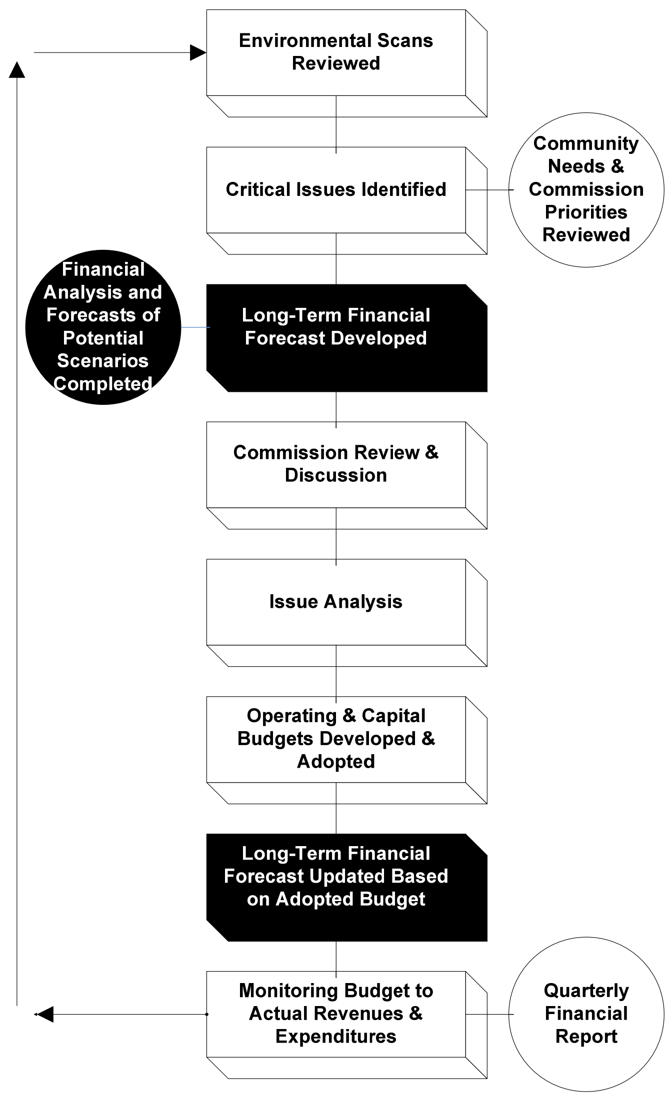
Financial Forecast

For the Period of 2013 - 2018

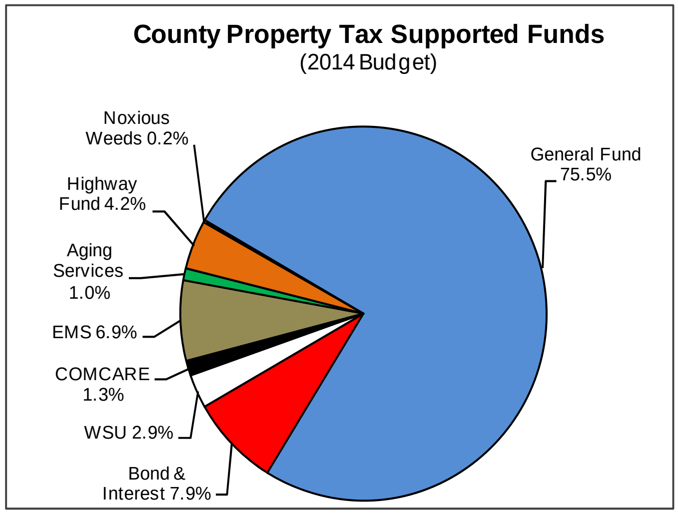
Introduction

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.

Financial Forecast and the Budget Process



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.



Forecasting Methodology

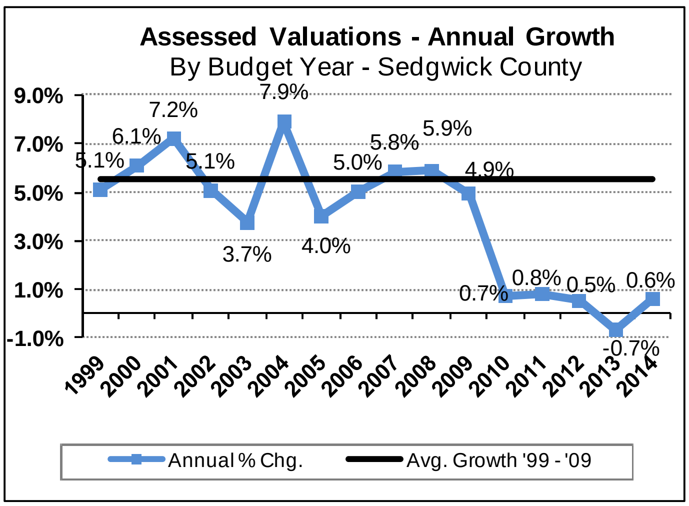
The estimates included in the forecast are based on estimates formulated through the utilization of both quantitative and qualitative methods. Quantitatively, historical revenues and expenditures were analyzed primarily through trend analysis and percentage growth patterns. In addition, national, state, 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 and changes included in the adopted budget. This version of the financial forecast has also been updated for both financial trends and decisions by the Board of County Commissioners (BoCC) as of the end of the third quarter of 2013.

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.

■ Executive Summary

Similar to other state and local governments, Sedgwick County government remains challenged by slight revenue growth, though reports in a few areas point to gradual improvement in the local financial condition. One such indicator is a higher-than-projected increase in assessed property valuation estimates. Since 2010, valuations driving property tax collections (more than 50 percent of total revenues) experienced less than one percent growth. For the first time in the last 20 years, assessed property tax valuations for the 2013 budget experienced a negative assessment of 0.7 percent. However, assessed property valuations for the 2014 budget experienced growth of 0.6 percent.



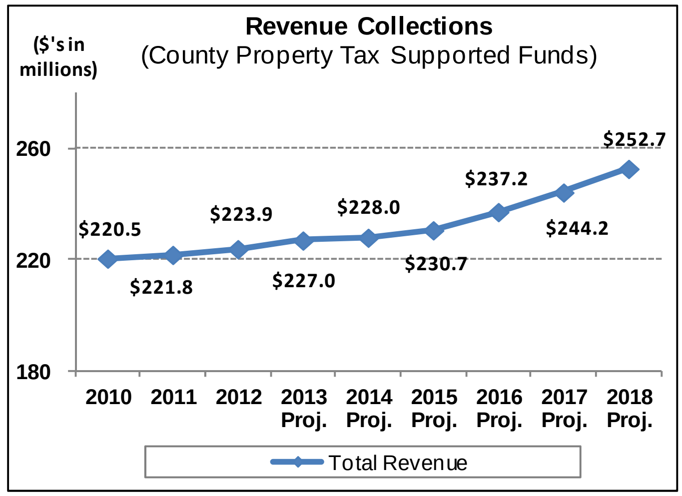
While property valuations have been weak, other key revenues comprising approximately 31 percent of total collections are showing some slight growth after significant declines since 2008. The table below shows that while growth remains slow, some areas are projected to see increases over historic highs for the first time in years.

Key Non-Property Tax Revenue Changes

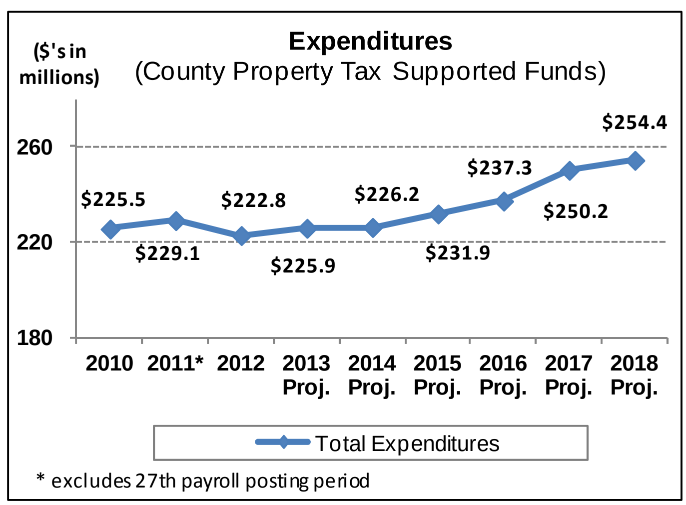
	Historical High		2013 Proj.
	Year	Amount	Amount
Retail sales & use tax	2008	$ 25,232,783	$ 26,664,012
Motor vehicle tax	2008	16,455,891	15,305,740
Investment income	2008	6,195,750	875,347
Medical chgs. for serv.	2007	13,052,848	13,838,697
Mortgage reg. fees	2007	6,957,080	6,205,831
Special city/county hwy.	2007	5,212,769	4,173,298
Housing fees - jail	2011	3,058,302	3,359,032
Total		$ 76,165,423	$ 70,421,956

If collections in these key revenues had remained the same as the year in which their historical high occurred, the County would be projected to collect $5.7 million more revenue than existing projections in 2013.

As a result of the combination of minimal growth in property valuations and weak collections within other key revenues, collections fell significantly in 2009, and remained relatively flat in 2010 through 2012. Projections outline collections gaining some growth in 2013 and 2014, with stronger revenue growth returning in 2015 as property valuations slowly improve.



At the same time that revenues have fallen, the County has maintained expenditure control. Actual expenditures are expected to remain below 2011 levels through 2014 due to previous budget reductions.



Because of the challenging revenue environment and flat expenditure growth over an extended period (2010 to 2014 projected), Sedgwick County has been experiencing 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:

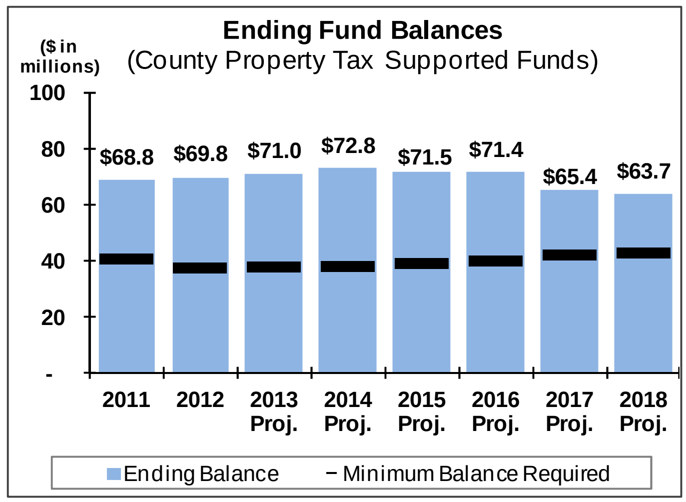
- Balanced budget, maintaining fiscal integrity
- Focused government
- Being clear and concise about services provided

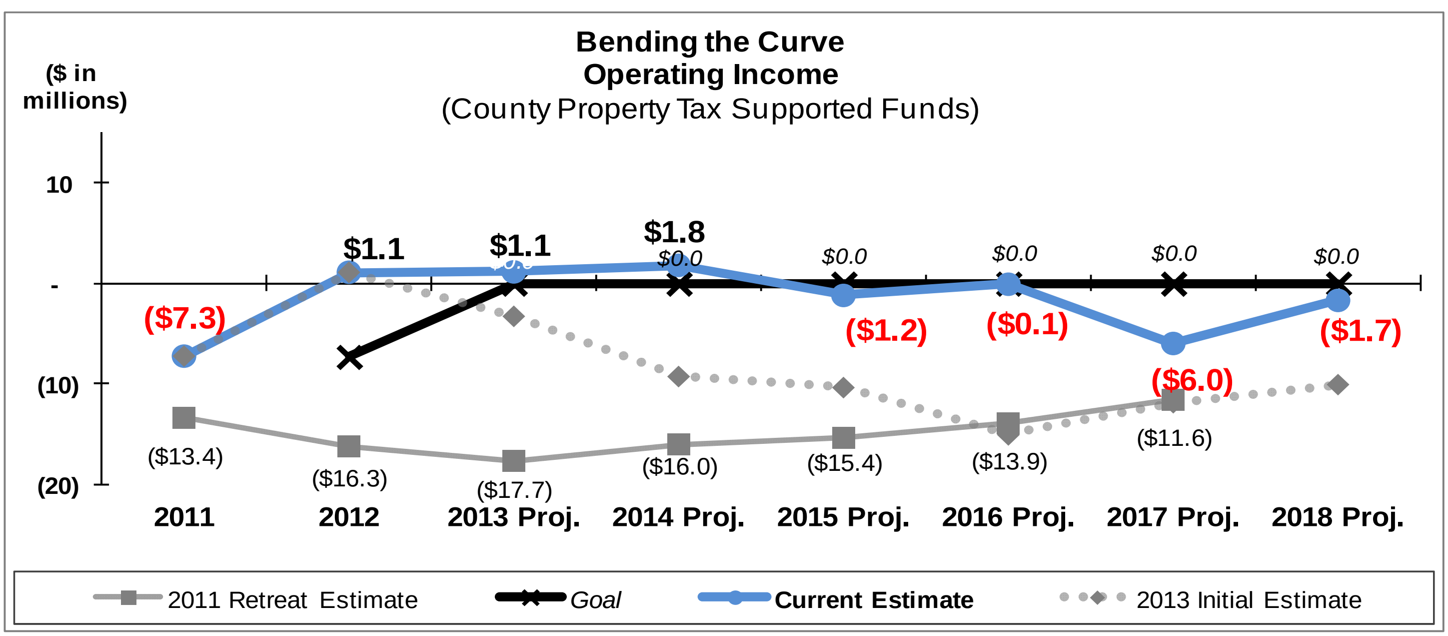
The 2014 budget accomplishes these goals, with the "Bending the Curve" graph at the bottom of this page outlining estimated annual deficits of up to $17.7 million (2013) when the 2012 budget process began (represented by the solid grey line). After implementing nearly $20.0 million in budgetary reductions since 2011, the graph outlines much lower deficit projections, with the most severe deficit of $6.0 million in 2017. With the inclusion of the budgetary reductions and service enhancements included within the 2014 budget, the operating deficit has been eliminated for 2014 (represented by the solid blue line).

However, as outlined in the graph, current projections outline estimated deficits returning in 2015 through 2018 as growth in property valuations and other key revenues do not keep pace with projected expenditures. In addition, a significant deficit emerges in 2017 as the result of election equipment replacement needs.

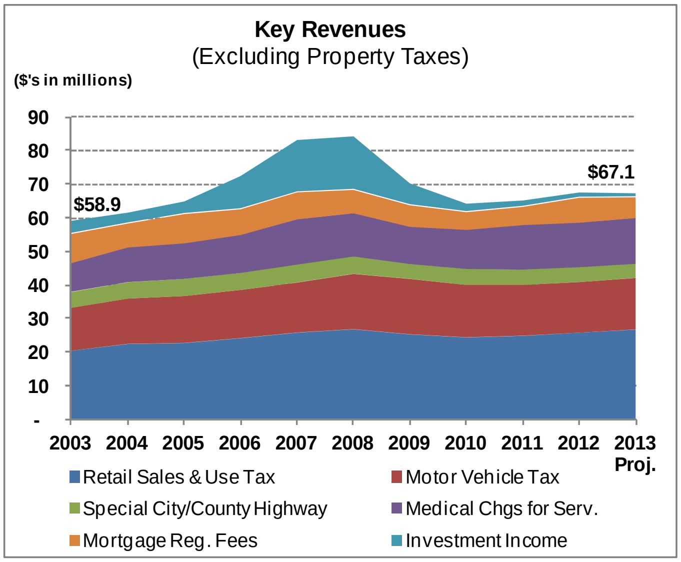
These budgetary reductions help to ensure the long-term continuity of essential services. Prior to the national recession, Sedgwick County proactively implemented an initiative to increase its fund balances during the good times to weather significant economic downturns later through a "rainy day reserve." 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, exceeding County policy at the end of the year. In 2012, the County ended the year with operating income of $1.1 million in property tax supported funds, resulting in an ending fund balance of $69.8 million. With the projections included in this financial forecast, ending balances would remain above the minimum fund balance policy through 2018.

The minimum fund balance policy outlines that balances are not to fall below 20 percent of budgeted expenditures for the General Fund.





Due to the County's previous actions to develop a "rainy day reserve," 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. As outlined in the Key Revenues graph below, when excluding property taxes, the County is projected to collect moderately increased revenue from these key sources in 2013.



Over the planning horizon of the financial forecast, the County will continue to confront a variety of challenges. None, however, will be more testing than the economy. The County will continue to be confronted with an uncertain revenue environment that will challenge its ability to satisfy the broad-based needs of the community. These challenges will require the County to continue to concentrate on a variety of core financial principles, as outlined in the following section.

- **Revenue Core Principles**
  - 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. Ensure the State maintains its revenue sharing promises. County services mandated by another government should be funded by that government.

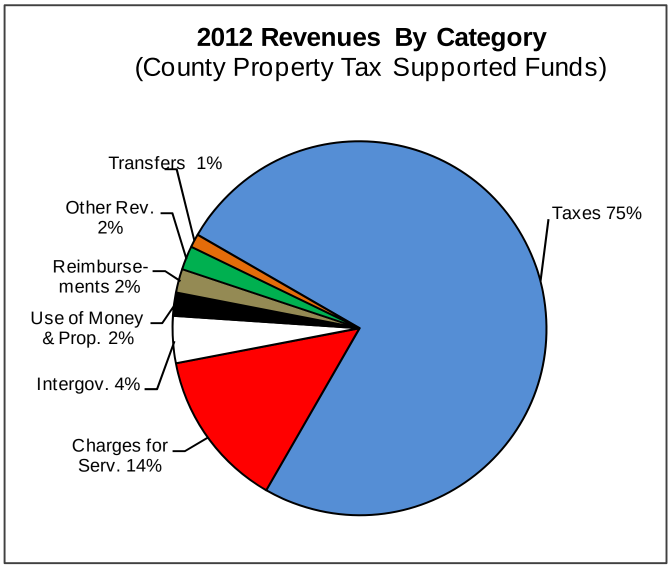
Previous Management Decisions

- **2002:** $1.0 million in operating costs are eliminated.
- **2003:** County eliminates 41 positions and freezes 10.5. In addition, 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:** Implement budgetary 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

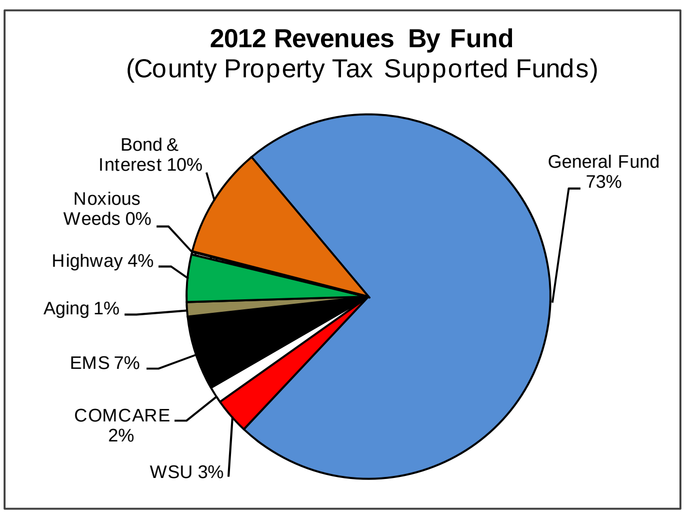
- **Expenditure Core Principles**
  - Concentrate public services on those considered core County services and vital to the development of the community
  - Seek innovative programs for delivering public services beyond current operating standards
  - Educate State legislators on the impact of new and pending State mandates, particularly as they relate to public safety
  - 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 2012, a total of $223.9 million in revenue and transfers was received in these funds, with 75 percent collected from multiple tax sources.



Of the funds receiving property tax support, the largest is the General Fund, with 73 percent of total revenue collections in 2012, followed by the Bond and Interest, EMS, and Highway funds.



Specific Revenue Projections in the Financial Forecast

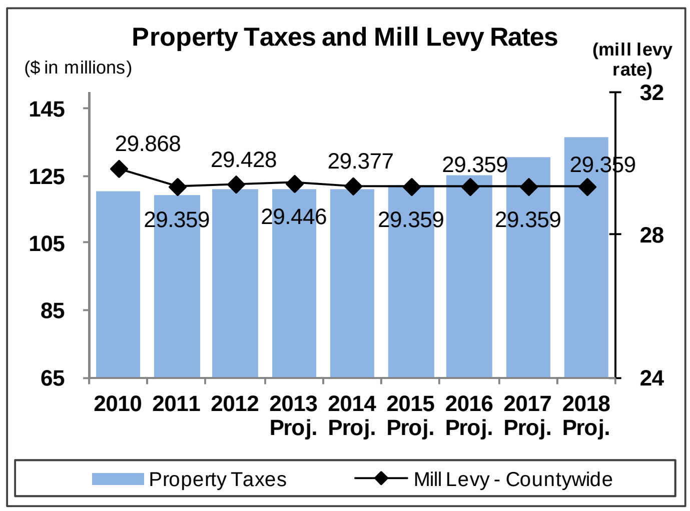
Major Revenues
County Property Tax Supported Funds*

	2012	% of Total
Total Revenues & Transfers In	$223,908,233	100%
Property taxes	$120,890,284	54%
Local sales & use tax	$ 23,319,686	10%
Motor vehicle tax	$ 14,976,262	7%
Medical charges for service	$ 13,470,768	6%
Mortgage registration & officer fees	$ 7,414,134	3%
Investment income	$ 1,250,495	1%
Special city/county highway	$ 4,439,678	2%
Total	$185,761,308	83%

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

Of the total revenue collections and transfers from other funds in 2012, 83 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.

Property Taxes



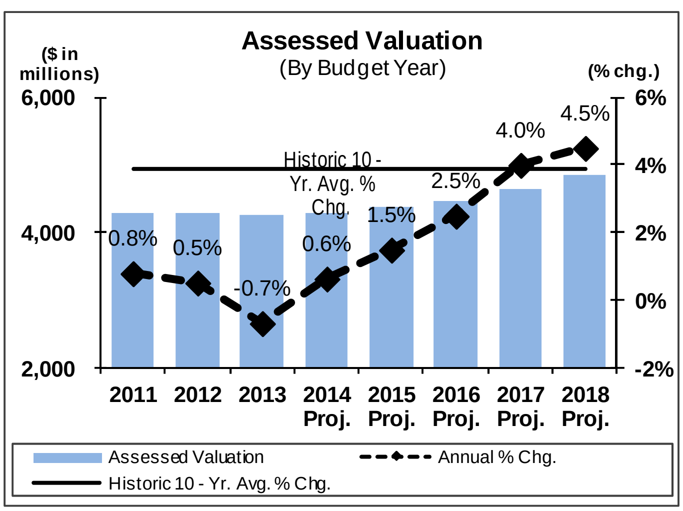
Property taxes play a vital role in financing essential public services. Property tax revenues are primarily used to fund services County-wide in the General Fund and various special revenue funds that do not have the capacity to self-finance their services, in addition to retiring the County's long-term 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.

For three consecutive years, the BoCC reduced the County-wide property tax rate, expressed in mills. In 2009, the BoCC reduced the rate by nearly a full mill (.956 mills), followed by slightly over half a mill (.509 mills) in 2010, and by slightly over half a mill again in 2011 (.509 mills). This forecast assumes that the property tax rate will remain relatively unchanged (absent technical adjustments based on State property tax statutory provisions) at 29.4 mills over the planning horizon.

In all three previous property tax reductions, the Commission offset the reduction with budgetary adjustments comparable to the amount of eliminated revenue. The property tax reduction in 2009 was accomplished by deferring indefinitely construction of a planned 384 bed expansion to the County Jail previously expected to open in 2011. In 2010, the half-mill reduction was offset by a variety of budgetary reductions totaling $3.3 million. And in 2011, the BoCC reduced property taxes by 0.509 mills by reducing employee compensation.

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

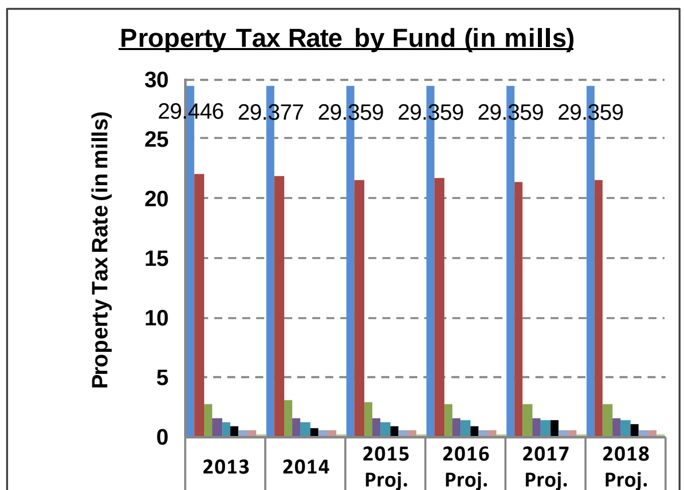
- An assumption that the property tax rate will remain relatively unchanged through the rest of the planning period at 29.4 mills (absent technical adjustments).
- Increases or decreases in property tax revenues following 2013 will result from an estimated increase or decrease in assessed valuations and not an increase in the mill levy rate.
- An assumption that collection delinquencies will be slightly higher than historical standards, but continue to improve from our experience in 2010, when the delinquency rate was 4.2 percent.



Over the past 10 years, Sedgwick County's assessed valuation has grown an average of 3.5 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. But, that trend changed notably in 2010 when the County experienced a significant decrease from past experiences. Since then, marginal growth was experienced in 2010 to 2012 with growth of less than 1.0 percent a year, and a decrease of 0.7 percent for the 2013 budget year. Assessed valuation figures reflect growth of 0.6 percent for the 2014 budget year.

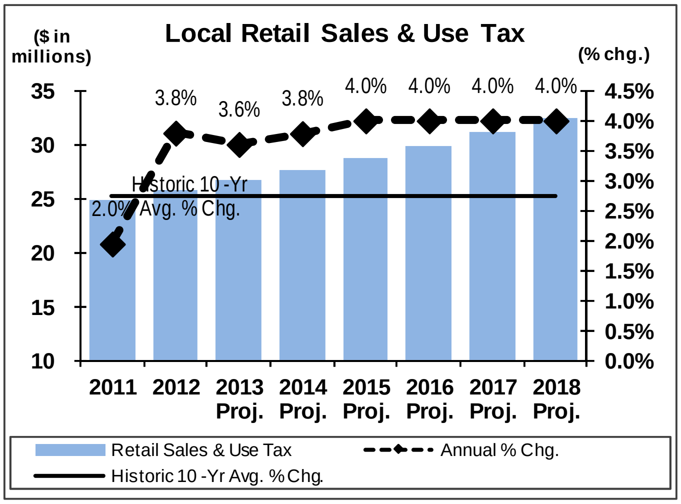
This forecast estimates that future growth will not be as strong as the past decade, but that as economic conditions improve in the latter portion of the planning horizon, more traditional rates of growth will occur.

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 are 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.



	2013	2014	2015 Proj.	2016 Proj.	2017 Proj.	2018 Proj.
All Funds	29.446	29.377	29.359	29.359	29.359	29.359
General	22.003	21.790	21.615	21.685	21.290	21.570
Bond & Int.	2.661	2.998	2.900	2.730	2.725	2.725
WSU	1.500	1.500	1.500	1.500	1.500	1.500
Highway	1.256	1.194	1.250	1.350	1.350	1.370
EMS	0.896	0.688	0.890	0.890	1.300	1.000
Aging	0.564	0.539	0.570	0.570	0.560	0.560
COMCARE	0.460	0.584	0.550	0.550	0.550	0.550
Noxious Wds	0.106	0.084	0.084	0.084	0.084	0.084

Local Retail Sales and Use Tax



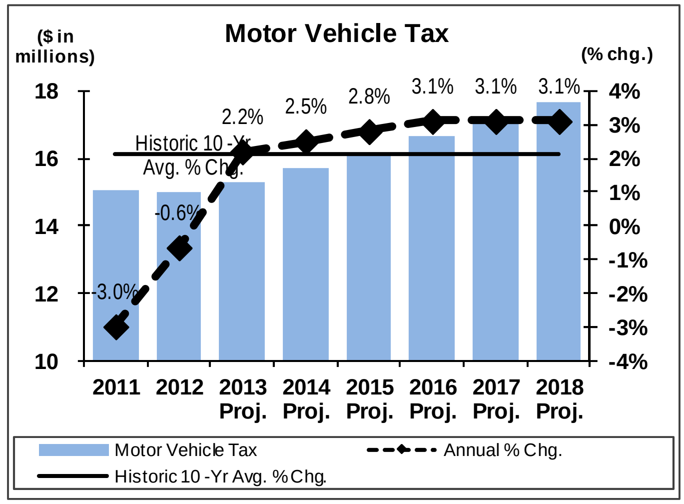
Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July of 1985. Distribution of sales tax revenue to the County and cities is based half on their individual population levels and half on property tax levies per State statute 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

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. Use tax is also applied if the other state's sales tax rate is less than the Kansas rate.

Historically, retail sales and use tax collections have experienced an average growth rate of 2.8 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 have declined from a high of $26.8 million in 2008 to $25.7 million in 2012.

Motor Vehicle Tax



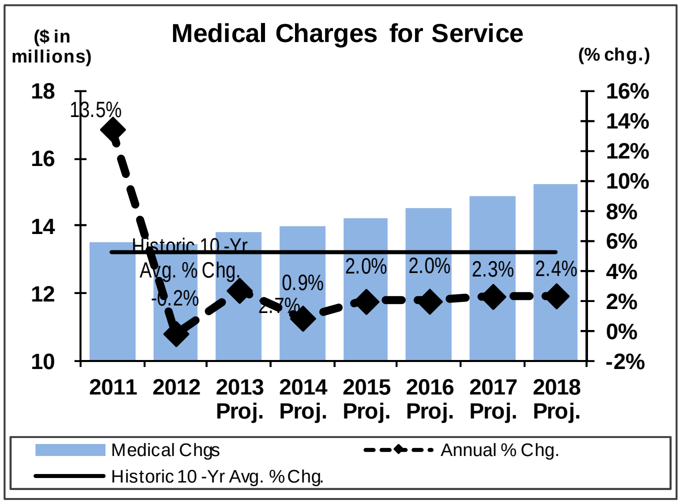
The State statute describing the collection and distribution of Motor Vehicle Taxes is outlined in K.S.A. 79-5101 et seq.

- 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 County 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 high of $16.5 million in 2009, with current projections not expecting to exceed this level until 2016 with collections of $16.6 million.

Medical Charges for Service

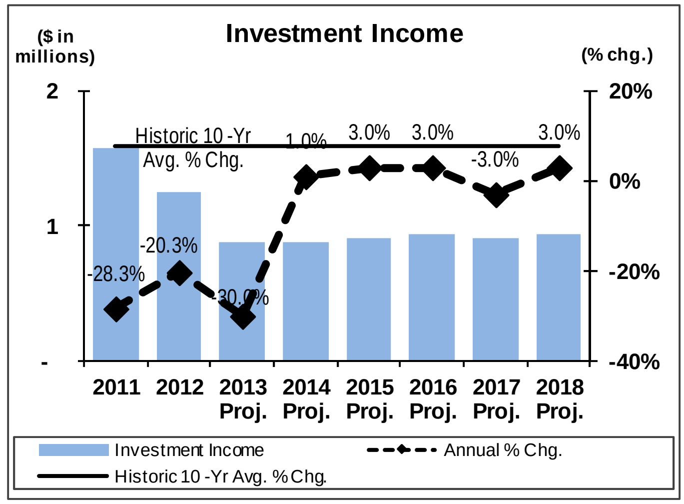


Medical charges for service include Medicaid, Medicare, insurance, and patient fees for delivered medical services. In the property tax supported funds, these services are predominately delivered through EMS, generating 93 percent of the total 2012 collections, followed by the Health Department and the 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 2012, collections declined by 0.2 percent after growing 13.5 percent from 2010 to 2011. The one-time increase in 2011 was the result of a change in the EMS billing vendor in mid-2010. The change caused a disruption in EMS' revenue stream, extending collections from 2010 into 2011. Traditionally, medical charges for service grow an average of approximately 5.0 percent annually.

Investment Income

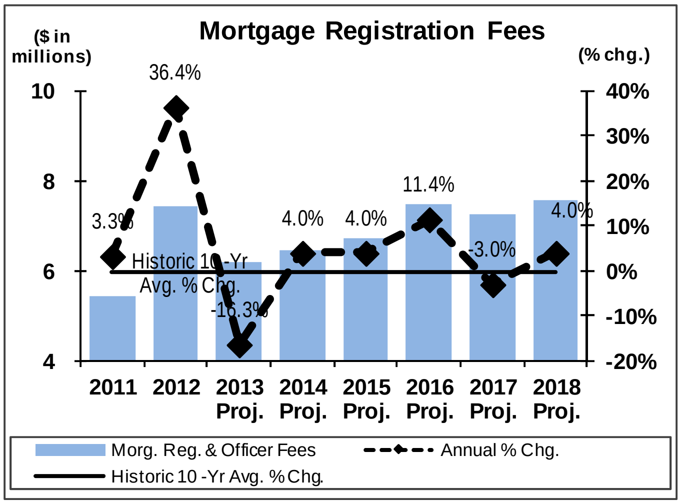


Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law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

Prior to 2009, investment income had grown substantially as a result of increasing interest rates and a growing investment portfolio. The size of the investment portfolio was largely related to construction of the downtown INTRUST Bank Arena. The downtown arena project, funded with a 30-month, one-percent sales tax, received legislative approval following a local election. As required by State statute, investment income generated by investing the sales tax receipts was deposited in the General Fund.

Following the completion of the INTRUST Bank Arena and declining investment yields, the County's investment income began to experience significant declines. For 2013, this trend is expected to continue with a 30.0 percent decrease.

Mortgage Registration Fees



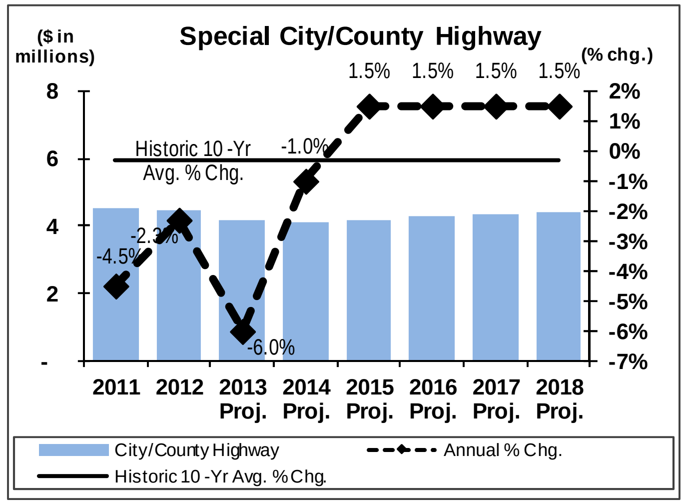
Mortgage registration fees are collected by the Register of Deeds.

- Mortgage registration fees are established under K.S.A. 79-3102 and set the fee rate at 26 cents per $100 of mortgage principal registered.

Within this revenue source, collection levels are strongly correlated with the strength of the local real estate and refinancing market. This is predominately the basis for the falling collections that have occurred between 2008 and 2010. Collections grew in 2011 as a result of a few large mortgage registrations. The significant increase in 2012 was the result of one-time fee revenues. The increase in projected 2016 collections also is the result of an expected issuance of a large mortgage that occurs approximately every eight years.

Mortgage registration fees reached a high of $8.7 million in 2003 and are projected to generate $6.2 million in 2013.

Special City/County Highway

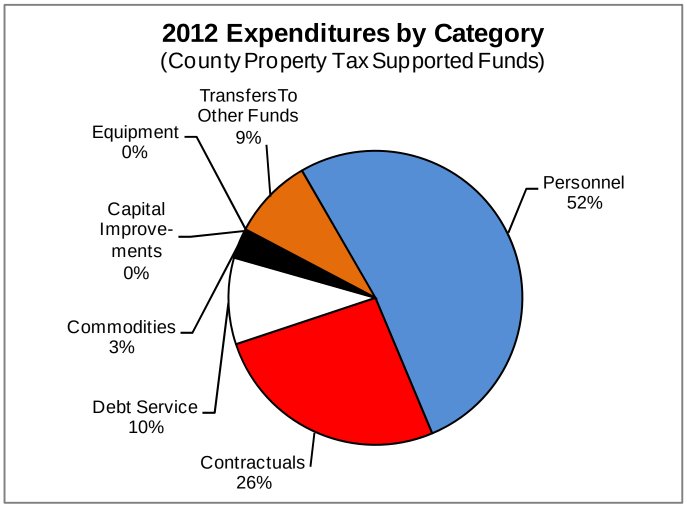


The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges, and intersections. Of the revenues used to fund these operations, the largest is the State's special city/county highway fund authorized under K.S.A. 79-3425. Through the Fund, the State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

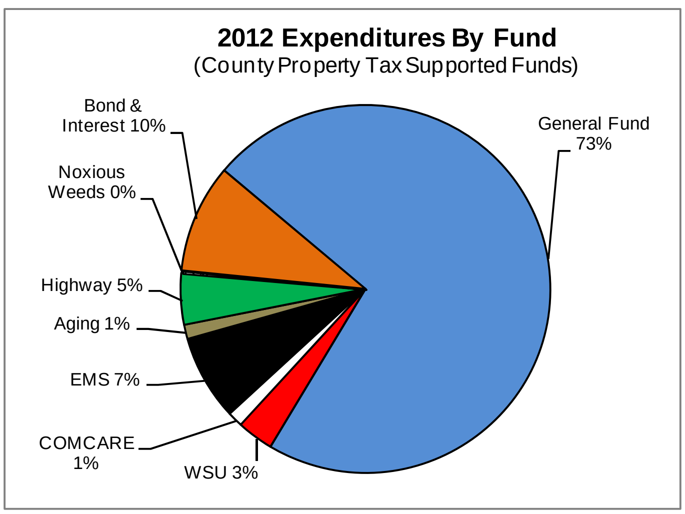
- Each county shall receive a payment of $5,000.
- Remaining 50 percent is allocated based on the portion of collected motor vehicle registration fees in the county compared to the amount collected in all counties.
- Remaining 50 percent is allocated based on the portion of average daily vehicle miles 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 altered its demand transfer contribution, and the State corrected previous distributions made in error. The County anticipates a decline of 6.0 percent in 2013, followed by a decrease in 2014 of 1.0 percent related to the State's Fiscal Year 2014 budget, which reduced the County's allocation by just more than $0.1 million.

Expenditures



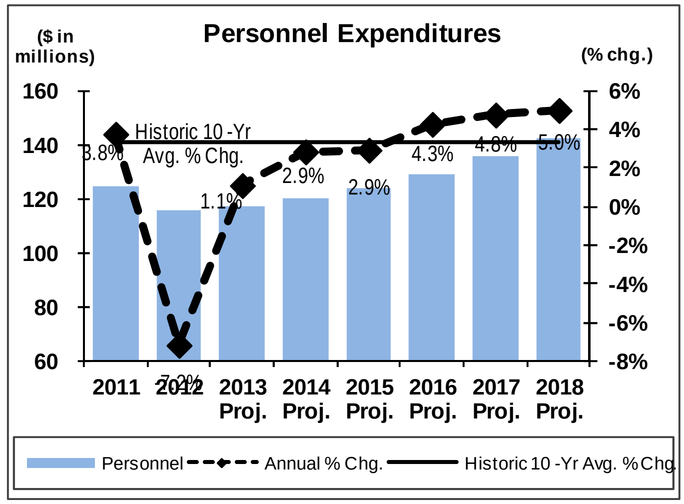
Sedgwick County's expenditure structure is divided into seven primary categories: personnel, contractuals, debt service, commodities, capital improvements, equipment, and interfund transfers. Of the total expenditures incurred in 2012 for County property tax supported funds, 52 percent was attributed to personnel and 26 percent to contractuals.



Of the funds receiving property tax support, the largest is the General Fund with 73 percent of total 2012 expenditures, followed by the Bond and Interest Fund and Emergency Medical Services.

Specific Expenditure Projections in the Financial Forecast

Personnel

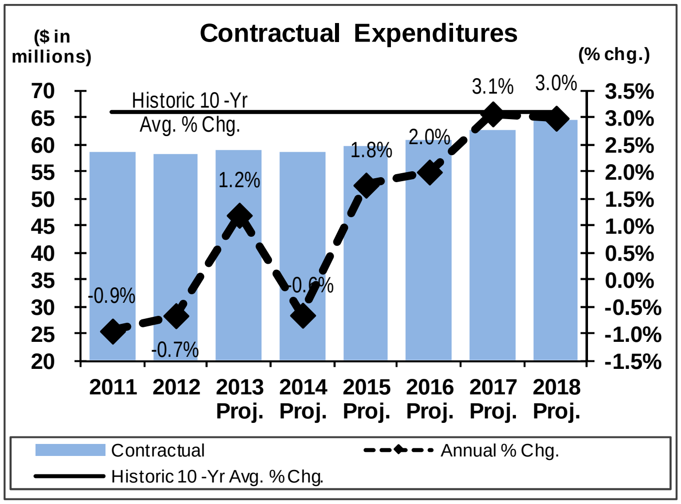


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- A 2.5 percent performance-compensation pool in 2014 and 2015, followed by 3.0 percent in 2016, and 4.0 percent each year in 2017 and 2018.
- A 9.8 percent increase in the employer-paid portion of health benefit premiums in 2014. For each year thereafter, a 10 percent annual increase.
- Increases in retirement rates through the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Firemen's Retirement System (KP&F). Following the increases for the 2013 budget as outlined in the table below, this forecast anticipates rates increasing by significant margins in 2014 and 2015.

	2009	2010	2011	2012	2013	2014
KPERS - Retirement Rates						
	6.54%	7.14%	7.74%	8.34%	8.94%	9.69%
KP&F - Retirement Rates						
Sheriff	13.86%	13.20%	14.91%	16.88%	17.26%	20.28%
Fire	13.51%	12.86%	14.57%	16.54%	17.26%	19.92%
EMS	13.93%	13.25%	14.93%	16.88%	17.26%	20.08%

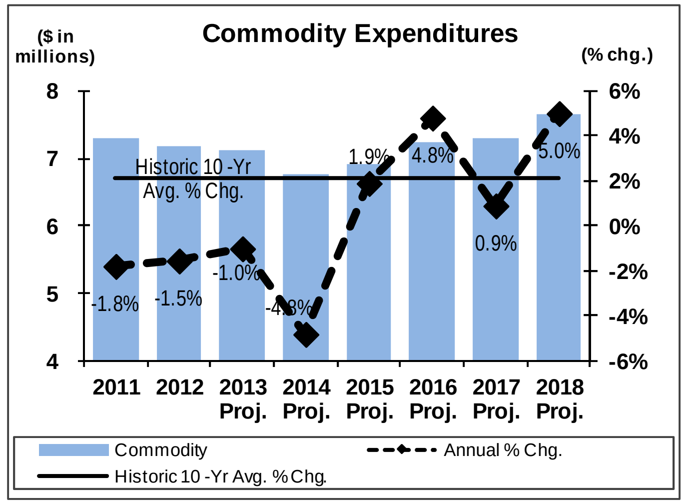
Contractual



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 3.1 percent over the past 10 years, with the most significant growth occurring due to the implementation of alternative jail programs and economic development funding. Growth in each year of the financial forecast follows the general trend, with the exception of 2014, when anticipated economic development expenditures decrease as economic development incentive payments are completed.

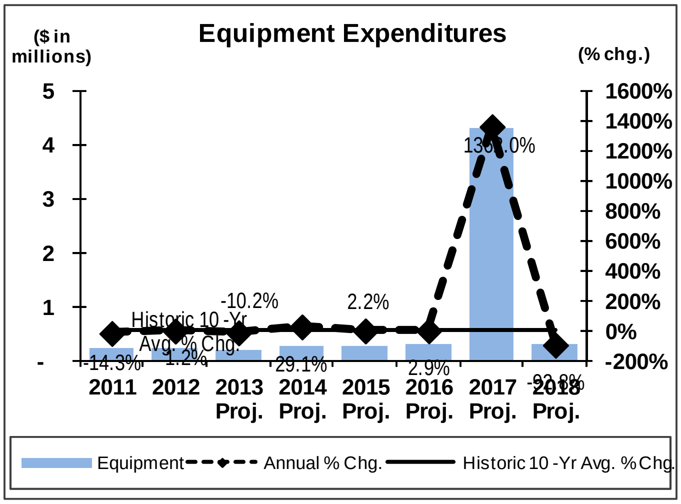
Commodities



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.

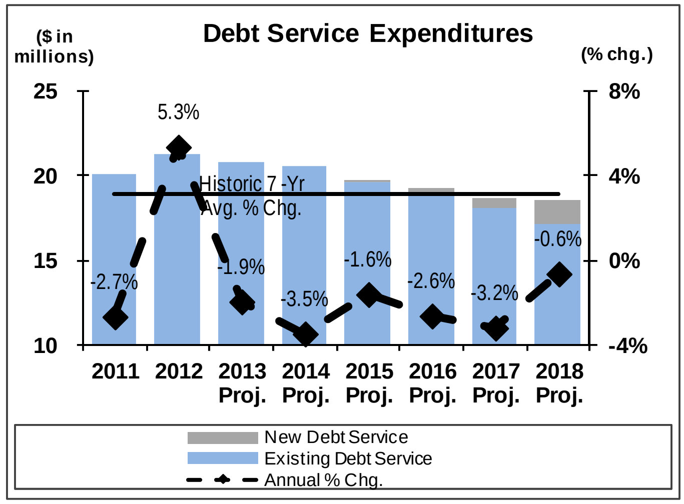
Commodity expenditures often fluctuate from year to year, often due to the election cycle due to commodity expenses within the Election Commissioner's Office that vary from odd years to even years (even years representing either gubernatorial or presidential election cycles). The decrease from 2013 to 2014 is the result of one-time costs anticipated for the replacement of patient care reporting tablets for EMS in 2013.

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 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



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

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 enjoy 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."

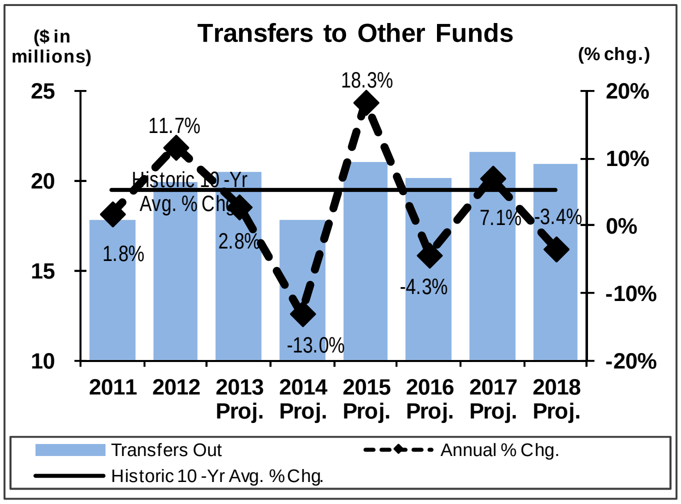
The debt service calculations in the financial plan include the following projects as outlined in the table below.

Capital Projects Funded with Debt Proceeds

Year	Project	Amount
• 2015	Improve Drainage SW of Haysville	1,884,000
• 2014-2018	Road/Bridge Improvements	19,691,000

Includes issuance costs. Please review the Capital Improvement Program (CIP) for a list of all projects.

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 $11.0 million to $14.0 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.
• 2011 Actual	10,799,319	1,597,566	3,446,027	936,643
• 2012 Actual	11,270,000	1,597,566	2,886,288	1,061,118
• 2013 Proj.	11,734,440	1,597,566	4,966,924	1,170,740
• 2014 Proj.	12,239,595	1,597,566	300,000	1,178,762
• 2015 Proj.	12,793,363	1,597,566	2,969,702	1,191,638
• 2016 Proj.	13,369,290	1,597,566	1,446,727	1,232,529
• 2017 Proj.	13,968,262	1,597,566	2,225,173	1,370,054
• 2018 Proj.	14,591,203	1,597,566	828,791	1,414,705

* Includes capital projects deferred in 2010 & 2011, proceeds returned.

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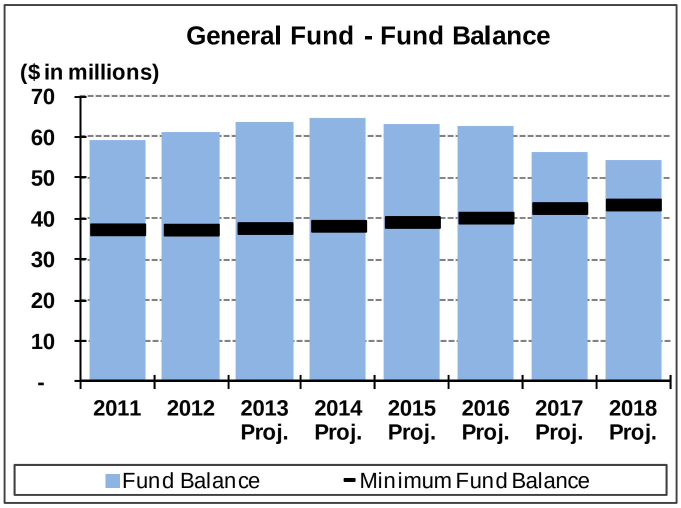
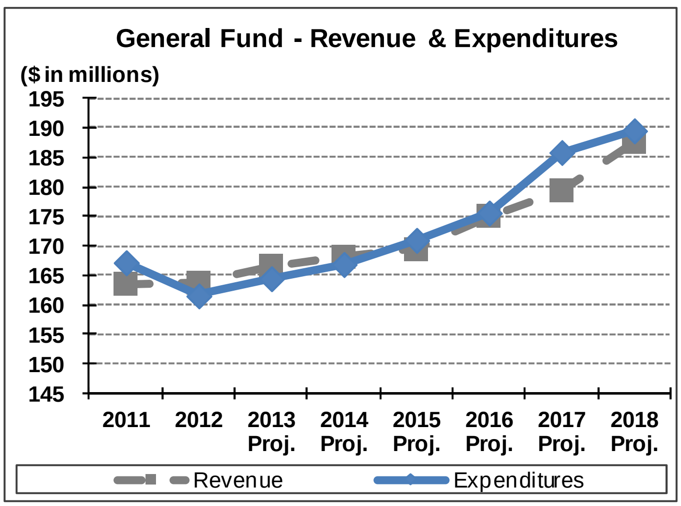
■ Summary by Fund

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





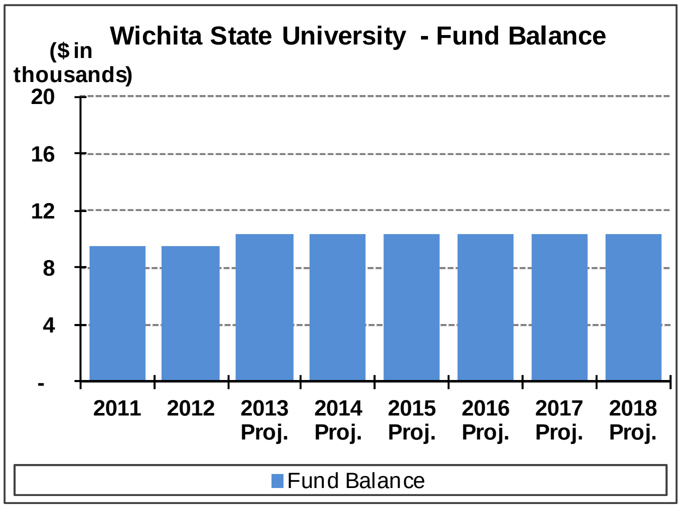
The General Fund is the County's primary operating fund and accounts for County services that do not have a designated fund of their own. The General Fund includes most general government and law enforcement functions and receives the broadest variety of revenues. Currently, the operations of 41 different departments are funded from the General Fund.

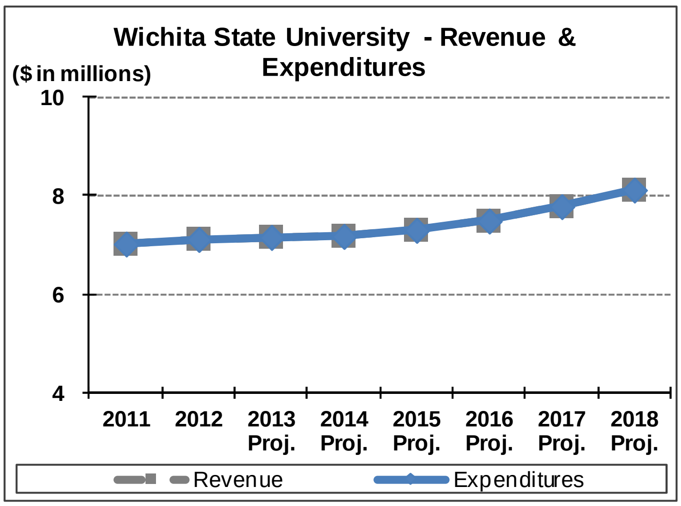
The County's fund balance policy requires the General Fund to maintain a minimum balance equal to 20 percent of the adopted budget. Currently, the fund has built a balance exceeding this amount, which is projected to continue over the planning horizon.

Major fiscal challenges:

- Absorbing over the next several years the impact of 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 diminishes due to the economic environment.
- Limitations in the ability to address unplanned, emergency funding needs when they arise as the fund balance declines.

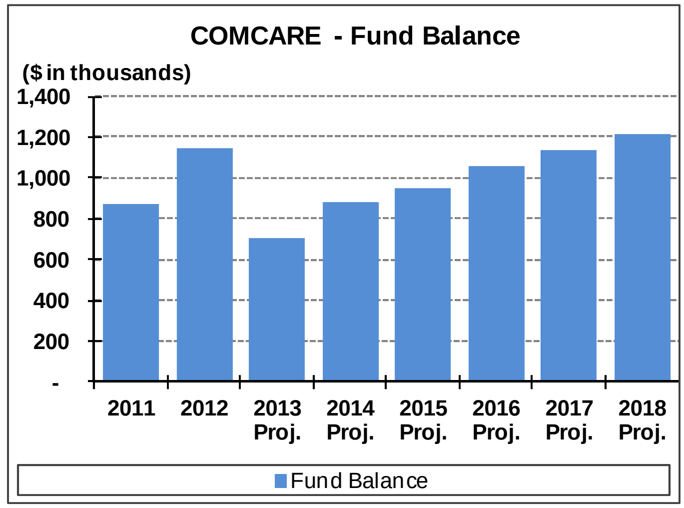
Wichita State University

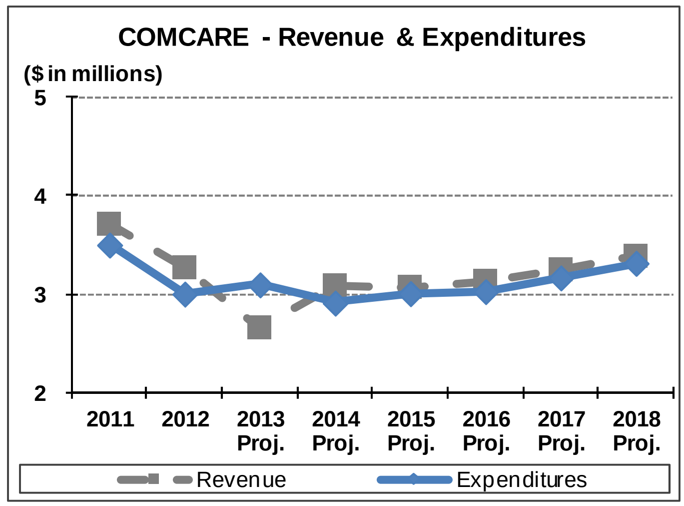




In June 1987, the Board of County Commissioners and the Wichita City Council approved an inter-local agreement in which the City agreed to stop levying its 1.5 mill property tax and the County created a County-wide levy of an equal amount.

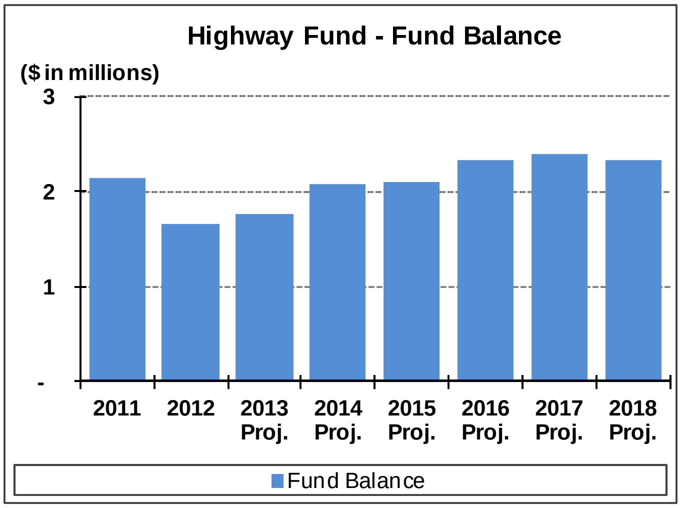
COMCARE

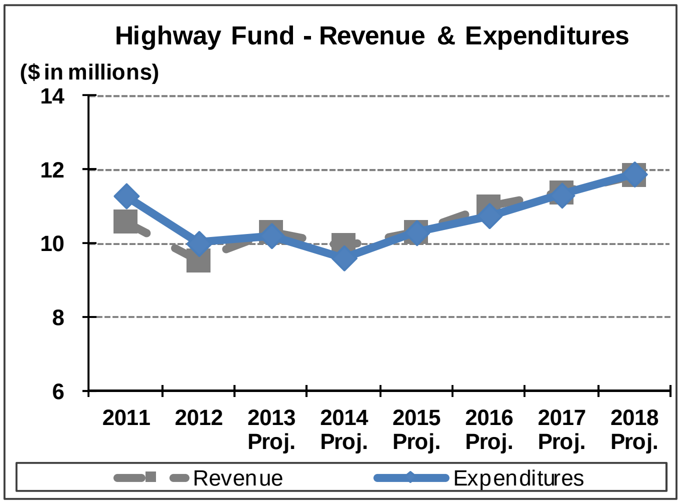




Comprehensive Community Care (COMCARE) provides mental health services and substance abuse treatment to adults, families, and children. COMCARE was established after the passage of the State's Mental Health Reform Act in 1990 and is one of 29 agencies in the State of Kansas. This fund supports the majority of administrative costs related to the delivery of mental health services, while a separate grant fund supports the majority of direct services.

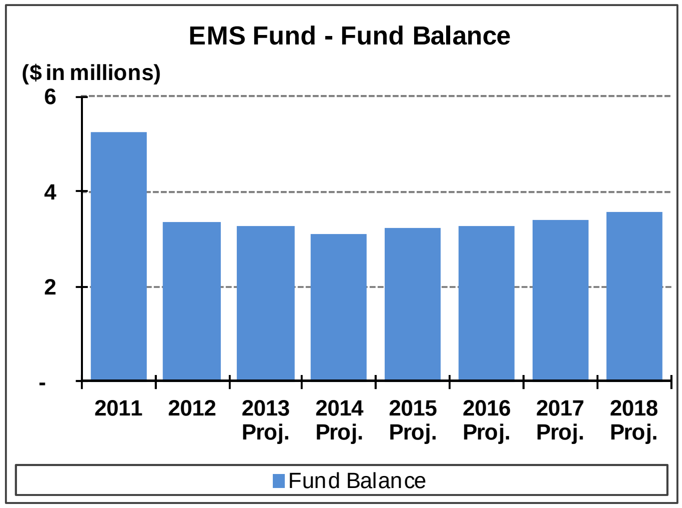
Highway Fund

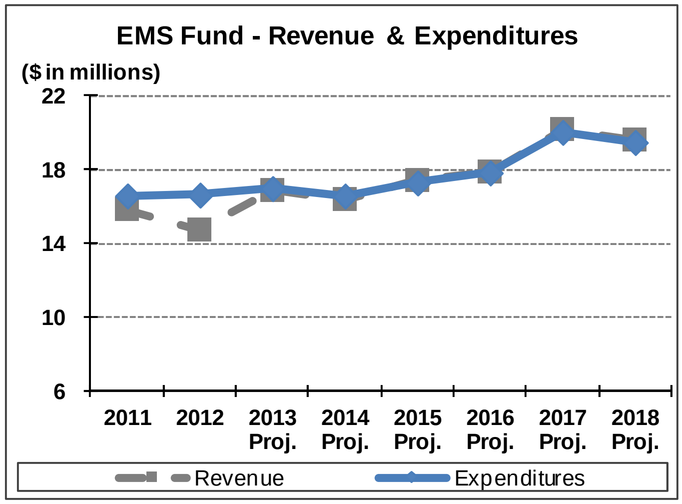




The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges and intersections. The Fund is primarily supported through a property tax levy and revenue from the State's Special City/County Highway Fund.

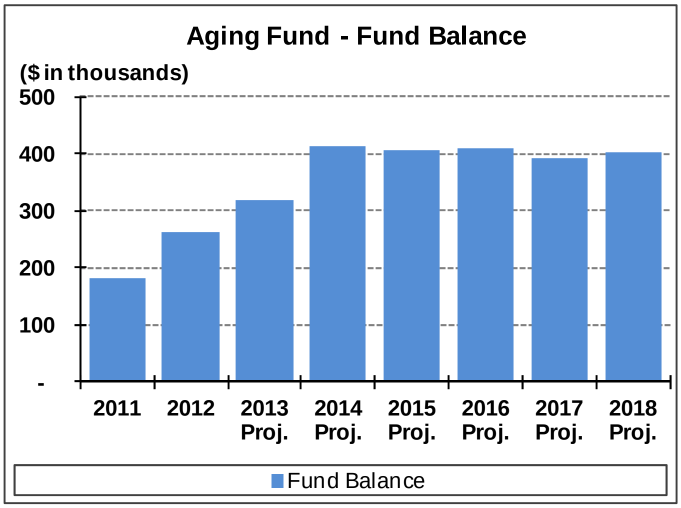
Emergency Medical Services Fund

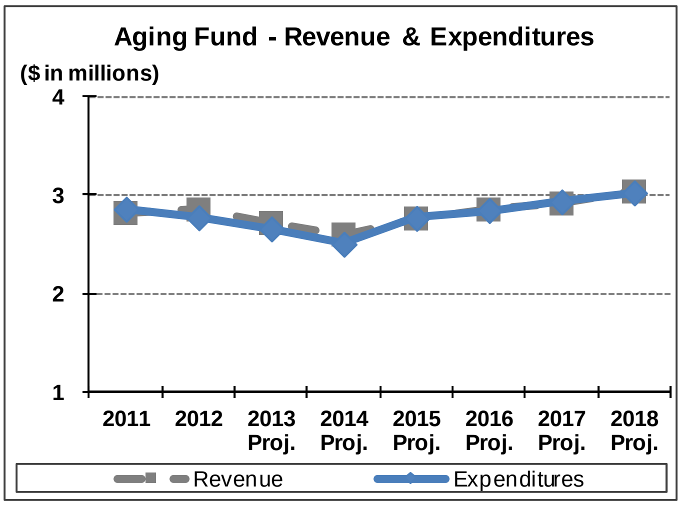




Emergency Medical Services (EMS) was created in 1974 per a City/County agreement to provide emergency response and scheduled ambulatory transfers. Prior to 1974 a private provider delivered EMS services to the community.

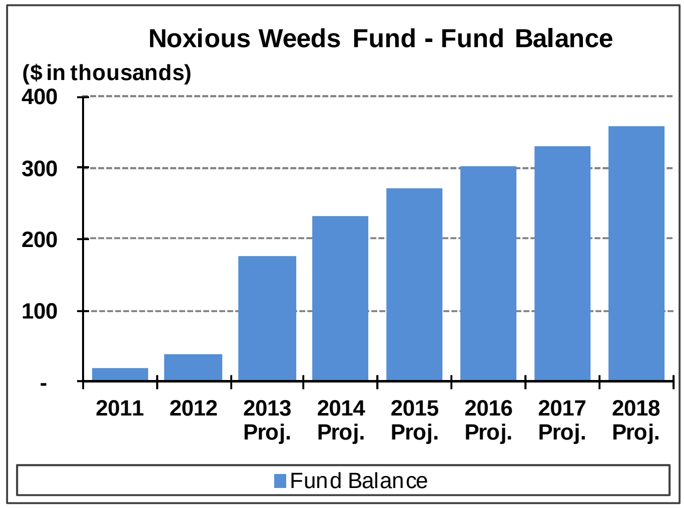
Aging Fund

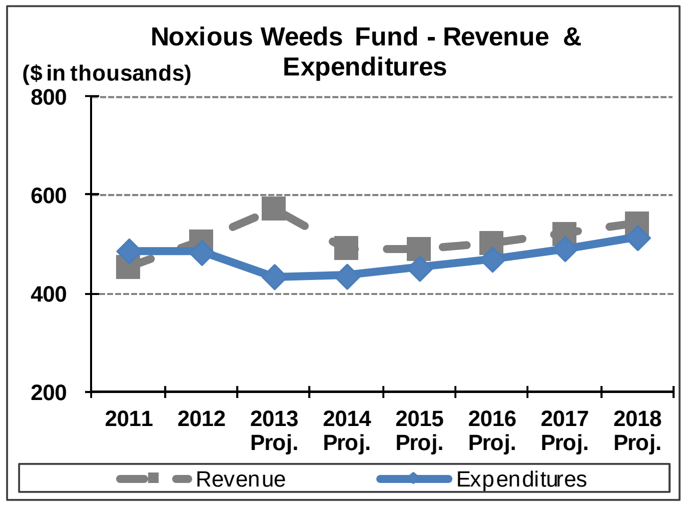




The Department on Aging was created in 1980 to serve older citizens of the County and advocate independence and quality of life. This fund supports the majority of administrative costs and a variety of direct services, such as funding to local senior centers. The Department also operates within a grant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

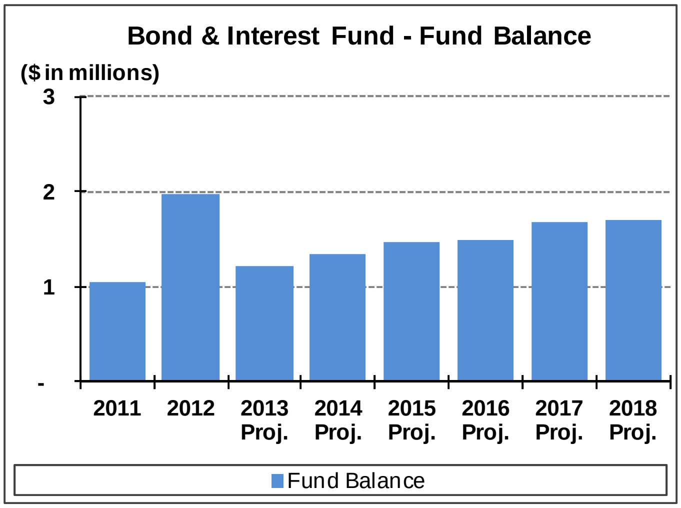
Noxious Weeds Fund

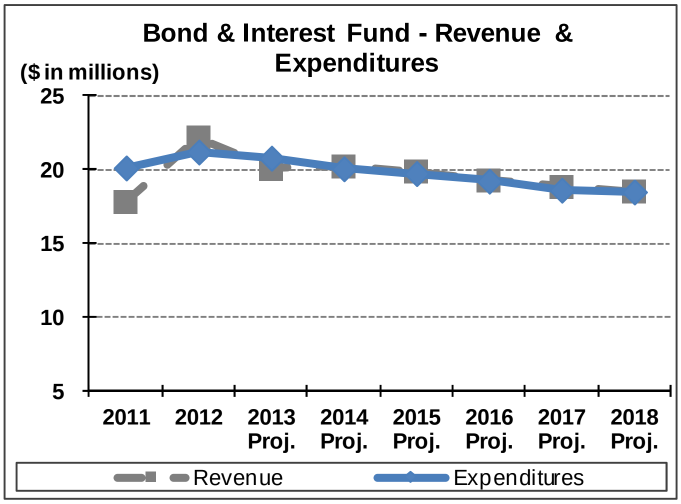




The Noxious Weeds Department was established to eradicate and control noxious weeds as required by K.S.A. 2-1318.

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 outlined above, in 2010, the Fund had built a significant fund balance due to the tax increase to debt finance an expansion of the County Jail, which was later canceled.

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Financial Forecast 2010 - 2018

Modified Accrual Basis

All County-Wide Property Tax Supported Funds

		Actual				Estimated				
		2010	2011	2012	2013	2014	2015	2016	2017	2018
1	***Beginning Fund Balance***	81,062,642	76,025,844	68,757,915	69,849,370	70,974,267	72,755,312	71,539,051	71,444,029	65,439,427
2	**Operating Revenue**									
3	**Taxes**	166,928,993	165,581,045	167,883,773	169,295,401	170,116,700	172,841,106	177,493,380	184,076,030	191,746,407
4	Current property taxes	120,583,782	119,262,429	120,890,284	120,965,203	120,799,250	122,208,245	125,301,201	130,373,650	136,308,414
5	Back property taxes & warrants	2,401,086	2,509,077	3,075,686	3,595,793	3,487,312	3,556,955	3,627,986	3,700,436	3,774,331
6	Special assessment property taxes	3,176,394	2,987,439	2,375,128	1,918,879	1,608,021	1,286,416	1,101,030	802,887	664,144
7	Motor vehicle taxes	16,241,518	15,777,423	15,669,085	15,999,977	16,396,121	16,855,843	17,377,567	17,915,445	18,469,976
8	Local retail sales tax	21,886,123	22,473,163	23,319,686	24,159,195	25,069,313	26,072,648	27,116,133	28,201,375	29,330,045
9	Local use tax	2,432,980	2,320,607	2,415,445	2,504,817	2,605,010	2,709,210	2,817,578	2,930,281	3,047,493
10	Other taxes	207,110	250,907	138,459	151,537	151,674	151,790	151,884	151,956	152,004
11	**Intergovernmental**	10,010,600	9,929,979	9,089,953	9,462,522	9,252,592	8,027,926	8,135,209	8,243,263	8,352,557
12	**Charges for service**	23,508,138	29,608,670	30,640,503	30,742,478	31,341,069	32,153,858	33,513,874	33,956,680	34,927,031
13	**Reimbursements**	7,225,309	4,635,802	4,586,515	4,988,010	5,094,165	5,221,552	5,352,252	5,486,204	5,624,431
14	**Use of money and property**	4,931,913	5,700,511	4,494,424	4,853,229	4,887,946	4,991,437	5,166,283	5,309,295	5,515,155
15	**Other revenues**	2,296,288	3,002,846	4,644,163	3,257,964	3,351,112	3,466,700	3,588,280	3,715,161	3,848,104
16	**Transfers from other funds**	5,590,149	3,363,725	2,568,902	4,377,068	3,951,552	3,948,507	3,945,182	3,419,895	2,666,550
17	***Total Revenue***	220,491,390	221,822,579	223,908,233	226,976,673	227,995,136	230,651,086	237,194,460	244,206,528	252,680,235
18	**Operating Expenditures**									
19	**Personnel and benefits**	120,330,578	124,858,482	115,914,010	117,199,757	120,544,570	124,089,752	129,399,960	135,560,244	142,335,627
20	**Contractual services**	59,321,531	58,764,650	58,380,753	59,082,574	58,701,497	59,733,683	60,928,769	62,802,285	64,682,881
21	**Debt service**	20,650,683	20,102,162	21,177,428	20,764,542	20,045,805	19,724,330	19,208,096	18,595,697	18,478,408
22	**Commodities**	7,428,902	7,296,350	7,183,808	7,111,970	6,770,596	6,899,237	7,230,400	7,295,474	7,660,248
23	**Capital improvements**	2,492	(1,399)	8,814	2,056	-	-	-	-	-
24	**Capital outlay**	278,334	238,532	241,350	216,733	279,802	285,957	294,250	4,301,938	309,740
25	**Transfers to other funds**	17,515,667	17,831,731	19,910,614	20,474,144	17,821,822	21,084,387	20,178,006	21,605,491	20,875,012
26	***Total Expenditures***	225,528,188	229,090,508	222,816,778	225,851,776	226,214,092	231,867,346	237,289,481	250,211,130	254,391,915
27	***Operating Income***	(5,036,798)	(7,267,929)	1,091,455	1,124,898	1,781,044	(1,216,261)	(95,021)	(6,004,602)	(1,711,680)
28	***Ending Fund Balance***	76,025,844	68,757,915	69,849,370	70,974,267	72,755,312	71,539,051	71,444,029	65,439,427	63,727,747
29	**Less: minimum fund balance**	(40,671,319)	(41,455,599)	(37,402,381)	(37,780,976)	(38,333,102)	(39,271,577)	(40,333,854)	(42,688,033)	(43,531,900)
30	***Available Fund Balance***	35,354,526	27,302,316	32,446,989	33,193,292	34,422,209	32,267,474	31,110,175	22,751,394	20,195,847
31	**Assessed valuation**	$ 4,245,446,780	$ 4,279,583,271	$ 4,302,212,481	$ 4,273,459,432	$ 4,301,084,880	$ 4,365,601,153	$ 4,474,741,182	$ 4,653,730,829	$ 4,863,148,717
32	*Assessed valuation % chg.*	0.7%	0.8%	0.5%	-0.7%	**0.6%**	1.5%	2.5%	4.0%	4.5%
33	**Mill levy**	29.868	29.359	29.428	29.446	**29.377**	**29.359**	**29.359**	**29.359**	**29.359**
34	*Mill levy change*	*(0.509)*	*(0.509)*	*0.069*	*0.018*	***(0.069)***	*(0.018)*	*0.000*	*0.000*	*0.000*