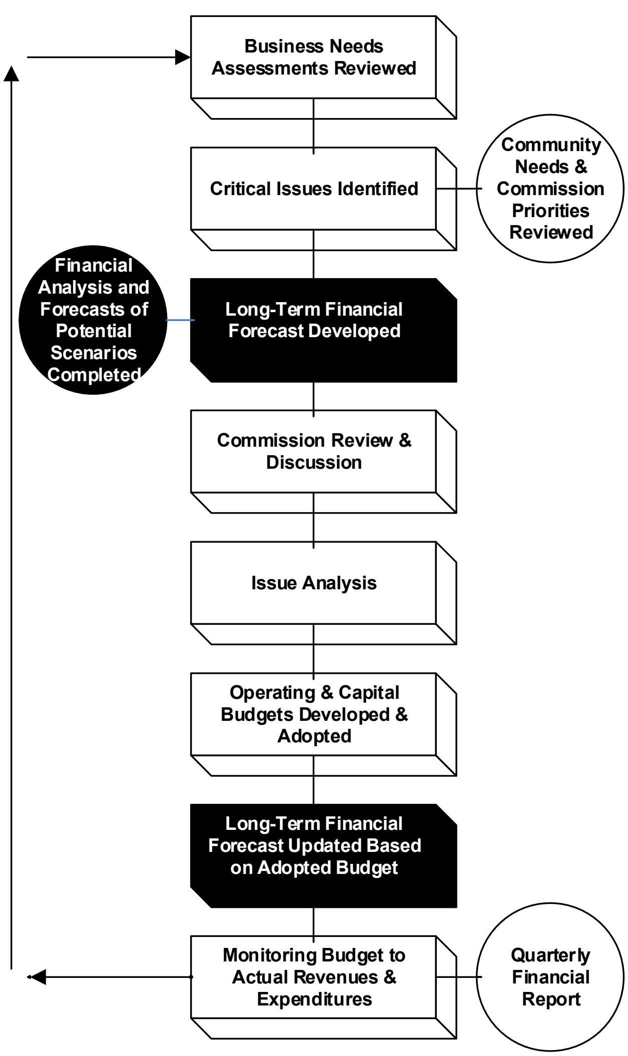
Financial Forecast

For the Period of 2020 - 2025

■ 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 program 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.

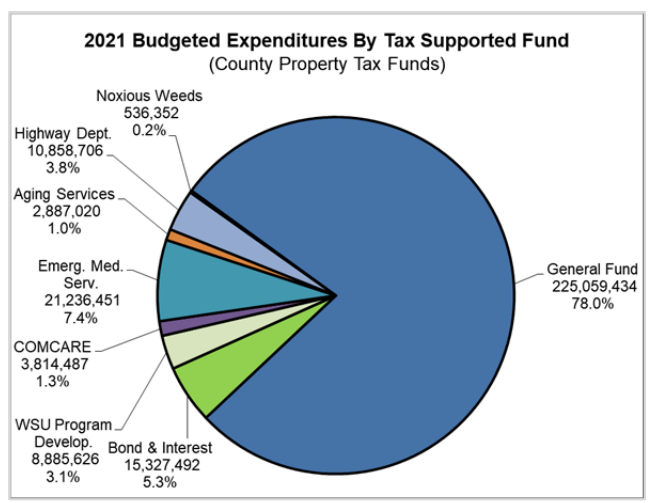
Financial Forecast and the Budget Process



■ 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 spending authority beyond the amount allocated to an individual department or division for use in times of unanticipated events. While budgeted, these contingencies typically are not anticipated to be spent in the forecast. As such, the budget generally is significantly greater than the forecast for a given year. For 2021, \$23.4 million in contingencies is budgeted in the County General Fund.

The revenue and expenditure estimates included in this financial forecast section pertain to the County's eight property-tax-supported funds. These funds are outlined in the pie chart below. Total budgeted expenditures in these funds are \$288,605,567 though forecasted expenditures total \$257,715,704 in 2021. 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, along with input from department managers, to outline the most likely results.

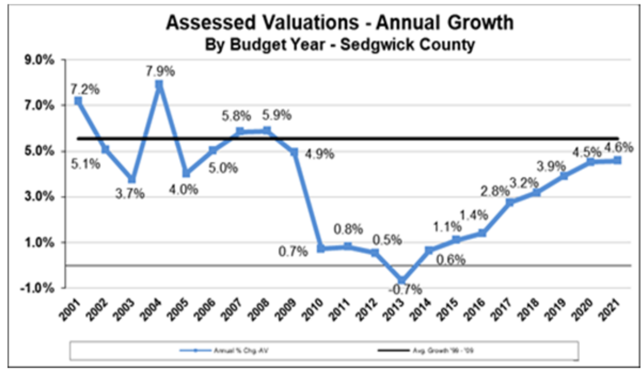
Whenever forecasts are done, even a local weather forecast, one often loses sight that they are performed based on the most recently available variables. For the financial forecast, these variables include economic data through October 2020, along with the changes included in the 2021 budget.

Unfortunately, financial variables are constantly changing. The County's forecast is 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 forecast less accurate. All information is presented on a budgetary basis.

■ Executive Summary

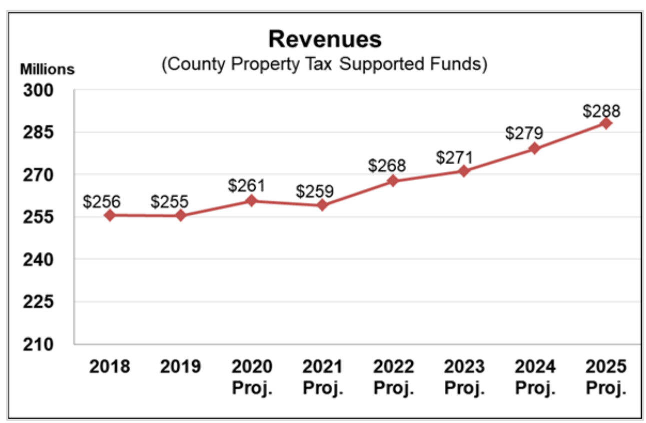
After a successful fiscal year in 2019, with stronger growth in revenues and modest growth in expenses, Sedgwick County was poised to continue its return to pre-Great Recession growth levels. However, January 2020 brought news of issues with the Boeing 737 Max, affecting production work at Spirit Aerosystems, the largest employer in Sedgwick County. Then, on March 11, 2020, the World Health Organization declared the novel coronavirus, COVID-19, a pandemic. In addition to the costs associated with efforts to control the spread of the virus, the local economy was significantly impacted.

Similar to other state and local governments, Sedgwick County was seeing a return in property valuations closer to levels that were seen prior to the Great Recession. 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 2017 budget was 2.8 percent over the previous year. Growth was 3.2 percent for the 2018 budget, 3.9 percent for the 2019 budget, 4.5 percent for the 2020 budget, and 4.6 percent for the 2021 budget. However, slower growth is anticipated for the 2022 and 2023 budget years before returning to more normal levels of growth in 2024. The table below illustrates changes in Sedgwick County's assessed valuation since 2001.

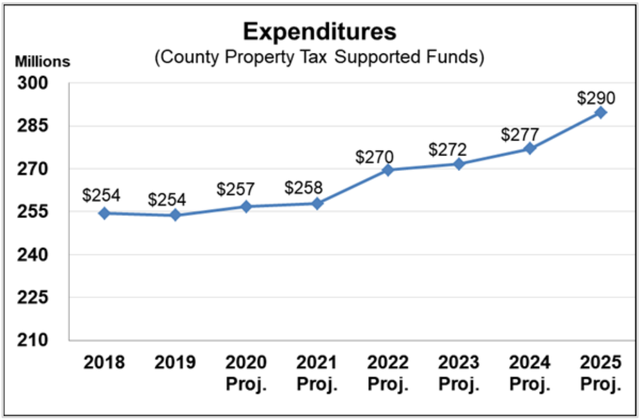


Revenue projections have been difficult to complete with accuracy for this budget development cycle as local data has lagged and past economic downturns have limited predictive value because they occurred under very different circumstances. While estimates based on anecdotal information early in the pandemic showed very significant shortfalls, actual initial data showed that the economic impact was less than expected in County property-tax-supported funds.

As shown in the table below, revenues in 2019 decreased due to one-time revenues in 2018, with projections showing an increase in 2020, a slight decrease in 2021, and revenue growth slowly returning to stronger growth in 2022-2025 as economic conditions slowly improve.



As a result of revenue declines following the Great Recession and the anticipated impact of the 737 Max production reductions and the COVID-19 pandemic, the County has made great efforts to control expenditures to maintain fiscal integrity.



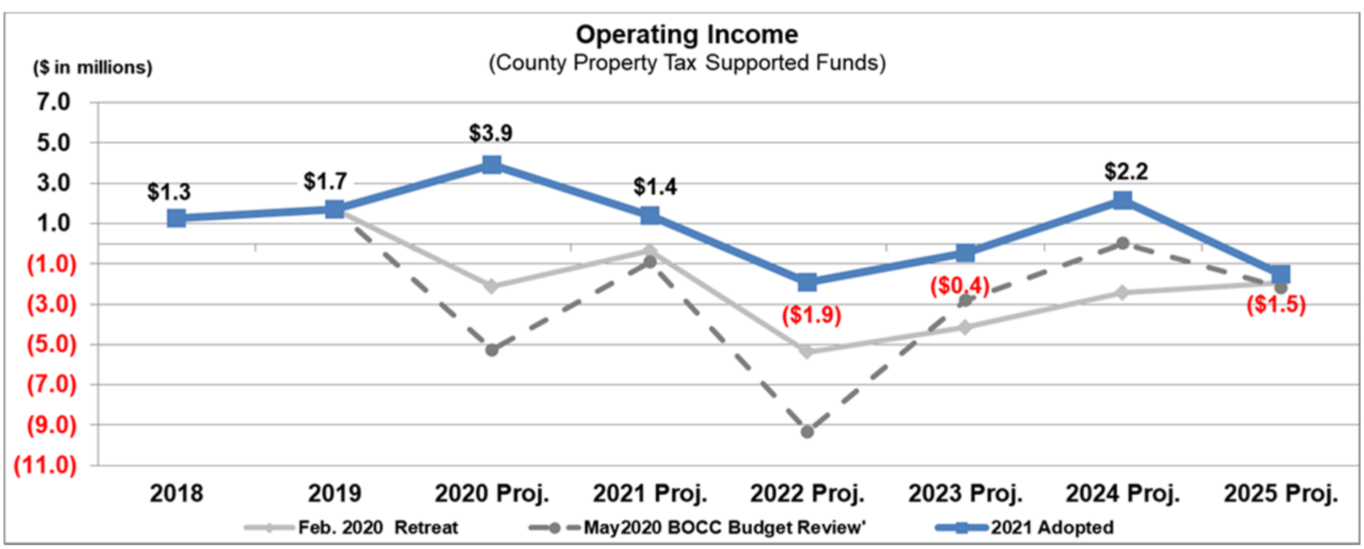
Based on the anticipated effects of Boeing 737 Max production reductions and the COVID-19 pandemic, the County's financial forecast, 2020 budget, and 2021 budget have been adjusted to address the economic impacts. An expected shortfall in 2020 has been mitigated by expenditure controls, including voluntary and involuntary employee furloughs, a mandatory vacancy period for non-essential employee positions, and a prohibition on non-essential spending. The 2021 budget is mostly flat with the 2020 adopted and reflects the postponement of planned initiatives in anticipation of revenue reductions: there is no employee pay pool, few technology improvements, and the delay of a number of new capital improvement projects. In addition, the 1.25 percent targeted pay adjustment pool in the 2020 budget has been suspended.

The blue line in the graph below shows the County's actual and current projections for each year in the forecast. The 2021 budget projects a surplus of $1.4 million related to surpluses in some funds, and intentional and strategic draw-downs of balances in other funds to reach targeted levels in the special revenue funds. The 2021 budget includes $1.4 million in transfers for capital improvement projects from County property-tax-supported funds to the County's Capital Improvement Fund in 2021: $0.9 million for facility projects; and $0.5 million for drainage.

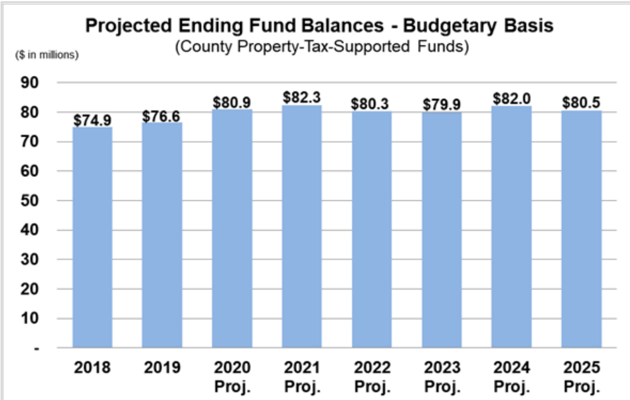
Current projections outline that revenues and expenditures nearly equal in 2021 and 2023, deficits in 2022 and 2025 as expenditures are projected to exceed revenues in each of those years, and a surplus in 2024. Deficits in 2022 are largely tied to an additional pay period in that year. The deficit in 2025 is largely tied to a 2016 County Commission resolution to reduce the County's mill levy rate by about 0.6 mills. Cumulative fund balances in property-tax-supported funds are projected to increase to around $80.5 million throughout the forecast as shown on the graph on the top of the next page and the General Fund will exceed the minimum fund balance requirement of 20.0 percent of budgeted expenditures in each year of the forecast.

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 of the current economic conditions, the Board of County Commissioners has authorized limited use of 'Rainy Day Reserves', or use of fund balance that has been accumulated to withstand unanticipated downturns. This use is contingent on actual outcomes as the 2020 and 2021 fiscal years



progress, and the Board has directed staff to take actions as necessary to limit significant use of the balances.



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.

Over the planning horizon of the financial forecast, the County will continue to confront a variety of challenges beyond the COVID-19 pandemic. In addition to challenges from an uncertain economy, actions at the Federal and State levels continue 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.

- **Revenue Core Guidelines**
  - Live within the mandated property tax lid
  - 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

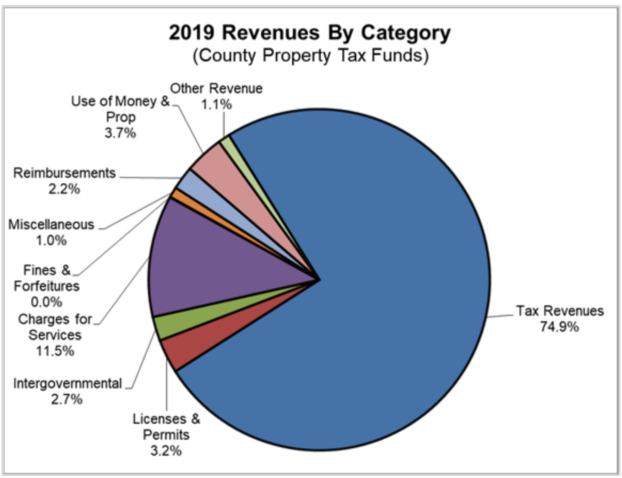
- **Expenditure Core Guidelines**
  - Concentrate public services on those areas of greatest need for resources
  - Strategically use debt and bonding
  - Seek innovative programs for delivering public services beyond current operating standards
  - Educate State legislators on the impact of new and pending State mandates

Previous Management Decisions

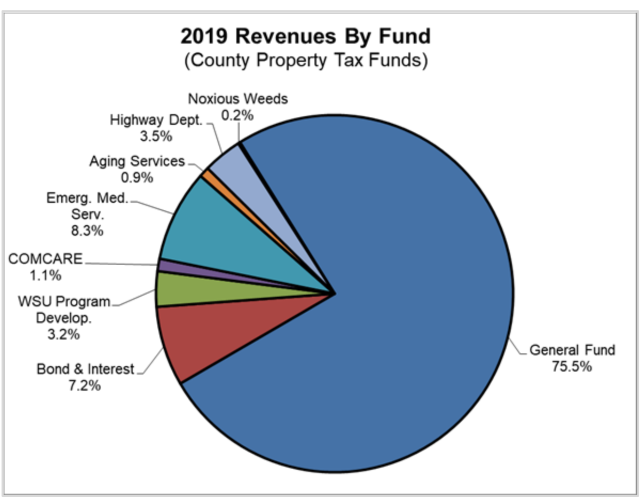
- **2012:** Implement budgetary reductions of $10.3 million (impacting both 2011 and 2012 budgets) and no employee compensation adjustment.
- **2013:** Implement budget reductions of $7.2 million with a 2.5 percent performance-based merit compensation pool and an adjusted health benefits plan
- **2014:** Implement a 2.5 percent performance-based compensation pool. Fund the recommendations of a market pay study for full-time employees. Shift programs to alternative revenue sources. Implement 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 percent performance-based compensation pool. Shift to a self-funded employee health insurance model. Add funding for recommendations of Coordinating Council addressing increasing EMS call demand. Add part-time mower positions. Shift programs to alternative revenue sources.
- **2016:** Implement a 1.75 percent performance-based compensation pool. Reduce funding to external community development and culture and recreation agencies. Shift from debt funding to cash funding for road/bridge projects. Add additional positions to the Elections Office. Reduce property tax support for some health and aging services. Eliminate the Day Reporting program.
- **2017:** Implement a 2.5 percent performance-based compensation pool along with $5.0 million in County property-tax supported funds to address pay compression. Addition of 9.0 FTE positions to Emergency Communications for increased call volume and to reduce overtime. Addition of 8.0 FTEs to support EMS operations. Additional funding to replace the Election Commissioner's election machine fleet.
- **2018:** Implement a 2.5 percent flat pay adjustment and 0.5 percent adjustment to the pay structure. Addition of 2.0 FTE positions and equipment in Stream Maintenance to increase stream clean-up. Additional funding in Environmental Resources and the reinstatement of the Storm Debris Contingency. Additional funding for CIP projects at the Zoo. Additional positions for EMS, Sheriff, District Attorney, and MABCD for increased Public Safety needs.
- **2019:** Implement a 2.5 percent flat pay adjustment and a 1.5 percent bonus pool for exemplary performers. Add resources in Public Safety including 6.0 FTE Call Taker positions for Emergency Communications and 4.0 FTE positions and an ambulance to EMS. Add funding to the Department of Aging for in-home and community and physical disability services.
- **2020:** Implement a 2.25 percent flat pay adjustment, a 1.25 percent pay structure adjustment, and a 1.25 percent set aside pool for targeted pay adjustments (which has been deferred due to economic uncertainty). Add additional resources in Public Services including 6.0 FTE positions to the COMCARE Community Crisis Center and funding for a nutrition program and highest priority needs in the Department on Aging. Addition of 3.0 FTE positions to Emergency Communications staffing table.

■ 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 uses of money and property. These revenue categories are shown in the chart below. In 2019, a total of $255,430,620 in revenue and transfers in was received in these funds, with 75 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 76 percent of total revenue collections in 2019, followed by EMS, Bond & Interest, and Highway funds. Revenues by fund are outlined in the chart below.



Specific Revenue Projections in the Financial Forecast

Of the total revenue collections and transfers from other funds in 2019, 90 percent was collected from eight 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.

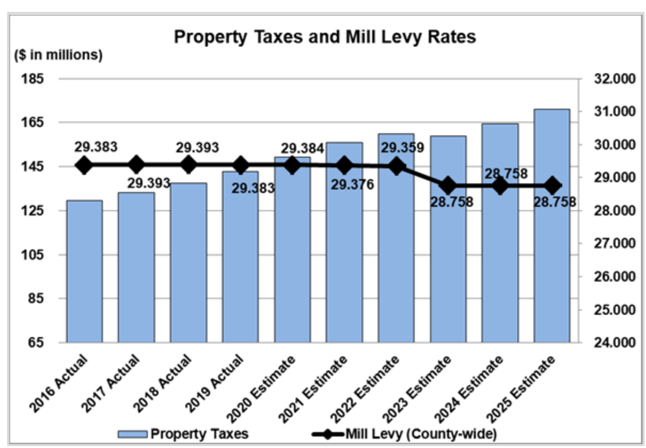
Major Revenues
County Property Tax Supported Funds*

		2019	% of Total
Total Revenues & Transfers In	$	255,430,620	100%
Property taxes	$	140,476,360	55%
Local sales & use tax	$	30,371,698	12%
Motor vehicle tax	$	19,431,850	8%
Medical charges for service	$	16,707,296	7%
Licenses & permits	$	8,184,582	3%
Officer fees	$	4,057,679	2%
Special city/county highway	$	4,882,812	2%
Investment income	$	5,617,015	2%
Total	$	229,729,292	90%

*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.

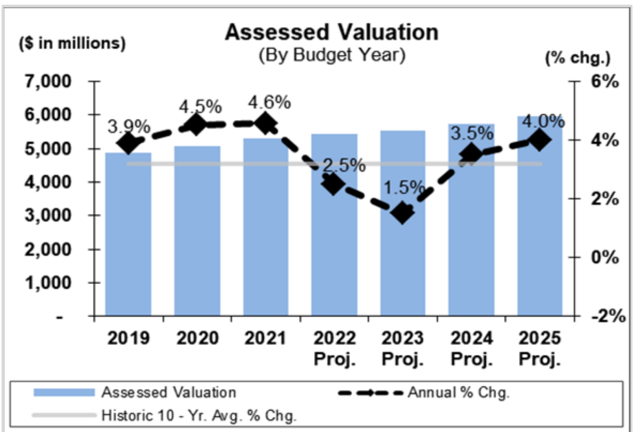


The 2021 budget includes a mill levy rate of 29.376 mills. This forecast assumes that the property tax rate will remain unchanged at the targeted level of

29.359 mills through 2022, and then will reduce to 28.758 mills in 2023 as set by resolution.

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

- An assumption that the property tax rate will remain at 29.359 mills through 2022 and will be reduced to 28.758 mills in 2023, absent technical adjustments.
- Increases or decreases in property tax revenues will result from estimated changes in assessed valuations and not changes to the mill levy rate.
- An assumption that collection delinquencies will remain at about 3.0 percent, 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 2.3 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 5.6 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. Assessed valuation growth for the 2017 budget was 2.8 percent over the previous year. Growth was 3.2 percent for the 2018 budget, 3.9 percent for the 2019 budget, 4.5 percent for the 2020 budget, and is 4.6 percent for the 2021 budget. However, slower growth is anticipated for the 2022 and 2023 budget years due to the effects of COVID-19 on the local economy before returning to more normal levels of growth in 2024.

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.

Property Tax Rates by Fund (in mills)

	2020	2021	2022 Est.	2023 Est.	2024 Est.	2025 Est.
General	23.151	22.869	23.057	22.874	23.150	22.756
Bond & Int.	1.773	2.193	2.020	1.667	1.478	1.820
WSU	1.500	1.500	1.500	1.500	1.500	1.500
Highway	0.872	0.951	0.824	0.862	0.883	0.939
EMS	0.916	0.745	0.818	0.705	0.617	0.604
Aging	0.468	0.441	0.481	0.488	0.468	0.475
COMCARE	0.634	0.617	0.599	0.600	0.600	0.603
Noxious Wds	0.070	0.060	0.060	0.062	0.062	0.061
Total	29.384	29.376	29.359	28.758	28.758	28.758

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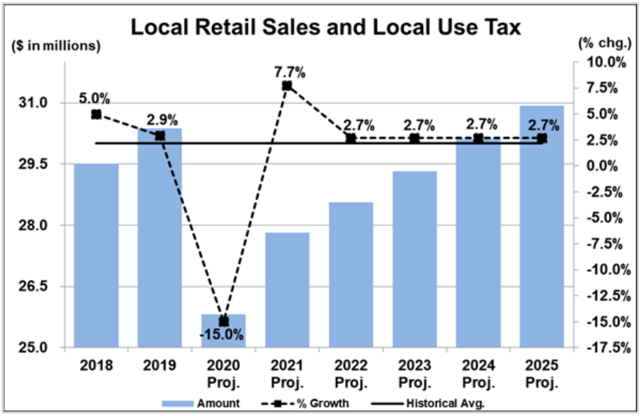
Local Retail Sales and Use Tax



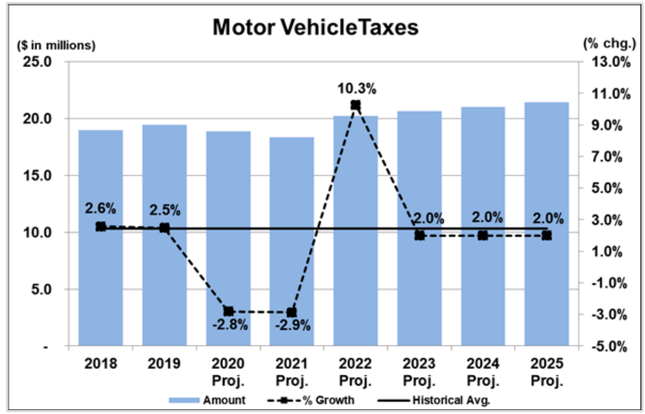
Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July 1985. Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which no sales tax was paid. Use tax is also applied if a taxable item is relocated to Sedgwick County from another state and that 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. Sedgwick County receives 28.5 percent of the revenue produced by the County-wide sales tax in its General Fund; the balance is distributed by the State government to the 20 cities located within the county. 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. Total revenues of $30.4 million were collected in 2019; however, as a result of economic stress collections are estimated to decline to $25.8 million in 2020 with a slight increase to $27.8 million in 2021. As the economy improves, revenues in this category are estimated to generally increase in the outer years of the forecast.

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 county by the State, county, and all other property taxing subdivisions; and then divided by the County's total assessed valuation.

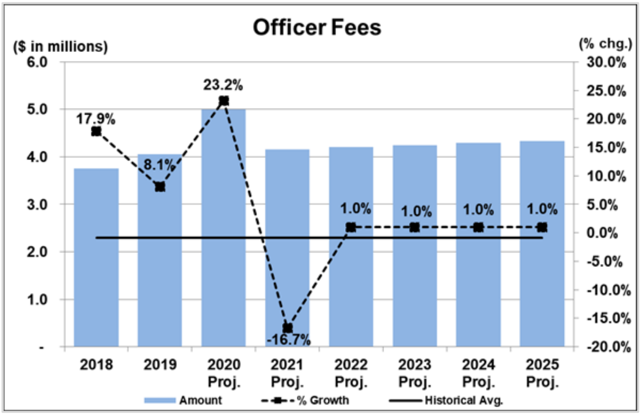
The 2012 Legislature enacted legislation requiring that an annual commercial vehicle fee be paid in lieu of current property taxes for both interstate and intrastate commercial vehicles registered in Kansas.

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. Once the County's portion is distributed, the revenues are shared across the eight County property-tax-supported funds based on each fund's mill levy rate for the previous year.

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 challenging economic conditions lower collections are expected in 2020 and 2021 before returning to a more steady level of growth.

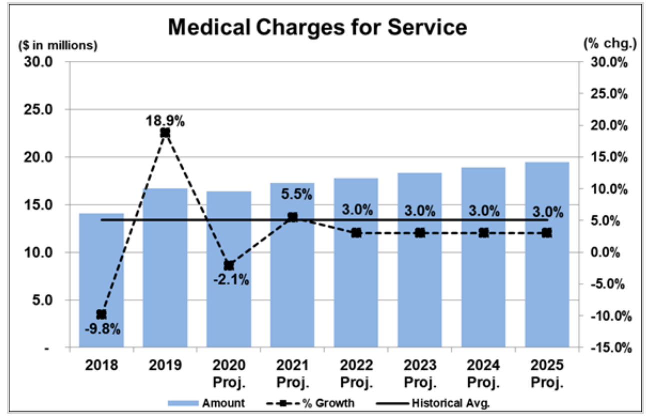
Officer Fees



Officer fees were established under K.S.A. 28-115 to replace mortgage registration fees, which were phased out by legislative action starting in 2015, with complete elimination by 2019. These fees are a per-page fee that varies based on the type and length of document being filed.

Within this revenue source, collection levels are strongly correlated with the strength of the local real estate and refinancing market. After an increase in 2020 due to refinancings due to historically low interest rates, officer fees are expected to return to more typical levels in 2021 with what is anticipated to be normal annual collections, remaining fairly flat through 2025. Collections are estimated at $5.0 million for 2020.

Medical Charges for Service

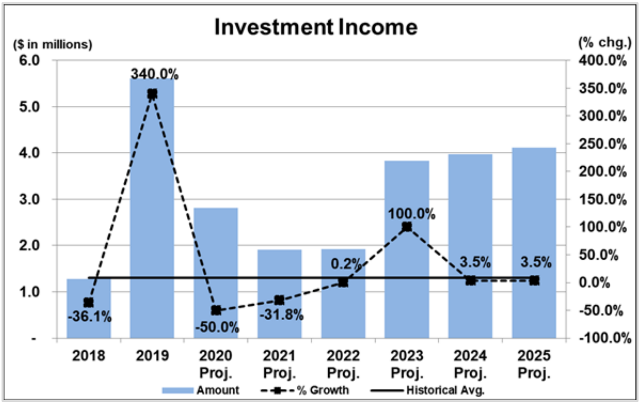


Medical charges for service include Medicaid, Medicare, insurance, and patient fees for delivered medical services. In the property-tax-supported funds, these services are predominately delivered through EMS, generating 93.6 percent of the total 2019 collections, followed by the Health Department and the Sedgwick County Offender Assessment Program (SCOAP). Revenues related to emergency medical services are deposited in the EMS Tax Fund.

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.

The decrease in 2018 and the increase in 2019 are primarily related to the transition to the outsourcing of EMS billing that started in January 2019. Collections returned to more typical levels in the second half of 2019.

Investment Income

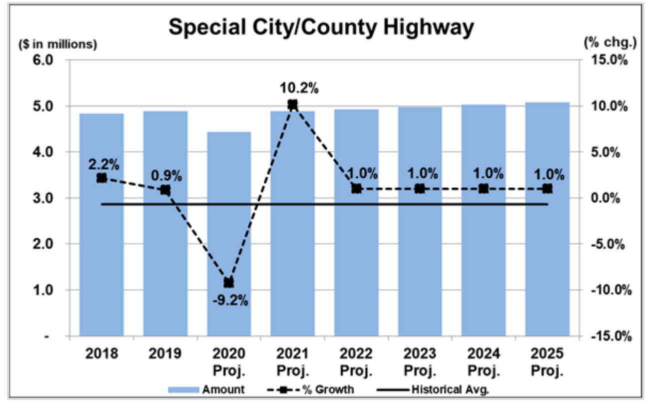


Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law 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. In 2019 the extremely high income was due to a strong economy, dampened in 2020 after the effects of COVID-19 on the international economy. The forecast projects revenue of $2.8 million in 2020.

The decrease in 2018 and increase in 2019 are primarily as a result of selling investments in August 2018 in order to repurchase other investments, resulting in an increase in the County's yield on the portfolio.

Special City/County Highway

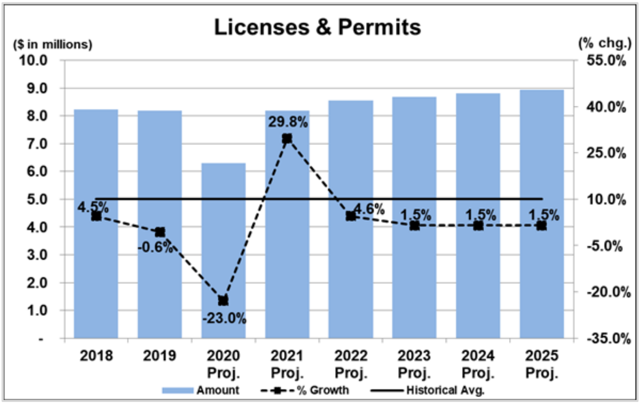


The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges, and intersections. Of the revenues used to fund these operations, the largest is the State's special city/county highway fund authorized under K.S.A. 79-3425. Through the Fund, the State 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 in the past. 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. More recently, receipts have been relatively constant from year to year, with the exception of 2020 due to the current economic conditions. Starting in 2021 collections are anticipated to remain relatively flat through 2025.

Licenses & Permits

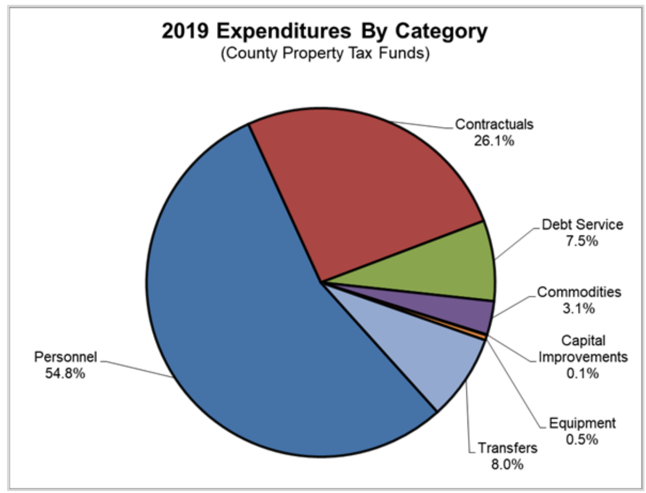


License and permit fee revenues are generated from businesses needing licenses and/or permits in order to construct new buildings or make improvements to existing structures to ensure compliance with City or County codes.

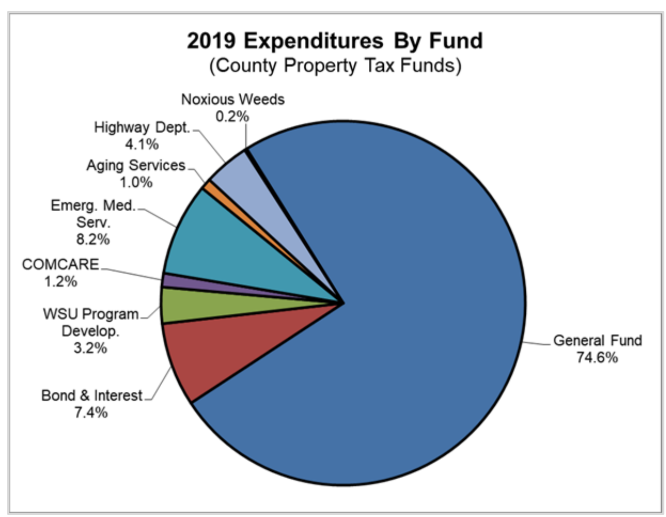
Licenses and permits became a key revenue for the County in 2017 as a result of the County-City of Wichita code function merger. In 2017, the first year with the County as managing partner, the County began receiving all revenue related to the Metropolitan Area Building & Construction Department (MABCD), the bulk of which had previously been received by the City. After a decrease in 2020, economic conditions are anticipated to improve and to stabilize at what is anticipated to be normal levels of collection.

■ Expenditures

Sedgwick County's expenditure structure is divided into seven primary spending categories: personnel, contractuals, debt service, commodities, capital improvements, equipment, and interfund transfers. Total expenditures incurred in 2019 in County property-tax-supported funds were $253,702,993. Of those, 55 percent were for personnel costs and 26 percent for contractual services. As with revenues, these actual results are the baseline from which the current financial forecast was developed.

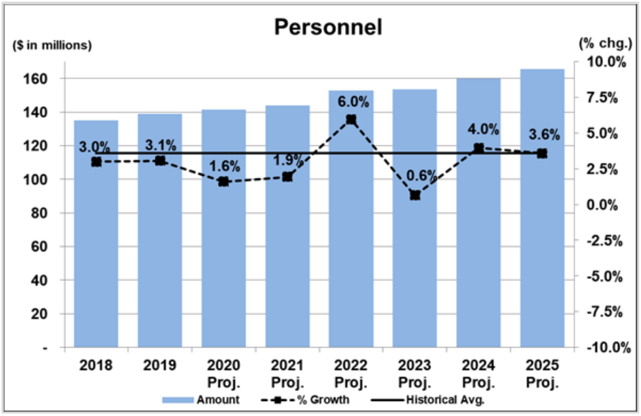


Of the total spent in funds receiving property tax support, the fund with the greatest portion of total expenses is the General Fund with 75 percent of total 2019 expenditures, followed by Emergency Medical Services and the Bond & Interest Fund.



Specific Expenditure Projections in the Financial Forecast

Personnel

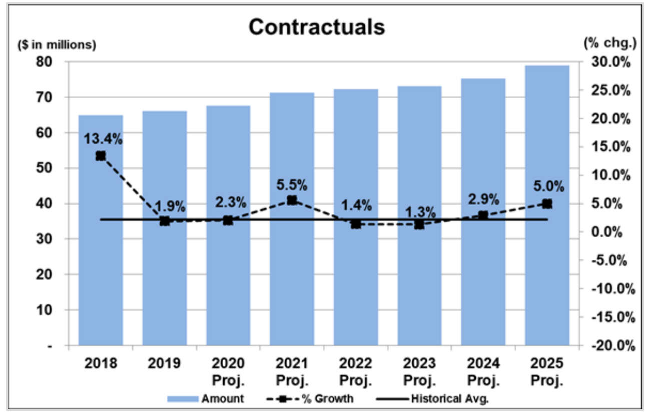


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- Elimination of a targeted pay adjustment pool in 2020, no compensation pool funding in 2021, compounding flat pay pools in 2022 through 2025
- A 3.5 percent budgeted increase in employer health/dental insurance premiums in 2021 with increases of 5.0 percent in 2022 through 2025
- Increases in retirement contribution rates through the Kansas Police and Firemen's Retirement System (KP&F)
- An additional pay period in 2022 as a result of the bi-weekly pay schedule of the County

	2016	2017	2018	2019	2020	2021
KPERS - Retirement Rates						
	10.18%	8.96%	9.39%	9.89%	9.89%	9.87%
KP&F - Retirement Rates						
Sheriff	20.78%	19.39%	20.22%	22.13%	21.93%	22.80%
Fire	20.42%	19.03%	20.09%	22.13%	21.93%	22.80%
EMS	20.42%	19.03%	20.09%	22.13%	21.93%	22.80%

Contractuals

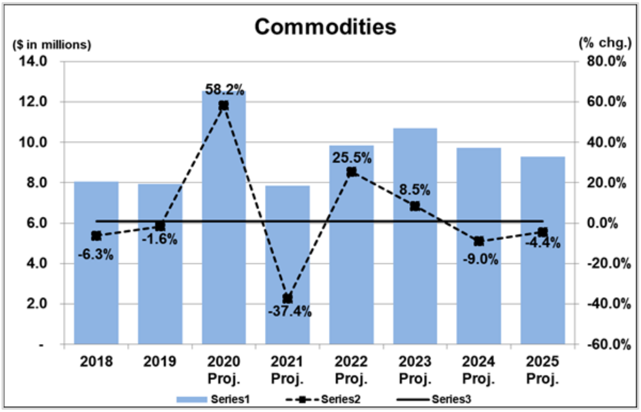


Contractual expenditures, the second largest expenditure category, include services purchased from and delivered by an external entity and internal departmental charges to other funds. These may include utility services, insurance services, software agreements, social services delivered by other community providers, or internal fleet and administrative charges.

The increase in 2018 was due to increased costs incurred as a result of the County-City of Wichita code function merger as the County began receiving all revenue related to the Metropolitan Area Building & Construction Department (MABCD). Increased costs in 2019 through 2021 are largely due to an award to the Sedgwick County Zoo for a new entrance and administrative center ($2.0 million in each year). Additional increased costs in 2021 are also due to increases in medical costs for the Department of Corrections and the Sheriff's Office, as well as increased out of county housing cost for the Sheriff's Office for higher average daily population at the Adult Detention Facility. Increases in 2022 through 2025 are largely due to Technology Review Board (TRB) projects.

Excluding those changes, increases included in this forecast anticipate continuing increases in utilities, inmate medical and food service contracts, and software and technology equipment maintenance costs. The cyclical nature of national, State, and local elections also contribute to expenditure variations in this category.

Commodities

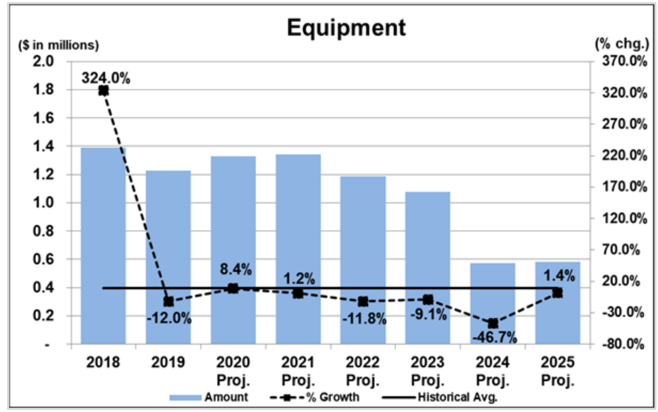


This category includes expenditures for the purchase of common tangible items. This may include office supplies, fuel, food, clothing, software, and equipment with acquisition costs of less than $10,000 per unit.

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).

The increase in 2020 is due to the purchase of a new Computer Aided Dispatch (CAD)/Records Management System (RMS)/Jail Management System (JMS) for Emergency Communications ($3.0 million).

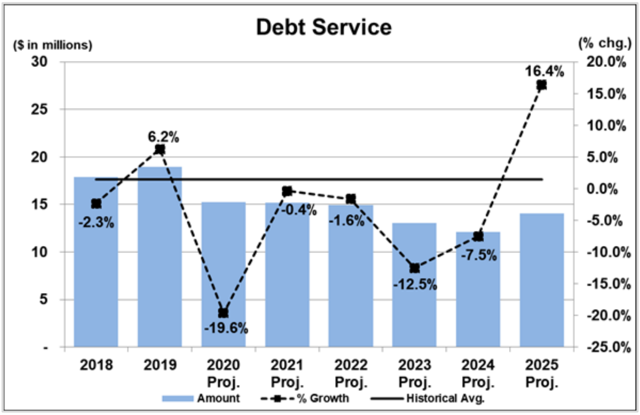
Equipment (Capital Outlay)



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.

The increase in 2018 was due to the purchase of equipment for a new Stream Maintenance crew in Public Works, the replacement of a server in the Sheriff's Office, and the purchase of new durable equipment for EMS. In 2020 through 2023, costs are again expected to increase due to mobile and portable radio replacements across the organization as the radios reach the end of support. Increased costs in 2021 are also due to recurring equipment costs, such as body cameras, for the Sheriff's Office. Costs are anticipated to return to more typical levels in 2024.

Debt Service



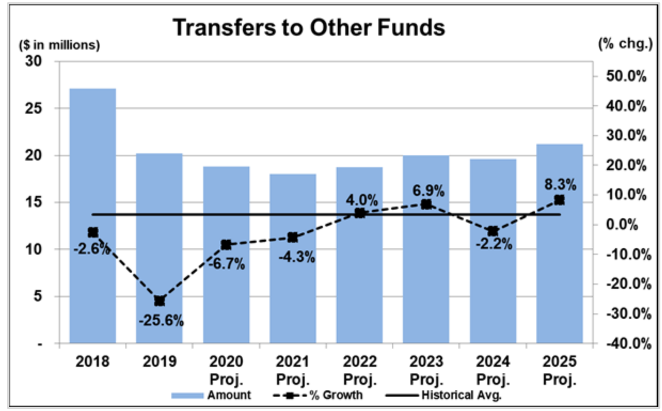
The financial forecast incorporates debt service payments on current debt obligations. Sedgwick County continues to hold high bond ratings from the three most widely used rating agencies: Moody's Investor Services, Standard & Poor's, and Fitch Ratings. In a recent rating evaluation, Standard & Poor's outlined that Sedgwick County's management is "very strong, with 'strong' financial management policies and practices…indicating financial practices are strong, well embedded, and likely sustainable."

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

As older issues mature, anticipated debt expenses decrease; however, in 2019, the County repaid the balance of a 2009 issue, approximately $3.1 million, which is anticipated to save more than $0.7 million in interest costs through 2029.

The debt service calculations in the financial plan include the projects listed within the Capital Improvement section of the budget book.

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 & Interest Fund to mitigate the cost of debt service on road and bridge projects
- Approximately $13.1 million to $13.9 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 Capital Improvement Plan (CIP)

As outlined in the table on the next page, significant changes in transfers from one year to the next are largely related to cash-funded capital projects included in the County's 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.
● 2018	13,057,006	1,597,566	3,144,659	916,197
● 2019	13,588,283	1,597,566	1,784,137	1,500,000
● 2020 Proj.	13,695,679	1,597,566	857,238	1,929,010
● 2021 Proj.	12,308,376	1,597,566	1,386,145	1,067,714
● 2022 Proj.	12,603,885	1,597,566	1,372,058	1,425,753
● 2023 Proj.	12,681,627	1,597,566	2,163,130	1,209,140
● 2024 Proj.	13,065,234	1,597,566	1,479,115	1,400,465
● 2025 Proj.	13,864,721	1,597,566	2,760,786	1,264,292

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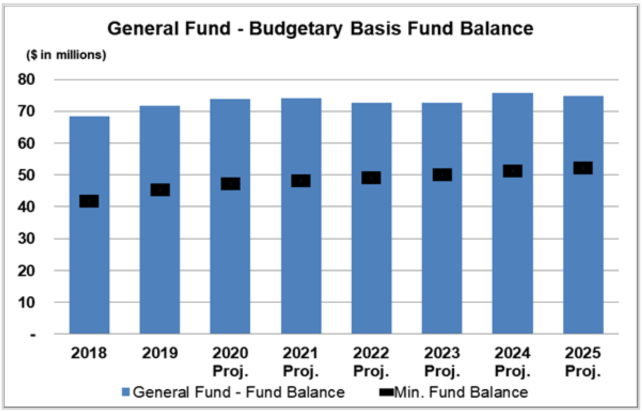
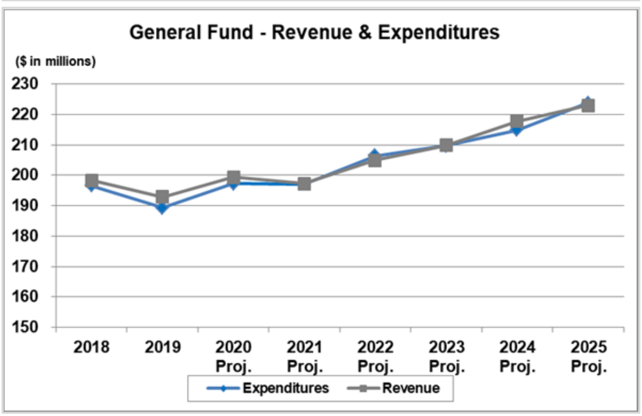
■ Summary by Fund

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.

In addition to the compensation adjustments and standard increases in the costs of doing business that impact all funds, current projections estimate additional significant costs in the County General Fund in 2021:

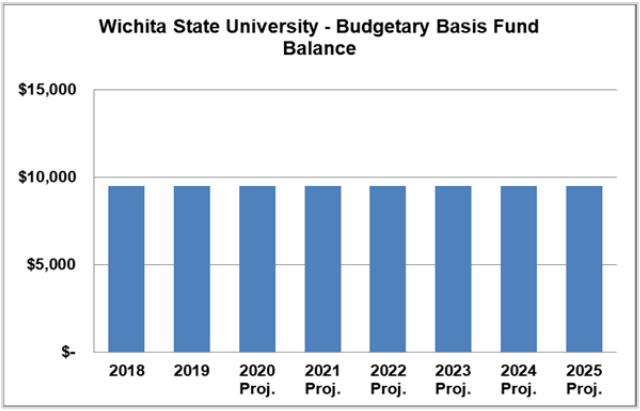
- A 3.5 percent increase in employer contributions for health insurance premiums
- Addition of 1.0 FTE position for a Diversity/Inclusion Officer in the County Manager's Office
- Addition of 2.0 FTE positions, a Clinical Social Worker and a Paramedic, for Integrated Care Team 1 (ICT-1)
- Addition of 4.0 FTE Judicial Division Courtroom Security Deputy positions for the Sheriff's Office
- Addition of 5.0 FTE Docket Assistant positions for the Trial Division of the District Attorney's Office
- Addition of 1.0 FTE Epidemiologist position to the Health Department's staffing table
- Additional funding for The Kansas African American Museum (TKAAM) for relocation strategic planning process
- $1.4 million for other County facility capital improvement projects

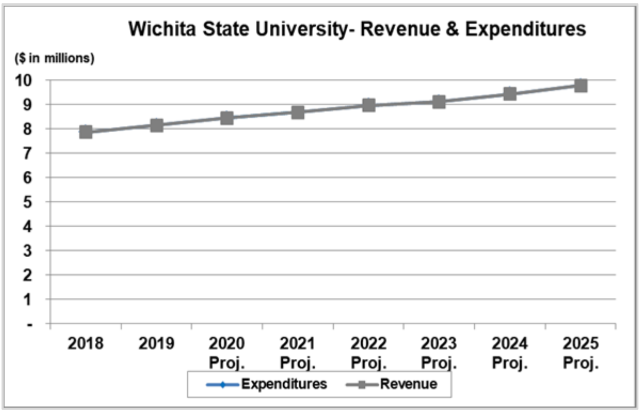
Major fiscal challenges:

- Addressing the ongoing economic impacts of the COVID-19 pandemic while maintaining a prudent fund balance
- 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

This Fund is discussed more fully in the "County General Fund Forecast" section of this document.

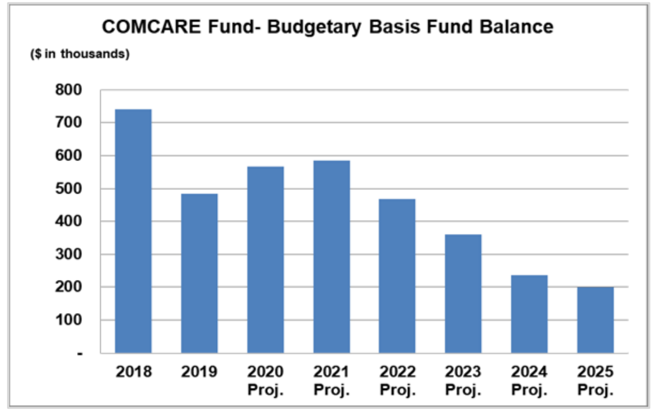
Wichita State University Fund

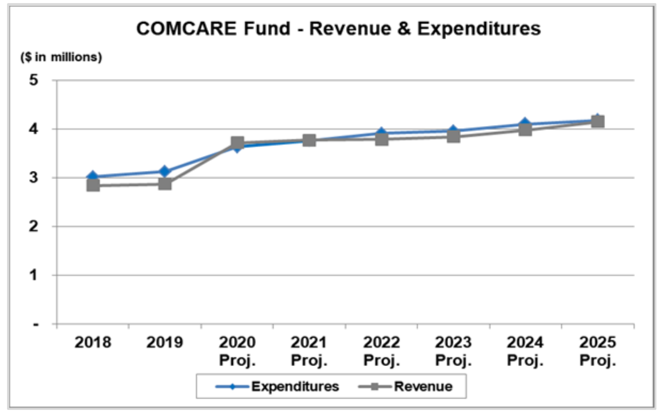




In June 1987, the Board of County Commissioners and the Wichita City Council approved an inter-local agreement in which the City agreed to stop levying its 1.5 mill property tax and the County created a County-wide levy of an equal amount. Increases in projected revenues and expenses are related to anticipated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

COMCARE Fund

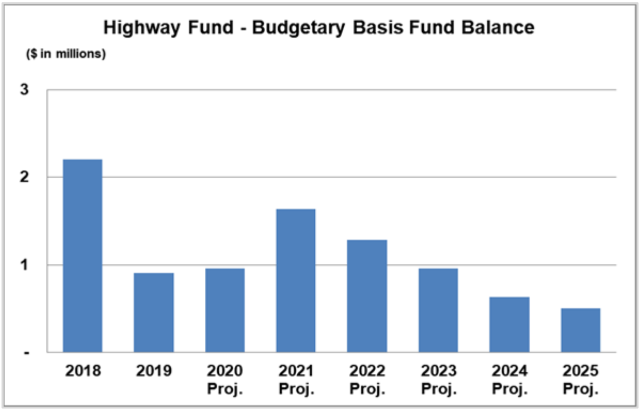


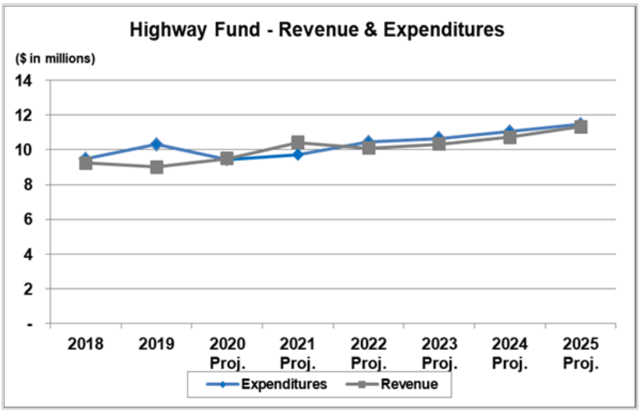


Comprehensive Community Care (COMCARE) provides mental health services and substance abuse treatment to adults, families, and children. COMCARE has existed as a community mental health center (CMHC) since 1962. In 1990, the Legislature enacted the Mental Health Reform Act to shift funding for mental health services from State hospitals to community providers. 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.

Based on the activities in this Fund, targeted fund balance by the end of the forecast period is $0.2 million

Highway Fund

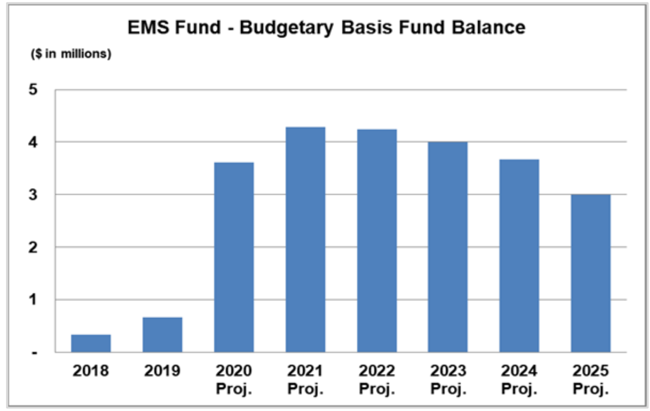


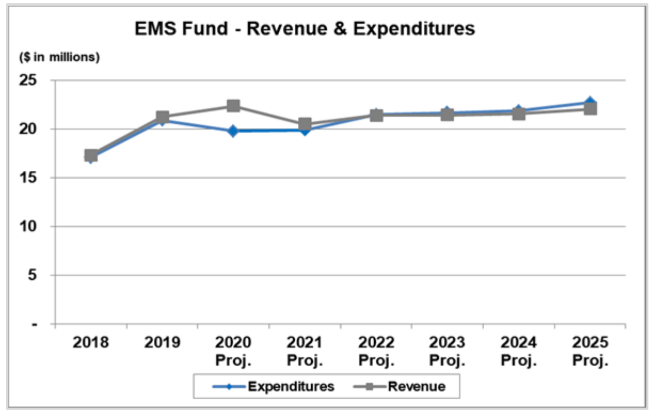


The Highway Department is financed through the Highway Fund to construct and maintain the County's roads, bridges, and intersections. The Fund is primarily supported through a property tax levy and revenue from the State's Special City/County Highway Fund.

Based on the activities in this Fund, its targeted fund balance by the end of the forecast period is $0.5 million.

Emergency Medical Services Fund



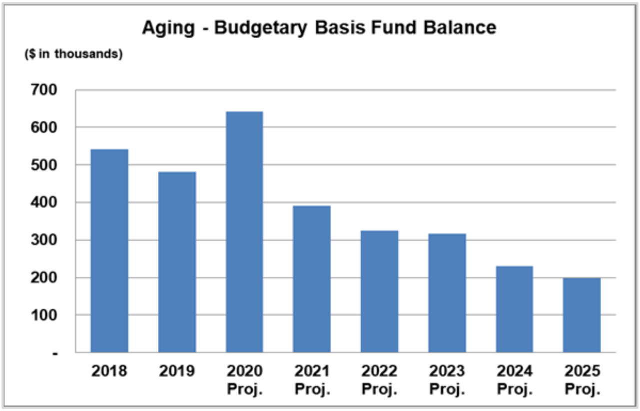


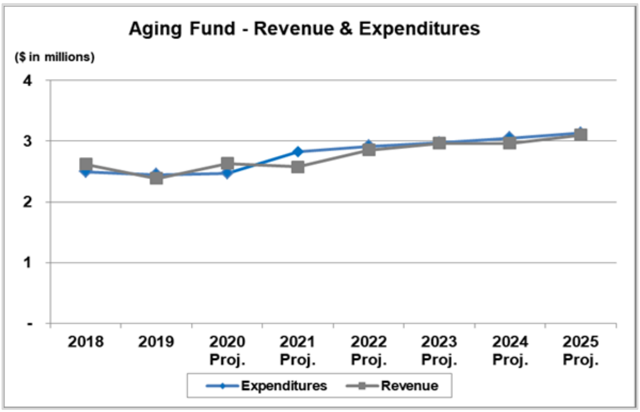
Emergency Medical Services (EMS) was created in 1974 per a City/County agreement to provide emergency response and scheduled ambulatory transfers. Prior to 1974, a private provider delivered EMS services to the community.

The increase in 2020 is primarily related to the transition to the outsourcing of EMS billing that started in 2019 as well as the closure of the capital project for a new EMS Northeast Post, which came in under budget and returned funds to the EMS Fund.

Based on the activities in this Fund, its targeted fund balance by the end of the forecast period is $3.0 million.

Aging Fund

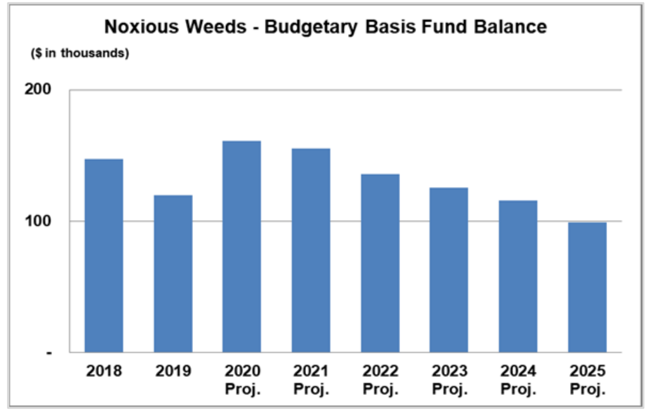


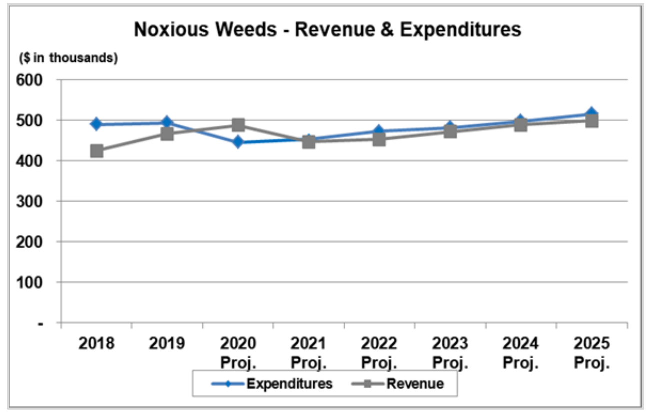


The Department on Aging was created in 1980 to serve older citizens of the County and advocate independence and quality of life. This Fund supports the majority of administrative costs and a variety of direct services, such as funding to local senior centers. The Department also operates within a grant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

Based on the activities in this Fund, its targeted fund balance by the end of the forecast period is $0.2 million.

Noxious Weeds Fund

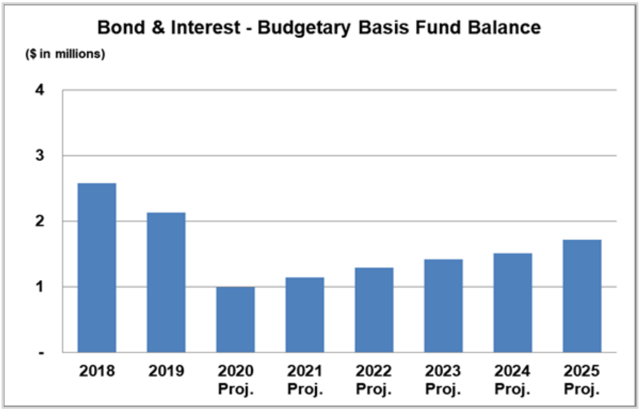


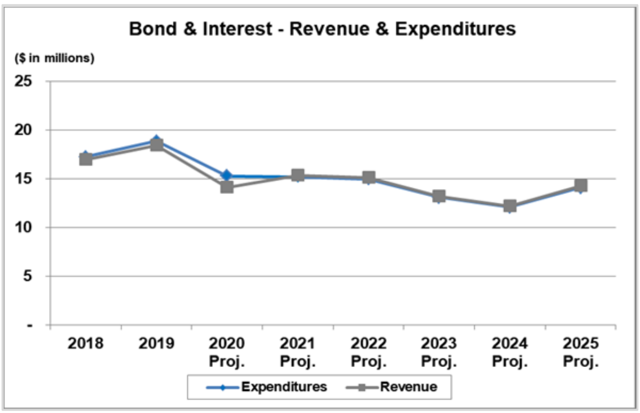


The Noxious Weeds Department was established to eradicate and control noxious weeds as required by K.S.A. 2-1318.

Based on the activities in this Fund, its targeted fund balance by the end of the forecast period is $0.1 million.

Bond & Interest Fund





The Bond & 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 older issues mature, anticipated debt expenses decrease; however, in 2019, the County repaid the balance of a 2009 issue, approximately $3.1 million, which is anticipated to save more than $0.7 million in interest costs through 2029.

Financial Forecast 2017 - 2025

All County Property-Tax-Supported Funds

Modified Accrual Basis

		Actual			Estimates					
		2017	2018	2019	2020	2021	2022	2023	2024	2025
1	***Beginning Fund Balance***	*73,558,375*	*73,974,711*	*75,231,071*	*76,958,697*	*80,883,151*	*82,261,208*	*80,329,587*	*79,884,214*	*82,046,319*
2	**Operating Revenue**									
3	**Taxes**	178,394,416	184,870,931	191,237,078	192,403,504	198,711,510	204,958,775	205,166,536	211,701,286	219,259,837
4	Current property taxes	128,027,325	132,258,345	137,448,203	143,939,410	148,813,578	152,506,633	151,611,434	157,005,109	163,384,993
5	Back property taxes & warrants	2,809,749	3,159,310	3,028,157	2,923,541	2,998,970	2,984,448	2,969,975	2,955,552	2,941,179
6	Special assessment property taxes	629,541	603,665	569,093	529,227	451,170	383,495	325,970	277,075	235,514
7	Motor vehicle taxes	18,485,092	18,961,043	19,431,850	18,883,422	18,340,432	20,225,649	20,628,628	21,039,655	21,458,883
8	Local retail sales tax	25,100,867	26,259,295	26,671,754	22,670,991	24,398,223	25,008,178	25,633,383	26,274,217	26,931,073
9	Local use tax	3,017,817	3,254,814	3,699,945	3,144,953	3,413,662	3,550,208	3,692,216	3,839,905	3,993,501
10	Other taxes	324,026	374,461	388,077	311,960	295,475	300,165	304,930	309,773	314,694
11	**Intergovernmental**	6,671,885	6,096,348	5,852,768	7,299,612	5,869,742	6,037,861	6,090,260	6,145,732	6,196,252
12	**Charges for service**	30,897,436	27,725,088	29,487,766	28,032,551	29,142,467	30,949,848	31,757,172	32,587,286	33,440,857
13	**Reimbursements**	5,463,700	5,845,017	5,667,036	5,947,536	5,695,111	5,792,932	6,093,296	6,300,614	6,515,129
14	**Use of money and property**	5,421,101	4,845,200	9,476,201	6,712,050	5,860,908	5,908,223	7,870,911	8,050,686	8,235,795
15	**Other revenues**	12,280,252	12,296,999	10,886,351	8,831,087	10,603,533	11,007,740	11,163,876	11,322,299	11,483,044
16	**Transfers from other funds**	4,615,626	13,921,568	2,823,420	11,480,285	3,210,489	3,003,379	3,080,887	3,034,516	3,003,111
17	***Total Revenue***	*243,744,418*	*255,601,152*	*255,430,620*	*260,706,625*	*259,093,761*	*267,658,758*	*271,222,938*	*279,142,419*	*288,134,025*
18	**Operating Expenditures**									
19	**Personnel and benefits**	131,048,007	134,989,631	139,132,853	141,354,984	144,102,659	152,693,340	153,670,598	159,766,868	165,496,297
20	**Contractual services**	57,194,298	64,881,860	66,122,963	67,490,861	71,222,094	72,199,383	73,144,628	75,247,920	78,997,721
21	**Debt service**	18,297,164	17,867,734	18,979,127	15,252,688	15,195,387	14,945,391	13,078,196	12,093,679	14,077,140
22	**Commodities**	8,598,952	8,059,061	7,926,962	12,536,743	7,843,973	9,843,584	10,681,161	9,718,483	9,286,123
23	**Capital improvements**	11,834	27,375	141,676	5,000	-	-	-	-	-
24	**Capital outlay > $10,000**	328,372	1,392,246	1,225,494	1,328,128	1,343,920	1,185,793	1,077,313	574,405	582,337
25	**Transfers to other funds**	27,849,455	27,126,883	20,173,919	18,813,768	18,007,671	18,722,887	20,016,417	19,578,959	21,208,487
26	***Total Expenditures***	*243,328,082*	*254,344,791*	*253,702,993*	*256,782,171*	*257,715,704*	*269,590,378*	*271,668,312*	*276,980,314*	*289,648,105*
27	***Operating Income***	*416,336*	*1,256,360*	*1,727,626*	*3,924,454*	*1,378,057*	*(1,931,620)*	*(445,374)*	*2,162,105*	*(1,514,080)*
28	***Ending Fund Balance***	*73,974,711*	*75,231,071*	*76,958,697*	*80,883,151*	*82,261,208*	*80,329,587*	*79,884,214*	*82,046,319*	*80,532,239*
29	**Assessed valuation**	4,531,486,166	4,675,741,600	4,858,132,534	5,077,374,541	5,309,726,413	5,442,469,573	5,524,106,617	5,717,450,349	5,946,148,362
30	***Assessed valuation % chg.***	1.41%	3.18%	3.90%	4.51%	4.58%	2.50%	1.50%	3.50%	4.00%
31	**Mill levy**	29.393	29.393	29.383	29.384	29.376	29.359	28.758	28.758	28.758
32	***Mill levy change***	0.010	0.000	(0.010)	0.001	(0.008)	(0.017)	(0.601)	0.000	0.000