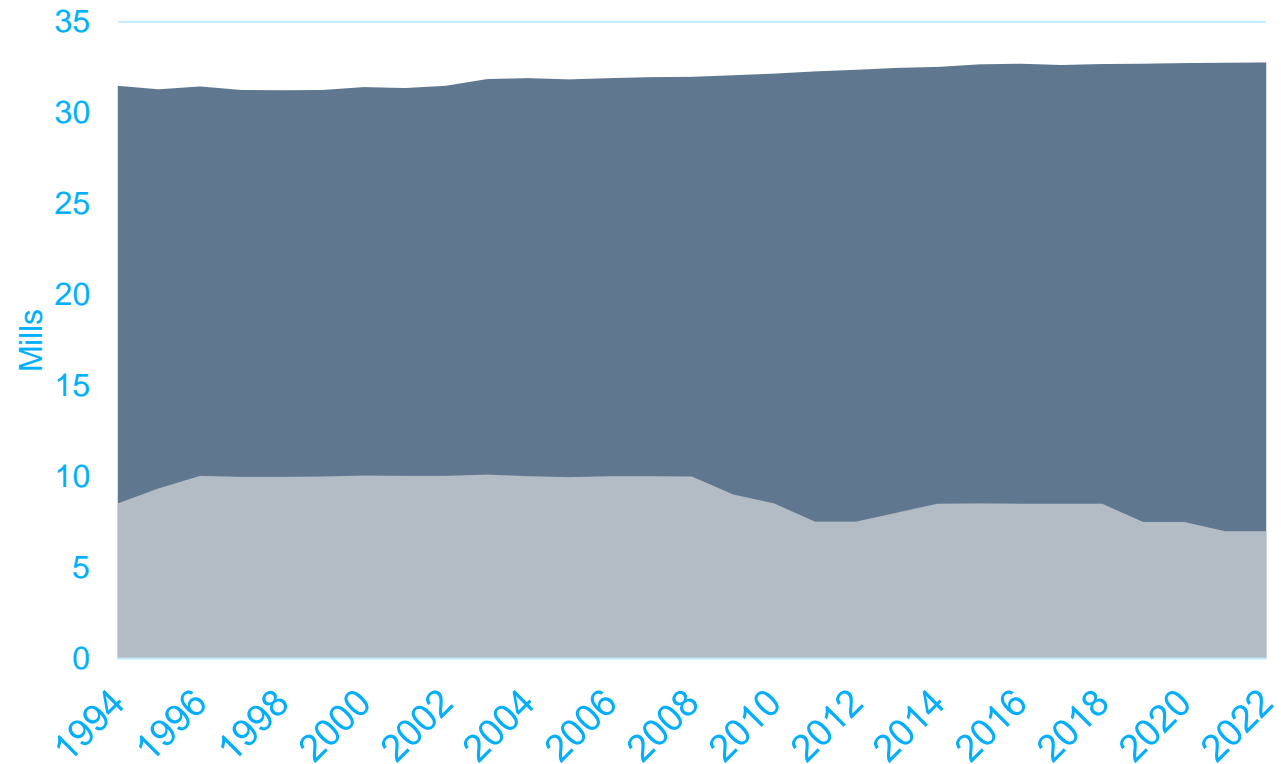
- Public Safety - \$101 million for Fire apparatus (\$38 million); Fire and Police stations (\$34 million); maintenance and equipment
- Streets - \$52 million for bike paths, signalization, ITS and other projects not eligible for sales tax funding.



Sustainability Options: Mill Levy Background



City of Wichita Mill Levy 1994 - 2022



Sustainability Options: CIP



- CIP modelling is based on the current mill levy allocation to the Debt Service Fund
- A mill levy shift to the General Fund could be possible only if projects are delayed or eliminated



Sustainability Options: Planning for 2025



- Once ARPA funding is unavailable challenges are expected
- A sustainable approach can avoid abrupt changes and facilitate strategic decision-making
- Options: CIP adjustments; evaluation and prioritization of services



Additional Considerations



- Mental Health and Substance Abuse Coalition
- Dirt Street Paving
- Wichita Transit



Mental Health and Substance Abuse Coalition



- En Banc Meeting February 16 – Downtown Homelessness and Future Support
- Implementation timeline presented
- Lead and partner agencies identified for each item



MHSA Coalition: City of Wichita Partnership Items



	2022	2023	2024	2025	2026
Sustaining Funds for the MHSA Coalition	\$33,333	\$33,333	\$33,333		
Annual Service Provider Information and Gap Analysis and IDS	\$14,430	\$14,430	\$14,430	\$14,430	\$14,430
Homelessness Task Force	\$60,850	\$60,850	\$60,850	\$60,850	\$60,850
Medical Detox			\$1,281,064	\$900,00	\$900,000
ICT-1 Expansion	\$285,000	\$200,000	\$200,000	\$200,000	\$200,000
Total:	\$393,613	\$308,613	\$1,589,677	\$1,175,280	\$1,175,280



Paving Dirt Streets



- There are 167 lane miles of unpaved streets in Wichita, mostly in Districts 3, 4, and 6
- Under current policy, streets are paved based on a petition process, with costs assessed to property owners
- Eliminating unpaved streets would cost \$133 million



Paving Dirt Streets



Staff have prepared two options to use Local Sales Tax funding:

- 1) Freeze current maintenance at \$11 million and use annual growth for unpaved streets
- 2) Maintain the current base level (\$11 million) for annual maintenance and splitting budget growth between existing streets and unpaved streets



Paving Dirt Streets



Both models would impact maintenance levels on existing streets: reducing the Asset Value and Remaining service life compared to current projections

	Lane Miles Paved in 10 Years	Decrease in Paved Street Metrics	Amount Spent on Unpaved Streets
Option 1	81.6	35%	\$62 million
Option 2	40.8	25%	\$31 million



Transit



- The General Fund provides \$3.6 million in annual support
- Support was reduced by 5% in 2020
- Additional Federal funding has sustained the system since 2020



Transit



- WAMPO Plan: Funding plan for system redesign
- System Redesign Considerations:
 - Second and third shift employment-focused service
 - Increased frequencies
 - Implementation over five to seven years



Next steps



- City Council: Provide feedback about resident engagement plan and consider sustainability options
- Staff: Refine General Fund projections, conduct resident engagement, incorporate funding priorities into the proposed budget



Budget Retreat

2021-2023 Budget



Finance Department

