



Eroding Tax Base

1995 – Motor vehicle taxes to local government reduced by one-third (phased in over five years)

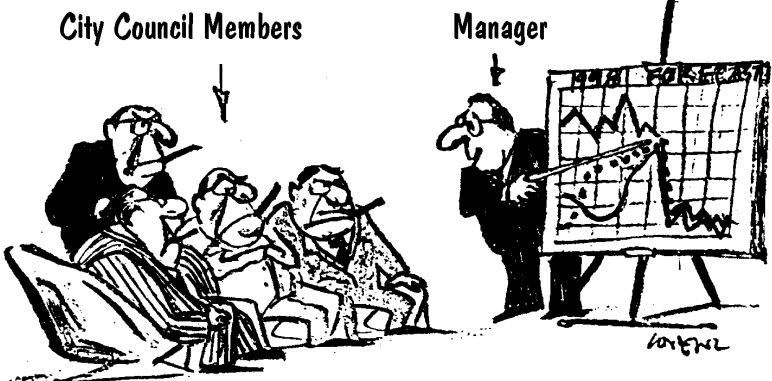
1998 – Utilities used in manufacturing and labor used in construction and remodeling exempted from local sales tax

2003 – Demand transfers (state aid) to local government are suspended (Local Ad Valorem Tax Reduction and City and County Revenue Sharing)


2007 – Property tax base is reduced through exemption of Machinery and Equipment



City Council Chambers



Now here we have a change in the tax base by the State Legislature, the Public Safety Initiative, and a reduction in the federal transit subsidy, ... all coming together to produce an affect we call "the #@*&% hitting the fan."



Local Government Response

- Reduce services
- Raise taxes
- Implement new fees and/or raise current fee rates
- Shift resources:
 - From capital to operating
 - From non-taxing to taxing
- Combination of the above

The *Wichita* Experience

- Pooled Investment Management fee
- Court costs and court fees
- Storm Water Utility
- Payment in lieu of franchise fees
- Public Safety fee
- Collection agencies/policies
- Reimbursement
- Shift from CIP to General Fund



Pooled Management Investment (PIM) Fee

- City of Wichita implemented a PIM fee in the mid 1990's
- Initially, the rate was set at 50 basis points, but is now at 100 basis points – the maximum allowed under the City's investment policy
- The State's management fee for the Municipal Investment Pool is 100 basis points
- The PIM fee generates about \$2.3 million annually





Court Costs and Court Fees

- There are several different types of court costs:
 - Regular administrative cost recovery
 - Public Defender fee
 - Technology fee
 - Police Officer training fee
 - Judges training fee
 - Domestic Violence fee
- The state assesses fees in both municipal court and district court
- District court costs have increased 22% since 2002
- State Municipal Court fees have increased 160% since 2002

Storm Water Utility



- The City of Wichita created a Storm Water Utility in 1993
- Revenue is derived from an Equivalent Residential Unit (ERU) fee of \$2 (it was originally \$1.66)
- The Utility/ERU fee made it possible for the City to address drainage needs more aggressively and redirect both General Fund and CIP resources toward other priorities



Payment In Lieu of Franchise Fees

- The City of Wichita has franchise fees for telecommunications, electric, natural gas, cable television, and transportation (bus) utilities
- The City assesses a comparable “in-lieu-of” franchise fee to the publically-owned Wichita Water Utility for water and sewer access
- The PILOFF generates \$3.8 million annually



Public Safety Fee

- Public utilities do not directly pay for public safety services due to their tax exempt status
- The City of Wichita assesses a public safety fee to all its enterprise funds (Water, Sewer, Golf, Airport, and Transit)
- Methodology
- Essentially a partial PILOT
- RoPToPP



Collection Agencies/Policies

- Court
 - No payment after 45 days, sent to collection agency
 - 16% collection fee – assessed to defendant
 - 30% collection rate
- Library
 - Decrease collection agency threshold from \$40 to \$25 (created Small Balance Program for accounts outstanding between \$20 and \$25)
 - Increase processing fee from \$5 to \$7
 - Raised cap (per overdue item) from \$4 to \$5

Reimbursements

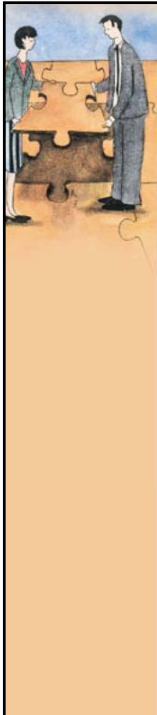
- Transient Guest Tax
 - Debt Service
 - Convention/exhibition facilities stop/loss
- Office of Central Inspection
 - Fire Systems Inspectors
 - Development Assistance Coordinator
- Engineering Overhead
- Water Utility
 - Express Office
 - Fire Hydrant Maintenance



Shift From CIP to General Fund



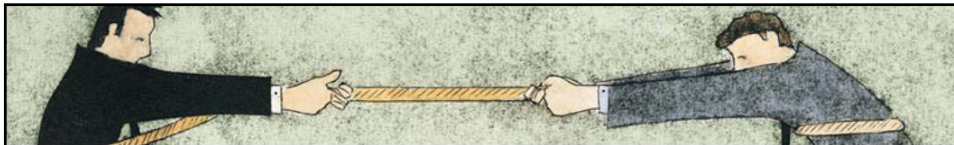
- The City of Wichita has levied approximately 10 mills for Debt Service since 1976 (with temporary exceptions in only a few years)
- The DSF levy supports capital projects, both debt financing and pay-as-you-go
- The City's 2008 mill levy (for the 2009 budget) will shift one mill from the DSF to the General Fund, and will restore one-half mill in 2009 and beyond
- One mill equals \$3.15 million



Other Ideas

- Business License
- City Vehicle Tax ("Wheel Tax")
- Occupation License (Rental Cars)
- Corporate Partnerships

What now ...?



Resources

www.wichita.gov

City of Wichita > Finance > Finance Documents and Forms

City of Wichita > Finance > Budget & Research

City of Wichita > Public Works > Storm Water Utility

www.gfoa.org/downloads/PlanningforFinancialSustainability.pdf

<http://icma.org/main/> (ICMA > ICMA Press > Finance & Budgeting)

- *A Revenue Guide, 2nd Edition*
- *Budget Shortfalls: How Some Local Governments Are Responding*
- *Achieving Fiscal Health: Strategies for Dealing With Fiscal Distress In Today's Economic Downturn*
- *Capital Budgeting and Finance: A Guide For Local Governments*