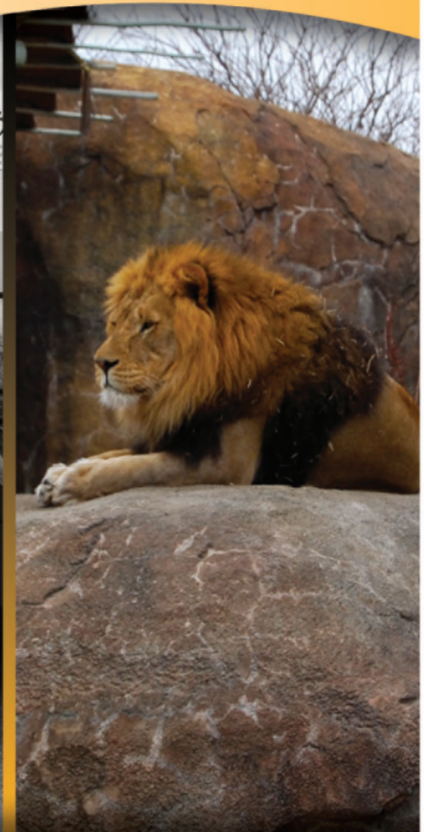
Sedgwick County... working for you



Financial Forecast

2016 Adopted Budget

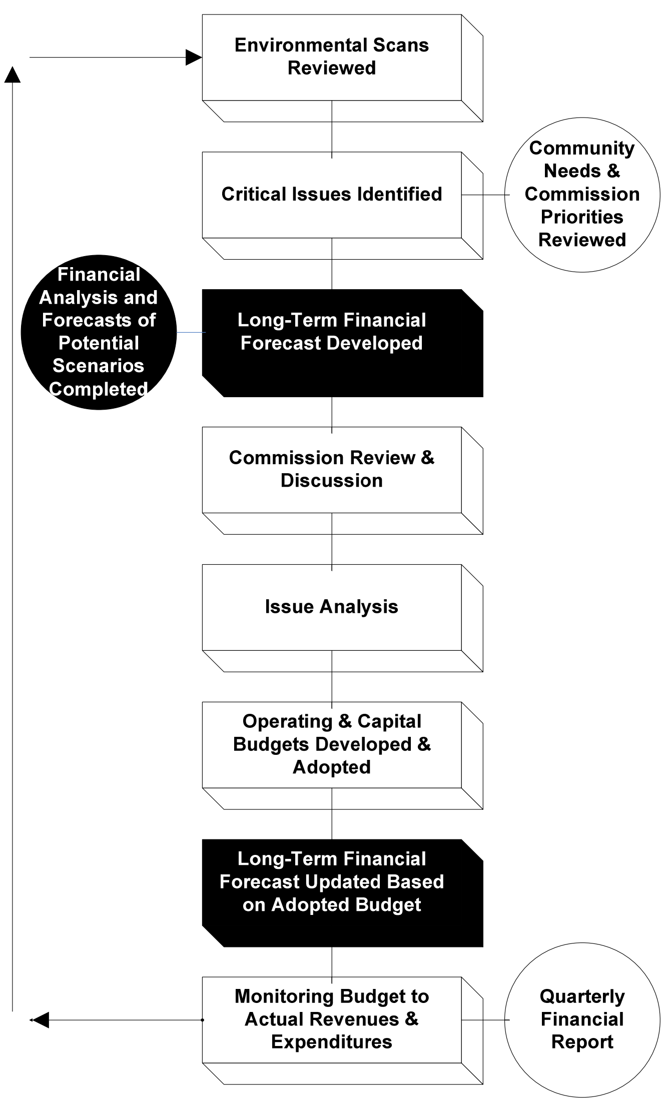
Financial Forecast

For the Period of 2015 - 2020

Introduction

Sedgwick County prepares an annual long-term financial forecast as a fundamental element of the budget process. The purpose of the forecast is to evaluate current and future fiscal conditions to guide policy and programmatic decisions. A financial forecast is a fiscal management tool that presents estimated information based on current and projected financial conditions to identify future revenue and expenditure trends that may have an immediate or long-term influence on County policies, strategic goals, or community services. The forecast assists in the formation of decisions that exercise fiscal discipline and deliver essential community services as an integral part of the annual budgeting process. All information is presented on a budgetary basis.

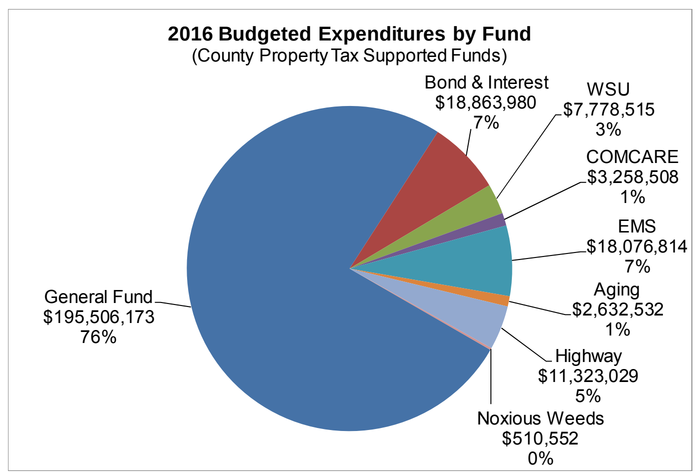
Financial Forecast and the Budget Process



Financial Forecast vs. Budget

The long-term financial forecast should be distinguished from the annual budget, as the forecast projects expected revenues and expenditures for the current year and five years into the future, while the budget sets the maximum amount of spending for one year. An additional distinction is that the budget typically includes budgeted contingencies to provide additional budget authority beyond the amount allocated to an individual division or department for use in times of unanticipated events. While budgeted, these contingencies typically are not anticipated to be spent in the financial forecast. As such, the budget generally is significantly greater than the forecast for a given year. For 2016, more than $17 million in contingencies is budgeted in the County General Fund alone.

The revenue and expenditure estimates included in this financial forecast pertain only to County property-tax-supported funds. These funds are outlined in the pie chart below. Total budgeted expenditures in these funds are $257,950,102, though forecasted expenditures total $238,370,688 in 2016. The difference is largely related to the contingencies outlined in the paragraph above.



Forecasting Methodology

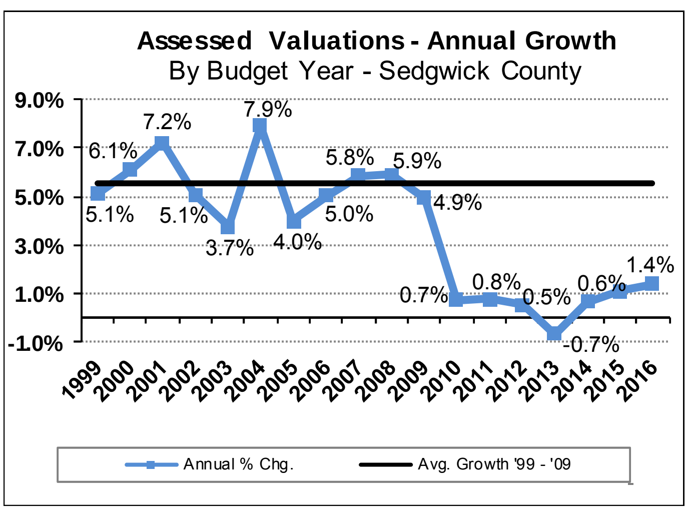
The estimates included in the forecast are formulated through the use of both quantitative and qualitative methods. Quantitatively, historical revenues and expenditures were analyzed primarily through trend analysis and percentage growth patterns. In addition, national, state, and local economic conditions were evaluated to determine what impact they may have on the County's ability to generate specific types of revenue. Qualitatively, the forecast draws upon the experience and knowledge of finance staff to outline the most likely results.

Whenever forecasts are performed, such as a local weather forecast, one often loses sight that these forecasts are performed based on the most recently available variables. For the financial forecast, these variables include economic data through October 2015, along with the changes included in the 2016 adopted budget.

Unfortunately, financial variables are constantly changing. The forecasts included here are subject to unforeseen and uncontrollable national, state, and local events, in addition to the timing of large capital projects and operational decisions that may make the forecasts less accurate. All information is presented on a budgetary basis.

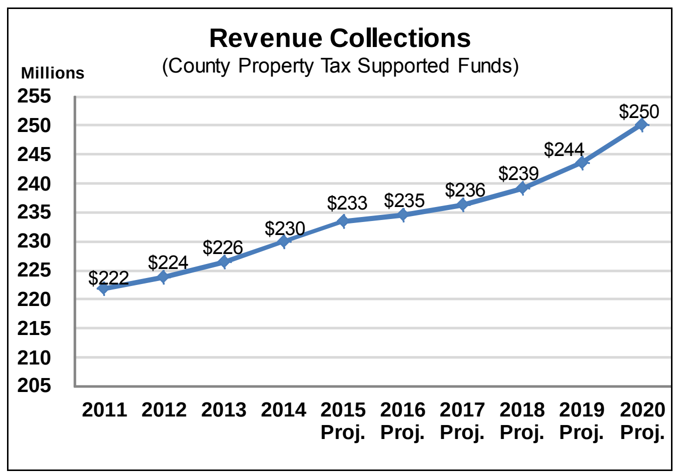
■ Executive Summary

Similar to other state and local governments, Sedgwick County government remains challenged by modest revenue growth, though reports in a few areas point to gradual improvement in the local financial condition. From 2010 through 2012, valuations driving property tax collections (more than 50 percent of total revenues per year) experienced less than one percent growth. Then, for the first time in 20 years, assessed property tax valuations for the 2013 budget experienced a negative assessment of 0.7 percent. Growth returned in the 2014 budget, when assessed property valuations increased 0.6 percent. Assessed valuation growth for the 2015 budget exceeded one percent for the first time since 2009, with assessed values growing 1.1 percent over the previous year. Growth is 1.4 percent for the 2016 budget.

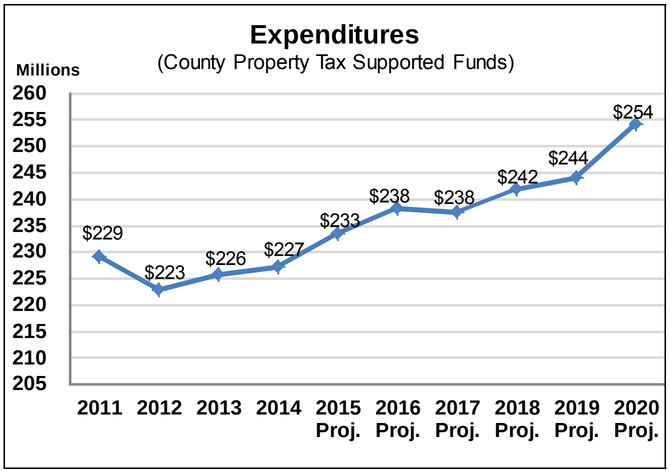


Additionally, other key revenues comprising approximately 30 percent of total revenues in County property-tax-supported funds are slowly returning to pre-Great Recession levels. These key revenues do not include property taxes and are highlighted and discussed within this section of the budget document.

The County's revenue collections since the Great Recession have remained relatively flat, after falling significantly in 2009. As shown in the table below, projections outline relatively flat collections in 2015, with slightly stronger revenue growth returning in 2016 as property valuations slowly improve. However, the Kansas Legislature's decision during the 2014 legislative session to phase out the mortgage registration fee by 2019 has a significant impact on the long-term forecast. Additional challenges were presented by the 2015 Legislature when it enacted legislation to limit property tax growth, which could impact 2019 budget development. Finally, potential State actions to resolve an estimated $400 million deficit in State Fiscal Year 2017, which begins July 1, 2016, continue to pose a threat to the County's financial condition.



As a result of revenue declines following the Great Recession and modest revenue growth in the financial forecast, along with reduced revenue from the mortgage registration fee due to 2014 legislative action, the County has made great efforts to maintain expenditure control to maintain fiscal integrity. But for a one-time capital project expense in 2015, actual expenditures are expected to remain below 2011 levels through 2015 due to previous budget reductions.



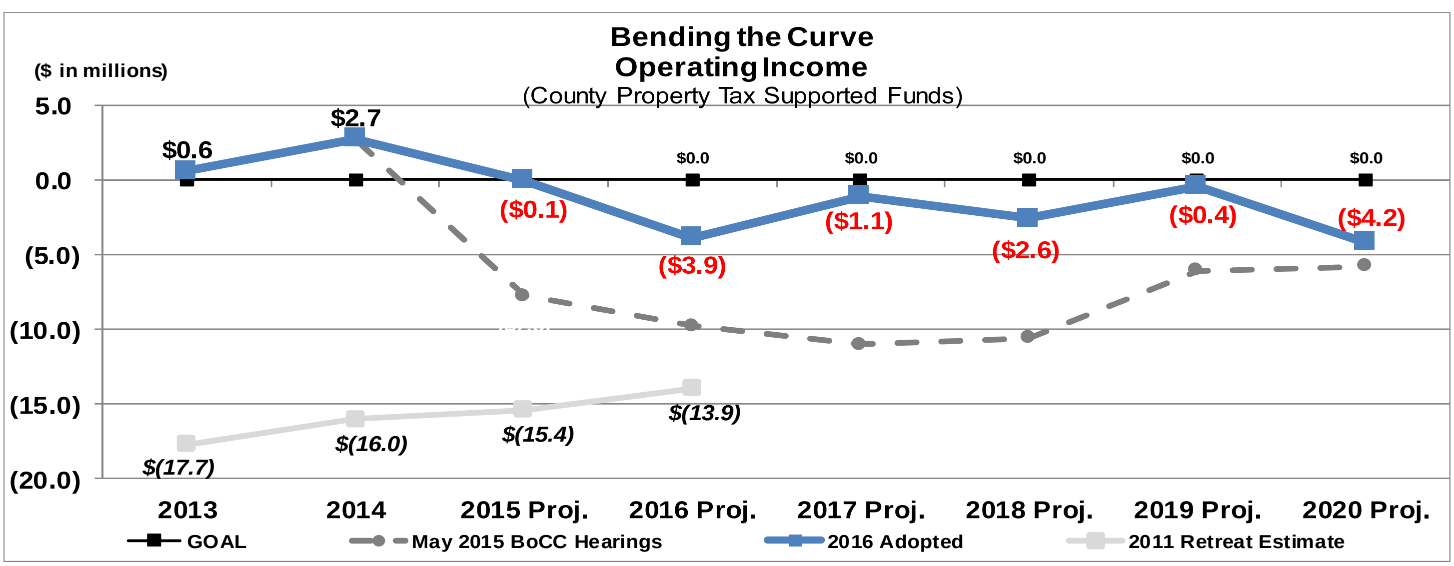
Because of the challenging revenue environment and flat expenditure growth over an extended period, Sedgwick County has experienced significant changes in both the services it delivers and how those services are delivered. The County continues to work through the current environment to achieve the goals identified by the Board of County Commissioners:

- Continued emphasis on core County services
- Maintenance and expansion of County roads and bridges outside of the incorporated cities
- Analyze opportunities to privatize or divest County services to the private or non-profit sectors
- No increase of the County tax rate
- No use of fund balance to fund the budget other than for specified capital projects or contingencies
- Reduce use of debt to fund capital projects

Since the February 2011 BoCC financial retreat, the County has been responsive to the financial challenges outlined in the financial forecast as illustrated in the "Bending the Curve" graph below. The light grey line near the bottom of the chart illustrates the projected deficits the County was facing when the Board met at that February 2011 retreat; the light blue line shows the County's actual experience each year since and the projected operaring results for each year in the forecast. In February 2011, projections included an operating deficit of $13.9 million in 2016. At the Board's budget hearings with elected officials and division directors in May 2015, the 2016 deficit was projected at $8.0 million. The 2016 adopted budget includes a deficit of $3.9 million related to several one-time projects.

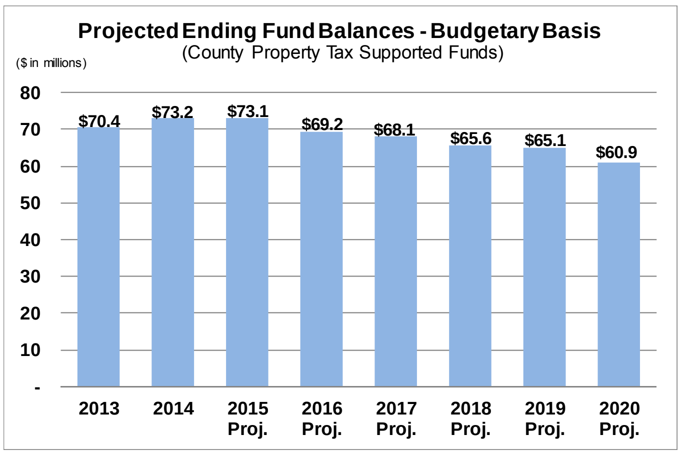
The 2016 adopted budget reflects a changing approach to how some business will be conducted by the County. Rather than planning for any debt issues for capital projects in 2016, almost $11.6 million in transfers for capital improvement projects are planned from County property-tax-supported funds to the County's Capital Improvement Fund: $3.3 million for road and bridge projects; $2.7 million for a new Treasurer's downtown Tag Office; $2.7 million for a new law enforcement training facility for the Sheriff; $2.1 million for improvements to the new 271 Building; and $0.9 million for other facility capital improvement projects. Additionally, some capital improvement projects that had been planned to be funded with bond proceeds in 2016 have been moved to the County's capital improvement project watch list. Examples include a new EMS station in the northeast portions of the County, intended to address growing population in that area, and an expansion of the Regional Forensic Science Center, intended to address an increase in the number of pathology and toxicology cases referred to the Center.

Current projections outline deficits in each year through 2020 as projected expenditures outpace projected revenue growth, as illustrated in the table below. However, the forecasted $1.1 million deficit in 2017 is



largely the result of a planned $2.5 million expenditure for new elections equipment.

As outlined previously, the organizaton's strategic efforts are significantly influenced by the forecast. The forecast is a valuable planning tool that is used to ensure the long-term continuity of essential services. Prior to the national recession, Sedgwick County proactively implemented an initiative to increase its fund balances during the good times to weather significant economic downturns later through a "rainy day reserve". As a result, although the County ended 2011 with an operating loss for the second consecutive year, County property-tax-supported funds retained fund balances of $68.8 million on a budgetary basis. The County has added to the cumulative fund balance of County property-tax-supported funds in 2012 through 2014, but is anticipated to incur deficits in 2015.



Projected Ending Fund Balances - Budgetary Basis
(County Property Tax Supported Funds)

Due to the County's previous actions to develop a "rainy day reserve" and other management actions outlined in the box to the right, the County has been able to make strategic decisions regarding how and when to make service changes to minimize the impact on community services. With the extended recovery, the sustainability of the County is placed at risk if existing operations are not monitored and adjusted to address current economic conditions and revenue collections that appear to be slowly rebounding.

Over the planning horizon of the financial forecast, the County will continue to confront a variety of challenges. In addition to challenges from an uncertain economy, actions at the State level continues to cause concern to County management. These challenges will require the County to continue to concentrate on a variety of core financial guidelines, as outlined in the following section.

Previous Management Decisions

- **2002:** $1.0 million in operating costs are eliminated.
- **2003:** County eliminates 41 positions and freezes 10.5. It eliminates $2.8 million in operating costs, reduces funding to local partners by $406,000, and defers $1.1 million in capital projects.
- **2004**: County eliminates 42.8 positions and departments' base budgets are maintained at the 2002 level.
- **2005**: County reallocates funding to meet critical needs — 14 positions eliminated and 10 frozen, departmental base budgets set at a 4 percent reduction.
- **2006**: County maintains 8th year of no increase in the property tax levy. The new Juvenile Detention Facility opens and alternative jail programs are implemented to mitigate population growth in the jail.
- **2007**: 2.5 mill increase to address public safety issues with a growing jail population, maintaining other public safety services, and construction of the Center for Aviation Training.
- **2008**: Implementation of Drug Court Jail Alternative.
- **2009**: County eliminates 1.0 mill from the property tax levy by deferring a 384 bed expansion to the jail.
- **2010**: Suspended performance compensation and implemented a general pay adjustment of 2.0% for eligible employees with salaries below $75,000. Implemented a ½ mill reduction in the property tax rate, combined with $3.3 million in budget reductions. In May, deferred and/or reduced capital projects totaling $1.8 million and established a position review team.
- **2011:** Implemented a ½ mill reduction in the property tax rate, 2.0% performance-based compensation pool combined with adjustments to employee benefits, deferred a capital project, implemented $2.5 in annual recurring operating reductions in April, and initiated a voluntary retirement program.
- **2012:** Implement budgetary reductions of $10.3 million (impacting both 2011 and 2012 budgets) and no employee compensation adjustment.
- **2013:** Implemented budget reductions of $7.2 million with a 2.5% performance-based merit compensation pool combined with an adjusted health benefits plan which was designed to encourage employees to take responsibility for their health to reduce future increases in benefit costs
- **2014:** Implement a 2.5% performance-based compensation pool. Fund the recommendations of a market pay study for full-time employees. Shift programs to alternative revenue sources. Fully mplement a mental health pod at the Adult Detention Facility. Closure of the Judge Riddel Boys Ranch, a State program, due to insufficient State funding
- **2015:** Implement a 2.5% performance-based compensation pool. Shift to a self-funded employee health insurance model. Add one ambulance crew. Add funding for recommendations of Coordinating Council formed to address increasing EMS call demand. Add part-time mower positions. Shift programs to alternative revenue sources. Eliminate funding for Visioneering. Reduce funding to Wichita Area Technical College.

Revenue Core Guidelines

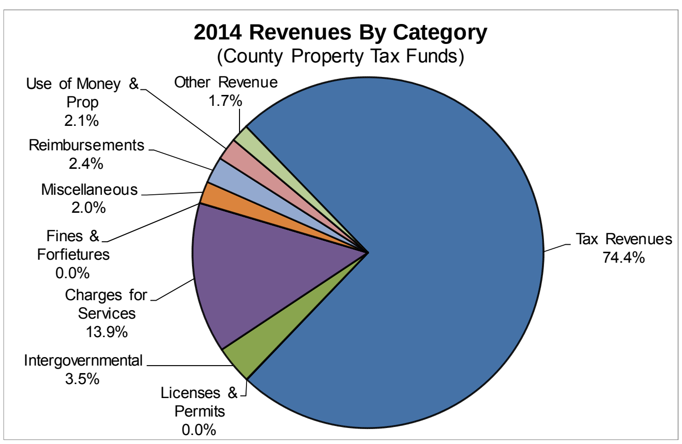
- A diversified revenue base is key to fiscal health. Continue to seek new revenue sources, balancing between those receiving the public benefit and those paying for the service.
- Maintaining a diversified revenue base requires diligence. Adjust current fees when appropriate.
- Effective governance is the result of effective partnerships. County services mandated by another government should be funded by that government.

Expenditure Core Guidelines

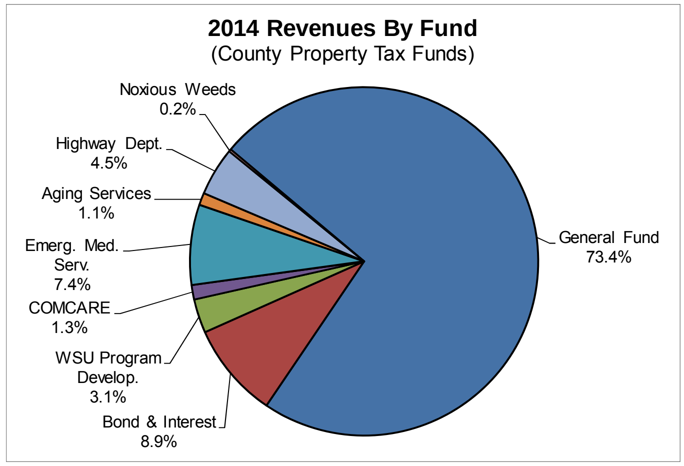
- Concentrate public services on those considered core County services
- Seek innovative programs for delivering public services beyond current operating standards
- Educate State legislators on the impact of new and pending State mandates
- Continue to seek opportunities to minimize growth in the jail population and maintain existing programs

■ Revenues & Transfers In

Sedgwick County's revenue structure related to property-tax-supported funds is grouped into seven primary revenue categories, with aggregate tax collections as the largest revenue source, followed by charges for service and use of money and property. In 2014, a total of $229,913,696 in revenue and transfers in was received in these funds, with 74 percent collected from multiple tax sources. These actual results are the baseline from which financial estimates in the financial forecast are made.



Of the funds receiving property tax support, the largest is the General Fund, with 73 percent of total revenue collections in 2014, followed by the Bond and Interest, EMS, and Highway funds.



Specific Revenue Projections in the Financial Forecast

Of the total revenue collections and transfers from other funds in 2014, 84 percent was collected from seven distinct revenue sources. The following discussion on revenue projections included in the financial forecast will concentrate on these revenues as outlined in the table below.

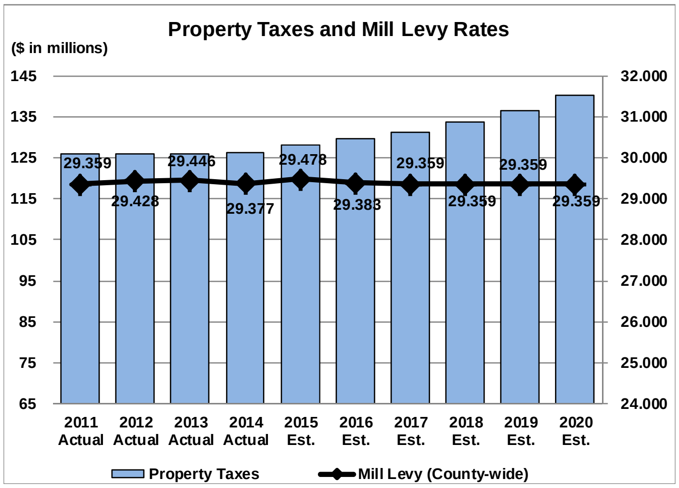
Major Revenues
County Property Tax Supported Funds*

	2014	% of Total
Total Revenues & Transfers In	$229,913,696	100%
Property taxes	$121,394,370	53%
Local sales & use tax	$ 27,553,005	12%
Motor vehicle tax	$ 17,055,204	7%
Medical charges for service	$ 15,096,017	7%
Mortgage registration & officer fees	$ 6,642,426	3%
Special city/county highway	$ 4,410,000	2%
Investment income	$ 1,252,529	1%
Total	$193,403,551	84%

*General Fund, Wichita State University, COMCARE, EMS, Aging, Highway, Noxious Weeds, Bond & Interest

Property Taxes

Property taxes play a vital role in financing essential public services. Property tax revenues are primarily used to fund services County-wide in the General Fund and various special revenue funds that do not have the capacity to self-finance their services, in addition to retiring the County's long-term debt on capital projects for facilities and infrastructure. This reliable revenue source has no attached mandates as many other State and Federal revenues often do.



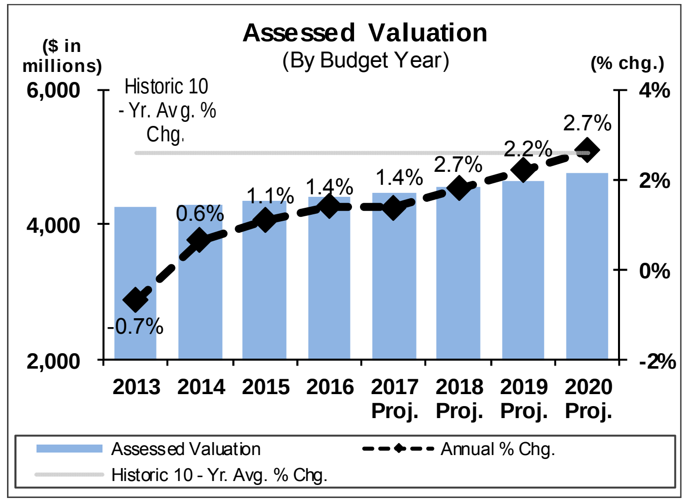
The 2016 adopted budget includes an intentional reduction in the mill levy rate from 29.478 mills to 29.383 mills. This forecast assumes that the property tax rate will remain relatively unchanged at 29.359 mills over the planning horizon.

As with previous property tax reductions, the 2016 adopted budget includes reductions in operating expenses to offset the decreased property tax revenue. While these adjustments are outlined in the Executive Summary section, key expenditure reductions include those to property-tax funded programs in the Health Department and reductions to community partners, like the Sedgwick County Zoo, Exploration Place, and the Greater Wichita Economic Development Coalition.

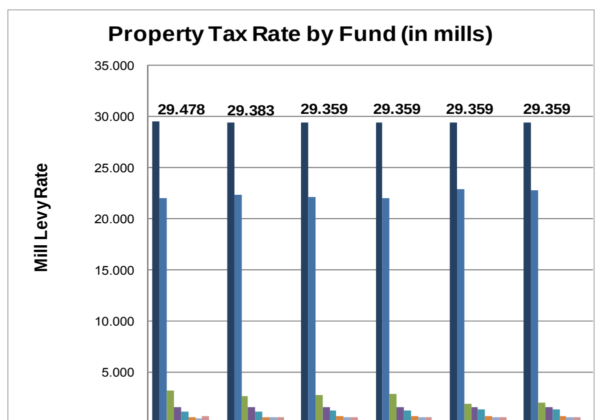
Projected revenue from property tax collections in this financial plan are based on:

- An assumption that the property tax rate will remain relatively unchanged through the planning period at 29.359 mills (absent technical adjustments).
- Increases or decreases in property tax revenues after 2016 will result from estimated changes in assessed valuations and not changes to the mill levy rate.
- An assumption that collection delinquencies will return to more typical historical levels, after the delinquency rate reached 4.2 percent in 2010.

Over the past 10 years, Sedgwick County's assessed valuation has grown an average of 2.6 percent annually. Like many other jurisdictions, the County experienced strong valuation growth between the years of 2000 to 2009 with an average growth rate of 5.5 percent. That trend changed notably in 2010 when valuation increased by less than a percent. Growth was less than one percent through 2012; then, for the first time in 20 years, assessed valuation decreased for the 2013 budget year. Growth returned at a rate of 0.6 percent in the 2014 budget year, and grew at 1.1 percent for the 2015 budget year. The 2016 adopted budget includes growth of 1.4 percent. As illustrated below, the forecast estimates that future growth will not be as strong as the past decade, but that modest growth will continue as economic conditions improve.

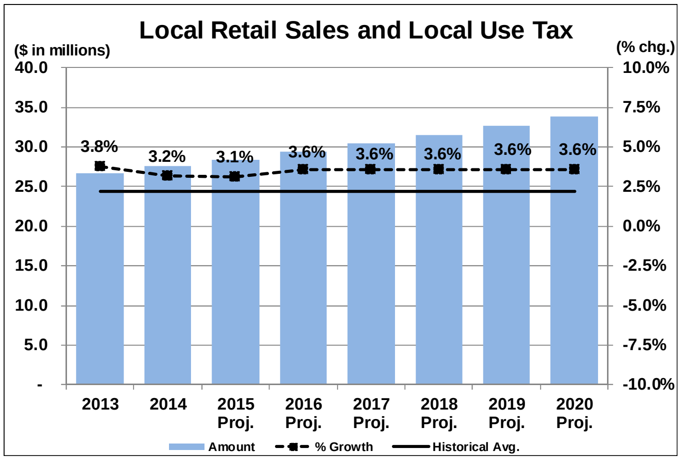


Within the financial forecast, property tax rates among different County property-tax-supported funds can and are distributed based on the total available resources to achieve the greatest outcomes in service delivery. In some instances, distribution of the total property tax rate is adjusted due to changing operations, one-time projects such as capital improvements, or the availability of unexpected resources. The table below outlines the property tax rate movements estimated within this plan.



	2015 Est.	2016 Est.	2017 Est.	2018 Est.	2019 Est.	2020 Est.
All Funds	29.478	29.383	29.359	29.359	29.359	29.359
General	21.915	22.249	22.124	21.970	22.843	22.768
Bond & Interest	3.202	2.669	2.691	2.785	1.908	1.960
WSU	1.500	1.500	1.500	1.500	1.500	1.500
Highway	1.093	1.129	1.179	1.230	1.266	1.287
EMS	0.577	0.603	0.653	0.655	0.643	0.641
Aging	0.497	0.560	0.514	0.519	0.513	0.515
COMCARE	0.613	0.585	0.608	0.608	0.593	0.593
Noxious Weeds	0.081	0.088	0.090	0.092	0.093	0.095

Local Retail Sales and Use Tax



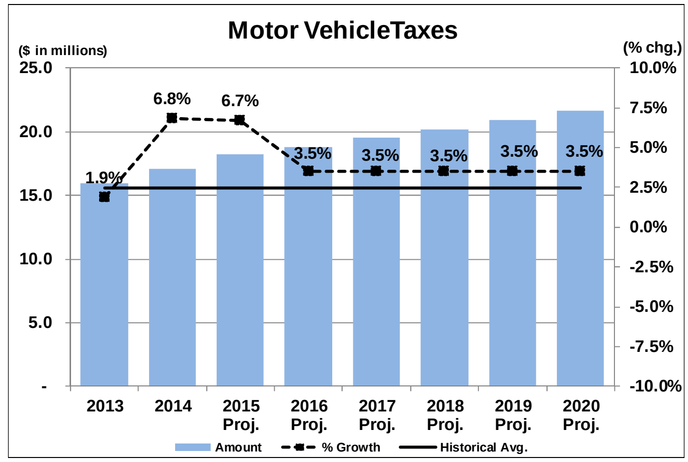
Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which no sales tax was paid. Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July of 1985. Use tax is also applied if the other state's sales tax rate is less than the Kansas rate.

Distribution of these revenues to the County and cities is based half on their individual population levels and half on property tax levies per State statute K.S.A 12-187. There are three principal factors that influence the County's collection of local retail sales tax revenue:

- Total taxable retail sales in Sedgwick County
- Population in the unincorporated areas of the County as a percentage of total County population
- The County's property tax levies as a percentage of total taxes levied by all governmental entities

Historically, retail sales and use tax collections have experienced an average growth rate of 2.2 percent over the past 10 years, but averaged 5.7 percent from 2004 to 2008. As a result of economic stress and the County's reduction in its mill levy over three consecutive years, collections declined from a high of $26.8 million in 2008 to $25.7 million in 2012; however, revenues of $27.6 million were collected in 2014 as the economy has improved.

Motor Vehicle Taxes



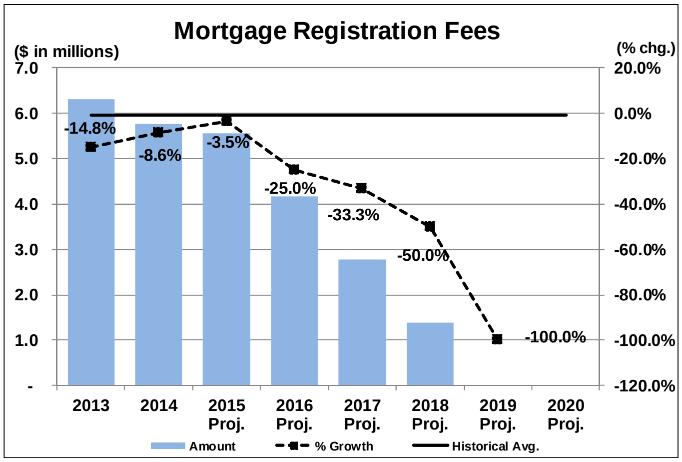
The State statute describing the collection and distribution of Motor Vehicle Taxes is outlined in K.S.A. 79-5101 et seq.

- Motor vehicles are distinguished by 20 vehicle classes, and then taxed at 20 percent of the class value based on the average County-wide mill levy during the previous year. State statutes define the average county-wide mill levy as the amount of general property taxes levied within the cunty by the State, county, and all other property taxing subdivisions; and then divided by the county's total assessed valuation.
- The 2012 Legislature enacted legislation requiring that an annual commercial vehicle fee be paid in lieu of current property taxes for both interstate and intrastate commercial vehicles registered in Kansas.
- Collected taxes are distributed by the County Treasurer to the taxing jurisdictions based on the owner's residency, and the ratio of levied taxes by the jurisdiction to the total taxes levied.

Collections are dependent not only on economic conditions and vehicle sales, but also on the ratio of County property taxes to all of the other property taxing jurisdictions.

Previously, motor vehicle taxes have been a consistent and reliable revenue source. However, with the changing economy and impact of past tax reductions it has become more inconsistent. This revenue source reached a historical high of $17.2 million in 2009; however, collections are expected to surpass the historical high in 2015, with a projection of $18.2 million.

Mortgage Registration Fees

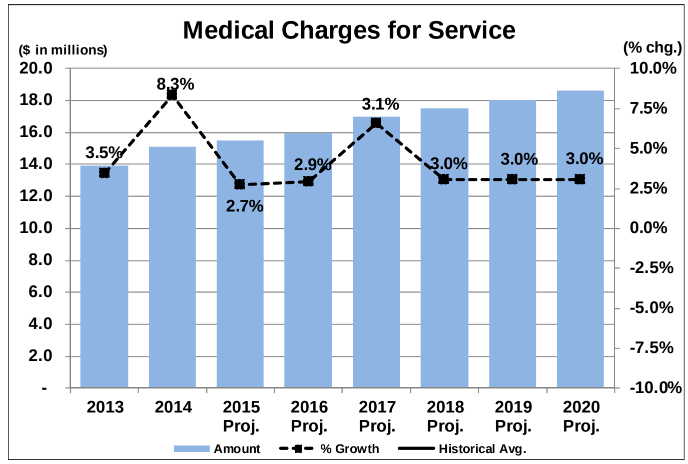


Mortgage registration fees are collected by the Register of Deeds.

- Mortgage registration fees are established under K.S.A. 79-3102, which set the fee rate at 26 cents per $100 of mortgage principal registered through 2014; the County General Fund received 25 cents
- Legislative action in 2014 began a phase-out of the fee in 2015, with complete elimination by 2019
- Additional per-page fees were implemented by the 2014 legislative action, recorded as officer fees in the County's financial system
- The estimated impact of the reduction is $5.9 million in 2019, when per-page fees of $1.7 million offset projected mortgage registration fee loss of $6.5 million

Within this revenue source, collection levels historically have been strongly correlated with the strength of the local real estate and refinancing market. Mortgage registration fees reached a high of $8.7 million in 2003 and generated $5.8 million in 2014.

Medical Charges for Service

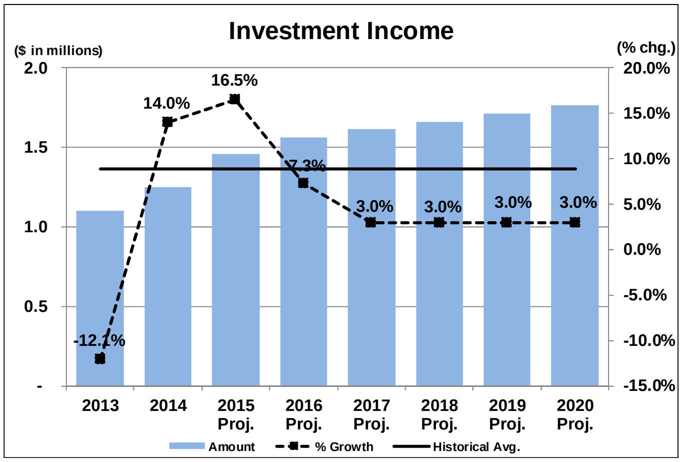


Medical charges for service include Medicaid, Medicare, insurance, and patient fees for delivered medical services. In the property-tax-supported funds, these services are predominately delivered through EMS, generating 90.2 percent of the total 2014 collections, followed by the Health Department and the Sedgwick County Offender Assessment Program (SCOAP).

The County also receives substantial amounts of medical charges for service revenue in grant funds delivering mental health, developmentally disabled, and aging services. Because those revenues are not received within property-tax-supported funds, they are not included within this forecast.

In July 2014, the County moved the EMS billing function in-house. The 2016 adopted budget includes an increase in the mileage rate and base rate for transports to bring EMS charges more in line with other emergency service provides. Further revenue growth is anticipated in 2017 as a new EMS post and crew in the southeast area of Sedgwick County provide transports for a new emergency department in the area. Traditionally, medical charges for service have grown an average of approximately 5.1 percent annually.

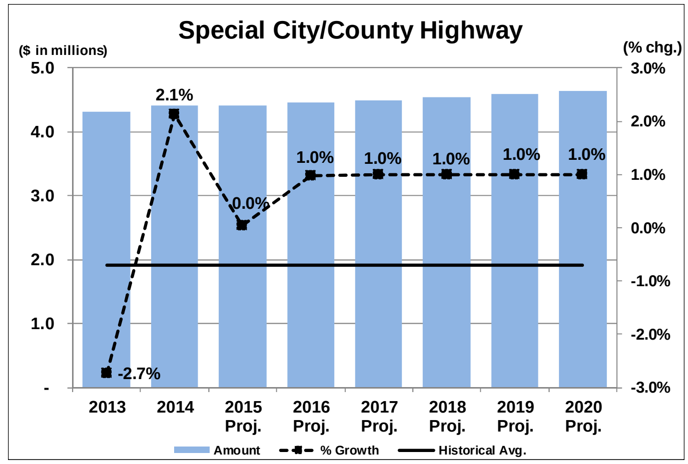
Investment Income



Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law outlines that all investment income is to be deposited in the General Fund unless otherwise directed by statute.

The County has an investment portfolio that ranges from $225 million to $500 million depending on the time of year. By law, the County's investments are restricted to short maturities having little or no risk. Since the Great Recession, investment income has been very low due to very low interest rates. In 2014, collections increased for the first time since 2007, though the amount of revenue generated was $1.3 million.

Special City/County Highway



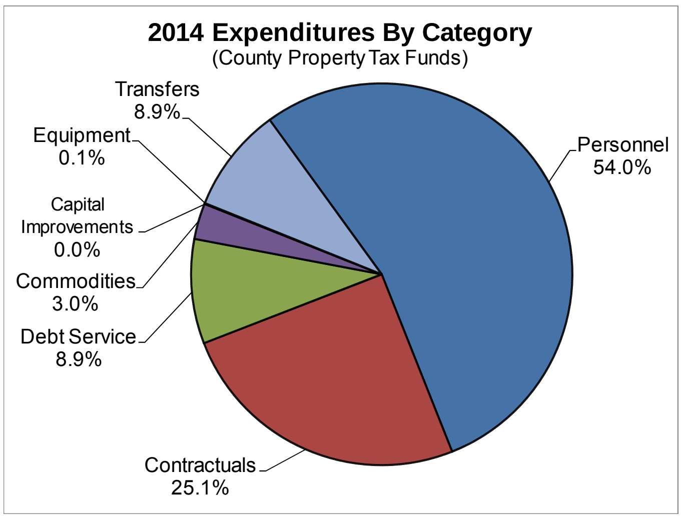
The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges, and intersections. Of the revenues used to fund these operations, the largest is the State's special city/county highway fund authorized under K.S.A. 79-3425. Through the Fund, the State distributes motor-fuel taxes among local jurisdictions based on a distribution formula that includes:

- Each county shall receive a payment of $5,000.
- Remaining 50 percent is allocated based on the portion of collected motor vehicle registration fees in the county compared to the amount collected in all counties.
- Remaining 50 percent is allocated based on the portion of average daily vehicle miles traveled in the county compared to the amount traveled in all counties.

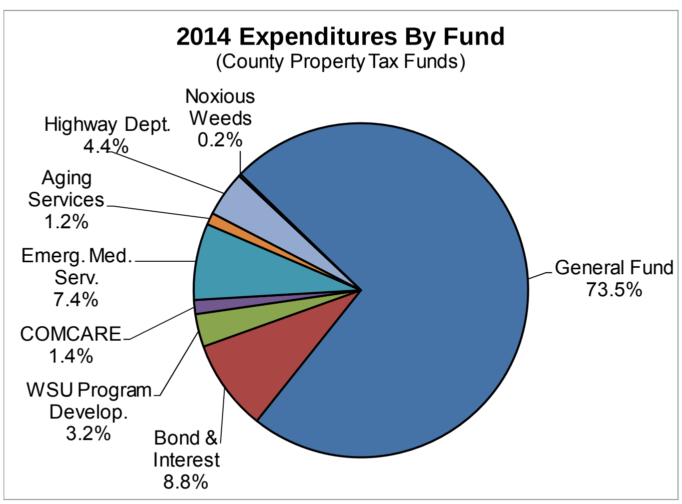
This revenue source has demonstrated considerable variability over the past several years as State Motor Fuel Gas Tax collections fluctuated, the Legislature made temporary adjustments to the distribution formula, and the State corrected previous distributions made in error. Collections are anticipated to remain mostly flat through 2020.

■ Expenditures

Sedgwick County's expenditure structure is divided into seven primary categories: personnel, contractuals, debt service, commodities, capital improvements, equipment, and interfund transfers. Total expenditures incurred in 2014 in County property-tax-supported funds were $227,177,051. Of those, 54 percent were for personnel costs and 25 percent for contractual services. As with revenues, these actual results are the baseline from which the current financial forecast was developed.

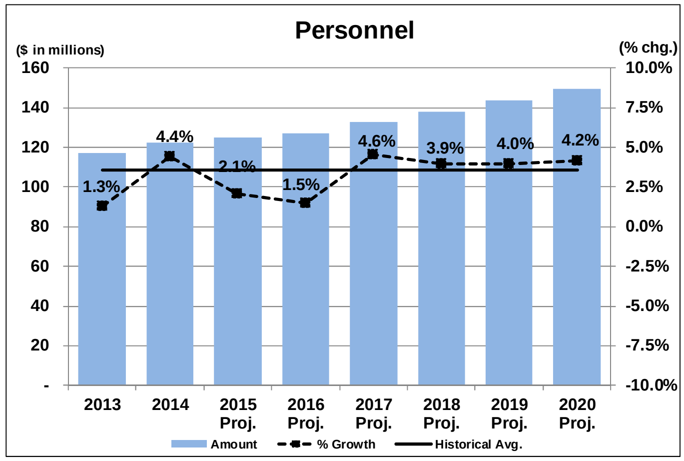


Of the funds receiving property tax support, the largest is the General Fund with 74 percent of total 2014 expenditures, followed by the Bond and Interest Fund and Emergency Medical Services.



Specific Expenditure Projections in the Financial Forecast

Personnel



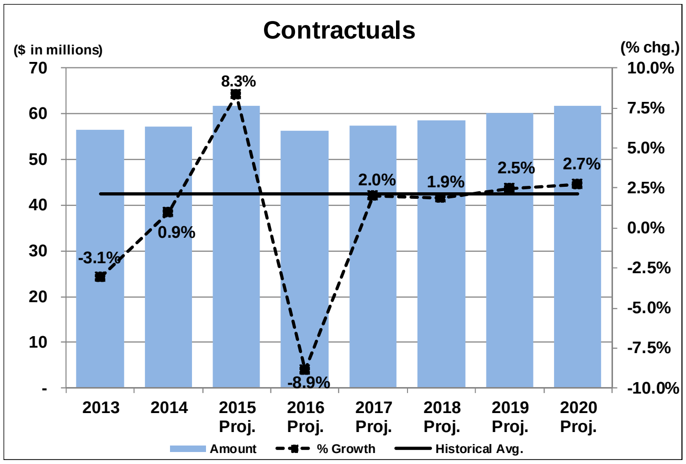
Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- A 1.75 percent performance-based compensation pool in 2016, followed by 2.5 percent in 2017 through 2019 and 3.0 percent in 2020.
- A 3.0 percent increase in the employer-paid portion of health benefit premiums in 2016. For each year thereafter, a 7.0 percent increase.
- A one-time reduction in workers' compensation charges assessed against departments as a budgetary reduction in 2016
- Decreases in retirement rates through the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F) in 2016, followed by increases in 2017 through 2020.

	2011	2012	2013	2014	2015	2016
KPERS - Retirement Rates						
	7.74%	8.34%	8.94%	9.69%	10.41%	10.18%
KP&F - Retirement Rates						
Sheriff	14.91%	16.88%	17.26%	20.28%	21.72%	20.78%
Fire	14.57%	16.54%	17.26%	19.92%	21.36%	20.42%
EMS	14.93%	16.88%	17.26%	20.08%	21.36%	20.42%

Personnel expenses are not expected to grow as significantly in 2016 as compared to other years shown in the graph at the top of the page due to a smaller compensation pool in 2016 than in other years and reductions in retirement and workers' compensation rates in 2016.

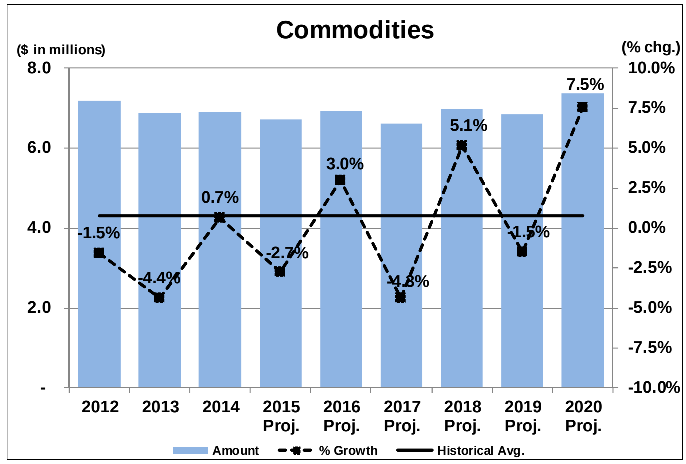
Contractuals



Contractual expenditures, the second largest expenditure category, include those services purchased from and delivered by an external entity and internal departmental charges to other non-property-tax-supported funds. These may include utility services, insurance services, billing contracts, software agreements, forgivable economic development loans, social services delivered by other community providers, or internal fleet and administrative charges.

Historically, growth in contractual expenditures has averaged 2.2 percent over the past 10 years, with the most significant growth occurring due to the implementation of alternative jail programs and economic development funding. The significant increase in 2015 is due primarily to a one-time payment to assist with a capital improvement project at the Sedgwick County Zoo. Excluding that one-time payment, increases included in this forecast anticipate continuing increases in electricity, water, natural gas, inmate medical and food service contracts, and software and technology equipment maintenance costs. The cyclical nature of national, State, and local elections also contributes to expenditure variations in this category.

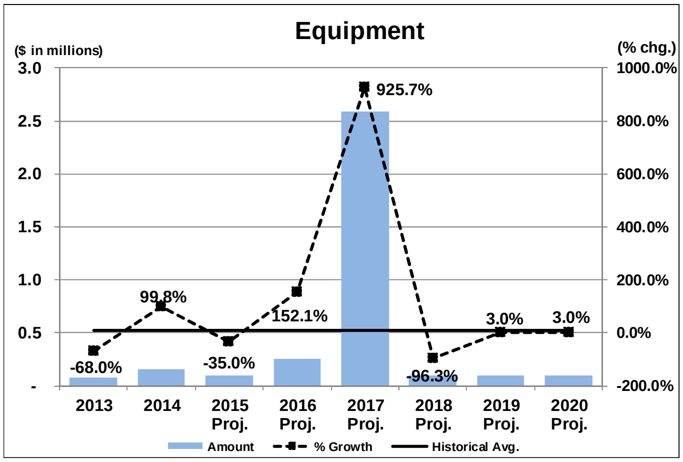
Commodities



This category includes expenditures for the purchase of common tangible items. This may include office supplies, fuel, food, clothing, software, and equipment with acquisition costs of less than $10,000 per unit.

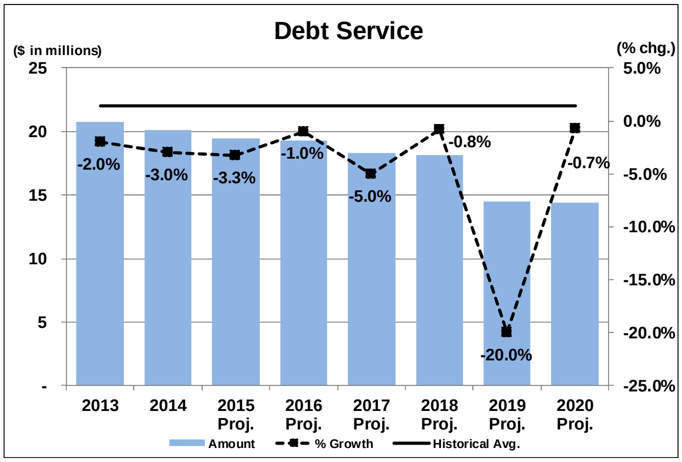
Commodity expenditures often fluctuate from year to year. These fluctuations often are due to the election cycle, when expenses vary from odd years to even year (even years representing either gubernatorial or presidential election cycles).

Equipment (Capital Outlay)



Equipment includes expenditures for office, technical, operating, and vehicular equipment that are more than $10,000. Overall, the County spends relatively small amounts for equipment in the property-tax-supported funds, so isolated purchases can often result in sizable year-to-year percentage changes. Over the last several years, those increases have largely been related to enhancements to EMS services. In the current forecast, equipment expenditures are anticipated to increase dramatically in 2017 related to the replacement of voting equipment in the Election Commissioner's Office.

Debt Service

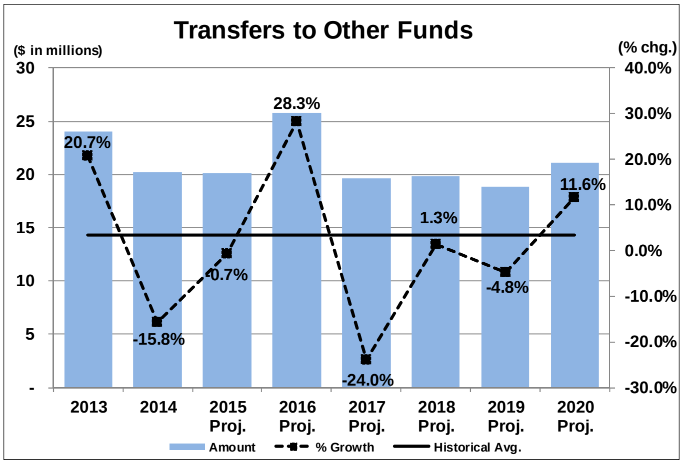


The financial forecast incorporates debt service payments on current debt obligations and includes forecasted debt payments for capital improvement projects, as outlined in the five-year Capital Improvement Program (CIP). Sedgwick County continues to hold the highest bond ratings from all three rating agencies. In a previous rating evaluation, Fitch outlined that "financial performance has benefited from strong management systems, including extensive long-term financial and capital planning efforts."

Bond Ratings	
Rating Agency	**Rating**
Standard & Poor's	AAA
Moody's	Aaa
Fitch	AAA

The debt service calculations in the financial plan include the projects listed within the Capital Improvement section of the budget book. As the County continues toward the Commission's goal of reduced debt, it is anticipated that these costs will continue to decrease. This is illustrated in the decrease in projected debt service costs from 2018 to 2019, when several issues mature.

Transfers to Other Funds



Within statutory limitations, the County is allowed to transfer funding from property-tax-supported funds to other funds to finance equipment purchases, capital improvements, or grant matches. Traditionally, transfers to other funds are relatively consistent from one year to the next with the exception of transfers for capital improvement projects and transfers for one-time equipment and software purchases to the Equipment Reserve Fund.

Recurring annual transfers to other funds include the following:

- $1,597,566 annually in collected retail sales and use tax revenues from the General Fund to the Bond and Interest Fund to mitigate the cost of debt service on road and bridge projects.
- Approximately $11.8 million to $15.4 million annually in collected retail sales and use tax revenues from the General Fund to the Sales Tax Road and Bridge Fund for related capital projects.
- Approximately $1.0 million annually from the General Fund to the Risk Management Fund.
- Annual transfers of varying amounts for cash-funded capital projects as included in the recommended capital improvement program (CIP).

As outlined in the adjacent table, significant changes in transfers from one year to the next are largely related to cash-funded capital projects included in the County's Capital Improvement Plan (CIP).

Primary Recurring Transfers

	Sales Tax To LST Road & Bridge Fund	Sales Tax To Bond & Interest Fund	Other Cash Funded Capital Projects	General Fund to Risk Mgmt.
• 2013	11,757,477	1,597,566	4,533,699	1,102,142
• 2014	12,178,937	1,597,566	64,129	1,000,397
• 2015 Proj.	12,609,237	1,597,566	2,103,787	1,093,391
• 2016 Proj.	13,113,780	1,597,566	11,641,649	982,036
• 2017 Proj.	13,636,275	1,597,566	2,255,624	1,007,035
• 2018 Proj.	14,177,361	1,597,566	1,957,440	1,032,661
• 2019 Proj.	14,737,701	1,597,566	428,757	1,059,072
• 2020 Proj.	15,317,982	1,597,566	2,037,808	1,086,065

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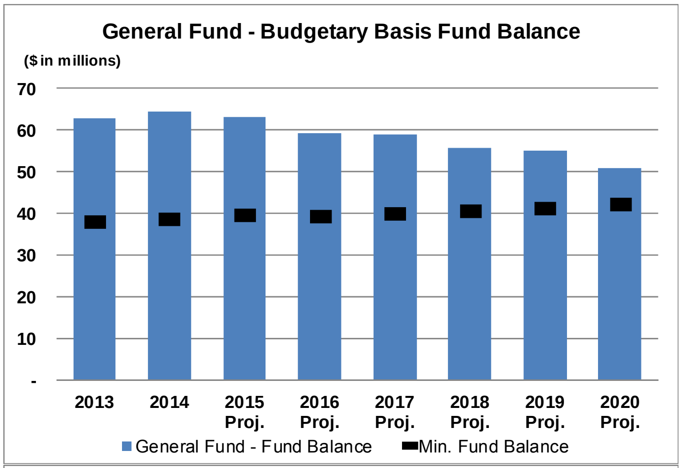
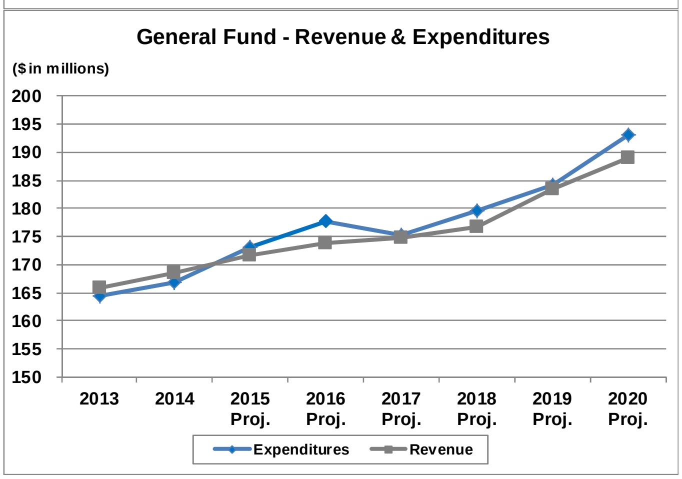
■ Summary by Fund

The following section will provide a brief discussion of each property-tax-supported fund included in the forecast, outline current and future fund balance projections, and discuss major fiscal challenges anticipated to impact the fund over the planning period.

General Fund





The General Fund is the County's primary operating fund and accounts for County services that do not have a designated fund of their own. The General Fund includes most general government and law enforcement functions and receives the broadest variety of revenues. Currently, the General Fund provides funding for the operations of 42 departments.

The County's fund balance policy requires the General Fund to maintain a minimum balance equal to 20 percent of the adopted budget. As shown in the table above, the fund has built a balance exceeding this amount, which is projected to continue throughout the forecast.

Current projections estimate expenses of $10.64 million for one-time capital improvement projects in the General Fund in 2016, including $2.70 million for a new Treasurer's downtown Tag Office; $2.65 million for a new law enforcement training facility for the Sheriff; $2.29 million for road and bridge projects; $2.10 million for improvements to the new 271 Building to house the Metropolitan Area Building & Construction Department and the Metropolitan Area Planning Department; and $0.91 million for other facility capital improvement projects.

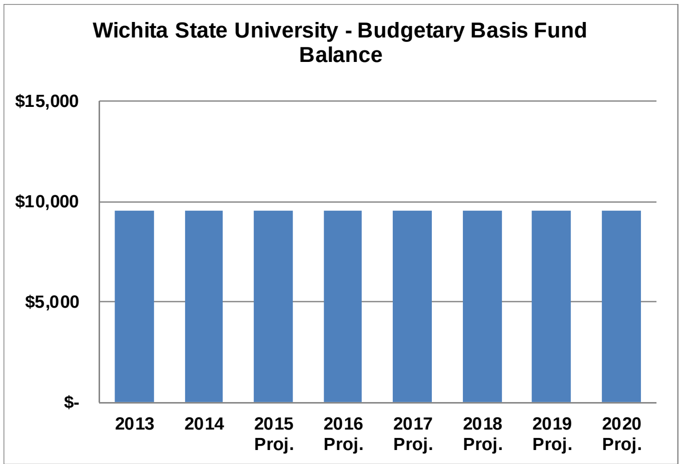
In 2017, projections included an estimated $2.5 million expense for new elections equipment and $0.9 million for facility capital improvement projects.

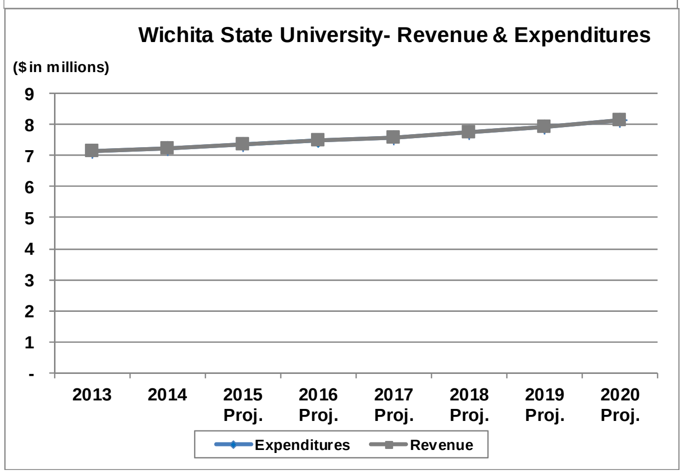
Revenue growth is estimated to be fairly moderated as the result of the gradual phase-out of the mortgage registration fee by 2019, which was referenced earlier in this section. This reduction will be offset somewhat by increased per-page filing fees.

Major fiscal challenges:

- Diminished revenues due to State of Kansas actions, including 2014 legislation that began the phase-out of the mortgage registration fee, a key revenue for the General Fund
- Impact of slowly improving economic conditions on various key revenues, such as property taxes, retail sales tax, mortgage registration fees, and investment income
- Maintaining services and/or service levels as the availability of funding remains limited due to the economic environment
- Limitations in the ability to address unplanned, emergency funding needs when they arise as fund balance is used

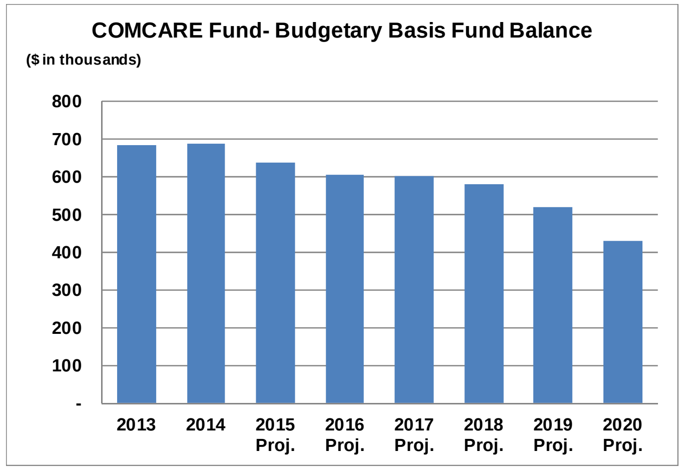
Wichita State University Fund

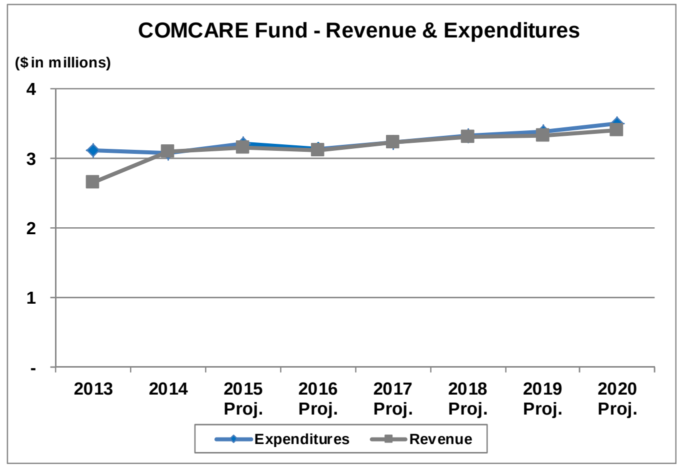




In June 1987, the Board of County Commissioners and the Wichita City Council approved an inter-local agreement in which the City agreed to stop levying its 1.5 mill property tax and the County created a County-wide levy of an equal amount. Increases in projected revenues and expenses are related to anticipated growth in assessed value and motor vehicle tax collections.

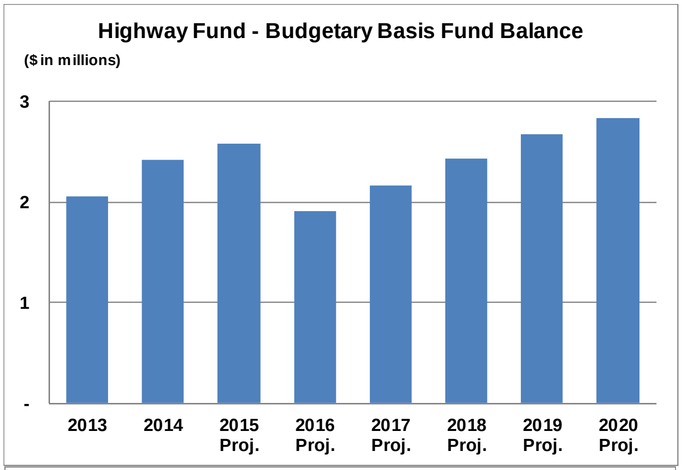
COMCARE Fund

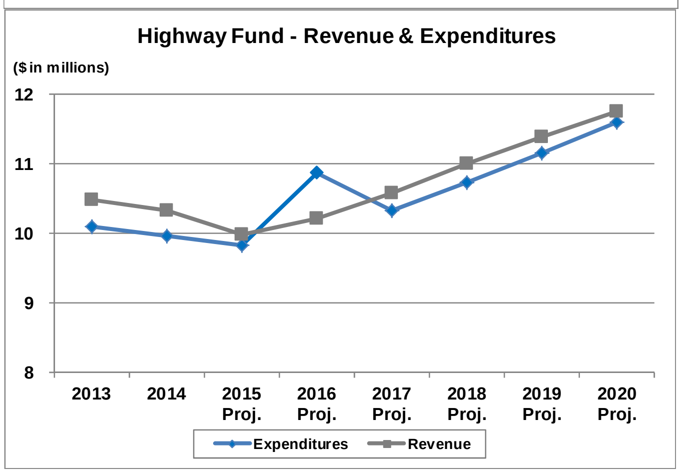




Comprehensive Community Care (COMCARE) provides mental health services and substance abuse treatment to adults, families, and children. COMCARE was established after the passage of the State's Mental Health Reform Act in 1990 and is one of 26 agencies in the State of Kansas. This fund supports the majority of administrative costs related to the delivery of mental health services, while a separate grant fund supports the majority of direct services.

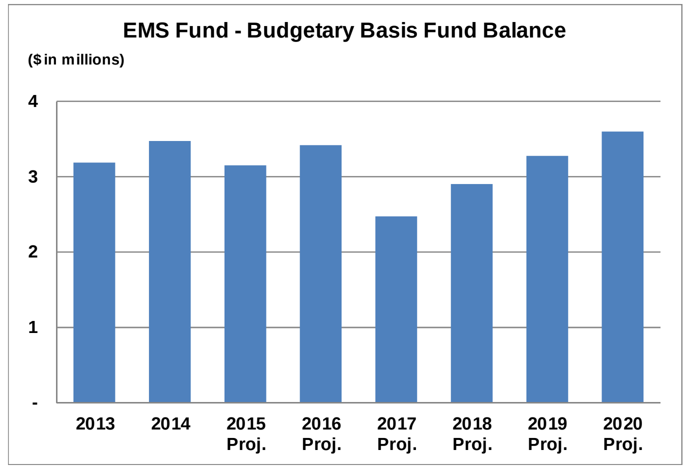
Highway Fund

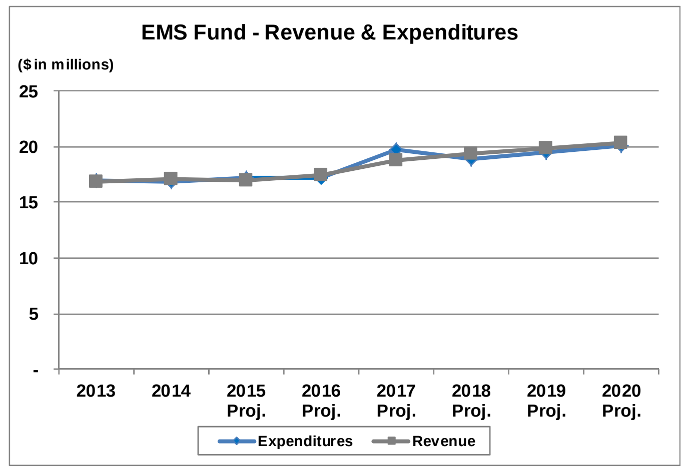




The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges and intersections. The Fund is primarily supported through a property tax levy and revenue from the State's Special City/County Highway Fund. Projections for 2016 include the use of Highway Fund fund balance to support $1.0 million in road and bridge capital project costs. Estimated expenses return to more typical levels in the outer years of the forecast.

Emergency Medical Services Fund



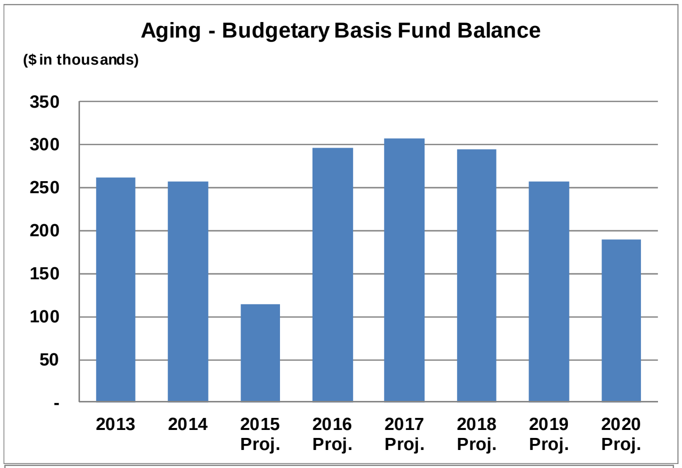


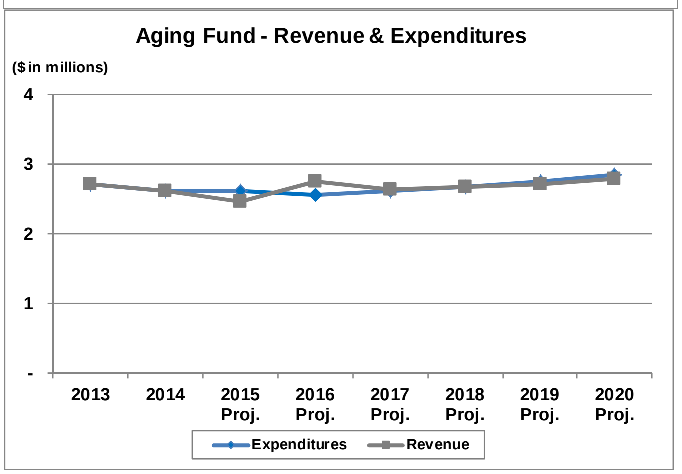
Emergency Medical Services (EMS) was created in 1974 per a City/County agreement to provide emergency response and scheduled ambulatory transfers. Prior to 1974 a private provider delivered EMS services to the community.

Significant expenditure projections in the EMS Fund forecast include $1.4 million in 2017 to fund a new southeast EMS post. The forecast also includes the addition of a new four-person crew in 2017 to staff the new station.

Revenue projections include approximately $0.6 million in additional revenue beginning in 2017 related to a new emergency department in southeast Sedgwick County.

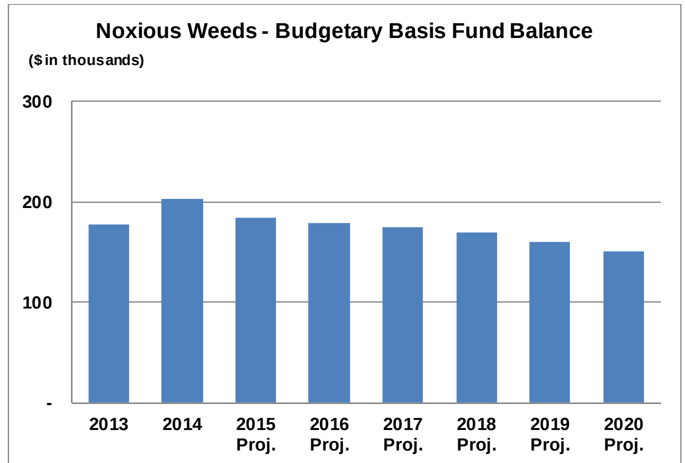
Aging Fund

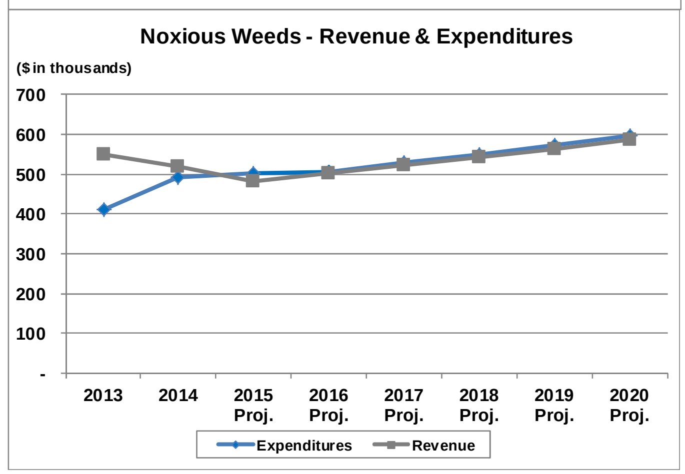




The Department on Aging was created in 1980 to serve older citizens of the County and advocate independence and quality of life. This fund supports the majority of administrative costs and a variety of direct services, such as funding to local senior centers. The Department also operates within a grant fund in which direct services are also funded.

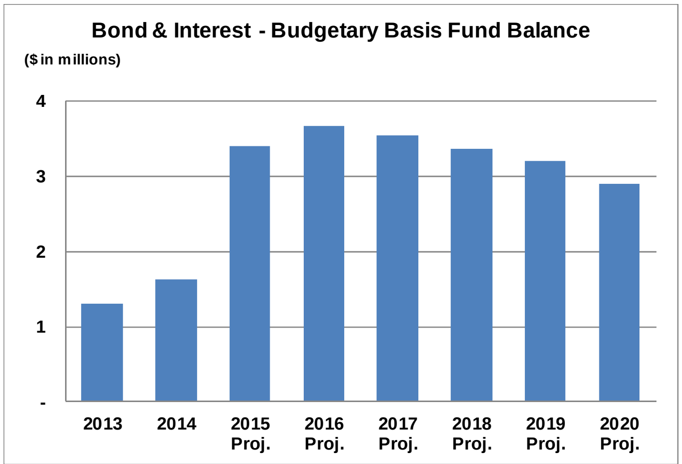
Noxious Weeds Fund

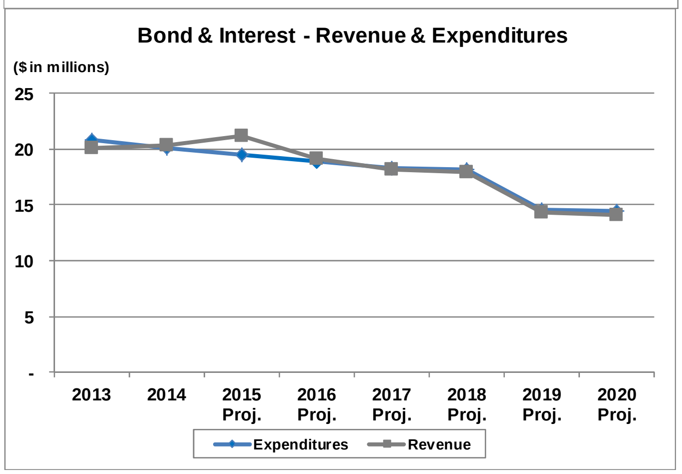




The Noxious Weeds Department was established to eradicate and control noxious weeds as required by K.S.A. 2-1318.

Bond & Interest Fund





The Bond and Interest Fund provides for the retirement of the County's general obligation bonds. Each year, the County levies taxes, together with special assessments credited to the Fund, which are sufficient to pay the principal and interest payment due throughout the year. As the County moves toward the Commission's goal of reduced debt and cash funding of capital projects, it is anticipated that debt expenses will decrease. As such, the amount of revenue projected to fund the debt will decrease correspondingly.

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Financial Forecast 2012 - 2020

All County Property Tax Supported Funds

Modified Accrual Basis

		Actual			Estimates					
		2012	2013	2014	2015	2016	2017	2018	2019	2020
1	***Beginning Fund Balance***	68,757,915	69,848,639	70,436,061	73,172,680	**73,115,004**	69,248,156	68,124,999	65,555,358	65,110,205
2	**Operating Revenue**	-		-		**-**		-		-
3	**Taxes**	167,883,383	169,408,756	170,943,094	174,570,842	**177,103,768**	179,717,382	183,556,116	188,089,706	193,362,696
4	Current property taxes	120,784,224	120,841,203	121,394,370	123,561,729	124,815,943	126,120,225	128,418,178	131,277,342	134,797,103
5	Back property taxes & warrants	3,075,686	3,642,095	2,935,655	2,972,164	2,851,703	2,766,475	2,683,788	2,603,565	2,525,735
6	Special assessment property taxes	2,375,128	1,954,984	1,617,407	1,110,210	982,093	666,841	520,136	442,116	375,798
7	Motor vehicle taxes	15,669,085	15,964,587	17,055,204	18,202,656	18,839,749	19,499,140	20,181,610	20,887,966	21,619,045
8	Local retail sales tax	23,319,686	24,082,547	24,809,200	25,491,453	26,383,654	27,307,082	28,262,830	29,252,029	30,275,850
9	Local use tax	2,415,055	2,627,539	2,743,805	2,922,153	3,039,039	3,160,601	3,287,025	3,418,506	3,555,246
10	Other taxes	244,519	295,802	387,453	310,477	315,812	321,244	326,775	332,408	338,145
11	**Intergovernmental**	9,089,611	8,712,929	8,101,655	7,393,468	**8,232,834**	7,850,450	7,977,800	8,107,492	8,238,484
12	**Charges for service**	30,640,503	30,786,203	31,925,295	32,578,729	**32,225,437**	32,309,146	31,803,968	31,333,296	32,291,087
13	**Reimbursements**	4,586,515	5,043,657	5,618,700	5,215,148	**5,149,432**	5,259,225	5,367,843	5,478,738	5,591,957
14	**Use of money and property**	4,494,424	5,124,831	4,763,874	4,578,425	**4,762,583**	4,766,689	4,799,243	4,833,691	4,870,077
15	**Other revenues**	4,644,163	3,206,030	4,737,070	5,293,932	**2,933,690**	2,922,894	2,929,955	2,954,701	2,979,820
16	**Transfers from other funds**	2,568,902	4,077,670	3,824,009	3,764,196	**4,096,097**	3,551,667	2,786,429	2,776,066	2,758,450
17	***Total Revenue***	223,907,501	226,360,076	229,913,696	233,394,739	**234,503,840**	236,377,452	239,221,354	243,573,690	250,092,571
18	**Operating Expenditures**									
19	**Personnel and benefits**	115,914,010	117,411,580	122,615,343	125,197,553	**127,065,862**	132,870,380	138,116,009	143,583,810	149,575,028
20	**Contractual services**	58,380,753	56,584,481	57,120,211	61,878,030	**56,381,989**	57,514,215	58,604,518	60,057,476	61,694,826
21	**Debt service**	21,177,428	20,749,043	20,125,588	19,459,126	**19,269,756**	18,297,206	18,153,570	14,520,719	14,420,902
22	**Commodities**	7,183,808	6,869,614	6,915,662	6,727,991	**6,929,594**	6,628,624	6,968,911	6,862,107	7,379,322
23	**Capital improvements**	8,814	46,862	7,268	1,404	**2,695,273**	-	-	-	-
24	**Capital outlay > $10,000**	241,350	77,163	154,165	100,271	**252,736**	2,592,224	94,991	97,840	100,776
25	**Transfers to other funds**	19,910,614	24,033,913	20,238,814	20,088,040	**25,775,478**	19,597,959	19,852,996	18,896,890	21,088,732
26	***Total Expenditures***	222,816,778	225,772,656	227,177,051	233,452,416	**238,370,688**	237,500,609	241,790,995	244,018,843	254,259,585
27	***Operating Income***	1,090,723	587,421	2,736,645	(57,676)	**(3,866,848)**	(1,123,157)	(2,569,641)	(445,152)	(4,167,015)
28	***Ending Fund Balance***	69,848,639	70,436,061	73,172,680	73,115,004	**69,248,156**	68,124,999	65,555,358	65,110,205	60,943,191
29	**Assessed valuation**	4,302,212,481	4,273,459,432	4,301,084,880	4,348,562,089	4,410,040,706	4,471,340,272	4,551,824,397	4,651,964,533	4,775,241,594
30	***Assessed valuation % chg.***	0.53%	-0.67%	0.65%	1.10%	1.41%	1.39%	1.80%	2.20%	2.65%
31	**Mill levy**	29.428	29.446	29.377	29.478	29.383	29.359	29.359	29.359	29.359
32	***Mill levy change***	0.069	0.018	(0.069)	0.101	(0.095)	(0.024)	0.000	0.000	0.000