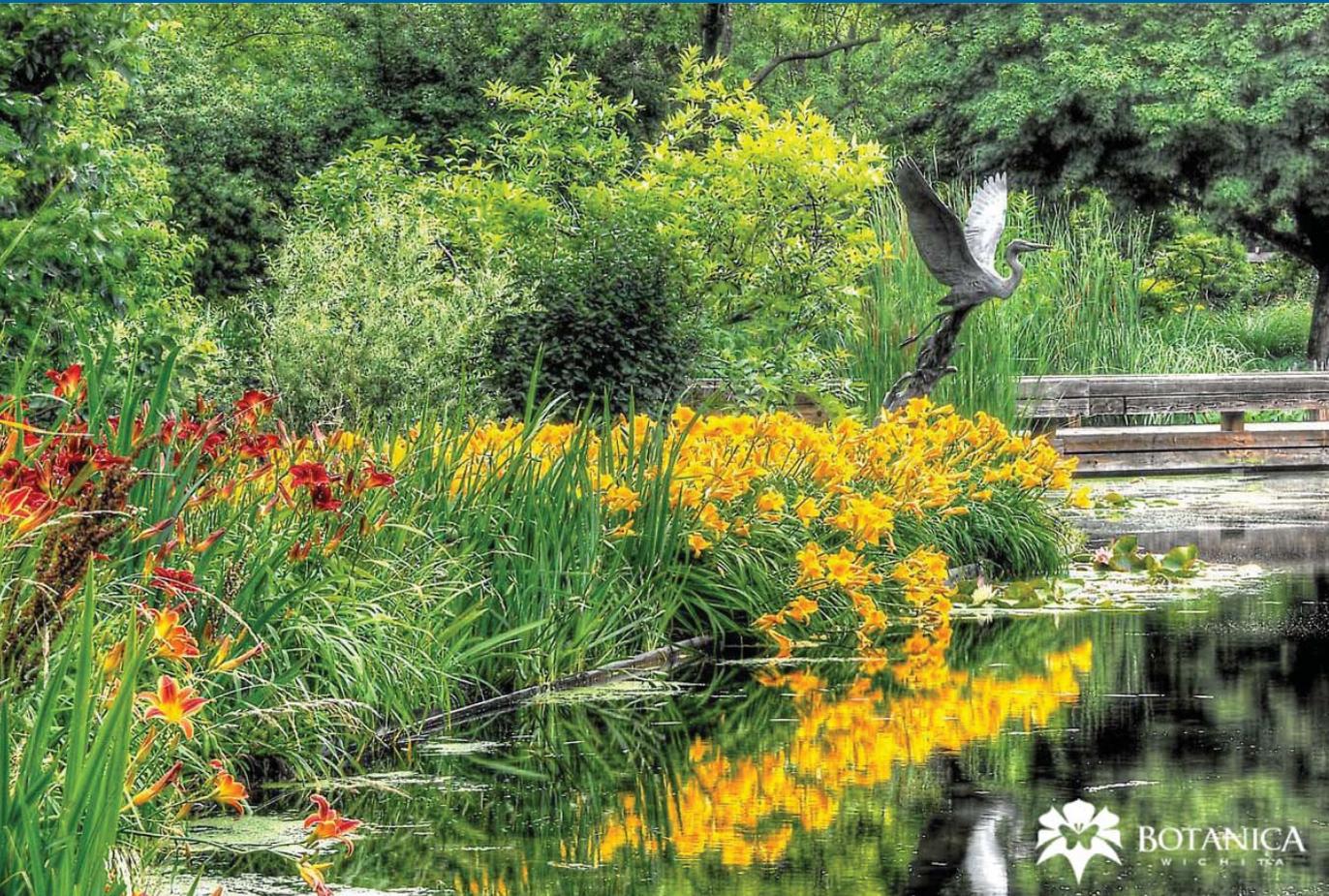




2015

Popular Annual Financial Report

Fiscal Year Ended December 31, 2015



Serving You, In Many Ways, Every Day

City of Wichita, Kansas | www.wichita.gov

A MESSAGE TO OUR CITIZENS

We are pleased to present the City of Wichita's Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2015. This report provides a brief analysis of where City revenue comes from and how those dollars are spent, as well as trends in the local economy.

The City of Wichita Department of Finance has prepared this report to inform citizens about the City and its operations, services and programs and its financial condition for the year ended December 31, 2015. It is suitable for readers who prefer to review operational and financial information in summary form and is not a substitute for the City's Comprehensive Annual Financial Report (CAFR). The information in this report is derived from information contained in the CAFR, which is reported in conformity with generally accepted accounting principles (GAAP). This report is not inclusive of the City's fiduciary funds or the City's discretely presented component unit, the Wichita Public Building Commission. For interested users, a copy of the City's CAFR is available online at <http://www.wichita.gov/Government/Departments/Finance>, or by contacting the City's Finance Department.

We are committed to preserving the City's long-term financial health as evidenced by its bond ratings of AA+ from Standard & Poor's and Aa1 from Moody's Investors Service. The City of Wichita has maintained fund balances in the General Fund in compliance with the City's policy, which requires that available fund balance be equal to at least 10% of the next year's budgeted expenditures. On a budgetary basis, the General Fund ended 2015 with a fund balance of \$28 million, or 11.4% of the 2016 Adopted Budget, which includes an appropriated reserve of \$18 million.

To the best of our knowledge, the information presented herein is accurate in all material respects and presents fairly the financial position and results of operations for the year ended December 31, 2015. Responsibility for the accuracy and completeness of the data presented rests solely with the City. If you have any questions or comments regarding the information in this document, please contact the Department of Finance at (316) 268-4651.

The City of Wichita received the following awards from the Government Finance Officers Association (GFOA) for the year ended December 31, 2014 (unless otherwise noted):



- Certificate of Achievement for Excellence in Financial Reporting for the City's Comprehensive Annual Financial Report (CAFR) for the 42nd consecutive year.
- Certificate of Achievement for Excellence in Financial Reporting for the Wichita Retirement Systems Comprehensive Annual Financial Report (CAFR) for the 16th consecutive year.
- Distinguished Budget Presentation Award for the 2016 Adopted Budget document for the 28th consecutive year.
- Award for Outstanding Achievement in Popular Annual Financial Reporting for the 6th consecutive year.

IN THIS REPORT

City Profile and Local Economy.....	2
Major Initiatives.....	3
Governmental Revenues.....	5
Governmental Expenses.....	6
Business-Type Activities.....	7
Capital Assets.....	8
The City's Debt.....	9
City Government.....	10

CITY PROFILE AND LOCAL ECONOMY

The City of Wichita is the largest city in Kansas, with an estimated population of 388,413. It encompasses approximately 163 square miles and serves as a regional hub for business, entertainment, health care and education. Wichita offers its residents many entertainment and cultural experiences, along with a quality of life that is clean and safe.

Measured by unemployment, the local economy continues to perform better than the national economy. Wichita's unemployment rate averaged 5.1% in 2015, compared to the national rate of 5.3%. The Wichita Metropolitan Statistical Area (MSA) fared even better, averaging 4.8% in 2015. As the economy has improved, the Wichita area has seen continued increases in housing demand. The number of new residential single-family permits in 2015 increased 3.2% relative to 2014 levels.

With continued improvement in the unemployment rate and overall real estate market, Wichita is projected to continue growing in 2016. Risk factors include the Wichita area's reliance on the business jet market, exposure to changes in the national economy and potential for a second dip in the real estate market. If these risk factors do not weigh down the local economy too heavily, Wichita is expected to continue modest, but steady growth.

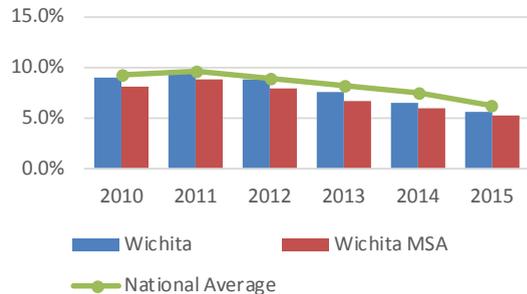


WICHITA AREA TOP TEN EMPLOYERS

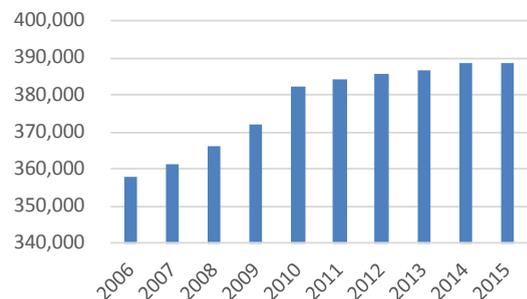
Company	Industry	Employees
Spirit AeroSystems	Aerospace	10,900
Via Christi Health System	Healthcare	6,027
USD 259 Wichita	Government/ Education	5,620
State of Kansas	Government	4,803
McConnell Air Force Base	Government/ Defense	4,576
Koch Industries	Multiple	3,600
City of Wichita	Government	2,752
U.S. Government	Government	2,658
Sedgwick County	Government	2,542
Wesley Healthcare	Healthcare	2,072
Total employment		296,100

As one of the area's principal employers, the City of Wichita employed 3,274 individuals as of December 31, 2015, of whom approximately 2,800 were full-time equivalents.

UNEMPLOYMENT RATE



POPULATION GROWTH



MAJOR INITIATIVES

RIVER VISTA PROJECT

The mixed-use River Vista project on the west bank of the Arkansas River broke ground in June 2015. Plans include a 204-unit apartment project, parking garage and future commercial development. Utilizing sales tax revenue (STAR) bonds, the City will make improvements to the riverfront and the adjacent Delano Park. Improvements to this area will connect to the trail system along the river, allowing the public to continue to enjoy the Arkansas River.



DOWNTOWN DEVELOPMENT

Renovation of one of downtown Wichita's most iconic buildings has been underway for the entirety of 2015, with an initial groundbreaking in December 2014. Representing a \$54 million investment, Union Station, the Rock Island depot and the former Wichita Grand Hotel are being redeveloped and expanded into a mix of retail, restaurant, office, commercial and public space. Many tenants have already occupied spaces in the former Grand Hotel and the Rock Island depot.



WICHITA STATE UNIVERSITY INNOVATION CAMPUS

In 2015, key infrastructure upgrades were constructed to serve the new Wichita State University Innovation Campus. The Innovation Campus is a creative approach to bring new products, technologies and services to markets around the world. It is a new approach for public-private university partnerships. Through innovation, applied learning and entrepreneurship, the University will continue to take advantage of opportunities to have a strong economic impact on Wichita and southcentral Kansas.



ADVANCED LEARNING LIBRARY

In February 2015, the City Council authorized solicitation of construction bids for the Advanced Learning Library, a \$33 million project. This new library, to be located at 2nd Street and McLean Boulevard, will provide a place for Wichitans to learn and continue to engage in the community. The Advanced Learning Library will house community meeting spaces and provide up-to-date technology for the public, including charging stations and computers.

STAR COMMUNITIES

In 2015, Wichita became the first city in Kansas and the 41st in the nation to receive a 3-STAR Community Rating for sustainability leadership from STAR Communities, a national organization that evaluates the livability and sustainability of communities. Wichita officials worked with several civic partners to achieve the 3-STAR rating, including Workforce Alliance, United Way, Bike-Walk Wichita and many others.



INTERCHANGE IMPROVEMENTS

The City of Wichita, the Kansas Department of Transportation (KDOT) and Kansas Turnpike Authority (KTA) are partnering to improve travel in east Wichita. The collaborative plan includes new intersections at Webb and Greenwich and improved access to the Turnpike. The Webb Road and Kellogg project is nearing the end of the first phase of construction, utility work. All construction is anticipated to be complete in 2020.

Interchange improvements at K-96 and Greenwich were completed in 2015. These improvements support increased nearby development, such as the Wichita Sports Forum, which opened in December 2015. The Wichita Sports Forum is a 140,000 square-foot, multi-purpose facility that provides an area for both youth and adults to participate in recreational and competitive sports, such as basketball, volleyball, soccer, baseball and football. It also hosts an extreme air sports trampoline park.



PARKS

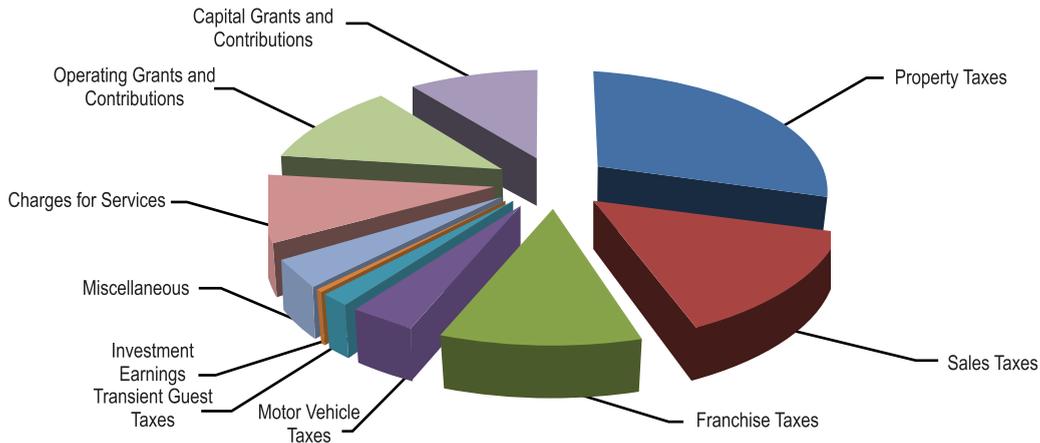
Throughout 2015, efforts were underway to create the Wichita Park, Recreation and Open Space (PROS) Plan. Developed over eighteen months with the participation of more than 2,900 residents, this Plan describes Wichita's park and recreation system for the next 10 to 20 years. The Plan was approved by the City Council in 2016 and recognizes the City's role in building community, supporting human development, preserving natural areas and enhancing quality of life and the local economy.

Wichita also expanded its commitment to the park system and the community with several new initiatives. In 2015, the City began developing a new 41-acre wetland park in west Wichita near Cadillac Lake. The project will include walking paths, boardwalks and interpretive signing. Also in 2015, a new project was initiated to construct a new interactive water feature at Buffalo Park in west Wichita.



GOVERNMENTAL REVENUES

WHERE THE MONEY COMES FROM



The City of Wichita maintains 24 governmental funds, which account for the City's basic services, including general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, as well as interest on long-term debt. Current year revenue totaling \$386 million (excluding transfers) financed these services from the following sources:

- **Property taxes** collected from property owners on real estate and other property. For 2015, the estimated actual value of taxable property was \$21.3 billion.
- **Sales taxes** derived from the City's portion of the 1% County-wide sales tax. Sales tax revenues increased \$1.8 million or 3.2% in 2015, indicating continued economic recovery.
- **Franchise taxes** paid to the City by utility companies for use of the City's right-of-way to deliver services to utility customers.
- **Motor vehicle taxes** representing the local portion of the property tax levied on motor vehicles by the State of Kansas.
- **Transient guest taxes** based on rates established by the City Council and which are collected by local hotels to fund tourism and convention programs.
- **Charges for services** representing revenues collected for City services such as recreation classes, building rentals, licenses, inspection fees and fines.

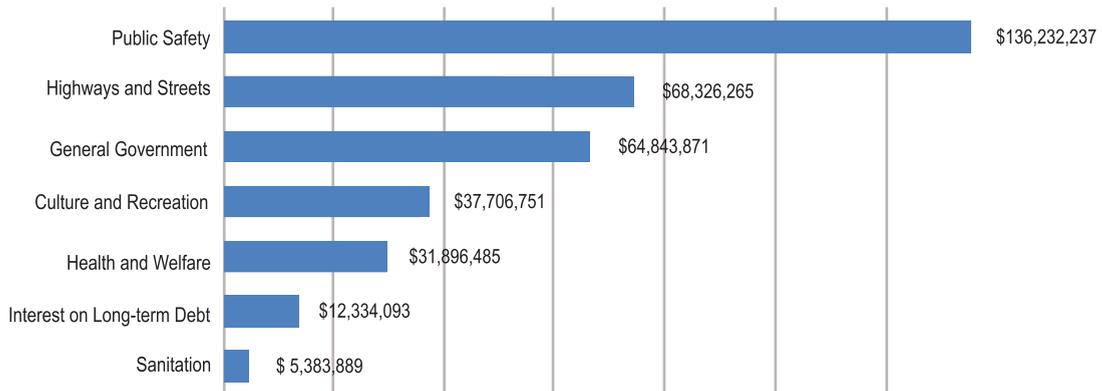
- **Operating grants and contributions** representing resources received from other governments for specific services, such as housing and community assistance programs, transportation, police services and environmental health programs.
- **Capital grants and contributions** which consist primarily of revenues received from other governments and special assessments from property owners used for the construction of capital assets, normally for neighborhood improvements, roads and bridges.
- **Miscellaneous** revenues from the sale of surplus property, repayment of loans, insurance settlements and other reimbursements.

2015 REVENUE BY SOURCE

Property taxes	\$ 106,705,602	27.6%
Sales taxes	57,958,523	15.0%
Franchise taxes	44,304,262	11.5%
Motor vehicle taxes	14,731,698	3.8%
Transient guest taxes	7,255,040	1.9%
Investment earnings	1,725,123	0.4%
Miscellaneous	11,952,478	3.1%
Charges for services	44,391,271	11.5%
Operating grants and contributions	46,685,320	12.1%
Capital grants and contributions	50,301,016	13.1%
Total 2015 revenues	\$ 386,010,333	100.0%

GOVERNMENTAL EXPENSES

WHERE THE MONEY IS GOING



Governmental activities expenditures for 2015 totaled \$356.7 million. The largest category of expenses is public safety, which represents 38.2% of all governmental activities expenses.

Total governmental expenses increased \$43.5 million, or 13.9% from 2014. The change was related primarily to an increase in expenditures for improvements that were not eligible for capitalization, reported in highways and streets and general government functions. These expenses represent the City's contribution for capital improvements that will be maintained by other entities.

Public safety consists primarily of the costs associated with providing police and fire services.

Highways and streets includes costs of construction and maintenance of the City's streets and infrastructure, including pothole maintenance, snow removal and street light maintenance.

General government includes general costs of government administration (e.g., human resources, finance, legal), building operations and maintenance and municipal court.

Culture and recreation includes the cost of providing park and recreation, cultural arts activities and library programs.

Health and welfare includes the cost of providing housing and community assistance programs, environmental services, animal control, day care licensing and inspections of food service providers.

Interest on long-term debt represents the cost of financing streets, bridges, buildings, technology and other improvements.

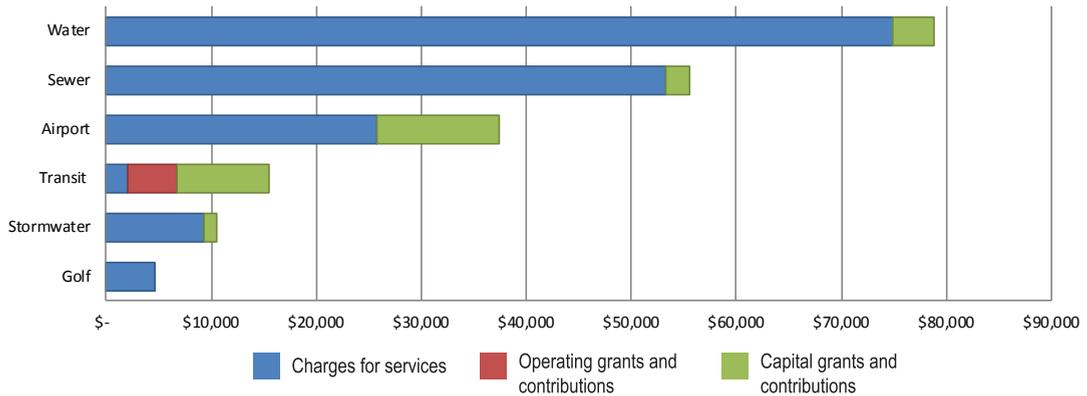
Sanitation includes street cleaning, weed and blight control and the cost of maintaining the City's landfills.

CITY SERVICE STATISTICS	2015	2014
Police		
Dispatched calls for 911 service	218,160	218,614
Traffic violations	53,184	58,824
Fire		
Number of unit responses	76,962	76,539
Fires contained to room of origin	76%	69%
Highways and Streets		
Miles of street resurfaced	22	22
Potholes repaired	73,275	56,558
Parks and Recreation		
Golf rounds played	166,536	155,611
Convention and performance events	441	263
Botanica visitors	220,041	206,193
Library		
Library circulation	2,104,230	2,102,505
Program attendance	70,035	56,944

BUSINESS-TYPE ACTIVITIES

REVENUES AND EXPENSES

BUSINESS-TYPE REVENUES
(in thousands)



The City maintains proprietary funds to account for Water, Sewer, Airport, Stormwater, Transit and Golf Course System activities. These funds operate more like private businesses, with self-supporting revenue sources. The activities are generally not supported by tax revenues.

The City's business-type activities are primarily supported by charges to customers for services provided. However, as shown in the table above, the Transit Fund receives a large portion of its revenues from federal operating and capital grants. In 2015, the federal operating grants, capital grants and contributions received by Transit were approximately \$13.4 million. In 2015, the Airport Authority received \$11.7 million in capital grants and contributions, including \$6.6 million in federal funds under the Airport Improvement Program for the construction of the new terminal building and parking facility.



WATER AND SEWER UTILITIES

The Water Utility implemented a rate increase at the beginning of 2015 to ensure adequate resources for operations, capital maintenance and capital investment. Volume in 2015 remained fairly consistent with 2014 levels. The Sewer Utility, which accounts for the wastewater treatment system, also implemented a rate increase and experienced \$1.9 million in additional revenue compared to 2014.

The utilities continue to focus on reinvesting in the water distribution and sewer collection systems that have been aging. The investment in main replacements more than doubled in 2015, with more than \$18 million spent on rehabilitation projects for existing water and sewer mains. Additionally, the five-year meter replacement project that began in 2012 is nearly complete.

MAJOR INITIATIVES

Catching up on deferred maintenance represents a major goal of the utilities. This led to the launch of the Utility Optimization project. The utilities have contracted with a consultant to develop an asset management system and identify prioritized capital projects and optimization strategies. It will also include exploration of alternative financing to determine if options are available to complete projects sooner. This would lead to lower total lifecycle costs and a decreased level of risk for assets of the utilities.

Delivering services to the citizens of Wichita requires more than just dollars. Many types of assets are also needed to keep the City running. At the end of 2015, depreciated assets were valued at \$2.9 billion.



GOVERNMENTAL CAPITAL ASSETS

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

GOVERNMENTAL CAPITAL ASSETS (in thousands)

Land	\$ 295,577
Buildings	159,442
Improvements	64,422
Equipment	36,175
Infrastructure	605,272
Construction in progress	85,644
Total governmental capital assets	\$ 1,246,532

Assets used to deliver governmental activities are financed with available cash, grants, long-term debt and other available revenues. A portion of the City's share of the 1% Sedgwick County sales tax provides funding for major arterials and the Kellogg freeway, supplemented by state and federal contributions when available.

BUSINESS-TYPE CAPITAL ASSETS

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

Capital assets of business-type activities are generally financed on a long-term basis and are repaid from user charges. Transit assets are primarily grant funded, with a smaller portion funded from local revenues. Airport assets are customarily funded from passenger facility charges, user charges and grant revenue.

Construction of the new \$160 million terminal building at the Dwight D. Eisenhower National Airport (formerly Mid-Continent Airport) was completed in 2015. In addition to the new terminal building, the Airport Authority also constructed a \$40 million 1,600 space parking garage, increasing airport parking capacity by 38%.



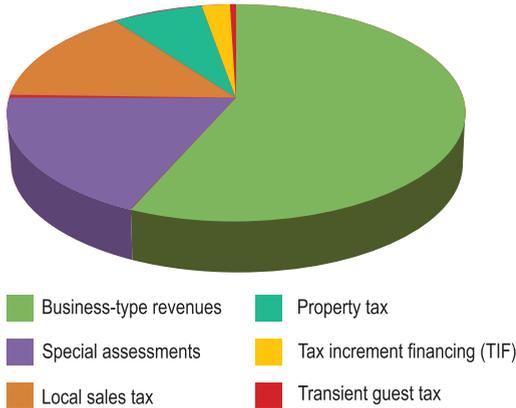
BUSINESS-TYPE CAPITAL ASSETS (in thousands)

Water Utility	\$ 705,147
Sewer Utility	425,932
Airport Authority	314,838
Stormwater Utility	160,425
Transit	23,159
Golf Course System	5,180
Total business-type capital assets	\$ 1,634,681

THE CITY'S DEBT

BUSINESS-TYPE AND GOVERNMENTAL

DEBT REPAYMENT SOURCES



Assets are financed with a mixture of cash, long-term borrowing and other sources. Funds are borrowed on a long-term basis to spread the cost of assets over their useful lives.

In 2015, the City borrowed \$240.6 million and paid back, or retired, \$193.9 million in outstanding debt. The City also retired approximately \$45 million in temporary notes by utilizing debt service fund reserves, reducing the need for additional long-term capital debt.

Kansas law establishes a legal debt limit for obligations to be repaid from tax revenues. As of December 31, 2015, the ratio of the net debt applicable to the debt limit was 29.58%. Therefore, the City of Wichita is well within the legal debt limit established by state statute.

Total long-term debt outstanding as of December 31, 2015 was \$1.08 billion.

- Business-type activities repay debt primarily from customer charges for services. At December 31, 2015, \$664.3 million was payable from revenues of business-type activities.
- Taxes and special assessments are primarily utilized to repay debt from governmental funds. At December 31, 2015, debt payable from these sources totaled \$414.3 million.

BOND RATINGS

Credit ratings express the confidence of rating agencies that the City has a strong capacity to meet its financial commitments, making the City's bonds high credit-quality investments.

The City of Wichita holds a AA+ rating from Standard & Poor's and a rating of Aa1 from Moody's Investors Service. The City's high credit-quality ratings result in lower interest costs when the City issues new debt.

**STANDARD
& POOR'S**

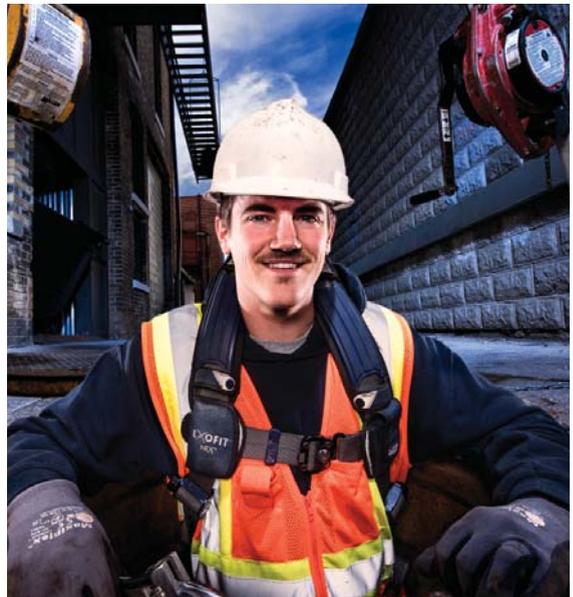
AA+

**MOODY'S
INVESTORS SERVICE**

Aa1

WATER AND SEWER UTILITIES

The Water and Sewer Utilities currently hold a AA-rating from Standard & Poor's. During 2015, the utilities remained in compliance with all revenue bond covenant requirements. The debt service coverage ratio for the combined utilities was 2.20 as of December 31, 2015.



MAYOR



Jeff Longwell

CITY
MANAGER



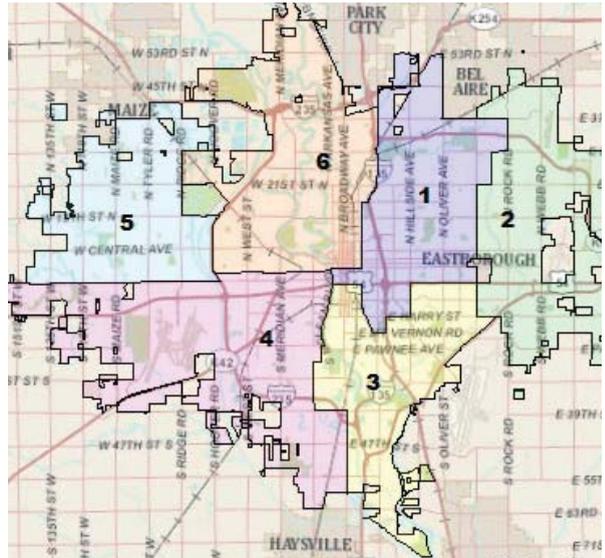
Robert Layton

Since 1989, the City of Wichita has operated under a Mayor-Council-Manager form of government with a Mayor elected at-large and other City Council members elected by district. The City Manager is appointed by the City Council and is responsible to them for the management of all City employees and administration of all City affairs.



The City Council meets Tuesday mornings beginning at 9:00 a.m. at City Hall, 455 N. Main. On the fourth Tuesday of each month, workshop sessions are held at 9:30 a.m., where the City Council only addresses routine items that require their consent. Meetings are usually not held on the fifth Tuesday of the month.

City Council meetings can be viewed on Channel 7 LIVE at 9:00 a.m. (or at 9:30 a.m. for workshop sessions) on Tuesdays. Meetings are aired again at 6:00 p.m. on Tuesdays and Fridays and 2:00 p.m. on Saturdays and Sundays. Live or archived video is also available online at <http://www.wichita.gov/Government/Council/Pages/default.aspx>.



Detailed map available online at <http://www.wichita.gov>

CITY COUNCIL

DISTRICT I



Lavonta Williams

DISTRICT II



Pete Meitzner

DISTRICT III



James Clendenin

DISTRICT IV



Jeff Blubaugh

DISTRICT V



Bryan Frye

DISTRICT VI



Janet Miller



CITY OF
WICHITA

Department of Finance
City Hall, 12th Floor
455 N Main
Wichita, KS 67202
316.268.4330