

# OFFICIAL STATEMENT

**NEW ISSUES – BOOK-ENTRY ONLY**

**RATINGS: See “Ratings” herein**

*In the opinion of Bond Counsel, under existing law, interest on the Bonds is exempt from income taxation by the State of Kansas. Interest on the Bonds is included in gross income for federal income tax purposes. See “TAX MATTERS” herein.*

## **CITY OF WICHITA, KANSAS**

**\$12,365,000**

### **Taxable General Obligation Airport Refunding Bonds Series 2019A**

**Dated: December 1, 2019**

**Due: as shown on the inside cover**

The above-referenced bonds (the “Bonds”) will be issued by the City of Wichita, Kansas (the “Issuer”), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the “Authorized Denomination”). Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable at maturity or earlier redemption upon presentation and surrender of the Bonds by the registered owners thereof at the office of the Treasurer of the State of Kansas, Topeka, Kansas, as paying agent and registrar (the “Paying Agent” and “Registrar”). Interest on each Bond will be payable on March 1 and September 1, commencing March 1, 2020 (the “Interest Payment Dates”) to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month next preceding such Interest Payment Date by check or draft of the Paying Agent mailed to such registered owner or, in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners.

The schedule of maturity and interest payment dates, interest rates, yields, redemption provisions and security for the Bonds are set forth herein.

The Bonds are offered when, as and if issued by the Issuer, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. Certain other legal matters will be passed on for the Issuer by Jennifer Magaña, Esq., Director of Law and City Attorney. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about December 3, 2019.

*THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION. “APPENDIX E – SUMMARY OF FINANCING DOCUMENTS” CONTAINS DEFINITIONS USED IN THIS OFFICIAL STATEMENT.*

The date of this Official Statement is November 7, 2019.



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**C I T Y ■ O F  
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## MATURITY SCHEDULE

**\$12,365,000**  
**Taxable General Obligation Airport Refunding Bonds**  
**Series 2019A**

### SERIAL BONDS

<u>Stated Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP<sup>(1)</sup> Base 967245</u>	<u>Stated Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP<sup>(1)</sup> Base 967245</u>
2022	\$690,000	2.750%	1.850%	RW3	2031	\$820,000	2.800%	2.800%	SF9
2023	700,000	2.750%	1.950%	RX1	2032	445,000	2.900%	2.900%	SG7
2024	715,000	2.750%	2.050%	RY9	2033	450,000	2.950%	2.950%	SH5
2025	730,000	2.750%	2.200%	RZ6	2034	470,000	3.000%	3.000%	SJ1
2026	750,000	2.750%	2.300%	SA0	2035	470,000	3.050%	3.050%	SK8
2027	760,000	2.750%	2.400%	SB8	2036	475,000	3.100%	3.100%	SL6
2028	775,000	2.750%	2.500%	SC6	2037	485,000	3.150%	3.150%	SM4
2029	795,000	2.600%	2.600%	SD4	2038	495,000	3.250%	3.250%	SN2
2030	805,000	2.700%	2.700%	SE2	2039	500,000	3.300%	3.300%	SP7

### TERM BONDS

<u>Stated Maturity (March 1)</u>	<u>Principal Amount</u>	<u>Annual Rate of Interest</u>	<u>Yield</u>	<u>CUSIP<sup>(1)</sup> Base 967245</u>
2041	\$1,035,000	3.400%	3.400%	SR3

<sup>(1)</sup> CUSIP numbers have been assigned to this issue by CUSIP Global Services, a division of S&P Global Inc., and are included solely for the convenience of the Owners of the Bonds. Neither the Issuer nor the Original Purchaser shall be responsible for the selection or correctness of the CUSIP numbers set forth above.

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**NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER TO GIVE INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THE BONDS OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE ISSUER.**

**IN CERTAIN INSTANCES, AS NOTED HEREIN, INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT HAS BEEN OBTAINED FROM HISTORICAL RECORDS AND SOURCES OTHER THAN THE ISSUER. ALTHOUGH THE ISSUER BELIEVES SUCH OUTSIDE SOURCES OF INFORMATION ARE RELIABLE, THE ISSUER DOES NOT GUARANTEE THE ACCURACY OR COMPLETENESS OF INFORMATION CONTAINED HEREIN WHICH WAS OBTAINED FROM SOURCES OTHER THAN THE ISSUER.**

**THE FINANCIAL AND OTHER INFORMATION PRESENTED HEREIN IS INTENDED TO SHOW RECENT HISTORIC INFORMATION, AND IS NOT INTENDED TO INDICATE FUTURE OR CONTINUING TRENDS IN THE FINANCIAL POSITION OR OTHER AFFAIRS OF THE ISSUER. NO REPRESENTATION IS MADE THAT PAST PERFORMANCE, AS MIGHT BE SHOWN BY SUCH FINANCIAL AND OTHER INFORMATION, WILL NECESSARILY CONTINUE OR BE EXPECTED IN THE FUTURE. THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE AFTER SUCH DELIVERY SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE OF THIS OFFICIAL STATEMENT.**

**THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.**

**IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.**

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**C I T Y ■ O F**  
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**CITY OF WICHITA, KANSAS  
OFFICIAL STATEMENT**



**CITY OFFICIALS**

**Mayor**

Jeff Longwell

**Vice Mayor**

Jeff Blubaugh (District IV)

**City Council**

Brandon Johnson (District I)  
Becky Tuttle (District II)  
James Clendenin (District III)  
Bryan Frye (District V)  
Cindy Claycomb (District VI)

**City Manager**

Robert Layton

**Director of Finance**

Shawn Henning

**Director of Law and City Attorney**

Jennifer Magaña

**BOND COUNSEL**

Gilmore & Bell, P.C.  
Wichita, Kansas

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# OFFICIAL STATEMENT

## RELATING TO

### CITY OF WICHITA, KANSAS

\$12,365,000

Taxable General Obligation Airport Refunding Bonds  
Series 2019A

## INTRODUCTION

### General Matters

The purpose of this Official Statement is to furnish information relating to the City of Wichita, Kansas (the “Issuer” or the “City”), and the following obligations of the Issuer, which will be dated December 1, 2019 (the “Dated Date”):

<i>Principal Amount</i>	<i>Description</i>	<i>Series</i>	<i>Reference</i>
\$12,365,000	Taxable General Obligation Airport Refunding Bonds	2019A	“Series 2019A Bonds” or the “Bonds”

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The Issuer is a municipal corporation duly organized and existing under the laws of the State of Kansas (the “State”). Additional information regarding the Issuer is contained in *APPENDIX A* to this Official Statement.

The materials contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. Except for the information expressly attributed to other sources deemed to be reliable, all information has been compiled or provided by the Issuer. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the Issuer. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Bond Counsel has not assisted in the preparation nor reviewed this Official Statement, except to the extent described under the section captioned “LEGAL MATTERS,” and accordingly Bond Counsel expresses no opinion as to the accuracy or sufficiency of any other information contained herein.

### Definitions

The Bonds will be authorized pursuant to an ordinance and resolution of the Governing Body, which are referred to collectively as the “Bond Resolution.” Other capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in “*APPENDIX E – SUMMARY OF FINANCING DOCUMENTS.*”

### Purpose

**General.** The Bonds are being issued pursuant to the Constitution and statutes of the State of Kansas to refund previously issued general obligation bonds of the City that financed improvements to airport facilities in the City, including Dwight D. Eisenhower National Airport (the “Refunded Bonds”). See “THE REFUNDING PLAN” herein for a more detailed description of the Refunded Bonds.

A description of the sources and uses of funds in connection with the Bonds are more fully described in the section of this Official Statement entitled “SOURCES AND USES.”

**Security.** The Bonds are general obligations of the Issuer payable, if necessary, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due. Security for the Bonds is discussed more fully in the section of this Official Statement entitled “THE BONDS – Security for the Bonds.”

**Continuing Disclosure**

The Securities and Exchange Commission (the “SEC”) has promulgated amendments to Rule 15c2-12 (the “SEC Rule”), requiring continuous secondary market disclosure. The Issuer has adopted ordinances establishing master undertakings to provide ongoing disclosure concerning the Issuer in connection with its bonds and notes for the benefit of the owners of bonds and notes, including the Bonds described herein (collectively, the “Disclosure Undertaking”), which amended prior ordinances that established master undertakings pursuant to the SEC Rule (the “Prior Undertakings”). In the Disclosure Undertaking, the Issuer has covenanted to provide annually certain financial information and operating data and other information necessary to comply with the SEC Rule, and to transmit the same to the Municipal Securities Rulemaking Board (the “MSRB”). In the Bond Resolution, the Issuer has covenanted with the Underwriter and the Beneficial Owners to apply the provisions of the Disclosure Undertaking to the Bonds. For the past five years the Issuer has filed its Comprehensive Annual Financial Report (the “CAFR”) within the time period prescribed by the Disclosure Undertaking. The CAFRs contain the audited financial statements of, and statistical information regarding, the Issuer. The statistical information included in certain of such CAFRs contained most, but not all, of the information described as operating data in Prior Undertakings. The most recently filed CAFR contains all of the statistical information required by the Disclosure Undertaking. The Issuer’s filings for such years are set forth in the table below.

<b>Fiscal Year</b> <b><u>Ending December 31</u></b>	<b>Filing Time</b> <b><u>Period (Days)</u></b>	<b>CAFR</b> <b><u>Filing Date</u></b>
2014	365	06/30/2015*
2015	365	06/24/2016
2016	365	06/30/2017*
2017	365	06/29/2018
2018	365	06/28/2019

\*The Issuer’s CAFR filing on the referenced dates occurred within the applicable filing deadline for the City’s general obligation bonds and notes but one day past the 180-day filing deadline applicable to certain other securities issued by the City.

While the Issuer had the filing deficiencies referred to above, it issued General Obligation Temporary Notes and General Obligation Bonds in each year from 2014 – 2018. The official statements for such General Obligation Temporary Notes and General Obligation Bonds were filed with the MSRB. On December 15, 2017, the Issuer filed on EMMA an Annual Operating Data and Financial Information Incorporation by Reference document providing for incorporation by reference of certain financial information and operating data contained in official statements for obligations issued during the years 2012-2017. During the past five years, the Issuer has made filings of event notices on EMMA with respect to bond and note calls, defeasances, rating changes and updated statistical information omitted in certain CAFRs, however, during said time period, the Issuer may not have made timely filings of event notices on EMMA relating to all bond and note calls, defeasances or rating changes. The Issuer believes this information was disseminated or available through other sources. In particular, event notices were not timely filed on EMMA in connection with certain rating changes on various series of bonds resulting from changes in the ratings of the applicable bond insurers. For more information regarding the Disclosure Undertaking, see “**APPENDIX E – SUMMARY OF FINANCING DOCUMENTS – THE DISCLOSURE UNDERTAKING.**”

**Certification**

The Issuer has authorized the distribution of this Official Statement for use in connection with the initial sale of the Bonds. This Official Statement does not constitute a contract between the Issuer or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds. As of the date of the delivery of the Bonds, the Underwriter of the Bonds will be furnished with a certificate signed by an officer of the Issuer stating that, to the best of such officer’s knowledge, in the Official Statement, the Issuer has not made an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## **Additional Information**

Additional information regarding the Bonds may be obtained from the Department of Finance, 12th Floor, City Hall, 455 North Main, Wichita, Kansas 67202-1679, or by contacting:

Ms. Cheryl Busada  
Debt Coordinator  
Phone: (316) 268-4143  
Fax: (316) 219-6216  
Email: [cbusada@wichita.gov](mailto:cbusada@wichita.gov).

Additional copies of this Official Statement may be obtained at [www.onlinemunis.com](http://www.onlinemunis.com).

## **THE BONDS**

### **Authority for the Bonds**

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.* and K.S.A. 10-620 *et seq.*, all as amended and supplemented (collectively the “Act”), and the Bond Resolution.

### **Security for the Bonds**

**General.** The Bonds are general obligations of the Issuer payable, if necessary, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. Although the Bonds are general obligations of the Issuer and are payable from ad valorem taxes which may be levied without limitation, it is anticipated that the Bonds will be repaid from revenues of the Wichita Airport Authority. The full faith, credit and resources of the Issuer are irrevocably pledged for the prompt payment of the principal and interest on the Bonds as the same become due.

**Levy and Collection of Annual Tax, Transfer to Debt Service Account.** The Governing Body of the Issuer shall annually make provision for the payment of principal of, premium, if any, and interest on the Bonds as the same become due by, to the extent necessary, levying and collecting the necessary taxes upon all of the taxable tangible property within the Issuer in the manner provided by law. Such taxes shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer, shall thereafter be transferred to the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent.

### **Description of the Bonds**

The Bonds shall consist of fully registered book-entry-only bonds in an Authorized Denomination and shall be numbered in such manner as the Bond Registrar shall determine. All of the Bonds shall be dated as of the Dated Date, become due in the amounts on the Stated Maturities, subject to redemption and payment prior to their Stated Maturities as hereinafter set forth, and shall bear interest at the rates per annum set forth on the inside cover page of this Official Statement (computed on the basis of twelve 30-day months) from the later of the Dated Date or the most recent Interest Payment Date to which interest has been paid, on the Interest Payment Dates in the manner hereinafter set forth.

## **Designation of Paying Agent and Bond Registrar**

The Issuer will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Bond Resolution. The Issuer reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the Issuer shall at all times meet the requirements of Kansas law.

The Treasurer of the State of Kansas, Topeka, Kansas (the “Bond Registrar” and “Paying Agent”) has been designated by the Issuer as paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds.

## **Method and Place of Payment of the Bonds**

The principal of, or Redemption Price, and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the Record Date for such interest (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The Issuer shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the Issuer of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

**SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES.** See “THE BONDS – Book-Entry Bonds; Securities Depository.”

## **Payments Due on Saturdays, Sundays and Holidays**

In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

## **Book-Entry Bonds; Securities Depository**

The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Bonds, except in the event the Bond Registrar issues Replacement Bonds. It is anticipated that during the term of the Bonds, the Securities

Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers Replacement Bonds to the Beneficial Owners as described in the following paragraphs.

The Issuer may decide, subject to the requirements of the Operational Arrangements of DTC (or a successor Securities Depository), and the following provisions of this section to discontinue use of the system of book-entry transfers through DTC (or a successor Securities Depository):

(a) If the Issuer determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds; or

(b) If the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver Replacement Bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the Issuer, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when the Securities Depository has possession of at least one Bond. Upon the issuance of Replacement Bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such Replacement Bonds. If the Securities Depository resigns and the Issuer, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of Replacement Bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names of the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid for by the Issuer.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the Issuer may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

### **Registration, Transfer and Exchange of Bonds**

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any authorized denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The Issuer shall pay

the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The Issuer and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the Issuer of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

### **Mutilated, Lost, Stolen or Destroyed Bonds**

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Issuer and the Bond Registrar such security or indemnity as may be required by each of them, then, in the absence of notice to the Issuer or the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the Issuer shall execute and, upon the Issuer's request, the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the Issuer, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond, the Issuer may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

### **Nonpresentment of Bonds**

If any Bond is not presented for payment when the principal thereof becomes due at Maturity, if funds sufficient to pay such Bond have been made available to the Paying Agent all liability of the Issuer to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the Issuer the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the Issuer, and the Owner thereof shall be entitled to look only to the Issuer for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the Issuer shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

### **Redemption Provisions**

***Optional Redemption.*** At the option of the City, the Bonds maturing in the years 2029 and thereafter will be subject to redemption and payment prior to maturity on March 1, 2028, and thereafter, as a whole or in part (selection of the amount of Bonds to be redeemed to be determined by the City in such equitable manner as it may determine) at any time, at the redemption price of 100% (expressed as a percentage of the principal amount), plus accrued interest to the date of redemption.

#### ***Mandatory Redemption.***

The Term Bonds shall be subject to mandatory redemption and payment prior to Stated Maturity pursuant to the mandatory redemption requirements hereinafter set forth at a Redemption Price equal to 100% of the principal amount thereof plus accrued interest to the Redemption Date. The payments which are to be deposited into the Debt Service Account shall be sufficient to redeem, and the Issuer shall redeem on December 1 in each year, the following principal amounts of such Term Bonds:

<u>Principal Amount</u>	<u>Year</u>
\$515,000	2040
520,000	2041*

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\*Final Maturity

***Selection of Bonds to be Redeemed.*** Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

***Notice and Effect of Call for Redemption.*** Unless waived by any Owner of Bonds to be redeemed, if the Issuer shall call any Bonds for redemption and payment prior to the Stated Maturity thereof, the Issuer shall give written notice of its intention to call and pay said Bonds to the Bond Registrar and the Underwriter. In addition, the Issuer shall cause the Bond Registrar to give written notice of redemption to the Owners of said Bonds. Each of said written notices shall be deposited in the United States first class mail not less than 30 days prior to the Redemption Date.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

For so long as the Securities Depository is effecting book-entry transfers of the Bonds, the Bond Registrar shall provide the notices specified to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the Beneficial Owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a Beneficial Owner of a Bond (having been mailed notice from the Bond Registrar, the Securities Depository, a Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

In addition to the foregoing notice, the Issuer shall provide such notices of redemption as are required by the Disclosure Undertaking. The Paying Agent is also directed to comply with any mandatory or voluntary

standards then in effect for processing redemptions of municipal securities established by the State or the Securities and Exchange Commission. Failure to comply with such standards shall not affect or invalidate the redemption of any Bond.

## **THE DEPOSITORY TRUST COMPANY**

1. The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each scheduled maturity of the Bonds, and will be deposited with DTC.

2. DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

4. To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on the payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent. The requirement for physical delivery of the Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE ISSUER WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO: THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OF ANY AMOUNT IN RESPECT OF THE PRINCIPAL, REDEMPTION PRICE OF OR INTEREST ON THE BONDS; THE TRANSMITTAL TO BENEFICIAL OWNERS OR DTC PARTICIPANTS OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO OWNERS OF THE BONDS UNDER THE BOND RESOLUTION; THE SELECTION BY DTC OR ANY DTC PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER OF THE BONDS.

## THE REFUNDING PLAN

Proceeds of the Bonds will be applied to retire the following Outstanding Bonds of the Issuer (collectively the “Refunded Bonds”):

### *General Obligation Airport Bonds, Series 2011A, Dated February 1, 2011*

<u>Maturity Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP No. (Base: 967244)</u>
\$180,000	03/01/2022	4.000%	03/01/2021	100%	UR3
185,000	03/01/2023	4.000%	03/01/2021	100%	US1
190,000	03/01/2024	4.125%	03/01/2021	100%	UT9
200,000	03/01/2025	4.250%	03/01/2021	100%	UU6
210,000	03/01/2026	4.400%	03/01/2021	100%	UV4
215,000	03/01/2027	4.500%	03/01/2021	100%	UW2
225,000	03/01/2028	4.600%	03/01/2021	100%	UX0
235,000	03/01/2029	4.625%	03/01/2021	100%	UY8
245,000	03/01/2030	5.000%	03/01/2021	100%	UZ5
255,000	03/01/2031	5.000%	03/01/2021	100%	VA9
790,000	03/01/2036	5.000%	03/01/2021	100%	VF8
955,000	03/01/2041	5.000%	03/01/2021	100%	VL5

### *General Obligation Airport Bonds, Series 2011B (Subject to Alternative Minimum Tax), Dated February 1, 2011*

<u>Maturity Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Redemption Date</u>	<u>Redemption Price</u>	<u>CUSIP No. (Base: 967244)</u>
\$ 365,000	03/01/2022	5.250%	03/01/2021	100%	VX9
380,000	03/01/2023	5.250%	03/01/2021	100%	VY7
395,000	03/01/2024	5.250%	03/01/2021	100%	VZ4
410,000	03/01/2025	5.250%	03/01/2021	100%	WA8
425,000	03/01/2026	5.000%	03/01/2021	100%	WB6
445,000	03/01/2027	5.100%	03/01/2021	100%	WC4
460,000	03/01/2028	5.200%	03/01/2021	100%	WD2
480,000	03/01/2029	5.250%	03/01/2021	100%	WE0
500,000	03/01/2030	5.300%	03/01/2021	100%	WF7
520,000	03/01/2031	5.350%	03/01/2021	100%	WG5
275,000	03/01/2032	5.400%	03/01/2021	100%	WH3
285,000	03/01/2033	5.450%	03/01/2021	100%	WJ9
300,000	03/01/2034	5.500%	03/01/2021	100%	WK6
1,315,000	03/01/2038	5.550%	03/01/2021	100%	WP5
1,125,000	03/01/2041	5.600%	03/01/2021	100%	WS9

An Escrow Fund will be established for the Refunded Bonds pursuant to the terms of the Escrow Trust Agreement dated as of the Dated Date, by and between the Issuer and BOKF, N.A., Overland Park, Kansas (the “Escrow Agent”). See “*APPENDIX E – SUMMARY OF FINANCING DOCUMENTS – THE ESCROW TRUST AGREEMENT*” for a discussion of the manner in which the Escrow Fund is administered.

## SOURCES AND USES OF FUNDS

The following table summarizes the sources and uses of funds associated with the issuance of the Bonds:

<b>Sources of Funds:</b>	
Principal Amount	\$12,365,000.00
Accrued Interest	1,992.00
Reoffering Premium	<u>122,498.15</u>
<b>Total</b>	<b>\$12,489,490.15</b>
<b>Uses of Funds:</b>	
Deposit to Debt Service Account	\$ 1,992.00
Deposit to Escrow Fund	12,213,244.17
Deposit to Costs of Issuance Account	185,017.68
Underwriter's Compensation	<u>89,236.30</u>
<b>Total</b>	<b>\$12,489,490.15</b>

## RISK FACTORS AND INVESTMENT CONSIDERATIONS

***A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE ISSUER OR THE UNDERWRITER OF THE BONDS.***

### Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer.

### Limitations on Remedies Available to Owners of Bonds

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

### Debt Service Source

The Bonds are general obligations of the Issuer payable as to both principal and interest, if necessary, from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Legislature may from time to time adopt changes in the property tax system or method of imposing and collecting property taxes within the State. Taxpayers may also

challenge the fair market value of property assigned by the county appraiser. The effects of such legislative changes and successful challenges to the appraiser's determination of fair market value could affect the Issuer's property tax collections. If a taxpayer valuation challenge is successful, the liability of the Issuer to refund property taxes previously paid under protest may have a material impact on the Issuer's financial situation. See "APPENDIX A – FINANCIAL INFORMATION – Property Valuations" and "Property Tax Levies and Collections."

### **Suitability of Investment**

Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment.

### **Market for the Bonds**

**Ratings.** The Bonds have been assigned the financial ratings set forth in the section hereof entitled "RATINGS." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

**Secondary Market.** There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary to suspend indefinitely secondary market trading in the Bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of broker dealers, whether or not the Bonds are in default as to principal and interest payments, and other factors may give rise to uncertainty concerning prudent secondary market practices.

### **Cybersecurity Risks**

Security breaches, including electronic break-ins, computer viruses, attacks by hackers and similar breaches could create disruptions or shutdowns of the Issuer and the services it provides, or the unauthorized disclosure of confidential personal, health-related, credit and other information. If a security breach occurs, the Issuer may incur significant costs to remediate possible injury to the affected persons, and the Issuer may be subject to sanctions and civil penalties. Any failure to maintain proper functionality and security of information systems could interrupt the Issuer's operations, delay receipt of revenues, damage its reputation, subject it to liability claims or regulatory penalties and could have a material adverse effect on its operations, financial condition and results of operations.

### **Natural Disasters, Terrorist or Cyber Attacks**

The occurrence of a terrorist attack or cyber security breach in the Issuer, or natural disasters, such as fires, tornados, earthquakes, floods or droughts, could damage the Issuer and its systems and infrastructure, and interrupt services or otherwise impair operations of the Issuer.

## **RATINGS**

Moody's Investors Service has assigned a rating of "Aa1" to the Bonds and S&P Global Ratings, a division of S&P Global Inc., has assigned a rating of "AA+" to the Bonds. Such ratings reflect only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any obligations, including the Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agencies with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

## **ABSENCE OF LITIGATION**

The Issuer is a defendant in various actions pending or in process for property damages, civil rights, personal injury and other miscellaneous claims. The ultimate liability that might result from final resolution of these matters is not presently determinable. City staff and the City's Department of Law are of the opinion that the final outcome of these matters will not have an adverse material effect on the City's financial condition.

There is currently no controversy, suit or other proceeding of any kind pending, or to the knowledge of the Governing Body, City staff or the City's Department of Law, threatened which would adversely affect the validity of the Bonds or the ability of the Issuer to provide for the payment of the principal of and the interest on the Bonds in the manner described herein. Concurrently with the delivery of the Bonds, the Issuer will deliver an executed non-litigation certificate in the form required by State law.

## **LEGAL MATTERS**

### **Approval of Bonds**

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas, bond counsel to the Issuer ("Bond Counsel"). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the Issuer, as referred to herein. Bond Counsel has participated in the preparation of the Official Statement but expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned "THE BONDS," "LEGAL MATTERS," "TAX MATTERS" and "*APPENDIX E – SUMMARY OF FINANCING DOCUMENTS.*" Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds. Certain other legal matters will be passed on for the City by Jennifer Magaña, Esq., Director of Law and City Attorney.

## **TAX MATTERS**

The following is a summary of the material federal and State of Kansas income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

## **Opinion of Bond Counsel**

*Kansas Tax Exemption.* The interest on the Bonds is exempt from income taxation by the State of Kansas.

## **Other Tax Consequences**

*Interest Taxable.* Interest on the Bonds is included in gross income for federal income tax purposes.

Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

## **CUSIP NUMBERS**

Any CUSIP numbers for the Bonds included in this Official Statement are provided for the convenience of the owners of the Bonds and prospective investors. Baker Tilly Municipal Advisors will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Issuer. The CUSIP numbers for the Bonds have been assigned by an organization unaffiliated with the Issuer. The Issuer is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Bonds or as set forth in this Official Statement. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance of the Bonds.

## **VERIFICATION OF ESCROW**

The accuracy of the mathematical computations of: (a) the adequacy of cash and certain Escrowed Securities to be held by the Escrow Agent pursuant to the Escrow Agreement, together with the interest to be earned thereon, to pay the interest on the Bonds to and including the respective Refunded Bonds Redemption Dates, and to pay the principal of and premium, if any, due on the Refunded Bonds on the respective Refunded Bonds Redemption Date, and (b) certain yield calculations relating to the Bonds and the Escrowed Securities made in accordance with Code § 148, will be verified by Ritz & Associates PA, Bloomington, Minnesota. Such verification of the accuracy of such mathematical computations will be based upon information supplied by the Municipal Advisor and on interpretations of the Code provided by Bond Counsel.

## **MUNICIPAL ADVISOR**

The City has retained Baker Tilly Municipal Advisors, of Saint Paul, Minnesota and Kansas City, Missouri, as municipal advisor in connection with certain aspects of the issuance of the Notes. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **UNDERWRITING**

The Bonds have been sold at public sale by the Issuer to Piper Jaffray & Co., Chicago, Illinois (the "Original Purchaser") on the basis of lowest true interest cost. The Original Purchaser has agreed to purchase the Bonds at a price equal to the principal amount of the Bonds, plus accrued interest from the Dated Date to the Issue Date, plus a premium of \$33,261.85.

## **MISCELLANEOUS**

References herein to laws, rules, regulations, ordinances, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Official Statement, they

will be furnished on request. So far as any statements are made in this Official Statement involving matters of opinion, estimates, projections or forecasts, whether or not expressly stated as such, they are not to be construed as representations of fact. The information and expressions of opinion in this Official Statement are subject to change, and neither the delivery of this Official Statement nor any sale made hereunder shall create any implication that there has been no change in the affairs of the Issuer since the date hereof.

The agreement of the Issuer with the owners of the Bonds is fully set forth in the Bond Resolution, and neither any advertisement for the Bonds or this Official Statement is to be construed as constituting an agreement with any owner of the Bonds. A summary of the Bond Resolution is set forth in **APPENDIX E – SUMMARY OF FINANCING DOCUMENTS**; a complete copy is on file in the office of the City Clerk.

### **APPROVAL OF OFFICIAL STATEMENT**

This Official Statement, and the lawful distribution thereof, was duly approved by the City's Governing Body. Authorization to lawfully redistribute this Official Statement is hereby given, but this entire Official Statement, and not portions hereof, must be redistributed.

#### **CITY OF WICHITA, KANSAS**

By   
Jeff Longwell, Mayor

By:   
Shawn Henning, Director of Finance

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**C I T Y ■ O F**  
**W I C H I T A**

**APPENDIX A**

**CITY OF WICHITA, KANSAS**



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**C I T Y ■ O F  
W I C H I T A**



election. On February 10, 1989, Charter Ordinance 115 was adopted and provided for the five council member seats to be increased to six by subdividing the City into six districts based on the 1990 Census. The six council members and the Mayor serve four-year terms with the council members' terms being overlapping. The City Council and Mayor conduct all legislative functions for the City of Wichita and establish general policies, which are executed by the City Manager.

**Employees**

Total authorized positions for 2019<sup>3</sup> for the City of Wichita are as follows:

	Full-Time	Full-Time Equivalents
Total Employees	3,120	3,183

Kansas law prohibits strikes by public employees and provides procedures for the resolution of disputes. In the event an agreement cannot be reached between the City and a public employees union, an impasse is declared. Upon declaration of an impasse in the negotiations, the State’s Public Employee Relations Board appoints an independent arbitrator. The arbitrator’s recommendations are not binding upon the parties to the negotiations. All contracts must be approved by the City Council, and the City Council is authorized by statute to implement a unilateral contract.

**Medical Care**

First class medical care is the standard in Wichita’s medical community. Because of a heavy emphasis on research and training, Wichita emerged as a nationally recognized, state-of-the-art health care center. The Wichita MSA<sup>4</sup> (Metropolitan Statistical Area) boasts 18 acute care and freestanding specialty hospitals, providing the community with approximately 2,050 licensed beds. There are approximately 130 nursing homes and assisted living facilities, 1,400 physicians and 280 dentists in the five-county area<sup>5</sup>. In 2018, local hospitals employed 9,500 workers in the MSA, and the larger health care and social assistance industry employed 39,200 employees.<sup>6</sup> In addition, there are several research institutions in the area. Numerous health care and specialty clinics provide comprehensive patient care and same-day surgery. There are at least seven emergency centers in the Wichita area that provide medical care with no appointments and offer extended hours, including the freestanding Kansas Medical Center Emergency Department in northeast Wichita, which opened in early 2018. Several medical referral services and a complete 911 emergency medical service are available throughout Sedgwick County.

**Cultural and Recreational Facilities**

Wichita developed into a civic center with many cultural and recreational opportunities. The Riney Fine Arts Gallery, Edwin A. Ulrich Museum of Art, Mary R Koch Arts Center, and the Wichita Art Museum all house fine art collections. Quality theater groups, such as the Wichita Community Theatre, Music Theatre Wichita, Wichita Children’s Theatre and Dance Center, and Music Theatre for Young People, visit the Wichita stages throughout the year. Diverse museums, such as the Wichita-Sedgwick County Historical Museum, the Mid-America All-Indian Center, the Old Cowtown Museum, the Kansas Aviation Museum, the Museum of World Treasures, the Great Plains Transportation Museum, the Kansas Sports Hall of Fame, and the Kansas African American Museum, reveal their perspectives on the past.

Exploration Place, the Sedgwick County science and discovery center, hosts permanent and traveling exhibits, summer camps and Wichita Regional Science and Engineering Fairs, all of which encourage a deeper interest in science for all ages. The \$20 million Mary R Koch Arts Center, home of MARK Arts, opened in January 2018. The facility features an events center, gallery space for national exhibits, a sculpture garden, and spaces for studio artists and youths. Many of Wichita’s private air galleries participate in the city’s monthly Final Friday event, a gallery crawl throughout the city’s downtown featuring over two dozen locations. As the largest art museum in the state of Kansas, the Wichita Art Museum is in its 84<sup>th</sup> year of preserving, collecting, and promoting art. In January 2019, the museum received a \$1 million donation to continue to offer free Saturday admissions for the foreseeable future. The Sedgwick County Art Park opened in 2018 with several large-scale outdoor sculptures in Sedgwick County Park in northwestern Wichita.

Built in 1969, Century II celebrates its 50<sup>th</sup> year as Wichita’s downtown performing arts and convention headquarters in 2019; the facility contains a concert hall, convention hall, exhibition hall, and an expo hall. The 15,004 seat INTRUST Bank Arena is Wichita’s largest indoor arena since it opened in 2010, and is home to concerts and basketball, ice hockey and arena

<sup>3</sup>Source: City of Wichita 2019-2020 Adopted Budget, p. 324.

<sup>4</sup>The Wichita MSA is comprised of Butler, Harvey, Kingman, Sedgwick and Sumner counties. This metropolitan statistical area delineation was issued by The Office of Management and Budget in February 2013.

<sup>5</sup> Source: *Kansas Statistical Abstract* (2017), Section 17.

<sup>6</sup>Source: Kansas Department Of Labor, Current Employment Statistics data, November 2018. Employment number is for the five-county MSA.

football games. In Pollstar Magazine's 2018 Year End Top 200 Arena Rankings, INTRUST Bank Arena ranked as the 57<sup>th</sup> busiest arena in the United States based on tickets sold for shows that played in 2018, and in December 2018 the arena sold its three millionth ticket.<sup>7</sup> The 3,300 square foot, \$3.1 million Wave, Wichita's first dedicated outdoor performance venue, hosted its first concert September 1<sup>st</sup>, 2018 in Wichita's Old Town district.

Recreational opportunities abound in and around Wichita. Inside the city are 144 municipal parks and public open spaces covering more than 5,000 acres. Bike Share ICT expanded to offer bicycle rentals at more than 40 locations throughout the city in 2019. Botanica, the Wichita Gardens, is the city's living museum of plants and flowers. Construction is currently ongoing for a \$3 million pavilion and carousel restoration, which is expected to open at Botanica by September 2019. Sedgwick County Zoo is nationally acclaimed in natural habitat design and has become one of the top zoos in the world. The Sedgwick County Commission approved \$6 million for improvements for the zoo in January 2019, including a new entryway complex, administrative offices, and an expanded Amur Leopard habitat. The city also has outlying areas with open prairies and lakes, within minimal travel times.

Wichita is home to a number of professional and college sports teams, including the Wichita Thunder hockey team, the Wichita Force indoor football team, and the FC Wichita soccer team. The Wichita State Shockers men's college basketball program consistently attracts sell-out crowds to Charles Koch Arena and in 2017 joined the American Athletic Conference. The team qualified for the NCAA men's basketball tournament in each season from 2012 to 2018 and in 2019 reached the semi-finals of the National Invitational Tournament. The INTRUST Bank Arena hosted the first and second round NCAA men's basketball tournament games in 2018, with over 40,000 tickets sold, and the Arena is scheduled to host NCAA men's basketball tournament games again in 2021. The Arena will also be one of four hosts for the Regional Round of the NCAA women's basketball tournament in 2022, the first time Wichita has been selected for an advanced round of the tournament.

The Baby Cakes, a Triple-A minor league affiliate of the Miami Marlins, will move to Wichita for the 2020 baseball season. The city will construct a new \$75 million baseball stadium at the location of the old Lawrence-Dumont Stadium, in addition to a \$6 million pedestrian bridge to connect the stadium area to the east side of the Arkansas River. Four acres around the new stadium will be developed by the team's owners into a commercial area supporting the stadium. The twin-sheet ice skating arena, Wichita Ice Center, is available for public skating, as well as figure skating, hockey lessons, and league play. Wichita has four city-owned golf courses, two other golf courses for public play and four membership-only courses.

Water sports and fishing are available on two federal reservoirs and one county lake that are within 30 minutes of Wichita. Additionally, eighteen recreational areas are within a 200-mile radius of the city. Because Wichita lies within the central waterfowl flyway, huge flocks of waterfowl are a common sight in our area during the spring and fall. Deer, pheasant, quail, wild turkey, and ducks are just a few examples of wild game available in the area.

### **Public Air Transportation**

Wichita Dwight D. Eisenhower National Airport (formerly Wichita Mid-Continent Airport), the largest commercial air carrier and general aviation complex in Kansas, provides accommodations for all aircraft. Dwight D. Eisenhower National Airport's campus of 3,300 acres is home to more than 65 tenants including air cargo; general aviation businesses; airport concessions (restaurants, hotel, ground transportation); rental car companies; fixed-base operators; corporate hangars; government, including control tower, weather services, Federal Aviation Administration, and the Transportation Security Administration; and two aircraft manufacturers.

Col. James Jabara Airport, a general aviation airport, consists of 855 acres and includes a 6,100-foot runway, an instrument landing system, associated taxiways and aprons, four corporate hangars, as well as a first-class fixed base operation complete with T-hangar storage. Midwest Corporate Aviation announced plans to build two additional hangars at Jabara in 2019, with an expected cost of \$2.8 million, and Clemens Aviation expects to break ground in 2019 at Jabara on a new \$9 million full-service fixed base operation.

Jabara is also home to the National Center for Aviation Training (NCAT), which is located just north of the airport's campus. NCAT is a first-rate training facility focusing on general aviation manufacturing and aircraft and power plant mechanics. NCAT was made possible by the following funding sources: Sedgwick County, the State of Kansas, the U.S. Economic Development Association, the U.S. Small Business Administration, and the U.S. Department of Housing & Urban Development. Wichita State University's Campus of Applied Sciences and Technology (formerly Wichita Area Technical College) serves as the managing partner for the Center, collaborating with Wichita State University's National Institute for Aviation Research (NIAR), to provide industry-driven training courses.

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<sup>7</sup>INTRUST Bank Arena Ranked as 57<sup>th</sup> Busiest Arena in the U.S. in Year End Rankings, [http://www.intrustbankarena.com/arena\\_info/media\\_center/news?r=7718](http://www.intrustbankarena.com/arena_info/media_center/news?r=7718)

Passenger service in Wichita is available through the following airlines – Alaska Airlines, Allegiant Air, American Airlines, Delta Air Lines, Frontier Airlines, Southwest Airlines and United Airlines. In August 2018, Frontier Airlines became the seventh airline offering service to Wichita with flights from Wichita to Denver. In June 2019, Allegiant Air began offering flights from Wichita to Destin/Fort Walton Beach, Florida, further expanding the direct flight options from Eisenhower National Airport. Four major carriers, DHL, Federal Express, UPS Supply Chain Solutions, and UPS, provide cargo service.

General aviation is served by specialized retailers who provide aircraft related accessories, service, rental, storage and flight training. Since its inception, the Wichita Airport System, consisting of both Dwight D. Eisenhower National Airport and Colonel James Jabara Airport, has been operated and developed without local tax support.

In 2017, Burns & McDonnell Engineering Company, with assistance from CDM Smith, completed the *Kansas Aviation Economic Impact Study Update* for the Kansas Department of Transportation’s Division of Aviation. The study estimated, for 2015, the total employment impact of the Wichita Dwight D. Eisenhower National Airport and Col. James Jabara Airport was 21,631 workers, with a total payroll of approximately \$1.25 billion. The total economic activity (direct, indirect, and induced) related to on-airport activities, visitor spending, and payroll spending were estimated to total more than \$5.2 billion.

On June 3<sup>rd</sup>, 2015, Wichita Eisenhower National Airport opened a new \$160 million terminal, and it has served more than 4.6 million passengers in its first three years of operation. The 273,000 square foot state-of-the-art facility modernized the airport and allows for easy continued expansion for air service in Wichita, with capabilities of accommodating over 2 million passengers annually. In 2019, the airport received two federal grants totaling more than \$15 million to help fund the preservation of and replacement of the airport’s longest runway, which should help extend the life of the runway an additional 15 years.

The local share of financing major airport improvements has been derived from the sale of general obligation bonds and passenger facility charges. These bonds have either been retired or are currently being repaid from airport revenues. Federal grants, general obligation bonds, and passenger facility charges, along with airport revenues, will finance the majority of planned improvements.

### **Military Installations**

McConnell Air Force Base borders southeast Wichita. The host unit is the 22nd Air Refueling Wing flying KC-135 Stratotankers, supporting worldwide air-to-air refueling and airlift. McConnell is a total force base, housing tenant units, which include the Air Force Reserve’s 931st Air Refueling Group and the Air National Guard’s 184th Intelligence Wing. McConnell has 2,898 active-duty personnel, and total force strength of 6,342 active, guard, reserve and civilian personnel. The total impact of McConnell Air Force Base on the local economy in fiscal year 2018 was \$617.2 million within a 50-mile radius of the base, a 5.3 percent increase from 2017.<sup>8</sup> After being selected in 2014 as the first active duty KC-46A Pegasus main operating base and \$267 million in facility upgrades, McConnell received its first two KC-46A Pegasus aircraft in January 2019<sup>9</sup>. McConnell will eventually be the operating base to 36 KC-46A planes, which will replace the current KC-135 Stratotankers. The base is hiring more than 400 additional workers over the next several years to support the KC-46A aircraft, increasing the size of the refueling wing from 750 to 1,200 personnel<sup>10</sup>. As of May 2019, the base received its first six of the scheduled 36 KC-46A refueling craft and completed the Air Force’s first operational refueling using a KC-46A aircraft on May 7<sup>th</sup>, 2019<sup>11</sup>. The Friends of McConnell community support group received the 2017 Abilene Trophy, a national award for the community that provides the strongest support to its Air Force Base.<sup>12</sup>

### **Education Institutions**

The City of Wichita is served by eight unified school districts (USDs). USD 259 Wichita Public Schools, the largest district in the area, operates approximately 85 schools, including elementary, middle and high schools, as well as alternative, magnet, and special schools. Enrollment declined 0.9 percent at USD 259, Wichita Public Schools in the fall 2018 to 49,953 students, primarily due to a small decrease in the number of elementary school students, while middle school and high school enrollment remained flat. Since 2008, USD 259’s total enrollment increased by 2.1 percent.

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<sup>8</sup>Source: McCoy, Daniel. “McConnell Air Force Base Economic Impact Increased in 2018”, *Wichita Business Journal*, January 16, 2019.

<sup>9</sup> Source: McCoy, Daniel. “McConnell Air Force Base to receive first Boeing tanker January 25”, *Wichita Business Journal*, January 15, 2019.

<sup>10</sup> Source: Younger, Emily, “McConnell hiring 400 employees to support KC-46A tanker”, September 4, 2018. <https://www.ksn.com/news/local/mcconnell-hiring-400-employees-to-support-kc-46-tanker/1418332074>.

<sup>11</sup> Source: Everstine, Brian. “Boeing Delivers Three More KC-46As, USAF Fleet Now at 11”, May 20<sup>th</sup> 2019. <http://www.airforcemag.com/Features/Pages/2019/May%202019/Boeing-Delivers-Three-More-KC-46s-USAF-Fleet-Now-at-11.aspx>

<sup>12</sup> Source: Alanis, Kaitlyn. “Friends of McConnell gets national award for support of air base”, *Wichita Eagle*, May 28, 2017. <http://www.kansas.com/news/local/article153168444.html>

In addition to the public schools, there are dozens of private and parochial schools serving preschool through high school students, as well as those needing special education. Post-secondary educational opportunities abound, including numerous private and public technical education institutions.

Twelve colleges and universities in the local area serve Wichita, including Wichita State University, University of Kansas School of Medicine, Friends University, and Newman University. As of July 1<sup>st</sup>, 2018, Wichita Area Technical College became the Wichita State University Campus of Applied Sciences and Technology, a formalization of the partnership between two campuses. Wichita State University’s enrollment increased to 15,784 students in fall 2018, and for the second straight year recorded their largest ever freshman class. Wichita State University is currently constructing several new buildings as part of their new “Innovation Campus” initiative, with a new focus on technology transfer, licensing and start-ups. The university completed construction on several new buildings in the Innovation Campus, including the Experiential Engineering building, the Airbus partnership building, a new apartment complex, and the Wichita-Sedgwick County Law Enforcement Training Center in 2017, along with a second partnership building, two retail buildings, and an experiential learning elementary school in 2018. A new university YMCA building is currently under construction on the Innovation Campus and is expected to open in 2020, and construction is expected to begin in 2020 for the new \$50 million business school building. Future construction plans include six additional business partnership building, which will provide students with unique learning experiences, collaborating with firms partnered on campus.

#### ENROLLMENT FIGURES

School Year	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
<b>USD 259<sup>13</sup></b>						
High School	13,121	13,128	13,013	13,113	13,002	12,809
Middle School	10,528	10,351	10,167	10,138	10,171	10,345
Elementary	25,739	26,365	26,883	27,048	26,982	26,856
Non-Graded	565	572	503	689	817	739
Total	49,953	50,416	50,566	50,988	50,972	50,749
<b>PAROCHIAL<sup>14</sup></b>						
Total	8,056	8,127	8,152	8,201	8,135	8,116
<b>UNIVERSITIES<sup>15</sup></b>						
Wichita State University	15,784	15,081	14,474	14,495	15,003	14,550
Friends University	1,628	1,762	2,100	2,032	2,800	2,178
Newman University	3,373	3,378	3,170	3,595	3,687	3,736

### Growth

Increases in land area and in the number and size of manufacturing firms have contributed to the City's growth. This growth is reflected in annexations which have increased the City's total land area from 22 square miles in 1940, to 165 square miles in 2019. World War II, with its enormous demand for aircraft production, brought about a 50 percent increase in the City's population. Continued diversification of industry since then, mixed with abundant resources and a skilled labor force, contribute to economic growth in the area.

### Demographic Trends

The metropolitan statistical area (MSA) includes Butler, Harvey, Kingman, Sedgwick and Sumner counties.<sup>16</sup> Its 2018 population totaled 644,888.<sup>17</sup> Sedgwick County represents 79.6 percent of the area's population with an estimated 513,607 residents in 2018.<sup>18</sup> Since 2010, the Wichita MSA’s population grew 2.1 percent, while Sedgwick County grew 2.9 percent. While these growth rates are slower than the national average, both the metropolitan area and the county grew more rapidly than average for the state of Kansas.

<sup>13</sup>Fall enrollment numbers from USD 259. Elementary includes grades K through 5, middle school includes grades 6 through 8 and high school includes grades 9 through 12.

<sup>14</sup>Parochial fall enrollment figures furnished by the Catholic School Office (7,148 for all of Sedgwick County, excluding Pre-K, and 908 for Wichita Collegiate School, including two years old through high school in 2018).

<sup>15</sup>Fall enrollment numbers.

<sup>16</sup>This metropolitan statistical area delineation was issued by The Office of Management and Budget in February 2013. At that time Kingman County was added to the Wichita MSA.

<sup>17</sup>Source: U.S. Census Bureau, 2018 Metropolitan Statistical Area Population Estimates.

<sup>18</sup>Source: U.S. Census Bureau, 2018 County Population Estimates.

International migration contributed to the Wichita metropolitan area's growth in recent years, with positive net international migration of over 8,100 individuals since 2010<sup>19</sup>. In 2017, 16.8 percent of Wichita residents moved to a new residence, and 6.2 percent moved to Wichita from a different county, state, or country<sup>20</sup>.

While the city's population has increased, the city's population density decreased by nearly 50 percent in the past few decades as increases to the geographic size of the city outpaced population growth. Today there are approximately 2,352 persons per square mile in Wichita, compared to 4,625 per square mile in 1960 when density within the city limits peaked. In recent years, the majority of the population and housing growth occurred along the far west/northwest and far east/northeast peripheries of the city, and into the unincorporated portions of the county, and these growth trends are expected to continue.

The racial and ethnic composition of Wichita's population is comparable to that of the nation, with an age distribution younger than the U.S. population as a whole. The median age in the City of Wichita is 35.9 years, younger than the five-county Wichita metropolitan area's median age of 36.1 years and the nation's 38.1 years. Among the City of Wichita's population 25 years and over, 88.7 percent are high school graduates and 30.6 percent have a bachelor's degree or higher.<sup>21</sup>

In 2017, median household income was estimated to be \$54,432 for the Wichita MSA, with approximately 9.9 percent of families living in poverty.

### Population Growth Trends

Year	City of Wichita	Percentage Change	Sedgwick County	Percentage Change
1950	168,300	46.4%	222,300	55.1%
1960	254,700	51.3%	343,200	54.4%
1970	276,600	8.6%	350,700	2.2%
1980	279,300	1.0%	367,100	4.7%
1990	304,000	8.8%	403,700	10.0%
2000	344,300	13.3%	452,900	12.2%
2010	382,368	11.1%	498,365	10.0%

Source: U.S. Bureau of the Census, *Population of the 100 Largest Cities and Other Urban Places in the United States: 1790 to 1990*, Working Population Paper No. 27, 2000 and 2010 population counts from the respective decennial census.

### Age Distribution

	City of Wichita	Percent of Total	Sedgwick County	Percent of Total	Wichita MSA*	Percent of Total
Under 5 years	27,788	7.1%	36,324	7.1%	44,986	7.0%
Age 5 to 9	29,667	7.6%	39,336	7.7%	47,892	7.4%
Age 10 to 14	23,862	6.1%	35,093	6.8%	46,707	7.2%
Age 15 to 19	23,518	6.0%	33,573	6.5%	43,753	6.8%
Age 20 to 24	29,106	7.5%	35,150	6.8%	42,414	6.6%
Age 25 to 29	29,537	7.6%	39,035	7.6%	46,188	7.1%
Age 30 to 34	27,483	7.0%	35,221	6.9%	42,707	6.6%
Age 35 to 39	24,809	6.4%	32,381	6.3%	38,355	5.9%
Age 40 to 44	21,778	5.6%	30,832	6.0%	40,050	6.2%
Age 45 to 49	22,209	5.7%	28,823	5.6%	36,722	5.7%
Age 50 to 54	22,965	5.9%	30,778	6.0%	38,786	6.0%
Age 55 to 59	25,998	6.7%	33,692	6.6%	43,378	6.7%
Age 60 to 64	24,546	6.3%	31,436	6.1%	40,060	6.2%
Age 65 to 69	18,888	4.8%	23,227	4.5%	29,542	4.6%
Age 70 to 74	15,050	3.9%	19,011	3.7%	25,157	3.9%
Age 75 to 79	8,850	2.3%	11,629	2.3%	14,516	2.2%
Age 80 to 84	7,677	2.0%	9,662	1.9%	13,022	2.0%

<sup>19</sup>Source: U.S. Census Bureau, 2017 Metropolitan Statistical Area Population Estimates.

<sup>20</sup>Source: U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates.

<sup>21</sup>Source: U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates.

Age 85 and older	6,868	1.8%	8,484	1.7%	12,307	1.9%
Total population all ages	390,599	100.0%	513,687	100.0%	646,542	100.0%
Median Age (years)	35.9		35.5		36.1	

Source: U.S. Census Bureau, 2017 American Community Survey 1-Year Estimates. Columns may not sum to totals due to rounding.

\*The Wichita MSA includes Butler, Harvey, Kingman, Sedgwick and Sumner counties. In February 2013, Kingman County was added to the Wichita MSA.

### **Local Industry**

Wichita is a manufacturing city with a diverse economic base and growing service sector. The approximately 670 Wichita metropolitan area manufacturers<sup>22</sup> produce a wide variety of products from computers to aircraft. Approximately 80 percent of all manufacturing establishments are small firms employing fewer than 50 workers, while 11 Wichita area manufacturing establishments employ greater than 500 employees.<sup>23</sup> Manufacturing employees comprised 17.9 percent of total employment in the metropolitan area in 2018, compared to 8.5 percent nationally. Local aircraft manufacturers are among the largest employers in Wichita and combine to produce a significant number of the world's general aviation and commercial aircraft. Service-related firms, particularly regional health care and professional service firms, are also important contributors to Wichita's long-term growth. Private service sector employment, excluding the trade and transportation sectors, comprises 45.6 percent of total Wichita employment, and the share grew consistently since the early 2000s as the Wichita economy diversified. These strengths, combined with a skilled labor force and the City's central location, establish Wichita's prominence as a regional market.

### **Largest Detailed Industries by Employment: Wichita Metro Area<sup>24</sup>**

<b>Industry</b>	<b>Annual Average 2017</b>	<b>Annual Average 2018</b>	<b>Percent of 2018</b>
Total employment, all industries	288,861	292,252	100.0%
Local government	29,764	29,929	10.2%
Transportation equipment manufacturing	27,401	28,705	9.8%
Food services and drinking places	24,288	24,544	8.3%
Administrative and support services	17,481	17,494	6.7%
Ambulatory health care services	13,535	14,304	4.9%
Professional and technical services	11,320	11,301	3.9%
Specialty trade contractors	9,990	10,104	3.5%
Hospitals	9,684	9,557	3.3%
General merchandise stores	6,651	(Suppressed Data)	(Suppressed Data)
Machinery manufacturing	6,086	6,065	2.1%

<sup>22</sup>Source: U.S. Department of Commerce, Bureau of the Census, "2016 MSA Business Patterns, NAICS."

<sup>23</sup>Source: U.S. Department of Commerce, Bureau of the Census, "2016 MSA Business Patterns, NAICS."

<sup>24</sup>Source: U.S. Bureau of Labor Statistics, Quarterly Census of Employment and Wages, total employment includes private industry and government, by 3 digit NAICS code for industry classification.

## **Largest Employers Wichita Metro Area**<sup>25</sup>

Company	Full-Time Employees
Spirit AeroSystems, Inc	12,000
Textron Aviation	9,000
McConnell Air Force Base	6,689
USD 259 Wichita	5,516
State of Kansas	4,373
Via Christi Health	3,856
City of Wichita	3,255
Koch Industries	3,200
U.S. Government	2,738
Sedgwick County	2,496

## **Goods-Producing Industries**

### ***Aircraft Manufacturing***

Wichita has a rich history in aviation and one of the highest concentrations of aircraft manufacturing in the world. The local aircraft companies are a diversified mix between military, commercial and general aviation products and services, which are supported by divisions specializing in research and development, new production, modernization (refurbishing), training, subcontract work and computer services. In 2017, the Wichita metropolitan area had a location quotient of 28.27 for aerospace product and parts manufacturing employment, indicating an aerospace manufacturing cluster in the Wichita area more than 28 times as concentrated as the national average.

### ***Agriculture***

The *South Central Kansas Farm, Crop, and Livestock District*, which includes Wichita, lies in the heart of the winter wheat belt. In 2017, Kansas ranked second in the nation in wheat exports, with a value of approximately \$970 million. The state also ranked third in beef and veal exports, as well as fourth in exports of hides and skins, for a total value of approximately \$1.08 billion. Kansas exported more than \$1.3 billion in animal products and \$3.4 billion in crops, ranking seventh in the nation for overall agricultural exports.<sup>26</sup> By virtue of being Kansas' largest city and transportation hub, Wichita plays an important role in the agricultural and agri-related business sector, including being the home of Cargill's Protein Group headquarters.

### ***Petroleum***

Wichita is located near the center of the mid-continent petroleum field. Even though the petroleum industry is a small portion of the total economy, Wichita is the headquarters for several companies engaged in oil and natural gas production and industrial oil and grease manufacturing. Koch Industries, one of the largest privately held companies in the United States, performs a variety of petroleum-related manufacturing and transportation activities throughout the world from its Wichita headquarters.

## **Economic Outlook**<sup>27</sup>

### ***Introduction***<sup>28</sup>

Employment in Wichita and the rest of the United States experienced moderate growth during the expansion following the 2008 recession. In 2018, growth accelerated with 3,500 new jobs added to the local economy. Job gains were the largest in the service and production sectors, with the manufacturing sector growing its fastest rate in more than a decade.

Wichita's employment growth, with the exception of 2017, ranged between 0.5 and 1 percent annually since 2012, and 2018 growth exceeded that range, with 1.2 percent growth. In 2019, Wichita's total nonfarm employment is expected to continue that trend with 0.9 percent growth, which will add more than 2,700 new jobs to the local economy. Growth is projected to be broad-based, with gains in the production, service and governmental sectors. The production sector is projected to add approximately 1,300 jobs, with more than 1,000 of those expected to be in the manufacturing sector. The service sector is forecast to add more than 1,300 new jobs, while employment the trade, transportation, and utilities sector is expected to

<sup>25</sup>Source: "Largest Employers in the Wichita Area", Wichita Business Journal, July 5, 2018.

<sup>26</sup>Source: U.S. Agricultural Exports, Commodity Detail by State, U.S. Department of Agriculture, Economic Research Service.

<sup>27</sup>Sources: Wichita State University, W. Frank Barton School of Business, Center for Economic Development and Business Research. See their Kansas economic data website at <http://www.kansaseconomy.org> for the latest economic indicators.

<sup>28</sup>Throughout this section, unless otherwise noted, the data presented are for the Wichita MSA (Metropolitan Statistical Area), which includes Butler, Harvey, Kingman, Sedgwick and Sumner counties.

decline 0.6 percent. The governmental sector is expected to add more than 400 new jobs, primarily in the local government sector.

## ***Economic Indicators***

### **Wichita GDP and Exports**

After growth of 5.5 percent in 2015 and 3.8 percent in 2016, the Wichita metropolitan area's real gross domestic product (GDP) declined 1.4 percent in 2017. From 2015 to 2017, the nondurable manufacturing sector expanded almost \$900 million, the largest GDP growth of any Wichita industry. The largest decline over this period was in the professional services sector, which declined \$167 billion in 2016 and then grew \$3.4 billion in 2017. Since 2009, the Wichita metropolitan area averaged annual real GDP growth of 1.8 percent.

In 2017, Wichita's real exports totaled \$6.2 billion, an increase of \$400 million since 2003. Exports comprised 19.9 percent of total Wichita GDP, the third highest share of any major metropolitan area in the United States, a sign of Wichita's interconnectedness with the global economy. Almost 15,000 jobs are directly supported by exports in the Wichita area, along with another almost 19,000 jobs indirectly supported by exports<sup>29</sup>.

### **Retail Sales and Cost of Living**

Nominal taxable retail sales in the Wichita area grew 2.5 percent in 2018, returning to their growth trend in recent years following a modest decline in 2017. In recent years, growth in local retail sales has lagged behind growth in personal income locally, likely due in part to the increasing prevalence of online retail sales, which grew from 4 percent to 9.7 percent of all retail sales nationally from 2009 to 2018<sup>30</sup>. Nominal retail sales for the Wichita area are projected to increase 1.1 percent in 2019.

The cost of living index for Wichita for 2018 was 90.5, which was 9.5 percent below the average of the 270 major United States metropolitan areas surveyed, ranking 76<sup>th</sup> lowest in the nation. Inexpensive housing continued to be the primary reason for Wichita's modest cost of living, with housing costs more than 30 percent below average, while inexpensive grocery and health care costs also contributed to Wichita's low cost of living.<sup>31</sup>

### **Consumer Confidence and Local Indices**

Both nationally and locally, economic indices indicated an improving economy for the past several years. Following the 2008 recession, the national Index of Consumer Confidence was on a consistent upward trend from 2010 through 2019. The index increased by 5.1 points from May 2018 to May 2019, reaching its highest value since 2000. Similarly, the national University of Michigan Consumer Sentiment Index has continued to increase, and in 2018 it reached its highest level since 1999, at 98.4 index points. This marked an increase of 1.8 index points as compared to 2017, and a 30.6 index point increase as compared to 2008, its lowest value during the recession.

Locally, CEDBR's Wichita Current Index continues to improve. The index annual average increased 1.1 index points from 2017 to 2018, due to improvement in total employment, the unemployment rate, and average earnings, three of the four index components. In September 2018, the index reached its highest level since 2009 as the Wichita economy continues to expand.<sup>32</sup>

The CEDBR Wichita Leading Index averaged 96.6 in 2018, an increase of 1.2 index points relative to 2017, which indicates the expectation of continued economic growth in the area. The index reached 97.7 index points in September 2018, the index's highest level since July 2008. Increases in the National Industrial Production Index and the International Index have been drivers in the index's overall growth.

In the first quarter of 2019, Wichita's Misery Index declined 1.2 index points compared to one year early to 3.0 index points, an indication of substantially reduced economic misery in the Wichita area. The Misery Index measures the economic misery caused by high housing prices, inflation and unemployment rates, with lower index values indicating less misery caused by these factors. Wichita outperformed the nation on the Misery Index for every year since 2006, reflective of the inexpensive housing and low unemployment in the area. Wichita's Misery Index value was 0.17 index points lower than the national average in the first quarter of 2019.

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<sup>29</sup> Brookings Institution, Export Monitor 2018, <https://www.brookings.edu/research/export-nation-2018/>.

<sup>30</sup> Source: U.S. Census Bureau, Quarterly Retail E-Commerce Sales.

<sup>31</sup> Source: C2ER, ACCRA Cost of Living Index, 2017 Annual Average.

<sup>32</sup> Source: CEDBR Local Indices, <http://kansaseconomy.org/local-indices>

### ***Business Establishment Growth***

Following the 2008 recession, the number of business establishments in the Wichita MSA declined and reached its post-recession nadir in 2011 with 14,404 establishments. Since 2011, the number of business establishments in the Wichita MSA grew 3.8 percent through 2016. In 2016 alone, the number of establishments increased by almost 300, the largest one year increase since 2005, with the fastest growth among establishments with 1 to 4 employees and 50 to 99 employees. Wichita MSA business establishment growth exceeded the national average in 2016, despite slower than average population growth for Wichita in 2016.<sup>33</sup>

Since 2011, Wichita experienced employment growth among firms of all sizes, with the largest employment growth concentrated in firms with 500 or more employees and firms with 50 to 249 employees, which grew 7.6 percent and 4 percent, respectively, through 2017. Similar to national trends, the majority of Wichita's employment growth is from firms with over 500 employees.<sup>34</sup>

Looking at business firms by their age, since 2011 employment growth in Wichita was typically driven by older, established firms that are 11 years old or older, similar to national trends. In 2017, Wichita experienced a large increase in employment at firms aged four or five years and a corresponding similarly sized decrease in employment at firms aged 11 years or more.<sup>35</sup>

### ***Labor Market***

#### **Employment**

After the 2008 recession, the Wichita MSA's unemployment rate peaked in 2010 at 8.6 percent. The unemployment rate consistently declined in the Wichita MSA since, reaching 3.7 percent in 2018, the lowest unemployment rate for the metro area since 1999. The MSA's unemployment rate has been lower than the national average since 2006, while the City of Wichita's rate has been more in line with the national average in recent years. The City of Wichita's unemployment rate peaked at 9.5 percent in 2010, and it followed a similar pattern, declining consistently over the past eight years to a low of 3.9 percent in 2018, its lowest level in 20 years.

The total civilian labor force in 2018 for the five-county Wichita MSA was 309,599 people. Of that total, 298,102 were employed. In the city of Wichita, the total civilian labor force in 2018 numbered 186,675, with 179,377 employed.

Since 2010, annual new hires increased by 25.1 percent through 2017 as hiring recovered from its recessionary lows. In the second quarter of 2018, hires increased 5.3 percent relative to one year earlier, the highest level of hiring in a single quarter in the Wichita area since 2008. Following the recession, job destruction at the firm level declined and through 2017 remained near its post-recession low, while job separations and transitions have increased in the area, an indication of a robust and tightening local labor market.<sup>36</sup>

#### **Wages & Hours Worked**

Total nominal wages in the Wichita MSA grew, on average, 2 to 3 percent each year from 2011 to 2015 following the recession. After flat wage growth in 2016 and 2017, total wages grew 4.4 percent in 2018, the fastest annual wage growth in the area since 2007.

The average weekly hours worked in the Wichita area typically exceeded the national average. Private-industry average weekly hours worked of all employees increased 0.5 hours in 2017, relative to 2016, to 34.8 hours worked per week, and increased an additional 0.5 hours per week in 2018, to 35.3 weekly hours worked. The weekly hours worked by production workers in Wichita's manufacturing sector averaged 42.4 hours per week in 2018. This was a 1.0 hour per week decline in the sector, which added 1,100 new jobs in 2018, but Wichita's manufacturing production hours worked remained 0.3 hours per week higher than the national average. Increasing hours worked per employee is a sign of increased labor utilization within the overall Wichita economy, while the manufacturing sector increased labor utilization in 2018 through increased hiring.

#### **Commuting Patterns**

In 2017, approximately 56,500 workers commuted into the City of Wichita, primarily residents from elsewhere in the Wichita MSA, while approximately 35,000 employed residents of the city commuted out to work outside of the city. This makes the City of Wichita a net importer of labor from the surrounding communities, a sign of Wichita's status as a regional economic and commercial hub. Approximately 80.9 percent of employed City of Wichita residents worked in the city, while 19.1

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<sup>33</sup> Source: U.S. Census Bureau, 2016 County Business Patterns.

<sup>34</sup> Source: U.S. Census Bureau, 2017 Quarterly Workforce Indicators Data.

<sup>35</sup> Source: U.S. Census Bureau, 2017 Quarterly Workforce Indicators Data.

<sup>36</sup> Source: U.S. Census Bureau, 2017 Quarterly Workforce Indicators Data.

percent worked outside of the city, the vast majority of which worked elsewhere in the Wichita MSA. The average travel time to work for Wichita residents was only 17.9 minutes, considerably shorter than the national average commute time of 26.9 minutes, which is a sign of the ease of travel throughout the city.

### ***Housing and Construction***

The value of total building permits in Wichita increased each year from 2012 to 2018. The real value of non-residential permits increased 12 percent in 2018, following a 117 percent increase in 2017. The real value of residential permits increased 3.2 percent in 2018, leading to overall growth in the real value of building permits of 10 percent. The Center for Economic Development and Business Research (CEDBR) projects that, in 2019, the real value of residential permits will increase by 4.4 percent, while the real value of non-residential permits will increase 25.7 percent.

Both home prices and home sales increased in Wichita since 2014, indicating increased demand for housing in the area. Stanley Longhofer, director of the Wichita State University Center for Real Estate, forecasts accelerating home construction in 2018 and 2019, with increases of 7.7 and 11.6 percent, respectively. Total home sales are expected to increase 1.4 percent in 2019 with projected 4.6 percent appreciation in home values.<sup>37</sup> High demand has continued in the commercial real estate market as well. The office vacancy rate declined to 17 percent in the fourth quarter of 2018, a decline of 2.6 percentage points relative to one year earlier, as rents continued to increase. Vacancy rates also declined year-over-year in the retail and industrial sectors to 10.9 percent and 5.7 percent, respectively, in the fourth quarter of 2018, as net absorption increased in both sectors<sup>38</sup>.

In addition to increasing home prices and increasing absorption of new commercial space, major projects are underway to continue revitalizing the downtown area. After 14 months of construction, the 190,000 square foot Cargill Protein Group Headquarters in downtown Wichita was completed in December 2018 with a final cost of approximately \$70 million. The facility was home to approximately 800 employees when completed and has room to house up to 950 workers. In May 2019, Fidelity Bank announced a planned \$51 million renovation to its downtown Wichita headquarters building to allow for future expansion of the local workforce, with completion expected in 2023. A new \$75 million baseball stadium is currently under construction in the Delano District, which is expected to be completed by 2020. The \$30 million second phase of the Union Station renovation projected completed in May 2019, which transformed the primary Union Station terminal into 150,000 square feet of office space. The third phase, to be completed in 2020, will add additional parking and an additional 30,000 square foot building to the complex, with investment after all three phases totaling more than \$50 million.

Along with major commercial and recreational projects, downtown Wichita's residential offerings continue to expand. River Vista, a \$38.4 million 202-unit downtown residential development, began leasing apartments in April 2018, and the 41-unit Spaghetti Works Apartments opened in February 2019 in the old Spaghetti Works building. Additional apartments and condos are currently under construction downtown, including the 110 apartment unit Market Centre building, scheduled to be completed in late 2019. The new \$33 million Central Library and Advanced Learning Center downtown held its grand opening in June of 2018.

Since 2011, employment in the natural resources, mining, and construction sector expanded by 14.4 percent, including the addition of 400 new jobs in 2018, and in 2019 the sector's employment is expected to grow by more than 200 new jobs for 1.6 percent growth.

### ***Manufacturing***

The manufacturing sector is the largest major industry sector in the Wichita economy in terms of both employment and GDP, employing approximately 17.9 percent of Wichita workers in 2018 and comprising 26.1 percent of Wichita GDP as of 2017. Approximately 83.6 percent of those workers manufacture durable goods, with aerospace products and parts being the largest component of the durable goods manufactured. Aerospace products and parts jobs represent approximately 53.6 percent of all manufacturing jobs in the Wichita area.

The manufacturing sector in the United States lost approximately 1.7 million jobs between 2008 and 2011, for a 12.5 percent decline. During that same period, the Wichita MSA lost 15,300 manufacturing jobs, for a 22.7 percent decline. Since 2011, employment in the non-aerospace portion of Wichita's manufacturing sector grew 12.2 percent, including 500 new jobs added in 2018. Aerospace employment manufacturing employment increased in Wichita by 1,300 workers in 2018, the first significant employment increase in the sub-sector since 2008. Overall, 2018 was the single fastest-growing year for Wichita manufacturing since 2008, with broad growth across manufacturing sub-sectors.

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<sup>37</sup> Longhofer, Stanley, 2019 Kansas Housing Markets Forecast: Wichita Housing Forecast, Center for Real Estate, W. Frank Barton School of Business, Wichita State University.

<sup>38</sup>Source: NAIMartens, *Q32018 Wichita Market Update*.

While aerospace manufacturing remains the largest single component of manufacturing in Wichita, the area's manufacturing base diversified in recent years, with increases in employment in both non-durable and non-aerospace durable manufacturing employment since 2010. The machinery manufacturing sector expanded by 27.1 percent over this period, and the non-durable sector has grown 17.6 in that time, including 500 new jobs in 2018.

Wichita's largest manufacturers continue to be optimistic about the future, which is reflected both in their planned production expansions and projected increases in employment levels. CEDBR's Aerospace Index, a measure of national conditions in the aerospace manufacturing industry, rose 3.4 index points in 2018 to its highest recorded level, indicating increased activity in the industry. In December 2017, Spirit AeroSystems announced plans to add over 1,000 workers to their Wichita facilities spend over \$1 billion on new capital improvements to its Wichita facilities. In December 2018, the company announced they exceeded their hiring goals for 2018 and plan to hire an additional 1,400 workers in Wichita in 2019, for a total expansion of their workforce from 11,000 in 2017 to 13,400 by the end of 2019. Bombardier moved interior and flight testing work on their Global 5000 jet to Wichita from Canada in 2018, creating approximately 100 new jobs in the area, and in May 2019 announced that its Wichita plant would become part of Bombardier Aviation as part of a restructuring within Bombardier. Textron Aviation announced plans to hire 1,000 new employees at their Wichita facilities after the company increased deliveries of jet and turboprop planes by 35 percent in the first quarter of 2019. The company plans to begin delivering their new Cessna Citation Longitude super-midsize business jet, which is manufactured in Wichita, in the third quarter 2019. Cargill opened their new \$90 million biodiesel plant in early 2019, expanding their Wichita facilities.

Building on the broad-based growth in the manufacturing sector in 2018, employment in the sector is forecast to grow 1.9 percent in 2019, adding more than 1,000 new jobs.

### ***Trade, Transportation, and Utilities***

Employment declined by 700 jobs in the trade, transportation, and utilities sector in 2018, with declines in the wholesale trade and retail trade sectors partially offset by growth in the transportation and utilities sector. Retail trade had the largest job losses, with 600 jobs lost, while wholesale trade declined by 300 jobs and the transportation and utilities sector gained 300 jobs in 2018. Nominal taxable retail sales were a bright spot in the sector in 2018, increasing 2.6 percent after sales remained flat in 2016 and 2017, and growth is expected to continue in 2019 at 1.1 percent, providing some optimism for the sector. In 2019, the trade, transportation, and utilities sector is projected to decline by approximately 300 jobs, with modest growth in the wholesale trade sector and transportation and utilities sector overshadowed by continued declines in retail trade.

Both the city's retail options and total retail space continue to expand, with both construction on the periphery and the ongoing revitalization of downtown retail areas. In the first half of 2019, Duluth Trading Co and Famous Footwear opened stores in the Greenwich Place development, and, in the second half of 2019, the development will add locations for Michaels, Five Below, and Dave & Busters. The Cadillac Lake development, at 29<sup>th</sup> and Maize, announced its first new retail building in March 2019, a new Hobby Lobby store. Gander Outdoors and Camping World are expected to open in the summer of 2019 in south Wichita in the new Steeple Bay mixed-use development. Revolutisia opened in the summer 2018 as Wichita's first shipping container mall and will eventually by the home to 12 to 15 tenants and began their second phase expansion in January 2019, which included adding a bank microbranch and microcinema to the mall. Near downtown, the Delano and Old Town districts continue to grow, including a \$50 million mixed-use development in the Delano district approved in 2017 and several new restaurants and entertainment options in the Old Town district.

### ***Information Services***

The information industry, at both the local and national levels, experienced a long-term downward trend in the 2000s. In 2008, there were 6,600 information positions in the Wichita MSA. By the end of 2013, the industry had lost 2,300 jobs in Wichita, for a 35 percent decline, and a similar pattern occurred at the national level. Nationally, information employment peaked at 3.6 million jobs in 2000 but declined to 2.7 million by the end of 2011, a 26 percent loss. The sector has remained relatively flat in terms of employment in Wichita from 2013 to 2017, the first five-year period without net job losses in the sector since 2002. Employment in the information sector declined by approximately 100 jobs in 2018 and is forecast to decline by fewer than 100 jobs in 2019.

### ***Financial Services***

The financial industry in the Wichita MSA lost 2,400 jobs from 2001 through 2013, for an 18 percent decline. The sector added 800 jobs from 2014 to 2016, and employment growth flattened in 2017, followed by the loss of 300 jobs in 2018. In 2019, the sector is projected to add an additional approximately 100 jobs.

### ***Professional and Business Services***

Professional and business services have been one of the fastest growing sectors in the Wichita area in the past decade, adding 4,500 jobs from 2009 to 2018. In 2018, the sector added 400 new jobs following the loss of 200 jobs in 2017. The

professional, scientific and technical services subsector has grown in Wichita every year but one since 2007; since 2012 the sub-sector has added 2,000 new jobs to the local area.

In 2019, the professional and business services sector is projected to be one of the fastest growing sectors in the Wichita service economy, adding more than 400 jobs with 1.3 percent growth.

### ***Educational and Health Care Services***

Education and health care services are one of the largest sectors of the local economy, with approximately 14.9 percent of the total employment in the local economy. Growth in this sector was primarily driven in recent years by the continued expansion of employment in non-hospital health care facilities such as physicians' offices and residential care facilities, while education and hospital employment have remained more flat. In the first quarter of 2019, Via Christi Hospital St Joseph, one of Wichita's largest hospitals, completed \$50 million renovation, and the Wesley Children's Hospital completed its \$20 million Phase 2 expansion. A new \$75 million downtown medical campus is currently being planned, which would include renovating multiple downtown Wichita buildings to become the home of a new college of osteopathic medicine, adding a projected 300 new jobs to the downtown economy.

Continued population growth, along with an aging local population, should keep the demand for health care services high in the longer-term outlook. In the short-term, policy uncertainty remains surrounding the possibility of Medicaid expansion in Kansas, which was not passed in 2019, may hold back some of the growth potential in parts of the sector until the uncertainty is resolved. In 2018, the education and health care sector added 700 new jobs, the fastest growth in the sector in a decade, and in 2019 the sector is forecast to add more than 200 jobs, for 0.6 percent growth.

### ***Leisure, Hospitality and Other Services***

Following a strong 2018, the travel and tourism industry is posed to continue to grow in 2019. More than 1.6 million passengers flew through Wichita's Dwight D. Eisenhower National Airport in 2018, the highest traffic year ever at the airport and an increase of 2.7 percent compared to 2017. For the first four months of 2019, airport traffic increased 6.3 relative to the first four months of 2018, indicating that 2019 could be another record-setting year for airport traffic. Transient guest taxes for the City of Wichita increased 4.2 percent in fiscal year 2018 relative to fiscal year 2017. For the first nine months of fiscal year 2019, covering the period July 2018 to March 2019, transient guest tax revenue increased 3.8 percent relative to the first nine months of fiscal year 2018, an indication of continuing increased expenditures at Wichita hotels.

Wichita Riverfest, the largest annual festival in Wichita, increased its attendance to 460,000 in 2018, from 410,000 in 2017. The value of sponsorships and in-kind support for the event also increased by 2.6 percent, and food and beverage sales from the event are expected to be at near record levels.<sup>39</sup>

Leisure and hospitality services added 3,100 jobs from 2014 to 2017 in Wichita, growing at an annual rate 0.4 percent faster than the national average. Growth continued in the sector in 2018, with 300 new jobs added. The other services sector grew rapidly over the same time period, adding 1,100 jobs from 2014 to 2018. Leisure, hospitality, and other service employment is projected to grow by almost 600 jobs in 2019, expanding 1.1 percent.

### ***Government***

The government sector added 800 new jobs in Wichita in 2018, growing 2 percent, the fastest growth in the sector since 2006. Employment grew in the state, federal, and local government sectors in Wichita in 2018, marking the first time since 2005 that employment grew in all three governmental sectors in the same year. State government led the employment growth, adding almost 600 jobs, while the local and federal government sectors added 200 and 100 jobs, respectively.

From 2011 to 2017 in Wichita, the local government sector added 600 new jobs, while the state government sector contracted by 200 workers and the federal government sector contracted by 1,300 workers. State and federal government employment flattened in 2016 and 2017, which led to overall growth in government employment in Wichita in those years as local government continued to expand. CEDBR projects government employment to increase by almost 500 workers in 2019, with growth primarily concentrated in the local government sector.

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<sup>39</sup> "Concerts and Popular Events Drive Big Numbers at Riverfest 2018", Wichita Festivals, Inc. [http://wichitariverfest.com/riverfest\\_info.php?page=news-media\\_news](http://wichitariverfest.com/riverfest_info.php?page=news-media_news), June 10, 2018.

Wichita MSA Forecast Summary

<b>Wichita MSA Employment by Industry Summary*</b>					
	2017 (a)	2018 (a)	2019(f)	2018-2019 Level Change	2018-2019 Percent Change
<b>Total Nonfarm</b>	<b>295,132</b>	<b>298,626</b>	<b>301,367</b>	<b>2,742</b>	<b>0.9%</b>
<b>Production Sectors</b>	<b>67,932</b>	<b>70,201</b>	<b>71,467</b>	<b>1,266</b>	<b>1.8%</b>
Natural Resources, Mining & Cons.	16,265	16,674	16,938	264	1.6%
Manufacturing	51,667	53,527	54,529	1,002	1.9%
Durable Goods	51,301	50,571	50,262	-309	-0.6%
Non-Durable Goods	135,121	136,210	137,520	1,310	1.0%
<b>Trade, Transportation &amp; Utilities</b>	<b>14,684</b>	<b>14,658</b>	<b>14,564</b>	<b>-94</b>	<b>-0.6%</b>
Wholesale Trade	11,457	11,199	11,334	135	1.2%
Retail Trade	32,803	33,166	33,599	433	1.3%
Transportation & Utilities	43,803	44,516	44,776	259	0.6%
<b>Service Sectors</b>	<b>32,374</b>	<b>32,670</b>	<b>33,248</b>	<b>578</b>	<b>1.8%</b>
Information	295,132	298,626	301,367	2,742	0.9%
Financial Activities	67,932	70,201	71,467	1,266	1.8%
Professional & Business Services	16,265	16,674	16,938	264	1.6%
Education & Health Services	51,667	53,527	54,529	1,002	1.9%
Leisure & Hospitality & Other Services	51,301	50,571	50,262	-309	-0.6%
<b>Government</b>	<b>40,778</b>	<b>41,643</b>	<b>42,118</b>	<b>474</b>	<b>1.1%</b>
*Annual values are derived from average quarterly observations and projections.					
(a) actual (f) forecasted					

## **CITY OF WICHITA, KANSAS**

### **WICHITA RETIREMENT SYSTEMS**

The Wichita Employees' Retirement System, the Wichita Employees' Retirement System Plan 3b and the Police and Fire Retirement System of Wichita are reported as pension trust funds of the City of Wichita, Kansas and its component units (the reporting entity). The plans consist of two single-employer defined benefit pension plans and a single-employer defined contribution plan, covering all full-time employees.

The defined benefit plans include the Wichita Employees' Retirement System (WERS) and the Police and Fire Retirement System (PFRS). A separate Board of Trustees administers each System. The single employer defined contribution plan consists of the Wichita Employees' Retirement System Plan 3b, which is also administered by the WERS Board of Trustees.

The WERS Board of Trustees and the PFRS Board of Trustees combined their assets into a joint fund for investment purposes on October 1, 1999. A Joint Investment Committee (JIC) comprised of members of both boards and a City Manager appointee was established to manage these assets. The Boards of Trustees have adopted a Strategic Plan and Investment Policies Statement which address specific asset allocation, manager structure, rebalancing, restrictions and liquidity. The purpose of the policies is to support strategic decision making to enable the Fund to generate rates of return at reasonable and controlled levels of risk that enable the Fund to pay all pension benefit and expense obligations when due. The JIC engages professional money managers to invest the assets of the joint fund in a diversified mix of domestic and international equities and fixed income, real estate, timber and cash equivalents.

The Fund generated a negative return of (6.04%) for the year ended December 31, 2018, which slightly underperformed the benchmark return of (5.73%). The investment return over the past ten year period was 9.18%, outperforming the benchmark return of 8.23% and the System's long term actuarial target of 7.50%.

The Boards of Trustees engage an independent investment consultant to implement a performance measurement and evaluation process that examines rates of return for the Trust in total, as well as by asset class and manager. The Boards compare the returns of the Fund to broad market indices and relevant "peer groups" of investment managers with similar investment styles. Callan LLC, operating out of Denver, Colorado, is currently serving as the Fund's investment consultant.

The Boards also retain Cheiron, Inc out of McLean, Virginia, as the Systems' consulting actuary. The most recent actuarial valuations cover the year ending December 31, 2018. In addition to annual actuarial valuations, Cheiron is also engaged to perform periodic experience studies to update the assumptions used in the valuations. The most recent experience studies, dated April 17, 2018, covered the three-year period ending December 31, 2016.

It should be noted that (i) the information included in this section relies on information produced by the pension plans and their independent actuaries, (ii) actuarial assessments are "forward looking" information that reflect the judgement of the fiduciaries of the pension plans and (iii) actuarial assessments are based on a variety of assumptions, one or more of which may prove to be inaccurate or be changed in the future, and which will change with future experience of the pension plans.

Assumptions utilized in the actuarial valuations performed are outlined in the Notes to the Financial Statements on pages B-65 and B-67 of this report. Actual investment returns in future years will influence the Systems' funding status, the magnitude of any unfunded actuarial liability and any changes in contribution rates.

The City established a pension reserve fund in 1999 to provide additional funds to help meet the City's actuarial required contributions to fund the Systems on a current basis. In years when the actuarially determined contribution rates decrease, the City may elect to divert contributions in excess of the required rate to the pension reserve fund to restore the balance in the fund. Conversely, as actuarially determined contribution rates increase, the City may elect to utilize resources held in the pension reserve fund to offset the increase. The balance in the Pension Reserve Fund amounted to \$3.7 million as of December 31, 2018. A table of historical balances of the Pension Reserve Fund is provided on page A-20.

### **Wichita Employees' Retirement System**

Plan description: The Wichita Employees' Retirement System is comprised of Plans 1, 2 and 3. Together, these plans cover all full-time civilian employees of the City. Plan 1 was established by City Ordinance on January 1, 1948, and became closed to new entrants prior to July 18, 1981. With the initiation of Plan 2, which was established by City Ordinance on July 18, 1981, all covered employees of Plan 1 were given the option of converting to the new plan. Plan 2 was closed to new entrants, except by conversion, by City Ordinance effective January 1, 1994 with the establishment of Plan 3, a defined contribution plan. However, upon completion of seven years of service, employees participating in Plan 3 may convert to participation in Plan 2. If Plan 3 members make an irrevocable election to remain in Plan 3 after seven years of service they are converted to Plan 3b. The schedule for vesting in employer contributions under Plan 3 is staggered at 25% after 3 years, 50% after 5 years and 100% after seven years.

Funding policy: Members of Plan 1 contribute 6.4% of covered salaries. Members of Plan 2 and Plan 3 contribute 4.7% of covered salaries. The City matches all employer contributions into Plan 3 at 4.7% of covered salaries. As a result of the December 31, 2018 actuarial valuation, the City's actuarially determined contribution rate for Plans 1 and 2 increased from 12.1% of annual covered payroll for 2019 to 13.7% for 2020.

Benefit provisions: Under the provisions of Plan 1, the normal retirement age is 60 with vesting at seven years of actual service. The retirement benefit is based on creditable service, which is actual service plus accumulated sick leave, and computed at 2.5% per year of creditable service multiplied by final average salary from the highest three consecutive years within the last ten years of service. Early retirement is permitted between the ages of 55 and 60, but benefits are reduced for those with less than 30 years of service. Members with 30 years of service may retire regardless of age at the maximum of 75% of final average salary. There is an annual 3% non-compounded post-retirement adjustment to the base pension beginning 12 months after retirement.

The normal retirement age under Plan 2 is 62, with vesting at seven years of actual service. The retirement benefit is based on creditable service, which is actual service plus accumulated sick leave, and computed at 2.25% per year of creditable service multiplied by final average salary from the highest three consecutive years within the last ten years of service. Early retirement is permitted between the ages of 55 and 62, but benefits are reduced for each month under the age 62. The maximum retirement benefit under Plan 2 is 75% of final average salary. There is an annual 2% non-compounded post-retirement adjustment to the base pension beginning 12 months after retirement.

Deferred Retirement Option Plan (DROP) Provision: The benefit structure of the Wichita Employees' Retirement System includes a Deferred Retirement Option Plan (DROP). Both Plan 1 and Plan 2 provide a DROP provision. Members must be eligible to receive a service retirement benefit as of the DROP retirement date to participate in the DROP. The DROP period is one to sixty months. The monthly benefit amount is computed as of the DROP election date based on the final average salary and years of service as of that date. The benefit is paid into the member's notional DROP account during the deferral or DROP period. The member and City both continue to make the required contributions during the deferral period. These contributions are not credited to the member's DROP account, but are credited to general Plan assets to improve the System's funding. Interest at an annual rate of 5.0%, compounded monthly, is credited to the notional DROP account. Voluntary termination of employment during the DROP period results in loss of accrued interest. When the member terminates employment, the balance of the DROP account is paid as a lump sum and future monthly benefits are paid to the member.

Participant data and financial information: As of December 31, 2018, there were 1,529 active members (2 under Plan 1, 852 under Plan 2 and 675 under Plan 3). Of these active members, 80 were participants in the DROP. There were 1,421 retirees, including survivors, receiving benefits and 139 deferred retirees. For the year ended December 31, 2018, Wichita Employees' Retirement System disbursed \$40,779,448 of pension benefits to retirees.

The Wichita Employees' Retirement System is a fully mature system. Mature retirement systems operate in a negative cash-flow environment, which means that the total of annual benefits and expenses paid is greater than the aggregate amount of annual employer and employee contributions. Therefore, investment earnings are withdrawn from the trust to meet the expenditure requirements. During 2018, \$3.9 million dollars was withdrawn from the trust to pay administrative and operating expenses. Net position of the WERS, including Plan 3 assets, available at December 31, 2018 was \$546,691,666, a decrease of \$68.1 million or 11.1% from December 31, 2017.

### **Police and Fire Retirement System**

Plan description: The Police and Fire Retirement System (PFRS) consists of three plans: Plan A, Plan B and Plan C-79. Plans A and B were established by City Ordinance on January 1, 1965 and Plan C-79 was established January 1, 1979 by City Ordinance. Plan B was closed to new entrants as of January 1, 1965 and Plan A was closed to new entrants as of December 31, 1978.

Funding policy: Members contribute 7% or 8% of covered payroll, depending upon the plan to which they belong. As a result of the December 31, 2018 actuarial valuation, the City's actuarially determined contribution increased from 18.9% of annual covered payroll for 2019 to 21.9% for 2020.

Benefit provisions: The "20 and Out" plan was adopted on June 11, 1975 for Plans A and B. This provision permits commissioned police and fire personnel to retire after 20 years of actual service, regardless of age, at 50% of final average salary plus 2.5% per year of creditable service, which is actual service plus accumulated sick leave, above 20 years, to a maximum of 75% of final average salary for 30 years of service. Final average salary is calculated based on the highest three consecutive years within the last ten years of service. Members under 55 years old with at least 10 years, but less than 20 years of actual service, will have their pension payments deferred until age 55 and receive no survivor benefits. The vesting requirement is 10 years.

Members of Plan C-79 are eligible for retirement after 20 years of service. Payment of pension benefits is generally deferred until age 50; however, no age limits apply with completion of 30 years of service. The formula for calculating pensions is the same as Plans A and B. Members under 55 years old with at least 10 years, but less than 20 years of actual service, will have their pension payments deferred until age 55 and receive no survivor benefits. The vesting requirement is 10 years.

Backward Deferred Retirement Option Plan (DROP) Provision: The benefit structure of the Wichita Police and Fire Retirement System includes a Backward Deferred Retirement Option Plan (DROP). The Backward DROP is available to Plan A and Plan C-79 members. Members must be eligible to receive a service retirement benefit as of the Backward DROP retirement date. The DROP period is one to sixty months. The DROP period is the time between the Backward DROP retirement date and the date the employee terminates service. The retirement benefit is calculated as of the day prior to the Backward DROP retirement date. The employee's monthly retirement benefits (for the DROP period) plus applicable post retirement adjustments and interest at an annual rate of 5.0%, compounded monthly, is payable upon the employee's termination of service. When the member terminates employment, the balance of the DROP account is paid as a lump sum and the member begins to receive monthly retirement benefits on the month following termination of service.

Participant data and financial information: As of December 31, 2018, there were 1,067 active members in the Plan (2 in Plan A and 1,065 in Plan C-79). Of these active members, 603 were police officers and 464 were fire officers. There were a total of 1,015 retirees, including survivors receiving pension benefits and 39 deferred retirees. For the year ended December 31, 2018, the PFRS disbursed \$39,120,428 of pension benefits to retirees.

The Police and Fire Retirement System of Wichita Kansas is a fully mature system. Mature retirement systems operate in a negative cash-flow environment, which means that the total of annual benefits and expenses paid is greater than the aggregate amount of annual employer and employee contributions. Investment earnings are withdrawn from the trust to meet the expenditure requirements. During 2018, \$4.3 million dollars was withdrawn from the trust to pay administrative and operating expenses. Net position of the PFRS available at December 31, 2018 was \$634,054,617, a decrease of \$64.0 million or 9.2% from December 31, 2017.

**WICHITA RETIREMENT SYSTEMS  
TEN-YEAR TREND INFORMATION**

**Wichita Employees' Retirement System:**

SUMMARY FINANCIAL INFORMATION

Fiscal Year Ending	Employer Contributions	Employee Contributions	Net Investment Income (Loss)	Net Position	Rate of Return on Investments	Actuarial Assumed Rate of Return on Investments
12/31/2009	\$ 3,887,085	\$ 3,980,834	\$ 80,125,125	\$ 444,447,344	22.0 %	7.75 %
12/31/2010	6,689,450	4,824,304	56,900,072	480,691,409	13.6	7.75
12/31/2011	7,695,317	3,636,633	2,725,334	458,827,503	0.8	7.75
12/31/2012	7,503,003	3,375,221	59,838,228	494,716,075	13.8	7.75
12/31/2013	8,939,922	3,253,901	95,000,494	564,203,801	20.2	7.75
12/31/2014	9,414,347	3,394,658	28,677,047	566,807,293	5.6	7.75
12/31/2015	9,031,463	3,574,026	13,380	541,247,503	0.2	7.75
12/31/2016	8,946,064	3,642,007	35,956,780	549,786,949	7.3	7.75
12/31/2017	9,642,540	3,682,056	91,773,973	614,778,032	17.8	7.75
12/31/2018	10,099,027	3,755,812	(39,511,690)	546,691,666	(6.0)	7.50

**WICHITA RETIREMENT SYSTEMS  
TEN-YEAR TREND INFORMATION**

**Police and Fire Retirement System:**

SUMMARY FINANCIAL INFORMATION

Fiscal Year Ending	Employer Contributions	Employee Contributions	Net Investment Income (Loss)	Net Position	Rate of Return on Investments	Actuarial Assumed Rate of Return on Investments
12/31/2009	\$ 11,034,552	\$ 4,443,524	\$ 75,500,370	\$ 422,379,231	22.0 %	7.75 %
12/31/2010	13,119,984	4,467,983	54,963,698	467,487,721	13.6	7.75
12/31/2011	13,806,880	4,403,425	2,404,099	460,840,745	0.8	7.75
12/31/2012	14,113,014	4,543,523	60,619,414	511,492,439	13.8	7.75
12/31/2013	14,889,714	4,607,691	99,494,232	598,458,276	20.2	7.75
12/31/2014	14,464,181	4,529,895	30,596,067	611,091,056	5.6	7.75
12/31/2015	13,964,379	4,603,331	(163,702)	592,883,226	0.2	7.75
12/31/2016	12,585,895	4,776,958	39,901,640	614,047,281	7.3	7.75
12/31/2017	13,369,785	4,915,378	103,236,679	698,083,949	17.8	7.75
12/31/2018	14,331,422	5,599,216	(43,988,371)	634,054,617	(6.0)	7.50

**Wichita Retirement Systems (total trust):**

PENSION RESERVE FUND BALANCE

Fiscal Year Ending	Balance
12/31/2009	\$ 8,741,272
12/31/2010	7,501,175
12/31/2011	5,451,175
12/31/2012	4,726,175
12/31/2013	4,026,175
12/31/2014	3,026,175
12/31/2015	2,626,175
12/31/2016	3,729,625
12/31/2017	3,729,677
12/31/2018	3,729,637

**Wichita Employees' Retirement System:**

SCHEDULE OF FUNDING PROGRESS  
Based on actuarial value of plan assets  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ 509,494	\$ 529,271	\$ 19,777	96.3 %	\$ 82,704	23.9 %
12/31/2010	516,308	540,436	24,128	95.5	79,636	30.3
12/31/2011	513,298	555,174	41,876	92.5	75,444	55.5
12/31/2012	520,320	571,805	51,485	91.0	70,783	72.7
12/31/2013	542,157	582,386	40,229	93.1	70,953	56.7
12/31/2014	560,032	590,115	30,083	94.9	71,391	42.1
12/31/2015	568,464	605,855	37,391	93.8	74,078	50.5
12/31/2016	575,971	620,219	44,248	92.9	77,121	57.4
12/31/2017	598,793	634,907	36,114	94.3	78,395	46.1
12/31/2018	598,779	658,709	59,930	90.9	78,899	76.0

**Wichita Employees' Retirement System:**

SCHEDULE OF FUNDING PROGRESS  
Based on fair value of plan assets  
(Dollar amounts in thousands)

Actuarial Valuation Date	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ 444,447	\$ 529,271	\$ 84,824	84.0 %	\$ 82,704	102.6 %
12/31/2010	480,691	540,436	59,745	88.9	79,636	75.0
12/31/2011	458,828	555,174	96,346	82.6	75,444	127.7
12/31/2012	494,713	571,805	77,092	86.5	70,783	108.9
12/31/2013	564,204	582,386	18,182	96.9	70,953	25.6
12/31/2014	566,807	590,115	23,308	96.1	71,391	32.6
12/31/2015	541,248	605,855	64,607	89.3	74,078	87.2
12/31/2016	549,787	620,219	70,432	88.6	77,121	91.3
12/31/2017	614,778	634,907	20,129	96.8	78,395	25.7
12/31/2018	546,692	658,709	112,017	83.0	78,899	142.0

**Wichita Employees' Retirement System:**

NET PENSION LIABILITY OF THE CITY

Actuarial Valuation Date *	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Ratio of FNP to TPL
12/31/2014	\$ 590,115,082	\$ 566,807,293	\$ 23,307,789	96.05 %
12/31/2015	596,977,187	541,247,503	55,729,684	90.66
12/31/2016	610,111,147	549,786,949	60,324,198	90.11
12/31/2017	625,461,450	614,778,032	10,683,418	98.29
12/31/2018	671,665,565	546,691,666	124,973,899	81.39

\* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**Police and Fire Retirement System:**

SCHEDULE OF FUNDING PROGRESS  
Based on actuarial value of plan assets  
(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ 480,556	\$ 519,934	\$ 39,378	92.4 %	\$ 63,055	62.5 %
12/31/2010	497,926	536,908	38,982	92.7	63,077	61.8
12/31/2011	510,946	562,488	51,542	90.8	62,759	82.1
12/31/2012	533,381	589,074	55,693	90.5	64,150	86.8
12/31/2013	571,262	617,748	46,486	92.5	65,306	71.2
12/31/2014	600,860	631,904	31,044	95.1	64,572	48.1
12/31/2015	620,149	655,136	34,987	94.7	65,560	53.4
12/31/2016	640,509	681,644	41,135	94.0	66,946	61.4
12/31/2017	677,616	710,017	32,401	95.4	69,634	46.5
12/31/2018	690,969	762,085	71,116	90.7	72,017	98.7

**Police and Fire Retirement System:**

SCHEDULE OF FUNDING PROGRESS  
Based on fair value of plan assets  
(Dollar amounts in thousands)

Actuarial Valuation Date	Fair Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$ 422,379	\$ 519,934	\$ 97,555	81.2 %	\$ 63,055	154.7 %
12/31/2010	467,487	536,908	69,421	87.1	63,077	110.1
12/31/2011	460,840	562,488	101,648	81.9	62,759	162.0
12/31/2012	511,492	589,074	77,582	86.8	64,150	120.9
12/31/2013	598,458	617,748	19,290	96.9	65,306	29.5
12/31/2014	611,091	631,904	20,813	96.7	64,572	32.2
12/31/2015	592,883	655,136	62,253	90.5	65,560	95.0
12/31/2016	614,047	681,644	67,597	90.1	66,946	101.0
12/31/2017	698,084	710,017	11,933	98.3	69,634	17.1
12/31/2018	634,055	762,085	128,030	83.2	72,017	177.8

**Police and Fire Retirement System:**

NET PENSION LIABILITY OF THE CITY

Actuarial Valuation Date *	Total Pension Liability (TPL)	Fiduciary Net Position (FNP)	Net Pension Liability (NPL)	Ratio of FNP to TPL
12/31/2014	\$ 631,904,401	\$ 611,091,056	\$ 20,813,345	96.71 %
12/31/2015	644,264,654	592,883,226	51,381,428	92.02
12/31/2016	670,427,649	614,047,281	56,380,368	91.59
12/31/2017	698,423,311	698,083,949	339,362	99.95
12/31/2018	766,456,374	634,054,617	132,401,757	82.73

\* Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

**WICHITA RETIREMENT SYSTEMS  
TEN-YEAR TREND INFORMATION**

**Wichita Employees' Retirement System:**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

Fiscal Year Ending	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
12/31/2009	\$ 3,887	\$ 3,887	\$ -	\$ 82,704	4.7 %
12/31/2010	6,689	6,689	-	79,636	8.4
12/31/2011	7,695	7,695	-	75,444	10.2
12/31/2012	7,503	7,503	-	70,783	10.6
12/31/2013	8,940	8,940	-	70,953	12.6
12/31/2014	9,424	9,424	-	71,391	13.2
12/31/2015	9,031	9,031	-	74,028	12.2
12/31/2016	8,946	8,946	-	77,121	11.6
12/31/2017	9,643	9,643	-	78,395	12.3
12/31/2018	10,099	10,099	-	78,899	12.8

**Police and Fire Retirement System:**

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollar amounts in thousands)

Fiscal Year Ending	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
12/31/2009	\$ 11,035	\$ 11,035	\$ -	\$ 63,055	17.5 %
12/31/2010	13,120	13,120	-	63,077	20.8
12/31/2011	13,807	13,807	-	62,759	22.0
12/31/2012	14,113	14,113	-	64,150	22.0
12/31/2013	14,890	14,890	-	65,306	22.8
12/31/2014	14,464	14,464	-	64,572	22.4
12/31/2015	13,964	13,964	-	65,560	21.3
12/31/2016	12,586	12,586	-	66,946	18.8
12/31/2017	13,370	13,370	-	69,634	19.2
12/31/2018	14,331	14,331	-	72,017	19.9

# CITY OF WICHITA, KANSAS

## HISTORICAL SUMMARY OF ECONOMIC INDICATORS

	2009	2010	2011	2012
<b>Economic Base</b>				
Demographics				
Population				
Wichita <sup>1</sup>	380,115	382,726	383,729	385,753
MSA <sup>2</sup>	619,330	631,746	633,179	636,019
Population profile (MSA)				
Total Gross Domestic Product (in millions of \$) <sup>3</sup>				
Nominal	\$ 25,652	\$ 28,309	\$ 28,841	\$ 30,014
Real <sup>4</sup>	25,652	27,821	27,711	28,346
Gross Domestic Product, per capita (in dollars) <sup>3</sup>				
Nominal	\$ 40,897	\$ 44,800	\$ 45,547	\$ 47,187
Real <sup>4</sup>	40,897	44,035	43,770	44,568
Banking and finance <sup>5</sup>				
Commercial banks, Sedgwick County				
Deposits (in thousands of \$)	\$ 6,788,000	\$ 7,758,000	\$ 7,784,000	\$ 9,445,000
Number of institutions	35	35	35	36
Number of offices (branches)	143	142	144	145
<b>Tax Base</b>				
Assessed valuation (in thousands of dollars)				
Assessed value (total equalized)	\$ 3,151,655	\$ 3,150,148	\$ 3,151,989	\$ 3,111,573
Real property	2,875,134	2,904,055	2,916,488	2,889,209
Tangible personal property	177,540	147,887	136,190	125,492
Property assessed by State	98,981	98,206	99,311	96,872
Tangible valuation of motor vehicles	396,701	387,036	381,608	385,358
Local source of revenue (in dollars) <sup>10</sup>				
Taxes	\$ 125,833,535	\$ 124,135,356	\$ 124,028,374	\$ 125,089,390
Special assessment taxes	33,887,081	34,251,394	33,647,870	33,327,280
Franchise fees	33,720,386	36,923,114	36,778,909	37,406,752
Local sales taxes	49,444,212	48,239,962	54,919,387	54,095,496
Intergovernmental	74,089,262	72,227,757	64,002,864	61,056,534
Licenses and permits	5,892,074	6,647,443	6,735,050	7,427,342
Fines and penalties	10,429,819	10,640,805	10,345,485	10,475,820
Rentals	4,445,629	4,578,091	4,266,032	4,737,173
Sale of property	-	-	-	-
Interest earnings	3,594,268	2,160,107	1,022,318	551,058
Charges for services and sales	10,541,570	10,672,877	12,018,549	10,647,415
Other	35,208,572	23,219,430	21,282,560	12,985,783
Total	\$387,086,408	\$373,696,336	\$369,047,398	\$357,800,043

<sup>1</sup> Source: U.S. Department of Commerce, Bureau of the Census.

<sup>2</sup> Source: U.S. Department of Commerce, Bureau of the Census, MSA population for 2009 is based on the four-county MSA delineation; 2010-2018 population is based on the five-county delineation, which includes Kingman County, which was added in February 2013.

<sup>3</sup> Source: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>4</sup> Real dollars are calculated using millions of chained 2009 dollars

<sup>5</sup> FDIC (for the most up-to-date information see the FDIC's home page at <http://www.fdic.gov>).

<sup>6</sup> Office of Central Inspection, City of Wichita.

<sup>7</sup> Derived from Kansas Department of Revenue Tax Collection reports by the Center for Economic Development and Business Research, Wichita State University.

<sup>8</sup> Kansas Department of Labor, Labor Market Information Services.

<sup>9</sup> The service industries include information, finance, professional and business services, educational and health services, leisure and hospitality and other services. Industry sector data may not equal total employment for all industries due to rounding.

<sup>10</sup> Includes all governmental funds.

<sup>11</sup> Includes all long-term general obligation debt.

<sup>12</sup> 2009 and 2011-2018 are based on the U.S. Census Bureau's population estimates; 2010 is based on the Decennial Census population; all data are for the five-county Wichita MSA.

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
	387,240	388,465	389,437	390,549	390,307	389,255
	638,248	643,257	640,604	645,129	644,949	644,888
\$	28,700	\$ 30,166	\$ 32,081	\$ 33,586	\$ 33,840	\$ N/A
	26,528	27,397	28,926	30,031	29,610	N/A
\$	44,971	\$ 47,103	\$ 49,909	\$ 52,097	\$ 52,413	\$ N/A
	41,569	42,779	45,001	46,583	45,862	N/A
\$	9,752,000	\$ 10,056,000	\$ 10,489,000	\$ 10,772,339	\$ 10,967,542	\$ 11,417,882
	39	39	39	39	39	37
	150	149	146	146	143	143
\$	3,124,331	\$ 3,148,264	\$ 3,191,582	\$ 3,270,190	\$ 3,365,221	\$ 3,479,446
	2,910,786	2,963,148	3,008,647	3,091,273	3,188,988	3,301,681
	118,751	93,990	83,860	76,025	67,904	61,731
	94,794	91,126	99,075	102,892	108,329	116,034
	396,435	404,427	417,145	428,945	436,201	443,772
\$	126,105,605	\$ 127,140,299	\$ 128,692,340	\$ 131,148,813	\$ 133,427,373	\$ 136,892,881
	33,668,720	31,509,150	29,797,352	28,665,373	28,990,731	28,366,543
	39,282,857	41,863,247	44,304,262	44,766,245	45,563,488	47,282,423
	58,519,220	56,142,981	57,958,523	58,659,642	57,682,854	59,602,656
	59,822,985	57,529,602	70,185,255	82,920,600	93,655,892	119,049,876
	7,468,455	7,241,204	7,732,458	8,096,332	2,856,696	2,939,370
	9,391,142	9,857,494	9,766,868	9,120,868	8,270,546	8,186,561
	4,400,154	4,203,402	6,227,393	4,328,376	4,215,848	4,237,181
	-	82,197	236,469	1,304,552	-	1,667,100
	850,546	1,456,138	1,725,123	2,255,499	3,921,036	7,362,028
	11,052,211	12,121,800	21,947,389	23,524,718	19,926,598	20,953,366
	13,354,297	22,034,542	13,503,498	13,937,326	20,794,850	16,533,029
	<u>\$363,916,192</u>	<u>\$371,182,056</u>	<u>\$392,076,930</u>	<u>\$408,728,344</u>	<u>\$419,305,912</u>	<u>\$453,073,014</u>

# CITY OF WICHITA, KANSAS

## HISTORICAL SUMMARY OF ECONOMIC INDICATORS (CONTINUED)

	2009	2010	2011	2012
<b>Construction (MSA)<sup>6</sup></b>				
New dwelling units single family homes	642	522	409	418
Value of construction permits (in dollars)	\$ 440,256,156	\$ 462,259,482	\$ 451,016,853	\$ 356,622,263
New residential	81,497,241	69,009,542	70,951,826	98,155,489
Non-residential	212,166,613	168,317,469	175,589,218	82,628,001
Additions, remodels and repairs	146,592,303	224,932,472	204,475,809	175,838,773
Mill levy per \$1,000				
Assessed valuation	117.242	120.36	120.059	120.305
<b>Retail Sales (MSA)<sup>7</sup></b>				
Annually (in millions of \$)				
Nominal	\$ 8,089.2	\$ 8,069.7	\$ 8,415.3	\$ 8,831.6
Real <sup>4</sup>	3,770.5	3,700.9	3,741.2	3,846.6
Per capita				
Nominal <sup>12</sup>	\$ 13,061	\$ 12,952	\$ 13,455	\$ 14,058
<b>Employment Base(MSA)<sup>8</sup></b>				
Total civilian labor force	326,679	319,314	314,443	311,051
Unemployment rate	8.2	8.6	7.7	6.7
Employment - all industries (establishment data) <sup>9</sup>	295,000	285,600	285,200	287,400
Manufacturing	58,300	52,900	52,400	53,300
Services	129,000	126,700	126,800	127,600
All others	107,700	106,000	106,000	106,500
<b>Bonded Debt (in dollars)</b>				
Gross bonded debt <sup>11,13</sup>	\$ 473,824,000	\$ 529,989,000	\$ 548,155,000	\$ 584,272,000
Debt service monies available	22,221,000	51,730,000	85,545,000	114,344,000
Debt payable from proprietary/component unit revenues	20,101,000	26,723,000	41,036,000	49,005,000
Debt payable from special assessments	241,420,000	255,270,000	269,630,000	254,955,000
Debt payable from local sales tax	119,540,000	130,730,000	123,455,000	152,390,000
Debt payable from transient guest tax	3,737,000	2,847,000	1,956,000	1,064,000
Net bonded debt	66,805,000	62,689,000	26,533,000	12,514,000
Ratio of bonded debt to market value (%)				
Net bonded debt	0.32	0.30	0.13	0.06
Special assessment debt	1.15	1.22	1.28	1.23
Bonded debt per capita (Wichita)(\$)				
Net bonded debt	\$ 179.49	\$ 163.80	\$ 69.15	\$ 32.44
Special assessment debt	648.65	666.98	702.66	660.93

<sup>1</sup> Source: U.S. Department of Commerce, Bureau of the Census.

<sup>2</sup> Source: U.S. Department of Commerce, Bureau of the Census.

<sup>3</sup> Source: U.S. Department of Commerce, Bureau of the Census.

<sup>4</sup> Real dollars are calculated using the Consumer Price Index for All Urban Consumers. U.S. city average (1982-84 = 100).

<sup>5</sup> FDIC (for the most up-to-date information see the FDIC's home page at <http://www.fdic.gov>).

<sup>6</sup> Office of Central Inspection, City of Wichita.

<sup>7</sup> Derived from Kansas Department of Revenue Tax Collection reports by the Center for Economic Development and Business Research, Wichita State University.

<sup>8</sup> Kansas Department of Labor, Labor Market Information Services.

<sup>9</sup> The service industries include information, finance, professional and business services, educational and health services, leisure and hospitality and other services.

Industry sector data may not equal total employment for all industries due to rounding.

<sup>10</sup> General, Special Revenue (excluding Federal and State Assistance Funds) and Debt Service Funds.

<sup>11</sup> Includes all long-term general obligation debt.

<sup>12</sup> 2009 and 2011-2018 are based on the U.S. Census Bureau's population estimates; 2010 is based on the Decennial Census population; Data from 2013 to 2018 are using five-county Wichita MSA.

<sup>13</sup> In 2016, includes all long-term general obligation debt repayable from governmental and proprietary funds and related premiums/discounts per GASB 62.

	2013	2014	2015	2016	2017	2018
	538	550	568	594	597	563
\$	478,581,745	\$ 494,552,439	\$ 595,471,431	\$ 594,552,737	\$ 998,801,774	\$ 1,191,043,651
	143,865,046	134,658,241	204,641,931	200,016,627	195,388,209	204,615,336
	134,812,174	182,064,671	170,790,897	202,868,607	154,312,776	305,924,171
	199,904,526	177,829,526	220,038,604	191,667,504	649,100,790	680,504,143
	120.602	120.601	119.847	-	-	-
\$	9,189.1	\$ 9,483.2	\$ 9,701.8	\$ 9,790.8	\$ 9,654.5	\$ 9,901.0
	3,944.5	4,005.8	4,093.3	4,079.4	3,938.7	3,942.9
\$	14,403	\$ 14,386	\$ 15,053	\$ 15,187	\$ 14,953	\$ N/A
	310,035	310,755	310,933	311,163	307,471	309,599
	6.0	5.2	4.6	4.6	4.2	3.7
	289,900	292,400	295,500	297,300	259,100	298,600
	53,200	52,400	52,000	51,900	51,700	53,500
	129,500	131,700	134,000	135,700	135,100	136,200
	107,200	108,300	109,500	109,700	108,300	108,900
\$	502,779,000	\$ 670,504,000	\$ 729,738,000	\$ 668,373,000	\$ 651,740,000	\$ 611,484,000
	88,293,000	41,315,000	27,125,000	21,984,000	46,098,000	40,390,000
	44,834,000	196,082,000	287,880,000	276,622,000	284,853,000	273,916,000
	216,625,000	192,575,000	181,733,000	167,574,000	172,707,000	164,381,000
	122,195,000	148,770,000	131,560,000	114,035,000	96,275,000	81,995,000
	167,000	2,485,000	2,485,000	2,485,000	2,480,000	2,475,000
	30,665,000	89,277,000	98,955,000	85,673,000	49,327,000	48,327,000
	0.15	0.42	0.46	0.39	0.22	0.21
	1.04	0.92	0.85	0.77	0.76	0.70
\$	79.19	\$ 229.82	\$ 254.10	\$ 219.37	\$ 126.38	\$ 124.15
	559.41	495.73	466.66	429.07	442.49	422.30



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**C I T Y ■ O F**  
**W I C H I T A**

**APPENDIX B**

**AUDITED FINANCIAL INFORMATION**



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**C I T Y ■ O F**  
**W I C H I T A**

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council Members  
**City of Wichita, Kansas**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wichita, Kansas (City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wichita, Kansas, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 8 to the financial statements, in 2018, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules, Additional Information section, Water Utilities section, Schedule of Expenditures of Federal Awards required by the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), Schedule of Passenger Facility Charges required by the *Passenger Facility Charge Audit Guide for Public Agencies*, and the introductory and statistical sections as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules, Additional Information section, Water Utilities section, Schedule of Expenditures of Federal Awards required by the Uniform Guidance, and Schedule of Passenger Facility Charges required by the *Passenger Facility Charge Audit Guide for Public Agencies* are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, such information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Allen, Gibbs & Houlik, L.C.*  
CERTIFIED PUBLIC ACCOUNTANTS

June 28, 2019  
Wichita, Kansas

This management discussion and analysis provides an overview of the City's financial activities and performance for the fiscal year ended December 31, 2018. The management discussion and analysis is presented in conjunction with the transmittal letter at the front of this report and the City of Wichita's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

- The City's net position increased \$80.3 million during 2018 (excluding prior period adjustments), with \$45.8 million of the increase in governmental activities and \$34.5 million in business-type activities. The most significant increases in net position for business-type activities occurred in the Water, Sewer and Stormwater Utility Funds.
- Approximately 78% of the City's total assets are held in capital assets, which is consistent with prior year.
- The cost of governmental activities was \$384.1 million in 2018 compared to \$409.2 million in 2017, a decrease of \$25.1 million or 6.1%. There were three functions that had significant changes comparison with the prior year: general government decreased \$9.1 million or 14.5%; highways and streets declined \$24 million or 23.7%; and health and welfare increased \$8.7 million or 26%.

The declines in general government and highways and streets expenses are primarily due to a decreased level of non-capital expenses, including outlays for assets which will be maintained by other entities, such as freeways, which are reported in those functions. The rise in health and welfare expenses is related to an increase in the City's environmental remediation liability.

- The cost of business-type activities was consistent with the prior year, with an increase of \$1.1 million or 0.6%.
- Governmental activities' general revenues increased approximately \$6.8 million or 2.8%. Interest and investment earnings were a significant contributor, with a \$3.4 million or 87.2% increase from the prior year, due to rising interest rates and favorable market conditions in 2018.
- Property tax revenue increased \$2.8 million or 2.5% in 2018 from the prior year primarily due to increased assessed valuation.
- In 2018, bonded debt decreased by \$63.6 million, since the City retired more debt (\$90.8 million) than it issued (\$27.2 million).
- In governmental activities, capital grants and contributions are \$21.4 million higher than the prior year since: (1) the general government function declined \$9.1 million, mostly due to the contribution of the State Office Building parking garage from the Wichita Public Building Commission which was recorded in the prior year, valued at \$7.8 million; (2) the highways and streets function increased \$11.3 million due to the change in intergovernmental receivables recognized in the government-wide financial statements; and (3) the culture and recreation function increased \$19 million due to the 2018 issuance of STAR bonds of \$42 million, which are dedicated to the construction of a baseball stadium, museum and other related improvements in downtown Wichita. Approximately \$40 million of the 2018 STAR bonds is expected to be paid by state sales tax, not City resources (See Note 10.C – Revenue Bonds for further information).
- On a budgetary basis, the General Fund reported \$2.5 million of revenue and other sources in excess of expenditures and other uses for 2018, excluding the special item. The General Fund had a special item in 2018 of \$19 million for the transfer out of the remaining Hyatt Hotel sale proceeds to other funds. On December 31, 2018, the General Fund reported a budgetary fund balance of 13.3% of the 2018 Adopted Budget, including appropriated reserves of \$25 million.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The Comprehensive Annual Financial Report consists of four major sections: the Introductory, Financial, Statistical and Single Audit Sections. The financial statements include government-wide financial statements, fund financial statements and notes to the financial statements. Other supplementary information, provided in addition to the basic financial statements, is located in the sections titled Additional Information, Statistical and Water Utilities. The Water Utilities Section provides specific information for water and sewer revenue bondholders.

# City of Wichita, Kansas Management Discussion and Analysis

The City presents two kinds of statements, each providing a different perspective of the City's finances. The reporting focus is on both the City as a whole (government-wide) and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the City's overall financial status. The fund financial statements focus on the individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Both perspectives allow the user to address relevant questions, broaden the basis of comparison and enhance the City's accountability.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statements are prepared using accounting methods similar to those used by private-sector companies. The *Statement of Net Position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating, absent extraordinary events.

The *Statement of Activities* reports how the government's net position changed during the most recent fiscal year. All changes in net position (current year's revenues and expenses) are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in the *Statement of Activities* for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

The government-wide statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a portion of their costs through user fees and charges (business-type activities). Governmental activities of the City include general government, public safety, highways and streets, sanitation, health and welfare, and culture and recreation. Business-type activities include the Water Utility, Sewer Utility, Airport Authority, Stormwater Utility, Golf Course System and Transit.

## FUND FINANCIAL STATEMENTS

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wichita, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more information about the City's individual funds - not the City as a whole. All of the funds of the City of Wichita can be segregated into three categories: governmental funds, proprietary funds and fiduciary funds.

- Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on cash flows and other financial assets that can be readily converted to cash and are available in the near future to finance the City's programs. The differences between the short-term view of governmental fund statements and the long-term view of the governmental activities on the entity-wide financial statements are provided in reconciliations on pages A-20 and A-24. Primary differences are the impact of accounting for capital assets and long-term obligations.

The City maintains 23 individual governmental funds. Information is presented separately on the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures, and Changes in Fund Balances* for the funds considered major funds. Information for 19 nonmajor governmental funds is combined into a single, aggregated presentation. Individual fund data for each nonmajor governmental fund is provided in the form of combining statements beginning on page B-1.

The City of Wichita adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund on page A-25, demonstrating compliance with the appropriated budget. For the purposes of this report, the General Fund consists of several separately appropriated subfunds. Budgetary compliance with the appropriated subfunds of the General Fund is provided in the Governmental Funds Section of this report, which begins on page B-1. A more detailed budgetary statement of the General Fund, as appropriated, is also provided in the Governmental Funds Section, along with other supplementary budgetary governmental fund statements.

- Proprietary funds, which include enterprise and internal service funds, account for services for which the City charges customers a fee. Enterprise funds account for water utility, sewer utility, airport authority, stormwater utility, golf course system, and transit operations. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. Internal service funds account for the City's information technology, fleet and self insurance programs. Because internal services primarily benefit governmental rather than business-type functions, the assets and activities of the internal service funds have predominately been included with governmental activities in the government-wide financial statements.

Proprietary funds report the same types of information as the government-wide financial statements, but in greater detail. The proprietary fund financial statements provide separate information for the Water, Sewer and Stormwater Utilities and the Airport Authority Funds, all of which are considered to be major funds of the City. The nonmajor funds are consolidated into an aggregated presentation on the proprietary fund financial statements, as are the internal service funds. Individual fund data for proprietary funds (enterprise and internal service funds) is provided in the form of combining statements beginning on pages C-1 and D-1 of this report.

- Fiduciary funds are used to account for activities for which the City is the trustee or fiduciary, and like proprietary funds, present information based on the full accrual basis of accounting. Fiduciary funds include the City's pension plans, a private purpose trust fund and other agency funds which may only be used for specified purposes due to trust arrangements.

The City is responsible for ensuring that the assets reported in fiduciary funds are used for the intended purposes only. Activities conducted in a fiduciary capacity are excluded from the City's government-wide financial statements because the City is prohibited from using fiduciary assets to finance its operations.

#### OTHER FINANCIAL INFORMATION

As mentioned previously, the Comprehensive Annual Financial Report provides other information in addition to the basic financial statements, including the following:

- The Notes to the Financial Statements provide information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements immediately follow the basic financial statements.
- Required Supplementary Information is presented following the notes to the financial statements, and includes information concerning the City's pension plans and other post-employment benefits.
- Additional Information is presented beginning on page F-1 and includes supplementary schedules pertaining to long-term debt obligations and insurance policies in force as of December 31, 2018.
- Statistical Section, presented beginning on page G-1, provides detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City's overall financial health. The Statistical Section provides information about financial trends, revenue capacity, debt capacity, demographic and economic indicators, as well as other operating information.
- The Single Audit Section of this report includes information about federal participation in various projects and programs of the City and relevant reports of the City's independent auditor.
- The Water Utilities Section provides for the specific informational needs of water and sewer revenue bondholders.

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**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**NET POSITION OF THE PRIMARY GOVERNMENT**

The net position of the primary government, which can serve as a useful indicator of a government’s financial position over time, shows an increase of \$63 million for 2018 (including prior period adjustments). Approximately 80% of the City’s net position consists of its net investment in capital assets (e.g., land, buildings, improvements, equipment), net of related debt. The City uses capital assets to provide services to citizens; consequently, capital assets are not available for future spending. An additional portion of the net position represents resources with external restrictions dedicated to specific purposes. The restricted net position of the City increased \$30.7 million from the prior year, primarily due to unspent proceeds from the 2018 STAR bonds. The unrestricted portion of the net position that may be used for the government’s ongoing operations is \$80.9 million, a decrease of \$25.1 million from prior year. A major factor attributing to this decrease is the \$17.3 million restatement of the beginning net position related to the implementation of GASB 75 (*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*). The unrestricted net position of governmental activities declined \$26.4 million from the prior year due to the following reasons: (1) implementation of GASB 75; (2) the defeasance of bonds in excess of issuance of new debt and (3) capital spending which has not yet been financed through the issuance of debt. The issuance of debt will replace the unrestricted funds that were used for capital projects.

**Net Position – Primary Government  
As of December 31,  
(in millions)**

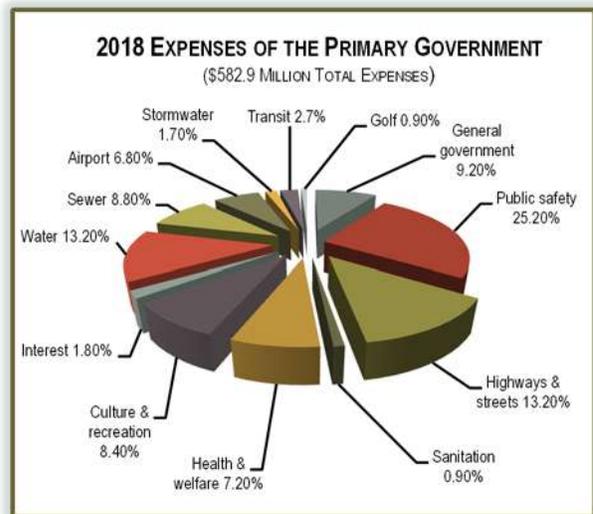
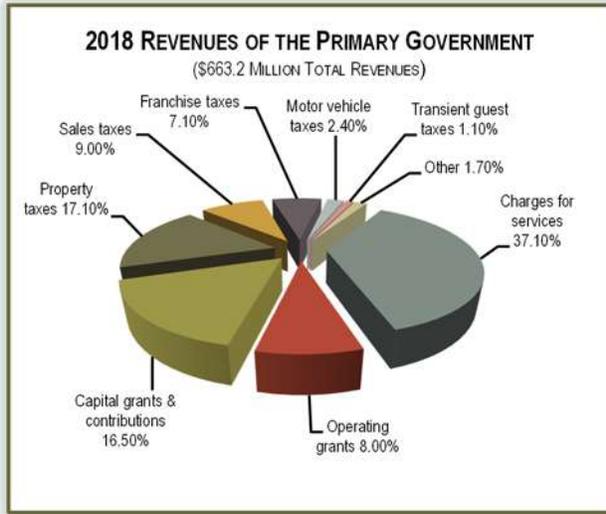
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 570.3	\$ 525.4	\$ 260.1	\$ 291.4	\$ 830.4	\$ 816.8
Capital assets	1,312.8	1,290.5	1,705.4	1,683.4	3,018.2	2,973.9
Total assets	1,883.1	1,815.9	1,965.5	1,974.8	3,848.6	3,790.7
Total deferred outflows of resources	65.2	85.2	28.0	32.4	93.2	117.6
Non-current liabilities	450.9	545.1	730.6	779.9	1,181.5	1,325.0
Other liabilities	152.5	119.0	27.6	31.3	180.1	150.3
Total liabilities	603.4	664.1	758.2	811.2	1,361.6	1,475.3
Total deferred inflows of resources	200.4	128.2	15.5	3.5	215.9	131.7
Net position:						
Net investment in capital assets	878.0	860.2	1,006.0	966.4	1,884.0	1,826.6
Restricted net position	272.4	228.1	127.0	140.6	399.4	368.7
Unrestricted net position	(5.9)	20.5	86.8	85.5	80.9	106.0
Total net position	\$ 1,144.5	\$ 1,108.8	\$ 1,219.8	\$ 1,192.5	\$ 2,364.3	\$ 2,301.3

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# City of Wichita, Kansas Management Discussion and Analysis

The following table summarizes the revenues and expenses that contributed to the increase in the net position of the primary government. For the primary government, total revenues increased by \$30.9 million, while expenses decreased \$24 million from the prior year.

Changes in Net Position – Primary Government For the Year Ended December 31, (in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 45.5	\$ 42.2	\$ 200.5	\$ 187.6	\$ 246.0	\$ 229.8
Operating grants and contributions	45.9	49.2	7.0	6.8	52.9	56.0
Capital grants and contributions	98.2	76.8	11.0	22.3	109.2	99.1
General revenues						
Property taxes	113.4	110.6	-	-	113.4	110.6
Sales taxes	59.6	57.7	-	-	59.6	57.7
Franchise taxes	47.3	45.6	-	-	47.3	45.6
Motor vehicle taxes	16.1	15.7	-	-	16.1	15.7
Transient guest taxes	7.4	7.1	-	-	7.4	7.1
Investment earnings	7.3	3.9	1.1	0.4	8.4	4.3
Miscellaneous	2.0	5.7	0.9	0.7	2.9	6.4
Total revenues	<u>442.7</u>	<u>414.5</u>	<u>220.5</u>	<u>217.8</u>	<u>663.2</u>	<u>632.3</u>
<b>Expenses</b>						
General government	53.6	62.7	-	-	53.6	62.7
Public safety	146.5	150.5	-	-	146.5	150.5
Highways and streets	77.1	101.1	-	-	77.1	101.1
Sanitation	5.2	5.0	-	-	5.2	5.0
Health and welfare	42.1	33.4	-	-	42.1	33.4
Culture and recreation	49.0	45.2	-	-	49.0	45.2
Interest on long-term debt	10.6	11.3	-	-	10.6	11.3
Water Utility	-	-	77.0	77.8	77.0	77.8
Sewer Utility	-	-	51.2	50.0	51.2	50.0
Airport Authority	-	-	39.8	39.9	39.8	39.9
Stormwater Utility	-	-	10.0	9.9	10.0	9.9
Golf Course System	-	-	5.0	5.3	5.0	5.3
Transit	-	-	15.8	14.8	15.8	14.8
Total expenses	<u>384.1</u>	<u>409.2</u>	<u>198.8</u>	<u>197.7</u>	<u>582.9</u>	<u>606.9</u>
Excess before transfers and prior period adjustments	58.6	5.3	21.7	20.1	80.3	25.4
Transfers	(12.8)	(11.0)	12.8	11.0	-	-
Increase (decrease) in net position	45.8	(5.7)	34.5	31.1	80.3	25.4
Net position, beginning of year	1,108.8	1,114.4	1,192.5	1,161.4	2,301.3	2,275.8
Prior period adjustments	(10.1)	0.1	(7.2)	-	(17.3)	0.1
Net position, end of year	<u>\$ 1,144.5</u>	<u>\$ 1,108.8</u>	<u>\$ 1,219.8</u>	<u>\$ 1,192.5</u>	<u>\$ 2,364.3</u>	<u>\$ 2,301.3</u>



**GOVERNMENTAL ACTIVITIES**

The net position of governmental activities increased \$45.8 million in 2018 (excluding prior period adjustments). Governmental revenues, excluding transfers, were \$28.2 million higher in 2018 as compared to 2017. The most significant increase in revenues was in capital grants and contributions, which recorded a \$21.4 million increase over 2017. Under general revenues, various taxes experienced a moderate increase of \$7.1 million or 3% from the prior year. Interest earnings increased over the prior year by \$3.4 million or 87.2%, due to strengthening interest rates. The internal service funds reported a decrease in net position of \$4.6 million in 2018 (excluding the prior period adjustments) compared to an increase of \$0.3 million in 2017.

The \$25.1 million decrease in expenses from the prior year for governmental activities largely consists of a \$9.1 million decrease in general government and a \$24 million decrease in highways and streets, offset by an \$8.7 million increase in health and welfare expenses. The decrease in expenses in the highways and streets and general government functions as compared to the prior year primarily relates to a decrease in expenditures not eligible for capitalization. The prior year included the \$29.7 million change in estimate in the highways and streets function. This expense was recorded for improvements which were not eligible for capitalization, mostly representing the City's contribution for infrastructure improvements that will be maintained by other entities.

The increase in health and welfare expenses is attributable to the \$9.9 million increase in the City's environmental remediation liability, primarily due to the North Industrial Corridor (NIC) site (see Note 10.G – Environmental Remediation Obligations for further information).

The net investment in governmental capital assets increased \$17.8 million through a combination of capital additions, offset by reductions in long-term debt. Cash and cash equivalents were \$36.5 million higher at the close of 2018, primarily due to funds held in escrow for STAR bond projects.

**BUSINESS-TYPE ACTIVITIES**

A \$34.5 million increase in the net position of business-type activities (excluding prior period adjustments) was recorded in 2018. The greatest increase in net position resulted from activities in the Sewer Utility Fund, followed by activities in the Water Utility and Stormwater Utility Funds.

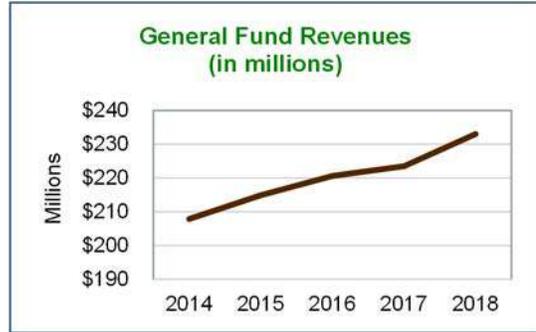
The Water and Sewer Utilities implemented rate increases in 2018, which contributed to the overall increase for charges for services of \$12.9 million for business-type activities. Additionally, the total number of customers of the Utilities also increased slightly during 2018 (see the Water Utilities section).

**ANALYSIS OF THE GOVERNMENT'S FUNDS**

**GOVERNMENTAL FUNDS**

The City of Wichita uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and budgetary compliance. The focus of the governmental funds is to provide information on near-term inflows, outflows and spendable resources.

The governmental funds reported a combined ending fund balance of \$90.9 million in 2018 as compared to \$94.1 million at the close of 2017. The \$3.2 million decline in fund balance largely results from a decrease in the Debt Service Fund related to the retirement of long-term debt.



The General Fund is the major operating and taxing fund of the City of Wichita. At the close of 2018, the unassigned fund balance of the General Fund and its combined subfunds was \$35.6 million compared to \$33.3 million last year. Revenue of the General Fund and its subfunds, excluding transfers, was \$9.5 million above last year, with expenditures also \$6.1 million higher than last year.

The increase in revenues primarily resulted from a \$3.1 million increase in investment earnings due to changing market conditions, as well as a \$5.4 million increase in tax revenues.

**General Fund Expenditures by Function**  
**Fiscal years 2014 through 2018**  
 (dollars in millions)

	2014	2015	2016	2017	2018	2018 Percent of Total
General government	\$ 32.3	\$ 33.1	\$ 34.3	\$ 34.6	\$ 36.3	15.9%
Public safety	120.8	121.9	126.2	128.0	134.9	58.9%
Highways and streets	18.4	20.3	19.8	20.2	17.6	7.7%
Sanitation	2.7	2.7	2.7	2.7	2.6	1.1%
Health and welfare	3.6	3.7	4.0	4.0	4.2	1.8%
Culture and recreation	27.9	30.2	32.7	33.3	33.3	14.6%
Total expenditures	<u>\$ 205.7</u>	<u>\$ 211.9</u>	<u>\$ 219.7</u>	<u>\$ 222.8</u>	<u>\$ 228.9</u>	<u>100.0%</u>

The fund balance of the Debt Service Fund and its subfunds decreased \$5.7 million in 2018, primarily related to the retirement of long-term debt.

In the Street Improvement Fund, the issuance of bonds and transfers from other funds, including a \$10 million transfer from the General Fund from Hyatt Hotel proceeds, contributed to the increase of fund balance of \$6.4 million in 2018. Capital expenditures of the Street Improvement Fund in 2018 of \$69.3 million were consistent with prior year capital expenditures of \$68.6 million.

In the Public Improvement Construction Fund, fund balance increased \$20.6 million during 2018, primarily due to the issuance of the 2018 STAR bonds for the baseball stadium project. Capital expenditures totaled \$47 million, an increase of \$8.6 million compared to 2017 and including \$14.2 million for a youth multi-sports complex and \$5.3 million for the Advanced Learning Library.

Fund balance in the nonmajor governmental funds declined \$7.6 million from 2017. The majority of the decrease was due to capital outlay expenditures and transfers to the debt service fund and Street Improvement Fund. The fund balance will be restored when permanent financing is issued to reimburse project expenditures.

# City of Wichita, Kansas Management Discussion and Analysis

## PROPRIETARY FUNDS

The increase in net position from operations of the Enterprise Funds totaled \$35.7 million in 2018, primarily due to operating income reported by the Water, Sewer and Stormwater Utility Funds.

The Water Utility, which accounts for the operation and maintenance of the water supply system, implemented a rate increase at the beginning of 2018 to ensure adequate resources for operations, capital maintenance and capital investments, resulting in an increase in net position of \$16.2 million, excluding prior period adjustments.

The Sewer Utility, which accounts for the wastewater treatment system, also implemented a 2018 rate increase which contributed to higher operating revenues of \$5.1 million. The operating income of \$19 million, combined with nonoperating expenses and capital contributions, yielded a \$16.9 million increase in the net position of the Sewer Utility, excluding prior period adjustments.

The Airport Authority Fund captures the financial activity for the Dwight D. Eisenhower National Airport, serving commercial airlines, as well as Jabara Airport which serves smaller aircraft. The net position of the Airport Authority Fund decreased \$3.6 million during 2018, compared to an increase of \$1.1 million in 2017. This change was primarily due to a decrease in capital contributions of \$4.8 million compared to 2017.

The Stormwater Utility is funded from fees paid by customers. The Utility operates eleven pump stations, which move excess surface water from heavy rains. The Utility also maintains the Wichita-Valley Center Floodway, a levee system that redirects excess river water around the city. The net position of the Stormwater Utility Fund increased \$7.3 million in 2018 as compared to \$5.9 million in 2017, primarily due to the rate increase enacted in April 2017 being in effect a full year in 2018.

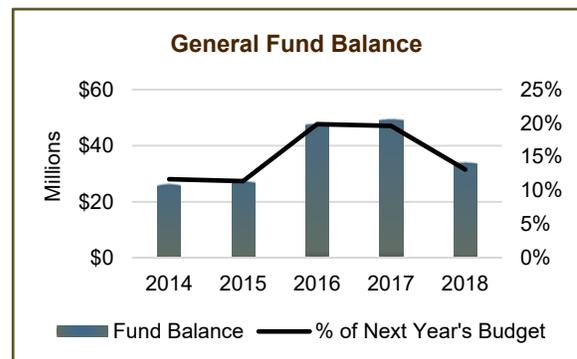
In the nonmajor enterprise funds, the net position of the Golf Fund continued to decline by \$0.4 million resulting in a negative net position of \$2.8 million. To provide financial assistance to the fund, an interfund loan with a long-term repayment plan to the Debt Service Fund is recorded, as well as short-term interfund loans from the City's internal service funds in 2018.

Also in the nonmajor enterprise funds, the Transit Fund has benefited from temporary loans to strengthen its financial position. A loss of \$6.3 million before capital contributions and operating transfers was recognized for 2018. With capital contributions of \$0.8 million and transfers from other funds of \$4.8 million, the net position of the Transit Fund decreased \$0.7 million in 2018. On December 31, 2018, \$0.8 million in interfund loans were outstanding. Additionally, as cash needs fluctuate, operations are augmented with the City's pooled funds to address temporary cash deficiencies.

	2018	2017
Water Utility	\$ 484,262	\$ 469,752
Sewer Utility	335,794	320,595
Airport Authority	203,736	208,850
Stormwater Utility	171,278	164,615
Golf Course System	(2,808)	(2,140)
Transit	24,194	26,374
<b>Total</b>	<b>\$ 1,216,456</b>	<b>\$ 1,188,046</b>

## GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues at year-end exceeded the projections in the original and final budgets and were \$9.1 million higher than 2017. Actual expenditures (excluding transfers) were \$1 million below the final budget and were 3.2% higher than 2017 expenditures. After transfers (including the transfer of Hyatt Hotel proceeds to other funds), the General Fund unencumbered fund balance increased \$2.5 million in 2018. After all transfers, the General Fund unencumbered fund balance decreased \$16.5 million, mostly due to the transfer of remaining Hyatt Hotel sale proceeds to other funds.



# City of Wichita, Kansas Management Discussion and Analysis

Expenditures of the General Fund increased \$7 million from 2017, with public safety expenditures increasing \$7.5 million.

Police and Fire represent the bulk of public safety services and comprise the largest portion of General Fund expenditures. The higher cost of personnel services is the most significant reason for the increase in expenditures for most functions within the General Fund.

In 2016, the fund balance of the General Fund increased \$21.5 million, mostly due to the sale of the Hyatt Hotel for \$20 million. These proceeds were transferred out of the General Fund in 2017 and 2018, resulting in the General Fund balance decreasing closer to pre-Hyatt sale levels at the end of 2018. On a budgetary basis, the General Fund ended 2018 with a fund balance of \$34.8 million, or 13.1% of the 2019 Adopted Budget, which includes an appropriated reserve of \$21 million for emergency needs.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

At the end of 2018, the City of Wichita reported \$3 billion in capital assets net of depreciation, which is comparable to the amount reported at the end of 2017. Assets are acquired through the City's direct investments, capital contributions, grants and from street and right-of-way dedications. The net investment in capital assets includes land, buildings, machinery, equipment, vehicles, parks, roads, water and sewer treatment facilities, airports, golf courses and many other assets. Additional information on changes in capital assets can be found in Note 6 to the financial statements.

<b>Capital Assets Net of Depreciation As of December 31, (in thousands)</b>							
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Percent Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Land	\$ 293.0	\$ 294.3	\$ 43.2	\$ 43.1	\$ 336.2	\$ 337.4	(0.4%)
Airfields	-	-	31.8	36.0	31.8	36.0	(11.7%)
Buildings and improvements	246.1	217.9	1,382.8	1,390.5	1,628.9	1,608.4	1.3%
Equipment	31.2	31.0	90.5	104.1	121.7	135.1	(9.9%)
Infrastructure	600.0	620.5	-	-	600.0	620.5	(3.3%)
Construction in progress	142.5	126.8	157.1	109.7	299.6	236.5	26.7%
<b>Total</b>	<u>\$ 1,312.8</u>	<u>\$ 1,290.5</u>	<u>\$ 1,705.4</u>	<u>\$ 1,683.4</u>	<u>\$ 3,018.2</u>	<u>\$ 2,973.9</u>	1.5%

Major capital outlays in the City's governmental activities during 2018 included the following projects:

- Major freeway and arterial streets totaling approximately \$59.7 million, including East Kellogg improvements of \$22.8 million and 143rd Street, Kellogg to Central improvements of \$3.1 million. A portion of these outlays represent amounts expended for projects which will be contributed to other entities and will, therefore, not be capitalized by the City.
- Neighborhood paving projects totaling \$6.9 million.
- Construction of an additional multi-sports youth complex of \$14.2 million.
- Various improvements of parks totaling \$6.8 million.
- Central Library relocation investment totaling \$5.3 million.
- Purchase of fire apparatus totaling \$2.6 million.

# City of Wichita, Kansas Management Discussion and Analysis

The most significant capital asset investments in 2018 for the business-type activities are listed below:

- Transit van purchases for public transportation totaling \$0.9 million.
- Stormwater improvements totaling \$1 million.
- Improvements to the City's Water Utility infrastructure totaling approximately \$19.7 million, including repairs and rehabilitation of water mains of \$2.3 million.
- Improvements to the City's Sewer Utility infrastructure totaling approximately \$33.1 million, including sanitary sewer reconstruction and rehabilitation totaling \$3.9 million, improvements to the Four Mile Creek Wastewater Plant of \$13 million and force main rehabilitation and improvements of \$13.2 million.

## LONG-TERM DEBT

The City primarily finances capital projects with general obligation bonds/notes, revenue bonds, grants, capital contributions and cash. The most significant of the financing tools are general obligation bonds based on the full faith and credit of the City and revenue bonds based on the future earnings of the business-type activities. Projects that rely most heavily upon property taxes for repayment of general obligation bonds include arterial streets, bridges, parks and other public improvements. General obligation bonds issued for neighborhood improvements are repaid from special assessments that are levied on properties benefiting from such improvements. Capital financing costs are also repaid from enterprise, internal service and capital project funds, using a combination of resources, including a dedicated portion of the county-wide local sales tax.

The City adopts a ten-year Capital Improvement Program (CIP). The first two years of the plan serve as a capital budget for purposes of project initiation and the remaining period is a planning tool. The City of Wichita holds a rating of AA+ from Standard and Poor's and a rating of Aa1 from Moody's Investor Service. The Water and Sewer Utilities hold a rating of AA- from Standard and Poor's.

At year-end, the City had \$976.5 million in outstanding bonds. Of this amount, outstanding general obligation bonds payable from governmental activities revenue sources totaled \$310 million. The City also held \$117.1 million in general obligation temporary notes. The most significant temporary notes outstanding were \$112.3 million in governmental capital project funds. Bonded debt of the City of Wichita decreased by \$63.6 million in 2018.

General Obligation and Revenue Bonds						
As of December 31,						
(in millions)						
Revenue source	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Ad valorem property taxes	\$ 45.9	\$ 47.6	\$ -	\$ -	\$ 45.9	\$ 47.6
Special assessments	164.4	172.7	-	-	164.4	172.7
Tax increment financing	15.2	18.0	-	-	15.2	18.0
Transient guest tax	2.5	2.5	-	-	2.5	2.5
Local sales tax	86.6	99.4	-	-	86.6	99.4
Enterprise funds	-	-	661.9	699.9	661.9	699.9
Total	\$ 314.6	\$ 340.2	\$ 661.9	\$ 699.9	\$ 976.5	\$ 1,040.1

Kansas state statutes limit the amount of general obligation bonds a City can issue to 30% of the equalized tangible valuation. The 2018 limitation for the City was \$1.2 billion, with a legal debt margin of \$854 million. More detailed information regarding long-term debt is located in Note 10 to the financial statements, the Additional Information Section, as well as the Statistical Section of this report.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The unemployment rate declined in 2018 in the Wichita area for the eighth consecutive year, reaching its lowest level since 1999 for both the City of Wichita and the Wichita metropolitan area. The Wichita MSA had a lower unemployment rate than the City of Wichita throughout the expansion, though the gap has narrowed as the economy has improved.

# City of Wichita, Kansas Management Discussion and Analysis

In 2019, the unemployment rate is expected to decline modestly as moderate employment growth is projected to continue in the Wichita area. Large swings in unemployment are unlikely as the local workforce nears full employment. The risk of national recession still remains relatively low given current economic indicators, but the risk will likely increase as the current expansion continues into its second decade.

Average Annual Unemployment Rates <sup>1</sup>			
	Wichita	Wichita MSA	Nation
2015	5.0%	4.6%	5.3%
2016	4.8%	4.6%	4.9%
2017	4.4%	4.2%	4.4%
2018	3.94%	3.7%	3.9%

Other economic indicators also suggest Wichita's economic growth will continue. The Wichita Leading Index, a measure of the expected performance of the economy over the next six months, reached 97 index points in September 2018, its highest value in ten years. The increases were due to continued growth in the Aircraft Production Index, Kansas Leading Index, and the National Industrial Production Index.

The housing market in Wichita continues to strengthen, with the median home sales price increasing more than \$9,000 in 2018 to the highest level ever in the area and total sales value for all homes increasing 4.2 percent. The value of residential building permits increased by 3.2 percent in 2018, another sign of strengthening in the housing market. The number of permits for single-family homes have increased by 37.7 percent since 2011, but still remain only one-third of their pre-recession peak from 2004. In the multi-family residential market, more than 600 new units were added in 2018, part of more than 4,000 units that have been added to the market since 2013. Even with the added units, apartment occupancy rates remained steady in 2018, at approximately 93 percent. More than 1,500 units are expected to be added to the market in the next few years, with focus in the central business district and the outlying portions of the northeast and northwest quadrants of the city.

Expansion continued as well in the nonresidential market in Wichita in 2018. After doubling in 2017, the value on nonresidential building permits increased 12 percent in 2018. Several major projects were completed in the city, including the \$70 million Cargill protein division headquarters building downtown. Overall, vacancy rates have declined and net absorption has increased in 2018 for office, retail, and industrial space. The office space vacancy rate had the biggest decline in 2018, dropping from 19.6 percent to 17.0 percent by the fourth quarter of 2018, with rents remaining relatively flat. Vacancies in the retail sector declined from 11.2 percent to 10.9 percent while absorbing more than 54,000 square feet of new retail space into the market. In the industrial sector, the vacancy rate declined almost 2 percent to 5.7 percent, as both net absorption and asking rents increased.<sup>2</sup> Positive signs have continued in Wichita's aircraft industry as well, with Spirit Aerosystems planning to hire 1,400 workers in 2019 after hiring 1,000 new workers and pledging \$1 billion in capital improvements in the Wichita area.

A number of positive indicators point to continued growth in the Wichita economy in 2019. Taxable retail sales, after remaining relatively flat in 2016 and 2017, showed some growth in 2018 and are forecast to increase in 2019. Unemployment is expected to continue to decline as the job market remains tight and total employment grows. Increasing real estate values are another sign of the strength of the local economy. The local economy's risk factors for the near future include a national-level economic recession, the heavy concentration of Wichita manufacturing in aerospace and business jet markets, and state and national policy uncertainty. Unless weighed down by these risk factors, modest growth is expected to continue for Wichita in 2019.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City of Wichita's finances for individuals with such an interest. Additional information is provided within the notes to the financial statements. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Wichita, Kansas, 455 North Main Street, 12th Floor, Wichita, KS 67202.

<sup>1</sup> Unemployment statistics reflect revisions made by the Kansas Department of Labor to the data as originally reported.

<sup>2</sup> NAI Martens, *Wichita Kansas Market Update, Q4 2018*. <https://online.flippingbook.com/view/515476/>

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**CITY OF WICHITA, KANSAS**

**STATEMENT OF NET POSITION**

December 31, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 193,783,584	\$ 90,722,254	\$ 284,505,838
Investments	5,986,287	-	5,986,287
Receivables, net:			
Due from other agencies	1,086,534	1,247,394	2,333,928
Accounts receivable	280,989,771	24,538,251	305,528,022
Notes receivable	1,662,821	-	1,662,821
Internal balances	3,343,392	(3,343,392)	-
Inventories	1,266,192	2,854,361	4,120,553
Prepaid items	8,883,700	790,205	9,673,905
Restricted assets:			
Temporarily restricted:			
Cash and cash equivalents	72,459,819	137,813,760	210,273,579
Investments	597,594	-	597,594
Net investment in direct financing leases	-	5,460,000	5,460,000
Permanently restricted:			
Investments	235,437	-	235,437
Capital assets:			
Land and construction in progress	435,472,023	200,314,008	635,786,031
Other capital assets, net	877,352,019	1,505,092,910	2,382,444,929
Total capital assets	<u>1,312,824,042</u>	<u>1,705,406,918</u>	<u>3,018,230,960</u>
Total assets	<u>1,883,119,173</u>	<u>1,965,489,751</u>	<u>3,848,608,924</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized refunding costs	844,155	16,929,259	17,773,414
Deferred outflows related to pensions	63,240,337	10,755,122	73,995,459
Deferred outflows related to OPEB	1,114,376	290,891	1,405,267
Total deferred outflows of resources	<u>65,198,868</u>	<u>27,975,272</u>	<u>93,174,140</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	35,910,807	9,825,673	45,736,480
Accrued interest payable	3,025,863	5,498,230	8,524,093
Temporary notes payable	112,348,471	4,716,529	117,065,000
Deposits	1,027,096	4,487,721	5,514,817
Unearned revenue	88,857	3,029,685	3,118,542
Due to other agencies	140,092	-	140,092
Noncurrent liabilities, including claims payable:			
Due within one year	67,833,779	37,554,787	105,388,566
Due in more than one year	383,066,404	693,090,348	1,076,156,752
Total liabilities	<u>603,441,369</u>	<u>758,202,973</u>	<u>1,361,644,342</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue	106,440,899	-	106,440,899
Deferred inflows related to pensions	92,163,920	15,016,165	107,180,085
Deferred inflows related to OPEB	1,782,493	465,291	2,247,784
Total deferred inflows of resources	<u>200,387,312</u>	<u>15,481,456</u>	<u>215,868,768</u>
<b>NET POSITION</b>			
Net investment in capital assets	877,975,645	1,006,030,033	1,884,005,678
Restricted for:			
Capital projects	59,996,038	13,836,273	73,832,311
Highways and streets	9,226,742	-	9,226,742
Debt service	176,757,353	-	176,757,353
Revenue bond covenants	-	113,162,615	113,162,615
Cemetery:			
Expendable	1,150,451	-	1,150,451
Nonexpendable	235,437	-	235,437
Other purposes	25,062,883	-	25,062,883
Unrestricted	(5,915,189)	86,751,673	80,836,484
Total net position	<u>\$ 1,144,489,360</u>	<u>\$ 1,219,780,594</u>	<u>\$ 2,364,269,954</u>

The accompanying notes to the financial statements are an integral part of this statement.

# CITY OF WICHITA, KANSAS

## STATEMENT OF ACTIVITIES

For the year ended December 31, 2018

FUNCTIONS/PROGRAMS	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
General government	\$ 53,601,211	\$ 24,422,399	\$ 2,994,670	\$ 12,500
Public safety	146,543,190	5,019,705	2,552,527	526,906
Highways and streets	77,137,668	4,321,865	10,776,377	57,530,194
Sanitation	5,198,312	3,168,190	-	-
Health and welfare	42,045,011	3,486,055	27,034,425	-
Culture and recreation	48,997,767	5,063,394	2,521,972	40,159,400
Interest on long-term debt	10,585,409	-	-	-
Total governmental activities	384,108,568	45,481,608	45,879,971	98,229,000
Business-type activities:				
Water Utility	77,052,430	88,014,526	-	2,686,746
Sewer Utility	51,176,967	62,664,605	-	1,817,095
Airport Authority	39,852,314	30,565,243	-	5,167,339
Stormwater Utility	9,957,876	12,852,766	-	548,634
Golf Course System	5,015,787	4,190,290	-	-
Transit	15,779,513	2,151,993	7,035,833	817,436
Total business-type activities	198,834,887	200,439,423	7,035,833	11,037,250
Total primary government	\$ 582,943,455	\$ 245,921,031	\$ 52,915,804	\$ 109,266,250

General revenues:

- Property taxes
- Sales taxes
- Franchise taxes
- Motor vehicle taxes
- Transient guest taxes
- Interest and investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning, as previously reported

Prior period adjustment

Net position - beginning, as restated

Net position - ending

The accompanying notes to the financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (26,171,642)	\$ -	\$ (26,171,642)
(138,444,052)	-	(138,444,052)
(4,509,232)	-	(4,509,232)
(2,030,122)	-	(2,030,122)
(11,524,531)	-	(11,524,531)
(1,253,001)	-	(1,253,001)
(10,585,409)	-	(10,585,409)
<u>(194,517,989)</u>	<u>-</u>	<u>(194,517,989)</u>
-	13,648,842	13,648,842
-	13,304,733	13,304,733
-	(4,119,732)	(4,119,732)
-	3,443,524	3,443,524
-	(825,497)	(825,497)
-	(5,774,251)	(5,774,251)
<u>-</u>	<u>19,677,619</u>	<u>19,677,619</u>
<u>(194,517,989)</u>	<u>19,677,619</u>	<u>(174,840,370)</u>
113,365,807	-	113,365,807
59,602,656	-	59,602,656
47,282,423	-	47,282,423
16,116,280	-	16,116,280
7,410,794	-	7,410,794
7,362,028	1,085,481	8,447,509
1,967,578	927,169	2,894,747
(12,829,464)	12,829,464	-
<u>240,278,102</u>	<u>14,842,114</u>	<u>255,120,216</u>
<u>45,760,113</u>	<u>34,519,733</u>	<u>80,279,846</u>
1,108,786,216	1,192,547,770	2,301,333,986
(10,056,969)	(7,286,909)	(17,343,878)
<u>1,098,729,247</u>	<u>1,185,260,861</u>	<u>2,283,990,108</u>
<u>\$ 1,144,489,360</u>	<u>\$ 1,219,780,594</u>	<u>\$ 2,364,269,954</u>

**CITY OF WICHITA, KANSAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2018

	General Fund	Debt Service Fund	Street Improvement Fund	Public Improvement Construction
<b>ASSETS</b>				
Cash and cash equivalents	\$ 52,651,988	\$ 17,452,928	\$ -	\$ 3,323,459
Cash with fiscal agent	-	19,068,233	5,360	52,833,369
Investments	-	-	-	-
Receivables, net:				
Property taxes	82,003,187	24,437,712	-	-
Special assessments	-	157,431,570	-	-
Due from other agencies	-	-	-	-
Accounts receivable	2,070,377	-	7,083,841	-
Notes receivable	-	762,821	-	200,000
Due from other funds	800,000	5,668,420	-	-
Inventories	247,330	-	-	-
Prepaid items	2,500	-	-	-
Total assets	<u>\$ 137,775,382</u>	<u>\$ 224,821,684</u>	<u>\$ 7,089,201</u>	<u>\$ 56,356,828</u>
<b>LIABILITIES</b>				
Accounts payable and other liabilities	\$ 15,682,529	\$ 1,506,809	\$ 8,931,444	\$ 3,711,471
Accrued interest payable	-	-	269,641	467,008
Temporary notes payable	-	-	34,284,643	64,929,791
Deposits	21,458	293,247	-	-
Unearned revenue	79,000	-	-	-
Due to other agencies	-	-	-	-
Due to other funds	-	-	6,470,291	-
Total liabilities	<u>15,782,987</u>	<u>1,800,056</u>	<u>49,956,019</u>	<u>69,108,270</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue:				
Property taxes	82,003,187	24,437,712	-	-
Special assessments	-	157,431,570	-	-
Other	-	762,821	2,415,494	-
Total deferred inflows of resources	<u>82,003,187</u>	<u>182,632,103</u>	<u>2,415,494</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>				
Nonspendable	1,049,830	-	-	-
Restricted	-	40,389,525	-	-
Committed	-	-	-	-
Assigned	3,376,229	-	-	-
Unassigned	35,563,149	-	(45,282,312)	(12,751,442)
Total fund balances (deficits)	<u>39,989,208</u>	<u>40,389,525</u>	<u>(45,282,312)</u>	<u>(12,751,442)</u>
Total liabilities, deferred inflows of resources and fund balances (deficits)	<u>\$ 137,775,382</u>	<u>\$ 224,821,684</u>	<u>\$ 7,089,201</u>	<u>\$ 56,356,828</u>

The accompanying notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 68,640,042	\$ 142,068,417
-	71,906,962
6,819,318	6,819,318
-	106,440,899
-	157,431,570
1,086,534	1,086,534
6,005,072	15,159,290
700,000	1,662,821
15,882,072	22,350,492
39,304	286,634
104,384	106,884
<u>\$ 99,276,726</u>	<u>\$ 525,319,821</u>
\$ 3,541,774	\$ 33,374,027
95,308	831,957
13,134,037	112,348,471
457,522	772,227
9,857	88,857
140,092	140,092
9,477,148	15,947,439
<u>26,855,738</u>	<u>163,503,070</u>
-	106,440,899
-	157,431,570
3,829,049	7,007,364
<u>3,829,049</u>	<u>270,879,833</u>
379,125	1,428,955
74,151,209	114,540,734
15,527,650	15,527,650
1,073,205	4,449,434
(22,539,250)	(45,009,855)
<u>68,591,939</u>	<u>90,936,918</u>
<u>\$ 99,276,726</u>	<u>\$ 525,319,821</u>

**CITY OF WICHITA, KANSAS**

**RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION**

December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

<b>Total fund balance - governmental funds</b>		<b>\$ 90,936,918</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statements.		
Cost	\$ 1,882,555,558	
Accumulated depreciation	<u>(577,616,262)</u>	1,304,939,296
Certain items, which result in a consumption of net position applicable to a future reporting period, are recognized as prepaid assets in the government-wide financial statements.		
Prepaid operating lease		8,647,916
Certain items, which result in a consumption of net position applicable to a future reporting period, are recognized as deferred outflows of resources in the government-wide financial statements.		
Unamortized deferred refunding costs	844,155	
Deferred outflows related to pensions	60,752,699	
Deferred outflows related to OPEB	<u>1,066,598</u>	62,663,452
Liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
General obligation bonds payable	145,650,870	
Special assessment bonds payable	164,380,962	
Sales tax revenue bonds payable	4,577,434	
Premium on bonds payable	27,535,515	
Accrued interest on bonds payable	2,193,906	
Compensated absences	10,397,098	
Net pension liability	7,252,715	
Total other post employment benefits liability	26,498,611	
Environmental remediation liability	25,961,847	
Liability for future landfill closure and post-closure costs	10,492,203	
Legal liability	<u>1,237,117</u>	(426,178,278)
Certain items, which result in an acquisition of net position applicable to a future reporting period, are recognized as deferred inflows of resources in the government-wide financial statements.		
Deferred inflows related to pensions	(88,731,776)	
Deferred inflows related to OPEB	<u>(1,706,069)</u>	(90,437,845)
Accounts receivable not considered available to liquidate liabilities of the current period are deferred in the funds. They are recorded as revenue in the government-wide statements.		
		7,007,364
Special assessments are not considered available to liquidate liabilities of the current period and, therefore, are deferred in the funds. However, they are properly recognized as revenue in the government-wide statements as soon as the related improvement is completed.		
		157,431,570
Internal service funds are used to charge the cost of certain activities, such as insurance, to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the Statement of Net Position.		
		<u>29,478,967</u>
<b>Total net position - governmental activities</b>		<b><u>\$ 1,144,489,360</u></b>

The accompanying notes to the financial statements are an integral part of this statement.

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**CITY OF WICHITA, KANSAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

For the year ended December 31, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Street Improvement Fund</u>	<u>Public Improvement Construction</u>
<b>REVENUES</b>				
Property taxes	\$ 79,220,412	\$ 29,641,427	\$ -	\$ -
Motor vehicle taxes	11,890,320	4,194,134	-	-
Transient guest taxes	-	-	-	-
Special assessments	-	27,201,708	1,002,861	-
Franchise taxes	47,282,423	-	-	-
Local sales tax	29,447,036	312,630	-	-
Intergovernmental	17,617,638	-	24,963,351	39,691,600
Licenses and permits	2,902,936	-	-	-
Fines and penalties	8,186,561	-	-	-
Rentals	2,855,931	-	-	-
Sale of property	371,314	740,582	-	2,104
Interest and investment earnings (loss)	6,903,511	410,959	376	88,209
Charges for services and sales	17,161,108	-	-	-
Other revenue	<u>9,169,894</u>	<u>66,977</u>	<u>1,107,617</u>	<u>936,499</u>
Total revenues	<u>233,009,084</u>	<u>62,568,417</u>	<u>27,074,205</u>	<u>40,718,412</u>
<b>EXPENDITURES</b>				
Current:				
General government	36,330,639	55,811	-	-
Public safety	134,906,340	-	-	-
Highways and streets	17,645,976	-	-	-
Sanitation	2,549,479	-	-	-
Health and welfare	4,185,813	-	-	-
Culture and recreation	33,304,522	-	-	-
Debt service:				
Principal retirement	-	52,787,299	-	-
Interest and fiscal charges	-	13,229,766	532,173	829,091
Other debt service	-	403,411	-	-
Capital outlay	-	-	69,317,253	46,981,728
Total expenditures	<u>228,922,769</u>	<u>66,476,287</u>	<u>69,849,426</u>	<u>47,810,819</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,086,315</u>	<u>(3,907,870)</u>	<u>(42,775,221)</u>	<u>(7,092,407)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of bonds	-	1,799,799	13,780,882	4,705,326
Premiums on bonds sold	-	74,058	457,272	915,120
Transfers from other funds	5,874,962	20,632,796	34,907,031	22,111,395
Transfers to other funds	<u>(7,788,151)</u>	<u>(24,306,864)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(1,913,189)</u>	<u>(1,800,211)</u>	<u>49,145,185</u>	<u>27,731,841</u>
<b>SPECIAL ITEM</b>				
Transfers to other funds, Hyatt Hotel proceeds	<u>(19,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(16,826,874)	(5,708,081)	6,369,964	20,639,434
Fund balances (deficits) - beginning	<u>56,816,082</u>	<u>46,097,606</u>	<u>(51,652,276)</u>	<u>(33,390,876)</u>
Fund balances (deficits) - ending	<u>\$ 39,989,208</u>	<u>\$ 40,389,525</u>	<u>\$ (45,282,312)</u>	<u>\$ (12,751,442)</u>

The accompanying notes to the financial statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 4,503,968	\$ 113,365,807
31,826	16,116,280
7,410,794	7,410,794
161,974	28,366,543
-	47,282,423
29,842,990	59,602,656
36,777,287	119,049,876
36,434	2,939,370
-	8,186,561
1,381,250	4,237,181
553,100	1,667,100
(41,027)	7,362,028
3,792,258	20,953,366
<u>5,252,042</u>	<u>16,533,029</u>
<u>89,702,896</u>	<u>453,073,014</u>
3,022,955	39,409,405
9,317,186	144,223,526
-	17,645,976
2,374,400	4,923,879
31,710,580	35,896,393
3,737,890	37,042,412
-	52,787,299
207,195	14,798,225
-	403,411
<u>17,789,704</u>	<u>134,088,685</u>
<u>68,159,910</u>	<u>481,219,211</u>
<u>21,542,986</u>	<u>(28,146,197)</u>
6,948,792	27,234,799
500,000	1,946,450
16,467,062	99,993,246
<u>(53,061,040)</u>	<u>(85,156,055)</u>
<u>(29,145,186)</u>	<u>44,018,440</u>
-	(19,000,000)
(7,602,200)	(3,127,757)
<u>76,194,139</u>	<u>94,064,675</u>
<u>\$ 68,591,939</u>	<u>\$ 90,936,918</u>

**CITY OF WICHITA, KANSAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

For the year ended December 31, 2018

Amounts reported for governmental activities in the Statement of Net Position are different because:

<b>Net change in fund balance - governmental funds</b>		<b>\$ (3,127,757)</b>
<p>Governmental funds report capital asset acquisitions, excluding non-cash donations, as expenditures. However, in the Statement of Activities, the cost of assets capitalized is allocated over their estimated useful lives and are reported as depreciation expense. This is the amount by which capital asset acquisitions exceeded depreciation in the current period.</p>		
Depreciation expense	\$ (36,345,644)	
Net capital asset acquisition	<u>73,549,183</u>	37,203,539
<p>In the Statement of Activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only cash proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold.</p>		
		(5,236,260)
<p>In the Statement of Activities, transfers of capital assets from governmental activities to business-type activities are reported as transfers, whereas in the governmental funds, there is no event to report as there is no outward flow of current financial resources.</p>		
		(8,466,005)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds.</p>		
Receivables not received within 60 days of fiscal year end	719,281	
Non-cash capital contributions	<u>412,490</u>	1,131,771
<p>Debt proceeds provide current financial resources of governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.</p>		
General obligation bonds payable	(9,395,000)	
Special assessment bonds payable	(16,040,000)	
Sales tax revenue bonds payable	(1,799,799)	
Premium on bonds payable	<u>(1,946,450)</u>	(29,181,249)
<p>Repayment of bond principal is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Net Position.</p>		
General obligation bonds payable	28,154,352	
Special assessment bonds payable	24,365,858	
Sales tax revenue bonds payable	<u>267,089</u>	52,787,299
<p>The amortization of bond premiums and discounts affects long-term liabilities on the Statement of Net Position, but does not provide or consume current financial resources of the governmental funds.</p>		
		4,181,223
<p>Deferred refunding costs reduce current financial resources of governmental funds, but do not decrease long-term liabilities in the Statement of Net Position.</p>		
		151,055
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Accrued interest on bonds payable	283,949	
Compensated absences	(321,129)	
Net pension liability	(900,271)	
Total other post employment benefits (OPEB) liability	(499,348)	
Environmental remediation liability	(9,856,308)	
Liability for future landfill closure and post-closure costs	867,103	
Legal liability	130,930	
Prepaid operating lease	<u>(97,168)</u>	(10,392,242)
<p>Some long-term assets reported in the Statement of Net Position require the use of current financial resources when purchased and, therefore, are reported as expenditures in the governmental funds immediately. However, these long-term assets will be shown as an expense over the term of the agreement in the Statement of Activities.</p>		
Prepaid operating lease		6,863,042
<p>The amortization of collective deferred outflows and inflows of resources related to pensions and OPEB affect the change in net position, but does not provide or use current financial resources in the governmental funds.</p>		
Deferred outflows related to pensions	(21,669,615)	
Deferred outflows related to OPEB	(133,323)	
Deferred inflows related to pensions	24,819,752	
Deferred inflows related to OPEB	<u>213,256</u>	3,230,070
<p>Internal service funds are used to charge the cost of certain activities, such as insurance, to the individual funds. Net revenue (expense) of certain internal service funds is reported within governmental activities.</p>		
		<u>(3,384,373)</u>
<b>Change in net position - governmental activities</b>		<b>\$ <u>45,760,113</u></b>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF WICHITA, KANSAS**

**GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - BUDGETARY BASIS**

For the year ended December 31, 2018  
(with comparative totals for the year ended December 31, 2017)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	2017 Actual Amounts
	Original	Final		Positive (Negative)	
<b>REVENUES</b>					
General property taxes	\$ 78,470,644	\$ 78,109,874	\$ 79,220,412	\$ 1,110,538	\$ 76,625,353
Franchise taxes	47,225,124	47,008,774	47,282,423	273,649	45,563,488
Motor vehicle taxes	12,239,239	11,914,897	11,890,320	(24,577)	11,621,335
Local sales tax	29,812,846	28,916,036	29,447,036	531,000	28,557,694
Intergovernmental	17,558,073	17,400,633	17,617,638	217,005	17,201,970
Licenses and permits	3,429,268	3,028,719	2,902,936	(125,783)	2,818,831
Fines and penalties	9,526,400	9,207,410	8,186,561	(1,020,849)	8,270,546
Charges for services and sales	18,409,472	18,200,806	17,082,487	(1,118,319)	16,430,349
Rental income	2,301,220	2,285,221	2,371,619	86,398	2,335,423
Interest and investment earnings	3,000,000	4,500,000	6,903,511	2,403,511	3,782,188
Sale of property	292,762	292,762	337,453	44,691	485,498
Other revenues	8,839,243	9,096,878	8,910,536	(186,342)	9,367,545
Revised budget adjustment	-	803,497	-	(803,497)	-
<b>Total revenues</b>	<b>231,104,291</b>	<b>230,765,507</b>	<b>232,152,932</b>	<b>1,387,425</b>	<b>223,060,220</b>
<b>EXPENDITURES</b>					
Current:					
General government	38,569,973	33,749,353	34,929,598	(1,180,245)	33,065,290
Public safety	131,842,695	136,090,941	135,568,532	522,409	128,024,383
Highways and streets	18,646,072	17,755,876	17,048,186	707,690	19,990,614
Sanitation	2,905,520	2,913,885	2,549,479	364,406	2,660,583
Health and welfare	4,177,725	4,189,965	4,187,017	2,948	4,027,049
Culture and recreation	34,537,520	35,166,752	33,455,668	1,711,084	32,974,014
Revised budget adjustment	-	(1,150,130)	-	(1,150,130)	-
<b>Total expenditures</b>	<b>230,679,505</b>	<b>228,716,642</b>	<b>227,738,480</b>	<b>978,162</b>	<b>220,741,933</b>
<b>Excess of revenues over expenditures</b>	<b>424,786</b>	<b>2,048,865</b>	<b>4,414,452</b>	<b>2,365,587</b>	<b>2,318,287</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers from other funds	5,627,438	5,966,222	5,874,962	(91,260)	6,073,192
Transfers to other funds	(6,052,224)	(8,015,087)	(7,788,151)	226,936	(6,554,228)
<b>Total other financing uses</b>	<b>(424,786)</b>	<b>(2,048,865)</b>	<b>(1,913,189)</b>	<b>135,676</b>	<b>(481,036)</b>
<b>SPECIAL ITEM</b>					
Transfers to other funds - Hyatt Hotel proceeds	-	(19,000,000)	(19,000,000)	-	-
<b>Net change in fund balance</b>	<b>-</b>	<b>(19,000,000)</b>	<b>(16,498,737)</b>	<b>2,501,263</b>	<b>1,837,251</b>
Unencumbered fund balance, beginning	29,483,028	29,483,028	51,322,910	21,839,882	49,485,659
<b>Unencumbered fund balance, ending</b>	<b>\$ 29,483,028</b>	<b>\$ 10,483,028</b>	<b>\$ 34,824,173</b>	<b>\$ 24,341,145</b>	<b>\$ 51,322,910</b>

The 2018 certified expenditure budget is \$261,731,729, including an appropriated reserve of \$25,000,000, of which \$19,000,000 was utilized to transfer out the remaining proceeds from the sale of the Hyatt Hotel.

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF WICHITA, KANSAS**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS**

December 31, 2018

	Business-type Activities Enterprise Funds		
	Water Utility	Sewer Utility	Airport Authority
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 18,645,328	\$ 32,684,570	\$ 24,315,012
Receivables, net:			
Due from other agencies	-	-	-
Accounts receivable	22,371,233	57,551	1,980,985
Due from other funds	-	-	-
Inventories	2,391,529	106,420	-
Prepaid items	-	777,595	8,910
Restricted assets:			
Cash and cash equivalents	20,659,997	14,632,026	12,868,902
Total current assets	<u>64,068,087</u>	<u>48,258,162</u>	<u>39,173,809</u>
Noncurrent assets:			
Restricted assets:			
Cash and cash equivalents	63,985,530	25,667,305	-
Net investment in direct financing lease	-	-	5,460,000
Capital assets:			
Land	10,301,083	4,494,956	17,886,413
Airfield	-	-	165,717,588
Buildings	140,611,463	115,584,805	174,650,687
Improvements other than buildings	715,795,711	448,826,643	68,698,946
Machinery, equipment and other assets	116,888,519	60,131,186	41,997,961
Construction in progress	41,406,296	51,288,786	62,431,320
Less accumulated depreciation	<u>(314,566,338)</u>	<u>(202,433,973)</u>	<u>(220,210,565)</u>
Total capital assets, net	<u>710,436,734</u>	<u>477,892,403</u>	<u>311,172,350</u>
Total noncurrent assets	<u>774,422,264</u>	<u>503,559,708</u>	<u>316,632,350</u>
Total assets	<u>838,490,351</u>	<u>551,817,870</u>	<u>355,806,159</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Unamortized refunding costs	10,255,627	6,673,632	-
Deferred outflows related to pensions	2,870,550	2,528,324	3,123,985
Deferred outflows related to OPEB	66,048	66,048	61,832
Total deferred outflows of resources	<u>13,192,225</u>	<u>9,268,004</u>	<u>3,185,817</u>

The accompanying notes to the financial statements are an integral part of this statement.

Business-type Activities Enterprise Funds			Governmental Activities
Stormwater Utility	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 13,237,298	\$ 1,840,046	\$ 90,722,254	\$ 52,268,024
-	1,247,394	1,247,394	-
-	128,482	24,538,251	1,958,012
-	65,368	65,368	265,325
-	356,412	2,854,361	979,558
-	3,700	790,205	128,900
-	-	48,160,925	-
<u>13,237,298</u>	<u>3,641,402</u>	<u>168,378,758</u>	<u>55,599,819</u>
-	-	89,652,835	-
-	-	5,460,000	-
7,939,311	2,535,285	43,157,048	-
-	-	165,717,588	-
9,481,468	15,983,518	456,311,941	74,242
187,814,686	15,673,943	1,436,809,929	74,907
6,508,370	30,711,184	256,237,220	41,036,112
2,030,558	-	157,156,960	-
<u>(37,092,163)</u>	<u>(35,680,729)</u>	<u>(809,983,768)</u>	<u>(33,300,515)</u>
<u>176,682,230</u>	<u>29,223,201</u>	<u>1,705,406,918</u>	<u>7,884,746</u>
<u>176,682,230</u>	<u>29,223,201</u>	<u>1,800,519,753</u>	<u>7,884,746</u>
<u>189,919,528</u>	<u>32,864,603</u>	<u>1,968,898,511</u>	<u>63,484,565</u>
-	-	16,929,259	-
982,147	1,250,116	10,755,122	2,487,638
25,294	71,669	290,891	47,778
<u>1,007,441</u>	<u>1,321,785</u>	<u>27,975,272</u>	<u>2,535,416</u>

(Continued)

**CITY OF WICHITA, KANSAS**

**STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS**

December 31, 2018

	Business-type Activities		
	Enterprise Funds		
	Water Utility	Sewer Utility	Airport Authority
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and other liabilities	\$ 3,066,334	\$ 2,544,610	\$ 3,248,317
Accrued interest payable	324,060	-	642,773
Temporary notes payable	-	-	3,630,000
Deposits	4,460,649	-	15,211
Current portion of long-term liabilities:			
General obligation bonds payable	5,140,000	-	2,805,000
Claims payable	-	-	-
Compensated absences	432,335	302,634	527,628
Current liabilities payable from restricted assets:			
Accounts payable and other liabilities	-	-	38,845
Accrued interest payable	2,445,835	2,031,188	-
Revenue bonds payable	13,074,162	12,600,838	-
Total current liabilities	<u>28,943,375</u>	<u>17,479,270</u>	<u>10,907,774</u>
Noncurrent liabilities:			
Unearned revenue	-	-	3,029,685
Due to other funds	-	-	-
General obligation bonds payable	120,018,574	-	129,076,919
Revenue bonds payable	211,715,343	201,724,224	5,460,000
Claims payable	-	-	-
Net pension liability	902,749	785,231	629,140
Total other post-employment benefits (OPEB) liability	1,640,889	1,640,889	1,536,151
Compensated absences	65,113	45,579	84,044
Total noncurrent liabilities	<u>334,342,668</u>	<u>204,195,923</u>	<u>139,815,939</u>
Total liabilities	<u>363,286,043</u>	<u>221,675,193</u>	<u>150,723,713</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows related to pensions	4,029,601	3,510,775	4,433,592
Deferred inflows related to OPEB	105,646	105,646	98,902
Total deferred inflows of resources	<u>4,135,247</u>	<u>3,616,421</u>	<u>4,532,494</u>
<b>NET POSITION</b>			
Net investment in capital assets	369,366,651	275,006,655	173,860,253
Restricted for:			
Capital projects	-	739,229	13,077,826
Revenue bond covenants	82,199,692	30,962,923	-
Unrestricted	32,694,943	29,085,453	16,797,690
Total net position	<u>\$ 484,261,286</u>	<u>\$ 335,794,260</u>	<u>\$ 203,735,769</u>

The accompanying notes to the financial statements are an integral part of this statement.

Business-type Activities Enterprise Funds			Governmental Activities
Stormwater Utility	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 263,026	\$ 664,541	\$ 9,786,828	\$ 2,536,780
42,830	11,544	1,021,207	-
-	1,086,529	4,716,529	-
-	11,861	4,487,721	254,869
2,264,548	-	10,209,548	-
-	-	-	10,833,510
90,593	317,049	1,670,239	376,443
-	-	38,845	-
-	-	4,477,023	-
-	-	25,675,000	-
<u>2,660,997</u>	<u>2,091,524</u>	<u>62,082,940</u>	<u>14,001,602</u>
-	-	3,029,685	-
-	6,733,746	6,733,746	-
14,611,304	-	263,706,797	-
-	-	418,899,567	-
-	-	-	13,686,149
309,819	373,920	3,000,859	769,206
628,425	1,780,539	7,226,893	1,187,025
14,325	47,171	256,232	63,478
<u>15,563,873</u>	<u>8,935,376</u>	<u>702,853,779</u>	<u>15,705,858</u>
<u>18,224,870</u>	<u>11,026,900</u>	<u>764,936,719</u>	<u>29,707,460</u>
1,383,295	1,658,902	15,016,165	3,432,144
40,460	114,637	465,291	76,424
<u>1,423,755</u>	<u>1,773,539</u>	<u>15,481,456</u>	<u>3,508,568</u>
159,668,983	28,127,491	1,006,030,033	7,884,746
-	19,218	13,836,273	-
-	-	113,162,615	-
11,609,361	(6,760,760)	83,426,687	24,919,207
<u>\$ 171,278,344</u>	<u>\$ 21,385,949</u>	<u>\$ 1,216,455,608</u>	<u>\$ 32,803,953</u>

Total net position \$ 1,216,455,608

Some amounts reported as business-type activities in the Statement of Net Position vary because certain internal service fund assets and liabilities are included within business-type activities.

3,324,986

Net position of business-type activities

\$ 1,219,780,594

**CITY OF WICHITA, KANSAS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS**

For the year ended December 31, 2018

	Business-type Activities		
	Water Utility	Sewer Utility	Airport Authority
<b>OPERATING REVENUES</b>			
Charges for services and sales	\$ 87,172,615	\$ 62,426,330	\$ 2,993,935
Fees	692,791	-	4,092,545
Rentals	41,086	16,675	23,387,810
Employer contributions	-	-	-
Employee contributions	-	-	-
Other operating revenues	704,330	197,969	87,854
Total operating revenues	<u>88,610,822</u>	<u>62,640,974</u>	<u>30,562,144</u>
<b>OPERATING EXPENSES</b>			
Personnel services	9,915,179	11,901,536	10,335,185
Contractual services	12,880,514	8,903,378	5,074,405
Materials and supplies	4,588,356	4,619,848	5,425,681
Cost of materials used	-	-	-
Other operating expenses	5,188,357	3,262,620	990,929
Administrative charges	739,943	302,174	341,359
Payments in lieu of franchise taxes	4,071,497	2,837,204	-
Depreciation	26,320,814	11,767,469	11,738,237
Employee benefits	-	-	-
Insurance claims	-	-	-
Total operating expenses	<u>63,704,660</u>	<u>43,594,229</u>	<u>33,905,796</u>
Operating income (loss)	<u>24,906,162</u>	<u>19,046,745</u>	<u>(3,343,652)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest and investment earnings	182,924	745,901	156,656
Intergovernmental grants	-	-	-
Other expenses	(777,538)	(188,977)	-
Interest expense	(13,895,436)	(8,328,481)	(5,767,264)
Gain (loss) on sale of assets	(4,446)	216,795	12,109
Bond premium amortization	1,687,513	1,122,500	209,623
Total non-operating revenues (expenses)	<u>(12,806,983)</u>	<u>(6,432,262)</u>	<u>(5,388,876)</u>
Income (loss) before capital contributions and transfers	<u>12,099,179</u>	<u>12,614,483</u>	<u>(8,732,528)</u>
<b>CAPITAL CONTRIBUTIONS AND OPERATING TRANSFERS</b>			
Capital contributions	4,065,122	4,238,801	5,167,339
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Total capital contributions and operating transfers	<u>4,065,122</u>	<u>4,238,801</u>	<u>5,167,339</u>
Change in net position	<u>16,164,301</u>	<u>16,853,284</u>	<u>(3,565,189)</u>
Net position - beginning, as previously reported	469,751,501	320,595,492	208,849,866
Prior period adjustment	(1,654,516)	(1,654,516)	(1,548,908)
Net position - beginning, as restated	<u>468,096,985</u>	<u>318,940,976</u>	<u>207,300,958</u>
Net position - ending	<u>\$ 484,261,286</u>	<u>\$ 335,794,260</u>	<u>\$ 203,735,769</u>

The accompanying notes to the financial statements are an integral part of this statement.

Business-type Activities Enterprise Funds			Governmental Activities Internal Service Funds
Stormwater Utility	Other Enterprise Funds	Total Enterprise Funds	
\$ 12,852,766	\$ 2,437,698	\$ 167,883,344	\$ 17,251,707
-	2,728,842	7,514,178	9,405,242
-	1,102,006	24,547,577	-
-	-	-	41,233,056
-	-	-	12,524,778
25,435	288,798	1,304,386	2,147,146
<u>12,878,201</u>	<u>6,557,344</u>	<u>201,249,485</u>	<u>82,561,929</u>
2,595,088	11,175,046	45,922,034	9,096,423
2,194,522	3,023,257	32,076,076	10,566,074
354,203	2,437,352	17,425,440	7,036,424
-	-	-	113,745
966,933	201,226	10,610,065	-
253,997	613,193	2,250,666	878,500
-	-	6,908,701	-
3,175,420	2,956,976	55,958,916	3,058,476
-	-	-	48,684,588
-	-	-	7,298,230
<u>9,540,163</u>	<u>20,407,050</u>	<u>171,151,898</u>	<u>86,732,460</u>
<u>3,338,038</u>	<u>(13,849,706)</u>	<u>30,097,587</u>	<u>(4,170,531)</u>
-	-	1,085,481	-
-	6,896,401	6,896,401	-
-	(156,137)	(1,122,652)	-
(590,567)	(8,544)	(28,590,292)	(1,686)
-	27,635	252,093	(188,373)
191,632	-	3,211,268	-
<u>(398,935)</u>	<u>6,759,355</u>	<u>(18,267,701)</u>	<u>(190,059)</u>
<u>2,939,103</u>	<u>(7,090,351)</u>	<u>11,829,886</u>	<u>(4,360,590)</u>
4,358,068	1,262,304	19,091,634	411,621
-	4,775,080	4,775,080	250,000
-	-	-	(862,271)
<u>4,358,068</u>	<u>6,037,384</u>	<u>23,866,714</u>	<u>(200,650)</u>
<u>7,297,171</u>	<u>(1,052,967)</u>	<u>35,696,600</u>	<u>(4,561,240)</u>
164,614,817	24,234,241	1,188,045,917	38,562,076
(633,644)	(1,795,325)	(7,286,909)	(1,196,883)
<u>163,981,173</u>	<u>22,438,916</u>	<u>1,180,759,008</u>	<u>37,365,193</u>
<u>\$ 171,278,344</u>	<u>\$ 21,385,949</u>	<u>\$ 1,216,455,608</u>	<u>\$ 32,803,953</u>

Increase in net position per fund statements \$ 35,696,600

Some amounts reported as business-type activities in the Statement of Activities vary because a portion of the net revenue (expense) of the internal service funds is reported within business-type activities.

(1,176,867)

Change in net position of business-type activities

\$ 34,519,733

**CITY OF WICHITA, KANSAS**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS**

For the year ended December 31, 2018

	Business-type Activities Enterprise Funds		
	Water Utility	Sewer Utility	Airport Authority
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash received from customers	\$ 88,196,508	\$ 62,627,428	\$ 30,621,858
Cash payments to suppliers for goods and services	(24,225,494)	(17,026,741)	(11,382,381)
Cash payments to employees for services	(9,922,606)	(11,838,143)	(10,308,143)
Payments in lieu of franchise taxes	(4,071,497)	(2,837,204)	-
Other operating revenues	704,330	197,969	87,854
Other operating expenses	-	-	-
Net cash provided by (used in) operating activities	<u>50,681,241</u>	<u>31,123,309</u>	<u>9,019,188</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Operating grants received	-	-	-
Interfund loans	-	-	-
Transfers from other funds	-	-	-
Transfers to other funds	-	-	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Issuance of temporary notes	-	-	3,630,000
Retirement of temporary notes	-	-	(4,178,830)
Principal payments on long-term debt	(18,982,708)	(14,167,292)	(2,700,000)
Interest payments on long-term debt	(13,570,206)	(8,781,066)	(5,785,236)
Additions to property, plant and equipment	(24,095,491)	(37,432,293)	(5,226,042)
Proceeds from sale of capital assets	200,880	220,625	12,109
Capital contributions	2,614,609	1,467,235	5,182,470
Net cash used in capital and related financing activities	<u>(53,832,916)</u>	<u>(58,692,791)</u>	<u>(9,065,529)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on investments	182,924	745,901	156,656
Net cash provided by investing activities	<u>182,924</u>	<u>745,901</u>	<u>156,656</u>
Net increase (decrease) in cash and temporary investments	(2,968,751)	(26,823,581)	110,315
Cash and temporary investments - beginning	106,259,606	99,807,482	37,073,599
Cash and temporary investments - ending	<u>\$ 103,290,855</u>	<u>\$ 72,983,901</u>	<u>\$ 37,183,914</u>

The accompanying notes to the financial statements are an integral part of this statement.

Business-type Activities Enterprise Funds			Governmental Activities
Stormwater Utility	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 12,890,694	\$ 6,202,553	\$ 200,539,041	\$ 80,560,862
(3,785,450)	(6,223,892)	(62,643,958)	(69,853,583)
(2,580,050)	(11,120,178)	(45,769,120)	(9,069,712)
-	-	(6,908,701)	-
25,435	295,842	1,311,430	2,147,146
-	(76,379)	(76,379)	-
<u>6,550,629</u>	<u>(10,922,054)</u>	<u>86,452,313</u>	<u>3,784,713</u>
-	10,113,663	10,113,663	-
-	(856,763)	(856,763)	21,724,814
-	4,775,080	4,775,080	250,000
-	-	-	(862,271)
<u>-</u>	<u>14,031,980</u>	<u>14,031,980</u>	<u>21,112,543</u>
-	1,086,529	4,716,529	-
(1,260,398)	-	(5,439,228)	-
(2,189,790)	-	(38,039,790)	(64,219)
(600,459)	-	(28,736,967)	(1,686)
(1,974,568)	(3,584,985)	(72,313,379)	(1,551,516)
-	42,322	475,936	353,097
<u>419,788</u>	<u>907,718</u>	<u>10,591,820</u>	<u>-</u>
<u>(5,605,427)</u>	<u>(1,548,416)</u>	<u>(128,745,079)</u>	<u>(1,264,324)</u>
-	-	1,085,481	-
<u>-</u>	<u>-</u>	<u>1,085,481</u>	<u>-</u>
945,202	1,561,510	(27,175,305)	23,632,932
12,292,096	278,536	255,711,319	28,635,092
<u>\$ 13,237,298</u>	<u>\$ 1,840,046</u>	<u>\$ 228,536,014</u>	<u>\$ 52,268,024</u>

(Continued)

**CITY OF WICHITA, KANSAS**

**STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS**

For the year ended December 31, 2018

	Business-type Activities Enterprise Funds		
	Water Utility	Sewer Utility	Airport Authority
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>			
Operating income (loss)	\$ 24,906,162	\$ 19,046,745	\$ (3,343,652)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	26,320,814	11,767,469	11,738,237
Other expenses	(70,918)	-	-
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:			
(Increase) decrease in accounts receivable	332,214	184,423	260,793
(Increase) decrease in inventory	(232,365)	(7,377)	-
Decrease in prepaid items	1,054	34,722	-
Decrease in deferred outflows related to pensions	1,085,266	769,850	937,184
(Increase) in deferred outflows related to OPEB	(66,048)	(66,048)	(61,832)
Increase in accounts payable	(574,744)	77,403	513,021
Increase (decrease) in accrued interest payable	32,152	-	-
Increase (decrease) in deposits	(3,432)	-	(800)
Increase in claims payable	-	-	-
Decrease in unearned revenues	-	-	(112,425)
Decrease in net pension liability	(4,254,970)	(3,527,949)	(4,327,665)
Decrease in total OPEB liability	(13,627)	(13,627)	(12,757)
Increase (decrease) in compensated absences	(19,842)	23,629	11,533
Increase in deferred inflows related to pensions	3,133,879	2,728,423	3,318,649
Increase in deferred inflows related to OPEB	105,646	105,646	98,902
Total adjustments	<u>25,775,079</u>	<u>12,076,564</u>	<u>12,362,840</u>
Net cash provided by (used in) operating activities	<u>\$ 50,681,241</u>	<u>\$ 31,123,309</u>	<u>\$ 9,019,188</u>
<b>SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES</b>			
Contribution of capital assets	\$ 1,450,513	\$ 2,771,566	\$ -
Capital contribution receivables	-	-	-

The accompanying notes to the financial statements are an integral part of this statement.

Business-type Activities Enterprise Funds			Governmental Activities
Stormwater Utility	Other Enterprise Funds	Total Enterprise Funds	Internal Service Funds
\$ 3,338,038	\$ (13,849,706)	\$ 30,097,587	\$ (4,170,531)
3,175,420	2,956,976	55,958,916	3,058,476
-	(100,000)	(170,918)	-
37,928	(66,393)	748,965	146,079
-	42,957	(196,785)	(36,830)
-	-	35,776	-
355,574	452,350	3,600,224	874,192
(25,294)	(71,669)	(290,891)	(47,778)
2,657	46,776	65,113	(273,273)
-	-	32,152	-
-	7,444	3,212	21,503
-	-	-	5,040,679
-	-	(112,425)	-
(1,439,583)	(1,737,427)	(15,287,594)	(3,574,137)
(5,219)	(14,786)	(60,016)	(9,858)
439	1,451	17,210	(4,468)
1,070,209	1,295,336	11,546,496	2,684,235
40,460	114,637	-	-
40,460	114,637	465,291	76,424
3,212,591	2,927,652	56,354,726	7,955,244
\$ 6,550,629	\$ (10,922,054)	\$ 86,452,313	\$ 3,784,713
\$ 3,938,280	\$ 444,868	\$ 8,605,227	\$ 411,621
-	261,263	261,263	-

**CITY OF WICHITA, KANSAS**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

December 31, 2018

	Pension Trust Funds	WAMPO Private Purpose Trust Fund	Agency Funds
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 165,592	\$ -	\$ 3,564,160
Receivables:			
Investment sales pending	3,041,004	-	-
Interest and dividends	2,920,360	-	-
Due from other agencies	-	394,702	-
Other receivables	603,421	-	4,989
Total receivables	<u>6,564,785</u>	<u>394,702</u>	<u>4,989</u>
Investments, at fair value:			
Government short-term investment fund	41,072,687	-	-
Equity:			
Domestic equity	433,581,511	-	-
International equity	293,006,659	-	-
Fixed income	249,453,596	-	-
Commodities	33,702,764	-	-
Real estate	90,063,631	-	-
Target date and money market funds	5,040,886	-	-
Timber	56,060,033	-	-
Derivative investments	111,284	-	-
Securities lending short-term collateral investment pool	3,891,200	-	-
Total investments	<u>1,205,984,251</u>	<u>-</u>	<u>-</u>
Capital assets:			
Pension software	1,282,828	-	-
Accumulated depreciation	<u>(1,282,828)</u>	<u>-</u>	<u>-</u>
Capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>1,212,714,628</u>	<u>394,702</u>	<u>3,569,149</u>
<b>LIABILITIES</b>			
Accounts payable and other liabilities	2,555,054	88,164	787,463
Investment purchases pending	17,417,355	-	-
Securities lending obligations	3,891,200	-	-
Deposits	-	-	2,781,686
Total liabilities	<u>23,863,609</u>	<u>88,164</u>	<u>3,569,149</u>
<b>NET POSITION</b>			
Restricted for:			
Pensions	1,188,851,019	-	-
Other organizations	-	306,538	-
Total net position	<u>\$ 1,188,851,019</u>	<u>\$ 306,538</u>	<u>\$ -</u>

The accompanying notes to the financial statements are an integral part of this statement.

**CITY OF WICHITA, KANSAS**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS**

For the year ended December 31, 2018

	Pension Trust Funds	WAMPO Private Purpose Trust Fund
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 24,632,524	\$ -
Employee	9,557,105	-
Intergovernmental	-	1,696,929
TIF Reimbursements	-	11,952
Total contributions	<u>34,189,629</u>	<u>1,708,881</u>
Investment income (loss):		
From investing activities:		
Net depreciation in the fair value of investments	(96,164,319)	-
Interest	8,744,476	-
Dividends	10,077,075	-
Commission recapture	28,938	-
Total investing activity loss	<u>(77,313,830)</u>	<u>-</u>
Less investment expense	6,910,361	-
Net loss from investing activities	<u>(84,224,191)</u>	<u>-</u>
From securities lending activities:		
Securities lending income	189,652	-
Less securities lending expenses:		
Borrower rebates	18,619	-
Management fees	45,001	-
Total securities lending expenses	<u>63,620</u>	<u>-</u>
Net income from securities lending activities	<u>126,032</u>	<u>-</u>
Total net investment loss	<u>(84,098,159)</u>	<u>-</u>
Reclassifications due to participant conversion	179,012	-
Total additions	<u>(49,729,518)</u>	<u>1,708,881</u>
<b>DEDUCTIONS</b>		
Pension benefits	79,899,876	-
Administrative expenses	1,197,686	1,561
Employee contributions refunded	1,501,064	-
Reclassifications due to participant conversion	179,012	-
Program outlays	-	1,596,693
Total deductions	<u>82,777,638</u>	<u>1,598,254</u>
Net increase (decrease) in net position	(132,507,156)	110,627
Net position - beginning	<u>1,321,358,175</u>	<u>195,911</u>
Net position - ending	<u>\$ 1,188,851,019</u>	<u>\$ 306,538</u>

The accompanying notes to the financial statements are an integral part of this statement.

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. Reporting Entity

The City of Wichita is a municipal corporation governed by an elected mayor and six-member council. The accompanying financial statements present the government and its component units. Component units are legally separate entities for which the government is financially accountable or other entities whose nature and significant relationship with the government are such that exclusion would cause the government's financial statements to be misleading. A blended component unit, although a legally separate entity, is, in substance, part of the government's operations and so data from the blended component unit is combined with data of the primary government.

*Blended Component Unit:* The Airport Authority serves all citizens of the government and is governed by a board comprised of the government's elected council. Bond issuance authorizations are approved by the governing body of the primary government and the legal liability for the general obligation portion of the Authority's debt remains with the government. The Airport Authority is reported as an enterprise fund. Separate audited financial statements are not prepared by the Airport Authority.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position on page A-15 and the Statement of Activities on page A-16 and A-17) report information about all of the nonfiduciary activities of the primary government and its component units. As a general rule, the effect of interfund activity has been eliminated from these financial statements. Exceptions to this rule are payments in lieu of taxes where amounts are reasonably equivalent in value to the interfund services provided and other charges between the enterprise funds and other various functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that do not meet the definition of program revenues are reported as general revenues.

Governmental fund financial statements distinguish revenues and expenditures from other financing sources and uses. Other financing resources and uses are increases or decreases in the fund balance of a governmental fund that are not considered revenues or expenditures. Only items identified as other financing sources and uses by authoritative standards may be classified as such (e.g. proceeds from the issuance of long-term debt and transfers between funds).

Proprietary fund financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary funds' principal ongoing operations. Principal operating revenues of the proprietary funds are primarily comprised of charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting these criteria are reported as non-operating revenues and expenses.

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if collected within

60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to long-term obligations, such as, debt service on long-term debt, compensated absences and claims and judgments, are recorded only when the payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Special assessments receivable that are not due within the current fiscal period and not susceptible to accrual are recorded as unavailable revenue. All other revenue items are considered to be measurable and available only when cash is received.

The government reports the following major governmental funds:

The General Fund is the principal fund of the City that accounts for all financial transactions not accounted for in other funds. The majority of current operating expenditures of the City, other than proprietary fund activities, are financed through revenues received by the General Fund. The Economic Development Fund is certified to the State of Kansas and reported as a subfund of the General Fund. Schedules for the certified fund and subfund are presented as supplemental information in the Governmental Funds Section of this report.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The Street Improvement Fund accounts for capital improvements related to street, arterial and freeway projects that are financed through the issuance of general obligation bonds, special assessments, local sales tax, grants and other City funds.

The Public Improvement Construction Fund accounts for capital improvements relating to projects that benefit the public that are financed through the issuance of general obligation bonds, special assessments, local sales tax, grants and other City funds.

The government reports the following major proprietary funds:

The Water Utility Fund accounts for the operation and maintenance of the water supply and distribution component of the combined utility.

The Sewer Utility Fund accounts for the operation and maintenance of the wastewater collection and treatment component of the combined utility, including wastewater treatment plants, sewer laterals and mains.

The Airport Authority Fund accounts for the provision of air transportation services for the public, business and industry.

The Stormwater Utility Fund accounts for the acquisition, design, construction, maintenance and operation of the City's surface drainage system.

The government also reports the following non-major fund types:

Special revenue funds account for the proceeds from specific revenue sources that are restricted or committed to expenditures for specified purposes.

Capital project funds account for all resources received and used for the acquisition or development of capital improvements, except those financed primarily by proprietary funds. Financing for these capital improvements primarily come from the City's general obligation bond issues, special assessments, local sales tax and grants.

A permanent fund is used to report resources that are restricted for the maintenance and perpetual care of municipal cemeteries and mausoleums.

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that the costs required to provide these goods and services are financed from fees and charges from external users, issuance of bonds (revenue and general obligation), grants and other City funds.

Internal service funds are used to account for information technology services, fleet management and risk management services (including claims for worker's compensation, general liability and employee health insurance) provided by one department to other departments of the City on a cost reimbursement basis.

Pension trust funds account for the activities of the Wichita Employees' Retirement System, Wichita Police and Fire Retirement System and the Wichita Employees' Retirement System Plan 3b, all of which accumulate resources for pension benefits for qualified employees.

A private purpose trust fund accounts for all trust arrangements, other than those properly reported in pension trust funds or investment trust funds, under which the principal and income benefit individuals, private organizations or other governments.

Agency funds are used to report resources held by the City in a custodial capacity for remittance of fiduciary resources to individuals, private organizations or other governments.

D. Pooled Cash and Temporary Investments

Cash resources of the individual funds are combined to form a pool of cash and temporary investments, which is managed by the Director of Finance (except for investments of the pension trust funds). The pool has the general characteristics of demand deposit accounts, in that each fund may deposit additional cash at any time and also may withdraw cash at any time without prior notice or penalty. Investments of the pooled accounts consist primarily of certificates of deposits and U.S. government and agency securities. Interest income earned is allocated to contributing funds based on average daily cash balances and in accordance with the adopted budget, if greater than internal management fee.

E. Investments

Investments of the government are reported at fair value, which is based on quoted market prices in all instances in which they are available. For all investments other than those in the pension trust funds, level 2 fair value measurements are based on other observable inputs including benchmark curves, benchmarking of like securities, sector groupings and matrix pricing.

The pension trust funds invest in real estate through real estate investment trusts, timber through limited partnerships, commodities, Treasury strips and various asset backed securities, such as collateralized mortgage obligations and credit card trusts. Short-term investments are reported at cost plus accrued interest, which approximates fair value. Investments traded on national or international exchanges are valued at the last trade price of the day. If no close price exists, then a bid price is used. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar investments. The fair value of real estate and timber investments are estimated using the net asset value of the shares owned in each fund. Investments that do not have an established market are reported at their estimated fair value.

F. Property Taxes and Other Receivables

In accordance with governing state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the ensuing year. Taxes are assessed as of January 1 and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20<sup>th</sup> during the year levied, with the balance to be paid on or before May 10<sup>th</sup> of the ensuing year. State statutes prohibit the County Treasurer from distributing taxes collected in the year levied prior to January 1 of the ensuing year. Consequently, for revenue recognition purposes, the taxes levied during the current year are not due and receivable until the ensuing year. At December 31<sup>st</sup>, such taxes are a lien on the property and are recorded as taxes receivable, net of anticipated delinquencies, with a corresponding amount recorded as deferred inflows of resources on the balance sheet of the appropriate funds. It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the year and, further, the amounts thereof are not material in relationship to the financial statements taken as a whole.

Recognized state-shared taxes represent payments received during the current fiscal period. State statutes specify distribution dates for such shared taxes. For revenue recognition purposes, amounts collected and held by the state on behalf of the City at year-end are not due and receivable until the ensuing year. Federal and state grant aid is reported as revenue when the related reimbursable expenditures are incurred. Unrestricted aid is reported as revenue in the fiscal year the entitlement is received.

G. Revenue Recognition for Proprietary Funds

The proprietary funds recognize revenue on sales when services are rendered. The Water, Sewer and Stormwater

Utilities recognize revenues for unbilled services. All users, including other City departments, are charged for services provided by the respective proprietary fund. Accounts receivable represent uncollected charges (both billed and unbilled) as of December 31, net of amounts estimated to be uncollectible.

H. Special Assessments

Kansas statutes require projects financed in part by special assessments to be financed through the issuance of general obligation bonds, which are secured by the full faith and credit of the City. Special assessments paid prior to the issuance of general obligation bonds are recorded as revenue in the appropriate project. Special assessments received after the issuance of general obligation bonds are recorded as revenue in the Debt Service Fund or a liability in a City of Wichita revocable escrow account for prepaid special assessments. The escrow is revocable and, therefore, not technically public funds. The amount of any interest earnings plus prepayment equals the amount of debt service paid on outstanding bonds.

State statutes allow levying additional ad valorem property taxes in the City's Debt Service Fund to finance delinquent special assessments receivable, if necessary. Special assessments receivable are accounted for within the Debt Service Fund. Special assessments are levied over a fifteen to twenty year period and the annual installments are due and payable with annual ad valorem property taxes. Delinquent assessments against property benefited by special assessments constitute a lien against such property. When assessments are two years in arrears, the assessments may be collected by foreclosure. On December 31<sup>st</sup>, the special assessment taxes levied are a lien on the property and are recorded as special assessments receivable in the debt service fund with a corresponding amount recorded as a deferred inflow of resources.

I. Inventories and Prepaid Expenses

Inventories and prepaid expenses that benefit future periods, other than those recorded in the proprietary funds, are recorded as expenditures during the year of purchase. There are the following exceptions (1) prepaid postage meter balance for entire City which is recognized in the appropriate fund when utilized (2) escrow deposits and (3) in relation to the grant assistance fund. In proprietary funds, the cost of inventories is recorded as expense when consumed. Inventories are valued utilizing the average unit cost method.

J. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual minimum cost ranging from \$5,000 to \$100,000, depending on the type of asset. Capital assets are valued at acquisition value, or estimated acquisition value (if actual acquisition value is not available). Donated capital assets are valued at their estimated acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of an asset are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. For capital assets and improvements constructed by a proprietary fund, interest costs incurred to bring certain assets to the condition and location necessary for their intended use are capitalized as part of the historical cost of acquiring the assets. Additionally, in situations involving the acquisition of certain assets financed with the proceeds of tax-exempt borrowing, any interest earned on related interest-bearing investments from such proceeds are offset against the related interest costs in determining either capitalization rates or limitations on the amount of interest costs to be capitalized. Capital assets of the primary government and its component unit are depreciated using the straight-line method. Estimated useful lives of asset categories are listed in the accompanying table.

Asset Classifications	Estimated Useful Life
Buildings and improvements	1-100
Improvements other than buildings	1-85
Equipment	1-33
Vehicles	1-20
Public domain infrastructure	15-60
Airfields	1-20

K. Franchise Taxes

Franchise taxes are collected from utilities for the use of right-of-ways. Annually, the Water Utility and Sewer Utility pay to the General Fund of the City amounts in lieu of franchise taxes in an amount not to exceed 5% of gross revenues for the preceding year, which is appropriated by the City and included in the annual budget.

## L. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick pay benefits. The City does not have a policy to pay accumulated sick pay benefits upon termination of employment; consequently, there is no liability for unpaid accumulated sick leave. Vacation pay is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for vacation pay is reported in governmental funds only if it has matured, for example, as a result of employee terminations and retirements.

## M. Statement of Cash Flows

The reporting entity defines cash and cash equivalents used in the statement of cash flows as all cash and temporary investments (both restricted and unrestricted).

## N. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred charges on refunding in the government-wide and proprietary fund statements of net position. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports a collective deferred outflow of resources related to pensions, which is described in more detail in Note 7 - Retirement Funds and a collective deferred outflow of resources related to OPEB, which is described in more detail in Note 8 - Other Post Employment Healthcare Benefits.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. Unavailable revenue, which arises only under a modified accrual basis of accounting, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from several sources: long-term accounts receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred revenues are reported in both the government-wide statement of net position and the governmental funds balance sheet for property taxes receivable. Property taxes are not recognized as revenue until the period for which they are levied. Additionally, the City reports a collective deferred inflow of resources related to pensions, which is described in more detail in Note 7 - Retirement Funds and a collective deferred inflow of resources related to OPEB, which is described in more detail in Note 8 - Other Post Employment Healthcare Benefits.

## O. Estimates

Preparation of financial statements in conformity with GAAP requires making estimates and assumptions that affect: (1) the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources; (2) disclosures, such as contingencies; and (3) the reported amounts of revenues and expenditures or expenses included in the financial statements. Actual results could differ from those estimates.

## P. Net Position and Fund Balance

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets, restricted and unrestricted.

Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvements of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted Net Position represent constraints on resources that are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments imposed by law through state statute.

Unrestricted Net Position consists of assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the "restricted" or "net investment in capital assets" components of net position.

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how the fund balance can be spent. The governmental fund types classify fund balance as follows:

*Nonspendable Fund Balance* includes amounts that cannot be spent because they are either (a) not in a spendable form or (b) legally or contractually required to be maintained intact.

*Restricted Fund Balance* includes amounts that are restricted to specific purposes externally imposed by creditors, grantors, contributors or laws and regulations of other governments imposed by law through state statute.

*Committed Fund Balance* includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

*Assigned Fund Balance* is the portion of the fund balance which the City intends to use for a specified purpose as directed by the City Council. The portion of the fund balance that is appropriated by the City Council for the next year's budget that is not already restricted or committed is considered assigned. Encumbrances, which can be approved by the designated senior staff, are included in assigned fund balances. Additional information on encumbrance balances is provided in Note 20D - Encumbrances.

*Unassigned Fund Balance* represents the portion of fund balance that has not otherwise been restricted, committed or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City of Wichita considers to have spent restricted funds first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first from the committed funds, then assigned funds and finally unassigned funds, unless the City Council has provided otherwise in its commitment or assignment action.

The City of Wichita has adopted a minimum fund balance policy for the General Fund which instructs management to conduct business of the City in a manner such that available fund balance is at least equal to or greater than 10% of the next year's budgeted expenditures.

#### Q. Implementation of New Accounting Principles

In 2018, the City implemented the following accounting principles:

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, establishes new financial reporting requirements for state and local governments that provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, Statement No. 75 requires a state or local government employer to use the entry age normal actuarial cost method, and requires deferred outflows of resources and deferred inflows of resources that arise from other types of events related to OPEB to be recognized. Accordingly, the City has reported the cumulative effect of applying GASB 75 as a restatement of net position as of January 1, 2018. This restatement decreased previously reported net position for governmental activities by \$10,056,969 and for business-type activities by \$7,286,909.

*GASB Statement No. 85, Omnibus 2017*, addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

*GASB Statement No. 86, Certain Debt Extinguishment Issues*, improves consistency in accounting and financial reporting for in-substance defeasement of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance.

The implementation of GASB Statements No. 85 and 86 did not have a material impact on the City's financial statements.

**2. BUDGETARY CONTROL**

Applicable Kansas statutes require that annual budgets be legally adopted for all funds (including proprietary funds) unless exempted by a specific statute. Specific funds exempted from legally adopted budgets are all Grant Assistance Fund, all capital projects funds (including capital projects of proprietary funds), the Airport Authority, Golf Course System, Transit and all trust and agency funds. Controls over spending in funds and the component unit that are not subject to legal budgets are maintained by the use of internal spending limits established by management. K.S.A. 79-2926 et. seq. provides the following sequence and timetable for adoption of budgets:

1. Preparation of budget for the succeeding calendar year on or before August 1 of each year.
2. Publication of proposed budget on or before August 5 of each year. A minimum of ten days' notice of public hearing, published in local newspaper, on or before August 15 of each year.
3. Adoption of final budget on or before August 25 of each year.

K.S.A. 79-2927 requires that all money to be raised by taxation and from all other sources for the ensuing budget year be appropriated. The law does not permit an appropriation for sundry or miscellaneous purposes in excess of 10% of the total. The budget for each fund may include a non-appropriated balance not to exceed 5% of the total of each fund. The City of Wichita appropriates amounts for fund balance reserves in the various governmental funds on a budgetary basis. Appropriated fund balance reserves are not intended to finance routine expenditures and are reflected in the budgets only to the extent utilized.

Kansas statutes prohibit creating expenditures in excess of the total amount of the adopted expenditure budget of individual funds. In accordance with Kansas statutes, the legal level of control for the City is established at the individual fund level. Kansas statutes permit the transfer of budgeted amounts from one object or purpose to another and allow original budgets to be increased for previously unbudgeted increases in revenue other than ad valorem property taxes. The City must first publish a notice of hearing to amend the budget. Ten days after publication, a public hearing is held at which time the governing body may amend the budget.

**3. BUDGETARY BASIS OF ACCOUNTING**

Budgets are prepared on a budgetary basis, which is a basis that differs from generally accepted accounting principles (GAAP basis). For budgeting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, except for special assessments of the debt service fund that are recognized on the cash basis. The major difference between GAAP basis and budgetary basis is the reporting of encumbrances (purchase orders, contracts, and other commitments) as expenditures for budgetary purposes. Adjustments necessary to convert the net change in fund balances and the ending fund balances from GAAP basis to budgetary basis for the General Fund are provided in the table below.

	<u>Net Change in Fund Balance</u>	<u>Fund Balances at End of Year</u>
General Fund - GAAP basis	\$ (16,826,874)	\$ 39,989,208
Increase (decrease) affecting basis:		
Expenditures due to prior year encumbrances	1,241,668	(131,207)
Cancellation of prior year encumbrances	68,014	-
Expenditures due to current year encumbrances	(1,421,352)	(1,421,352)
Less subfund balances included for GAAP :purposes		
Permanent Reserve Subfund*	-	(1,821,848)
Economic Development Subfund	439,807	(1,790,628)
General Fund - budgetary basis	<u>\$ (16,498,737)</u>	<u>\$ 34,824,173</u>

\*Budget authority was not established for the Permanent Reserve Subfund for 2018. Therefore, a budgetary comparison schedule is not presented.

#### 4. FUND BALANCE AND NET POSITION DEFICITS

At December 31, 2018, fund balance net position deficits are shown in the accompanying table. The fund deficits for the Street Improvement Fund, Public Improvement Construction Fund, and other nonmajor governmental capital projects funds will primarily be financed through the sale of bonds authorized by the City Council but not yet sold as of December 31, 2018.

The City Finance Department is continuing to work with the City Council to evaluate options to address the deficit net position in the Golf Course System Fund.

Primary Government	Fund Balance/ Net Position Deficits
Governmental funds:	
Street Improvement Fund	\$ 45,282,312
Public Improvement Construction Fund	12,751,442
Water Main Extension Fund	2,664,937
Park Bond Construction Fund	3,403,393
Sewer Construction Fund	16,470,920
Business-type funds:	
Golf Course System Fund	2,808,476
Total reporting entity	<u>\$ 83,381,480</u>

#### 5. CASH, INVESTMENTS AND SECURITIES LENDING

##### A. Cash Deposits with Financial Institutions

*Custodial Credit Risk for deposits:* In the case of deposits, custodial credit risk is the risk that in the event of a bank failure the City's deposits may not be returned to it. The City requires compliance with the provisions of state law for the collateralization of all deposits. Allowable securities and forms of collateral acceptable to the City are limited to the following:

1. Direct obligations of, or obligations insured as to principal and interest by, the United States of America or any agency thereof;
2. Obligations and securities of U.S. sponsored corporations, which under federal Law, may be accepted as security for public funds;
3. Bonds of any Kansas municipality which have been refunded and are fully secured as to payment of principal and interest by direct obligations or obligations which are unconditionally guaranteed by the United States of America;
4. Bonds of the State of Kansas;
5. General obligation bonds of any Kansas municipality;
6. Revenue bonds of any Kansas municipality, if they meet approval by the Commissioner;
7. General obligation temporary notes of any Kansas municipality;
8. No-fund warrants of any Kansas municipality;
9. Certain Kansas municipality sponsored revenue bonds rated Aa or higher by Moody's Investor Service or AA by Standard & Poor's Corp.;
10. Commercial paper that does not exceed 270 days to maturity and which has received one of the two highest commercial paper credit ratings by a nationally recognized investment rating firm;
11. Corporate surety bonds approved by the Commissioner and in the standard format acceptable to the City of Wichita as follows:
  - a) The issuer of the surety bond shall be admitted and licensed to issue surety bonds in Kansas;
  - b) The City of Wichita shall be designated as the insured public depositor;
  - c) The issuer and depository bank are required to notify the City of Wichita by certified or registered mail no fewer than 90 days prior to non-renewal and no fewer than 45 days prior to a bond's cancellation;
  - d) The claims-paying ability of the issuer must be rated and remain in the highest rated rating category of one of the nationally recognized rating agencies ("A++" or "A+" from A.M. Best Company or "AAA" from Standard & Poor's). Within 48 hours of discovery of a downgrade by a rating agency or notice of financial regulatory action by any jurisdiction in which the issuer is licensed, notice must be given to the City Treasurer by the issuer in the form of certified or registered mail;

- e) No more than \$5 million per depository bank or an aggregate of \$20 million for all depository banks can be collateralized in the form of surety bonds; and
  - f) The issuer is required to send quarterly reports to the Office of the City Treasurer listing all depository banks that have purchased surety bonds for deposits, the insured amounts covering deposits of the City of Wichita and the total insured amount per depository bank in Sedgwick County.
12. A letter of credit (LOC) issued by a U.S. sponsored enterprise that under federal law may be accepted as security for public funds, subject to additional requirements.

Financial institutions are required to pledge or assign for the City's benefit sufficient securities, the market value of which is at least 105% of the total deposits. As of December 31, 2018, the City had deposits in five banks totaling \$29,557,001 with assets pledged by the banks as collateral with a fair value of \$44,725,702.

#### B. Pooled Investments of the Primary Government

The City of Wichita has adopted a formal investment policy. The primary objectives of the investment activities are, in priority order, safety of principal, liquidity and yield. The standard of care to be used by investment officials shall be the "prudent investor rule" as set forth in the Uniform Prudent Investors Act, K.S.A. 58-24a01 et seq. and amendments thereto and shall be applied in the context of managing an overall portfolio. In accordance with state law (K.S.A. 12-1675 and 12-1677b), the City's investment policy allows monies, not otherwise regulated by statute, to be invested in the following instruments:

United States Treasury and Agency Securities: The City may invest in direct obligations of, or obligations that are insured as to principal and interest by, the United States of America or any agency thereof and obligations and securities of United States sponsored enterprises which under federal law may be accepted as security for public funds, except that such investments shall not be in mortgage-backed securities.

Repurchase Agreements (Repo): The City may invest in repurchase agreements with banks, savings and loan associations and savings banks which have main or branch offices located in the City of Wichita, or with a primary government securities dealer which reports to the market reports division of the Federal Reserve Bank of New York.

Collateralized Public Deposits (Certificates of Deposit): The City may invest in instruments issued by any bank, savings and loan association or savings bank which has main or branch offices located within the City of Wichita.

Temporary Notes or No-Fund Warrants: The City may invest in temporary notes or no-fund warrants issued by the City of Wichita.

Kansas Municipal Investment Pool: The City may invest in a pool of funds that is managed by and under the authority of the Pooled Money Investment Board established by K.S.A. 12-1677a and amendments thereto.

Multiple Municipal Client Investment Pools: The City may invest with trust departments of banks which have main or branch offices located in Sedgwick County, or with trust companies incorporated under the laws of Kansas which have contracted to provide trust services under the provisions of K.S.A. 9-2107 and amendments thereto.

On December 31, 2018, the City's pooled funds were invested as follows:

Investment Type	Fair Value	Modified Duration (Years)	Percent of Total Pooled Funds
U.S. agency coupon securities	\$ 65,405,431	0.761	18.3%
U.S. agency callable securities	50,959,390	1.465	14.3%
U.S. agency discount securities	118,664,449	0.436	33.2%
U.S. Treasury	29,759,190	0.515	8.3%
U.S. Treasury discount	39,595,601	0.402	11.1%
Kansas Municipal Investment Pool	36,147,075	-	10.7%
Collateralized deposits	16,908,729	-	4.7%
Total value	<u>\$ 357,439,865</u>		<u>100.0%</u>
Portfolio weighted average maturity		<u>0.573</u>	

Interest Rate Risk: In accordance with its Pooled Funds Investment Policy, the City of Wichita manages its exposure to declines in fair value due to changes in general interest rates by:

1. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity;
2. Investing funds primarily in shorter-term securities; and
3. Diversifying investments by investing among a variety of securities offering independent returns.

The investment policy also requires that portfolio maturities be staggered in a way that avoids undue concentration of assets in a specific maturity range, and that the investment portfolio remain sufficiently liquid to enable the City to meet all operating requirements which might reasonably be anticipated. Additionally, the investment policy limits investments to a maximum stated maturity of four years and establishes a requirement that the weighted average maturity of the portfolio must range from 125 to 400 days and the modified duration of the portfolio must range from 0.3 to 1.4 years.

Credit Risk: As described earlier in this section, state law limits the types of investments that can be made by the City of Wichita. The City's investment policy further limits allowable investments by excluding municipal bonds. On December 31, 2018, the City's investments in U.S. agency obligations not directly guaranteed by the U.S. Government included only instruments rated Aaa by Moody's. The City also held a position in the Kansas Municipal Investment Pool (KMIP), which restricts its investments to those rated A1/P1 or better. The KMIP is no longer rated by S&P based on a cost-benefit decision by the Kansas Pooled Money Investment Board (KMIB).

Concentration of Credit Risk: The City's investment policy limits the concentration of investments that can be placed with a single U.S. agency issuer to 40% of the total portfolio. Maximum limits, by instrument, are also established for the City's investments of pooled funds and provided in the accompanying table.

To allow efficient and effective placement of bond proceeds, the limit of repurchase agreements and deposits with the Municipal Investment Pool may be exceeded up to 50% for a maximum of ten days following receipt of proceeds during adverse market conditions.

Additionally, to allow for investment maturity timing prior to bond payment dates, the limit on repurchase agreements and Municipal Investment Pool deposits may be exceeded up to the amount of the bond payment for a maximum of five days prior to a bond payment date.

Instrument	Maximum
Demand deposits/ repurchase agreement	5%
Kansas Municipal Investment Pool	15%
Certificates of deposit	100%
Temporary notes	10%
U.S. Treasury securities	100%
U.S. agency obligations	95%
Bullet/ discount	95%
Agency callable	30%
Agency floater	10%

Custodial Credit Risk for Investments: For an investment, custodial credit risk is the risk that in the event of a failure of an investment counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City requires that all investment transactions be settled delivery versus payment with an independent third party safekeeping agent under contract with the City.

Fair Value Measurements: The City categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. Fair value measurement hierarchy information is not provided for the City's deposits in the Kansas Municipal Investment Pool or collateralized deposits, which include cash and certificates of deposit held in local financial institutions. The investments below are classified either as (1) Level 1 of the fair value hierarchy and are valued using quoted prices in active markets for identical securities or (2) Level 2 of the fair value hierarchy and are valued using benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The fair value measurements for the City's pooled investments on December 31, 2018 are listed in the table on the following page.

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Investment Type	Fair Value	Level 1 Inputs	Level 2 Inputs	Percent of Total Pooled Funds
U.S. Treasury securities	\$ 29,759,190	\$ 29,759,190	\$ -	9.8%
U.S. Treasury discount	39,595,601	39,595,601	-	13.0%
Federal Farm Credit Bank (FFCB)	22,818,720	-	22,818,720	7.5%
Federal Home Loan Bank (FHLB)	119,787,716	-	119,787,716	39.3%
Federal Home Loan Mortgage Corp. (FHLMC)	51,597,565	-	51,597,565	17.0%
Federal National Mortgage Assoc. (FNMA)	40,825,268	-	40,825,268	13.4%
Total value	<u>\$ 304,384,060</u>	<u>\$ 69,354,791</u>	<u>\$ 235,029,269</u>	<u>100.0%</u>

C. Investments of the Primary Government Not Pooled

*Proceeds from the Issuance of Debt Instruments:* State law (K.S.A. 10-131) allows investment of the proceeds of bonds and temporary notes in:

1. Investments authorized by K.S.A. 12-1675, and amendments thereto;
2. The municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto;
3. Direct obligations of the U.S. Government or any agency thereof;
4. Temporary notes of the City of Wichita issued pursuant to K.S.A. 10-123, and amendments thereto;
5. Interest bearing time deposits in commercial banks located in Sedgwick County;
6. Obligations of FNMA, FHLB, FHLMC and GNMA that are not derivatives;
7. Repurchase agreements for direct obligations of the U.S. Government or any agency thereof;
8. Investment agreements with, or other obligations, of a financial institution whose obligations are rated in one of the three highest rating categories by either Moody's investors service or Standard & Poor's;
9. Investments in shares of a money market fund or trust consisting entirely of obligations of the U.S. Government or any agency thereof; and/or
10. Certain Kansas municipal bonds.

Although individual bond covenants include certain restrictive provisions regarding the types of investments and their maturities, the City does not have a formal investment policy that addresses interest rate risk, credit risk or concentration of credit risk for the investment of bond proceeds.

On December 31, 2018, revenue bond proceeds for debt service reserve funds of the Water and Sewer Utility Funds were invested as follows:

Investment Type	Fair Value	Modified Duration (Years)	Percent of Bond Proceeds Investments
U.S. Treasury securities	\$ 13,750,863	0.082	100.0%
Total value	<u>\$ 13,750,863</u>		<u>100.0%</u>
Total weighted average maturity		<u>0.082</u>	

The fair value measurements for the Water and Sewer Utilities revenue bond reserve investments on December 31, 2018 are classified as Level 1 of the fair value hierarchy and are valued using quoted prices in active markets for identical securities.

The Series 2017A revenue bonds had advanced proceeds for two specific major sewer projects. As of December 31, 2018, \$40,708,837 is being held in an individual account in the Kansas Municipal Investment Pool. As of December 31, 2018, \$7,305,220 of these funds represent unspent proceeds and interest earnings on the unspent proceeds which are restricted by bond covenants to be spent on the two specific major sewer projects.

Additionally, proceeds related to Sales Tax Special Obligation Revenue Bonds (STAR bonds) issued to finance improvements within authorized STAR bond districts in the City of Wichita are held by an escrow agent on behalf of the City. Pursuant to issuance of the STAR bonds, the City and State of Kansas entered into a STAR Bond Tax Distribution Agreement. The agreement provides that the principal and interest on the STAR bonds will be paid proportionally by the City and the State of Kansas, based on each entity's respective share of sales tax generated within the District. The City's proportional share of the debt is approximately 4.27%. As a result, the City has only recorded its proportionate share of the balance in the escrow account for the developer project and has recorded 100% of the escrow for the City's

project. As of December 31, 2018, the proceeds from STAR bonds were invested in money market accounts and the total reported by the City amounted to \$50,286,213.

As of December 31, 2018, \$18,710,914 in proceeds from the issuance of Series 2017A general obligation refunding bonds are held by an escrow agent for the defeasance of the refunded bonds. At year-end, those proceeds were invested in U.S. Treasury notes which are classified as Level 1 securities and are valued using quoted prices in active markets for identical securities.

*Economic Development Escrows:* The City has entered into development agreements for which the eligible proceeds are held in escrow accounts at the specified trustee until the funds are approved for disbursement in accordance with the development agreement. The City has two escrows accounts related to development agreements as of December 31, 2018.

During 2017, the city entered into a development agreement with Cargill Meat Solutions Corporation related to the construction of a parking facility in the City's Old Town District. In 2017, the City set aside \$10,288,700 in an escrow account, which represents the City's estimated contribution to the project. As of December 31, 2018, there was \$1,257,039 held in a money market account under the City's name at the trustee.

During 2018, the City entered into an Interlocal Cooperation Agreement with Sedgwick County to form a separate legal entity known as the Eclipse Investment Authority. The Interlocal Cooperation Agreement was made pursuant to a development agreement between the City, County and Spirit Aerosystems, Inc. and \$10 million was deposited into an escrow account at the specified trustee until the funds are approved for disbursement in accordance with the development agreement. As of December 31, 2018, the City's portion of the escrow account was \$1,560,144 and was held in a money market account under the Eclipse Investment Authority at the trustee.

*Passenger Facility Charges:* The City does not maintain a formal investment policy pertaining to investments held in the Airport Authority Fund. However, in accordance with the Code of Federal Regulations, unexpended Passenger Facility Charges (PFC) revenue of the Airport Authority is held in separate interest bearing instruments. As of December 31, 2018, \$12,577,980 was invested with the Kansas Municipal Investment Pool. The weighted average maturity of the Kansas Municipal Investment Pool was 40 days at December 31, 2018.

*Group Life Insurance Fund:* City Ordinance (47-721; section 2.52.100) authorizes the Group Life Insurance Fund to hold investments in the following categories:

1. U.S. Government securities;
2. Corporate bonds of A quality or better, as listed in Moody's or Standard & Poor's; and/or
3. Not more than 50% may be invested in equity mutual funds.

The City of Wichita uses a duration methodology to construct a portfolio of bonds to fund its future cash needs and utilizes a modified duration to disclose the portfolio's exposure to changes in interest rates. The City seeks to limit the modified duration of the Group Life Insurance portfolio to five years.

On December 31, 2018, no investments were held directly by the Group Life Insurance Fund and all cash was invested in the City's pooled investment portfolio.

*Other Investments of the Primary Government Not Pooled:* The City does not maintain a formal investment policy pertaining to investments held in the Cemetery Fund and the Grant Assistance Fund. The Grants Assistance Fund investments pertain to the Wichita Housing Authority (WHA) and the City's Community Development Block Grants (CDBG) program. A formal investment policy is not maintained for these investments and these investments are authorized to be prudently invested at the discretion of the City's Director of Finance. On December 31, 2018, these funds were invested as follows:

Investment Type	Fair Value	Modified Duration (Years)	Percent of Total
Equity securities (Cemetery)	\$ 833,031	-	10.8%
Collateralized deposits (WHA)	5,986,287	-	77.5%
Collateralized deposits (CDBG)	902,175	-	11.7%
Total value	<u>\$ 7,721,493</u>		<u>100.0%</u>
Portfolio weighted average maturity		<u>-</u>	

Equity securities held in the Cemetery Fund's portfolio, with a fair value of \$833,031 as of December 31, 2018, are classified as Level 1 of the fair value hierarchy and are valued using quoted prices in active markets for identical securities.

D. Investments of the Pension Trust Funds

City Ordinance (49-036; section 2.28.090) authorizes the Wichita Employees' Retirement System and City Charter Ordinance (215, section 12) authorizes the Police and Fire Retirement System to invest trust fund assets in accordance with the prudent person rule, subject to the following limitations: (1) the proportion of funds invested in corporate preferred and common stock shall not exceed 70% and (2) the proportion of funds invested in foreign securities shall not exceed 35%. Additionally, the Systems are not permitted to invest directly or indirectly in any:

1. Real estate, except in certain pooled arrangements with the amount of such investment not to exceed 10% of the Fund;
2. Private equity, except in a commingled fund-of-funds vehicle operated by a registered investment advisor or a bank with the amount of such investment not to exceed 10% of the Fund;
3. Timber, except in a commingled fund vehicle operated by a registered investment advisor or a bank. The amount of such investment shall not exceed 10% of the Fund;
4. Mortgages secured by real estate, except insured mortgages under Titles 203, 207, 220 and 221 of the Federal Housing Act;
5. Oil and gas leases or royalties;
6. Commodities (including, but not limited to, wheat, gold, gasoline, options or financial futures); provided however, that the restriction on investments contained in this paragraph shall not apply to funds which are invested in a mutual fund, separate account or commingled fund operated by a registered investment advisor or insurance company; or
7. Letter stocks.

With the exception of the \$165,592 held in the City's pooled funds, as of December 31, 2018, all of the deposits and investments of the Wichita Employees' and Police and Fire Retirement Systems are held in a joint investment fund that is invested by outside money managers and are held under a custodial agreement. The Pension Boards have adopted the Strategic Plan and Investment Policies which set forth in detail the asset allocation for the fund and restrictions applicable to specific investment types to mitigate risk. The policies permit investment in six asset types: domestic equities, international equities, fixed income, real estate, timber and commodities. The Investment Policy is reviewed annually by the Joint Investment Committee. With the assistance of the Investment Consultant, the Joint Investment Committee (JIC) establishes the investment policies which are reviewed annually. In 2018, the JIC approved a seven year time frame to achieve an annualized real rate of return of four and three quarters of a percent (4.75%) above the price inflation assumption. Each manager's performance will also be compared to a relevant market index as outlined in the investment policy.

The investments of the Wichita Retirement Systems (WRS) on December 31, 2018 are listed in the accompanying table.

The pension funds invest in various asset-backed securities such as collateralized mortgage obligations (CMOs) and credit card trusts to maximize yields and reduce the impact of interest rate changes. These securities are based on cash flows from principal and interest payments on the underlying assets. For example, CMOs break up the cash flows from mortgages into categories with defined risk and return characteristics called tranches. The tranches are differentiated based on when the principal payments are received from the mortgage pool. Changes in interest and mortgage prepayment rates may affect the amount and timing of cash flows, which would also affect the reported estimated fair values. The pension funds utilize a combination of asset-backed securities, which vary in their degree of volatility. Although considerable variability is inherent in such estimates, management believes the estimated fair values are reasonable estimates.

Type of Investment	Fair Value
Government short-term investment	\$ 41,072,687
Domestic equity	433,581,511
International equity	293,006,659
Fixed income, including CMOs	249,453,596
Commodities	33,702,764
Real estate	90,063,631
Target date and money market	5,040,886
Timber	56,060,033
Derivative investments	111,284
<b>Total investments</b>	<b>\$ 1,202,093,051</b>

The pension funds also invest in real estate through real estate investment trusts (REITs). The fair values of these investments are estimated using the net asset value of the Systems' shares owned in each trust. Market conditions have had an impact on the estimated fair value of real estate investments. Restrictions on the availability of real estate financing, as well as economic uncertainties, have affected the volume of purchase and sale transactions. As a result, the estimates and assumptions used in determining the fair values of the real estate investments are inherently subject to uncertainty.

**Fair Value Measurement:** As a retirement defined benefit pension plan, the Systems hold significant amounts of investments that are measured at fair value on a recurring basis. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices for identical assets in active markets that can be assessed at the measurement date (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy under GASB Statement No. 72 are described as follows:

- **Level 1:** Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a government can access at the measurement date.
- **Level 2:** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of assets for liabilities.
- **Level 3:** Unobservable inputs which are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Specific investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. Such investments are identified in the accompanying tables as being measured as Net Asset Value (NAV).

The plan categorizes its fair value measurements within the fair value hierarchy established by Generally Accepted Accounting Principles (GAAP). The fair value measurements for the investments of the Wichita Retirement Systems (WRS) on December 31, 2018 are listed in the table below.

	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>
<b>Investments by fair value level<sup>1</sup>:</b>			
Cash equivalents and cash investments:	\$ 12,429,702	\$ 3,778,529	\$ 8,651,173
Equity:			
Domestic equity	317,422,222	317,422,222	-
International equity	109,801,465	109,801,465	-
Fixed income	244,584,507	35,248,359	209,336,148
Money market funds	430,006	430,006	-
Derivative investments	111,284	278,471	(167,187)
Total investments by fair value level	<u>\$ 684,779,186</u>	<u>\$ 466,959,052</u>	<u>\$ 217,820,134</u>
<b>Investments measured at the net asset value (NAV):</b>			
Government short-term investment fund	28,642,985		
Equity:			
Domestic equity	116,159,289		
International equity	183,205,194		
Fixed income	4,869,089		
Commodities	33,702,764		
Real estate	90,063,631		
Target date funds	4,610,880		
Timber	56,060,033		
Total investments measured at NAV	<u>517,313,865</u>		
Total investments	<u>\$ 1,202,093,051</u>		

<sup>1</sup>As of December 31, 2018, there were no investments valued using Level 3 inputs.

Debt, equity and other securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Equity securities classified as Level 2 of the fair value hierarchy are traded on inactive markets or valued by reference to similar instruments using (1) marked based-factors, such as credit, liquidity and interest rate conditions, and (2) issuer-specific factors, such as creditworthiness of the issuer and likelihood of full repayment at maturity. Fixed income securities classified as Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Derivative instruments classified as Level 1 of the fair value hierarchy include forwards and options which are traded on active exchanges. Derivative instruments classified as Level 2 of the fair value hierarchy are valued using a market approach. Options contracts derive their value from underlying asset prices, indices, reference rates and other inputs or a combination of these factors. These contracts are normally valued on the basis of pricing service providers or broker dealer quotations. Depending on the product and the terms of the transaction, the value of the financial derivative instruments can be estimated by a pricing service provider using a series of techniques, including simulation pricing models. The pricing models are inputs that are observed from actively quoted markets such as issuer details, indices, spreads, interest rates, yield curves and exchange rates. For centrally cleared credit default swaps, the clearing facility requires its members to provide actionable price levels across complete term structures. These levels along with external third party prices are used to produce daily settlement prices. Centrally cleared interest rate swaps are valued using a pricing model that references the underlying rates including the overnight index swap rate and London Interbank Offered Rate (LIBOR) forward rate to produce the daily settlement price.

Additional information relating to the investments measured at NAV for WRS on December 31, 2018 are listed in the table below.

Investments measured at Net Asset Value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Government short-term investment fund	\$ 28,642,985	\$ -	Daily	5
Domestic equity	116,159,289	-	Daily	1
International equity	183,205,194	-	Bi-monthly, monthly	15-30
Fixed income	4,869,089	-	Daily	1
Commodities	33,702,764	-	Daily	1
Real estate	90,063,631	-	Quarterly	45-60
Target date funds	4,610,880	-	Daily	1
Timber	56,060,033	25,000,000	N/A	N/A
Total investments measured at NAV	<u>\$ 517,313,865</u>	<u>\$ 25,000,000</u>		

**Net Asset Value:** The Wichita Retirement Systems (WRS) reports the following types of investments valued at Net Asset Value (NAV).

**Government short-term investment fund** – The government short-term investment fund that is measured at the NAV is a collective trust that invests any cash balances from the actively managed fund managers of the Systems, as well as the Systems' cash fund. The investment objective of the Fund is to maintain liquidity to ensure cash availability for withdrawals while preserving the principal.

**Domestic equity** – The Systems have one domestic equity fund manager that is an S&P 500 securities lending index fund measured at the NAV. This Fund seeks an investment return that approximates the performance of the S&P 500 over the long term. NAV is calculated on a daily basis based upon the fair value of the underlying investments.

**International equity** – The Systems have three fund managers with commingled investments in international equities that are measured using NAV. These fund managers are structured as limited partnerships and a MSCI securities lending index fund. The limited partnerships calculate NAV through a capital account maintained for each partner. The MSCI securities lending index fund calculates NAV on a per unit basis of the Fund and is determined as of the last business day of each month and at least one other business day during the month.

**Fixed Income** – The Systems have one fund manager that invests in commingled fixed income funds. These investments are structured within three funds; Opportunistic US\$ High Yield Securities, Floating Rate High Income and Opportunistic

Non-Dollar Hedged. The NAV for these funds is calculated daily per business day determined by when the New York Stock Exchange is open based on a per share value from the fair value of the underlying investments at the end of each day that the New York Stock Exchange is open as of the close of regular trading.

*Commodities* – The Systems have one fund manager that is a commingled commodities fund. This fund is structured as a trust. NAV is calculated on a per unit basis at the end of each day that the New York Stock Exchange is open as of the close of regular trading.

*Real Estate* – The Systems have two fund managers that invest in real estate measured at the NAV. These investments are in Real Estate Investment Trusts (REITs) and commingled real estate through a limited partnership. Both fund managers calculate NAV per unit from fair value estimates based on values from independent appraisals on a quarterly basis.

*Target date funds* – The Systems have various target date funds that are measured at the NAV. The NAV is determined each business day based on the value the underlying investments.

*Timber* – The Systems have one fund manager that invests in timber measured at the NAV. This fund manager is structured as a limited partnership and calculates NAV from independent appraisals in capital accounts maintained for each partner.

*Custodial Credit Risk:* The custodial credit risk for deposits is the risk that in the event of a bank failure, the WRS' deposits may not be recovered. On December 31, 2018, the WRS' cash deposits in the amount of \$165,592 were included in the City's pooled cash and temporary investments. The WRS' debt securities investments were registered in the name of WRS and were held in the possession of the WRS' custodial bank, The Bank of New York Mellon. Amounts held in the City's pooled cash and temporary investments were fully collateralized as of December 31, 2018.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate risk is managed using the modified duration methodology. Duration is a measure of fixed income cash flow using present values, weighted for cash flows as a percentage of the investment's full price. The modified duration methodology estimates the sensitivity of a bond's price to interest rate changes. The WRS manage their exposure to fair value loss arising from increasing interest rates by complying with the following policies:

1. Fixed income managers have full discretion over the issuers selected and may hold any mix of fixed income securities and cash equivalents.
2. Portfolio duration for nominal fixed income managers must not be less than 80% or more than 120% of the duration of the Barclays Capital Aggregate Bond (Index), unless the Joint Investment Committee prospectively grants a written exception. As of December 31, 2018, the duration of the Index was 5.87 years, which equated to a minimum and maximum range for each fixed income portfolio of 4.7 years and 7.04 years, respectively.

The modified duration of investments in debt securities on December 31, 2018 is as follows:

Investment Type	Fair Value	Percent of all Fixed Income Assets	Weighted Average Modified Duration (Years)
Government securities, long-term	\$ 37,452,024	12.9%	11.4
Corporate debt instruments, long-term	89,921,101	30.9%	4.9
Mortgage and asset-backed securities	69,324,844	23.9%	5.0
Global fixed income	47,583,495	16.4%	7.0
Actively managed investments	244,281,464	84.1%	6.3
Government short-term investment fund	41,072,687	14.2%	-
Pooled high-yield fixed income securities	4,864,468	1.7%	-
Pooled international fixed income securities	4,607	0.0%	2.2
Total investment in debt securities	\$ 290,223,226	100.0%	

**Credit Risk of Debt Securities:** Credit risk is the risk that an issuer of an investment will not fulfill its obligations. The WRS manages exposure to investment credit risk by adhering to the following policies: (1) for active core domestic fixed income investments, at the time of purchase, bonds and preferred stocks must be rated at least "A2/A/A" or higher using the middle rating of Moody's, Standard and Poor's and Fitch after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") rating is used. When a rating from only one agency is available, that rating is used to determine credit quality; and (2) for core-plus domestic fixed income investments, the weighted average credit quality of the portfolio will not fall below "A2/A/A" or equivalent; when determining credit quality, the middle rating of Moody's, Standard and Poor's and Fitch is used after dropping the highest and lowest available ratings. When a rating from only two agencies is available, the lower ("more conservative") rating is used. When a rating from only one agency is available, that rating is used to determine credit quality. Throughout 2018, no securities were purchased that were below the established credit quality minimum in the active core portfolio and the weighted average credit quality of the active core plus portfolio did not fall below the established credit quality rating. The accompanying table shows the debt investments held by the WRS on December 31, 2018 and their respective ratings by Standard and Poor's or an equivalent nationally recognized statistical rating organization.

Quality Rating	Total Debt Securities
AAA	\$ 17,207,708
AA+	83,640,441
AA	4,893,811
AA-	6,426,273
A+	12,443,873
A	16,519,020
A-	24,509,372
BBB+	25,518,943
BBB	12,027,475
BBB-	13,039,524
BB+	3,503,260
BB	1,620,137
BB-	3,099,002
B+	839,865
B	1,105,896
B-	462,820
CCC+	113,358
CCC	326,320
CCC-	5,653
CC	224,112
C	253,654
D	350,262
Not rated (NR)	20,843,287
Withdrawn Rating (WR)	176,473
Total credit risk debt securities	249,150,539
Government short-term investment fund*	41,072,687
Total investment in debt securities	\$ 290,223,226

\*The collective trust government short-term investment fund itself is not rated. Each holding within the fund is rated, but an average rating is not available.

Credit risk for investment derivative instruments results from counterparty risk assumed by the WRS. This is essentially the risk that the counterparty to a WRS' transaction will be unable to meet its obligation. Information regarding the WRS' credit risk related to derivatives is found in the derivatives disclosure that follows.

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an entity's investment with a single issuer. The WRS' investment in debt securities had no single issuer of investments that represented 5% or more of the plan assets, with exception of investments issued or implicitly guaranteed by the U.S. government and investments in mutual funds, as delineated in the WRS' investment policy.

**Rate of Return:** The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was -5.9% for the year ended December 31, 2018. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for changing amounts actually invested.

**Derivatives:** Investment derivative instruments are financial contracts for which the value of the contract is dependent on the values of one or more underlying asset, reference rate or financial index. They include futures contracts, swap contracts, options contracts, rights and forward foreign currency exchanges. While the WRS has no formal policy specific to investment derivatives, the WRS, through its external investment managers, held a variety of these instruments as of December 31, 2018. The WRS enters into these investment derivative instruments primarily to enhance the performance, reduce the volatility of its investment portfolio and to manage interest rate risk. The investment derivative instruments held by the WRS on and during the year ended December 31, 2018 are shown on the table below. The notional values associated with these derivative instruments are generally not recorded in the financial statements; however, the exposure amounts on these instruments are included in the fair value of investments in the Statement of Fiduciary Net

Position and the total changes in fair value for the year are included as investment income (loss) in the Statement of Changes in Fiduciary Net Position.

The fair value of derivative investments is based on the exchanges when available. When an exchange is not available, estimated fair values are determined in good faith by using information from J.P. Morgan traders and other market participants, including methods and assumptions considering market conditions and risks existing at the date of the Statement of Fiduciary Net Position. Such methods and assumptions incorporate standard valuation conventions and techniques, such as discounted cash flow analysis and option pricing models. All methods utilized to estimate fair values result only in general approximations of value.

The WRS' investments in derivative instruments on December 31, 2018 are presented in the accompanying tables.

<b>Derivative Investments Summary</b>			
<b>Classification and Type</b>	<b>Change in Fair Value</b>	<b>Notional Value</b>	<b>Exposure/ Fair Value</b>
Foreign current forward (FFX) contracts	\$ 366,289	\$ 38,221,037	\$ (136,050)
Futures contracts	347,616	36,881,399	486,350
Options	(88,683)	-	(25,663)
Swaps	32,193	183,174,200	(213,353)
Total derivative investments	<u>\$ 657,415</u>	<u>\$ 258,276,636</u>	<u>\$ 111,284</u>

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Classification and Type	Derivative Investments Detail			Counterparty (Counterparty Rating)
	Change in Fair Value	Notional Value	Exposure/ Fair Value	
FFX contracts:				
Argentina peso	\$ -	\$ 62,249	\$ (119,222)	N/A <sup>1</sup>
Australian dollar	-	506,328	(968,673)	N/A <sup>1</sup>
Brazilian real	-	1,126,729	1,049,848	N/A <sup>1</sup>
Canadian dollar	-	1,713,929	(151,127)	N/A <sup>1</sup>
Chilean peso	-	124,747	7,023	N/A <sup>1</sup>
Chinese r yuan hk	-	-	(352,236)	N/A <sup>1</sup>
Chinese yuan renminbi	-	-	(78,607)	N/A <sup>1</sup>
Colombian peso	-	37,490	35,767	N/A <sup>1</sup>
Czech koruna	-	715,637	720,596	N/A <sup>1</sup>
Euro currency unit	-	1,570,019	(12,249,741)	N/A <sup>1</sup>
Hong Kong dollar	-	-	(512,353)	N/A <sup>1</sup>
Hungarian forint	-	-	(200,735)	N/A <sup>1</sup>
Indian rupee	-	232,566	245,913	N/A <sup>1</sup>
Indonesian rupiah	-	1,616,772	1,671,985	N/A <sup>1</sup>
Japanese yen	-	-	(3,784,623)	N/A <sup>1</sup>
Malaysian ringgit	-	-	(123,451)	N/A <sup>1</sup>
Mexican peso	-	521,244	(509,683)	N/A <sup>1</sup>
New Taiwan dollar	-	6,117	6,185	N/A <sup>1</sup>
New Zealand dollar	-	-	(1,999,263)	N/A <sup>1</sup>
Norwegian krone	-	1,122,790	1,111,226	N/A <sup>1</sup>
Peruvian sol	-	-	(236,432)	N/A <sup>1</sup>
Philippines peso	-	-	(606,917)	N/A <sup>1</sup>
Pound sterling	-	213,050	(738,506)	N/A <sup>1</sup>
Romanian leu	-	-	(274,719)	N/A <sup>1</sup>
Russian ruble (new)	-	109,371	105,153	N/A <sup>1</sup>
Singapore dollar	-	227,198	227,708	N/A <sup>1</sup>
South Korean won	-	-	(498,142)	N/A <sup>1</sup>
Swedish krona	-	-	(308,055)	N/A <sup>1</sup>
Swiss franc	-	13,509	13,484	N/A <sup>1</sup>
U.S. dollar	-	28,301,292	18,381,547	N/A <sup>1</sup>
Aggregated	366,289	-	-	N/A <sup>1</sup>
Total FFX contracts	<u>366,289</u>	<u>38,221,037</u>	<u>(136,050)</u>	
Future contracts:				
Currency futures	(3,075)	(429,019)	(3,075)	Goldman Sachs & Co, NY (BBB+)
Currency futures	8,550	-	-	N/A
Eurodollar futures	240,340	43,114,185	236,940	Goldman Sachs & Co, NY (BBB+)
Eurodollar futures	(52,763)	-	-	N/A
International government bond futures	(62,385)	(10,236,021)	(62,385)	Goldman Sachs & Co, NY (BBB+)
International government bond futures	(4,617)	888,096	(4,617)	Bank of America Corp (A-)
International government bond futures	(7,631)	-	-	N/A
International government bond futures - UK	(4,025)	621,015	(4,025)	Bank of America Corp (A-)
International government bond futures - UK	3,287	-	-	N/A
Treasury bonds	210,189	2,072,248	210,189	Goldman Sachs & Co, NY (BBB+)
Treasury bonds	(119,097)	-	-	N/A
Treasury notes	114,042	1,062,489	114,042	Goldman Sachs & Co, NY (BBB+)
Treasury notes	(719)	(211,594)	(719)	Bank of America Corp (A-)
Treasury notes	25,520	-	-	N/A
Total futures contracts	<u>347,616</u>	<u>36,881,399</u>	<u>486,350</u>	

<sup>1</sup> Counterparty ratings for FFX contracts is not available by currency. See table on the following page summarizing FFX contracts ratings by counterparty.

Investment Derivatives Detail (continued)				
Classification and Type	Change in Fair Value	Notional Value	Exposure/ Fair Value	Counterparty (Counterparty Rating)
Options:				
Credit default swaps	\$ (953)	\$ N/A	\$ (975)	N/A
Eurodollar futures	(3,526)	N/A	225	Goldman Sachs & Co, NY (BBB+)
Eurodollar futures	(1,548)	N/A	-	N/A
Foreign currency options	3,634	N/A	7,698	HSBC Holdings PLC (A)
Foreign currency options	1,359	N/A	6,035	Morgan J P Secs Inc, New York
Foreign currency options	(52,256)	N/A	33,408	N/A
International government bond futures	(444)	N/A	-	N/A
Treasury bonds	3,160	N/A	(3,156)	Goldman Sachs & Co, NY (BBB+)
Treasury bonds	(417)	N/A	-	N/A
Treasury notes	(38,162)	N/A	(68,898)	Goldman Sachs & Co, NY (BBB+)
Treasury notes	470	N/A	-	N/A
Total options	<u>(88,683)</u>		<u>(25,663)</u>	
Swaps:				
Cleared credit default swaps	(47,506)	1,440,000	(47,506)	Barclays PLC (BBB)
Cleared credit default swaps	(68,510)	11,000,000	61,061	Intercontinental Exchange Inc (A)
Cleared credit default swaps	321,598	1,360,000	(27,109)	N/A
Cleared interest rate swaps	(323,780)	119,516,200	(429,769)	CME Group Inc (AA-)
Cleared interest rate swaps	18,479	10,866,000	18,824	Morgan Stanley (BBB+)
Cleared interest rate swaps	125,354	18,125,000	216,995	N/A
Cleared zero coupon swaps	(27,786)	6,237,000	(27,786)	CME Group Inc (AA-)
Cleared zero coupon swaps	3,805	-	-	N/A
Cleared default swaps	(13,867)	500,000	(9,967)	Barclays PLC (BBB)
Cleared default swaps	16,255	-	-	N/A
Interest rate swaps	(521,738)	-	(521,738)	Bank of America Corp (A-)
Interest rate swaps	87,495	12,410,000	91,248	Citigroup Inc (BBB+)
Interest rate swaps	(33,813)	980,000	(33,813)	Goldman Sachs & Co, NY (BBB+)
Interest rate swaps	496,207	740,000	496,207	N/A
Total swaps	<u>32,193</u>	<u>183,174,200</u>	<u>(213,353)</u>	
Total derivative investments	<u>\$ 657,415</u>	<u>\$ 258,276,636</u>	<u>\$ 111,284</u>	

#### FFX Contracts Rating by Counterparty<sup>2</sup>

Counterparty (Counterparty Rating)	Exposure/ Fair Value
Bank of America (A-)	\$ (11,590)
Bank of New York Mellon Corp/The (A)	(4)
Barclays PLC (BBB)	(75,372)
Citigroup Inc (BBB+)	11,462
Goldman Sachs Group Inc/The (BBB+)	(94,880)
HSBC Holdings PLC (A)	23,392
JP Morgan Chase & Co (A-)	11,093
Morgan Stanley (BBB+)	(151)
Total FFX counterparties	<u>\$ (136,050)</u>

<sup>2</sup> Counterparty ratings for FFX contracts is not available by currency; thus, summarized by Counterparty.

*Foreign Currency Risk:* Currency risk arises due to foreign exchange rate fluctuations. The WRS' investment policies manage the exposure to foreign currency risk by allowing international securities investment managers to enter into forward exchange or future contracts on foreign currency provided such contracts have a maturity of less than one year. Currency contracts are only to be utilized for the settlement of securities transactions and defensive hedging of currency positions. The WRS' exposure to foreign currency risk on December 31, 2018 is presented in the accompanying table.

Currency	Cash and Cash Equivalents	Equities	Fixed Income	Derivatives
Argentine peso	\$ (67,905)	\$ -	\$ 414,464	\$ -
Australian dollar	(962,778)	8,283,317	1,133,618	2,926
Brazilian real	1,121,310	-	1,220,780	91,248
Canadian dollar	(119,004)	-	1,777,955	(9,665)
Chilean peso	7,023	-	238,824	-
Chinese r yu an hk	(352,236)	-	-	-
Chinese yuan renminbi	(72,531)	-	353,365	-
Colombian peso	35,767	-	-	-
Czech koruna	720,596	-	-	-
Danish krone	-	725,574	-	-
Euro currency unit	(11,861,883)	39,079,847	12,548,926	(63,732)
Hong Kong dollar	(512,353)	7,031,206	-	-
Hungarian forint	(182,553)	-	-	-
Indian rupree	245,913	-	198,628	-
Indonesian rupiah	1,671,985	-	-	-
Japanese yen	(3,740,499)	24,768,545	4,254,309	5,198
Malaysian ringgit	(123,451)	-	-	-
Mexican peso	(237,868)	-	2,052,819	(166,875)
New Taiwan dollar	6,185	-	-	-
New Zealand dollar	(1,994,378)	616,401	1,935,582	(59,344)
Norwegian krone	1,111,453	961,848	-	-
Peruvian sol	(236,432)	-	-	-
Philippines peso	(606,917)	-	-	-
Pound sterling	(620,905)	15,313,659	1,061,135	(3,706)
Romanian leu	(274,719)	-	-	-
Russian ruble (new)	105,153	-	-	-
Singapore dollar	227,708	975,062	-	-
South African rand	12	-	-	-
South Korean won	(498,142)	-	-	-
Swedish krona	(272,948)	1,542,333	774,975	-
Swiss franc	13,484	8,355,855	-	-
Total subject to foreign currency risk	\$ (17,470,913)	\$ 107,653,647	\$ 27,965,380	\$ (203,950)

All forward foreign currency contracts are carried at fair value by the WRS. As of December 31, 2018, the Systems held forward currency contracts with an unrealized loss of \$136,050. If held, forward foreign currency contracts are reported as derivative investments in the financial statements.

*Securities Lending Transactions:* Policies of the Board of Trustees for the Wichita Employees' Retirement and Police and Fire Retirement Systems permit the lending of securities to broker-dealers and other entities (borrowers) with a simultaneous agreement to return the collateral for the same securities in the future. The WRS' custodial bank, The Bank of New York Mellon, is the lending agent for the Systems' domestic securities for initial collateral of 102% of the fair value of the loaned securities and international equity securities for initial collateral of 105% of the fair value of such securities.

Collateral may consist of cash (U.S. currency only); securities issued or guaranteed by the U.S. government or its agencies or instrumentalities; and such other collateral as the parties may agree to in writing.

The collateral securities cannot be pledged or sold by the WRS unless the borrower defaults. The lending agent shall require additional collateral from the borrower whenever the value of loaned securities exceeds the value of the collateral in the agent's possession, so that collateral always equals or exceeds 100% of the fair value of the loaned securities. Contracts with the lending agent require them to indemnify the WRS, if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the WRS for income distributions by the securities' issuers while the securities are on loan.

At year-end, the WRS had no credit risk exposure to borrowers because the amounts the WRS owes the borrowers exceeded the amounts the borrowers owed the Systems. All securities loans, whether domestic or international, are open loans and can be terminated on demand by either the system or the borrower. At year-end, loaned securities were secured with cash collateral or securities collateral. The amount shown on the Statement of Fiduciary Net Position only reflects transactions where cash collateral was received. Cash collateral is invested in a separately managed cash collateral account. Also, since securities loans are terminable at will, the duration of the securities loans do not generally match the duration of the investments made with the cash collateral received from the borrower.

*Custodial Credit Risk Related to Securities Lending:* Custodial credit risk for lent securities is the risk that, in the event of the failure of the counterparty, the WRS will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. Consistent with the WRS' securities lending policy, \$47,307,773 was held by the counterparty acting as the WRS' agent in securities lending transactions on December 31, 2018.

*Other Risk Information:* Recent market conditions have resulted in an unusually high degree of volatility and increased risks associated with certain investments held by the City, the Wichita Employees' Retirement System and the Police and Fire Retirement System. As a result, it is at least reasonably possible that changes in the fair values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the financial statements. In addition, declines in the fair values of the Systems' assets could ultimately affect the funded status of WRS. The ultimate impact on the funded status will be determined based upon market conditions in effect when the annual valuation is performed.

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## 6. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended December 31, 2018 is presented in the following table (expressed in thousands of dollars):

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 294,330	\$ 168	\$ (1,473)	\$ (54)	\$ 292,971
Construction in progress	126,755	86,335	(70,589)	-	142,501
Total capital assets, not being depreciated	<u>421,085</u>	<u>86,503</u>	<u>(72,062)</u>	<u>(54)</u>	<u>435,472</u>
Capital assets, being depreciated:					
Buildings	275,701	25,829	(5,448)	-	296,082
Improvements other than buildings	113,887	23,311	(1,644)	(9,032)	126,522
Machinery, equipment and other assets	121,138	9,049	(7,020)	(16)	123,151
Infrastructure	940,083	2,430	-	-	942,513
Total capital assets being depreciated	<u>1,450,809</u>	<u>60,619</u>	<u>(14,112)</u>	<u>(9,048)</u>	<u>1,488,268</u>
Less accumulated depreciation for:					
Buildings	(124,773)	(4,541)	2,474	-	(126,840)
Improvements other than buildings	(46,902)	(3,954)	1,167	-	(49,689)
Machinery, equipment and other assets	(90,181)	(7,907)	6,178	16	(91,894)
Infrastructure	(319,491)	(23,002)	-	-	(342,493)
Total accumulated depreciation	<u>(581,347)</u>	<u>(39,404)</u>	<u>9,819</u>	<u>16</u>	<u>(610,916)</u>
Total capital assets, being depreciated, net	<u>869,462</u>	<u>21,215</u>	<u>(4,293)</u>	<u>(9,032)</u>	<u>877,352</u>
Governmental activities capital assets, net	<u>\$ 1,290,547</u>	<u>\$ 107,718</u>	<u>\$ (76,355)</u>	<u>\$ (9,086)</u>	<u>\$ 1,312,824</u>
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 43,093	\$ 30	\$ (20)	\$ 54	\$ 43,157
Construction in progress	109,729	61,211	(13,783)	-	157,157
Total capital assets, not being depreciated	<u>152,822</u>	<u>61,241</u>	<u>(13,803)</u>	<u>54</u>	<u>200,314</u>
Capital assets, being depreciated:					
Airfields	165,718	-	-	-	165,718
Buildings	455,771	541	-	-	456,312
Improvements other than buildings	1,412,533	15,612	(367)	9,032	1,436,810
Machinery, equipment and other assets	256,363	6,064	(6,206)	16	256,237
Total capital assets being depreciated	<u>2,290,385</u>	<u>22,217</u>	<u>(6,573)</u>	<u>9,048</u>	<u>2,315,077</u>
Less accumulated depreciation for:					
Airfields	(129,767)	(4,108)	-	-	(133,875)
Buildings	(118,008)	(8,314)	-	-	(126,322)
Improvements other than buildings	(359,810)	(24,240)	-	-	(384,050)
Machinery, equipment and other assets	(152,265)	(19,297)	5,841	(16)	(165,737)
Total accumulated depreciation	<u>(759,850)</u>	<u>(55,959)</u>	<u>5,841</u>	<u>(16)</u>	<u>(809,984)</u>
Total capital assets, being depreciated, net	<u>1,530,535</u>	<u>(33,742)</u>	<u>(732)</u>	<u>9,032</u>	<u>1,505,093</u>
Business-type activities capital assets, net	<u>\$ 1,683,357</u>	<u>\$ 27,499</u>	<u>\$ (14,535)</u>	<u>\$ 9,086</u>	<u>\$ 1,705,407</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Fiduciary Activities:</b>					
Capital assets, being depreciated:					
Machinery, equipment and other assets	\$ 1,283	\$ -	\$ -	\$ -	\$ 1,283
Less accumulated depreciation for:					
Machinery, equipment and other assets	<u>(1,283)</u>	-	-	-	<u>(1,283)</u>
Total capital assets, being depreciated, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fiduciary activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense was charged to function/ programs of the primary government as follows (in thousands of dollars):

	<u>Current Year Depreciation</u>
<b>Governmental Activities:</b>	
General government	\$ 2,856
Public safety	3,114
Highways and streets <sup>1</sup>	24,150
Sanitation	417
Health and welfare	789
Culture and recreation	5,020
Internal service funds <sup>2</sup>	<u>3,058</u>
Total depreciation expense - governmental activities	<u>\$ 39,404</u>
<b>Business-type Activities:</b>	
Water Utility Fund	\$ 26,321
Sewer Utility Fund	11,768
Airport Authority Fund	11,738
Stormwater Utility Fund	3,175
Nonmajor enterprise funds	<u>2,957</u>
Total depreciation expense - business-type activities	<u>\$ 55,959</u>
<b>Fiduciary Activities</b>	
Pension trust funds	<u>\$ -</u>

<sup>1</sup> Includes the depreciation expense of general infrastructure assets.

<sup>2</sup> Capital assets held by the government's internal services are charged to the various functions based on their usage of the assets.

## 7. RETIREMENT FUNDS

The reporting entity contributes to two single-employer defined benefit pension plans and a single-employer defined contribution plan, covering all full-time employees. The defined benefit plans include the Wichita Employees' Retirement System (WERS) and the Police and Fire Retirement System (PFRS). Each system is governed by a separate Board of Trustees. Benefit and contribution provisions for the City's retirement plans are established by City Ordinance. Establishment of, and amendments to, benefit provisions are authorized by the City Council.

The WERS Board of Trustees is comprised of 16 members including the City Manager or the City Manager's designee, one employee appointed by the City Manager, seven members appointed by the City Council and seven employees elected by the WER employee members. The single-employer defined contribution plan consists of the Wichita Employees' Retirement System Plan 3b which is also governed by the Wichita Employees' Retirement System Board of Trustees. The PFRS Board of Trustees is comprised of 16 members including the City Manager or the City Manager's designee, the Chief of the Police Department, the Chief of the Fire Department, seven members appointed by the City Council, three fire officers elected by

PFRS employee members in the fire department or the airport and three police officers elected by PFRS employee members in the police department.

The Wichita Retirement Systems (WRS) issue a publicly available Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information for WERS, PFRS and Plan 3b. The financial report may be obtained by writing to the WRS, City Hall, 12th Floor, 455 N. Main, Wichita, KS 67202 or online at <http://www.wichita.gov/Finance/Pages/Pension.aspx>.

#### Summary of Significant Accounting Policies and Plan Asset Matters

*Basis of Accounting:* The Wichita Employees' Retirement System, the Police and Fire Retirement System and the Wichita Employees' Retirement System Plan 3b are reported as pension trust funds in the City's financial statements and using the economic resources measurement focus and the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

*Method Used to Value Investments:* Investments are reported at fair value. Short-term investments are reported at cost plus accrued interest, which approximates fair value. Securities traded on national or international exchanges are valued at the last trade price of the day. If no close price exists, then a bid price is used. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar investments. The fair value of real estate and timber investments are estimated using the net asset value of the shares owned in each fund. Investments that do not have an established market are reported at their estimated fair value.

*Management of Plan Assets:* The Boards of Trustees of the Systems have contractual arrangements with independent money managers for investment of the assets of the Systems. The firms have been granted discretionary authority concerning purchases and sales of investments within guidelines established by City Ordinances and the Strategic Plan and Investment Policies adopted by the Boards of Trustees. The Boards of Trustees of the Systems also have contractual arrangements with independent firms which monitor the investment decisions of the Systems' investment managers.

*Net Pension Liability, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions:* For the year ended December 31, 2018, the City had a total net pension liability of \$11,022,780 which was comprised of WERS and PFRS having net pension liabilities of \$10,683,418 and \$339,362, respectively. The City recognized a combined net pension expense of \$22,023,999 for the defined benefit plans it administers with \$9,728,995 for the Wichita Employees' Retirement System and \$12,295,004 for the Police and Fire Retirement System. As of December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 13,541,341
Changes of assumptions	90,004	9,533,345
Net difference between projected and actual earnings on pension plan investments	49,249,248	83,879,641
City contributions subsequent to the measurement date	24,430,449	-
Changes in proportion of the total net pension liability since the prior measurement date		
Change in proportion - governmental activities	70,703	148,401
Change in proportion - business-type activities	155,055	77,357
Total	<u>\$ 73,995,459</u>	<u>\$ 107,180,085</u>
	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred amounts reported in governmental activities	\$ 63,240,337	\$ 92,163,920
Deferred amounts reported in business-type activities	10,755,122	15,016,165
Total	<u>\$ 73,995,459</u>	<u>\$ 107,180,085</u>

The \$24,430,449 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 26,454,556	\$ 29,812,133
2020	20,618,348	28,662,059
2021	2,468,007	26,114,495
2022	24,099	22,319,143
2023	-	272,255
Totals	\$ 49,565,010	\$ 107,180,085

A. Wichita Employees' Retirement System

*Plan Description:* The WERS was established to provide retirement and survivor annuities, disability benefits, death benefits and other benefits for all regular full-time civilian employees of the reporting entity and their dependents. Plan 1 was established by City Ordinance on January 1, 1948 and became closed to new entrants as of July 19, 1981. With the initiation of Plan 2, which was established by City Ordinance on July 18, 1981, all covered employees of Plan 1 were given the option of converting to the new plan. Plan 2 was closed to new entrants with the establishment of Plan 3 by City Ordinance, effective January 1, 1994.

Plan 3 was established by City Ordinance on April 9, 1993 and amended on February 8, 2000. The reporting entity's contributions and earnings for each employee are 25% vested after three years of service, 50% vested after five years and are fully vested after seven years of service. Upon completion of seven years of service, employees participating in Plan 3 automatically convert to participation in Plan 2 unless they make an irrevocable election to convert to Plan 3b, a defined contribution plan, within 90 days thereafter. Establishment of and amendments to the benefit provisions for the WERS are authorized by the City Council.

*Benefits Provided:* The primary benefits provided are retirement benefits. However, the System also provides ancillary benefits in the event of pre-retirement death, disability or termination of employment prior to meeting the eligibility requirements to retire.

Plan 1 members are eligible to retire at age 60 with seven years of service or at any age with 30 years of service. Plan 2 members may retire at age 62 with seven years of service. Benefits for Plan 1 members are calculated using Final Average Salary (FAS), which is the member's compensation for the three highest consecutive years of service within the last 10 years, multiplied by the total years of creditable service and a factor of 2.5%, subject to a maximum of 75% of the FAS. Benefits for Plan 2 members are the same as Plan 1 except they are calculated using a factor of 2.25% instead of 2.5%. Benefits vest with seven years of service. The calculation varies with early retirement.

When a Plan 1 member has been retired for 12 months, they will receive an annual adjustment to their benefit of 3% of the original base amount of the benefit. The annual post-retirement adjustment for Plan 2 members is 2%.

As of December 31, 2018, the WERS defined benefit plan membership consisted of the following:

Member Category	Plan 1	Plan 2	Plan 3	Total
Inactive employees or beneficiaries currently receiving benefits	649	772	-	1,421
Inactive employees entitled to, but not yet receiving benefits	-	139	-	139
Active employees	2	852	675	1,529
Total membership	651	1,763	675	3,089

*Deferred Retirement Option Plan (DROP) Provision:* The benefit structure of the Wichita Employees' Retirement System includes a Deferred Retirement Option Plan (DROP). Both Plan 1 and Plan 2 provide a DROP provision. Members must be eligible to receive a service retirement benefit as of the DROP retirement date to participate in the DROP. The DROP period is one to 60 months. The monthly benefit amount is computed as of the DROP election date based on the final average salary and years of service as of that date. The benefit is paid into the member's notional DROP account during the deferral or DROP period. The member and City both continue to make the required contributions during the deferral period. These contributions are not credited to the member's DROP account, but are credited to general Plan assets to

improve the System's funding. Interest at an annual rate of 5.0%, compounded monthly, is credited to the notional DROP account. Voluntary termination of employment during the DROP period results in loss of accrued interest. When the member terminates employment, the balance of the DROP account is paid as a lump sum and future monthly benefits are paid to the member. The balance of the notional DROP accounts as of December 31, 2018 is \$5,825,942.

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. Members of Plan 1 and 2 are required to contribute 6.4% and 4.7% of covered salaries, respectively. Members of Plan 3 are required to contribute 4.7% of covered salaries. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2018 was 12.8% of annual covered payroll for Plans 1, 2 and 3 (excluding compensation attributable to members who have made an irrevocable election to remain in the defined contribution plan after fully vesting at seven years of service). The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the WERS consulting actuary. For the year ended December 31, 2018, WRS received \$10,099,027 in contributions from the employer.

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the actuarial assumptions summarized in the accompanying table, applied to all periods included in the measurement. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent experience study, which covered the five-year period ending December 31, 2013. The experience report is dated July 15, 2014.

Price inflation	3.25%
Wage inflation	4.00%
Salary increases, including wage inflation	4.25% - 7.20%
Long-term rate of return, net of investment expense, including price inflation	7.90%
Pre-retirement mortality rates	Based on the RP-2000 Employee Table (ages set forward 2 years for males, 0 for females) with adjustments for mortality improvements based on Scale AA.
Post-retirement mortality rates	Based on the RP-2000 Healthy Annuitant Table (ages set forward 2 years for males, 0 for females) with adjustments for mortality improvements based on Scale AA.
Disabled mortality rates	Based on the RP-2000 Disabled Table for males and females, as appropriate, with adjustments for mortality improvements based on Scale AA.

Changes in Actuarial Assumptions: There were no changes to the assumptions used for the actuarial valuation performed as of the year ended December 31, 2017.

Actuarial Rate of Return Assumption: The long-term expected rate of return on pension plan investments is reviewed as part of the regular experience study prepared for the System. Several factors are considered in evaluating the long-term rate of return assumption, including long term historical data, estimates inherent in current market data and an analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by targeting the asset allocation percentage and then adding expected inflation. The long-term rate of return assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption or a fundamental change in the market that

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Large cap equity	31%	5.25%
Small cap equity	8%	5.85%
International equity	26%	5.75%
Fixed Income	19%	1.75%
Real estate	7%	4.25%
Timber	5%	4.85%
Commodities	3%	0.95%
Cash	1%	0.55%
Total	100%	

\*Geometric mean, net of investment expenses

alters expected returns in future years. The target asset

allocation and best estimates of geometric real rates of return (net of 2.25% inflation assumption) for each major asset class are summarized in the table on the previous page.

*Discount Rate:* The fiduciary net position is not projected to become depleted; therefore, a Municipal Bond Index Rate was not used in the determination of the Single Equivalent Interest Rate (SEIR) for the December 31, 2017 valuation. Thus, the discount rate, or SEIR, is equal to the long-term assumed rate of return on investments, as determined in the last experience study. The discount rate used to measure the total pension liability as of the December 31, 2017 valuation is 7.90% which is consistent with the previous valuation's discount rate.

The projection of cash flows used to determine the discount rate assumed the employee contributions will be made at the current contribution rate and that the City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the employee rate. Projected future benefit payments for all current plan members were projected through 2117. Based on those assumptions, the pension plan's fiduciary net position is projected to be available to make all projected future payments of current and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Net Pension Liability:* Detailed information about the pension plan's fiduciary net position used in calculating the net pension liability is available in the separately issued WRS financial report. The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The table below presents changes in the total pension liability, fiduciary net position and the net pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2016	\$ 610,111,147	\$ 549,786,949	\$ 60,324,198
Changes for the year:			
Service cost	10,049,029	-	10,049,029
Interest on total pension liability	46,669,189	-	46,669,189
Differences between expected and actual experience	(1,893,808)	-	(1,893,808)
Employer contributions	-	9,642,540	(9,642,540)
Employee contributions	-	3,682,056	(3,682,056)
Reclassifications due to participant conversion	(191,292)	(191,292)	-
Net investment income	-	91,773,973	(91,773,973)
Benefit payments, including member refunds	(39,282,815)	(39,282,815)	-
Administrative expenses	-	(633,379)	633,379
<b>Net Changes</b>	<b>15,350,303</b>	<b>64,991,083</b>	<b>(49,640,780)</b>
Balance as of December 31, 2017	<b>\$ 625,461,450</b>	<b>\$ 614,778,032</b>	<b>\$ 10,683,418</b>

*Sensitivity Analysis:* The accompanying table presents the net pension liability of the City using the discount rate of 7.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.90%) or 1% higher (8.90%) than the current rate.

	Rate	City's Net Pension Liability
1% decrease	6.90%	\$ 78,133,997
Current rate	7.90%	10,683,418
1% increase	8.90%	(46,759,700)

B. Police and Fire Retirement System

*Plan Description:* The PFRS consists of three plans: Plan A, Plan B and Plan C 79. The plans were established to provide retirement and survivor annuities, disability benefits, death benefits and other benefits for police and fire officers of the reporting entity and their dependents. All full-time active "commissioned" Police and Fire Department personnel are required to participate in the plans. Plans A and B were established by City Ordinance on January 1, 1965 and Plan C 79 was established January 1, 1979 by City Ordinance. Plan B was closed to new entrants as of January 1, 1965 and Plan A was closed to new entrants as of December 31, 1978. Establishment of and amendments to the benefit provisions for the PFRS are authorized by the City Council.

Benefits Provided: The primary benefits provided are retirement benefits. However, the System also provides ancillary benefits in the event of pre-retirement death, disability or termination of employment prior to meeting the eligibility requirements to retire.

Plan A and Plan B members are eligible to retire at 20 years of service regardless of age. Plan C members are eligible to retire at 30 years of service regardless of age, 20 years of service at age 50 or 10 years of service at age 55. Benefits are calculated using Final Average Salary (FAS), which is the member’s compensation for the three highest consecutive years of service within the last 10 years, multiplied by the total years of creditable service and a factor of 2.5%, subject to a maximum of 75% of the FAS. Benefits vest after 10 years of service.

When a member has been retired for 36 months, they will receive an annual adjustment to their benefit of 2.0% of the original base amount of the benefit.

As of December 31, 2018, the PFRS defined benefit plan membership consisted of the following:

Member Category	Plan A	Plan B	Plan C-79	Total
Inactive employees or beneficiaries currently receiving benefits	434	176	405	1,015
Inactive employees entitled to, but not yet receiving benefits	-	-	39	39
Active employees	2	-	1,065	1,067
Total membership	<u>436</u>	<u>176</u>	<u>1,509</u>	<u>2,121</u>

Backward Deferred Retirement Option Plan (DROP) Provision: The benefit structure of the Wichita Police and Fire Retirement System includes a Backward Deferred Retirement Option Plan (DROP). The Backward DROP is available to plan C-79 members. Members must be eligible to receive a service retirement benefit as of the backward DROP retirement date. The DROP period is one to 60 months. The DROP period is the time between the backward DROP retirement date and the date the employee terminates service. The retirement benefit is calculated as of the day prior to the backward DROP retirement date. The employee’s monthly retirement benefits (for the DROP period) plus applicable post retirement adjustments and interest at an annual rate of 5.0%, compounded monthly, is payable upon the employee’s termination of service. When the member terminates employment, the balance of the DROP account is paid as a lump sum and the member begins to receive monthly retirement benefits on the month following termination of service.

Funding Policy: The contribution requirements of plan members and the reporting entity are established by City Ordinance and may be amended by the governing body. PFRS members are required to contribute 6% to 8% of covered salaries. From its various operating funds, the City is required to contribute at an actuarially determined rate; the rate for 2018 was 19.9% of annual covered payroll. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded liability. The City may provide for pension expenses by levying ad valorem property taxes each year in the amount necessary to meet its obligation as determined by the PFRS consulting actuary. For the year ended December 31, 2018, PFRS received \$14,331,422 in contributions from the employer.

Actuarial Assumptions: The total pension liability in the December 31, 2017 actuarial valuation was determined using the actuarial assumptions summarized in the table on the following page, applied to all periods included in the measurement. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the most recent experience study, which covered the five-year period ending December 31, 2013. The experience report is dated July 15, 2014.

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Price inflation	3.25%
Wage inflation	4.00%
Salary increases, including wage inflation	5.00% - 6.75%
Long-term rate of return, net of investment expense, including price inflation	7.90%
Pre-retirement mortality rates	Based on the RP-2000 Employee Table for males and females using scale AA for generational mortality projections.
Post-retirement mortality rates	Based on the RP-2000 Healthy Annuitant Table for males and females using Scale AA for generational mortality projections.
Disabled mortality rates	Based on the RP-2000 Disabled Table for males and females using Scale AA for generational mortality projections.

*Changes in Actuarial Assumptions:* There were no changes to the assumptions used for the actuarial valuation performed as of the year ended December 31, 2017.

*Actuarial Rate of Return Assumption and Discount Rate:* Information about the actuarial rate of return assumption and the discount rate is disclosed in Note 7A - Wichita Employees' Retirement System. Because the assets of the plans are pooled for investment purposes, the assumptions for the Police and Fire Retirement System are identical to those of the Wichita Employees' Retirement System.

*Net Pension Liability:* Detailed information about the pension plan's fiduciary net position used in calculating the net pension liability is available in the separately issued WRS financial report. The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The table below presents changes in the total pension liability, fiduciary net position and the net pension liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance as of December 31, 2016	\$ 670,427,649	\$ 614,047,281	\$ 56,380,368
<b>Changes for the year:</b>			
Service cost	15,178,226	-	15,178,226
Interest on total pension liability	51,532,754	-	51,532,754
Differences between expected and actual experience	(1,784,785)	-	(1,784,785)
Employer contributions	-	13,369,785	(13,369,785)
Employee contributions	-	4,915,378	(4,915,378)
Net investment income	-	103,236,679	(103,236,679)
Benefit payments, including member refunds	(36,930,533)	(36,930,533)	-
Administrative expenses	-	(554,641)	554,641
<b>Net Changes</b>	<b>27,995,662</b>	<b>84,036,668</b>	<b>(56,041,006)</b>
Balance as of December 31, 2017	\$ 698,423,311	\$ 698,083,949	\$ 339,362

*Sensitivity Analysis:* The accompanying table presents the net pension liability of the City using the discount rate of 7.90%, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.90%) or 1% higher (8.90%) than the current rate.

	Rate	City's Net Pension Liability
1% decrease	6.90%	\$ 84,121,335
Current rate	7.90%	339,362
1% increase	8.90%	(69,461,825)

#### C. Wichita Employees' Retirement System Plan 3b

The City contributes to Wichita Employees' Retirement System Plan 3, a defined contribution pension plan, for all of its full-time civilian employees hired or rehired on or after January 1, 1994. Benefits depend solely on amounts contributed to the plan plus investment earnings. Plan 3, established by City Ordinance on April 9, 1993 and amended on February 8, 2000, requires that both the employee and the reporting entity contribute an amount equal to 4.7% covered salaries.

The reporting entity's contributions and earnings for each employee are 25% vested after three years of service, 50% vested after five years and are fully vested after seven years of service.

Upon completion of seven years of service, employees participating in the Plan will be converted to WERS Plan 2, a defined benefit plan, unless they make an irrevocable election to remain in the defined contribution plan within 90 days thereafter. If an employee converts to Plan 2, the employee's Plan 3 account balance becomes part of WERS assets available to pay future benefits of WERS defined benefit plan members. For this reason, Plan 3 members who have not made an irrevocable election to remain in the defined contribution plan are reported with the WERS defined benefit plan. Further, any contributions of the reporting entity and any related earnings which are forfeited by employees who leave employment before becoming fully vested are used to reduce the reporting entity's contribution requirements related to the WERS defined benefit plan. Fully vested Plan 3 members who elect to remain in the defined contribution plan are referred to as Plan 3b members and are reported as a separate plan on the combining pension trust fund financial statements beginning on page E-1.

Fully vested employees who elect to continue participation in Plan 3b may contribute additional amounts into the plan as permitted by the rules of the Internal Revenue Code in effect at the time of the contribution. Benefit terms, including contribution requirements, are established and may be amended by the City Council. For the year ending December 31, 2018, employee and employer contributions to Plan 3b totaled \$202,077 and \$202,075, respectively. As of December 31, 2018, there were 88 members covered under the defined contribution Plan 3b.

**8. OTHER POST EMPLOYMENT HEALTHCARE BENEFITS (OPEB)**

*Plan Description and Benefits Provided:* Kansas statute provides that post employment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The City provides healthcare benefits for retired employees and their dependents through a single-employer defined benefit plan. The health insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The benefit is available for selection at retirement, the retirement age as defined in the appropriate pension plan, and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. The accounting for the health insurance for retirees is included in the City's Self Insurance Fund, with the subsidy provided from the Self Insurance Fund. Separate audited financial statements are not prepared by the Plan.

As of December 31, 2018, the City's OPEB plan membership consisted of the following:

Member Category	Premium Plan		Select Plan		No Plan	Total Members
	Single	Family	Single	Family		
Retirees	184	31	2	31	---	248
Active employees	494	1,348	257	488	246	2,833
Total members	678	1,379	259	519	246	3,081

*Funding Policy:* The City provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statute, which may be amended by the state legislature, establishes that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125% of the premium cost for other similarly situated employees. The City requires participating retirees to contribute 100% of the blended premium cost of active employees up to age 60 (including the employer and employee share). Participating retirees between the ages of 60 and 65 are required to contribute 75% of the blended premium cost of active employees (including the employer and employee share). Employees are eligible for non-line of duty disability health benefits once they have completed seven years of service. There is no age or service requirement for line of duty disability health benefits. Contributions for disabled retirees are the same as regular retirees.

The City appropriates funds annually for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the Self Insurance Fund; therefore, no assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75. In 2018, retired plan members receiving benefits contributed \$2,146,610 to the plan compared to City's contribution of \$2,977,740.

*Actuarial Methods and Assumptions:* The total other post employment benefit (OPEB) liability in the December 31, 2018 actuarial valuation was determined using the actuarial assumptions summarized in the table on the following page, applied to all periods included in the measurement. The demographic assumptions used in this valuation are based upon those used in the December 31, 2017 valuation disclosed in Note 7A - Wichita Employees' Retirement System.

Price inflation	3.25%									
Wage inflation	4.00%									
Municipal Bond Index Rate <sup>1</sup>	4.11%									
Salary increases, including wage inflation	4.25% - 7.20%									
Healthcare cost trend rate	8.5% for 2019, decreasing each year by 0.5% for an ultimate rate of 4.5% for 2027 forward.									
Cost sharing premiums	Retirees contribute 100% of the premiums until they turn 60, at which time retirees contribute 75% of the premiums and the City contributes 25%.  <table border="1"> <thead> <tr> <th><u>Health Plan</u></th> <th><u>Single</u></th> <th><u>Family</u></th> </tr> </thead> <tbody> <tr> <td>Premium</td> <td>\$599.54</td> <td>\$1,790.24</td> </tr> <tr> <td>Select</td> <td>507.02</td> <td>1,512.60</td> </tr> </tbody> </table>	<u>Health Plan</u>	<u>Single</u>	<u>Family</u>	Premium	\$599.54	\$1,790.24	Select	507.02	1,512.60
<u>Health Plan</u>	<u>Single</u>	<u>Family</u>								
Premium	\$599.54	\$1,790.24								
Select	507.02	1,512.60								
Per Capita Costs	Annual per capita costs were calculated based on the City's medical claims projection effective on January 1, 2019 actuarially increasing using health index factors and current enrollment.									
Healthy actives and retirees mortality rates <sup>2</sup>	Based on the RPH-2018 Total Dataset Mortality Table fully generational using SOA Scale MP-2018.									
Disabled mortality rates <sup>2</sup>	Based on the RPH-2018 Disabled Retiree Mortality Table fully generational using Scale MP-2018.									

<sup>1</sup> Rate is based on the Bond Buyer 20-Year Bond GO (General Obligation) Index, a tax exempt general obligations municipal bond index with an average rating of AA/Aa or higher (or equivalent quality on another rating).

<sup>2</sup> RPH-2018 tables are created based on RPH-2014 table with 8 years of MP-2014 mortality improvement backed out and projected using Scale MP-2018.

The remaining actuarial assumptions (retirement rates, disability rates, turnover rates) are based on the Wichita Employees' Retirement System actuarial valuation as of December 31, 2017.

*Changes in Actuarial Assumptions:* The previous valuation was performed under GASB 45 and the following assumptions have been updated in accordance with GASB 75:

1. The actuarial cost method has been updated from the Projected Unit Credit with linear proration to decrement to Entry Age Normal Level Percent Salary. In conjunction with this change, the payroll growth assumption has been updated based on the most recent WRS and PRFS actuarial valuations as of December 31, 2017. The net impact of these changes is a decrease in liabilities.
2. The discount rate as of the measurement date, December 31, 2018, has been updated to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The prior full valuation used a discount rate of 4.00%. The current valuation uses a discount rate of 3.44% as of January 1, 2018 and 4.11% as of December 31, 2018. This change has caused an increase in the liabilities as of the beginning of the year and a decrease in liabilities during the year.

Additionally, the following assumptions have also been updated:

1. The mortality table has been updated from SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. The impact of this change is a slight decrease in liabilities.
2. The health care trend rates have been updated to an initial rate of 8.50% decreasing by 0.50% annually to an ultimate rate of 4.50%. This change caused a decrease in liabilities.

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*Total OPEB Liability:* The City's total OPEB liability as of December 31, 2018, and the accompanying table presents the changes in the total OPEB liability.

	Total OPEB Liability
Balance as of December 31, 2017	\$ 35,202,459
Changes for the year:	
Service cost	2,393,138
Interest on total OPEB liability	1,242,504
Differences between expected and actual experience	1,580,925
Changes in assumptions	(2,528,757)
Benefit payments	(2,977,740)
Net Changes	(289,930)
Balance as of December 31, 2018	\$ 34,912,529

*Pension Expense and Deferred Outflows and Inflows of Resources Related to OPEB:* The City recognized OPEB expense of \$3,530,327 for the year ended December 31, 2018. As of December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,405,267	\$ -
Changes of assumptions	-	(2,247,784)
Total	\$ 1,405,267	\$ (2,247,784)
	Deferred Outflows of Resources	Deferred Inflows of Resources
Deferred amounts reported in governmental activities	\$ 1,114,376	\$ (1,782,493)
Deferred amounts reported in business-type activities	290,891	(465,291)
Total	\$ 1,405,267	\$ (2,247,784)

The amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending December 31,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 175,658	\$ 280,973
2020	175,658	280,973
2021	175,658	280,973
2022	175,658	280,973
2023	175,658	280,973
Thereafter	526,977	842,919
Totals	\$ 1,405,267	\$ 2,247,784

*Sensitivity Analysis:* The accompanying tables present the total OPEB liability as of December 31, 2018, using (1) the discount rate assumed and what the total OPEB liability would be if it were calculated using a discount rate that were 1% higher and 1% lower than the current discount rate; and (2) the current health care trend rates and what the OPEB liability would be if it were calculated using health care trend rates that were 1% higher and 1% lower than the current health care trend rates.

	Discount Rate	City's Total OPEB Liability		Healthcare Trend Rates <sup>1</sup>	City's Total OPEB Liability
1% decrease	3.11%	\$ 37,298,544	1% decrease	7.50% - 3.50%	\$ 31,564,404
Current rate	4.11%	34,912,529	Current trend rates	8.50% - 4.50%	34,912,529
1% increase	5.11%	32,642,416	1% increase	9.50% - 5.50%	38,807,395

<sup>1</sup> Health care trend rates start at the initial rate and decrease to the ultimate rate.

## 9. SELF INSURANCE FUND

The City established the Self Insurance Fund in 1987 to account for self insurance programs of workers' compensation, group health insurance, group life insurance, employee liability, property damage, auto liability and general liability for the reporting entity. Since its original inception, the City uses this fund to cover costs associated with a fully-insured property policy and a special excess general liability insurance policy.

For funds paying insurance costs, the contributions are recorded as expenses in the paying fund and revenues in the Self Insurance Fund. The City records liabilities for known claims and estimated liabilities incurred but not reported at year-end which are reflected under accounts payable and other liabilities and claims payable, respectively, in the internal service funds. There were no settlements in excess of the insurance coverage in any of the three prior fiscal years.

The City retains the services of independent actuaries annually to analyze the self-insured workers' compensation, automotive liability, general liability and property loss liability exposures and funding levels. The City uses this analysis to assist with its financial planning and management of the workers' compensation and general liability, which includes automotive and property loss liabilities, self-insurance programs. The claims liability is the actuarially estimated amount of claims based on an estimate of ultimate incurred and incurred but not reported losses as of that date and is calculated considering the effects of inflation; recent claim settlement trends, including frequency and amount of pay-outs; insurance industry data; and other legal, social and economic factors. The claims liability does not include amounts for unallocated loss adjustment expenses. These liabilities have been discounted using a 2% discount rate. The City has not purchased any annuity contracts in the 2018 fiscal year to resolve City of Wichita claims.

### A. Health Insurance

The employee health insurance program is offered to all full-time, eligible employees of the reporting entity and their dependents. The health insurance program is open to retirees and dependents up to 65 years of age. The City self-insures health benefits up to \$450,000 per member, with a stop-loss secondary coverage for costs in excess of \$450,000 with the exception of one member for which the City self-insures up to \$750,000. The self-insured prescription drug plan and self-insured vision plan are included in the monthly premium. At December 31, 2018, the City recorded a liability of \$4,839,332 for estimated claims pending and net position totaled \$11,311,959.

### B. Workers' Compensation

The workers' compensation program is a partially self-funded program covering substantially all full-time and part-time employees of the reporting entity. The annual requirements of the workers' compensation program are determined based on current claims outstanding and estimates of future liability based on pending claims, recorded at a confidence level of 85%. The City has reinsured for liabilities exceeding \$750,000 per occurrence with coverage provided through Safety National Casualty Corporation. The retention is taken into consideration in actuarial projections of the City's liability. The City maintains a reserve to meet state and actuarial requirements and to provide contingency funding. At December 31, 2018, the City recorded a liability of \$10,838,382 for estimated probable claims pending and net position totaled \$5,351,711.

### C. Life Insurance

The life insurance program offered by the City is a fully insured program administered by Standard Insurance Company with benefit levels based on employee compensation. All full-time employees of the reporting entity are eligible to participate in the plans of the program. The program provides basic life, dependent life and accidental death and dismemberment with conversion privileges to participants.

The cost of basic employee life insurance is funded approximately one third by the employee and two thirds by the City. The City offers additional supplemental, voluntary accidental death and dismemberment insurance for employees and eligible dependents, the total cost of which is paid by the employee.

Contributions (employee and employer), plus interest earned on investments, are used for premium payments. Coverage is terminated if the participant fails to make contributions toward the cost of insurance, if the participant terminates employment with the City and does not elect the conversion or portability option, or if the plan is terminated. At December 31, 2018, net position totaled \$726,898.

### D. General Liability

The City's general liability program provides for legal defense and claims against employees of the reporting entity when an incident arises out of City operations. The general liability program also includes vehicle and premises liability. The

City maintains a property insurance policy for all City owned buildings and contents. The deductible portion of the building and content insurance coverage is paid from the Self Insurance Fund. The deductible is \$100,000 per occurrence for most covered losses, except wind and hail, which is \$500,000 per occurrence.

The City is self-insured for tort liability claims against the reporting entity. The Kansas Tort Claims Act provides a liability limitation of \$500,000 per occurrence. The City maintains an excess policy of insurance for federal actions because the limitations under the Kansas Tort Claims Act do not apply to federal actions. The policy provides coverage of \$20 million per occurrence limit and a \$2 million self-insured retention.

At December 31, 2018, the City recorded a liability of \$8,841,945 for pending tort claims at a confidence level of 85% and to provide for the loss of excess liability coverage and potential environmental liability exposure. At December 31, 2018, net position totaled \$2,686,763.

Changes in the balances of claims liabilities during the past two years are as follows:

<u>Fund</u>	<u>Claims Paid</u>	<u>Beginning Balance</u>	<u>Changes in Actuarial Estimate</u>	<u>Ending Balance</u>	<u>Short-term Portion</u>
Worker's Compensation					
2017	2,958,077	7,558,085	1,726,145	9,284,230	2,153,620
2018	2,532,857	9,284,230	1,554,152	10,838,382	2,473,985
General Liability					
2017	2,144,399	7,370,555	(333,750)	7,036,805	2,744,431
2018	4,765,373	7,036,805	1,805,140	8,841,945	3,520,193
Health Insurance					
2017	40,905,362	3,085,898	72,047	3,157,945	3,157,945
2018	47,805,501	3,157,945	1,681,387	4,839,332	4,839,332

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## 10. LONG-TERM OBLIGATIONS

A. The long-term liabilities activity for the year ended December 31, 2018, (expressed in thousands of dollars) is summarized in the following table:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 47,633	\$ 9,395	\$ (11,076)	\$ 45,952	\$ 12,141
With government commitment:					
Special assessment	172,707	16,040	(24,366)	164,381	18,945
Tax increment financing	18,022	-	(2,793)	15,229	2,475
Transient guest tax	2,480	-	(5)	2,475	10
Local sales tax	96,275	-	(14,280)	81,995	11,420
Unamortized premium	29,770	1,946	(4,180)	27,536	-
Revenue bonds:					
Sales tax special obligation	3,045	1,800	(268)	4,577	198
Total bonds payable	369,932	29,181	(56,968)	342,145	45,189
Capital lease	64	-	(64)	-	-
Compensated absences	10,520	18,138	(17,821)	10,837	9,334
Claims payable	19,479	61,024	(55,983)	24,520	10,834
Net pension liability	98,416	106,676	(197,071)	8,021	-
Total OPEB liability <sup>1</sup>	27,916	4,137	(4,367)	27,686	-
Environmental remediation	16,106	13,246	(3,390)	25,962	1,885
Landfill closure/ post-closure care	11,359	5	(872)	10,492	461
Legal liability	1,368	-	(131)	1,237	131
Total long-term liabilities - governmental activities	<u>\$ 555,160</u>	<u>\$ 232,407</u>	<u>\$ (336,667)</u>	<u>\$ 450,900</u>	<u>\$ 67,834</u>
<b>Business-type Activities</b>					
Bonds payable:					
General obligation bonds	\$ 267,718	\$ -	\$ (9,785)	\$ 257,933	\$ 10,210
Unamortized premium	17,134	-	(1,151)	15,983	-
Revenue bonds	432,215	-	(28,255)	403,960	25,675
Unamortized premium	42,675	-	(2,060)	40,615	-
Total bonds payable	759,742	-	(41,251)	718,491	35,885
Compensated absences	1,909	3,842	(3,825)	1,926	1,670
Net pension liability	18,288	18,123	(33,410)	3,001	-
Total OPEB liability <sup>1</sup>	7,287	1,080	(1,140)	7,227	-
Environmental remediation	-	5	(5)	-	-
Total long-term liabilities - business-type activities	<u>\$ 787,226</u>	<u>\$ 23,050</u>	<u>\$ (79,631)</u>	<u>\$ 730,645</u>	<u>\$ 37,555</u>

<sup>1</sup> Beginning balances have been restated for the implementation of GASB 75. See NOTE 1Q – Implementation of New Accounting Principles.

B. General Obligation Bonds

General obligation bonds are issued to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the City and pledge the full faith and credit of the government. The bonds generally are issued as 10-year, 15-year or 20-year serial bonds. Annual debt service requirements to maturity for general obligation bonds are presented in the accompanying tables.

General Obligation Bonds Outstanding on December 31, 2018 (dollars in thousands)		
Payable From	Interest Rates	Amount
Governmental activities:		
Ad valorem property taxes	2.00% - 5.00%	\$ 45,952
Transient guest tax	3.00% - 5.00%	2,475
Tax increment financing	1.05% - 5.00%	15,229
Local sales tax	2.125% - 5.00%	81,995
Total governmental activities		145,651
Business-type activities:		
Airport Authority Fund	3.00% - 5.60%	126,400
Stormwater Utility Fund	1.50% - 5.00%	15,683
Water Utility Fund	3.00% - 5.00%	115,850
Total business-type activities		257,933
Total general obligation bonds		\$ 403,584

Annual Debt Service Requirements General Obligation Bonds (dollars in thousands)				
Year ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 26,046	\$ 5,324	\$ 10,210	\$ 10,608
2020	20,069	4,282	10,593	10,133
2021	17,257	3,502	10,463	9,641
2022	17,795	2,857	10,846	9,152
2023	11,821	2,201	11,338	8,641
2024 – 2028	44,012	5,477	59,473	35,608
2029 – 2033	6,835	638	64,460	24,302
2034 – 2038	1,816	35	35,895	13,382
2039 – 2043	-	-	34,435	6,375
2044 – 2047	-	-	10,220	636
Totals	\$ 145,651	\$ 24,316	\$ 257,933	\$ 128,478

The City of Wichita also issues special assessment bonds to provide funds for the construction of infrastructure in residential developments. Special assessment bonds will be repaid from amounts levied against the property owners benefited by the new infrastructure. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the government must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received. Annual debt service requirements to maturity for special assessment bonds are presented in the table to the right.

Annual Debt Service Requirements Special Assessment Bonds (dollars in thousands)		
Year ending December 31,	Governmental Activities	
	Principal	Interest
2019	\$ 18,945	\$ 6,741
2020	18,738	5,797
2021	17,275	5,061
2022	15,338	4,307
2023	13,746	3,660
2024 – 2028	53,844	10,579
2029 – 2033	23,120	1,997
2034 – 2038	3,375	216
Totals	\$ 164,381	\$ 38,358

## C. Revenue Bonds

Revenue bonds are also issued by the City of Wichita, where income derived from the acquired or constructed assets is pledged to pay debt service. A summary of revenue bonds outstanding is presented in the following table.

Revenue Bonds Outstanding on December 31, 2018 (dollars in thousands)			
	Interest Rates	Final Maturity Date	Amount
Governmental activities			
2017 K-96 Greenwich STAR Bond Project	3.00% - 4.625%	2033	\$ 2,778
2018 Stadium STAR Bond Project	3.50% - 5.00%	2038	1,799
Total governmental activities			<u>4,577</u>
Business-type activities			
Water utilities:			
2009B Water & Sewer	4.27% - 5.36%	2019	1,605
2010B Water & Sewer	3.30% - 5.35%	2030	11,955
2011A Water & Sewer Refunding	3.00% - 5.00%	2028	61,700
2012A Water & Sewer	3.00% - 4.00%	2032	12,825
2014A Water & Sewer Refunding	3.00% - 5.00%	2030	24,725
2014B Water & Sewer	2.50% - 5.00%	2034	10,895
2015B Water & Sewer Refunding	2.38% - 5.00%	2031	31,180
2015C Water & Sewer	2.50% - 5.00%	2035	21,910
2015D Water & Sewer Refunding	2.50% - 5.00%	2032	20,285
2016A Water & Sewer	2.00% - 5.00%	2036	22,255
2016B Water & Sewer Refunding	2.00% - 5.00%	2039	95,105
2017A Water & Sewer	3.00% - 5.00%	2037	63,360
2017B Water & Sewer Refunding	1.63% - 5.00%	2030	20,700
Airport authority:			
Yingling Aircraft – Series 2001	7.50%	2021	1,300
FlightSafety – Series A 2003	Variable*	2031	2,660
Yingling Aircraft – Series A 2005	6.00%	2025	1,500
Total business-type activities			<u>403,960</u>
Total revenue bonds			<u>\$ 408,537</u>

\*The FlightSafety – Series A, 2003 bonds have a variable interest rate, adjustable weekly based on the rate at which the bonds can be remarketed at par, as determined by a remarketing agent, with an interest rate ceiling of 15%. The interest rate utilized to calculate the debt service requirements was the effective rate on December 31, 2018 of 1.78%.

***Sales Tax Special Obligation Revenue (STAR) Bonds:*** In 2017, the City issued \$71,305,000 in Sales Tax Special Obligation Revenue Bonds (STAR bonds) in connection with the approved K-96 Greenwich STAR Bond Project District under K.S.A. 12-17, 160 et al., known as the STAR Bonds Act to (1) advance refund the remaining \$33,270,000 in outstanding principal of the 2013 STAR bonds, (2) fund a portion of the 2017 Project, (3) fund a deposit into the Debt Service Reserve Fund for the 2017 bonds and (4) pay certain costs related to the issuance of the 2017 bonds. The advance refunding of the 2013 bonds resulted in an in-substance defeasance.

In 2018, the City issued \$42,140,000 in STAR Bonds in connection with the approved River District Stadium STAR Bond Project to (1) pay a portion of the costs of the 2018 projects; (2) fund a deposit to the Capitalized Interest Fund established under the indenture for the Series 2018 Bonds to pay interest on the series 2018 bonds through September 1, 2020; and (3) pay certain costs related to the issuance of the 2018 bonds.

Pursuant to issuance of the STAR bonds, the City and State of Kansas entered into a STAR Bond Tax Distribution Agreement. The agreement provides that the principal and interest on the STAR bonds will be paid proportionally by the City and the State of Kansas, based on each entity's respective share of sales tax generated within the District. As of December 31, 2018, the City's proportional share is approximately 4.27%. This proportional share may change in the future if the sales taxes assessed by the local or state governments are modified.

These bonds are special, limited obligations of the City payable solely from revenues generated within the specified STAR Districts for each bond series. The bonds do not constitute a pledge of the full faith and credit of the City, and do not obligate the City to levy any form of taxation or to make any appropriation for their payment. As such, the City has only recorded 4.27%, its proportional share of the outstanding obligation, for this bond issue. As of December 31, 2018, the City recorded STAR bonds outstanding in the amount of \$2,777,635 and \$1,799,999 for the 2017 and 2018 STAR bonds, respectively.

The 2018 STAR bonds has an additional clause in the Bond Trust Indenture (Indenture) to provide extra security to the bondholders in which the City has covenanted that a request for appropriations will be included in each annual budget commencing with the 2020 fiscal year sufficient to pay the debt service requirements on the 2018 STAR bonds due in that budgeted fiscal year; however, the Indenture does not required the City to do so. The City will only transfer funds to the Trustee in the event that such amount on deposit with the Trustee is insufficient to pay the scheduled debt services requirements for the upcoming payment in the current fiscal year. The City's obligations to pay debt service shall be year to year only and shall not constitute a mandatory payment obligation of the City in any ensuing fiscal year beyond the current year. The City will monitor the District's collections and balances at the Trustee, in comparison to the upcoming debt service requirements, to determine if the City should record any additional liability if there are anticipated shortfalls.

*Pledged Revenue:* The City has pledged specific revenue streams to secure the repayment of its revenue bonds. The following table lists those revenues and corresponding revenue bonds along with the amount and term of the pledge remaining, the current fiscal year debt service, the amount of pledged revenue recognized during the fiscal year and the percentage of the revenue stream that has been committed.

Pledged Revenue for Revenue Bond Debt Service Requirements					
(dollars in thousands)					
Amount of Pledge	Type of Pledged Revenue	Term of Commitment	Percent of Revenue Pledged	2018 Principal & Interest	2018 Pledged Revenues Recognized
<u>Water &amp; Sewer Utility Revenue Bonds:</u>					
\$ 522,373	Utility revenues	Through 2039	100%	\$ 45,669	\$ 151,252
<u>Airport Authority Special Facility Revenue Bonds:</u>					
\$ 6,850	Direct financing leases	Through 2031	100%	\$ 225	\$ 225
<u>2017 Sales Tax Special Obligation Revenue (STAR) Bonds:</u>					
\$ 3,355	Sales tax revenues	Through 2033	100%	\$ 387	\$ 313
<u>2018 STAR Bonds:</u>					
\$ 2,853	Sales tax revenues	Through 2038	100%	\$ -	\$ -

Revenue bond debt service requirements to maturity are presented in the following table.

Annual Debt Service Requirements - Revenue Bonds				
(dollars in thousands)				
Year ending December 31,	Business-type Activities		Governmental Activities	
	Principal	Interest	Principal	Interest
2019	\$ 25,675	\$ 16,602	\$ 198	\$ 175
2020	26,255	15,398	305	183
2021	28,700	14,059	316	174
2022	28,115	12,697	330	161
2023	29,430	11,315	366	147
2024 – 2028	131,925	37,512	1,701	466
2029 – 2033	95,050	14,521	611	232
2034 – 2038	37,005	3,105	750	92
2039	1,805	54	-	-
Totals	\$ 403,960	\$ 125,263	\$ 4,577	\$ 1,630

## D. Revenue Bond Ordinance Provisions and Reserve Requirements

Revenue bond ordinances related to the issuance of revenue bonds of the respective enterprise funds provide for specific deposits to debt service and other related bond reserve and maintenance accounts. At December 31, 2018, the City was in compliance with all significant reserve requirements of the respective Water and Sewer Utility revenue bond resolutions and ordinances.

## E. Outstanding Crossover Refundings and Defeasance of Debt

*Crossover Advance Refundings:* For reporting purposes of a crossover advance refunding bond issue, the original issue is not considered defeased until the bonds are retired. As with advance refunding bond issues, the proceeds from the crossover advance refunding bonds are placed into an escrow account. However, unlike other types of advance refundings, the escrowed funds in a crossover advance refunding are not immediately dedicated to debt service principal and interest payments on the refunded debt. Instead the resources in the escrow account are temporarily used to meet debt service requirements on the refunding bonds. At a later date, known as the "crossover date", the resources in the escrow account are dedicated exclusively for the payment of principal and interest on the refunded debt. Crossover refundings do not result in the defeasance of debt prior to the crossover date.

On December 1, 2017, the City issued Series 2017A general obligation refunding bonds in the amount of \$19,995,000. The 2017A bonds have multiple crossover dates resulting in crossover advance refundings for \$22,655,000 in principal for five previous issues.

During 2018, the City defeased two of the five issues refunded by the 2017A bonds in the amount of \$4,430,000. The following three issues refunded by the 2017A bonds are still outstanding. The City has recorded both the outstanding debt of both the refunding issue and the refunded issues, which are not considered defeased as listed in the table below. In addition, the related funds in escrow have been recorded as cash with fiscal agent.

Refunding Issue	Issue Advance Refunded	Principal Refunded	Crossover Date
General Obligation, Series 2017A	General Obligation, Series 796A	\$ 5,800,000	9/1/2019
General Obligation, Series 2017A	General Obligation, Series 798A	4,565,000	12/1/2019
General Obligation, Series 2017A	General Obligation, Series 800A	7,860,000	6/1/2020
		<u>\$ 18,225,000</u>	

## F. Other Long-Term Liabilities

The City's municipal solid waste facility, Brooks Landfill, closed operations October 9, 2001. Kansas and federal laws and regulations require the City to perform maintenance and monitoring functions at the site for thirty years after the regulatory closure date of July 25, 2003. Beginning July 1, 2017, the Kansas Department of Health and Environment (KDHE)'s policy concerning the post-closure and closure (PCC) estimate was revised, stating the PCC must be calculated using 30 years initially and then drop each year until 20 years. A rolling 20 years is then required until a demonstration can be made that the landfill conditions are moving towards either equilibrium or stabilization. Estimated post-closure costs for the remaining 20 years total \$8,275,867 or \$413,793 annually. Accordingly, a liability of \$8,275,867 for post-closure care has been reported as a long-term liability of governmental activities on the Statement of Net Position as of December 31, 2018.

The City's Chapin municipal solid waste facility closed operations December 19, 1980. Kansas and federal laws and regulations require the City to perform certain maintenance and monitoring functions at the site for thirty years after the regulatory closure date of July 1, 1989. In June 2008, landfill gas was determined to have migrated off-site from the Chapin Landfill. The estimated additional post-closure care for the remaining year is \$47,191. Accordingly, a liability of \$47,191 for post-closure care has been reported as a long-term liability of the governmental activities on the Statement of Net Position as of December 31, 2018.

Additionally, the City operates three limited landfills, all located at the Brooks Landfill site. Kansas and federal laws and regulations require the City to place a final cover when the landfills close and perform certain maintenance and monitoring functions for thirty years after regulatory closure. Beginning July 1, 2017, the Kansas Department of Health and Environment (KDHE)'s policy concerning the post-closure and closure (PCC) estimate was revised, stating the PCC must be calculated using 30 years initially and then drop each year until 20 years. A rolling 20 years is then required until a demonstration can be made that the landfill conditions are moving towards either equilibrium or stabilization. Based on the capacity used in each landfill, the accumulated closure and post-closure costs, as applicable, for each of

the landfills is recorded as a long-term liability of the governmental activities on the Statement of Net Position as of December 31, 2018.

During 2001, the City was granted permission to operate a construction and demolition landfill. The landfill began operation on October 1, 2001. The City's construction and demolition landfill has cumulative closure costs of \$2,059,513 on December 31, 2018, based on the use of 99% of the estimated capacity. The City will recognize the remaining closure costs of \$21,644 as the remaining capacity is filled. Based on activity to date, the City expects the landfill to close in approximately 2019, or as capacity is reached.

In May 2002, the City began operation of an industrial monofill landfill for asbestos waste. The City's industrial monofill landfill for asbestos waste has cumulative closure and post-closure costs of \$109,632 on December 31, 2018, based on the use of 30.2% of the estimated capacity. The City will recognize the remaining closure and post-closure costs of \$253,388 as the remaining capacity is filled. Based on activity to date, the industrial monofill landfill is expected to close in approximately 2063, or as capacity is reached.

In March 2008, the City began operation of a composting facility for yard waste at the existing Brooks Landfill site for which the capacity used was too small to measure, as yard waste moves in and compost moves out. As of December 31, 2018, the capacity used was too small to estimate, thus the total estimated closure and post-closure care of \$40,180 will be recognized as capacity is filled.

As of December 31, 2018, the accumulated costs for the landfills are recorded as a long-term liability in the governmental activities on the Statement of Net Position. The costs will be liquidated from prior years' landfill fees accumulated in the Landfill Post-Closure Fund. Note 17 - Landfill Closure and Post-Closure Care provides further disclosure.

#### G. Environmental Remediation Obligations

*Gilbert and Mosley Groundwater Contamination (Plumes ABE)*: In the late 1980s and early 1990s, under a Cooperative Agreement with the U.S. Environmental Protection Agency (EPA), the Kansas Department of Health and Environment (KDHE) conducted a preliminary assessment and investigation of an area near the City's downtown, known as the Gilbert and Mosley site. The studies identified contaminants of volatile organic compounds and the concentrations of the compounds. On March 26, 1991, the City and KDHE finalized a "Settlement Agreement for Remedial Investigation and Feasibility Study, and for Certain Remedial Actions to be Determined Following Opportunity for Public Involvement" (Settlement Agreement).

The City performed the Remedial Investigation (RI) and the Feasibility Study (FS) with final reports approved by KDHE in September 1994. In 1999, the City issued an RI/FS addendum and with subsequent investigations, identified the nature, extent and sources of contamination. In October 2000, KDHE approved the final design for a pump-and-treat alternative to address the site-wide groundwater contamination (Plumes ABE). In 2002, the City completed the installation of the extraction wells, piping and treatment facility. The system has been in continuous operation since December 30, 2002.

The City has ongoing costs associated with the operations, maintenance, monitoring and reporting activities for the groundwater remediation system for the Plumes ABE contamination. Accordingly, a liability of \$6,639,158 has been recorded in the government-wide financial statements, in addition to a receivable of \$2,234,010 for settlements from potentially responsible parties. The liability and recovery amounts are based on an engineering estimate which was defended in the United States District Court (United States District Court Case No. 98-1360-MLB), as well as based on actual costs incurred. The potential for change to the liability is moderate, due to the potential of reducing the groundwater contamination plume to acceptable concentrations prior to the 70-year projection contained in the engineering estimate, offset with future inflationary cost increases. The probability of continued operation of the treatment system after 40 years of operations is estimated to be 30%.

*Harcross/TriState Central Site*: Within the Gilbert and Mosley District, some specific source areas have been identified as requiring source control measures. The Harcross/TriState Central site has been identified as contaminated by volatile organic compounds (VOCs) resulting from various industrial spills and processes, in addition to contamination from food grade chemicals. Some reported contaminant concentrations have exceeded KDHE standards. Based on the Gilbert and Mosley Settlement Agreement, the City is responsible for cleanup of the site. The City has performed a site investigation and is in the process of implementing the remediation which consists of two vapor mitigation systems which were installed in residential properties in September 2005. An additional vapor mitigation system was installed in a third residential property in 2006, in conjunction with offsite excavations of soil. An air sparge/soil vapor extraction system was installed in each of the sources in 2007 and those units are still in operation. Both systems operated until

October of 2018 when they were shut down for a rebound assessment. The systems will be reassessed in 2019 to determine whether they should continue operating.

The City has ongoing costs associated with the remediation of the Harcross/TriState Central site. The estimated liability is based on engineering estimates and actual costs incurred since the beginning of the project to the present. A liability of \$1,125,364 has been recorded in the government-wide financial statements for the ongoing remediation costs. The potential for changes in the liability is low with any changes likely to be immaterial.

WaterWalk Site: Within the Gilbert & Mosley district, the WaterWalk site has been identified as contaminated by total petroleum hydrocarbons (TPH) and metals in soils and groundwater above KDHE standards. The contamination is being addressed under the Gilbert and Mosley Settlement Agreement. The City has submitted a draft Comprehensive Investigation Work Plan, which has been approved by KDHE, to delineate the horizontal and vertical extent of the contamination. A utility corridor excavated on the site in 2006 resulted in excavated soils being screened and segregated based on contaminate and concentration. Lead-impacted soils were landfilled and petroleum-impacted soils were treated at a local asphalt plant until the soils reached residential contact standards for TPH. As of December 31, 2018, a liability of \$5,190 has been recorded in the government-wide financial statements. The potential for changes to the liability is moderate pending completion of the investigation.

South Washington and English Site (SWE): The SWE site has soil and groundwater contaminated by chlorinated solvents associated with dry cleaning and other industrial processes. The impacted areas have concentrations that exceed KDHE standards. The City is responsible for cleanup of the site based on the Gilbert and Mosley Settlement Agreement. The City performed a site investigation and selected a remediation plan consisting of excavation and offsite disposal of select soils, electrical resistance heating of subsurface soils and soil vapor extraction.

Remedial action was initiated in 2010 including excavation and disposal of contaminated soils, the initiation of the electrical resistance heating design and additional investigation. As a result of the need to secure the property for remediation, property was purchased which was initially planned to be sold after the remediation process was complete. Proceeds from the sale of the property were estimated to be approximately \$200,000.

In 2014, it was determined that the costs associated with the implementation of electrical resistance heating remedy for the entire area required by KDHE was not economically feasible. As a result, alternative remedial activities including injection of an oxidizing compound into the contaminated zone were evaluated by both the City and KDHE.

In late 2017, the City agreed to demolish the building purchased in 2010 to facilitate the installation of a driveway for a parking garage for a corporate building being constructed on the former Wichita Eagle property to the west/northwest of the SWE site. As a result the City had to temporarily halt remediation efforts which are expected to be resumed in 2019 and will coordinate efforts with KDHE. The City anticipates a revised remediation approach will be approved by KDHE in 2019 and implemented 2019.

The City recorded a net liability for remediation and monitoring activities of \$647,377 in the government-wide financial statements, based on engineering estimates and actual costs incurred from the start of the project to the present. The potential for change is moderate as the City is still negotiating with KDHE.

APCO Chemical Company (APCO): The APCO site has been identified as contaminated by chlorinated volatile organic compounds (VOCs) and petroleum related hydrocarbons. Soil and groundwater concentrations exceed KDHE standards and require remediation efforts. The KDHE Underground Storage Tank Trust Fund (UST Trust) has installed an air sparging/soil vapor extraction system to address the petroleum hydrocarbon contamination. Based on the Settlement Agreement, KDHE identified the City as the responsible party for cleanup of the chlorinated VOCs associated with the site when the responsible party declared bankruptcy in 2005. As a result of the 2008 APCO Trust Bankruptcy Trial, the City of Wichita received a \$450,000 judgment against APCO Trust for remediation at this site. Payment of that judgment was received in early 2014.

The City has performed a site investigation and KDHE completed its remediation program of the petroleum contamination. Testing conducted by KDHE and the site-wide monitoring program indicated that the UST remediation program may have also remediated the chlorinated solvents related to the APCO release. In 2015, the City hired a consultant to conduct an updated investigation of the APCO site to determine whether any additional remediation efforts are necessary. A work plan to conduct the investigation was submitted and approved by KDHE in 2016 and the field investigation was conducted in 2017. The investigation revealed that very little groundwater contamination is present at the site. KDHE determined that the site contamination has been resolved as of November 27, 2018. No further action is required for this site.

The City has recorded a liability of \$4,000 the cost to decommission any remaining monitoring wells. The potential for changes to the liability is relatively low as the site is now resolved.

Automotive Fleet Services, Inc. (AFS): The AFS site, within the Gilbert and Mosley district, has been identified as contaminated by volatile organic compounds (VOCs) related to vehicle maintenance with reported contaminant concentrations in groundwater exceeding KDHE standards. Based on the Gilbert and Mosley Settlement Agreement, the City is responsible for cleanup of the site. In 2015, the City hired a consultant to conduct a Comprehensive Investigation (CI) and Corrective Action Study (CAS) and a work plan was submitted and approved by KDHE in 2016. In 2017, the investigation was conducted and the findings indicated that no remedial activities are necessary. KDHE has determined that the site contamination has been resolved as of November 6, 2018. No further action is required for this site.

The City has ongoing costs for the decommissioning of the monitoring wells. A liability is recorded in the amount of \$1,000 in the government-wide financial statements. The potential for changes in the liability is relatively low as the site is now resolved.

Reid Supply, Inc. (RSI): The RSI site, within the Gilbert and Mosley district, has been identified as contaminated by chlorinated solvents with some contaminant concentrations exceeding KDHE soil and groundwater standards. RSI has been named as the responsible party for cleanup of the site; however, the City may be named as partially or fully responsible at a future date. The City has hired a consultant to conduct a CI/CAS program of the site to determine whether a remedial action is necessary. CI fieldwork was completed in 2018 and the CI/CAS reports will be submitted in 2019. Data indicates that remediation efforts will likely be required.

An estimated liability, based on a 2002 engineering estimate and actual costs incurred from the start of the project to the present, has been recorded in the government-wide financial statements in the amount of \$1,037,458. The potential for change to the liability is moderate due to the need for remediation efforts.

LORAC Company (LORAC): The LORAC site, within the Gilbert and Mosley district, has been identified as contaminated by chlorinated solvents with some contaminant concentrations exceeding KDHE soil and groundwater standards. The property owners signed an agreement with KDHE in 2008 to conduct a site investigation which was subsequently completed in 2009. The current property owner has indicated to KDHE that they have limited capacity to pay for a full scale Comprehensive Investigation (CI) and Corrective Action Study (CAS). As a result, the City has agreed to conduct the CI/CAS program as part of the Gilbert and Mosley Settlement Agreement and in 2015, the City hired a consultant to conduct the program. A work plan to conduct the CI/CAS has been submitted to KDHE for review and approval in 2018 and CI fieldwork was conducted in 2018. The CI/CAS reports will be submitted to KDHE in 2019. Data indicates that remediation efforts will likely be required.

An estimated liability, based on contractual obligations for the CI/CAS and actual costs incurred from the start of the project to the present, has been recorded in the government-wide financial statements in the amount of \$7,775. The potential for change to the liability is relatively high due to the likely need for remediation activities. There is a strong likelihood that the City may have to take on the responsibility of implementing any required remedial actions. If LORAC is unable to pay the remediation costs, KDHE may hold the City liable for the remediation efforts.

North Industrial Corridor (NIC) Site-wide Groundwater Contamination: In the 1980s, the Environmental Protection Agency identified the presence of volatile organic compounds in groundwater produced from two industrial wells. Subsequent investigations revealed widespread contamination in the groundwater in what is known as the North Industrial Corridor. In 1987, the Wichita North Industrial District Group (WNID Group) organized with the City as a member. The WNID Group entered into a consent agreement with KDHE September 1989. A portion of the NIC site was listed on the National Priorities List by the EPA in February 1990. In 1994, the City petitioned for the removal of the site from the National Priorities List. The EPA published notice of removal in April 1996.

To restore economic viability to the area, the City signed a "Settlement Agreement for Remedial Investigation and Feasibility Study for Certain Remedial Actions to be Determined Following Opportunity for Public Involvement" (NIC Settlement Agreement) in 1995. In May 1996, the City entered into a participation agreement with potentially responsible parties for the NIC contamination. The remedial investigation report was completed in June 2004, with an addendum to the report completed in 2005. The reports were approved by KDHE in March 2007. KDHE approved the feasibility study in 2011 and in March 2012, issued a Final Corrective Action Decision for interim groundwater remediation. The North Industrial Corridor site has been divided into six groundwater units for evaluation and remedial actions. The Corrective

Action Decision focuses on the remedial action alternatives within Groundwater Units 1 through 4. Groundwater Units 5 and 6 are being remediated by the responsible parties under separate consent orders with KDHE.

The Final Corrective Action Decision (CAD) includes pre-design data acquisition, long-term groundwater remediation and surface water monitoring, five-year reviews and institutional controls for each groundwater unit. Pre-design Data Acquisition (PDA) was conducted to optimize the selected remedy and evaluate the need for contingency implementation. PDA activities were initiated in 2014 and completed in 2016 and additional studies required by the CAD were also completed in 2016. A Remedial Designs (RD) report was completed in 2018 which presented the final site-wide groundwater remediation program for the site. This was followed by an Engineer's Estimate in late 2018 and early 2019 for the cost of the remedial action construction and the long term site-wide remediation program. A comprehensive groundwater and surface water monitoring plan has been developed to evaluate performance of the remedy applied and monitor contaminant migration. Five-year reviews will be conducted as long as contamination remains at the site at concentrations above levels which will permit unrestricted use. The reviews will provide an opportunity to review the overall effectiveness of the remedial strategy. Continued enforcement of City of Wichita ordinances which prohibit the installation of new water wells and use of pre-existing water wells for personal use in contaminated areas will help ensure protection of human health until the site cleanup is complete.

KDHE has approved the remedial actions for Groundwater Units 1 through 4, of which it was determined that no additional work was required at Groundwater Unit 1. The remedial actions for Groundwater Units 2 through 4 consist of source abatement and groundwater extraction and treatment of groundwater extraction wells from which contaminated groundwater will be pumped to the Gilbert and Mosley Wichita Area Treatment Education and Remediation (WATER) Center for treatment.

The current obligation is estimated based upon the engineer's costs estimates for the construction of the remediation system and the operations and maintenance/ sampling costs, which include KDHE oversight charges. Costs were derived using standardized engineering practices and expected cash flows. KDHE has approved the Remedial Design and is in the process of approving the source monitoring and performance evaluation work plan for the NIC site. The remedial action construction and performance monitoring will be contracted in 2019 and will be a multi-year encumbrance.

A liability of \$16,460,410 has been recorded in the government-wide financial statements. The potential for changes to the liability is relatively high due to the required technical components, future bidding and potential value initiatives that may reduce project costs.

As of December 31, 2018, all of the financially significant participants have settled with the City and the City has settled with 15 responsible parties. There are additional payments from multiple settled parties scheduled for 2019 and a corresponding receivable of \$1,195,039 has been recorded. Additional settlements are also anticipated in 2019.

*John's Sludge Pond:* The John's Sludge Pond site was formerly used for disposal of waste oil and oily sludge generated in the recycling/reclamation process of an oil refinery. A portion of the site was purchased by the City in 1983 to provide drainage for the interstate highway. A private estate owns the remainder of the site. Investigations by the City of Wichita found the sludge and water in the pond to be very acidic and the sludge was found to contain elevated concentrations of lead, low levels of PCBs, other metals and organics.

The site was placed on the National Priorities List (NPL) by the EPA in 1983. Remedial actions consisted of stabilizing the sludge with pozzolanic material and capping the site in 1985. The site was removed from the NPL in 1992 but is still being monitored because the waste was capped in place. The EPA performs project reviews every five years. In 2017, the EPA review determined that the City could reduce its monitoring frequency to every five years instead of every year. The next scheduled sampling event is 2021.

The City has ongoing costs associated with monitoring of the site. A liability of \$19,115 has been recorded in the government-wide financial statements. The City does not have current bids on the reduced monitoring program or updated site maintenance. Thus, the liability has not been adjusted for the reduced monitoring. The 2019 liability will be adjusted as appropriate to account for the reduced monitoring program once the City contractor provides updated costs. The potential for change to the liability is relatively low.

*Mid-town Bike Path:* A portion of the City's Mid-town Bike Path was acquired from the abandoned Union Pacific Railroad line in north central Wichita. The City has converted a portion of the abandoned rail line into a bicycle pathway. The shallow soils along the proposed pathway are impacted by total petroleum hydrocarbons (TPH) and metals (lead and arsenic). As part of the remedial strategy, the impacted soils were capped with clean soils to prevent dermal contact

and limit potential infiltration and leaching of the materials to the groundwater. KDHE requires an annual inspection of the conditions and maintenance of the site. The City has recorded a liability of \$5,000 for costs associated with monitoring and reporting.

*Wichita Mid-Continent Airport Fuel and Fire Training Facility Site:* Contaminates of petroleum related volatile organic compounds were found in solid samples collected between 1989 and 1993. Due to the low level of contaminants reported in the groundwater at the Fuel Farm and the absence of contaminants in the groundwater at the nearby Fire Training Facility, KDHE requires monitoring of groundwater only. Annual monitoring of the site is completed in compliance with KDHE requirements. The City has recorded a liability of \$10,000 for costs associated with site monitoring and reporting.

#### H. Liquidation of Other Long-Term Liabilities

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities of the internal service funds are included as part of the totals for governmental activities as presented in the table below. At year-end, compensated absences of \$439,921 related to internal service funds were included in the governmental amounts below. Compensated absences for the governmental funds are generally liquidated by the General Fund.

Claims payable are liquidated from the Self Insurance Fund. Post employment benefits other than pensions are recorded at the entity-wide level and are generally liquidated from the Self Insurance Fund. Net Pension Liability will ultimately be satisfied through charges related to payroll and such liabilities are generally liquidated using the resources of the funds from which the liabilities originated. Environmental remediation liabilities are recorded at the government-wide level and are generally liquidated from the Environmental TIF Funds.

## 11. TEMPORARY NOTES PAYABLE

Kansas Statutes permit the issuance of temporary notes to finance certain capital improvement projects that will be refinanced with general obligation bonds. Prior to the issuance of temporary notes, the governing body must take necessary legal steps to authorize the issuance of general obligation bonds. Temporary notes issued may not exceed the aggregate amount of bonds authorized, are interest bearing and have a maturity date not later than four years from the date of issuance. During 2018, the City issued \$126,700,000 and retired \$99,975,000 in temporary notes for various capital improvements. Temporary notes outstanding at December 31, 2018 are payable as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Governmental activities	\$ 84,900,772	\$ 121,983,471	\$ (94,535,772)	\$ 112,348,471
Business-type activities				
Airport Authority Fund	4,178,830	3,630,000	(4,178,830)	3,630,000
Transit Fund	-	1,086,529	-	1,086,529
Stormwater Utility Fund	1,260,398	-	(1,260,398)	-
Total business-type activities	5,439,228	4,716,529	(5,439,228)	4,716,529
Total temporary notes	\$ 90,340,000	\$ 126,700,000	\$ (99,975,000)	\$ 117,065,000

Temporary notes also replace operating cash which has been used to finance capital construction in other funds as provided in the table on the following page. Some construction costs may have occurred in prior periods.

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	Series	Interest Rate	Amount Outstanding	Maturity Date
Governmental activities:				
Capital project funds:				
Street Improvement Fund	290	1.750%	\$ 22,095,632	04/13/19
Street Improvement Fund	292	4.000%	12,189,011	10/15/19
Public Improvement Construction Fund	290	1.750%	34,530,241	04/13/19
Public Improvement Construction Fund	292	4.000%	30,399,550	10/15/19
Water Main Extension Fund	290	1.750%	874,138	04/13/19
Water Main extension Fund	292	4.000%	708,213	10/15/19
Park Bond Construction Fund	290	1.750%	1,289,114	04/13/19
Park Bond Construction Fund	292	4.000%	1,452,142	10/15/19
Sewer Construction Fund	290	1.750%	5,124,346	04/13/19
Sewer Construction Fund	292	4.000%	3,686,084	10/15/19
Total governmental activities			<u>112,348,471</u>	
Business-type activities:				
Enterprise funds:				
Airport Authority Fund	294	3.000%	3,630,000	04/15/19
Transit Fund	290	1.750%	1,086,529	04/13/19
Total business-type activities			<u>4,716,529</u>	
Total temporary notes payable			<u>\$ 117,065,000</u>	

## 12. LEASES

*Rents Receivable under Operating Leases:* The Airport Authority leases facilities and land to airlines, concessionaires, commercial entities and others. The leases are for varying periods, from one month to 41 years, and require the payment of minimum annual rentals. The future minimum rentals of non-cancelable operating leases are reflected in the accompanying table. The future value of operating leases does not include contingent rentals that may be received under certain leases. Such contingent rentals totaled \$4,198,734 in 2018.

*Direct Financing Leases:* The Airport Authority has authorized the construction of buildings on Authority-owned land by 47 tenants, some of which the Airport Authority has assisted in financing through the issuance of Airport Facility Bonds. Tenants lease the land from the Airport Authority for periods ranging from one month to 40 years with renewal options ranging from one year to 27 years.

Year Ending December 31,	Minimum Rentals of Non-cancelable Operating Leases
2019	\$ 11,301,360
2020	5,906,299
2021	5,235,601
2022	4,963,847
2023	4,578,404
2024 – 2028	13,270,397
2029 – 2033	8,253,998
2034 – 2038	7,101,897
2039 – 2043	6,238,248
2044 – 2048	4,122,380
2049 – thereafter	3,706,195
Total minimum future rentals	<u>\$ 74,678,626</u>

The financing of the facilities by the Airport Authority represents direct financing leases. Accordingly, the net investments of such leases are recorded on the enterprise fund balance sheet as restricted assets. The tables presented on the following page provide the components of the net investment in direct financing leases as of December 31, 2018 and the future minimum lease rentals to be received under the leases.

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Investments in Direct Financing Leases As of December 31, 2018		Future Minimum Lease Rentals Under Direct Financing Leases As of December 31, 2018	
	Airport Authority	Year ending December 31,	Airport Authority
Total minimum lease payments to be received	6,849,663	2019	\$ 234,838
Less: unearned income	(1,389,663)	2020	234,838
Net investment in direct financing leases	<u>\$ 5,460,000</u>	2021	1,457,109
		2022	137,338
		2023	137,338
		2023 – 2027	1,846,189
		2028 – 2031	2,802,013
		Total minimum future rentals	<u>\$ 6,849,663</u>

*Prepaid Long-term Operating Lease:* The City entered into a development agreement with Cargill Meat Solutions Corporation related to the construction of a parking facility in the City's Old Town District. Under this agreement, the City has agreed to contribute funding of up to 50% of qualifying construction costs plus an additional \$3,000,000. In exchange, the parking facility will be available for public use during designated hours for a term of 15 years beginning November 2018, as the parking garage was completed in October 2018. As of December 31, 2018, the City had reimbursed Cargill \$8,745,084 for the construction of the parking facility, and the balance of the prepaid lease as of December 31, 2018 was \$8,647,916.

### 13. CONDUIT DEBT OBLIGATIONS

From time to time the City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The industrial revenue bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. The City is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2018, 81 series of industrial revenue bonds were outstanding, with an aggregate principal amount payable of \$1,546,368,696.

Special facility revenue bonds have been issued by the Airport Authority to provide for the construction of buildings on Authority-owned land. The bonds are special limited obligations of the Authority, payable solely from and secured by a pledge of rentals to be received from lease agreements between the Authority and various tenants. The bonds do not constitute a debt or pledge of the faith and credit of the City or the Airport Authority. At December 31, 2018, three series of special facility revenue bonds totaling \$5,460,000 are reported as a long-term liability of the Airport Authority. Note 9C - Revenue Bonds provides additional disclosure on the long-term debt. Note 12 - Leases provides further disclosure on the direct financing leases.

### 14. INTERFUND TRANSFERS

Interfund transfers reflect the flow of resources from one fund to another fund, generally from the fund in which the resources are received or reside to the fund in which the resources will be expended. During the year ended December 31, 2018, transfer revenue and transfer expenditures each totaled \$105,018,326.

Of routine nature are the Debt Service Fund transfers of \$20.2 million to the Street Improvement Fund and other capital project funds to retire temporary notes and cash fund projects. Also routine were transfers from the Sales Tax Construction Pledge Fund to the Debt Service Fund of \$18 million and \$10.7 million to the Local Sales Tax CIP Fund to cash fund freeway and major arterial projects.

Summary of Interfund Transfers For Year Ended December 31, 2018		
Fund	Transfers Out	Transfers In
Major funds:		
General Fund	\$ 26,788,151	\$ 5,874,962
Debt Service Fund	24,306,864	20,632,796
Street Improvement Fund	-	34,907,031
Public Improvement Fund	-	22,111,395
Nonmajor governmental funds	53,061,040	16,467,062
Nonmajor enterprise funds	-	4,775,080
Internal service funds	862,271	250,000
Total transfers	<u>\$ 105,018,326</u>	<u>\$ 105,018,326</u>

In 2018, the General Fund transferred out the remaining \$19 million of proceeds from the sale of the Hyatt Hotel to other funds, as approved by the City Council. These transfers out are shown as a special item.

**15. INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables result from the provision of products or services or loans between funds. As of December 31, 2018 interfund receivables and payables totaled \$22,681,185, including a long-term Golf Course System Fund payable to the Debt Service Fund to assist with the restructuring of long-term debt. In addition, temporary loans from the General Fund-Permanent Reserve Subfund; the internal service funds to the Golf Course System Fund; and the Self Insurance Fund to the Transit Fund have been extended. Other interfund balances are used to offset temporary cash deficits. Individual fund receivable and payable balances at December 31, 2018 are presented in the tables below.

Interfund Receivables As of December 31, 2018		Interfund Payables As of December 31, 2018	
Fund	Receivables	Fund	Payables
Major funds:		Major funds:	
General Fund	\$ 800,000	Street Improvement Fund	\$ 6,470,291
Debt Service Fund	5,668,420	Nonmajor governmental funds:	
Nonmajor governmental funds:		Grant Assistance Fund	2,060,330
Local Sales Tax CIP Fund	15,882,072	Homelessness Assistance Fund	11,341
Enterprise funds:		Water Main Extension Fund	971,366
Transit Capital Grants Fund	65,368	Park Bond Construction Fund	115,728
Internal service funds:		Sewer Construction Fund	6,318,383
Self Insurance Fund	18,660	Nonmajor Enterprise funds:	
Information Technology Fund	103,958	Golf Course System Fund	5,915,086
Fleet Fund	142,707	Transit Fund	818,660
Total interfund receivables	\$ 22,681,185	Total interfund payables	\$ 22,681,185

**16. PASSENGER FACILITY CHARGES**

In 1994, the Airport Authority first received approval from the Federal Aviation Administration to impose and use a passenger facility charge (PFC) of \$3 for each eligible passenger utilizing Mid-Continent Airport, effective December 1, 1994. The first funds were received by the Airport Authority in January 1995. On May 1, 2005 the PFC increased to \$4.50 for each eligible passenger.

The charge is collected by all carriers and remitted to the Airport Authority, less a \$0.08 per passenger handling fee prior to April 2004. Beginning May 1, 2004, the handling fee increased to \$0.11 per passenger. The proceeds from the PFC are restricted for certain FAA approved capital improvement projects. As of December 31, 2018 the Airport Authority has submitted and received approval on seven applications. The approved applications represent a total amended authorized amount of \$199,528,281. The charge expiration date for the current program is estimated to be May 1, 2046.

**17. LANDFILL CLOSURE AND POST-CLOSURE CARE**

Information about the landfills operated by the City and the related liabilities is provided in Note 9F - Other Long-Term Liabilities. The cost estimates used to develop the recorded liabilities are subject to change due to inflation, deflation, technology, laws, and regulations. Financial assurance for closure and post-closure care costs of the landfills has been demonstrated by the local government financial test, as specified in 40 CFR 258.74(f), adopted by reference for use in Kansas by K.A.R. 28-29-98. The Landfill Post-Closure Fund and landfill tipping fees will provide the primary source of funding for the City landfills' closure and post-closure costs. Additional financing needs beyond those met by the fund and user fees will potentially require the sale of bonds.

**18. FUND BALANCE RESTRICTIONS AND OTHER RESERVATIONS**

Governmental fund balance designations denote portions of the fund balance that are either (1) non-spendable due to form, legal or contractual constraints; (2) restricted under an externally imposed constraint; (3) committed to a specific purpose by the City Council; (4) assigned with intentions for a specific purpose; or (5) unassigned without any constraints.

The City maintains the Cemetery Fund, a permanent fund for the perpetual care of the Jamesburg, Highland and Pierpoint Cemeteries, as well as the Old Mission Mausoleum. The non-expendable portion of the fund balance is \$235,437. The remainder is expendable for care of the cemeteries. In the governmental funds, fund balance designations are reported in the table below.

Governmental Fund Balance Designations As of December 31, 2018						
	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Debt Service Fund	Street Improvement Fund	Public Improvement Fund		
<b>Nonspendable:</b>						
Inventories and prepaids	\$ 249,830	\$ -	\$ -	\$ -	\$ 143,688	\$ 393,518
Receivables, long-term	800,000	-	-	-	-	800,000
Permanent fund principal	-	-	-	-	235,437	235,437
<b>Restricted for:</b>						
City manager	-	-	-	-	264,748	264,748
Finance	-	-	-	-	2,487	2,487
Planning	-	-	-	-	28,109	28,109
Cemetery	-	-	-	-	1,150,450	1,150,450
Police	-	-	-	-	800,882	800,882
Flood control	-	-	-	-	24,105	24,105
Street maintenance	-	-	-	-	19,752,799	19,752,799
Housing services	-	-	-	-	3,873,549	3,873,549
Community health	-	-	-	-	34,093,787	34,093,787
Career development	-	-	-	-	122,038	122,038
Alcohol and drug programs	-	-	-	-	1,569,798	1,569,798
Tourism and convention	-	-	-	-	3,714,309	3,714,309
Libraries	-	-	-	-	234,198	234,198
Parks	-	-	-	-	52,178	52,178
Debt service	-	40,389,525	-	-	8,467,772	48,857,297
<b>Committed to:</b>						
City manager	-	-	-	-	1,983,796	1,983,796
Central inspection	-	-	-	-	1,250,755	1,250,755
Landfill	-	-	-	-	12,293,099	12,293,099
<b>Assigned to:</b>						
City manager	22,536	-	-	-	-	22,536
Economic development	1,790,627	-	-	-	-	1,790,627
Finance	119,774	-	-	-	-	119,774
Law	77,029	-	-	-	-	77,029
Municipal court	32,726	-	-	-	-	32,726
General government	90,686	-	-	-	-	90,686
Building services	32,792	-	-	-	-	32,792
Fire	14,365	-	-	-	-	14,365
Police	635,630	-	-	-	-	635,630
Traffic control maintenance	6,685	-	-	-	-	6,685
Engineering	9,721	-	-	-	-	9,721
Street maintenance	256,005	-	-	-	-	256,005
Landfill	-	-	-	-	1,073,205	1,073,205
Community health	46,228	-	-	-	-	46,228
Libraries	9,690	-	-	-	-	9,690
Cultural arts facilities	93,064	-	-	-	-	93,064
Parks	138,671	-	-	-	-	138,671
<b>Unassigned:</b>	35,563,149	-	(45,282,312)	(12,751,442)	(22,539,250)	(45,009,855)
<b>Total</b>	<b>\$ 39,989,208</b>	<b>\$ 40,389,525</b>	<b>\$ (45,282,312)</b>	<b>\$ (12,751,442)</b>	<b>\$ 68,591,939</b>	<b>\$ 90,936,918</b>

## 19. TAX ABATEMENTS

The City of Wichita's Office of Economic Development offers a variety of incentive programs designed to broaden and diversify the tax base, encourage capital investment, create employment opportunities and provide for the economic growth and welfare of the region. The Wichita City Council, in conjunction with Sedgwick County, has adopted an economic development policy which governs the use of these incentives. The policy defines eligibility criteria, including the required economic impact and return on investment; the implementation process; the types of incentives available; and compliance for the incentive programs. The policy is available online at <http://www.wichita.gov/Economic/Pages/Incentives.aspx>.

GASB Statement No. 77 defines a tax abatement as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or citizens of those governments. The City offers three economic development incentive programs that qualify as tax abatements under GASB Statement No. 77: (1) Industrial Revenue Bonds (IRB), (2) Economic Development Exemptions (EDX) and (3) Community Improvement Districts (CID).

*Industrial Revenue Bonds (IRB) Program:* The City has issued industrial revenue bonds to provide financial assistance to private-sector entities for the acquisition, construction, improvement and equipping of industrial and commercial facilities deemed to be in the public interest. The industrial revenue bonds are purchased by investors (e.g. banks, private investors or the entity participating in the IRB Program) and the bonds are secured by the property financed and payable solely from payments received on the underlying mortgage loans. See further information on IRBs, including the amount outstanding at December 31, 2018, at Note 13 - Conduit Debt Obligations.

Through the IRB Program, entities can obtain lower interest rate financing and tax abatements (sales and/or property and ad valorem taxes). Under the Sales Tax Act (K.S.A. 79-3601 *et seq.*), the sales of tangible personal property or services purchased in connection with the construction of the projects financed by industrial revenue bonds are entitled to exemption from sales tax after a proper application for the exemption is made. Further, all or any property constructed or purchased with the proceeds of revenue bonds may be exempt from property and ad valorem taxation for up to a period of ten calendar years after the calendar year in which the bonds were issued (K.S.A. 79-201(a)).

The City Council approves all Letters of Intent (LOI), issuances and tax abatements related to the IRB Program. A Cost/Benefit Study is performed for each project that is to be funded by an IRB issuance to assist the City in determining whether or not to approve the requesting entity for the IRB Program for a particular project. To be eligible for a tax abatement, the project must have a cost/ benefit ratio of 1.3 to 1 for the City. The property or ad valorem taxes abated affect other governments, such as Sedgwick County, the State of Kansas and various school districts. The percentage of property or ad valorem taxes abated is based on capital investment and job creation, for which the majority of the goods or services sold must be destined for customers outside of the Wichita Metropolitan Statistical Area (MSA). The property or ad valorem tax abatements can be up to 100% of the taxes on the property constructed, improved or purchased with the proceeds of the industrial revenue bonds for up to two five year periods, with a review by the City Council after the first five year period.

Typically, the entity participating in the program must meet its commitments by the end of the first five year period, unless extended by the City Council or otherwise stated in the agreement. These commitments are usually in the form of acquisition, construction, improvement or equipping of industrial or commercial facilities, job creation and sustained employment, including the new jobs created, in the Wichita MSA for the term of the agreement, which is typically ten years. The job creation commitment includes paying average wages equal to or greater than the average wages for the industry within the Wichita MSA. Further, pursuant to the City's economic development policy, clawback provisions relating to the repayment or cessation of incentives are to be included in all incentive agreements. These clawback provisions allow the City to require repayment of a portion or all of the abatement if the entity does not meet its commitments. For the year ended December 31, 2018, the City's property and sales tax revenues were reduced by approximately \$3.8 million and \$0.6 million, respectively, under agreements entered into pursuant to the City's IRB Program.

*Economic Development Exemptions (EDX) Program:* Economic Development Exemptions are used to encourage manufacturing, research and development and warehousing/distribution companies to grow in Wichita. Property or ad valorem taxes on improvements to land and buildings can be exempted for up to ten years pursuant to Article 11, Section 13, of the Kansas Constitution by the governing body of the City. Under the EDX Program, the percentage of taxes abated is based upon job creation and capital investment and is for up to two five year periods, with a review by the City Council after the first five year period.

Typically, the entity participating in the program must meet its commitments by the end of the first five year period, unless extended by the City Council or otherwise stated in the agreement. These commitments are usually in the form of job creation and sustained employment, including the new jobs created, in the Wichita MSA for the term of the agreement, which is typically ten years. The job creation commitment typically includes paying average wages equal to or greater than the average wages for the industry within the Wichita MSA. Also, pursuant to the City's economic development policy, clawback provisions relating to the repayment or cessation of incentives are to be included in all incentive agreements and can allow the City to recapture up to 100% of the abatement if all of the commitments are not fully met. For the year ended December 31, 2018, the City's property tax revenues were reduced by approximately \$271,000 under agreements entered into pursuant to the City's EDX Program.

Community Improvement Districts (CID) Program: In 2009, the Kansas Legislature enacted the Community Improvement District Act (the CID Act), pursuant to which municipalities may create districts in which certain special taxes are imposed and the revenue generated by these special taxes is used to fund certain public and private improvements, including certain ongoing operating costs, within the geographic bounds of the district. The City has a CID policy which outlines the local eligibility criteria, sources of funding, eligible CID costs, and the CID process, including creating and terminating a CID. The City Community Improvement Districts' policy is available online, under the Community Improvement Districts section at <http://www.wichita.gov/Economic/Pages/Incentives.aspx>. The CID must further the economic development of the City and support projects with total costs of not less than \$2 million for bonded projects or \$500,000 for pay-as-you-go projects. The City utilizes the provision of the CID Act to assist private developers by providing financing for commercial, industrial and mixed-use projects. The sources of the funding for the CID program is either through special assessments on all property within the district, or an additional retail sales tax up to 2%, which may be imposed for up to 22 years. For the year ended December 31, 2018, additional sales tax revenues of the City of approximately \$1,084,544 were reduced via the CID Program.

## 20. CONTINGENCIES AND COMMITMENTS

### A. Legal Matters

The reporting entity generally follows the practice of recording liabilities resulting from claims and legal actions only when it is probable that a liability has been incurred and the amount can be reasonably estimated. The reporting entity is vigorously defending its interest in all of the various legal actions and claims against the reporting entity presently pending involving personal injury (including workers' compensation claims), property damages, civil rights complaints and other claims.

Under Kansas Statutes, should the courts sustain any litigation against the reporting entity, the City may issue no-fund warrants to cover any resulting over-expenditures not anticipated in the current year budget. The City is then required to levy sufficient ad valorem property taxes in the first levying period following issuance to retire such warrants. This tax levy is without limitation.

### B. Grant Programs

The City participates in a number of federal and state assisted grant programs, which are subject to financial and compliance requirements with each applicable grant. Any disallowed costs resulting from financial and compliance audits could become a liability of the City. In the opinion of management, any such disallowed costs will not have a material effect on the basic financial statements of the City at December 31, 2018.

### C. Construction and Capital Commitments

The City has outstanding construction and capital commitments for freeway and arterial street construction and other capital purchases and improvements of \$76.6 million in the governmental funds, \$34.3 million in the enterprise funds and \$0.9 million in the internal service funds.

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## D. Encumbrances

Encumbrances included in fund balances as of December 31, 2018 are reported in the accompanying table:

Fund	Encumbrances
Major funds:	
General Fund	\$ 1,607,891
Street Improvement Fund	56,736,941
Public Improvement Fund	14,811,215
Water Utility Fund	12,894,431
Sewer Utility Fund	12,062,633
Airport Authority Fund	8,705,354
Stormwater Utility Fund	634,341
Nonmajor governmental funds	7,523,094
Nonmajor enterprise funds	1,357,749
Internal service funds	1,557,053
Total Reporting Entity	<u>\$ 117,890,072</u>

## E. Economic Development Activities

The City has established tax increment financing districts to support economic development activities. The City's contributions to these projects include streets, stormwater drainage, public art, water features and public parking, which are financed through the issuance of bonds of which \$15.2 million are outstanding.

In the event that property and guest tax revenues generated by the tax increment financing districts and other revenue sources are not available, under Kansas State Law, the City would be required to levy additional property tax on all taxable tangible property in the City to meet debt service requirements for these projects.

On April 25, 2018, the City entered into an Interlocal Cooperation Agreement with Sedgwick County to form a separate legal entity known as the Eclipse Investment Authority. The Interlocal Cooperation Agreement was made pursuant to a development agreement between the City, County and Spirit Aerosystems, Inc. effective on the same date. Under the development agreement, the City contributed \$3 million in cash as well as other consideration with a value of approximately \$4.5 million. Likewise, the County contributed \$7 million in cash. The purpose of the development agreement is to construct a facility on Spirit's campus. In addition to the \$10 million capitalized by Eclipse Investment Authority, Spirit will provide sufficient funds to complete the construction of the facility, which is estimated to be approximately \$13 million. Spirit must meet certain performance requirements over the 20-year term of the agreement. If Spirit fails to meet those requirements, it will be subject to liquidated damages in an amount up to \$10 million. In order to secure payment of any liquidated damages related to Spirit's non-performance, a mortgage of \$10 million has been granted to the Eclipse Investment Authority. The ongoing purpose of the Investment Authority is to hold the mortgage on the facility and to evaluate Spirit's performance over the 20-year term of the agreement.

## 21. SUBSEQUENT EVENTS

On March 1, 2019, the City issued Series 2019A Water and Sewer Utility Revenue Bonds (2019A Bonds) in the amount of \$44,465,000 to (1) permanently finance a portion of multiple improvements, extensions, enlargements, repairs, alterations and reconstructions of the various facilities of the Utility; (2) to make a deposit to the Series 2019A Bond Reserve Subaccount; and (3) to pay costs of issuance of the 2019A Bonds. The 2019A Bonds have stated interest rates from 3% to 5% with serial bonds due starting in 2020 and ending in 2039.

On April 15, 2019, the City issued \$99,250,000 General Obligation Temporary Notes, Series 296 with a stated maturity of October 15, 2019 at 3.00% interest.

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**CITY OF WICHITA, KANSAS**

**PENSION REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS  
WICHITA EMPLOYEES' RETIREMENT SYSTEM**

For the year ended December 31, 2018<sup>1</sup>

	<u>2018<sup>2</sup></u>	<u>2017<sup>2</sup></u>	<u>2016<sup>2</sup></u>	<u>2015<sup>2</sup></u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 10,049,029	\$ 9,679,684	\$ 9,644,456	\$ 9,278,998
Interest	46,669,189	45,634,881	44,305,832	43,680,283
Benefit term changes	-	-	-	-
Differences between expected and actual experience	(1,893,808)	(2,791,029)	(656,102)	(3,427,255)
Assumption changes	-	-	(8,877,507)	(3,550,489)
Reclassification due to conversion of members to Plan 3b	(191,292)	(244,793)	(465,171)	(571,242)
Benefit payments, including member refunds	<u>(39,282,815)</u>	<u>(39,144,783)</u>	<u>(37,089,403)</u>	<u>(37,681,042)</u>
Net change in total pension liability	15,350,303	13,133,960	6,862,105	7,729,253
Total pension liability - beginning	<u>610,111,147</u>	<u>596,977,187</u>	<u>590,115,082</u>	<u>582,385,829</u>
Total pension liability - ending (a)	<u>\$ 625,461,450</u>	<u>\$ 610,111,147</u>	<u>\$ 596,977,187</u>	<u>\$ 590,115,082</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 9,642,540	\$ 8,946,064	\$ 9,031,463	\$ 9,423,640
Employee contributions	3,682,056	3,642,007	3,574,026	3,394,544
Reclassification due to conversion of members to Plan 3b	(191,292)	(244,793)	(465,171)	(571,242)
Net investment income	91,773,973	35,956,780	13,380	28,659,491
Benefit payments, including member refunds	(39,282,815)	(39,144,783)	(37,089,403)	(37,681,042)
Administrative expenses	<u>(633,379)</u>	<u>(615,829)</u>	<u>(624,085)</u>	<u>(621,460)</u>
Net change in Plan fiduciary net position	\$ 64,991,083	\$ 8,539,446	\$ (25,559,790)	\$ 2,603,931
Plan fiduciary net position - beginning	<u>549,786,949</u>	<u>541,247,503</u>	<u>566,807,293</u>	<u>564,203,362</u>
Plan fiduciary net position - ending (b)	<u>\$ 614,778,032</u>	<u>\$ 549,786,949</u>	<u>\$ 541,247,503</u>	<u>\$ 566,807,293</u>
Net pension liability - ending (a) - (b)	\$ 10,683,418	\$ 60,324,198	\$ 55,729,684	\$ 23,307,789
Fiduciary net position as a percentage of total pension liability	98.29%	90.11%	90.66%	96.05%
Covered payroll	\$ 78,394,634	\$ 77,121,241	\$ 74,028,385	\$ 71,391,212
Employer's net pension liability as a percentage of covered payroll	13.63%	78.22%	75.28%	32.65%

**NOTES TO SCHEDULE:**

Benefit changes :

- There have been no changes to the plan provisions in the last ten years.

Changes in actuarial assumptions :

December 31, 2015 valuation

- There were no changes to the assumptions used for the funding valuation even though the SEIR at the Measurement Date was changed for the GASB 68 valuation.

December 31, 2014 valuation

- Decrease in the price inflation rate from 3.50% to 3.25%.
- Modify Plan 2 retirement assumption to partially reflect experience. The changes increased rates at some ages and decreased them at others.
- Eliminate the disability assumption.
- Change the termination of employment assumption to a pure service-based assumption.
- Reduce the sick leave load from 4.0% to 2.5%.
- A 20% corridor was added to the actuarial value of assets calculation.

December 31, 2009 valuation

- Decrease in the price inflation rate from 4.0% to 3.5%.
- Decrease in the general wage growth assumption from 4.5% to 4.0%
- Modification of the retirement rates for both Plans 1 and 2 to better reflect actual experience. The changes increased rates as some ages and decreased them at others.
- Increase in the rates of termination of benefits for terminated vested members from 4.5% to 4.0% to be consistent with the general wage growth assumption.
- Non-disabled mortality tables were updated to reflect an additional year of mortality improvements.

<sup>1</sup> Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

<sup>2</sup> Information about the employer's net pension liability is presented as of a measurement date one year prior to the fiscal year end date. For example, the net pension liability reported as of December 31, 2018 is reported based on a measurement date of December 31, 2017.

**CITY OF WICHITA, KANSAS**

**PENSION REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE EMPLOYER'S NET PENSION LIABILITY AND RELATED RATIOS  
POLICE AND FIRE RETIREMENT SYSTEM**

For the year ended December 31, 2018<sup>1</sup>

	<u>2018<sup>2</sup></u>	<u>2017<sup>2</sup></u>	<u>2016<sup>2</sup></u>	<u>2015<sup>2</sup></u>
<b>TOTAL PENSION LIABILITY</b>				
Service cost	\$ 15,178,226	\$ 14,772,379	\$ 14,981,100	\$ 15,894,290
Interest	51,532,754	49,519,284	47,600,166	46,490,734
Benefit term changes	-	-	-	-
Differences between expected and actual experience	(1,784,785)	(2,576,401)	(3,259,180)	(12,040,126)
Assumption changes	-	-	(10,871,013)	226,376
Benefit payments, including member refunds	<u>(36,930,533)</u>	<u>(35,552,267)</u>	<u>(36,090,820)</u>	<u>(36,415,156)</u>
Net change in total pension liability	27,995,662	26,162,995	12,360,253	14,156,118
Total pension liability - beginning	<u>670,427,649</u>	<u>644,264,654</u>	<u>631,904,401</u>	<u>617,748,283</u>
Total pension liability - ending (a)	<u>\$ 698,423,311</u>	<u>\$ 670,427,649</u>	<u>\$ 644,264,654</u>	<u>\$ 631,904,401</u>
<b>PLAN FIDUCIARY NET POSITION</b>				
Employer contributions	\$ 13,369,785	\$ 12,585,895	\$ 13,964,379	\$ 14,464,181
Employee contributions	4,915,378	4,776,958	4,603,331	4,529,895
Net investment income	103,236,679	39,901,640	(163,702)	30,596,067
Benefit payments, including member refunds	(36,930,533)	(35,552,267)	(36,090,820)	(36,415,156)
Administrative expenses	<u>(554,641)</u>	<u>(548,171)</u>	<u>(521,018)</u>	<u>(542,207)</u>
Net change in Plan fiduciary net position	\$ 84,036,668	\$ 21,164,055	\$ (18,207,830)	\$ 12,632,780
Plan fiduciary net position - beginning	<u>614,047,281</u>	<u>592,883,226</u>	<u>611,091,056</u>	<u>598,458,276</u>
Plan fiduciary net position - ending (b)	<u>\$ 698,083,949</u>	<u>\$ 614,047,281</u>	<u>\$ 592,883,226</u>	<u>\$ 611,091,056</u>
Net pension liability - ending (a) - (b)	\$ 339,362	\$ 56,380,368	\$ 51,381,428	\$ 20,813,345
Fiduciary net position as a percentage of total pension liability	99.95%	91.59%	92.02%	96.71%
Covered payroll	\$ 69,634,297	\$ 66,946,250	\$ 65,560,465	\$ 64,572,237
Employer's net pension liability as a percentage of covered payroll	0.49%	84.22%	78.37%	32.23%

**NOTES TO SCHEDULE:**

Benefit changes :

- There have been no changes to the plan provisions in the last ten years.

Changes in actuarial assumptions :

December 31, 2015 valuation

- There were no changes to the assumptions used for the funding valuation even though the SEIR at the Measurement Date was changed for the GASB 68 valuation.

December 31, 2014 valuation

- Decrease in the price inflation rate from 3.50% to 3.25%.
- Modify Plan C retirement assumption to partially reflect experience. Created separate rates for less than or more than 30 years of service.
- Lower assumed disability rates.
- Change the termination of employment assumption to a pure service-based assumption.
- Modify the probability of electing a refund to partially reflect actual, observed experience.
- Reduce the sick leave load from 4.0% to 3.0%.
- A 20% corridor was added to the actuarial value of assets calculation.

December 31, 2009 valuation

- Decrease in the price inflation rate from 4.0% to 3.5%.
- Decrease in the general wage growth assumption from 4.5% to 4.0%.
- Lower the retirement rates for Plan A and extend them to 35 years of service.
- Lower the retirement rates for Plan C members at ages before 53 and ages 58 to 60 and increase rates at ages 56 and 57.
- Increase the rates of termination of employment for ages under 44 and decrease rates at ages over 44.
- Lower assumption for indexation of benefits for terminated vested members from 4.5% to 4.0% to be consistent with the general wage growth assumption.

<sup>1</sup> Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

<sup>2</sup> Information about the employer's net pension liability is presented as of a measurement date one year prior to the fiscal year end date. For example, the net pension liability reported as of December 31, 2018 is reported based on a measurement date of December 31, 2017.

**CITY OF WICHITA, KANSAS**

**PENSION REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
WICHITA EMPLOYEES' RETIREMENT SYSTEM**

For the years ended December 31, 2009 through December 31, 2018  
(dollars expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contributions	\$ 10,099	\$ 9,643	\$ 8,946	\$ 9,031	\$ 9,424
Actual employer contributions	<u>10,099</u>	<u>9,643</u>	<u>8,946</u>	<u>9,031</u>	<u>9,424</u>
Annual contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 78,899	\$ 78,395	\$ 77,121	\$ 74,028	\$ 71,391
Contributions as a percentage of covered payroll	12.80%	12.30%	11.60%	12.20%	13.20%

**NOTES TO SCHEDULE:**

The system is funded with fixed contribution rates for members and actuarially determined amounts for the City of Wichita. The Actuarially Determined Contributions in the Schedule of Employer Contributions are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported as of December 31, 2018.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	Expected + 25% of (Market - Expected Values)
Price inflation	3.25%
Salary increases, including wage inflation	4.25% to 7.20%
Long-term rate of return, net of investment expense, and including inflation	7.75%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 8,940	\$ 7,503	\$ 7,695	\$ 6,689	\$ 3,887
<u>8,940</u>	<u>7,503</u>	<u>7,695</u>	<u>6,689</u>	<u>3,887</u>
<u>\$ -</u>				
\$ 70,953	\$ 70,783	\$ 75,444	\$ 79,636	\$ 82,704
12.60%	10.60%	10.20%	8.40%	4.70%

**CITY OF WICHITA, KANSAS**

**PENSION REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF EMPLOYER CONTRIBUTIONS  
POLICE AND FIRE RETIREMENT SYSTEM**

For the years ended December 31, 2009 through December 31, 2018  
(dollars expressed in thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined employer contributions	\$ 14,331	\$ 13,370	\$ 12,586	\$ 13,964	\$ 14,464
Actual employer contributions	<u>14,331</u>	<u>13,370</u>	<u>12,586</u>	<u>13,964</u>	<u>14,464</u>
Annual contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll	\$ 72,017	\$ 69,634	\$ 66,946	\$ 65,560	\$ 64,572
Contributions as a percentage of covered payroll	19.90%	19.20%	18.80%	21.30%	22.40%

**NOTES TO SCHEDULE:**

The system is funded with fixed contribution rates for members and actuarially determined amounts for the City of Wichita. The Actuarially Determined Contributions in the Schedule of Employer Contributions are calculated as of December 31, two years prior to the end of the fiscal year in which contributions are reported.

The following actuarial methods and assumptions were used to determine the Actuarially Determined Contribution reported as of December 31, 2018.

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	Expected + 25% of (Market - Expected Values)
Price inflation	3.25%
Salary increases, including wage inflation	5.00% - 6.75%
Long-term rate of return, net of investment expense, and including inflation	7.75%

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 14,890	\$ 14,113	\$ 13,807	\$ 13,120	\$ 11,035
<u>14,890</u>	<u>14,113</u>	<u>13,807</u>	<u>13,120</u>	<u>11,035</u>
<u>\$ -</u>				
\$ 65,306	\$ 64,150	\$ 62,759	\$ 63,077	\$ 63,055
22.80%	22.00%	22.00%	20.80%	17.50%

**CITY OF WICHITA, KANSAS**

**OTHER POST EMPLOYMENT BENEFITS (OPEB) -  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS**

For the year ended December 31, 2018<sup>1</sup>

	2018
<b>TOTAL OPEB LIABILITY</b>	
Service cost	\$ 2,393,138
Interest	1,242,504
Differences between expected and actual experience	1,580,925
Assumption changes	(2,528,757)
Benefit payments	(2,977,740)
Net change in total OPEB liability	(289,930)
Total OPEB liability - beginning	35,202,459
Total OPEB liability - ending	\$ 34,912,529
Covered employee payroll	\$ 155,777,106
Employer's total OPEB liability as a percentage of covered employee payroll	22.4%

**NOTES TO SCHEDULE:**

The City of Wichita has no accumulated assets held in a trust to pay OPEB related benefits.

Benefit changes:

There have been no substantive plan provision changes since the last valuation as of December 31, 2017.

Changes in actuarial assumptions:

The previous valuation was performed under GASB 45 and the following assumptions have been updated in accordance with GASB 75:

- The actuarial cost method has been updated from the Projected Unit Credit with linear proration to decrement to Entry Age Normal Level Percent Salary. In conjunction with this change, the payroll growth assumption has been updated based on the most recent WRS and PRFS actuarial valuations as of December 31, 2017. The net impact of these changes is a decrease in liabilities.
- The discount rate as of the measurement date, December 31, 2018, has been updated to be based on a yield for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). The prior full valuation used a discount rate of 4.00%. The current valuation uses a discount rate of 3.44% as of January 1, 2018 and 4.11% as of December 31, 2018. This change has caused an increase in the liabilities as of the beginning of the year and a decrease in liabilities during the year.

Additionally, the following assumptions have also been updated.

- The mortality table has been updated from SOA RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017 to SOA RPH-2018 Total Dataset Mortality Table fully generational using Scale MP-2018. The impact of this change is a slight decrease in liabilities.
- The health care trend rates have been updated to an initial rate of 8.50% decreasing by 0.50% annually to an ultimate rate of 4.50%. This change caused a decrease in liabilities

<sup>1</sup> Schedule is intended to show a 10-year trend. Additional years will be reported as they become available.

**APPENDIX C**

**FINANCIAL INFORMATION**



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**C I T Y ■ O F**  
**W I C H I T A**

# CITY OF WICHITA, KANSAS

## FINANCIAL INFORMATION

An independent audit is conducted annually by an outside firm of certified public accountants appointed by the City Council. Their opinion is contained every year in the Comprehensive Annual Financial Report on file with the City Clerk. Some of the financial information presented in this Official Statement has been taken from the Comprehensive Annual Financial Report for the year ended December 31, 2018. However, this represents an incomplete financial statement presentation. For complete financial presentation, the City of Wichita Comprehensive Annual Financial Report is on file with the City Clerk or may be obtained online at <http://wichita.gov/Government/Departments/Finance/Pages/Documents.aspx>.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Wichita for its comprehensive Annual Financial Report for the fiscal year ended December 31, 2017. The Certificate of Achievement for Excellence has been awarded to the City of Wichita for each year it has been submitted to GFOA, starting in 1955. The City anticipates receipt of the award for the fiscal year ending December 31, 2018.

In order to be awarded a Certificate of Achievement for Excellence in Financial Reporting, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, and contents of such report must conform to industry standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

The Government Finance Officers Association of the United States and Canada (GFOA) presented an award for Distinguished Budget Presentation to the City of Wichita for its annual budget for the fiscal year beginning January 1, 2019. The Distinguished Budget Presentation Award has been awarded to the City of Wichita each year since 1989. The City anticipates receipt of the award for the fiscal year beginning January 1, 2020. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device.



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

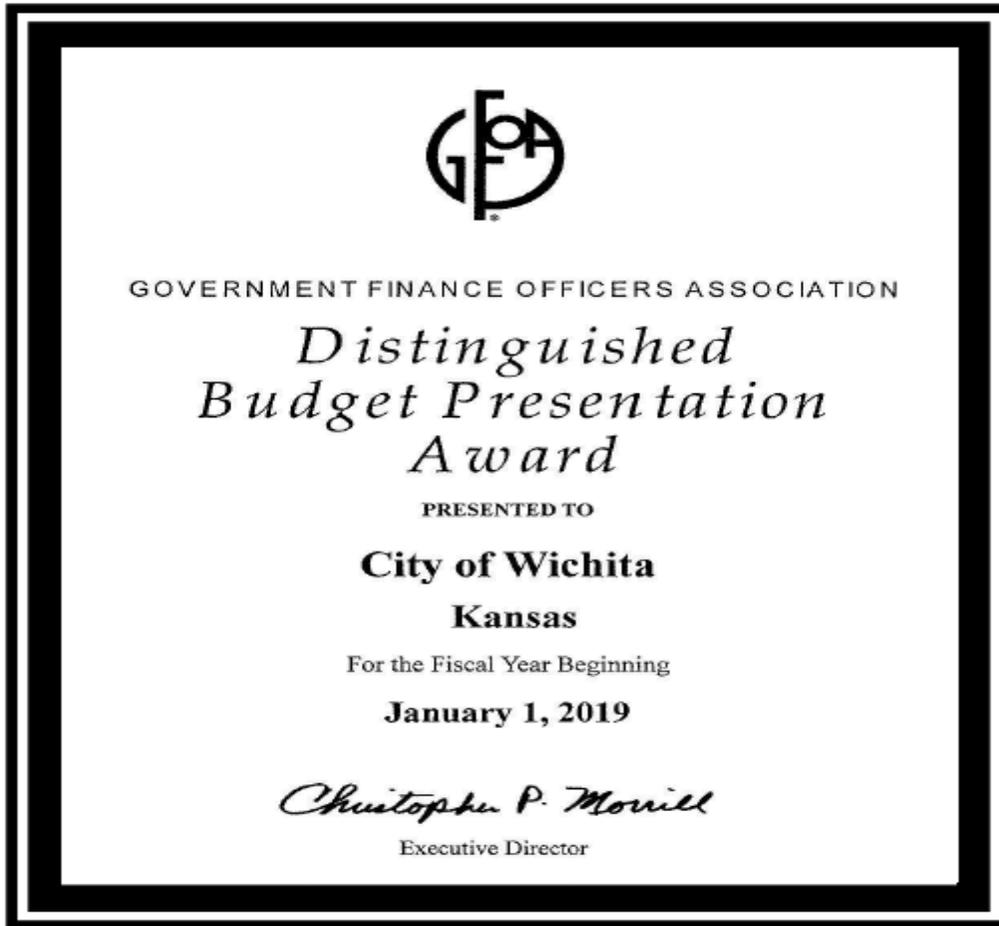
**City of Wichita  
Kansas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2017**

*Christopher P. Morill*

Executive Director/CEO



The Government Finance Officers Associations of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the **City of Wichita, Kansas** for its annual budget for the fiscal year beginning **January 1, 2019**.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine eligibility for another award.

**THE CITY OF WICHITA DEPARTMENT OF FINANCE HAS EARNED THE DISTINGUISHED BUDGET AWARD CONSISTENTLY FOR 31 YEARS.**

# CITY OF WICHITA, KANSAS

## FINANCIAL INFORMATION

### Assessed Valuation

All of Sedgwick County has been reappraised by an outside firm of professional appraisers as a result of a bill passed by the 1986 session of the Kansas Legislature requiring county assessors to reevaluate all real property at market value to be used for tax purposes beginning January 1, 1989.

The principal taxpayers (Sedgwick County and the City of Wichita) and their assessed valuation as of December 31, 2018 are as follows:

#### City of Wichita<sup>1</sup>

	Percent of Total Assessed Valuation <u>\$3,923,218,021<sup>2</sup></u>	<u>Assessed Valuation</u>
1. Kansas Gas & Electric, A Westar Energy Co.	1.66	\$65,408,165
2. Wesley Medical Center, LLC/Wesley Medical Endowment Found.	0.70	27,562,735
3. Simon Property Group, LP/Towne West Square, LLC	0.63	24,769,539
4. Walmart/Sam's	0.58	23,049,494
5. Kansas Gas Service- A Division of One Gas	0.53	20,884,482
6. BF Owner LLC	0.30	11,889,596
7. Southwestern Bell Telephone Company	0.27	10,677,434
8. City of Wichita	0.19	7,565,104
9. New Market I, LLC	0.19	7,497,175
10. Builders Inc.	0.18	7,270,558

#### Sedgwick County<sup>1</sup>

	Percent of Total Assessed Valuation <u>\$4,858,132,534</u>	<u>Assessed Valuation</u>
1. Kansas Gas & Electric, A Westar Energy Co.	2.87	\$139,702,013
2. Spirit Aerosystems, Inc./Midwestern Aircraft Systems, Inc.	2.18	106,181,859
3. Hawker Beechcraft/Beechcraft Corporation	0.97	47,303,142
4. Cessna Aircraft Company, Inc.	0.37	18,292,966
5. The Boeing Company	0.73	35,646,443
6. Kansas Gas Service-A Division of One Gas	0.61	29,794,712
7. Walmart Real Estate Business/Sam's	0.61	29,747,954
8. Wesley Medical Center/Wesley Endowment Foundation	0.58	28,389,138
9. Simon Property Group LP/Towne West Square, LLC	0.50	24,769,539
10. Dillon Real Estate Co./Kroger Co./Kwik Shop	0.28	13,718,557

<sup>1</sup> Source: Sedgwick County Clerk's Office, 2018

<sup>2</sup> Includes motor vehicle property assessed valuation for 2018.

# CITY OF WICHITA, KANSAS

## FINANCIAL INFORMATION

### **Property Valuations**

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Sedgwick County Appraiser's office determines the fair market value of all taxable property within Sedgwick County and the assessed valuation thereof that is to be used as a basis for the mill levy on property located in the Issuer.

Property subject to ad valorem taxation is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Code §501, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 30%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

The Kansas Legislature (the "Legislature") reduced the applicable assessment rates on motor vehicles from 30% of market value to 20% of market value as of January 1, 2000.

The 2006 Legislature exempted from all property or ad valorem property taxes levied under the laws of the State all commercial, industrial, telecommunications and railroad machinery and equipment acquired by qualified purchase or lease after June 30, 2006 or transported into the State after June 30, 2006 for the purpose of expanding an existing business or creation of a new business.

### **Tax Record**

Taxes are assessed as of January 1 and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all taxing entities within the County. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied, with the balance to be paid on or before May 10 of the ensuing year. If the first half is not paid before December 21 and the second half before May 11, unpaid taxes accrue interest until paid. All real estate bearing unpaid taxes are subject to tax foreclosure if not paid within two years.

# CITY OF WICHITA, KANSAS

## FINANCIAL INFORMATION

### Tax Record (continued)

One-half of the tangible personal property tax, excluding vehicle tax, is due and payable by December 20. If not paid by that time, the tax is due in full plus interest and warrants will be issued for collection by the Sheriff.

1. The percent of the 2015 tax levy collected as of December 31, 2016 for 2016 operations – 95.01% current. The percent of the 2016 tax levy collected as of December 31, 2017 for 2017 operations – 95.35% current.
2. Tax limitations –

The City may levy taxes in accordance with the requirements of its adopted budget. Property tax levies are based on the adopted budget of the City and the assessed valuations provided by the County appraiser. The Kansas Legislature passed legislation in 2015 and 2016 that, among other things, imposes an additional limit on the aggregate amount of property taxes that may be imposed by cities and counties, without a majority vote of qualified electors of the city or county (the “Tax Lid”). The Tax Lid is effective on January 1, 2017, and provides that, subject to certain exceptions, no city or county may approve an appropriation or budget which provides for funding by property tax revenues in an amount exceeding that of the immediately prior year, as adjusted to reflect the average changes in the consumer price index for the preceding five calendar years and provided that such average shall not be less than zero, unless approved by a majority vote of electors. The Tax Lid does not require an election in the following situations:

- “(1) Increased property tax revenues that, in the current year, are produced and attributable to the taxation of:
- (A) The construction of any new structures or improvements or the remodeling or renovation of any existing structures or improvements on real property, which shall not include any ordinary maintenance or repair of any existing structures or improvements on the property;
  - (B) increased personal property valuation;
  - (C) real property located within added jurisdictional territory;
  - (D) real property which has changed in use;
  - (E) expiration of any abatement of property from property tax; or
  - (F) expiration of a tax increment financing district, rural housing incentive district, neighborhood revitalization area or any other similar property tax rebate or redirection program.
- (2) Increased property tax revenues that will be spent on:
- (A) Bond, temporary notes, no fund warrants, state infrastructure loans and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments, and payments made to a public building commission and lease payments but only to the extent such payments were obligations that existed prior to July 1, 2016;
  - (B) payment of special assessments not exceeding the amount of ad valorem property taxes levied in support of such payments;
  - (C) court judgments or settlements of legal actions against the city or county and legal costs directly related to such judgments or settlements;
  - (D) expenditures of city or county funds that are specifically mandated by federal or state law with such mandates becoming effective on or after July 1, 2015, and loss of funds from federal sources after January 1, 2017, where the city or county is contractually obligated to provide a service;
  - (E) expenses relating to a federal, state or local disaster or federal, state or local emergency, including, but not limited to, a financial emergency, declared by a federal or state official. The board of county commissioners may request the governor to declare such disaster or emergency; or
  - (F) increased costs above the consumer price index for law enforcement, fire protection or emergency medical services.
- (3) Any increased property tax revenues generated for law enforcement, fire protection or emergency medical services shall be expended exclusively for these purposes but shall not be used for the construction or remodeling of buildings.
- (4) The property tax revenues levied by the city or county have declined:

(A) In one or more of the next preceding three calendar years and the increase in the amount of funding for the budget or appropriation from revenue produced from property taxes does not exceed the average amount of funding from such revenue of the next preceding three calendar years, adjusted to reflect changes in the consumer price index for all urban consumers as published by the United States department of labor for the preceding calendar year; or

(B) the increase in the amount of ad valorem tax to be levied is less than the change in the consumer price index plus the loss of assessed property valuation that has occurred as the result of legislative action, judicial action or a ruling by the board of tax appeals.”

The Tax Lid also provides that “[w]henever a city or county is required by law to levy taxes for the financing of the budget of any political or governmental subdivision of this state that is not authorized by law to levy taxes on its own behalf, and the governing body of such city or county is not authorized or empowered to modify or reduce the amount of taxes levied therefore, the tax levies of the political or governmental subdivision shall not be included in or considered in computing the aggregate limitation upon the property tax levies of the city or county.”

Because of ambiguities in the Tax Lid, it is unclear how the various exceptions will be interpreted and how the provisions will be implemented. As a result, is unclear how the Tax Lid will impact the City.

However, as described above, the Tax Lid provides a specific exception for “[b]ond, temporary notes, no fund warrants, state infrastructure loans, and interest payments not exceeding the amount of ad valorem property taxes levied in support of such payments” as well as certain lease payments. Therefore, the City is permitted under the Tax Lid to levy unlimited ad valorem taxes as necessary to pay principal of and interest on its general obligation bonds and general obligation temporary notes, as required by the resolutions authorizing the issuance and prescribing the details of such bonds and temporary notes.

The City cannot predict the impact of the Tax Lid on the ratings of its general obligation bonds and general obligation temporary notes, or the general rating of the City; a change in the rating on such bonds or temporary notes or a change in the general rating of the City may adversely impact the market price of the such bonds or temporary notes in the secondary market.

3. Priority of tax collections – Tax collections (taxes, specials, interest and fees) are remitted in accordance with pro rata levies.

Vehicle tax is due in full and paid at the time of vehicle registration according to an alphabetical schedule.

### **County Sales Tax**

In July 1985, the Sedgwick County voters approved a one percent (1%) County sales tax. Wichita's budgeted estimate for 2019 annual share of that tax is \$58.7 million. The governing body of the City of Wichita, Kansas has pledged one half of any revenue received from the City of Wichita's portion of a one percent sales tax to relieve the tax levies of the City of Wichita upon the taxable tangible property within the City of Wichita and pledged the remaining one-half of the one percent of any revenues received to Wichita road, highway and bridge projects, including right-of-way acquisitions, as well as debt service.

### **Debt Record**

The City of Wichita has never defaulted in payment of bond principal or interest. Operating deficits are prohibited under the Kansas Cash Basis Law. Ten point three percent (10.3%) of the general obligation debt outstanding as of January 1, 2018, was retired during 2018. The City anticipates retiring 14.2% of the general obligation debt outstanding during 2019.

### **Capital Improvements**

Each year, the City of Wichita includes as a part of its operating budget a ten-year Capital Improvement Program in order to reflect the total activities to be carried out with City funds and to relate present activities with future needs. This Capital Improvement Program functions to establish a priority system among the many-needed projects, matching the projects against available resources. The City of Wichita anticipates issuing Water and Sewer Utility Revenue Bonds during the first quarter of 2020.

**CITY OF WICHITA, KANSAS**

**PROPERTY TAX LEVIES AND COLLECTIONS  
GENERAL AND DEBT SERVICE FUNDS**

For years ended December 31, 2009 through December 31, 2018  
(dollars expressed in thousands)

Year Ended December 31 <sup>1</sup>	Taxes Levied	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage Levy		Amount	Percentage of Levy
2009	\$ 100,840	\$ 95,255	94.46 %	\$ 3,598	\$ 98,853	98.03 %
2010	101,298	95,319	94.10	3,355	98,674	97.41
2011	100,319	95,890	95.59	2,847	98,737	98.42
2012	101,997	96,611	94.72	2,307	98,918	96.98
2013	101,036	96,596	95.61	2,105	98,701	97.69
2014	101,569	97,108	95.61	1,750	98,858	97.33
2015	102,796	97,403	94.75	1,182	98,585	95.90
2016	104,322	99,117	95.01	170	99,287	95.17
2017	106,691	101,733	95.35	-	101,733	95.35
2018	109,931	107,113	97.44	-	107,113	97.44

**TAX INCREMENT FINANCING (TIF) AND  
SELF SUPPORTED MUNICIPAL IMPROVEMENT (SSMID) DISTRICTS**

For years ended December 31, 2009 through December 31, 2018  
(dollars expressed in thousands)

Year Ended December 31 <sup>1</sup>	Taxes Levied <sup>2</sup>	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage Levy		Amount	Percentage of Levy <sup>2</sup>
2009	\$ 7,723	\$ 6,127	79.33 %	\$ 221	\$ 6,348	82.20 %
2010	6,797	6,372	93.75	110	6,482	95.37
2011	6,577	6,174	93.87	20	6,194	94.18
2012	6,589	5,820	88.33	179	5,999	91.05
2013	6,886	5,726	83.15	173	5,899	85.67
2014	6,297	5,921	94.03	36	5,957	94.60
2015	6,879	5,834	84.81	6	5,840	84.90
2016	6,875	5,830	84.80	133	5,963	86.73
2017	6,838	6,071	88.78	-	6,071	88.78
2018	6,948	5,566	80.11	-	5,566	80.11

**SPECIAL ASSESSMENT LEVIES AND COLLECTIONS**

For years ended December 31, 2009 through December 31, 2018  
(dollars expressed in thousands)

Year Ended December 31 <sup>1</sup>	Assessments Certified to County <sup>3</sup>	Current Year Collections		Collections in Subsequent Years	Total Tax Collections	
		Amount	Percentage of Assessment		Amount	Percentage of Assessment
2009	\$ 30,687	\$ 29,756	96.97 %	\$ 826	\$ 30,582	99.66 %
2010	33,314	30,934	92.86	2,103	33,037	99.17
2011	34,882	32,010	91.77	940	32,950	94.46
2012	33,088	29,296	88.54	1,625	30,921	93.45
2013	31,857	29,090	91.31	1,478	30,568	95.96
2014	29,982	27,839	92.85	955	28,794	96.04
2015	28,112	26,575	94.53	730	27,305	97.13
2016	26,819	25,341	94.49	294	25,635	95.59
2017	26,810	25,514	95.17	-	25,514	95.17
2018	25,439	24,528	96.42	-	24,528	96.42

<sup>1</sup>The year shown is the year in which the collections were received. The levy or assessment is certified to the county the previous year.

<sup>2</sup>The amount reported as Taxes Levied is the estimated tax revenue from the certified budgets. Economic development tax increment financing districts collect all property taxes paid above the base year and do not have a district levy. As a result, collections may exceed the budgeted amounts.

<sup>3</sup>Special assessments of proprietary funds, advance payments and nuisance assessments are not included.

# CITY OF WICHITA, KANSAS

## GENERAL FUND BALANCE SHEET

December 31, 2018

(with comparative figures for years ended December 31, 2015, 2016 and 2017)

	2015	2016	2017	2018
<b>ASSETS</b>				
Cash	\$ 47,728,144	\$ 63,318,764	\$ 67,562,171	\$ 52,651,988
Tangible property taxes receivable	71,848,618	73,444,021	76,170,644	82,003,187
Accounts receivable	2,423,655	2,574,419	2,580,467	2,070,377
Due from other funds	800,000	800,000	800,000	800,000
Inventories	76,435	53,100	45,649	247,330
Prepaid items	72,701	5,378	4,900	2,500
Total assets	\$ 122,949,553	\$ 140,195,682	\$ 147,163,831	\$ 137,775,382
 <b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable and other liabilities	\$ 14,922,152	\$ 10,131,207	\$ 14,110,502	\$ 15,682,529
Deposits	59,554	63,807	66,603	100,458
Due to other funds	-	-	-	-
Deferred revenue	71,848,618	73,444,021	76,170,644	82,003,187
Total liabilities	86,830,324	83,639,035	90,347,749	97,786,174
Fund balance:				
Reserved for encumbrances	-	-	-	-
Reserved for prepaid items	-	-	-	-
Unreserved, designated	-	-	-	-
Unreserved, undesignated	-	-	-	-
Nonspendable	949,136	858,478	850,549	1,049,830
Committed	-	14,000,000	19,000,000	-
Assigned	6,346,582	5,249,137	3,703,977	3,376,229
Unassigned	28,823,511	36,449,032	33,261,556	35,563,149
Total fund balance	36,119,229	56,556,647	56,816,082	39,989,208
Total liabilities and fund balance	\$ 122,949,553	\$ 140,195,682	\$ 147,163,831	\$ 137,775,382

# CITY OF WICHITA, KANSAS

## GENERAL FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS

Years ended December 31, 2015, 2016, 2017 and 2018

	Actuals			
	2015	2016	2017	2018
Revenues and other sources:				
Taxes	\$ 84,780,653	\$ 86,762,249	\$ 88,246,688	\$ 91,110,732
Franchise fees	44,304,262	44,766,245	45,563,488	47,282,423
Licenses and permits	2,317,736	2,649,957	2,818,831	2,902,936
Fines and penalties	9,751,773	9,120,404	8,270,546	8,186,561
Revenue from uses of money and property	2,375,230	2,347,885	2,335,423	2,371,619
Intergovernmental	16,580,270	16,953,856	17,201,970	17,617,638
Transfers from other funds	4,983,720	4,874,946	6,073,192	5,874,962
Charges for sales and services	17,759,344	18,342,146	16,430,349	17,082,487
Local sales tax	28,638,617	28,939,207	28,557,694	29,447,036
Other	7,394,099	29,735,418	13,635,231	16,151,500
Total revenues and other sources	<u>218,885,704</u>	<u>244,492,313</u>	<u>229,133,412</u>	<u>238,027,894</u>
Expenditures and other uses:				
Personal services	158,466,692	164,199,901	165,851,354	174,355,731
Contractual services	42,257,656	45,164,929	46,112,448	43,928,284
Materials and supplies	8,515,624	7,439,719	7,845,891	8,474,928
Capital outlay	1,032,376	236,482	127,204	508,567
Transfers to other funds	6,729,738	5,416,858	6,554,228	7,788,151
Transfers to other funds, Hyatt Hotel proceeds	-	-	-	19,000,000
Other	857,951	499,563	805,036	470,970
Total expenditures and other uses	<u>217,860,037</u>	<u>222,957,452</u>	<u>227,296,161</u>	<u>254,526,631</u>
Revenues and other sources over expenditures and other uses	1,025,667	21,534,861	1,837,251	(16,498,737)
Unencumbered fund balance, January 1	<u>26,925,131</u>	<u>27,950,798</u>	<u>49,485,659</u>	<u>51,322,910</u>
Unencumbered fund balance, December 31	<u>\$ 27,950,798</u>	<u>\$ 49,485,659</u>	<u>\$ 51,322,910</u>	<u>\$ 34,824,173</u>
Mill Levy	24.177	24.177	24.156	25.186

# CITY OF WICHITA, KANSAS

## DEBT SERVICE FUND COMPARATIVE SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGETARY BASIS Years ended December 31, 2015, 2016, 2017 and 2018

	Actuals			
	2015	2016	2017	2018
Revenues and other sources:				
Property taxes	\$ 26,120,747	\$ 26,418,493	\$ 27,009,018	\$ 27,893,450
Special assessments	29,785,983	28,539,331	28,343,388	27,201,708
Motor vehicle tax	3,834,197	4,091,545	4,091,442	4,194,134
Local Sales Tax	385,803	432,276	302,529	312,630
Sale of property	18,972	-	-	740,582
Interest earnings	14,798	85,306	55,459	43,291
Premiums on bonds sold	487,220	2,684,593	59,989	74,058
Special obligation - STAR bonds	-	-	-	-
Transfers from other funds	26,735,699	26,083,072	24,908,501	20,632,796
Issuance of refunding debt	-	13,357,447	-	-
Other	348,778	1,370,043	6,866,150	1,807,184
	<u>87,732,197</u>	<u>103,062,106</u>	<u>91,636,476</u>	<u>82,899,833</u>
Total revenues and other sources				
Expenditures and other uses:				
Interest on general obligation bonds	9,230,263	8,013,845	7,184,431	5,987,369
Interest on special assessment bonds	7,595,411	7,048,294	6,604,854	6,217,769
Interest on HUD Section 108 loan	-	-	-	-
Interest on STAR bonds	126,941	127,419	56,517	120,380
Retirement of general obligation bonds	29,920,239	30,722,056	37,597,766	28,154,351
Retirement of G.O. refunding bonds	-	8,570,470	-	-
Retirement of special assessment bonds	21,631,849	20,131,281	19,707,216	19,935,859
Retirement of HUD Section 108 loan	-	-	-	-
Retirement of STAR bonds	117,175	228,420	282,516	267,089
Transfers to other funds -				
Retirement of temporary notes	42,240,774	16,731,304	20,188,689	22,142,837
Other	139,267	183,910	343,273	359,111
	<u>111,001,919</u>	<u>91,756,999</u>	<u>91,965,262</u>	<u>83,184,765</u>
Total expenditures and other uses				
Revenues and other sources over (under) expenditures and other uses	(23,269,722)	11,305,107	(328,786)	(284,932)
Unencumbered fund balance - as previously reported	33,938,075	10,668,353	21,973,460	21,644,674
Prior period adjustment	-	-	-	-
Unencumbered fund balance - beginning as restated	33,938,075	10,668,353	21,973,460	21,644,674
Unencumbered fund balance, December 31	<u>\$ 10,668,353</u>	<u>\$ 21,973,460</u>	<u>\$ 21,644,674</u>	<u>\$ 21,359,742</u>
Mill Levy	8.509	8.508	8.511	7.506

## CITY OF WICHITA, KANSAS

STATEMENT OF OUTSTANDING DEBT  
AS OF DECEMBER 1, 2019

Bonded debt - payable from property taxes	<u>\$67,960,655</u>	\$67,960,655
Bonded debt - payable from other than property taxes	<u>\$146,406,374</u>	146,406,374
General obligation bonds payable from:		
Airport revenues	112,030,000	
Airport revenues Series 2019A	12,365,000	
Freeway GO/LST	93,975,000	
Storm Water Utility (SWU)	13,418,620	
Tax increment financing (TIF)	24,899,351	
Transient guest tax	2,465,000	
Water Utility	<u>110,710,000</u>	
		<u>369,862,971</u>
Total general obligation bonds		584,230,000
Bonded debt - revenue bonds - payable from revenue		
Water-Sewer Utility Revenue Bonds - 2010B	795,000	
Water-Sewer Utility Refunding Revenue Bonds - 2011A	15,590,000	
Water-Sewer Utility Revenue Bonds - 2012A	12,060,000	
Water-Sewer Utility Refunding Revenue Bonds - 2014A	22,620,000	
Water-Sewer Utility Revenue Bonds - 2014B	10,400,000	
Water-Sewer Utility Refunding Revenue Bonds - 2015B	28,625,000	
Water-Sewer Utility Revenue Bonds - 2015C	20,750,000	
Water-Sewer Utility Refunding Revenue Bonds - 2015D	19,165,000	
Water-Sewer Utility Revenue Bonds - 2016A	21,355,000	
Water-Sewer Utility Refunding Revenue Bonds - 2016B	91,755,000	
Water-Sewer Utility Revenue Bonds - 2017A	61,115,000	
Water-Sewer Utility Refunding Revenue Bonds - 2017B	19,355,000	
Water-Sewer Utility Revenue Bonds - 2019A	44,465,000	
Water-Sewer Utility Refunding Revenue Bonds - 2019B	49,910,000	
Sales Tax Special Obligation Revenue Bonds - 2017 <sup>1</sup>	2,531,683	
Sales Tax Special Obligation Revenue Bonds - 2018 <sup>1</sup>	1,799,799	
Airport Facility Revenue Bonds	<u>8,462,182</u>	
		<u>430,753,664</u>
Gross City bonded debt		1,014,983,664
Less: Water-Sewer Utility Revenue Bonds - 2010B	795,000	
Water-Sewer Utility Refunding Revenue Bonds - 2011A	15,590,000	
Water-Sewer Utility Revenue Bonds - 2012A	12,060,000	
Water-Sewer Utility Refunding Revenue Bonds - 2014A	22,620,000	
Water-Sewer Utility Revenue Bonds - 2014B	10,400,000	
Water-Sewer Utility Refunding Revenue Bonds - 2015B	28,625,000	
Water-Sewer Utility Revenue Bonds - 2015C	20,750,000	
Water-Sewer Utility Refunding Revenue Bonds - 2015D	19,165,000	
Water-Sewer Utility Revenue Bonds - 2016A	21,355,000	
Water-Sewer Utility Refunding Revenue Bonds - 2016B	91,755,000	
Water-Sewer Utility Revenue Bonds - 2017A	61,115,000	
Water-Sewer Utility Refunding Revenue Bonds - 2017B	19,355,000	
Water-Sewer Utility Revenue Bonds - 2019A	44,465,000	
Water-Sewer Utility Refunding Revenue Bonds - 2019B	49,910,000	
Sales Tax Special Obligation Revenue Bonds - 2017 <sup>1</sup>	2,531,683	
Sales Tax Special Obligation Revenue Bonds - 2018 <sup>1</sup>	1,799,799	
Airport Facility Revenue Bonds	<u>8,462,182</u>	
		<u>430,753,664</u>
General obligation temporary notes		
Internal Improvements - Series 298, Dated 10/15/19		<u>91,390,000</u>
Total General Obligation Outstanding Debt		<u>\$675,620,000</u>

<sup>1</sup> Portion of bonds outstanding based on City's portion of the 1% Sedgewick County Sales Tax.

**CITY OF WICHITA, KANSAS**  
**STATEMENT OF LEGAL DEBT MARGIN**  
**AS OF DECEMBER 1, 2019**

2018 taxable tangible valuation	\$3,479,445,916	
2018 motor vehicle property assessed value	443,772,105	
Equalized tangible valuation for computation of bonded indebtedness limitation		<u>\$3,923,218,021</u>
Debt limit <sup>1</sup>		<u>1,176,965,406</u>
Bonded indebtedness	584,230,000	
Temporary notes <sup>2</sup>	91,390,000	
Total net debt		675,620,000
Less: Exemptions allowed by law <sup>3</sup>		
Airport GO <sup>5</sup>	39,024,451	
TIF	24,899,351	
SA Refundings and Sewer Improvements <sup>4</sup>	92,208,451	
GO Refundings	5,121,380	
Sales Tax Refundings	9,370,000	
Storm Water Utility	13,418,620	
Water Utility Improvements	110,710,000	
Total deductions allowed by law		<u>294,752,253</u>
Legal debt applicable to debt limit		<u>380,867,747</u>
Legal debt margin		<u><u>796,097,659</u></u>

<sup>1</sup> Kansas Statute 10-308 (30.0%)

<sup>2</sup> Bond Anticipation Temporary Notes:

Internal Improvements - Series 298	Dated 10/15/19	Due 10/15/20	\$91,390,000
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<sup>3</sup> Kansas Statutes Annotated 10-307 and 10-308

<sup>4</sup> Bonds and Notes issued for any improvement to the Sewer system, including those payable from Special Assessments.

<sup>5</sup> Bonds and Notes issued under certain authority are exempt

## CITY OF WICHITA, KANSAS

STATEMENT OF DIRECT AND OVERLAPPING DEBT  
AS OF DECEMBER 31, 2016, 2017, 2018 AND DECEMBER 1, 2019

	December 31, 2016		December 31, 2017	
	Percentage of Debt Applicable to City <sup>1</sup>	City of Wichita Share of Debt	Percentage of Debt Applicable to City <sup>1</sup>	City of Wichita Share of Debt
Direct Debt:				
General obligation bonded debt, payable from:				
Ad valorem taxes		\$ 58,251,131		\$ 47,632,851
Special assessments		167,574,036		172,706,820
Tax increment financing		20,751,857		18,022,371
Transient guest tax		2,485,000		2,480,000
Local sales tax		115,532,150		96,275,000
Premiums (discounts)		28,627,760		29,770,288
Capital lease		170,723		64,219
Total direct debt		393,392,657		366,951,549
Overlapping Debt:				
Sedgwick County	81.60%	154,848,240	81.30%	142,035,165
USD 259	59.00%	235,926,250	58.50%	216,373,950
Total overlapping debt		390,774,490		358,409,115
Total direct and overlapping debt		\$ 784,167,147		\$ 725,360,664

<sup>1</sup> Percentage of overlapping debt based on assessed valuation.

\* Subject to Change

<u>December 31, 2018</u>		<u>December 1, 2019</u>	
<u>Percentage of Debt Applicable to City <sup>1</sup></u>	<u>City of Wichita Share of Debt</u>	<u>Percentage of Debt Applicable to City <sup>1</sup></u>	<u>City of Wichita Share of Debt</u>
	\$ 45,951,756		\$ 67,960,655
	164,380,962		146,406,374
	15,229,115		24,899,351
	2,475,000		2,465,000
	81,995,000		93,975,000
	27,535,515		32,184,715
	-		-
	<u>337,567,348</u>		<u>367,891,095</u>
80.80%	119,127,480	80.80%	115,176,360
57.80%	<u>198,230,880</u>	57.80%	<u>184,668,110</u>
	<u>317,358,360</u>		<u>299,844,470</u>
	<u>\$ 654,925,708</u>		<u>\$ 667,735,565</u>

**CITY OF WICHITA, KANSAS**

**SUMMARY OF GENERAL OBLIGATION DEBT SERVICE CHARGES  
PAYABLE FROM GOVERNMENTAL FUND REVENUES**

Based on bonded debt as of December 31, 2018

Year	PAYABLE FROM PROPERTY TAXES			PAYABLE FROM TRANSIENT GUEST TAX		
	Principal	Interest	Debt Service Charges	Principal	Interest	Debt Service Charges
2019	\$ 12,141,101	\$ 1,734,861	\$ 13,875,962	\$ 10,000	\$ 92,788	\$ 102,788
2020	8,688,101	1,158,382	9,846,483	15,000	92,163	107,163
2021	5,793,863	824,535	6,618,398	20,000	91,287	111,287
2022	5,994,973	635,288	6,630,261	25,000	90,163	115,163
2023	3,954,934	448,179	4,403,113	30,000	88,787	118,787
2024	3,014,126	312,103	3,326,229	35,000	87,163	122,163
2025	1,860,654	218,397	2,079,051	40,000	85,287	125,287
2026	1,560,395	151,982	1,712,377	50,000	83,538	133,538
2027	1,092,568	89,639	1,182,207	55,000	81,962	136,962
2028	1,130,852	56,227	1,187,079	65,000	80,163	145,163
2029	163,348	21,525	184,873	70,000	78,137	148,137
2030	111,840	17,040	128,880	80,000	75,888	155,888
2031	105,000	13,638	118,638	80,000	73,087	153,087
2032	110,000	10,488	120,488	95,000	69,588	164,588
2033	115,000	7,188	122,188	105,000	65,718	170,718
2034	115,000	3,594	118,594	1,700,000	31,875	1,731,875
	<u>\$ 45,951,755</u>	<u>\$ 5,703,066</u>	<u>\$ 51,654,821</u>	<u>\$ 2,475,000</u>	<u>\$ 1,267,594</u>	<u>\$ 3,742,594</u>

Year	PAYABLE FROM TAX INCREMENT FINANCING			PAYABLE FROM LOCAL SALES TAX		
	Principal	Interest	Debt Service Charges	Principal	Interest	Debt Service Charges
2019	\$ 2,474,764	\$ 427,181	\$ 2,901,945	\$ 11,420,000	\$ 3,069,516	\$ 14,489,516
2020	2,536,272	362,025	2,898,297	8,830,000	2,669,437	11,499,437
2021	2,297,780	292,690	2,590,470	9,145,000	2,293,337	11,438,337
2022	2,365,042	227,711	2,592,753	9,410,000	1,904,137	11,314,137
2023	1,476,550	159,437	1,635,987	6,360,000	1,503,687	7,863,687
2024	1,348,058	114,861	1,462,919	6,565,000	1,237,289	7,802,289
2025	599,566	84,999	684,565	6,745,000	961,275	7,706,275
2026	631,083	65,620	696,703	6,935,000	769,088	7,704,088
2027	600,000	44,290	644,290	6,355,000	566,125	6,921,125
2028	280,000	28,680	308,680	5,050,000	358,050	5,408,050
2029	300,000	17,945	317,945	5,180,000	181,300	5,361,300
2030	320,000	6,160	326,160	-	-	-
	<u>\$ 15,229,115</u>	<u>\$ 1,831,599</u>	<u>\$ 17,060,714</u>	<u>\$ 81,995,000</u>	<u>\$ 15,513,241</u>	<u>\$ 97,508,241</u>

Year	TOTAL PAYABLE FROM TAXES			PAYABLE FROM SPECIAL ASSESSMENTS		
	Principal	Interest	Debt Service Charges	Principal	Interest	Debt Service Charges
2019	\$ 26,045,865	\$ 5,324,346	\$ 31,370,211	\$ 18,944,587	\$ 6,740,504	\$ 25,685,091
2020	20,069,373	4,282,007	24,351,380	18,737,537	5,797,190	24,534,727
2021	17,256,643	3,501,849	20,758,492	17,275,497	5,061,222	22,336,719
2022	17,795,015	2,857,299	20,652,314	15,338,505	4,306,447	19,644,952
2023	11,821,484	2,200,090	14,021,574	13,745,686	3,660,424	17,406,110
2024	10,962,184	1,751,416	12,713,600	12,538,636	3,063,752	15,602,388
2025	9,245,220	1,349,958	10,595,178	11,435,600	2,555,701	13,991,301
2026	9,176,478	1,070,228	10,246,706	10,273,522	2,081,470	12,354,992
2027	8,102,568	782,016	8,884,584	10,167,432	1,647,888	11,815,320
2028	6,525,852	523,120	7,048,972	9,429,148	1,230,401	10,659,549
2029	5,713,348	298,907	6,012,255	9,231,652	849,183	10,080,835
2030	511,840	99,088	610,928	6,028,160	497,581	6,525,741
2031	185,000	86,725	271,725	3,065,000	300,383	3,365,383
2032	205,000	80,076	285,076	2,805,000	211,486	3,016,486
2033	220,000	72,906	292,906	1,990,000	138,321	2,128,321
2034	1,815,000	35,469	1,850,469	1,050,000	91,309	1,141,309
2035	-	-	-	815,000	62,563	877,563
2036	-	-	-	695,000	37,081	732,081
2037	-	-	-	475,000	19,013	494,013
2038	-	-	-	340,000	5,738	345,738
	<u>\$ 145,650,870</u>	<u>\$ 24,315,500</u>	<u>\$ 169,966,370</u>	<u>\$ 164,380,962</u>	<u>\$ 38,357,657</u>	<u>\$ 202,738,619</u>

**CITY OF WICHITA, KANSAS**

**SUMMARY OF GENERAL OBLIGATION DEBT SERVICE CHARGES  
PAYABLE FROM PROPRIETARY FUND REVENUES**

Based on bonded debt as of December 31, 2018

Year	Airport Authority			Stormwater Utility		
	Principal	Interest	Debt Service Charges	Principal	Interest	Debt Service Charges
2019	\$ 2,805,000	\$ 5,605,041	\$ 8,410,041	\$ 2,264,548	\$ 509,489	\$ 2,774,037
2020	2,920,000	5,483,235	8,403,235	2,273,090	419,411	2,692,501
2021	3,045,000	5,353,729	8,398,729	1,747,860	333,657	2,081,517
2022	3,090,000	5,217,866	8,307,866	1,806,480	270,564	2,077,044
2023	3,220,000	5,077,160	8,297,160	1,867,830	205,284	2,073,114
2024	3,365,000	4,921,048	8,286,048	1,914,180	135,736	2,049,916
2025	3,520,000	4,759,023	8,279,023	1,254,180	88,915	1,343,095
2026	3,680,000	4,590,977	8,270,977	965,000	57,394	1,022,394
2027	3,830,000	4,425,141	8,255,141	990,000	29,619	1,019,619
2028	4,000,000	4,253,643	8,253,643	145,000	13,144	158,144
2029	4,180,000	4,074,727	8,254,727	150,000	10,243	160,243
2030	4,375,000	3,886,191	8,261,191	150,000	7,056	157,056
2031	4,565,000	3,689,859	8,254,859	155,000	3,681	158,681
2032	4,235,000	3,493,607	7,728,607	-	-	-
2033	4,430,000	3,297,211	7,727,211	-	-	-
2034	4,635,000	3,090,158	7,725,158	-	-	-
2035	4,625,000	2,875,679	7,500,679	-	-	-
2036	5,480,000	2,655,169	8,135,169	-	-	-
2037	5,735,000	2,430,486	8,165,486	-	-	-
2038	6,010,000	2,153,671	8,163,671	-	-	-
2039	6,285,000	1,862,633	8,147,633	-	-	-
2040	6,580,000	1,557,757	8,137,757	-	-	-
2041	7,805,000	1,268,170	9,073,170	-	-	-
2042	6,740,000	983,319	7,723,319	-	-	-
2043	7,025,000	702,858	7,727,858	-	-	-
2044	7,325,000	409,837	7,734,837	-	-	-
2045	920,000	111,525	1,031,525	-	-	-
2046	965,000	76,088	1,041,088	-	-	-
2047	1,010,000	38,913	1,048,913	-	-	-
	<u>\$ 126,400,000</u>	<u>\$ 88,344,721</u>	<u>\$ 214,744,721</u>	<u>\$ 15,683,168</u>	<u>\$ 2,084,193</u>	<u>\$ 17,767,361</u>

Year	Water Utility			Totals		
	Principal	Interest	Debt Service Charges	Principal	Interest	Debt Service Charges
2019	\$ 5,140,000	\$ 4,493,850	\$ 9,633,850	\$ 10,209,548	\$ 10,608,380	\$ 20,817,928
2020	5,400,000	4,230,350	9,630,350	10,593,090	10,132,996	20,726,086
2021	5,670,000	3,953,600	9,623,600	10,462,860	9,640,986	20,103,846
2022	5,950,000	3,663,100	9,613,100	10,846,480	9,151,530	19,998,010
2023	6,250,000	3,358,100	9,608,100	11,337,830	8,640,544	19,978,374
2024	6,560,000	3,037,849	9,597,849	11,839,180	8,094,633	19,933,813
2025	6,890,000	2,701,600	9,591,600	11,664,180	7,549,538	19,213,718
2026	7,235,000	2,420,825	9,655,825	11,880,000	7,069,196	18,949,196
2027	7,450,000	2,200,550	9,650,550	12,270,000	6,655,310	18,925,310
2028	7,675,000	1,973,675	9,648,675	11,820,000	6,240,462	18,060,462
2029	7,905,000	1,739,975	9,644,975	12,235,000	5,824,945	18,059,945
2030	8,140,000	1,499,300	9,639,300	12,665,000	5,392,547	18,057,547
2031	8,385,000	1,209,500	9,594,500	13,105,000	4,903,040	18,008,040
2032	8,720,000	867,400	9,587,400	12,955,000	4,361,007	17,316,007
2033	9,070,000	522,938	9,592,938	13,500,000	3,820,149	17,320,149
2034	9,410,000	176,438	9,586,438	14,045,000	3,266,596	17,311,596
2035	-	-	-	4,625,000	2,875,679	7,500,679
2036	-	-	-	5,480,000	2,655,169	8,135,169
2037	-	-	-	5,735,000	2,430,486	8,165,486
2038	-	-	-	6,010,000	2,153,671	8,163,671
2039	-	-	-	6,285,000	1,862,633	8,147,633
2040	-	-	-	6,580,000	1,557,757	8,137,757
2041	-	-	-	7,805,000	1,268,170	9,073,170
2042	-	-	-	6,740,000	983,319	7,723,319
2043	-	-	-	7,025,000	702,858	7,727,858
2044	-	-	-	7,325,000	409,837	7,734,837
2045	-	-	-	920,000	111,525	1,031,525
2046	-	-	-	965,000	76,088	1,041,088
2047	-	-	-	1,010,000	38,913	1,048,913
	<u>\$ 115,850,000</u>	<u>\$ 38,049,050</u>	<u>\$ 153,899,050</u>	<u>\$ 257,933,168</u>	<u>\$ 128,477,964</u>	<u>\$ 386,411,132</u>

## CITY OF WICHITA, KANSAS

### ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

For years ended December 31, 2009 through December 31, 2018  
(dollars expressed in thousands)

Year <sup>1</sup>	Real Property		Personal Property		State Assessed Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
2009	\$ 2,875,134	\$ 19,881,261	\$ 177,540	\$ 729,638	\$ 98,981	\$ 299,941
2010	2,904,055	20,011,382	147,887	612,183	98,206	297,594
2011	2,916,488	20,142,275	136,190	559,157	99,311	300,943
2012	2,889,209	19,908,386	125,492	518,004	96,872	293,550
2013	2,910,786	20,007,283	118,751	491,029	94,794	287,253
2014	2,963,148	20,364,338	93,990	404,245	91,126	276,140
2015	3,008,647	20,663,543	83,860	356,982	99,075	300,226
2016	3,091,273	21,259,793	76,025	324,973	102,892	311,793
2017	3,188,988	21,998,612	67,904	293,980	108,329	328,268
2018	3,301,681	22,866,442	61,731	268,000	116,034	351,619

Year	Totals Assessed Property		Assessed Value as a Percent of Actual Value	Total Direct Tax Rate <sup>2</sup>	Tangible Valuation of Motor Vehicles	Total Valuation for Bonded Debt Limitations
	Assessed Value	Estimated Actual Value				
2009	\$ 3,151,655	\$ 20,910,840	15.07%	32.142	\$ 396,701	\$ 3,548,356
2010	3,150,148	20,921,159	15.06%	32.272	387,036	3,537,184
2011	3,151,989	21,002,375	15.01%	32.359	381,608	3,533,597
2012	3,111,573	20,719,940	15.02%	32.471	385,358	3,496,931
2013	3,124,331	20,785,565	15.03%	32.509	396,435	3,520,766
2014	3,148,264	21,044,723	14.96%	32.651	404,427	3,552,691
2015	3,191,582	21,320,751	14.97%	32.686	417,145	3,608,727
2016	3,270,190	21,896,559	14.93%	32.685	428,945	3,699,135
2017	3,365,221	22,620,860	14.88%	32.667	436,201	3,801,422
2018	3,479,446	23,486,061	14.81%	32.692	443,772	3,923,218

<sup>1</sup>The assessed value and tax rate of the referenced year supports the budget of the subsequent year. For example, the assessed value of 2015 multiplied by the tax rate supports the budget of fiscal 2016. Excludes valuation of motor vehicles.

<sup>2</sup>Direct tax rates are per \$1,000 of actual value.

Source: Sedgwick County Clerk and Sedgwick County Appraiser



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C I T Y ■ O F  
W I C H I T A

## Financial Plan - Introduction

To facilitate long-term financial planning, a six-year Financial Plan is developed concurrent with the annual budget. This Financial Plan examines the period from 2019 to 2024. The Adopted Budget provides the backbone for the first three years of the Financial Plan (2019-2021). This work is then expanded outward for three more years (to 2024).

In several respects, the Financial Plan is different than the Adopted Budget. While the Adopted Budget includes funding recommendations, the Financial Plan takes the current policy direction and forecasts the impact of those policies over a longer period of time. Whereas the Adopted Budget is a very detailed plan, the Financial Plan is far more conceptual. Finally, while the Adopted Budget is created in conformance with State statutes, the Financial Plan is not statutorily required, and does not include reserve amounts, which are included in the Adopted Budget for compliance with State laws regarding the certification of municipal budgets.

The primary purpose of the Financial Plan is to identify potential issues as early as possible and to address those challenges in a thoughtful and pragmatic manner. The City's two taxing funds (the General Fund and Debt Service Fund) are presented in far more detail than are other funds. However, each of the City's 27 other funds are also examined to provide a broad overview of circumstances, issues, and trends impacting revenues and expenditures.

The City also has other funds, such as agency funds and trust funds, which are not required to be budgeted by State statute, and which are not included in the Financial Plan. In some cases, specifically for Special Revenue funds that are largely pass-through funds, the financial information is less detailed. However, for other funds, the analysis begins with consideration of relevant legal conditions that influence revenues and expenditures. Major one-time and ongoing shifts in revenues, expenditures, and fund balances are then reviewed to help develop context for understanding the current and projected status of each fund. Finally, strategies are frequently recommended to improve or maintain the status of each fund.

## Overview of Significant Funds

The City's **General Fund** is forecasted to be balanced in 2019 and 2020. However, it is important to recognize the many challenges the General Fund will face in the future. Over 73% of General Fund expenditures consist of salary and benefit costs. These costs are in turn driven largely by wage agreements, health insurance increases and pension rate contributions. The City has taken many steps to mitigate the increase in health insurance costs; however, these costs are projected to increase 8% annually.

The City has well-funded pension systems, due to the long-standing commitment to fully fund required annual contributions; however, pension contributions are dependent on market returns and actuarial assumptions. The pension boards reviewed the results of

an experience study completed early in 2018, and have approved reducing the assumed rate of return by 25 basis points. This change, as well as any other assumption changes, could have an impact on the General Fund, beginning as soon as 2020.

General Fund revenues have improved considerably from the most recent recession. However, the General Fund revenue portfolio has several weaknesses. One issue is that several revenues are based on the 20th Century environment and technology. Sales tax growth has been impacted by remote sales. Franchise fees in telecommunications are largely based on land-lines, and revenues have decreased 91% since 1999. Cable TV franchise fees are stagnant, concurrent with the many alternatives to cable TV available today. Even the gas tax and franchise fees for electricity can be impacted by technological advancement. As vehicles continue to be more fuel efficient, and as technological advances result in increasingly more efficient cooling systems, lighting systems, and appliances, consumption of gasoline and electricity is affected.

Several revenues are largely weather dependent. This results in volatility. Electricity franchise fees generally perform consistently, but there are fluctuations annually depending on summer weather. Water franchise fees are highly dependent on the weather, particularly during the summer irrigation season. Finally, natural gas franchise fees vary, not only on the weather, but also on volatility in commodity prices.

With economic conditions stabilized and improving, General Fund revenues are expected to continue to increase moderately in the current environment of steady growth. The City has a long history of controlling expenditure growth; this continued diligence is expected to be even more important in the future. Fortunately, the City has a long history of adapting to challenges and maintaining a balanced General Fund budget; this continued adaptation to potential challenges will be required in the future.

The **Golf Fund** remains challenged. Though the closure of one course is included in the model for the 2020 Adopted Budget, this is not sufficient to stabilize the fund in the short term. Furthermore, the Golf Fund has a lower fund balance than is necessary to sustain operations through slower winter months. Challenges to this fund will remain, since industry demand has continued to trend downward. In addition, limited or no capacity for capital expenditures and reimbursements to the Debt Service Fund (incurred for previous capital improvements) is expected.

The **Transit Fund** has structural issues and based on current operations, is not sustainable long-term. However, it is projected to have a positive fund balance in the planning period, which ends in 2024. Process efficiencies, partnerships, and service changes have had a positive impact on ridership and revenue.

GENERAL FUND	2015 ACTUAL	2016 ACTUAL	2017 ACTUAL	2018 ACTUAL	2019 REVISED
<b>Budgeted Operating Revenues</b>					
Property Taxes	\$73,908,585	\$75,174,948	\$76,625,353	\$ 79,220,412	\$84,304,658
Motor Vehicle Taxes	10,872,068	11,587,301	11,621,335	11,890,320	12,701,423
Local Sales Taxes	28,638,617	28,939,207	28,557,694	29,447,036	30,357,494
Motor Fuel Taxes	14,616,935	14,915,074	15,127,235	15,444,724	15,446,902
Liquor Taxes	1,963,335	2,038,782	2,074,735	2,172,896	2,220,699
Franchise Fees	44,304,262	44,766,245	45,563,488	47,282,423	48,596,328
Licenses and Permits	2,317,736	2,649,957	2,818,831	2,902,936	3,111,016
Charges for Services	15,890,254	18,344,777	16,430,349	17,419,940	18,485,385
Rental Income	2,375,230	2,347,885	2,335,423	2,371,619	2,447,772
Transfers In	4,983,720	4,874,946	6,073,192	5,874,962	5,318,332
Interest Earnings	1,475,455	1,980,147	3,782,188	6,903,511	10,000,000
Fines and Penalties	9,751,773	9,120,404	8,270,546	8,186,561	8,353,269
Administrative Charges	3,789,532	3,678,608	3,761,582	3,921,773	3,916,092
Reimbursements	3,998,202	4,074,032	6,091,461	4,988,782	5,240,313
<b>Total Operating Revenues</b>	<b>\$218,885,704</b>	<b>\$224,492,313</b>	<b>\$229,133,412</b>	<b>\$238,027,894</b>	<b>\$250,499,683</b>
<b>Budgeted Operating Expenditures</b>					
Wages	113,102,629	117,575,414	118,884,880	124,281,375	131,313,880
Health Insurance	20,419,072	21,620,036	22,313,232	24,123,114	26,306,595
Other Benefits	24,944,990	25,000,169	24,653,526	25,951,242	28,705,975
Contractuals	42,257,285	45,164,930	46,112,161	43,928,284	49,944,953
Commodities	8,515,995	7,439,719	7,845,893	8,474,928	9,156,860
Capital Outlay	1,032,377	236,481	127,204	508,566	787,500
Transfers	7,587,689	5,920,703	7,359,264	8,259,121	10,187,040
Shrinkage	0	0	0	0	(5,903,120)
<b>Total Operating Expenditures</b>	<b>\$217,860,037</b>	<b>\$222,957,452</b>	<b>\$227,296,161</b>	<b>\$235,526,631</b>	<b>\$250,499,683</b>
<b>Operating Margin</b>	<b>\$1,025,667</b>	<b>\$1,534,861</b>	<b>\$1,837,251</b>	<b>\$2,501,263</b>	<b>\$0</b>
<b>Unencumbered Fund Balance:</b>					
January 1	\$26,925,131	\$27,950,798	\$29,485,659	\$32,322,910	\$34,824,173
December 31	\$27,950,798	\$29,485,659	\$32,322,910	\$34,824,173	\$34,824,173
<b>Percent of Expenditures</b>	<b>12.8%</b>	<b>13.2%</b>	<b>14.2%</b>	<b>14.8%</b>	<b>13.9%</b>
<b>Assessed Valuation</b>	<b>\$3,148,264</b>	<b>\$3,191,582</b>	<b>\$3,270,189</b>	<b>\$3,365,220</b>	<b>\$3,479,446</b>
Increase In Assessed Valuation	0.8%	1.4%	2.5%	5.7%	3.4%
General Fund Mill Levy	24.114	24.177	24.117	24.156	25.186
Debt Service Fund Mill Levy	8.537	8.509	8.508	8.511	7.506
<b>Total Mill Levy</b>	<b>32.651</b>	<b>32.686</b>	<b>32.625</b>	<b>32.667</b>	<b>32.692</b>

Note: Amounts shown in thousands of dollars. Totals may not be exact due to rounding.

GENERAL FUND	2020 ADOPTED	2021 APPROVED	2022 PROJECTED	2023 PROJECTED	2024 PROJECTED
<b>Budgeted Operating Revenues</b>					
Property Taxes	\$88,076,715	\$90,940,354	\$94,355,758	\$98,216,829	\$100,583,668
Motor Vehicle Taxes	13,018,958	13,344,432	13,678,043	14,019,994	14,370,494
Local Sales Taxes	30,996,495	31,593,935	31,909,874	32,228,973	32,551,263
Motor Fuel Taxes	15,446,902	15,446,902	15,600,521	15,755,676	15,912,383
Liquor Taxes	2,309,526	2,401,908	2,473,965	2,548,184	2,624,630
Franchise Fees	49,679,408	51,423,929	52,996,237	54,640,885	56,346,287
Licenses and Permits	3,144,016	3,173,016	3,236,476	3,301,206	3,367,230
Charges for Services	18,674,452	19,018,007	19,311,570	19,610,950	19,916,263
Rental Income	2,460,362	2,367,566	2,414,917	2,463,216	2,512,480
Transfers In	5,787,881	6,035,688	6,213,353	6,397,309	6,587,783
Interest Earnings	7,350,000	7,250,000	7,250,000	7,250,000	7,250,000
Fines and Penalties	8,504,013	8,667,608	8,750,889	8,835,004	8,919,959
Administrative Charges	3,858,805	4,011,895	4,092,133	4,173,976	4,257,455
Reimbursements	5,310,359	5,379,323	4,788,989	4,930,618	5,076,497
<b>Total Operating Revenues</b>	<b>\$254,617,892</b>	<b>\$261,054,563</b>	<b>\$267,072,726</b>	<b>\$274,372,819</b>	<b>\$280,276,391</b>
<b>Budgeted Operating Expenditures</b>					
Wages	138,036,756	142,427,626	144,643,396	146,884,499	149,150,870
Health Insurance	28,324,256	30,589,167	33,036,300	35,679,204	38,533,541
Other Benefits	31,885,378	32,689,052	33,342,833	34,009,689	34,689,883
Contractual Expenditures	47,198,358	47,978,373	48,937,940	49,916,699	50,915,033
Commodities	8,506,500	8,517,405	8,602,579	8,688,605	8,775,491
Capital Outlay	147,500	147,500	148,975	150,465	151,969
Transfers	8,022,878	8,488,592	8,658,364	8,831,531	9,008,162
Shrinkage	(7,503,734)	(8,321,070)	(8,487,492)	(8,657,242)	(8,830,387)
<b>Total Operating Expenditures</b>	<b>\$254,617,892</b>	<b>\$262,516,644</b>	<b>\$268,882,896</b>	<b>\$275,503,450</b>	<b>\$282,394,562</b>
<b>Operating Margin</b>	<b>\$0</b>	<b>(\$1,462,081)</b>	<b>(\$1,810,170)</b>	<b>(\$1,130,631)</b>	<b>(\$2,118,172)</b>
<b>Unencumbered Fund Balance:</b>					
January 1	\$34,824,173	\$34,824,173	\$33,362,092	\$31,551,922	\$30,421,291
December 31	\$34,824,173	\$33,362,092	\$31,551,922	\$30,421,291	\$28,303,119
<b>Percent of Expenditures</b>	<b>13.7%</b>	<b>12.8%</b>	<b>11.8%</b>	<b>11.1%</b>	<b>10.1%</b>
<b>Assessed Valuation</b>	<b>\$3,627,516</b>	<b>\$3,742,784</b>	<b>\$3,886,997</b>	<b>\$4,018,461</b>	<b>\$4,149,967</b>
Increase In Assessed Valuation	4.3%	3.2%	3.9%	3.4%	3.3%
General Fund Mill Levy	25.192	25.192	25.192	25.192	25.192
Debt Service Fund Mill Levy	7.500	7.500	7.500	7.500	7.500
<b>Total Mill Levy</b>	<b>32.692</b>	<b>32.692</b>	<b>32.692</b>	<b>32.692</b>	<b>32.692</b>

Note: Amounts shown in thousands of dollars. Totals may not be exact due to rounding.

**General Fund**

The General Fund is the principal fund of the City that accounts for all financial transactions not accounted for in other funds. The General Fund is one of two “taxing” funds (the other is the Debt Service Fund); property tax revenue accounts for approximately one-third of its revenues. The General Fund is authorized by KSA 79-1973.

The long-term General Fund forecast is based on a variety of assumptions and variables. The forecast is an attempt to model the potential impact of current policies into the future. No attempt is made to estimate additional expenditure savings from longer-term planned actions to continue streamlining the organizational structure. Likewise, any additional service demands that would result in additional expenditures are not included in the model.

**Revenue Estimating Process**

A variety of both qualitative and quantitative methods are used to estimate revenues for the General Fund. Wichita State University’s Center for Economic Development and Business Research provides data that is used for several revenue streams, primarily sales tax. In addition, a consensus approach is used in revenue streams that are specific to a department. In those cases, Finance staff will typically consult with departmental staff to develop a reasonable estimate of future revenues.

For many other revenue items, qualitative professional judgment is often combined with quantitative methods, such as trend analysis and time-series forecasting. For many revenues, time-series analysis will provide a reasonable range, with judgment applied to develop the most appropriate estimate. For many of the major revenue sources noted below, time-series data is provided, along with additional details impacting the estimate.

**General Fund Balances**

Reserve policies for the General Fund target a balance equal to 10% of expenditures as the minimum. Since 1992, the balance has remained within this policy. The balance in the 2020 Adopted Budget would be 13.9% of expenditures, which is within City Council policy. The financial plan maintains a fund balance above 10% of expenditures through 2024. Since 2008, the General Fund balance has risen from \$22.5 million to \$34.8 million, and the General Fund has operated with a budgetary surplus each year. Reserves, as a percentage of expenditures, have increased from 11.3% in 2008 to 14.8% in 2018.

The General Fund has an Economic Development subfund. For budgetary purposes, this subfund is reported separately, and reserves in this subfund are not included in this discussion. The fund balance in the Economic Development subfund totaled \$1.8 million in 2018. Additionally, the City sold the Hyatt Hotel in downtown Wichita in 2016. The proceeds of this sale (\$20 million) were recorded in the General Fund as a “special item.”

2019-2024 GENERAL FUND FORECAST SUMMARY REVENUES, EXPENDITURES AND ENDING BALANCE (Dollars in Millions)				
YEAR	REVENUE	EXPENDITURES	ENDING BALANCE*	PERCENT OF EXP.
2024	\$280.3	\$282.4	\$28.3	10.1%
2023	274.4	275.5	30.4	11.1%
2022	267.1	268.9	31.6	11.8%
2021	261.1	262.5	33.4	12.8%
2020	254.6	254.6	34.8	13.7%
2019	250.5	250.5	34.8	13.9%
2018	238.0	235.5	34.8	14.8%
2017	229.1	227.3	32.3	14.2%
2016	224.5	223.0	29.5	13.2%
2015	218.9	217.9	27.9	12.8%
2014	212.4	210.9	26.9	12.8%
2013	207.9	205.9	25.3	12.3%
2012	206.7	206.5	23.3	11.3%
2011	209.2	208.7	23.1	11.1%
2010	201.4	201.3	22.6	11.2%
2009	198.6	198.6	22.5	11.3%
2008	197.7	198.3	22.5	11.3%
2007	188.2	188.2	23.0	12.2%
2006	178.2	178.0	23.0	13.0%
2005	169.7	168.8	22.9	13.6%
2004	162.4	161.1	22.0	13.7%
2003	150.2	150.5	20.8	13.8%
2002	149.8	152.0	21.1	13.9%

\* The balances shown do not include proceeds from the sale of the Hyatt hotel (which was recorded in 2016) that were reserved by the City Council for specific purposes. This reserved amount includes an additional \$20 million in 2016 and \$19 million in 2017.

These proceeds were reserved for specific purposes by City Council action and are not reflected in the General Fund reserve levels shown above. All of the sale proceeds were transferred out of the General Fund at the end of 2018.

As shown in the graphic above, the General Fund is projected to be structurally imbalanced beginning in 2021. If unchanged, this trend would erode fund balances during the planning period. Based on this scenario, the fund balance would fall to \$28.3 million, or 10.1% of expenditures by 2024.

### General Fund Expenditures

The most important variable in forecasting the City's financial position in the future is wage growth. Total wage growth is comprised of a number of variables, including increases in salaries, changes in pension and health insurance costs, and changes in staffing levels. These increases can be offset by turnover, which usually reduces wage growth as long-tenured employees are replaced with employees at beginning wage levels.

Prior to 2009, wages grew between 5% and 7% annually. This growth flattened to around 1% annually from 2009-2013, as cost of living raises were suspended, several functions were outsourced, a number of General Fund positions were eliminated to align capacity with service demands and to restructure management hierarchies, and positions were filled only after considerable study and review. Since 2013, growth has increased, as the City began filling positions in key service areas that had previously remained unfilled, and became much more successful at recruiting and filling commissioned positions. This has led to average growth of 2.6% annually in salaries and benefits since 2013.

In the 2020 Adopted Budget, wage growth and benefit growth are expected to average 3.7% annually. This higher than average growth is mostly due to the implementation of Phase I and Phase II of the Police staffing plan, increases in pension costs, and a reduction in planned savings. Generally, wage growth of 3% is forecasted in the long-term. This estimate is based on continuing benefit cost increases, primarily for health insurance, modest wage adjustments for City staff, and a continued strategic evaluation process for filling vacant positions.

2019 –2021 GENERAL FUND EXPENDITURE GROWTH COMPONENTS <i>(Dollars in Millions)</i>			
ITEM	2019	2020	2021
Base Wages	\$0.5	\$2.6	\$3.7
Health Insurance	2.2	2.1	2.3
Pension Rates	1.9	2.9	
Police Staffing Study	1.4	3.0	
Street Maintenance	3.0	(3.0)	
One-time Transfers	0.9	(0.9)	
Tort Fund Transfer	1.3	(1.3)	
Park Equipment	0.3	(0.3)	
Police Records	0.3	(0.3)	
Code Enforcement	0.1		
Other	2.1	0.3	1.9
<b>Net Change</b>	<b>\$15.0</b>	<b>\$4.1</b>	<b>\$7.9</b>
<b>Total Expenditures</b>	<b>\$250.50</b>	<b>\$254.62</b>	<b>\$262.52</b>
<b>Percentage Increase</b>	<b>6.4%</b>	<b>1.6%</b>	<b>3.1%</b>

### Annual Components of Expenditure Changes

Overall, General Fund expenditures are forecasted to increase by 6.4% in 2019, 1.6% in 2020 and 3.1% in 2021. Generally, most of the growth each year is for wage increases and health insurance costs. However, the higher growth in 2019 is driven by implementation of Phase I of the Police staffing study, the shift of \$3 million in street maintenance expenditures back from the Debt Service Fund to the General Fund, and one-time expenditures related to funding innovations that will result in long-term savings.

### General Fund Revenues

Property tax revenues are the single largest component in the General Fund revenue portfolio. Assessed valuation growth is anticipated to increase in the future, providing modest property tax revenue increases. Sales tax revenue continues to be a concern, and is projected to grow at a slow rate. Interest earnings are expected to increase in 2019, based on increases in short-term interest rates as a result of Federal Reserve action. Many General Fund revenue streams are increasing (although in many cases at relatively low rates).

### Annual Components of Revenue Changes

Overall, General Fund revenues are projected to increase by 5.2% in 2019, 1.6% in 2020 and 2.5% in 2021. Strong interest earnings are a key component of 2019 growth. Property tax revenues are projected to grow as assessed valuation continues to increase. Sales tax experienced strong growth in 2018, but continues to be a concern. To date, there have been no changes in Kansas State Statutes in response to the 2018 Supreme Court decision of the South Dakota v. Wayfair case impacting remote sales.

2019 –2021 GENERAL FUND REVENUE GROWTH COMPONENTS <i>(Dollars in Millions)</i>			
ITEM	2019	2020	2021
Property Tax	\$5.1	\$3.8	\$2.9
Interest Earnings	3.1	(2.7)	(0.1)
Sales Tax	0.9	0.6	0.6
Franchise Fees	1.3	1.1	1.7
Fines and Penalties	0.2	0.2	0.2
Other	1.9	1.1	1.1
<b>Net Change</b>	<b>\$12.5</b>	<b>\$4.1</b>	<b>\$6.4</b>
<b>Total Revenues</b>	<b>\$250.50</b>	<b>\$254.62</b>	<b>\$261.05</b>
<b>Percentage Increase</b>	<b>5.2%</b>	<b>1.6%</b>	<b>2.5%</b>

### Property Taxes

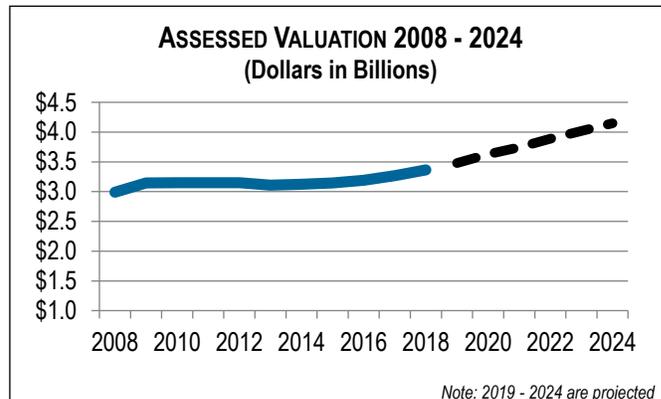
Property tax revenues are based on the assessed valuation of taxable property within the City limits. The appraised valuation is determined by the County Appraiser. The assessment percentage, as

prescribed by the State Constitution, is applied to derive the assessed valuation. The assessed value is then multiplied by the tax rate, expressed in terms of “mills” per \$1, to derive property tax revenue. Property taxes account for over one-third of the revenues to the General Fund.

Property tax receipts are directly impacted by changes in assessed valuation. Based on the estimate provided by the County Clerk, growth of 4.3% is forecasted in 2020, with continued strength in new construction, as well as modest reappraisal growth. Growth of 3.2% to 3.9% is forecasted in the 2021-2024 timeframe.

Annual valuation growth has five different components. The valuation base for machinery and equipment is \$57.8 million in 2019. This is expected to continually erode, based on the legislative action in 2006 to exempt machinery and equipment from property taxation. From 2008 to 2019, this action has eroded the tax base by \$218 million. Annexation can also impact valuation growth. This has had a fairly insignificant impact in the last decade. No material valuation adjustments due to annexation are forecasted.

The third component, new construction, has typically been the largest component of annual valuation growth. Even during the recessionary period of 2009-2013, new construction increased



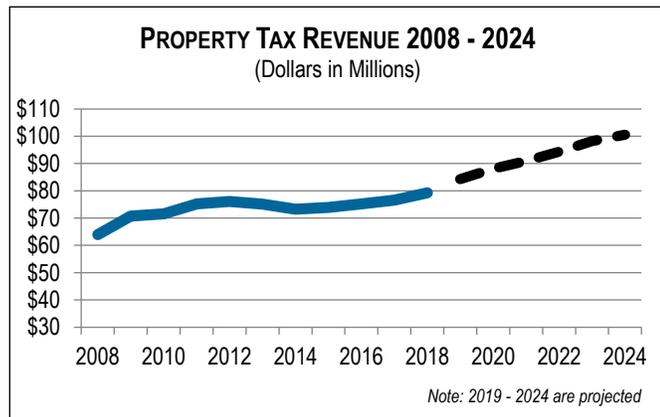
valuation by \$260 million. As economic conditions continue to improve, new construction is projected to be largest portion of total valuation growth.

The fourth component of valuation growth is reappraisal. From 2010 through 2014, reappraisal resulted in annual decreases averaging approximately 1% each year. Since 2016, reappraisal has grown at an average rate of 1.5% per year. Based on the lag often present between economic improvement and valuation growth, reappraisal growth is expected to continue in the future. The State tax lid law

PROPERTY VALUATION COMPONENTS												
TOTAL VALUATION			VALUATION GROWTH COMPONENTS (Dollars in Millions)									
			PERSONAL PROPERTY		ANNEXATION		NEW CONSTRUCTION		REAPPRAISAL		EXPIRED ABATEMENTS *	
YEAR	AMOUNT	GROWTH	AMOUNT	GROWTH	AMOUNT	GROWTH	AMOUNT	GROWTH	AMOUNT	GROWTH	AMOUNT	GROWTH
2024	\$4,150	3.3%	(\$5)	-0.1%	\$0	0.0%	\$72	1.8%	\$65	1.6%	\$0	0.0%
2023	\$4,018	3.4%	(\$6)	-0.2%	\$0	0.0%	\$70	1.8%	\$62	1.6%	\$5	0.1%
2022	\$3,887	3.9%	(\$7)	-0.2%	\$0	0.0%	\$67	1.8%	\$60	1.6%	\$24	0.6%
2021	\$3,743	3.2%	(\$8)	-0.2%	\$0	0.0%	\$65	1.8%	\$58	1.6%	\$0	0.0%
2020	\$3,628	4.2%	(\$2)	-0.1%	\$0	0.0%	\$50	1.4%	\$93	2.7%	\$8	0.2%
2019	\$3,479	3.4%	(\$10)	-0.3%	\$0	0.0%	\$66	2.0%	\$54	1.6%	\$4	0.1%
2018	\$3,365	2.9%	(\$8)	-0.3%	\$0	0.0%	\$55	1.6%	\$48	1.5%	NA	NA
2017	\$3,270	2.5%	(\$8)	-0.3%	\$0	0.0%	\$46	1.3%	\$40	1.3%	NA	NA
2016	\$3,192	1.4%	(\$13)	-0.4%	\$1	0.0%	\$44	1.4%	\$12	0.4%	NA	NA
2015	\$3,148	0.8%	(\$21)	-0.6%	\$0	0.0%	\$45	1.4%	\$0	0.0%	NA	NA
2014	\$3,124	0.4%	(\$13)	-0.4%	\$0	0.0%	\$35	1.2%	(\$9)	-0.3%	NA	NA
2013	\$3,111	-1.3%	(\$7)	-0.2%	\$0	0.0%	\$32	1.0%	(\$66)	-2.1%	NA	NA
2012	\$3,152	0.0%	(\$8)	-0.3%	\$0	0.0%	\$33	1.0%	(\$23)	-0.7%	NA	NA
2011	\$3,150	0.0%	(\$33)	-1.0%	\$1	0.0%	\$39	1.2%	(\$8)	-0.3%	NA	NA
2010	\$3,151	0.2%	(\$35)	-1.1%	\$1	0.0%	\$71	2.3%	(\$32)	-1.0%	NA	NA
2009	\$3,146	5.1%	(\$31)	-1.0%	\$13	0.4%	\$85	2.8%	\$87	2.9%	NA	NA
2008	\$2,992	5.6%	(\$31)	-1.1%	\$0	0.0%	\$85	3.0%	\$105	3.7%	NA	NA

\* Categories correspond to notice of assessed valuation provided by County clerks by State Statute. Expired AbateMENTS was added as a category in 2019.

limits the City's ability to capture increased revenue from reappraisal exceeding a calculated CPI amount each year. For example, the CPI for 2019 is 1.5%. However, since there are several expenditure categories exempted from the tax limit, the City will be well within the tax lid in 2020. In future years, the tax lid could limit the ability of the City to respond to non-public safety demands for increased service levels.



The fifth component of valuation growth is expired abatements. This had formerly been categorized with reappraisal, but was re-categorized in 2019 since this type of growth is exempt from property tax lid calculations. The expiration of abatements will add an estimated \$8.3 million in assessed valuation in 2020.

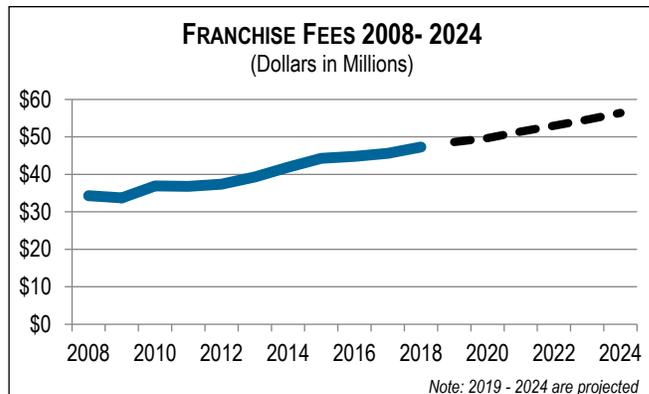
Actual property tax revenues are based on valuation multiplied by the mill levy. Although the total City of Wichita mill levy has essentially been unchanged for 26 years, the levy for the General Fund has fluctuated recently. Beginning in 2009, the City began shifting a portion of the levy from the Debt Service Fund to the General Fund. This increased General Fund property tax revenues. Beginning in 2013, this trend was reversed. In both 2013 and 2014, 0.5 mills were shifted back to the Debt Service Fund. The mill levy shift, coupled with the low projected property valuation growth, resulted in declining General Fund property tax revenues in 2013 and 2014. This was mostly offset by higher property tax revenues for the Debt Service Fund during 2013 and 2014. In 2019, one mill was shifted from the Debt Service Fund to the General Fund to implement Phase I of the Police staffing study.

### Franchise Fees

Franchise fee revenue is based on agreements between the City and utility providers. Generally, the agreements provide long-term access to City easements in exchange for a portion of gross revenues or other considerations. Franchise fees are expected to grow by 2.8% in 2019, 2.2% in 2020, and 3.5% in 2021.

Forecasting franchise fees is complicated by several significant factors affecting utility gross revenues: weather conditions, economic activity, rate setting approvals, and the price of natural gas. Natural gas franchise fees are expected to be the same as 2018, when revenue increased by 10% compared to the prior year. However, longer term, natural gas franchise fees are budgeted at a more

conservative level. Electric franchise fees are significantly impacted by the weather, particularly during the summer months. Long-term growth of 3% to 5% annually is expected in the based on usage and rate changes.

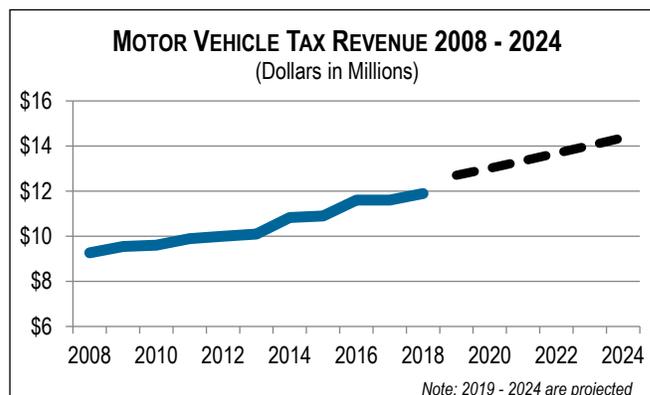


Water and Sewer franchise fees are based on estimated utility rate increases through the planning period. These estimates are based on the Cost of Service Analysis (COSA) that has been presented to the City Council annually. AT&T (formerly SBC) franchise fees are based on a fixed rate per line. The number of lines has constantly decreased in recent years with the proliferation of non-land line communications. The result has been declining franchise fees. This is offset partially by stability in video franchise fees from AT&T. Overall, AT&T franchise fees are expected to decline throughout the planning period.

Cable TV franchise fees have been relatively flat in recent years. Technology advances have created increased competition for Cable TV providers, which has led to static City franchise fee collections. Cable TV franchise fee revenues for the City actually peaked in 2015. The forecast assumes no growth in this revenue stream from the 2018 base.

### Motor Vehicle Taxes

This tax is based on KSA 79-5101 et seq., which provides for 20 classes in which all vehicles are valued. The taxable value of the vehicles is defined as 20% of the class value. Revenues are driven primarily from valuation, which in turn is based on the level and type of vehicle sales.



Motor vehicle tax receipts have historically grown at over 3% annually. However, revenues tend to be economically sensitive. In addition, motor vehicle tax receipts are allocated among the City's two taxing funds based on the level of taxes levied. Organic growth in motor vehicle tax revenues is expected to be 2.5% annually.

**Local Sales Taxes**

Sales tax revenues are generated by the City's share of the county-wide one-cent sales tax. This sales tax is the result of a referendum approved by Sedgwick County voters in 1985. One cent is collected county-wide, of which the City receives approximately 58.0%. The City does not levy a City-wide sales tax. In 2018, \$103 million was distributed to Sedgwick County, of which the City received \$59.6 million. Of the sales tax received by the City, one-half is credited to the General Fund and one-half to the Sales Tax Construction Pledge Fund. This is consistent with the pledge made in 1985.

Sales tax receipts generally have a degree of economic sensitivity. During recessionary periods, revenues tend to remain flat or decline slightly. In addition, fluctuations in growth can occur due to timing differences in the State distribution methodology of sales taxes collected. From 2006 to 2015, sales tax revenues grew at an average of 2.5% per year. However, beginning in the third quarter of 2016, sales tax revenue began to slow, with total growth in 2016 of only 1.2% and a decline of 1.6% in 2017. However, sales tax grew by 3.4% in 2018. The track record of sales tax receipts over the past several years is believed to be due in part to the significant increase in remote retail transactions—many of which are not taxed.

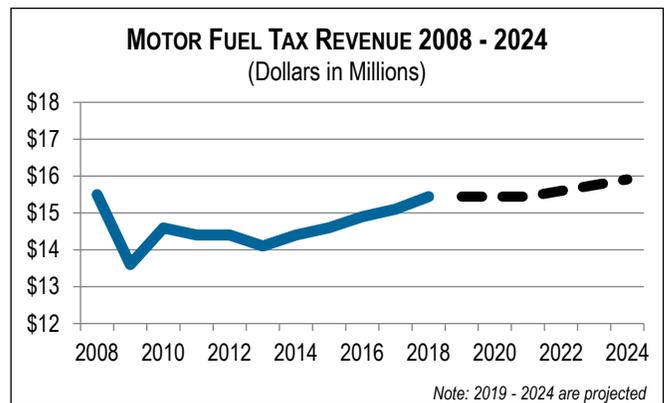
Though there was sales tax growth of 3.4% in 2018 compared to the weak 2017 base, projections for the future are based on slower growth. Based on recent trends and the expected continued erosion caused by online retailing, projected growth rates for sales tax revenues are expected to be 3.1% in 2019 and 2.1% in 2020, which are within historical averages.

Projected sales tax collections could be impacted by any legislative changes made to the statutory exemptions from sales taxes. In addition, unanticipated changes in economic activity could negatively impact sales tax collections. Finally, the distribution ratio is based on the taxing efforts of the 19 cities within Sedgwick

County, as well as the County itself. Any significant changes in taxing efforts in these jurisdictions could impact the City's sales tax receipts.

**State-shared Revenues**

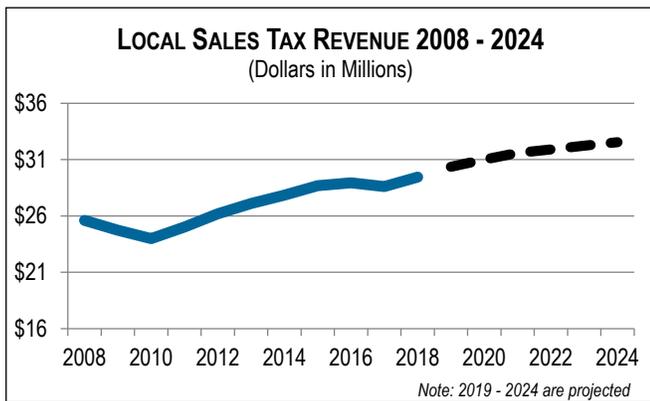
The City receives state-shared revenue from three sources currently: state motor fuel taxes, state liquor taxes, and KLINK and LINK payments. State motor fuel tax collections are based on wholesale gallons sold, not the value or price of the gallons sold. Since 2000, the number of gallons of fuel consumed in Kansas has been relatively static at approximately 1.7 billion annually. The tax rates have also been unchanged since 2003 (rates increased from 20 cents per gallon of gasoline in 2000, 21 cents in 2001, 23 cents in 2002, and to the current 24 cents in 2003). The state distribution formula for the motor fuel tax was adjusted from 2001 to 2003, largely offsetting any benefit to City revenues from the increased tax rate. Since 2003, the distribution formula has remained unchanged.



Of total state motor fuel tax receipts, 33.63% is allocated for cities and counties. Of that amount, 57% is provided to counties, and 43% is provided to cities. The amount for cities is allocated based on the ratio of city population to total population of all cities in the state. The county distributions are made with \$5,000 going to each county, in addition to a proportional distribution based on motor vehicle registration fees, daily vehicle miles traveled, and total road miles. Of the amount received by Sedgwick County, 50% is distributed to the 19 cities in Sedgwick County based on population.

Motor fuel tax revenues reached \$15.7 million in 2007, and have decreased since. The decrease in 2009 was largely due to action by the State Legislature that effectively reduced motor fuel tax receipts for the City of Wichita by approximately \$1 million. With the moderate cost of fuel and increased economic activity, gas tax receipts have begun to increase slightly over the past several years. No growth is estimated in the 2020 Adopted Budget.

State liquor tax receipts are based on KSA 79-41a04. Per statute, 70% of the liquor excise taxes collected in Wichita are redistributed to the City. One-third of the redistributed amount is credited to the City's General Fund, with equal thirds credited to the Special Alcohol Fund and the Special Park and Recreation Fund. Liquor tax



receipts have historically grown around 5% each year, and tend to be counter-cyclical, as well as relatively volatile. Since 2012, revenues have grown relatively consistently and with less volatility. Annual growth of 4% is budgeted in the 2020 Adopted Budget.

### Fines and Penalties

Revenues are generated from two sources: the collection of Court assessed fines and penalties and the collection of Library fines and fees. Court revenues can vary considerably, depending on enforcement activity, judicial disposition of cases, participation of defendants in diversion programs, and the collection rate of court ordered assessments.

Court revenues totaled \$7.8 million in 2018. However, with the creation of a new centralized traffic bureau within the Police Department and an enhanced strategic effort to lower traffic fatalities and crashes, Court revenues are expected to increase. A total of \$8.4 million is budgeted beginning in 2019.

### Licenses and Permits

City ordinances require licenses and permits for a variety of activities. Generally, these revenues fall into four categories: dog licenses, alarm system licenses and fees, curb cut permits, and all other permits and licenses. Over the years, most of the fluctuations have occurred in alarm fees and curb cut permits. Revenues are expected to be \$3.1 million in 2020, compared to \$2.9 million collected in 2018. Additional growth is likely in the future, as staff continue to examine City costs related to licensed activity, to ensure that rates are set equitably and in order to recover City costs.

### Charges for Sales and Services

Revenue from this source is derived from a number of services provided for a fee to citizens, as well as fees charged to City enterprise funds. Fluctuations in this revenue source are primarily from participation in recreation programs, changes in program fees, the calculation of engineering overhead, and the number of pavement cuts required each year. Revenues are projected to reach \$18.7 million in 2020, with modest annual increases projected each year.

Engineering overhead is based on prior year expenditures for engineering services related to CIP activities; hence, fluctuations in this source are directly related to fluctuations in expenditures. Likewise, curb cut revenue is directly related to expenditures incurred by Public Works & Utilities Engineering to perform the curb cuts. This revenue tends to fluctuate based on service demands.

Public safety charges are assessed to each enterprise fund operation and are calculated to reimburse the General Fund for the equivalent cost of providing public safety service to each operation. The fees are recalculated annually based on the cost of providing public safety services in the General Fund and the valuation of each proprietary fund. For 2020, these fees are budgeted to generate \$8.3 million in revenue.

### Administrative Charges

Revenues from this source are based mostly on the cost allocation plan performed annually by an outside consultant. This plan, required under OMB Circular A-87, allocates overhead costs of administrative services to other funds in order to facilitate full cost accounting. The charges are reviewed annually and updated or changed as necessary, based on the cost allocation plan. Based on the cost allocation plan derived the 2017 Comprehensive Annual Financial Report, the revenues in 2020 are projected to be \$3.9 million.

### Transfers In

Transfers to the General Fund are typically made to reimburse the General Fund for support provided to other services or to facilitate full cost accounting. Transfers generally fall into four categories: transfers from the Special Park and Recreation Fund to offset General Fund recreation costs; transfers from the Convention and Tourism Fund to offset losses at the City's convention center; transfers from the Landfill Post Closure Fund, based on the diminishment of the post closure liability; and other miscellaneous transfers.

### Interest Earnings

This revenue stream is largely dependent upon market rates for investments that are permitted under the City's Investment Policy, as well as the size of the pool of investment funds. The Federal Reserve raised rates six times during the 18-month period from June 2017 to December 2018, which has significantly improved the City's interest earnings outlook. A total of \$10 million is budgeted in 2019, decreasing to \$7.35 million in 2020 and \$7.25 million 2021 based on anticipated interest rate cuts.

### Rental Income

The City leases a variety of real estate, including office space, garage space, and athletic fields. The majority of the rental income is derived from two sources: rental payments from vendors at Century II and the Expo Hall; and rentals offered by the Park and Recreation Department (typically shelters, recreation center rooms and athletic fields). These revenues are expected to be relatively stable at \$2.4 million to \$2.5 million, for 2019 and 2020, respectively.

### Reimbursements

As the name implies, reimbursement receipts are intended to reimburse the General Fund for activities provided for non-General Fund or external services. A significant reimbursement is received from the Wichita Public Schools (USD 259) for 50% of the cost of seven Police School Resource Officer positions based on a Memorandum of Agreement. This revenue is expected to total \$450,404 in 2020. Additionally, \$3.8 million is included in reimbursements for other positions, such as the Call Center and staffing for the Environmental Remediation TIFs. Total reimbursement revenue is projected to be \$5.3 million in 2020.

**CITY OF WICHITA, KANSAS**

**RECENT GENERAL OBLIGATION BOND SALES**

SERIES NO.	AMOUNT	DATE OF BONDS	MATURITY	COUPON RATE (PERCENT)	NET INTEREST RATE (PERCENT)
778A	565,000	08/01/04	1 to 20 yrs.	4, 4.5, 4.1, 4.2, 4.25, 4.375, 4.4, 4.5, 4.7, 4.75	4.4388
782A	1,610,000	08/01/05	1 to 20 yrs.	4, 4.25	4.1471
786A	920,000	08/01/06	1 to 20 yrs.	5.75, 5.5, 5.0, 4.5, 4.3, 4.35, 4.4, 4.45, 4.55, 4.6, 4.65, 4.7, 4.75, 4.8, 4.85	4.6861
788A	4,985,000	02/01/07	1 to 20 yrs.	4, 4.1, 4.2, 4.25, 4.625	4.2567
790A	2,575,000	08/01/07	1 to 20 yrs.	4, 4.375, 4.5, 4.6, 4.625, 4.65, 4.7, 4.75	4.5589
800A	13,125,000	03/01/10	1 to 20 yrs.	2.25, 2.5, 2.75, 3.0, 3.25, 3.5, 4.0, 4.125, 4.2, 4.25	3.5655
800B	1,630,000	03/01/10	1 to 20 yrs.	2.0, 2.25, 2.625, 2.875, 3.125, 3.25, 3.375, 3.5, 4.0	4.9945
802	6,085,000	08/01/10	1 to 15 yrs.	2.0, 2.5, 3.0, 3.125, 3.3, 3.4, 3.5	2.7891
802A	5,870,000	08/01/10	1 to 20 yrs.	2.20, 3.0, 3.125, 3.375, 3.5, 4.0	3.2914
802B	1,260,000	08/01/10	1 to 20 yrs.	3.25, 3.5, 3.75, 4.0, 4.25, 4.5, 4.6, 4.75, 4.9, 5.0, 5.15 5.3, 5.4, 5.5, 5.6, 5.7	4.5431
804	1,965,000	02/01/11	1 to 15 yrs.	2.5, 2.7, 3.0, 3.2, 3.4, 3.7, 4.0, 4.1, 4.15, 4.25	3.5522
2011A-Airport	5,715,000	02/01/11	1 to 30 yrs.	2.5, 3.0, 2.5, 3.5, 4.0, 4.125, 4.25, 4.4, 4.5, 4.6, 4.625, 5.0	4.6429
2011B-Airport	11,365,000	02/01/11	1 to 30 yrs.	1.2, 4.0, 4.25, 4.5, 4.75, 5.25, 5.0, 5.1, 5.2, 5.25, 5.3, 5.35, 5.4, 5.45, 5.5, 5.6	5.2599
806	3,480,000	08/01/11	1 to 20 yrs.	2.0, 2.25, 2.50, 2.75, 3.0, 3.25, 3.50, 3.75, 4.0	3.1136
2011D	11,365,000	02/01/11	1 to 9 yrs.	3.0, 4.0, 5.0	1.6509
2011A	5,715,000	02/01/11	1 to 30 yrs.	2.5, 3.0, 3.5, 4.0, 4.125, 4.25, 4.4, 4.5, 4.6, 5.0	4.5640
803	19,265,000	02/01/12	1 to 15 yrs.	2.0, 2.25, 2.50, 3.0	2.0228
808	5,615,000	02/01/12	1 to 20 yrs.	2.0, 2.50, 3.0, 3.25	2.2766
805	11,365,000	08/01/12	1 to 15 yrs.	2.0, 3.0, 4.0	1.8297
961	1,610,000	08/01/12	1 to 11 yrs.	1.5, 1.7, 1.95, 2.25, 2.55, 2.7	2.0719
810	2,275,000	08/01/12	1 to 20 yrs.	2.0, 3.0, 3.125	2.5986
2012A-Refund.	21,250,000	11/01/12	1 to 9 yrs.	3.0, 4.0, 5.0	1.3859
2012B-Refund.	2,850,000	11/01/12	1 to 8 yrs.	1.0, 1.05, 1.25, 1.50, 1.75, 2.05, 2.25	1.6813
2012C-Refund.	4,360,000	11/01/12	1 to 8 yrs.	2.0, 3.0	1.3928
2012D-Sales Tax	17,700,000	11/01/12	1 to 15 yrs.	2.0, 2.125, 2.25, 2.5, 3.0	1.9765
2012E-S-Tax Ref.	22,865,000	11/01/12	1 to 8 yrs.	4.0, 5.0	1.3357
807	9,450,000	02/01/13	1 to 10 yrs.	2.0	1.3755
812	3,375,000	02/01/13	1 to 20 yrs.	2.0, 3.0, 4.0	2.3176
809	3,550,000	02/01/14	1 to 10 yrs.	2.0, 3.0	2.1633
809A	4,720,000	02/01/14	1 to 15 yrs.	1.0, 2.0, 3.0, 2.6, 2.8, 3.2, 3.5, 3.7, 3.75, 4.0, 4.125, 4.375	3.6092
2014A-Airport	8,010,000	02/01/14	1 to 30 yrs.	3.0, 4.0, 3.1, 3.25, 3.375, 3.5, 3.625, 3.7, 3.8, 4.125, 4.2, 4.25, 4.3	3.9041
2014-Sales Tax	64,785,000	09/01/14	1 to 15 yrs.	5.0, 3.0, 3.5	2.6286
811	143,995,000	10/01/14	1 to 20 yrs.	4.0, 5.0, 3.0, 3.75	3.0897
813	8,090,000	10/01/14	1 to 15 yrs.	2.0, 2.5, 3.0, 3.05, 3.2, 3.35, 3.5, 3.65, 3.75, 3.85	3.1366
814	10,610,000	10/01/14	1 to 20 yrs.	5.0, 2.25, 2.375, 2.625, 2.75, 2.875, 3.0, 3.125, 3.2, 3.25, 3.3, 3.375	2.7549
962	6,890,000	10/01/14	1 to 10 yrs.	2.0, 3.0	1.9647
2015A-Refund.	49,130,000	04/01/15	1 to 10 yrs.	5.0, 2.0	1.6862
2015A-Airport	18,235,000	06/01/15	1 to 30 yrs.	3.0, 5.0, 3.5, 3.75, 4.0	3.7565
2015B-Airport	8,685,000	06/01/15	1 to 30 yrs.	3.0, 4.0, 3.375, 3.5, 3.625	4.0600
2015C-Airport	67,615,000	06/01/15	1 to 30 yrs.	4.0, 5.0, 4.25	4.3579
815	2,835,000	10/01/15	1 to 15 yrs.	2.0, 2.25, 2.5, 3.0, 3.1, 3.4, 3.7	3.2347
816	10,145,000	10/01/15	1 to 20 yrs.	2.0, 3.0, 5.0, 3.125, 3.2, 3.25, 3.375	2.7509

**CITY OF WICHITA, KANSAS**

**RECENT GENERAL OBLIGATION BOND SALES**

SERIES NO.	AMOUNT	DATE OF BONDS	MATURITY	COUPON RATE (PERCENT)	NET INTEREST RATE (PERCENT)
817	3,670,000	10/01/16	1 to 15 yrs.	2.0, 3.0, 2.125, 2.25, 2.375	1.8636
818	6,465,000	10/01/16	1 to 20 yrs.	4.0, 5.0, 2.25, 2.375, 2.5, 2.625, 2.75	2.3600
819	3,560,000	10/01/16	1 to 10 yrs.	3.0, 2.0, 2.1	1.8311
2016A-Refund.	14,335,000	10/01/16	1 to 9 yrs.	5.0, 1.5, 4.0	1.3558
2017A-Airport	10,555,000	04/01/17	1 to 30 yrs.	5.0, 4.0, 3.0, 3.125, 3.25, 3.375, 3.5, 3.625, 3.75	3.6440
2017B-Airport	7,180,000	04/01/17	1 to 30 yrs.	5.0, 3.125, 3.375, 3.5, 3.625, 3.75, 4.0	3.9065
820	11,330,000	10/01/17	1 to 20 yrs.	5.0, 4.0, 3.0	2.5402
2017A-Refund.	19,995,000	12/01/17	1 to 13 yrs.	5.0	2.5586
821	9,395,000	10/01/18	1 to 15 yrs.	5.0, 3.0, 3.125	2.7115
822	16,040,000	10/01/18	1 to 20 yrs.	5.0, 3.0, 3.125, 3.25, 3.375	3.0201
2019A-Sales Tax	23,400,000	09/01/19	1 to 15 yrs.	4.0, 1.5, 3.0, 2.0	1.7961
823	34,150,000	10/01/19	1 to 10 yrs.	4.0	1.7828
824	11,335,000	10/01/19	1 to 20 yrs.	4.5, 3.0, 2.0, 2.125	2.2923
963	12,145,000	10/01/19	1 to 14 yrs.	3.0, 4.0	2.4307

**APPENDIX D**

**FORM OF BOND COUNSEL'S OPINIONS**



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**W I C H I T A**

**APPENDIX D**

**FORM OF BOND COUNSEL OPINION**

**GILMORE & BELL, P.C.**  
**Attorneys at Law**  
**100 N. Main Suite 800**  
**Wichita, Kansas 67202**

December 3, 2019

Governing Body  
City of Wichita, Kansas

Piper Jaffray & Co.  
Chicago, Illinois

Re: \$12,365,000 Taxable General Obligation Airport Refunding Bonds, Series 2019A, of the City of Wichita, Kansas, Dated December 1, 2019

We have acted as Bond Counsel in connection with the issuance by the City of Wichita, Kansas (the "Issuer"), of the above-captioned bonds (the "Bonds"). In this capacity, we have examined the law and the certified proceedings, certifications and other documents that we deem necessary to render this opinion. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the resolution adopted by the governing body of the Issuer prescribing the details of the Bonds.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and legally binding general obligations of the Issuer.
2. The Bonds are payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the Issuer. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent that necessary funds are not provided from other sources.
3. The interest on the Bonds is exempt from income taxation by the State of Kansas.

We express no opinion regarding federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement). Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth in this opinion.

The rights of the owners of the Bonds and the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally and by equitable principles, whether considered at law or in equity.

This opinion is given as of its date, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may come to our attention or any changes in law that may occur after the date of this opinion.

**GILMORE & BELL, P.C.**



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**APPENDIX E**

**SUMMARY OF FINANCING DOCUMENTS**



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**C I T Y ■ O F  
W I C H I T A**

## ***APPENDIX E***

### **SUMMARY OF FINANCING DOCUMENTS**

The following is a summary of certain provisions contained in each Bond Resolution authorizing the issuance of the Bonds, the Escrow Trust Agreement and the Disclosure Undertaking. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing documents.

#### **THE BOND RESOLUTION**

##### **DEFINITIONS**

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

**“Act”** means the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-427 *et seq.* and K.S.A. 10-620 *et seq.*, all as amended and supplemented.

**“Authorized Denomination”** means \$5,000 or any integral multiples thereof.

**“Beneficial Owner”** of the Bonds includes any Owner of the Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

**“Bond and Interest Fund”** means the Bond and Interest Fund of the Issuer for its general obligation bonds.

**“Bond Counsel”** means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

**“Bond Payment Date”** means any date on which principal of or interest on any Bond is payable.

**“Bond Register”** means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

**“Bond Registrar”** means the State Treasurer, and its successors and assigns.

**“Bond Resolution”** means collectively, the ordinance passed by the governing body of the Issuer and the resolution adopted by the governing body of the Issuer authorizing the issuance of the Series 2019A Bonds, as amended from time to time.

**“Bonds”** means the Series 2019A Bonds.

**“Business Day”** means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

**“Cede & Co.”** means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

**“City”** means the City of Wichita, Kansas.

**“Clerk”** means the duly appointed and acting Clerk of the Issuer or, in the Clerk's absence, the duly appointed Deputy, Assistant or Acting Clerk of the Issuer.

**“Costs of Issuance”** means all costs of issuing the Bonds, including but not limited to all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of Bond Counsel and other legal counsel, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

**“Dated Date”** means December 1, 2019.

**“Debt Service Account”** means the account by that name created within the Bond and Interest Fund by the Bond Resolution.

**“Debt Service Requirements”** means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

**“Defaulted Interest”** means interest on any Bond which is payable but not paid on any Interest Payment Date.

**“Defeasance Obligations”** means any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates;  
or  
(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) such obligations are rated in a rating category by Moody's or Standard & Poor's that is no lower than the rating category then assigned by that Rating Agency to United States Government Obligations.

**“Derivative”** means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

**“Director of Finance”** means the duly appointed and acting Director of Finance of the Issuer or, in the Director of Finance's absence (or in the event of a vacancy in such office) any Deputy, Assistant or Acting Director of Finance or Finance Manager of the Issuer.

**“Disclosure Undertaking”** means the Issuer's master undertaking to provide ongoing disclosure relating to certain obligations contained in the SEC Rule in connection with the general obligation bonds of the Issuer issued after February 27, 2019, as implemented by Ordinance Number 50-932 of the Issuer.

**“DTC”** means The Depository Trust Company, New York, New York.

**“Escrow Agent”** means BOKF, N.A., Overland Park, Kansas, and its successors and assigns.

**“Escrow Agreement”** means the Escrow Trust Agreement, dated as of the Dated Date between the Issuer and the Escrow Agent.

**“Escrow Fund”** means the Escrow Fund for Refunded Bonds referred to in the Bond Resolution.

**“Escrowed Securities”** means the direct, noncallable obligations of the United States of America, as described in the Escrow Agreement.

**“Event of Default”** means each of the following occurrences or events:

- (a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise;
- (b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or
- (c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution (other than the covenants relating to continuing disclosure contained in the Bond Resolution and the Disclosure Undertaking) on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

**“Fiscal Year”** means the twelve month period ending on December 31.

**“Funds and Accounts”** means funds and accounts created by or referred to in the Bond Resolution.

**“Independent Accountant”** means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the Bond Resolution.

**“Interest Payment Date(s)”** means the Stated Maturity of an installment of interest on any Bond which shall be March 1 and September 1 of each year, commencing March 1, 2020.

**“Issue Date”** means the date when the Issuer delivers the Bonds to the Purchaser in exchange for the Purchase Price.

**“Issuer”** means the City and any successors or assigns.

**“Maturity”** when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and in the Bond Resolution provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

**“Mayor”** means the duly elected and acting Mayor of the Issuer, or in the Mayor's absence, the duly appointed and/or elected Vice Mayor or Acting Mayor of the Issuer.

**“Moody's”** means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody's” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**“Official Statement”** means the Issuer's Official Statement relating to the Bonds.

**“Outstanding”** means, when used with reference to the Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

- (a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;
- (b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

**“Owner”** when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

**“Participants”** means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

**“Paying Agent”** means the State Treasurer, and any successors and assigns.

**“Permitted Investments”** shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f), all as may be further restricted or modified by amendments to applicable State law.

**“Person”** means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

**“Purchaser”** means the financial institution or investment banking firm that is original purchaser of the Bonds.

**“Rating Agency”** means any company, agency or entity that provides, pursuant to request of the Issuer, financial ratings for the Bonds.

**“Record Dates”** for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

**“Redemption Date”** means, when used with respect to any Bond to be redeemed, the date fixed for the redemption of such Bond pursuant to the terms of the Bond Resolution.

**“Redemption Price”** means, when used with respect to any Bond to be redeemed, the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

**“Refunded Bonds”** means collectively, the following general obligation bonds of the Issuer:

<u>Description</u>	<u>Series</u>	<u>Dated Date</u>	<u>Years</u>	<u>Amount</u>
General Obligation Airport Bonds	2011A	02/01/2011	2022 – 2041	\$3,885,000
General Obligation Airport Bonds (Subject to Alternative Minimum Tax)	2011B	02/01/2011	2022 – 2041	7,680,000

**“Refunded Bonds Paying Agent”** means the paying agent for each series of the Refunded Bonds as designated in the Refunded Bonds Resolution, and any successor or successors at the time acting as paying agent for the Refunded Bonds.

**“Refunded Bonds Redemption Date”** means March 1, 2021.

**“Refunded Bonds Resolution”** means each ordinance and resolution which authorized the Refunded Bonds.

**“Replacement Bonds”** means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

**“SEC Rule”** means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time.

**“Securities Depository”** means, initially, DTC, and its successors and assigns.

**“Series 2019A Bonds”** means the City's Taxable General Obligation Airport Refunding Bonds, Series 2019A, authorized and issued by the Issuer pursuant to the Bond Resolution.

**“Special Record Date”** means the date fixed by the Paying Agent for the payment of Defaulted Interest.

**“Standard & Poor's”** means S&P Global Ratings, a division of S&P Global Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

**“State”** means the state of Kansas.

**“State Treasurer”** means the duly elected Treasurer of the State or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

**“Stated Maturity”** when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

**“Substitute Escrowed Securities”** means securities that satisfy the requirement of Defeasance Obligations as set forth in the Refunded Bonds Resolution, which have been acquired by the Escrow Agent and substituted for Escrowed Securities in accordance with the Escrow Agreement.

**“Term Bonds”** means the Series 2019A Bonds scheduled to mature in the year 2041.

**“Treasurer”** means the duly appointed and/or elected Treasurer of the Issuer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

**“United States Government Obligations”** means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

**“Verification Report”** means the verification report relating to the Bonds and the Refunded Bonds as referenced in the Escrow Agreement.

## **ESTABLISHMENT OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS**

***Creation of Funds and Accounts.*** Simultaneously with the issuance of the Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Debt Service Account (within the Bond and Interest Fund).
- (b) Costs of Issuance Account.

The above Funds and Accounts shall be administered in accordance with the provisions of the Bond Resolution so long as the Bonds are Outstanding.

In addition to the Funds and Accounts described above, the Escrow Agreement establishes the Escrow Fund to be held and administered by the Escrow Agent in accordance with the provisions of the Escrow Agreement:

***Deposit of Bond Proceeds.*** The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) All accrued interest and excess proceeds, if any, shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds shall be transferred to the Escrow Agent for deposit in the Escrow Fund and applied in accordance with the Escrow Agreement.

***Application of Moneys in the Debt Service Account.*** All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on

the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Bond Registrar and Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return said funds to the Issuer. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Bonds entitled to payment from such moneys. Any moneys or investments remaining in the Debt Service Account after the retirement of the Bonds shall be transferred and paid into the Bond and Interest Fund.

***Payments Due on Saturdays, Sundays and Holidays.*** In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

***Application of Moneys in the Costs of Issuance Account.*** Moneys in the Costs of Issuance Account shall be used by the Issuer to pay the Costs of Issuance of the Bonds. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to Debt Service Account.

***Application of Moneys in the Escrow Fund.*** Under the Escrow Agreement, the Escrow Agent will apply moneys in the Escrow Fund to purchase the Escrowed Securities and to establish an initial cash balance in accordance with the Escrow Agreement. The cash and Escrowed Securities held in the Escrow Fund will be applied by the Escrow Agent solely in the manner authorized by the Escrow Agreement.

***Verification of Certified Public Accountant.*** Prior to or concurrently with the issuance and delivery of the Bonds and the creation of the Escrow Fund, the Issuer shall obtain a Verification Report from an independent certified public accountant that such accountant has verified the accuracy of the calculations that demonstrate that the money and obligations required to be deposited with the Escrow Agent pursuant to the Bond Resolution and the Escrow Agreement, together with the earnings to accrue thereon, will be sufficient for the timely payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds in accordance with the Escrow Agreement.

## **DEPOSIT AND INVESTMENT OF MONEYS**

***Deposits.*** Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

***Investments.*** Moneys held in any Fund or Account other than the Escrow Fund may be invested in accordance with the Bond Resolution in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account.

## **DEFAULT AND REMEDIES**

***Remedies.*** The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

***Limitation on Rights of Owners.*** The covenants and agreements of the Issuer contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds of any series shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. No one or more Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Resolution, or to enforce any right, except in the manner provided in the Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

***Remedies Cumulative.*** No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

## **DEFEASANCE**

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption.

## **TAX COVENANTS – INTENTIONALLY OMITTED**

## **CONTINUING DISCLOSURE REQUIREMENTS**

***Disclosure Requirements.*** The Issuer covenants in the Bond Resolution with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in the Disclosure Undertaking and to make the provisions of the Disclosure Undertaking applicable to the Bonds. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

***Failure to Comply with Continuing Disclosure Requirements.*** In the event the Issuer fails to comply in a timely manner with its continuing disclosure covenants contained in the Bond Resolution, the Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Issuer. In the event the Issuer does not remedy such noncompliance within 10 days of receipt of such written notice, the Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Issuer under such preceding section. Notwithstanding any other provision of the Bond Resolution, failure of the Issuer to comply with its continuing disclosure covenants contained in the Bond Resolution shall not be considered an Event of Default under the Bond Resolution.

## **MISCELLANEOUS PROVISIONS**

***Annual Audit.*** Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

***Levy and Collection of Annual Tax.*** The governing body of the Issuer shall annually make provision for the payment of Debt Service Requirements on the Bonds as the same become due by levying and collecting the necessary taxes and/or

assessments upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes and/or assessments referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer shall thereafter be deposited in the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent. If at any time said taxes and/or assessments are not collected in time to pay the principal of or interest on the Bonds when due, the Treasurer is hereby authorized and directed to pay said principal or interest out of the general funds of the Issuer and to reimburse said general funds for money so expended when said taxes are collected.

**Amendments.** The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

**Notices, Consents and Other Instruments by Owners.** Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Bond Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent. All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

**Electronic Transactions.** The issuance of the Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

**Severability.** If any section or other part of the Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of the Bond Resolution.

**Governing Law.** The Bonds and the Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

## **THE ESCROW TRUST AGREEMENT**

**Creation of the Escrow Fund.** The Escrow Trust Agreement creates and establishes with the Escrow Agent the Escrow Fund, which shall be a special and irrevocable separate trust fund to be held in the custody of the Escrow Agent.

**Creation of Lien.** The Escrow Fund shall be irrevocable. The owners of the Refunded Bonds are granted an express lien on, and security interest in, the Escrowed Securities and the cash in the Escrow Fund and all earnings thereon until used and applied in accordance with the Escrow Trust Agreement. The matured principal of, and earnings on, the Escrowed Securities and any cash in the Escrow Fund are pledged and assigned, and shall be applied solely for the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds.

***Deposits to the Escrow Fund.*** Concurrently with the execution and delivery of the issuance of the Bonds, and pursuant to the provisions of the Bond Resolution, the Issuer shall deposit with the Escrow Agent, and the Escrow Agent acknowledges receipt and deposit into the Escrow Fund of, proceeds of the Bonds in amounts sufficient to purchase the Escrowed Securities, which shall be delivered to and deposited in the Escrow Fund, and establish any required beginning cash balance in the Escrow Fund sufficient to provide for payment of the Refunded Bonds.

***Verification Report.*** A firm of independent certified public accountants has verified the mathematical computations which demonstrate that the cash held in the Escrow Fund, together with the maturing Escrowed Securities and interest to accrue thereon, will be sufficient to pay all principal of, redemption premium, if any, and interest on the Refunded Bonds on the respective Bond Payment Dates and the Refunded Bonds Redemption Date.

***Application of Cash and Escrowed Securities in the Escrow Fund.*** Except as otherwise expressly provided, the Escrow Agent shall have no power or duty to invest any money held thereunder or to sell transfer or otherwise dispose of any Escrowed Securities. On or prior to each Refunded Bonds Payment Date and on the Refunded Bonds Redemption Date, the Escrow Agent shall withdraw from the Escrow Fund an amount equal to the principal of, redemption premium, if any, and interest on the Refunded Bonds becoming due and payable on such Refunded Bonds Payment Date and on the Refunded Bonds Redemption Date, and shall forward from available moneys in the Escrow Fund such amount to the office of the respective Refunded Bonds Paying Agent, so that immediately available funds will reach the offices of the Refunded Bonds Paying Agent on or before the Refunded Bonds Payment Date and the Refunded Bonds Redemption Date. In order to make the required payments, the Escrow Agent is authorized to redeem or otherwise dispose of Escrowed Securities. Upon the payment in full of the principal of, redemption premium, if any, and interest on the Refunded Bonds, all remaining money and Escrowed Securities in the Escrow Fund, together with any interest thereon, shall be transferred to the Issuer to be applied in accordance with State law.

***Substitute Escrowed Securities.*** In the event that any of the Escrowed Securities are not available for delivery on the date of the issuance of the Bonds, the Escrow Agent is directed to accept substitute securities in lieu thereof, provided the substitute securities are non-callable direct obligations of the United States of America, the maturing principal of and interest on such substitute securities (excluding any interest after any optional call date) is equal to or greater than the maturity value of such unavailable Escrowed Securities, principal of and interest on the substitute securities is payable on or before the maturity date of the unavailable Escrowed Securities, and the Issuer and Bond Counsel approve such substitution.

At the written request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to sell, transfer, request the redemption of or otherwise dispose of the Escrowed Securities and to substitute for the Escrowed Securities solely cash or Substitute Escrowed Securities. The Escrow Agent shall purchase such Substitute Escrowed Securities with the proceeds derived from the sale, transfer, disposition or redemption of the Escrowed Securities together with any other funds available for such purpose. The substitution may be effected only if the substitution of the Substitute Escrowed Securities for the original Escrowed Securities occurs simultaneously; the Escrow Agent shall receive from an independent certified public accountant acceptable to the Escrow Agent in its reasonable judgment a certification, satisfactory in form and substance to the Escrow Agent, to the effect that after such substitution, the principal of and interest on the Escrowed Securities to be held in the Escrow Fund after the substitution (including Substitute Escrowed Securities to be acquired), together with any other money to be held in the Escrow Fund after such transaction, will be sufficient to pay all remaining principal of, redemption premium, if any, and interest on the Refunded Bonds and the amounts and dates of the anticipated transfers from the Escrow Fund to the Refunded Bonds Paying Agent will not be diminished or postponed thereby; and the Escrow Agent shall receive a written opinion of Bond Counsel to the effect that such substitution would not cause the interest on the Refunded Bonds to become included in gross income for purposes of federal income taxation under then existing law.

***Redemption of Refunded Bonds.*** The Escrow Agent acknowledges that the Issuer has notified the Escrow Agent that the Issuer has elected to call the Refunded Bonds for redemption and payment prior to maturity on the respective Refunded Bonds Redemption Date and has directed the Escrow Agent to notify the Refunded Bonds Paying Agent of such call for redemption so that the Refunded Bonds Paying Agent may cause notice of the call for redemption and payment of the Refunded Bonds to be given.

***Resignation or Removal of Escrow Agent; Successor Escrow Agent.*** The Escrow Agent may at any time resign and be discharged from its duties and responsibilities by giving written notice by first-class mail to the Issuer and the Refunded Bonds Paying Agent (who shall cause notice to be given to the Owners of the Refunded Bonds) not less than 60 days prior to the date when the resignation is to take effect. Such resignation shall take effect immediately upon the acceptance of the Issuer of the resignation, the appointment of a successor Escrow Agent (which may be a temporary Escrow Agent) by the Issuer, the acceptance of such successor Escrow Agent of the terms, covenants and conditions of the Escrow Trust Agreement, the transfer of the Escrow Fund, including the money and Escrowed Securities held therein, to such successor Escrow Agent and the

completion of any other actions required for the principal of and interest on the Escrowed Securities to be made payable to such successor Escrow Agent rather than the resigning Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Agent and the Issuer and signed by the owners of a majority in principal amount of the Refunded Bonds then Outstanding; provided that written notice thereof is mailed on or before the date of such removal by first-class mail, postage prepaid, to all Owners of such Refunded Bonds, who are not parties to such instruments. The Escrow Agent may also be removed by the Issuer if the Escrow Agent fails to make timely payment of available moneys on any Bond Payment Date to the Refunded Bonds Paying Agent of the amounts required to be paid by it on such Bond Payment Date; provided that written notice thereof is mailed on or before the date of such removal by first-class mail, postage prepaid, to the Refunded Bonds Paying Agent and to all Owners of such Refunded Bonds, who are not parties to such instruments. Any removal shall become effective upon the appointment of a successor Escrow Agent (which may be a temporary successor Escrow Agent) by the Issuer, the acceptance of such successor Escrow Agent of the terms, covenants and conditions of the Escrow Trust Agreement, the transfer of the Escrow Fund, including the money and Escrowed Securities held therein, to such successor Escrow Agent and the completion of any other actions required for the principal of and interest on the Escrowed Securities to be made payable to such successor Escrow Agent rather than the Escrow Agent being removed.

If no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by the Issuer within 60 days after written notice of resignation of the Escrow Agent has been given to the Issuer or instrument of removal has been delivered to the Escrow Agent, the Owner of any of the Refunded Bonds or any retiring or removed Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent. No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation with trust powers authorized to do business in the State, and organized under the banking laws of the United States or the State and shall have at the time of appointment capital and surplus of not less than \$10,000,000.

**Amendments.** The Escrow Agreement is made for the benefit of the Issuer and the Owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such Owners, the Escrow Agent and the Issuer; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such Owners, enter into such agreements supplemental to the Escrow Agreement as shall not adversely affect the rights of such Owners and as shall not be inconsistent with the terms and provisions of the Escrow Agreement, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission; (b) to grant to, or confer upon, the Escrow Agent for the benefit of the Owners of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Owners or the Escrow Agent; and (c) to subject to the Escrow Agreement additional funds, securities or properties. The Escrow Agent shall notify the Rating Agency in writing prior to the execution of any such amendment.

## THE DISCLOSURE UNDERTAKING

The Issuer has passed Ordinance Number 50-932 relating to the Issuer's master undertaking to provide ongoing disclosure relating to certain obligations contained in the SEC Rule in connection with the general obligation bonds of the Issuer issued after February 27, 2019 (the "Disclosure Undertaking"). In the Bond Resolution, the Issuer covenants to apply the provisions of the Disclosure Undertaking to the Bonds. Such covenants are for the benefit of and enforceable by the Participating Underwriter and the Beneficial Owners. The Issuer is the only "obligated person" with responsibility for continuing disclosure with respect to the Bonds.

## DEFINITIONS

In addition to the definitions set forth in this "**APPENDIX E – THE BOND RESOLUTION – Definitions**" unless otherwise defined herein, the following capitalized terms shall have the following meanings:

**"Annual Financial Information"** means the City's Comprehensive Annual Financial Report ("CAFR"), presenting financial and statistical information for the previous Fiscal Year (prepared in accordance with the guidelines of the Government Finance Officers Association of the United States and Canada ("GFOA"), as the same may be from time to time amended), and operating data with respect to the City, provided at least annually, of the type included in official statements relating to the Bonds.

**"Audited Financial Statements"** means the City's general purpose financial statements for the previous fiscal year, prepared in accordance with GAAP for governmental units as prescribed by the GASB (except as otherwise stated or disclosed in the notes thereto or as otherwise required by applicable law, as the same may be from time to time amended), which shall have been audited by such auditor(s) as shall be then required or permitted by applicable law.

“**City**” means the city of Wichita, Kansas.

“**EMMA**” means the Electronic Municipal Market Access facility for municipal securities disclosure of the MSRB, or any other market access method approved under the SEC Rule.

“**Financial Obligation**” means: (a) a debt obligation; (b) a derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (c) a guarantee of (a) or (b) hereof; *provided however*, the term Financial Obligation shall not include a municipal security as to which a final official statement has been provided to the MSRB consistent with the SEC Rule.

“**GAAP**” means generally accepted accounting principles.

“**GASB**” means the Governmental Accounting Standards Board or its successors or assigns.

“**MSRB**” means the Municipal Securities Rulemaking Board and any successors or assigns, or any other entities or agencies approved under the SEC Rule.

“**Outstanding**” when used with reference to any of the Bonds shall mean, as of a particular date, all Bonds theretofore authenticated and delivered under one or more ordinances or resolution(s) of the City, except: (a) Bonds theretofore canceled by the fiscal agent or paying agent (as defined in the ordinance(s) or resolution(s) authorizing the issuance of such Bonds) or delivered to such fiscal agent or paying agent for cancellation; (b) Bonds for which payment or redemption monies or government securities (as defined in the ordinance(s) or resolution(s) authorizing the issuance of such Bonds), or both, in the necessary amounts have been deposited with the fiscal agent or paying agent or other such depository as provided in the ordinance(s) or resolution(s) authorizing the issuance of such Bonds, in trust for the owners thereof (whether upon or prior to maturity or the Redemption Date(s) of such Bonds); or (c) Bonds in exchange for or in lieu of which refunding bonds have been authenticated and delivered pursuant to the terms of (and within the meaning of) the appropriate ordinance(s) or resolution(s).

“**Prescribed Form**” means such electronic format accompanied by such identifying information as shall have been prescribed by the MSRB and which shall be in effect on the date of filing of the applicable information.

“**Redemption Date(s)**” shall mean, when used with respect to any Bond(s), the date(s) established as such in the ordinance(s) or resolution(s) authorizing the issuance of such Bond(s).

“**Report Date**” means December 31st of each year, beginning December 31, 2019.

“**Reporting Event**” means any of the following events with respect to any of the Outstanding Bonds:

“**Reporting Event**” means any of the following events with respect to any of the Outstanding Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers or their failure to perform;
- (f) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (g) Modifications to rights of security holders, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;

- (j) Release, substitution, or sale of property securing repayment of the securities, if material;
- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (m) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (o) incurrence of a Financial Obligation of the Issuer, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Issuer, any of which affect security holders, if material;
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Issuer, any of which reflect financial difficulties.

**“Reporting Event Notice”** means notice in Prescribed Form in accordance with EMMA of a Reporting Event.

## **UNDERTAKING**

The City, as an “obligated person” within the meaning of the SEC Rule, undertakes to provide the following information, at the times and to the recipients as provided in this Section:

- (a) Annual Financial Information;
- (b) Audited Financial Statements; and
- (c) Reporting Event Notices.

## **REPORTING**

**Filings.** So long as the SEC Rule continues to require an undertaking to make ongoing disclosure as established herein, or performance of prior such undertakings, then, with respect to all of the Bonds issued subject to such requirements which remain Outstanding:

(a) The City shall provide the Annual Financial Information in Prescribed Form in accordance with EMMA to the MSRB, on or before the Report Date. The City may adjust the Report Date if the City changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to the MSRB; provided that the new Report Date shall not exceed one year from the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the City provides to the MSRB the Annual Financial Information by specific reference to documents available to the public on the MSRB’s Internet Web site, or filed with the SEC.

(b) If not provided as part of the Annual Financial Information, the City shall provide the Audited Financial Statements when and if available to the MSRB in Prescribed Form in accordance with EMMA.

(c) If a Reporting Event occurs, the City shall file a Reporting Event Notice in a timely manner not in excess of ten business days after the occurrence of the event in Prescribed Form in accordance with EMMA with the MSRB. Each “Reporting Event Notice” shall be so captioned, and shall prominently state the date, title and CUSIP numbers of the Bonds to which the Reporting Event(s) covered by the Reporting Event Notice pertain(s).

(d) The City shall provide in Prescribed Form in accordance with EMMA in a timely manner to the MSRB notice of any failure by the City to provide Annual Financial Information on or before the Report Date to the MSRB as required by the terms of this Section.

The information listed in the above-section entitled “Undertaking” shall be provided by the City to the MSRB, at [www.emma.msrb.org](http://www.emma.msrb.org) in the Prescribed Form or to such other location and by such other method of transmitting information that is approved by the SEC.

***Nullification, Repeal and Amendment.*** These disclosure provisions or any portion hereof, shall be subject to nullification and repeal in the event that the City first delivers to the MSRB, an opinion of nationally recognized bond counsel to the effect that those portions of the SEC Rule that require the provision as a condition for particular underwriter conduct, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. These provisions may be amended without the consent of the holders or beneficial owners of any Bond(s), following the delivery by the City to the MSRB, of the proposed amendment and the opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the adequacy of these provisions or the adequacy of the City's subsequent conduct for purposes of compliance with the SEC Rule, provided, however, that no such amendment will be made unless the following conditions are satisfied:

(a) The amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the City, or type of business conducted;

(b) The undertaking, as amended, would have complied with the requirements of the SEC Rule at the time of any primary offering to which the undertaking applies, after taking into account any amendments or interpretations of the SEC Rule, as well as any change in circumstances;

(c) The amendment does not materially impair the interests of holders, as determined either by parties unaffiliated with the City (such as the trustee or bond counsel) or by approving vote of holders of the Bonds pursuant to the terms of the governing instrument(s) at the time of the amendment;

(d) If the amendment changes the type of operating data or financial information provided pursuant to the City's undertaking, the Annual Financial Information containing the amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided; and,

(e) If the amendment alters portions of the City's undertaking specifying the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles, which comparison should include a qualitative (and to the extent reasonably feasible, quantitative) discussion of the differences in the accounting principles and the impact of the change in principles on the presentation of the financial information. A notice of the change in accounting principles will be sent to the MSRB.

***Non-default.*** Any failure by the City to perform in accordance with the reporting requirements set forth above shall not constitute an "Event of Default" or "Default" within the meaning of any ordinance(s) or resolution(s) authorizing the issuance of any of the Bonds, and the rights and remedies provided to holders or beneficial owners of the Bonds under such ordinance(s) or resolution(s) upon the occurrence of such a "Default" or such an "Event of Default" shall not apply to any such failure.

***Invalidity.*** If any of the foregoing provisions or terms of with the reporting requirements set forth above, or any application thereof, is held invalid, the invalidity shall not affect other applications of the provisions or terms of this Section which reasonably can be given effect without the invalid provision or term or the application thereof, and to this end, the provisions of this Section are declared to be severable.

***Limited liability.*** None of the provisions of with the reporting requirements set forth above are in any way intended to impose upon, or result in an assumption by, the City or any of its officers, agents or employees, of any special duty or any civil law duty of care as to which any breach or alleged breach thereof could give rise to any claim for damages in tort, and the City hereby expressly disclaims any such duty or responsibility for damages, including (but not limited to) any direct, indirect, special or consequential damages. The provisions of this Section shall not, in any way, create liability or a basis for liability on the part of the City or any officer or employee thereof for any damages that result from failure of the City to timely perform any portion, provision, term or condition of the written undertaking on its part established herein, or for any damages that result from reliance upon any provision of this Section or any administrative decision lawfully made thereunder. However, nothing in this subsection shall operate or be construed to limit the rights of any holder or beneficial owner of any Bond to seek enforcement of the undertakings herein expressed through proceedings for a decree of specific performance in equity.

***Miscellaneous.*** The Disclosure Undertaking shall inure solely to the benefit of the holders of the Bonds as required by Section (b)(5)(i) of the SEC Rule, and shall create no rights in any other person or entity.

The City shall maintain records of all disclosure made pursuant to this Section, including the content of such disclosure, the names of the entities with whom such disclosure was filed and the date of filing such disclosure.

The City may, from time to time, appoint or engage an agent to assist it in carrying out its obligations under this Section and may discharge any such agent with or without appointing a successor agent.

Nothing in this Section shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this subsection or any other means of communication, or including any other information in any Annual Financial Information or notice of occurrence of a Reporting Event in addition to that which is required by this Section. If the City chooses to include any information from any document or notice of occurrence of a Reporting Event in addition to that which is specifically required by this Section, the City shall not have any obligation under this Section to update such information or include it in any future disclosure or notice of the occurrence of a Reporting Event.

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