

MEMORANDUM

To: Lauren Schmitt, MIG
From: Jason Moody and Ashleigh Kanat
Subject: City of Wichita PROS Baseline Financial Analysis; EPS #16107
Date: June 16, 2008

Economic & Planning Systems, Inc. (EPS) was retained as part of a consulting team led by MIG to provide a baseline financial analysis of the City of Wichita's parks and recreation services and facilities. In the City of Wichita, the Park and Recreation Department is responsible for the operations and maintenance of the City's parks, golf courses, athletic fields, public trees, rights of way landscaping, pools, Century II and programming. The following analysis is based on a thorough review of the City's current (2008 Adopted) and historical budgets, as well as interviews with City staff. This baseline financial analysis will serve as a key input in developing a funding plan for the park and recreation improvements recommended by the PROS Plan.

KEY FINDINGS

1. The City of Wichita's General Fund provides approximately 95 percent of the Park and Recreation Department's funding for operations and maintenance.¹ The heavy reliance on this discretionary funding source makes the Department dependant on the annual budget process and susceptible to the political process. It may be difficult to further rely on the General Fund for significant expansions in park and recreation facilities and services.
2. Present funding levels are insufficient to adequately cover the costs of the Department's current facilities and programs, resulting in significant deferred maintenance and sub-optimal service levels. For example, staff inventories of resource conditions indicate that much of the Department's equipment and facilities are aged and in need of replacement.
3. There are myriad funding sources and mechanisms that have been successfully pursued and employed in other jurisdictions across the country that are not currently used in the City of Wichita. It is not clear to what extent the Park and

¹ Does not include CIP funding, the Golf Enterprise Fund, or the Ice Center Fund.



Recreation Department has sought out or actively pursued these other funding options. The next work task will explore available funding options and recommend a feasible funding plan.

PARKS AND RECREATION ORGANIZATION

The Park and Recreation Department is one of 19 City departments, and like other departments, it is managed by a Director who reports to the City Manager, who reports to the City Council. The Department's budget is partially subject to the performance-based criteria adopted by the City Council in 2006.

The City's performance-based budget is organized around five goals that were adopted by the City Council in 2006. The five goals are 1) Provide a safe and secure community, 2) Promote economic vitality and affordable living, 3) Ensure efficient infrastructure, 4) Enhance quality of life, and 5) Support a dynamic core area and vibrant neighborhoods.

Parks and Recreation services fall under two of the goals: Quality of Life and Core Area & Neighborhood. The Quality of Life goal centers on recreation programming and arts and cultural enrichment. The City Council adopted the following indicators for measuring success in achieving the Quality of Life goal: 1) Citizens are retained in the community, 2) Citizens are satisfied with the quality of life, and 3) Citizens receive a return on all of their quality of life investment issues.

The Core Area & Neighborhood goal centers on maintaining clean and safe neighborhoods through efficient maintenance programs. The City Council adopted the following indicators for measuring success in achieving the Core Area & Neighborhood goal: 1) Increased and sustained neighborhood vibrancy citywide, 2) Increased sense of community, neighborhood involvement, and satisfaction, and 3) Continued revitalization of the core area.

The Quality of Life programs encompass spending on Century II, Expo Hall, Recreation Center Programming, Swimming Pools, Summer of Discovery, Tennis Center, Watson Park, and Athletics. Botanica, the umbrella program that includes Wichita's nine acres of gardenscaping, is a Quality of Life program that is administered through the City Manager's Office, as opposed to through the Park and Recreation Department. The Core Area & Neighborhood programs encompass spending on Forestry, Central Support, Park Management, and Park Administration. Each budget category is described briefly below.

QUALITY OF LIFE

Most of the programs described below propose cost recovery ratio targets for each budget year, which serve as one of the program's performance measures. The cost recovery ratio targets are reviewed and updated annually. In addition to the cost recovery ratios, other performance measures including attendance and volunteer

participation have been implemented by the Park and Recreation Department. They are not evaluated here as they are not directly related to the financial performance of each program. Key programs and their cost recovery targets are mentioned below.

- Century II is a performing arts and convention center. The concert hall seats nearly 2,200; the convention hall is a flexible space that can accommodate concerts, trade shows, and banquets; and the exhibition hall offers 45,000 square feet of exhibit space. Included in the Century II budget is funding for the WichiTix system, a City-owned ticketing system. Century II has a 53 percent cost recovery ratio target for 2008. Revenues are generated by rentals, reimbursements, fees, and ticket sales.
- Expo Hall is a multi-functional space that provides 93,000 square feet of exhibit space. The 2008 cost recovery target is 77 percent. The Tourism and Convention fund provides funding to cover budget shortfalls for both Century II and the Expo Hall.
- Recreation Center Programming includes Recreation Administration, which oversees the operations of the City's ten recreation centers, youth and adult athletics, 11 swimming pools, the Tennis Center, OJ Watson Park, the Ice Center, Summer of Discovery, shelter rental, and the Great Plains Nature Center. The cost recovery target for the Recreation Centers is 45 percent.
- The City maintains and operates 11 swimming pools and five interactive fountains. The City does not charge for use of the interactive fountains; however, the City pools have a 2008 cost recovery goal of 55 percent. Pools are open for swimming classes, swim team activities, competitions, open swim, lap swim, and special events. The pool facilities are also available for rent by the public.
- Summer of Discovery is a ten-week recreation program offered to children ages 6 to 13 during the summer months. The program is funded through participant fees. Participant fees may be reduced, with the balance provided by the Pepsi Fund or CDBG scholarship for low income families. The full-time staffing cost is not included when calculating the cost recovery ratio, as staff have various other responsibilities during the summer months and do not charge their salaries to any single program.
- The Tennis Center is located near the downtown area of Wichita and offers 10 lighted outdoor courts and three indoor courts. Revenue sources include monthly membership fees and lessons. The Tennis Center does not have a cost recovery target; rather, it seeks to facilitate a low average cost per participant.
- Watson Park is a 119-acre park that includes a 40-acre lake for fishing and pedal boats. Picnic tables, picnic shelters, a miniature train, ponies, and a campfire circle are available within the park. Revenues come from fees charged for participation in activities and rides. The 2008 cost recovery goal for Watson Park is 52 percent. This cost recovery goal does not include maintenance, repair, or replacement of buildings or lighting systems.

- Athletics are overseen by the Recreation Division and include adult softball, soccer, youth baseball, t-ball, football, and softball. The 2008 cost recovery goal for Athletics is 40 percent.
- Botanica, the Wichita Gardens, is a Quality of Life program that is administered through the City Manager's office rather than through the Park and Recreation Department. Botanica's performance measures are volunteer work hours and attendance.
- The City's five public golf courses also are categorized as Quality of Life programs and they are funded through enterprise funds. The operations do not require a General Fund subsidy, as the courses recover enough money, in aggregate, to fund their expenses. When available, annual profits are reinvested in capital improvement projects at the golf courses.

CORE AREA & NEIGHBORHOOD

The services provided under this goal do not readily lend themselves to revenue collection, and as a result, none of the following divisions set cost recovery ratio targets.

- The Maintenance division of the Parks and Recreation department provides vegetation management for over 7,000 acres which includes parks, athletic fields, bicycle paths, public open spaces and right-of-ways along streets.
- The Forestry division assists in maintaining and pruning approximately 20,000 trees and planting approximately 2,000 new trees per year. The division is also responsible for trash collection in parks, maintenance of playground systems, bridges, benches, courts, signs, fencing, swimming pools and two cemeteries.
- Park Administration includes the Park and Recreation Department management team, which provides leadership to Park and Recreation staff.

OPERATIONS AND MAINTENANCE FUNDING

The City of Wichita covers about 95 percent of its Park and Recreation Department operations and maintenance costs using General Fund revenues, not including the Golf Enterprise Fund or the Ice Rink Fund. The Quality of Life services represent 40 percent of the overall parks and recreation budget, and the Core Area & Neighborhood services comprise the remaining 55 percent of the budget. The remaining 5 percent of the Park and Recreation Department budget is funded by the Ice Rink Fund and the Cemetery Trust Fund, and the Golf Fund which are described in more detail below (see **Table 1**).

Routine maintenance and scheduled repair activities are 100 percent funded from the General Fund, although this does not include repairs/replacements resulting from graffiti, vandalism, or natural disasters, which are funded out of the Park Department budget.

The Public Works Department's Building Services Division is responsible for the maintenance and repair of the following resources:

- Buildings and associated infrastructure (HVAC, plumbing, lighting, roofs, doors, windows, and finishes);
- Decorative, interactive, and drinking fountains;
- Pool mechanical systems; and
- Field lighting systems.

Building Services also supplies custodial services at nearly all park facilities, including recreation centers and free standing restrooms.

The Public Works Department's Street Maintenance Division maintains the parking lots and pathways within the park system. The Public Works' budget provides for maintenance of these features, with the Park Department's allocation of the CIP providing additional funding. The amount of funding used for maintenance and repairs from both the Public Works Department and the Park and Recreation Department varies from year to year, based on the amount of funding available and the conditions of the facilities. The Park Department is responsible for repairs and replacement of sidewalks, courts, and the concrete pads at the base of park features.

CAPITAL IMPROVEMENT FUNDING

The 2007 to 2016 Capital Improvement Program calls for \$335 million to be spent over the 10-year period on capital parks projects.² Sources of funding include General Obligation bonds (GO bonds), private financing, enterprise fund financing (e.g., the golf fund finances its own capital improvement projects), grants, and other sources that are unknown at the time the Program is assembled. In the current 2007 to 2016 Program, the unknown sources are significant. For example, \$290 million (87 percent of the total CIP budget) is allocated toward the renovation and/or expansion of Century II, but the funding source is not known at this time.

Over the 10-year Capital Improvement Program period, GO bonds are expected to pay for 10 percent of the total capital improvement budget. Bond sales occur according to a Capital Improvement Plan, which must be approved by the City Council. GO bonds are issued twice a year on a ten-year basis. The City of Wichita's taxing authority is the backing for all GO bonds.

² \$290 million of which is currently unfunded.

Community Development Block Grant (CDBG) funding, a Federal funding source administered by the Department of Housing and Urban Development (HUD), is also an important source of revenue. In 2007, CDBG monies funded more than \$600,000 of parks-related work. Projects included area lighting, playground improvements (including resurfacing), and athletic field improvements.

GENERAL FUND DESCRIPTION

The General Fund is supported by sources including property taxes, special assessments, franchise fees, motor vehicle taxes, sales taxes, intergovernmental transfers, licenses and permits, fines and penalties, rental income, interest earnings, charges for services and sales, administrative charges, transfers in, and reimbursements. Property taxes in the City of Wichita (and Sedgwick County) are based on property valuations as assessed by the County Appraiser's Office. Once the City develops its budget, it can then determine how much it needs to collect in property taxes. The County Clerk then calculates the mill levy. The mill levy has not increased since 1994.

In the 2008 Adopted Budget, parks and recreation spending comprises approximately 9.2 percent of total General Fund expenditures. While the General Fund provides approximately 95 percent of the funding for parks and recreation services (not including the Golf Enterprise Fund or the Ice Rink Fund), there is no designated share for parks and recreation.

The budget process is a comprehensive process that attempts to incorporate long term strategic planning, shorter term planning, and the development of the Capital Improvement Plan. The budget is annually impacted by policy set by the City Council, economic conditions, Kansas Statutes, organizational policies, and accounting and budgeting standards. The City Manager is required by State law to submit an annual budget, which is developed with input from departments and the Budget and Research Division of Finance. The Wichita City Council reviews, makes adjustments, and approves the budget.

The 2008 Adopted Budget provides the lowest share of General Fund spending to Parks and Recreation in the past ten years, with 2009 projected to be even lower. The percentage of the General Fund allocated to Parks and Recreation has ranged from the current low of 9.20 percent to a high (in 2003) of 10.79 percent (see **Table 2**). The General Fund has grown approximately 5.0 percent in each of the past three years (in constant 2007 dollars), while Parks and Recreation expenditures have declined or risen only modestly (see **Table 2**). This may be explained in part by a number of programs that have transferred from the Park and Recreation Department budget to other Departments' budgets in past years. For example, City Arts, Botanica, the Boathouse, the Omnisphere Science Museum, and the Historical Society are all administered by Departments other than the Park and Recreation Department.

City staff reports that deferred maintenance of Parks facilities (non-buildings) and replacement of vehicles and equipment is an ongoing issue. Equipment and facilities are aged and many are in need of replacement. It should be noted that the Public Works Department is responsible for the repair and maintenance of all buildings, even those located within City parks.

SPECIAL REVENUE FUND DESCRIPTIONS

The City maintains a number of special revenue funds that provide funding for the Park and Recreation Department. Although the total amount from these sources is relatively small, they do illustrate how such funding mechanisms can be used. The currently active special revenue funds are described below and summarized on **Table 1**.

The City's Ice Rink Management fund is one such special revenue source. In 2005, the City of Wichita assumed responsibility for the operations of the Wichita Ice Center. It had previously been operated by a private operator. The City's budget reports that since the City took over the Ice Center, it has been operating at a profit. In 2006, the City contracted with Rink Management to oversee the maintenance and operations of the ice rink. The cost of this contract is reflected in the 2008 Adopted Budget.

The City's Cemetery Trust Fund is also considered a special revenue source. Interest income generated by the fund helps to maintain cemeteries without any vacancies. The City's budget states that the City of Wichita is required by State statute to maintain cemeteries after they are abandoned. The City contracts with private contractors to maintain the grounds of the cemeteries.

The City's alcohol tax is a special revenue source that benefits three different funds: the Park and Recreation Fund, the General Fund, and the Alcohol and Drug Programs Fund. Each fund receives one-third of the collected revenues. Annual revenues are approximately \$5.4 million, or \$1.8 million per special fund. Revenue from the City's alcohol tax has been increasing at a rate of approximately 4.7 percent per year. The Park and Recreation Department's share of the revenue is transferred through the General Fund and is, therefore, included in the annual General Fund allocation to the Park and Recreation Department.

OTHER REVENUE SOURCES

Other revenue sources often used by municipalities to cover park and recreation services and programs include voter approved debt or taxes, charitable contributions, City fees (e.g., impact fees and/or user fees), special assessments, and Federal or State sources. Currently, these other revenue sources play a nominal role in funding Wichita's Park and Recreation Department costs. However, several noteworthy funding initiatives by the City are described below.

- **Voter Approved Funding:** Beginning in January 2005, a City voter-approved 1-cent sales tax was imposed to fund the downtown arena. The program sunset in December 2007 with \$206.538 million sales taxes collected from July 2005 to December 2007.
- **Grants and Donations:** Occasional grants and donations subsidize parks and recreation services in Wichita. However, donors tend to prefer to donate to a capital improvement project (i.e., a new facility) rather than ongoing operations. For example, in exchange for serving as a test site for a national playground equipment manufacturer, the City of Wichita received free playground equipment that the manufacturer installed for the City. "Adopt-a-park" or "adopt-a-right-a-way" programs are also important but undependable sources of labor and cost-savings.
- **Vendor Contracts:** The City's beverage contract, which provides for soda machines in all facilities, funds employee training and travel. The contract with Pepsi is for a three-year period. The City receives \$10,000 in the contract's first year, and \$5,000 in the contract's second and third years. In addition, the City receives 35 percent of the revenues collected by the vending machines. Cans are sold for \$0.50 each and bottles are sold for \$1.00 each. During the 2004 through 2006 contract period, can sales averaged 4,700 per year and bottle sales averaged 52,800 per year, resulting in average annual revenue of more than \$55,000.
- **Development Impact Fees:** The City of Wichita does not impose developer impact fees. However, in 1988, in response to community concerns about deteriorating infrastructure and the City's ability to finance new facilities and services, the City Council assembled a task force to study the concept of impact fees. Similarly, exactions for park land were considered in 1994. Neither initiative resulted in an approved program. The City of Wichita uses special assessments to fund improvements, but there are no special assessments used to fund Park and Recreation services or maintenance in the City of Wichita at this time.
- **Private Partnerships:** The City of Wichita has established partnerships with private organizations to operate public facilities owned by the City of Wichita. A public/private arrangement such as this enhances park and recreation services to residents while minimizing City expenditures. Partnerships currently are in place at the Wichita RC raceway, Southlakes Soccer Complex, Emery Park BMX Track, and other facilities.

Table 1
Park and Recreation Department Budget
Wichita PROS; EPS #16107

Service Description by Fund	2007 Revised Budget		2008 Adopted Budget		2009 Approved Budget	
	Amount	% of Total Expenditures	Amount	% of Total Expenditures	Amount	% of Total Expenditures
General Fund						
Core Area and Neighborhoods						
Forestry and Central Support	\$4,319,960	23.4%	\$4,474,360	23.6%	\$4,637,080	23.9%
Park Management	\$5,093,170	27.5%	\$5,248,590	27.7%	\$5,430,720	28.0%
Park Administration	\$656,260	3.5%	\$675,640	3.6%	\$690,910	3.6%
Subtotal	\$10,069,390	54.5%	\$10,398,590	54.9%	\$10,758,710	55.5%
Quality of Life						
Century II	\$2,183,710	11.8%	\$2,234,630	11.8%	\$2,270,450	11.7%
Expo Hall	\$945,920	5.1%	\$959,130	5.1%	\$974,380	5.0%
Recreation Center Programming	\$4,338,350	23.5%	\$4,382,290	23.2%	\$4,418,940	22.8%
Subtotal	\$7,467,980	40.4%	\$7,576,050	40.0%	\$7,663,770	39.6%
Total General Fund Expenditures	\$17,537,370	94.8%	\$17,974,640	95.0%	\$18,422,480	95.1%
Other Funds						
Core Area and Neighborhoods						
Turf Management (Cemetery Trust Fund)	\$29,400	0.2%	\$29,400	0.2%	\$29,400	0.2%
Quality of Life						
Ice Rink Fund	\$923,000	5.0%	\$923,000	4.9%	\$923,000	4.8%
Subtotal	\$952,400	5.2%	\$952,400	5.0%	\$952,400	4.9%
Total Department Expenditures	\$18,489,770	100.0%	\$18,927,040	100.0%	\$19,374,880	100.0%

Sources: City of Wichita 2008/2009 Annual Budget; Economic & Planning Systems, Inc.

Table 2
Historical Park and Recreation Budget
Wichita PROS; EPS #16107

Category	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Park and Recreation GF Expenditures										
Nominal Dollars	\$15,123,180	\$15,380,050	\$16,479,130	\$17,391,750	\$16,720,290	\$16,457,710	\$16,923,030	\$17,537,370	\$17,974,640	\$18,422,480
Constant 2007 Dollars [1]	\$17,750,552	\$17,581,943	\$18,612,183	\$19,268,362	\$18,088,222	\$17,256,049	\$17,321,028	\$17,537,370	\$17,525,274	\$17,961,918
Total City Acres [2]	148.36	152.05		153.60	155.15	156.52	159.87	162.06	164.23	
Park and Recreation GF Expenditures per City Acre	\$119,645	\$115,636		\$125,445	\$116,585	\$110,248	\$108,344	\$108,219	\$106,712	
Total GF Expenditures										
Nominal Dollars	\$148,533,750	\$148,833,030	\$156,468,140	\$161,122,590	\$160,089,470	\$168,651,870	\$177,025,170	\$188,948,250	\$195,354,740	\$202,119,060
Constant 2007 Dollars [1]	\$174,338,731	\$170,140,787	\$176,721,326	\$178,508,106	\$173,186,823	\$176,832,918	\$181,188,472	\$188,948,250	\$190,470,872	\$197,066,084
Park and Recreation Share of Total GF Expenditures	10.18%	10.33%	10.53%	10.79%	10.44%	9.76%	9.56%	9.28%	9.20%	9.11%

[1] Adjusted to 2007 constant dollars using Kansas City Consumer Price Index.

[2] Estimate of 2008 total city acres is a year-to-date figure.

Sources: Bureau of Labor Statistics; City of Wichita Budgets; Economic & Planning Systems, Inc.