



INTEROFFICE MEMORANDUM

TO: Honorable Mayor and City Council Members
FROM: Ed Flentje, Interim City Manager
SUBJECT: Supplemental Materials for the June 10th Workshop
DATE: Friday, June 6, 2008

At the June 10th workshop City staff will be presenting for Council review policy issues that could shape the 2009 budget. Attached you will find two documents: first, a summary of these policy issues; and second, one-page briefs on each policy issue. The purpose of this review of policy issues is to seek Council direction in preparing the 2009 budget. Council members are encouraged to identify other issues that should be considered as part of the budget process. After the workshop, staff will meet with Council members individually to hear additional suggestions or advice in preparing the 2009 budget.

Policy Issues in 2009 Budget

1. Should the City enhance maintenance and repair of City streets and facilities through reallocation of current City revenues?

Policy Issue: Measures of street maintenance document a steady decline in the quality of City streets. Measures of support for maintaining and repairing City buildings also fall below that of other cities. The City maintains parks at minimal levels. At the same time, City policy dedicates 10 mills, over 31 percent of all property tax revenues levied by the City to financing new construction and reconstruction through the Debt Service Fund. At the end of 2007 the Debt Service Fund had a balance of \$16 million, or 52 percent of annual property tax revenues. Tax revenues available to the Debt Service Fund have allowed funding of capital improvements without the issuance of long-term debt in 2006 and 2007. No long-term debt is expected to be required in 2008. In sum, current City policy favors new improvements over maintaining existing City facilities, and a one-mill reallocation from the Debt Service Fund is not expected to preclude the City from meeting its obligations to the 10-year Capital Improvement Program.

Policy Option: Enhance maintenance of City streets and facilities by reallocating one mill currently dedicated to debt service to maintenance in 2009, thereby reducing revenues to the Debt Service Fund by \$2.95 million.

2. Should the City adjust water and sewer rates to assure future water supply and competitive rates well into the future?

Policy Issue: Water and sewer rates in Wichita are among the lowest in the nation, as recent reports show Wichita rates to be nearly 40 percent below the average of the 50 largest U.S. cities. Wichita rates are low in large part because City officials have invested in essential infrastructure at critical junctures over the past 50 years, and the Wichita Water Utilities have been managed efficiently. Aggressive and expensive investments in infrastructure currently underway and being planned for the utilities will require increased debt. To fund this debt, and maintain financial solvency of the utilities, rate increases of 3 percent in 2008 (mid-year – in addition to the previously approved 6 percent) and 6 percent annually through 2012 are being proposed. In addition, the 2009 proposed rates also include an addition 20 cent increase in block 1 and a \$1 per month base charge increase. Without rate increases, proposed capital projects will need to be scaled back.

Policy Option: Adjust water and sewer rates at 3 percent (mid-year) in 2008 and 6 percent in 2009, as well as base and block 1 adjustments in 2009.

3. Should the City partner with the County in financing the recommendations of the Task Force on Ending Chronic Homelessness?

Policy Issue: The Task Force on Ending Chronic Homelessness presented recommendations to the City Council in March of 2008. A point in time survey has estimated the homeless population at 615, including 89 as chronically homeless. The Task Force has recommended a “Housing First” model in the form of rent assistance for the chronic homeless at a total annual cost of \$471,514. The City has committed \$60,000 in Community Development Block Grant funds for one position in the City’s Department of Housing and Community Services to coordinate Housing First. City and County staff recommend that the balance of the cost of rental assistance be shared between the City and the County. The remainder of the City commitment would be \$191,386.

Policy Option: Partner with Sedgwick County and fund the City’s share of Housing First, at an additional cost of \$191,368 to the General Fund in 2009.

4. Should the City increase assistance to para-transit providers through direct support from the City's General Fund?

Policy Issue: With the City's acceptance of federal assistance through the Federal Transit Administration the City is mandated by the Americans for Disability Act to provide transit service to disabled individuals. Wichita Transit meets this obligation to disabled individuals through direct service and through financial assistance to para-transit providers, such as Starkey, Inc., and KETCH. In recent years, the City has provided financial assistance to para-transit providers through federal funds matched by assistance the City receives from the Kansas Department of Transportation and without any obligation on the General Fund. Additional federal funds are available for assistance to para-transit providers, if the City were to contribute matching funds from the General Fund.

Policy Option: Increase City assistance to para-transit providers, at a cost of \$180,000 from the General Fund in 2009, to be matched by an equal amount in federal funds.

5. Should the City align City services focused on low-income individuals and low-income neighborhoods within one City department, specifically the Department of Housing and Community Services?

Policy Issue: The City's Department of Housing and Community Services performs a critical role in the New Communities Initiative—in focusing City resources on low-income individuals and neighborhoods and in partnering with community agencies that serve these purposes. Two additional programs that address similar purposes are administered by the City's Department of Human Resources, which has a primary mission focused on the City workforce. The Career Development Office was placed under the Department of Human Resources in 2007 and administers these two programs: 1) the Community Services Block Grant that provides support services to low-income individuals and neighborhoods through a combination of direct services and contracts with not-for-profit community agencies; and 2) workforce preparation for clients receiving public assistance through the Kansas Department of Social and Rehabilitation Services. In the current fiscal year these two programs comprise 14 positions and total nearly \$1.7 million in federal grant assistance.

Policy Option: Realign City services providing assistance to low-income individuals and low-income neighborhoods in the Department of Housing and Community Services.

6. Should City funds available through the Special Alcohol and Drug Abuse Fund be used to monitor probation violators with alcohol and drug abuse issues and to assist in prevention of drug abuse through the DARE program?

Policy Issue: The City currently receives over \$1.7 million annually in liquor tax funds through the State of Kansas and coordinates the application of these funds with Sedgwick County through the Liquor Tax Coalition. State statutes restrict the use of these funds to drug and alcohol abuse treatment, prevention and education. Currently, the City spends over \$1.5 million annually on contracted provider treatment. Based on projections, an additional \$200,000 annually in receipts could be made available for City purposes concerned with alcohol and drug abuse, specifically monitoring alcohol and drug abuse by those on probation in Municipal Court and assisting in prevention of drug abuse through the DARE program.

Policy Option: Coordinate with the Liquor Tax Coalition and seek funding for City programs addressing alcohol and drug abuse issues, specifically the monitoring of probation violators and prevention of drug abuse through the DARE program.

7. Should the City staff City fire stations in line with call demands and workload?

Policy Issue: From 2001 through 2007, Fire Department expenditures increased nearly 50 percent, more than any other City department. In 2008 and 2009, the Fire Department will add 38 firefighters at three new stations. These stations will all be equipped with one fire engine, staffed with three or four firefighters. Based on call demand and workload, the Fire Department plans to re-align resources at two fringe stations (Stations 13 and 18), providing one fire engine staffed with four firefighters, rather than the current staffing of one fire engine with three firefighters and a squad truck with two firefighters.

Policy Options: 1) Staff City fire stations in response to call demand and workload; or 2) Staff City fire stations consistently across the city without regard to variance in call demand at an annual cost \$467,000 for seven additional firefighters.

8. Should the City relinquish control of countywide regulatory functions in public health to the Sedgwick County Department of Health?

Policy Issue: In 2002, the City of Wichita and Sedgwick County rationalized the division of labor in local services with the City taking control of private wastewater treatment and the County taking control of most public health functions. However, at that time the City retained control of the regulation of childcare facilities and food service establishments. As a result, the City continues to administer these two regulatory functions having to do primarily with public health on a countywide basis. Wichita is the only city in Kansas that administers these countywide regulatory functions. In other Kansas counties these programs are conducted either by county health departments or directly by the State of Kansas.

Policy Option: Relinquish control of countywide regulation of childcare facilities and food service establishments to the Sedgwick County Department of Health and thereby transfer 16 positions to the County and reduce City expenditures and revenues by approximately \$972,000.

9. Should the City adopt a policy on “shrinkage” of City expenditures that requires each City department to manage departmental expenditures and reduce spending below authorized budgets based on historic spending patterns?

Policy Issue: With few exceptions City departments spend less than is budgeted each year as a result of vacant positions, savings achieved through purchases or contracts below budgeted amounts, or simply careful management of departmental resources. In the past, “shrinkage” has been monitored and managed citywide through the Office of City Manager. Assigning shrinkage adjustments by department as part of the budget process would decentralize this aspect of financial management, hold departmental managers more accountable for departmental spending, and empower departmental staff to make management decisions within a specific level of appropriated funding.

Policy Option: Assign shrinkage adjustments to each City department based on historic spending patterns as part of the budget process and empower departmental managers to manage departmental spending within authorized budgets.

10. Should the City establish a Permanent Contingency Fund as a depository for one-time savings that could be applied in emergencies or for exceptional economic development opportunities?

Policy Issue: The City occasionally accrues savings from various capital projects funded at various times with cash through the General Fund. In the absence of Council policy these one-time savings have historically been retained for special purposes that may arise. From 2004 -2006, for example, the City transferred \$1.2 million into the General Fund to “balance” the budget. On occasion, the City has transferred these dollars to fund special projects such as the National Baseball Congress or significant economic development projects. The accounts currently retain a balance of \$3.0 million.

Policy Option: Establish a Permanent Contingency Fund as a depository for one-time savings that could be applied only to one-time expenditures of an extraordinary nature, such as in emergencies or for rare economic development opportunities, and establish clear Council policy for the uses of the Fund, including possibly a requirement for an extraordinary Council majority for expenditures from the Fund.

11. Should the City modify vehicle operations to reduce the impact of high fuel and vehicle replacement costs?

Policy Issue: The City spent \$4.8 million for fuel last year, over double what was spent in 2001. Growing fuel costs at Wichita Transit will require either an additional \$460,000 from the General Fund in the current year or a cutback in service. In addition, Public Work’s Fleet Division, which maintains, replaces and provides fuel for most City vehicles, is being financially stressed. Mostly Fleet Fund costs are covered by billings to the General Fund. To continue current practices and keep pace with fuel and replacement costs, these billings will increase by \$1.3 million in 2008, on top of a \$1.2 million increase over the past two years. Unless vehicle operations are modified, high fuel prices will continue to require additional amounts from the General Fund.

Policy Option: Modify vehicles operations by downsizing or eliminating equipment, reducing take-home use of vehicles, and restructuring the charge back system.

12. Should the City use excess TIF funds to retire debt early, or to fund additional improvements?

Policy Issue: Tax Increment Financing districts are typically designed to fund certain improvements that will enhance property values. The property taxes on that incremental growth are then used to pay off the debt incurred to fund the improvements. TIF’s are planned so that the incremental revenue will fully fund all debt service by the expiration of the TIF. However, some TIF’s perform much better than expected. These excess funds can be used either to fund continued district improvements, or to retire the TIF debt and disband the TIF district. Specifically, the Old Town TIF is currently generating excess cash flow.

Policy Option: Spend excess TIF funds on continued improvements in the TIF district, or use excess TIF funds to pay off debt early and retire the TIF.

13. Should the City engage the community and community stakeholders in considering two major issues in City finance looming on the horizon?

Policy Issues: Two major financial issues are confronting the City in the near future.

First, with the rapid redevelopment of downtown Wichita, including the WaterWalk, the Downtown Arena, and the growing vibrancy of Old Town, the Police Department has identified the need for additional policing resources, specifically 92 additional positions costing \$10 million annually when fully implemented. Several options may be available for addressing the need for additional policing in downtown Wichita and the financing of added police services.

Second, initial discussions are underway in considering options for reducing property taxes and addressing major unfunded infrastructure requirements through a citywide or countywide sales tax, possibly modeled after the successful adoption by voters of the countywide sales tax in 1985. Such discussions ideally would proceed in partnership with Sedgwick County, the Wichita School District, the Chamber of Commerce and other community partners.

Both of these issues will require extensive community discussion and engagement of community stakeholders, as well as additional research.

Policy Option: Coordinate with community partners and establish vehicles for addressing two major issues on the horizon in City finance, increased policing in downtown Wichita and finance options for reducing property taxes and funding infrastructure requirements.

1. ENHANCE STREET AND BUILDING MAINTENANCE

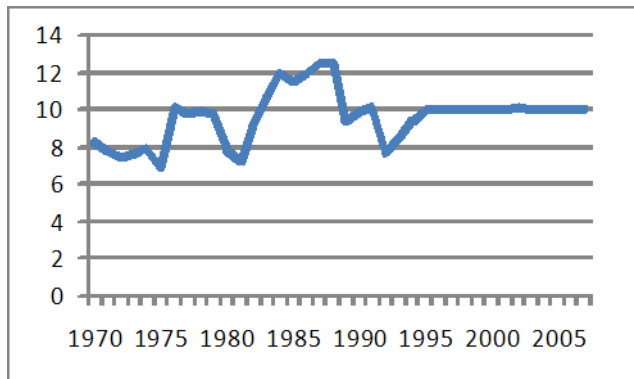


Issue:

- Should the City enhance maintenance and repair of City streets and facilities through the reallocation of current City revenues?

The City of Wichita has levied between 7 and 12 mills for the Debt Service Fund for over 50 years. Generally, through the 1960's, the levy was around 8 mills. Since 1976, the levy has been around 10 mills. At various times, the debt service levy has been reduced for varying durations. In 1980—1981, the levy was reduced to around 8 mills. Likewise, in 1992—1994, the levy was reduced to around 8 mills.

Debt Service Fund Mill Levy 1970—2007



The Debt Service Fund levy is used for two purposes. It funds the repayment of temporary notes used for short term financing of CIP projects. Secondly, the levy funds the coupon payments on bonds used as long term financing for CIP projects. Changing the levy for the Debt Service Fund will change the capacity for future borrowing, which will affect the size of any future CIP. The CIP will be revised in 2009. At that time, if the Debt Service Fund mill levy is shifted, the CIP would be sized appropriately based on the projected revenue streams.

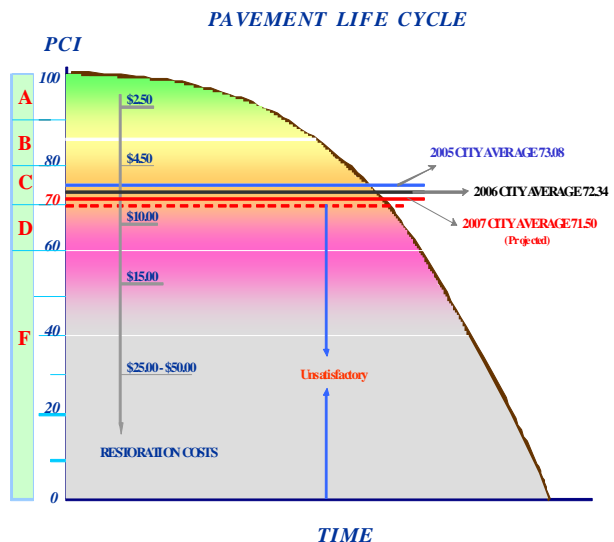
The City is currently straining to meet maintenance obligations. Public Works has noted for the last two years that the condition of the pavement of City streets is deteriorating and will continue to erode without additional maintenance funding. In addition, as streets deteriorate, the cost of maintenance increases exponentially. Additional street maintenance funding now will actually reduce future CIP needs by extending the life of mature streets.

The Public Works Building Maintenance Division has received many additional responsibilities in past years, usually with little or no additional resources. Compare to a nationwide trade group (BOMA), the staffing levels of Building Maintenance per square footage are significantly below national average levels. This relatively low level of staffing and increasing responsibilities has led staff to prioritize repairs, focusing more on the critical and less on the preventative. Some examples of the additional

workload, and future additional responsibilities for the Building Maintenance Division include the following.

Additional Buildings Maintenance Responsibilities	
Water Walk	Electronic Systems (City Hall)
Keeper of the Plains	Old Town
Cowtown	Old Mission Mausoleum
Park pools and fountains	

The effect of street maintenance funding can be measured by the Pavement Condition Index (PCI). Currently City streets in aggregate are at 72 (out of 100). However, as material costs continue to climb and repair funding is flat (or reduced), the amount of repairs that can be made has been limited, leading to a declining PCI in recent years.



An additional \$1.1 million could fund up to 14 new full time employees, or increased contractual maintenance of City buildings. However packaged, additional funding would allow an increase in preventative maintenance, which should be cost effective longer term. Repairs to streets become much more costly if the original unrepaired condition deteriorates, as shown in the graphic. Hence, a modest investment in maintenance today can defer a complete rebuild of a street later in the CIP.

	2009	2010
Value of one mill	2,953,405	3,089,557
Increased Street Maintenance	1,853,405	1,938,847
Increased Building Maintenance	1,100,000	1,150,710
Total Proposed GF Expenditures	2,953,405	3,089,557

2. ADJUST WATER RATES



Issue:

- **Should the City adjust water and sewer rates to assure future water supply and competitive rates well into the future?**

The Wichita Water Utilities (WWU) is funded entirely by user fees collected from water and wastewater customers. These fees fund the operating budget, which provides for the day to day operations necessary to produce and distribute over 20 billion gallons of high quality water and treat over 12 billion gallons of wastewater annually. In addition to the operating budget, customer fees also fund the capital budget, which provides the utility infrastructure to distribute water and to treat wastewater, ensures compliance with federal and state regulations, and helps secure a long-term water supply for the City of Wichita.

Wichita Water Utilities rates rank among the lowest in the nation, as the following table shows:

WWU Rates Compared to Other Jurisdictions (2007 Rates)			
City	Water	Wastewater	Combined
Omaha, NB	13.46	13.76	27.22
Wichita, KS	13.70	16.57	30.26
Oklahoma City, OK	19.78	21.23	41.01
Tulsa, OK	20.28	25.57	45.84
Kansas City, KS	26.12	22.95	49.07
Colorado Springs, CO	21.81	30.70	52.51

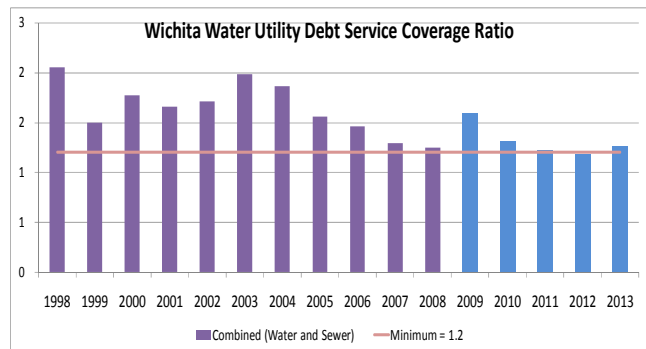
Note: Based on a Black and Veatch rate survey of 2007 rates.

However, the utility is faced with a major expansion of capital improvements in the near future. Non-routine projects are shown in the table below:

Major Water Utilities Capital Improvements (Planned for 2008-2016)	
Item	Amount
Water Supply Plan (Phase II)	\$125 m
Mains Replacement Program	\$50 m
NW Water Treatment Plant	\$12.5 m
Sewage Treatment Plant #2 Nutrient Removal	\$62.5 m
Mains for Future Development	\$50 m
Reconstruction of Old Sanitary Sewers	\$48.5 m
Mid-Continent Treatment Plant	\$33.5 m
Standby Power Facilities	\$22.1 m

Since WWU debt finances the majority of its projects, bond covenants and the demonstration of compliance with sound financial policies play an important role in setting rates. These requirements include: 1) a debt service coverage ratio equal to or

greater than 120%, 2) an unrestricted improvement fund balance equal to or greater than \$2 million, 3) and the retention of restricted funds equal to 15% of prior year operating revenue and equal to 60 days of the operating budget. Meeting these provisions requires constant financial analysis including the review of capital and operational expenses and the monitoring revenue that often fluctuates widely due to the rate structure and weather. The debt service coverage ratio must be maintained above 1.20 to ensure access to competitive rates for funds from the capital markets. Debt service coverage ratios are shown below:



To fund the capital improvement program and maintain adequate financial resources, the utility has proposed the following rate increases.

Proposed Water Utilities Rate Increases			
Year	Water	Wastewater	Combined
2008	9% ¹	9%	9%
2009 ²	6%	6%	6%
2010	6%	6%	6%
2011	6%	6%	6%
2012	6%	6%	6%

1. 2008 includes a 6% rate increase approved on January 1, 2008 and a mid-year 3% increase for both Water and Wastewater.
2. The 2009 proposed rates includes an across-the-board 6% rate increase (all blocks and the base). In addition a 20 cent increase in block 1 and a \$1 per month base charge increase is included.

In the past, rate increases have been spread equally across all rate blocks. Because revenue in the second and third block is largely dependent on the summer weather (heat and rain), it is highly volatile. In addition, block three was designed to discourage excess water usage, which it has done effectively. For 2009, rather than continuing the practice of spreading rate increases across all blocks, the proposed revenue increase adds \$1 to the base charge and approximately \$.20 to the block 1 rate, both of which are more predictable. The bar chart at the top of this column shows the debt service coverage ratio resulting from the proposed rate increases.

3. ADDRESS CHRONIC HOMELESSNESS



Issue:

- **Should the City partner with the County in financing recommendations of the Task Force on Ending Chronic Homelessness?**

The City of Wichita provides affordable housing for individuals and families through its federally funded Housing Authority programs (Public Housing and Section 8). Homeownership and home repair opportunities are also provided to Wichita residents, using federal funds.

The City's approach to serving the homeless population has been by contract with community agencies, using federal funds. Unfortunately due to the limited amount of funds available and the many challenges faced by the homeless, permanent solutions have not been implemented on a large scale.

In late 2006, the County Commission and City Council appointed a special task force to study and recommend ways to end chronic homelessness. The chronic homeless population was identified according to the U. S. Department of Housing and Urban Development (HUD)'s definition: an unaccompanied person who has a disabling condition and has been continuously homeless for at least one year, or has had at least four episodes of homelessness in the past three years.

The task force was asked to focus on the chronic homeless population because the complexity of their circumstances makes resolution extremely difficult and creates a disproportionate drain on community resources. National studies report, in general, that the chronically homeless make up 10% of the homeless population but use 50% of a community's resources. The number of homeless and chronic homeless persons in Wichita was estimated based on a Point in Time Count survey conducted in January 2007.

The Task Force on Ending Chronic Homelessness (TECH) presented its study results and recommendations to the County Commission and City Council in March, 2008. One of the key provisions of the report was a recommendation to implement a Housing First strategy. In Housing First, the homeless person is placed in permanent housing, and provided supportive services such as case management, mental health and substance abuse services, health care, and employment.

The City has been asked to help fund the housing portion of

Permanent Housing Project Budget Summary	
Project Coordinator (includes salary, benefits, supplies, printing, etc.)	\$75,978
Rental Assistance (includes deposit, damage repair, rent for 64 units)	\$382,736
Support Funds (utilities, furnishings, etc.)	\$12,800
TOTAL	\$471,514

Housing First. Following is a budget summary for this activity:

On March 18, 2008, the City Council approved designation of \$60,000 in CDBG funds for the salary of the Permanent Housing Project Coordinator. Both the City Manager and the County Manager have reviewed the TECH report. Both staffs have recommended that, if implemented, the City and County should each consider funding one-half of rental assistance. This would require an additional \$191,368 commitment by the City. In addition, the City would be responsible for any additional operating costs for the positions approved on March 18, 2008; these could potentially total \$28,778 annually.

Chronically Homeless—2007 Point in Time Count			
		Location of Total	
		Transitional Housing	Emergency shelter, no shelter or no response
Homeless (non-chronic)	526		
Chronic Homeless	89	33	56

4. ASSIST PARA-TRANSIT PROVIDERS



Issue:

- Should the City increase assistance to para-transit providers through direct support from the City's General Fund?

Wichita Transit is funded with a combination of support from the General Fund, rider fares and federal funds. With the City's acceptance of federal assistance, Wichita Transit is mandated by the Americans with Disability Act (ADA) to provide disabled individuals curb-to-curb service within a 3/4 mile radius of regular fixed service. This is accomplished through direct service to disabled individuals, as well as financial assistance to para-transit providers, such as Starkey, Inc., and KETCH. The City provides financial assistance to these contracted providers.

Prior to 2005, the assistance per ride was between \$1.50 and \$3. In October 2005, the Transit General Manager increased the amount to between \$4 and \$5 per ride. This significantly increased City expenditures (particularly from 2005 to 2006), and the amount paid to providers. Costs have been mitigated since 2006 based on a review to insure that only ADA eligible rides are reimbursed. Recently, several service providers have requested additional increases in the fee per ride paid by the City.

Contracted rides are eligible for Federal grants that must be matched by state or local money. Prior to 2006, Wichita Transit had approximately \$400,000 annually in federal funds available, as well as an equal share of KDOT match funds; purchased rides did not materially impact the Transit Fund. Since 2006, annual federal funds of approximately \$675,000 have been available, subject to local match. Unfortunately, KDOT funds have remained constant at \$400,000.

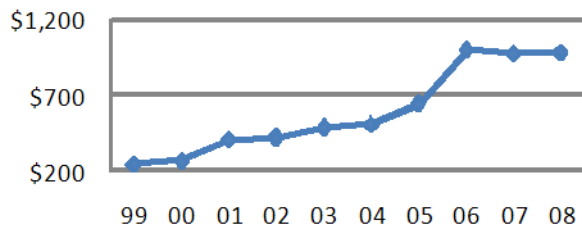
Para-Transit Purchased Ride Costs and Financing 2004—2008

Year	Federal funds	State Funds	Carryover funds	Local funds	Total Costs
2004	259	259	0	0	518
2005	326	326	0	0	652
2006	400	400	210	0	1,010
2007	491	400	91	0	982
2008	495	400	0	95	990

In 2006 and 2007, non-recurring, carry-forward grant funds were available to mitigate the impact on the Transit Fund. Beginning in 2008, there are no more carry-forward grant funds. To continue funding the current level of rides at the current assistance rate, an estimated \$95,000 in additional General Fund monies will be required.

With the current level of activity, around \$180,000 in annual federal funds is not used. Increasing the financial assistance to providers would utilize these funds, subject to an equivalent amount of General Fund matching monies. Transit is currently utilizing a consultant to accurately determine service providers costs of offering purchased rides.

Para-Transit Purchased Ride Expenditures 1999 - 2008 (thousands of dollars)



5. REALIGN SERVICES TO LOW INCOME INDIVIDUALS



Issue:

- **Should the City align City services focused on low-income individuals and low-income neighborhoods within one City department, specifically the Department of Housing and Community Services?**

The City's Department of Housing and Community Services has a key role in providing housing-related and complementary services to low income persons. The department also performs a critical function in the New Communities Initiative—in focusing City resources on low-income individuals and neighborhoods. The Career Development Office, which was placed under the Department of Human Resources in 2007, administers two additional programs: 1) the Community Services Block Grant that provides support services to low-income individuals and neighborhoods through a combination of direct services and contracts with not-for-profit agencies; and 2) workforce preparation for clients receiving public assistance through the Kansas Department of Social and Rehabilitation Services. In the current fiscal year, administering these two programs involves 14 positions and nearly \$1.7 million in federal grant assistance.

The City of Wichita has administered and operated federal and state funded employment programs for thirty years, revising and updating internal organization, service models, customer service, budgets, employer needs, and inter-agency cooperation as the funding sources and needs of the local labor market changed over time. The Career Development Office (CDO) has been part of the City Manager's Office since 1999. It was removed from the Human Services Department when the Department was Housing was created in 1999. In 2007, CDO was placed within the Human Resources Department.

CDO currently delivers employment services through an individual case management, training, and work study model designed to help the unemployed enter and succeed in the labor market. Based on its long history of successful outcomes and customer services, CDO was granted a purchase of services management with the Kansas Department of Social and Rehabilitation Services (SRS) to provide assessment, case management, job search skills, life skills, work study training and retention services to clients receiving public assistance within Sedgwick County. The agreement is extended each year based on continued good performance.

CDO also currently administers Community Services Block Grant (CSBG) funds to support services for low income individuals and neighborhoods through a combination of direct services, memoranda of understanding with other City operations, and contracts with private, not-for-profit agencies. This includes over \$300,000 for support of the Neighborhood City Halls managed through the City Manager's Office. The CSBG Review Board, mandated by federal and state regulations and appointed by the City Council, oversees all CSBG-funded activities.

Realigning Career Development within the Department of Housing and Community Services brings together programs and services provided to lower income residents and neighborhoods. The move would include CSBG management (which support a variety of programs aimed at lower income individuals and neighborhoods), work force preparation for clients receiving public assistance (and in some cases housing assistance) and allocation of special liquor tax dollars (which often fund programs for lower-income substance abusers).

6. APPLY DRUG AND ALCOHOL FUNDS TO ELIGIBLE CITY PRIORITIES



Issue:

- **Should City funds available through the Special Alcohol and Drug Abuse Fund be used to monitor probation violators with alcohol and drug abuse issues and to assist in prevention of drug abuse through the DARE program?**

The Special Alcohol Fund in the City Treasury was created in 1980, in response to the 1979 Kansas Legislature's passage of 1979 SB 467. This bill imposed a 10% tax on the sale of liquor in clubs, with the proceeds being credited to the State's Local Alcoholic Liquor Fund. From this state fund, distributions are made to each city and county from whence the sales of liquor took place. The amount distributed to Wichita is based on the tax paid by the clubs located within the City limits.

The amounts credited to the Special Alcohol Program Fund must be spent, according to KSA 79-41a04, only for the "purchase, establishment, maintenance or expansion of services or programs whose principal purpose is alcoholism and drug abuse prevention and education, alcohol and drug detoxification, intervention in alcohol and drug abuse or treatment of persons who are alcoholics or drug abusers or are in danger of becoming alcoholics or drug abusers." The City of Wichita has used nearly all of the funds for contracts with entities providing drug and alcohol abuse programming. Smaller amounts are used occasionally for research and for program management.

Revenues to the Special Alcohol and Drug Abuse Fund are projected to increase 5% annually. Although there is some volatility, past revenue growth has been strong. Past expenditures have been nearly exclusively for contractual

providers and contract administration. Based on projected revenue growth, approximately \$200,000 in new base expenditures sustained by the fund in 2009. Several options for these additional expenditures include:

- ♦ **DARE program** — DARE is designed specifically to prevent drug use, by educating youth to recognize and resist the subtle and overt pressures that can lead to drug usage. The current Police Department program could be funded or expanded with monies from this fund.
- ♦ **Probation Equipment** — Municipal Court has a number of probationers with drug and alcohol abuse issues. Often, the terms of probation preclude alcohol use. A high-tech ankle bracelet is available which can ensure and report compliance with probation conditions concerning alcohol. These are already being used in the grant-funded drug court, and in other jurisdictions across the US. This equipment would significantly improve probation compliance, reduce the number of probation violators, and reduce alcohol use by probationers.
- ♦ **Service Providers** — The City currently contracts with a number of providers for treatment and prevention programming. The scope of these provider contracts could be expanded.

Distributions are received from the State quarterly, and revenues are volatile. The proposed policy for this fund is to maintain a balance of 25—30% of expenditures, or approximately \$450,000—\$550,000.

Based on the policy direction provided by Council on December 14, 1999, any changes in programmatic expenditures should be presented initially to the Special Liquor Tax Coalition for review. This coalition typically provides recommendations annually to the Council for the allocation of funds in the succeeding year.

Special Alcohol and Drug Abuse Programs Fund Projections 2008—2013

	2008	2009	2010	2011	2012	2013
Liquor Tax Revenues	\$1,743	\$1,830	\$1,921	\$2,017	\$2,118	\$2,224
Provider contracts	1,527	1,544	1,544	1,544	1,544	1,544
Program administration	127	127	127	127	127	127
<i>Additional expenditure capacity</i>	<i>50</i>	<i>200</i>	<i>200</i>	<i>300</i>	<i>450</i>	<i>500</i>
	\$1,707	\$1,871	\$1,871	\$1,971	\$2,121	\$2,171
Income (Loss)	36	(41)	50	46	(3)	53
Beginning Balance	496	532	491	541	587	584
Ending Balance	532	491	541	587	584	637
<i>Balance percentage of expenditures</i>	<i>31%</i>	<i>26%</i>	<i>29%</i>	<i>30%</i>	<i>28%</i>	<i>29%</i>

7. STAFF FIRE STATIONS IN LINE WITH CALL DEMAND



Issue:

- Should the City staff fire stations in line with call demands and workload?

Providing a safe community for visitors and residents of Wichita is a longstanding goal of the Wichita Fire Department. A response time of less than 7 minutes to over 90 percent of the calls for service is provided. The Fire Department achieves these results by deploying equipment strategically. Stations are located to provide a baseline level (one apparatus) of service geographically throughout the City. In addition, additional resources are stationed based on high call demand, and the need for specialized equipment (ladder trucks). The type of calls (based on historical data) also plays a role in the type and number of equipment deployed. Finally, staffing models attempt to relatively evenly balance station workloads.

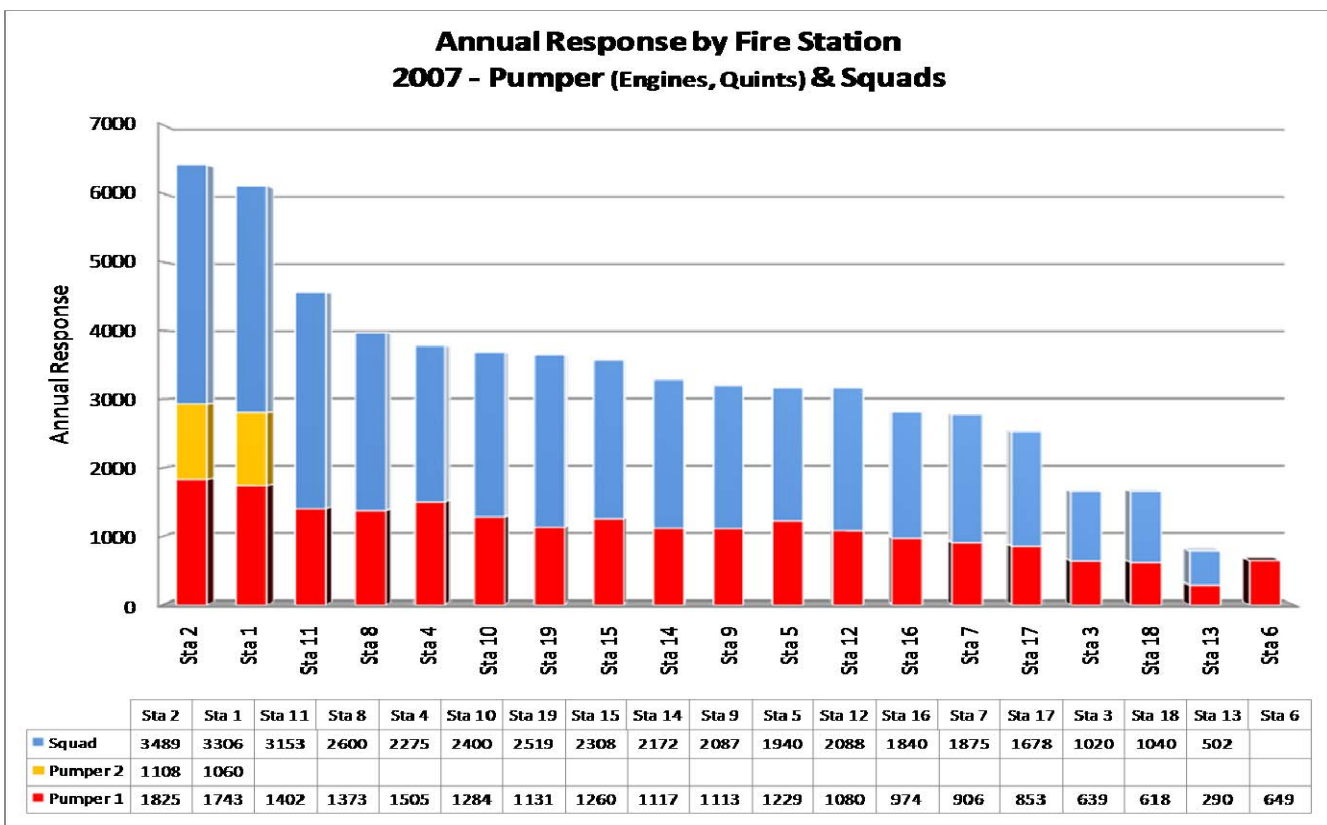
The Fire Department is expected to open three new stations in the next year. The budget has included 31 new positions to staff one apparatus at each of these new stations. In the case of new stations in East and West Wichita, the stations will reduce response time and provide enhanced geographical coverage. The South Wichita station will relieve excessively high call demand at surrounding stations, as well as serve a core area that is geographically underserved. The Adopted budget funds 31 new positions to support the new stations.

The Adopted budget was based on shifting crews from two fringe stations: Station 13 and Station 18. In both cases, one four person pumper would be staffed. This would provide geographical coverage for the response areas of these stations.

At this time, the response call demand in these service areas does not necessitate the staffing on an additional piece of equipment.

Fire Station Staffing in the 2008 Adopted Budget			
	2008	2009	2010
Additional Staff	31	38	38
Staff shifted from Stations 13 & 18	0	(7)	(7)
Net New staff	31	31	31

An optional deployment model would be to maintain a minimum of two apparatus at each station. This option would require the inclusion of seven new positions to reduce pumper staffing (from 4 to 3) and to increase Squad staffing (from 0 to 2) at stations 13 and 18. In addition, new stations 20, 21 and 22 have been budgeted with only one piece of apparatus. Increasing staffing at those stations to a defined minimum of two machines would require an additional 14 positions.



8. SHIFT HEALTH FUNCTIONS TO THE COUNTY



Issue:

- Should the City relinquish control of countywide regulatory functions in public health to the Sedgwick County Department of Health?

In 2002, the City of Wichita and Sedgwick County realigned local services provided by the Community Health Department. This led to most community health functions being transferred completely to the County, with the City retaining environmental maintenance activities. However, the City also retained child care licensure and food inspection; two programs that are not performed by any other city in the State.

Child-care Licensure - KSA 65-512 requires the Kansas Department of Health and Environment (KDHE) to inspect or cause to be inspected every child care facility at least once every 12 months. KDHE fulfills the responsibility by granting funds through annual contractual agreement with the City of Wichita. City code allows the City to charge processing fees for inspections to offset any program cost not provided for by KDHE including the two full-time positions. The program does impact the General Fund as shown below:

City General Fund Impact—Child Care Licensure			
Year	Revenues	Expenditures	Net GF Cost
2004	\$116,201	133,357	(\$17,156)
2005	120,707	142,712	(22,005)
2006	124,582	166,198	(41,616)
2007	129,999	141,998	(11,999)
2008	135,000	176,810	(41,810)

Note: 2008 is based on the Adopted budget.

For approximately 30 years, KDHE has contracted with the City to conduct inspections of child care facilities throughout Sedgwick County and about 80% of those facilities are located within the City limit.

Grant Funds — Child Care Licensure (State Fiscal Year)		
Year	Revenues	Positions / FTE
2004	\$276,167	6 / 5.5
2005	278,250	6 / 5.5
2006	284,934	6 / 5.5
2007	288,493	6 / 5.5
2008	287,000	6 / 5.5

In addition, KDHE provides grant funds to support 6 City positions (5.5 FTE). These grant funds have been relatively flat over the last five years.

Food Protection - KDHE is authorized to contract with any city or county government for the enforcement of food service standards. The City of Wichita is contracted by KDHE and the Kansas Department of Agriculture (KDA) to provide annual inspections of food service establishments within the City and throughout Sedgwick County that are regulated under the Kansas Food Code. It is intended to minimize the hazards that can lead to foodborne illness or injury, thus ensuring safe food and optimal levels of sanitation in food service establishments. In addition, staff enforce other city license ordinances, including the City's tobacco ordinances, within this activity.

KDHE licenses most restaurants and other food services establishments, while KDA licenses food service operations in retail grocery stores; eighty percent of the license and application fees is remitted to the City quarterly to support program costs including 8 full-time positions. The City is allowed under Chapter 7.22 to charge fees for providing special food handler's classes that assist to partially offset program costs. In the past, program revenues have sufficiently cover direct program costs.

City General Fund Impact—Food Inspection			
Year	Revenues	Expenditures	Net GF Cost
2004	459,305	338,630	120,675
2005	481,406	406,604	74,802
2006	477,519	458,767	18,751
2007	483,734	433,428	40,306
2008	476,500	509,620	(33,120)

Note: 2008 is based on the Adopted budget.

The City's Environmental Services department regulates 2,000 food services establishments and 600 grocery establishments in Sedgwick County, and about 80% of those establishments are located within the City. By state statute, an inspection of a food establishment are performed at least annually. Additional inspections are performed as often as necessary for the efficient and effective enforcement of the statutes.

As both Child-care Licensure and Food Protection programs are contracted by KDHE to provide services throughout Sedgwick County, it is rational to propose transferring these programs to Sedgwick County Health Department due to their health related functions. Additionally, Sedgwick County could charge program fees to offset some costs.

Shifting either or both functions to Sedgwick County would reunite them under the former City-County Health Department (which was split between the City and County in 2002). Any transfer would involve the shift of up to 16 City employees. Pension issues for these employees would need to be resolved, similar to what has been done in the past with function shifts to the County.

9. ASSIGN SHRINKAGE ADJUSTMENTS



Issue:

Should the City adopt a policy on “shrinkage” of City expenditures that requires each City department to manage departmental expenditures and reduce spending below authorized budgets based on historic spending patterns?

The City budget is based initially on providing complete funding for budgeted activities and positions. However, in reality all positions will not be filled the entire year. New program or initiatives may or may not be implemented as scheduled in the budget. Employee demographics, and benefit characteristics may change, compared to what is budgeted. All of these circumstances will lead to a department under-expending the budgeted amounts. Shrinkage varies from year to year and department to department. The total amount of annual General Fund shrinkage is shown in the table.

To anticipate this under-expenditure, a “shrinkage” adjustment could be included for each General Fund department. This adjustment would be based on historical experience with under-expenditures by each department. Generally, shrinkage adjustments would likely be higher on larger departments, since those departments tend to have greater flexibility in managing position vacancies. In addition, shrinkage adjustments would be included where appropriate for non-General Fund departments.

Year	Shrinkage	Percent of total expenditures
1999	\$4,438,814	3.1%
2000	(987,988)	-.7%
2001	5,032,616	3.3%
2002	4,226,126	2.7%
2003	4,775,430	3.1%
2004	4,343,075	2.6%
2005	2,530,498	1.5%
2006	4,997,262	2.7%
2007	5,162,942	2.7%

Shrinkage adjustments would be set at the departmental level to encourage each department to manage their budgets within the confines of the available fund resources. This would encourage department managers to best determine when to fill positions and what expenditures to curtail in order to best meet departmental objectives. In some cases, particularly smaller departments with less staff, it may be difficult to achieve a shrinkage target. This usually will occur if there is no employee turnover during the year. If these cases occur, year end budget adjustments will be necessary.

Department	Amount		Percent of Expenditures	
	2009	2010	2009	2010
City Manager’s Office	(79,651)	(81,244)	1.6%	1.6%
Finance	(221,700)	(226,134)	5.0%	5.0%
Law	(43,137)	(44,000)	1.8%	1.8%
Municipal Court	(90,615)	(92,427)	1.4%	1.4%
Fire	(168,759)	(172,134)	.5%	.5%
Police	(1,240,869)	(1,273,159)	1.8%	1.8%
Housing and Community Services	0	0	0%	0%
Library	(111,411)	(113,639)	1.5%	1.5%
Public Works	(641,065)	(653,887)	1.8%	1.8%
Environmental Services	(169,658)	(173,051)	4.0%	4.0%
Park	(564,767)	(576,062)	2.9%	2.9%
Human Resources	(40,804)	(41,620)	2.5%	2.5%
Other	(2,000,000)	(2,000,000)	n/a	n/a
TOTAL GENERAL FUND SHRINKAGE	(\$5,372,436)	(\$5,447,357)	2.2%	2.7%

10. ESTABLISH A PERMANENT CONTINGENCY FUND



Issue:

- **Should the City establish a Permanent Contingency Fund as a depository for one-time savings that could be applied in emergencies or for exceptional economic development opportunities?**

Over the years, the City has transferred cash from the General Fund into a variety of project accounts. Typically, these are for specific purposes, including past transfers to design and build fire stations, to improve municipal court computer systems, and to fund downtown parking improvements. Balances are retained in these accounts until the project is closed out. Sometimes this can take several years.

When the account is closed, the balance is often returned to the fund from which the initial transfer occurred. In the past few years, the closeout of projects and the return of those funds to the General Fund has been used to help balance the budget. In the last two years, a total of \$1.2 million was used, with an additional \$800,000 anticipated for 2008. In addition, over the past years, these balances have also been used for a variety of

purposes approved by Council. For example, \$1 million was utilized to purchase the NBC tournament, and funding for affordable airfares was in part funded with balances from closed out projects in the past.

As an alternative, staff has developed the idea of a wholesale closing of all completed and outstanding, cash funded capital accounts. This is expected to total approximately \$3 million. This one-time use of funds would not be appropriate to fund increased one-going operating costs. However, it could be utilized to boost fund balances.

Several options exist for the use of these funds. They could be swept into the General Fund, as a one-time revenue source. They could also be used to finance a one-time expenditure from the General Fund. Another option staff has proposed is the creation of a Permanent Contingency Fund. The fund would act as the depository for any non-designated, non-recurring sources of funding. In this capacity, it would serve as a transparent resource for the Council to allocate for one-time, non-recurring purposes.

Such a contingency fund would not be a prudent source of funding for recurring items. Staff would recommend that a specific Council policy be developed regarding the usage of this



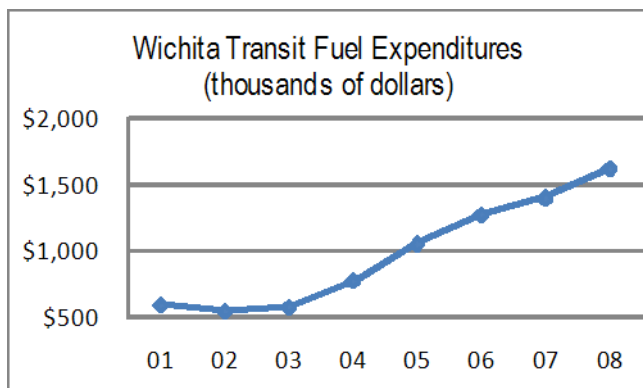
Issue:

- Should the City modify vehicle operations, to reduce the impact of high fuel and vehicle replacement costs?

High fuel prices have a significant impact on City operating costs. Fuel costs are generally spent in several areas. Last year, over \$4.8 million was spent on fuel; by comparison in 2001, \$2.2 million was spent. Although the higher fuel costs are straining budgets in each applicable fund, they are directly and significantly impacting three funds: the Transit Fund; the Fleet Fund, and (through vehicle charges from the Fleet Fund) the General Fund.

Fund / Dept	Purpose	Amount
GF—Fire	Fire Response equipment	\$295,762
GF—Police	Helicopter	35,610
Airport	Airport vehicles	122,006
Golf	Golf mowers	51,273
Transit	Buses and vans	1,402,853
Fleet	Equipment used by all departments: police cars, dump trucks, etc	2,690,489
Everything else		214,716
Total		\$4,812,709

Transit Fund — Other than salaries, fuel is the largest cost for Wichita Transit. Since 2001, costs have nearly tripled. Fuel costs are generally not eligible for federal grant funds and therefore are charged to city funds. For 2008, Transit estimates an additional \$460,000 in General Fund support will be necessary.



General Fund - Police cars, dump trucks, light pickups, tractors, mowers and a variety of other equipment are used by General Fund departments, but maintained by the Fleet Division. The Fleet Fund bills the General Fund to recover the costs of maintaining and replacing this equipment. Approximately 80% of all equipment is used in General Fund departments. In 2007, \$8 million was billed from the General Fund to pay for vehicle costs (which was a \$1.2 million increase over 2006). With no change in current procedures, this could climb by another \$1.3 million in 2008.

Fleet Fund - As an internal service fund, fleet bills departments for the operating and replacement costs of City vehicles. Fuel costs have been flat at \$2.8 million from 2005—2007; however, they are \$1.4 million higher than the annual cost in 2001. Likewise, Fleet has aggressively replaced vehicles in the last couple of years, going from \$2 million in 2001 to nearly \$4 million last year. With these increased expenditure levels, the Fleet Fund must either shrink expenditures in other operating areas, or increase charges to departments.

Higher fuel costs can be offset by modifying long standing practices. Predominantly, the replacement of vehicles could be reviewed. Deferring vehicle purchases would allow fleet rates to remain flat; however, this would at best be a short term solution. A more lasting change could be replacing fleet vehicles with smaller, more efficient vehicles. This would affect mainly police cars and light truck users. Adding hybrids will also reduce fuel costs.

Reducing the fleet and the usage of fleet vehicles could be pursued. City staff presently take home vehicles for a variety of reasons. However, with the higher costs of fuel, some of these reasons may not benefit the City to the degree of the cost, and could be examined. In addition, a comprehensive review of the number of fleet vehicles might be appropriate; in an effort to shrink the fleet.

A more empirical and usage-based fleet charging system could encourage department conservation, reducing fuel costs. Currently, Fleet charges a flat rate, based on a loose methodology that has little relationship to actual usage. Shifting to a mileage-based rate would encourage departments to help control costs. Developing a more empirically based rate could assure departments of more orderly and routine replacements. A billing system that focused on charging direct operating costs, with a reserve for replacement, could be pursued. This could enhance efficiencies by encouraging departments to consider shopping around for alternatives to fleet repairs.

To study alternatives besides simply increasing the General Fund budgeted amounts for fleet charges, staff recommends the establishment of a Fleet Study Committee, to return recommendations to the Council regarding how to mitigate the impact of the higher cost of fuel.

12. UTILIZE EXCESS TIF FUNDS



Issue:

- **Should the City use excess TIF funds to retire debt early, or to fund additional improvements?**

The Old Town TIF was initially created in 1991, and re-established in 1993. A total of \$4.3 million in bonds were issued, to fund the Old Town parking garage and sidewalk and street improvements. The initial plan of finance assumed TIF revenues would fund 60% of debt service, with the Debt Service Fund absorbing the remaining 40%. The assessed valuation in the Old Town TIF district has increased by 423% over the base year (1993). The TIF currently produces cash flows in excess of bond payments and scope of the initial project plan has been completed.

The Old Town TIF, if open until bonds are retired, is expected to generate \$3.5 million in surplus cash flow. At the end of 2007, the balance was \$1.6 million. Revenues of \$4.4 million are forecasted over the next six years. Debt Service on existing bonds will total \$1.2 million and the Council has approved a cash contribution of \$1.3 million to a storm water project related to Old Town. This leaves a projected surplus of \$3.5 million.

Current Fund Balance	\$1.6 million
Add: Revenues	\$4.4 million
Less: Debt Service	\$1.2 million
Less: Storm water project	\$1.3 million
Balance	\$3.5 million

The cash flow in excess of debt service has build a comfortable balance in the TIF. In addition, it has lead to a number of additional improvements being cash funded over the past few years. The Old Town Association has worked with City staff since at least 2003, developing improvement projects within the TIF boundaries. In 2005, the Council approved \$60,000 for lighting improvements. Later, an additional \$250,000 was approved, including funding for additional lighting, bird control, and historic plaques. Since 2001 other miscellaneous improvements have been funded from the Old Town TIF Fund. These have totaled \$472,563 and include the new public restroom.

Old Town Proposed Additional Projects

Light fixture replacement	\$308,000
Landscaping improvements	\$500,000
Security lighting and cameras	\$140,000
Arts on the Corner	\$70,000
Bike racks, misc	\$40,000
Total	\$1,058,000

Going forward, an estimated \$1.06 million in additional projects have been indentified in conjunction with the Old Town Association. Public Works staff has identified \$1.1 million in parking lot improvements that would enhance the pavement condition and reduce longer term maintenance costs in the area.

One other option for using the surplus cash flow is to relieve the Debt Service Fund from financing 40% of the debt service associated with the \$4.3 million in debt issues. Doing this would costs \$1.7 million, but also free up \$1.7 million in capacity in the Debt Service Fund.

Finally, the bonds could be paid off and the TIF project closed earlier than planned. There are approximately \$1.7 million in bonds outstanding. Of this,60% (\$1 million was scheduled to be paid by the Old Town TIF (the remaining \$700,000 by the Debt Service Fund). Closing the TIF early would generate around \$200,000 annually for the City, as well as supplemental amounts for Sedgwick County an d USD 259 school district.

Old Town TIF—Options for using excess cash flow

Projected surplus cash flow	\$3.5 million
1. Fund parking lot improvements	\$1.1 million
2. Fund small projects	\$1.2 million
3. Fund initial debt service absorbed by the Debt Service Fund	\$1.7 million
4. Retire the TIF early	