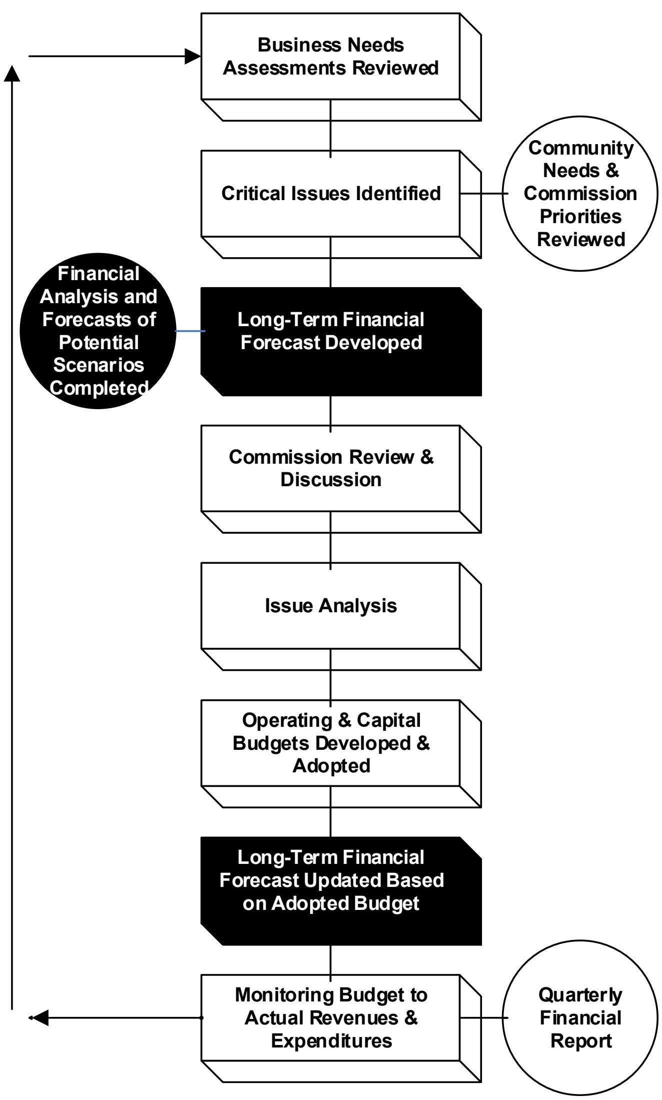
Sedgwick County
General Fund Financial Forecast

For the Period of 2019 - 2024

■ 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 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



■ 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. Additionally, the budget typically includes contingencies to provide additional budget authority beyond the amount allocated to an individual division for unanticipated uses. For 2020, General Fund contingencies are nearly $22.6 million. While budgeted, these contingencies typically are not anticipated to be spent in the forecast. To illustrate the difference: the total expenditure budget for the County General Fund is $227,100,750 in 2020. However, the financial forecast projects actual expenses of $199,922,894, a difference of more than $27.2 million. Almost all of the difference can be attributed to the nearly $22.6 million in budgeted contingencies.

The revenue and expenditure estimates included in this financial forecast section pertain only to the County's General Fund. All information is presented on a budgetary basis unless otherwise indicated.

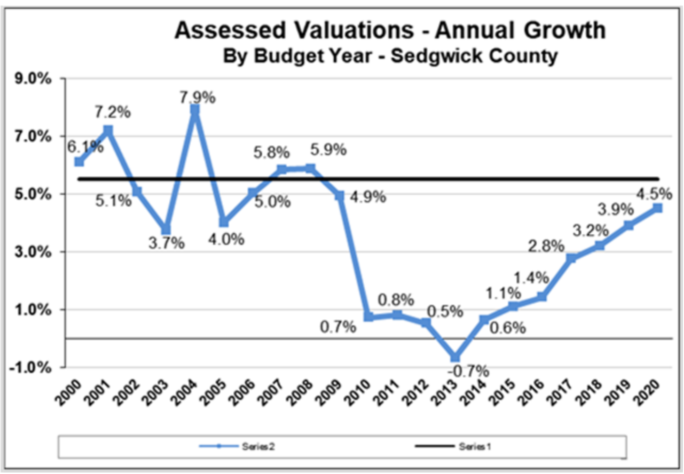
■ Forecasting Methodology

The estimates included in the forecast are formulated through the use of 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.

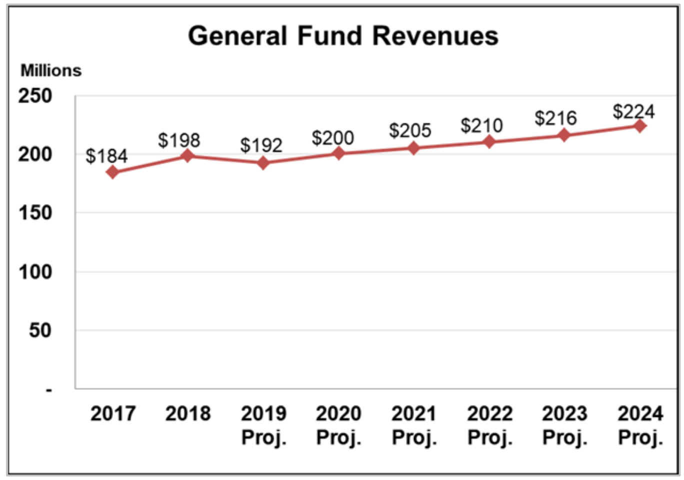
Whenever forecasts are done, even a local weather forecast, one often loses sight that they are performed based on the most recently available variables. For the financial forecast, these variables include economic data through October 2019, along with the changes included in the 2020 budget. Unfortunately, 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.

■ Executive Summary

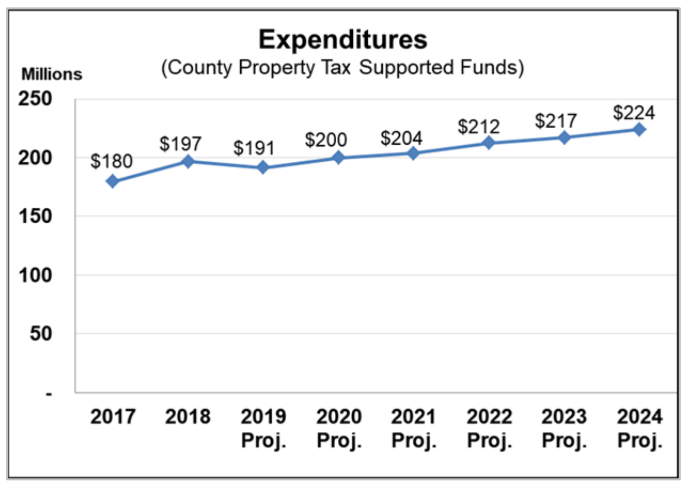
Similar to other state and local governments, Sedgwick County is seeing a return in property valuations closer to levels that were seen prior to the Great Recession. Property taxes, which comprise more than 50 percent of revenues in the General Fund, are largely dependent on growth in the property tax base. From 2010 through 2012, valuations driving property tax, called assessed value, experienced less than one percent growth. Then, for the first time in 20 years, assessed values for the 2013 budget experienced a negative assessment of 0.7 percent. Growth has steadily returned since 2014, with assessed valuation growth of 4.5 percent in the 2020 budget. The table below illustrates changes in Sedgwick County's assessed valuation since 2000.



In 2018, property taxes made up 51 percent of revenues received in the General Fund. Another 34 percent of the revenues received in the General Fund in 2018 came from seven key revenue sources, which are highlighted later in this section. As shown in the table in the next column, projections outline a slight decrease in 2019, largely due to one-time revenues received in 2018, with slightly stronger revenue growth in the outer years of the forecast as property valuations improve. However, the Kansas Legislature's decision during the 2014 legislative session to phase out the mortgage registration fee has a significant impact on the long-term forecast.



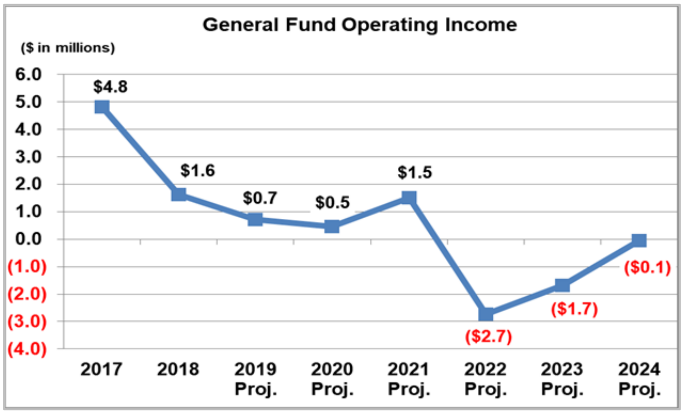
As a result of revenue declines following the Great Recession and modest revenue growth in the financial forecast, along with reduced revenue from the mortgage registration fee due to 2014 legislative action, the County has made great efforts to control expenditures to maintain fiscal integrity.



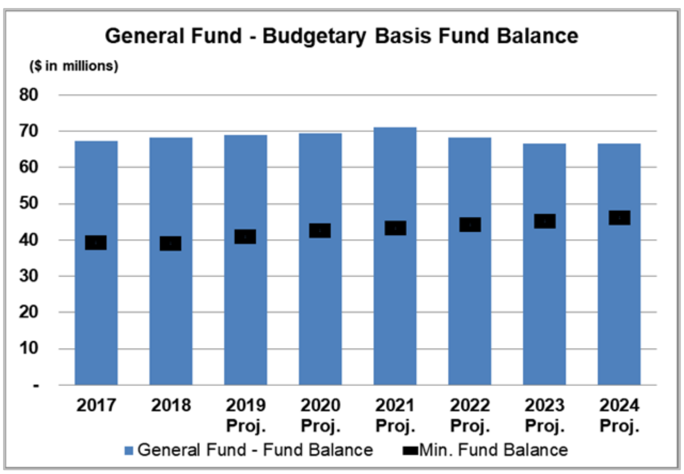
Since the economic downtown, the County has been responsive to the financial challenges outlined in the financial forecast to not only maintain a positive balance in the General Fund, but to ensure adherence to the County's minimum fund balance policy, which calls for a minimum unrestricted balance of 20 percent of budgeted expenditures and transfers out.

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".

The table below outlines projected operating results in each year of the forecast. Current projections outline modest surpluses in 2019 and 2020, with a larger surplus projected in 2021, and deficits in 2022 through 2024. As illustrated in the table below, the General Fund ending balance is projected to remain above the minimum policy requirement in all years.



The 2020-2024 Capital Improvement Program (CIP) includes projects supported with a mix of cash and debt in all five years, to include significant facility projects like a County administrative building, remodeling of space in the main Courthouse to accommodate public safety agency needs, and a facility expansion at Household Hazardous Waste.



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. 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.

Over the planning horizon of the financial forecast, the County will continue to confront a variety of challenges. In addition to challenges from an uncertain economy, actions at the 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
  - Maintain 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 additional resources
  - Evaluate opportunities and risks associated with shifting service provision from internal to private sector providers
  - 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

■ Minimum Fund Balance Requirement

When determining the appropriate level of fund balance and evaluating the use of fund balance, Sedgwick County adheres to standards set by the Governmental Accounting Standards Board (GASB). In 2010, GASB updated its fund balance reporting standards through a document called Statement No. 54. The standard establishes six different categories of fund balance to provide clear and consistent classifications: non-spendable, restricted, committed, assigned, unassigned, and unrestricted. Classifications are based on the strength of limitations and the extent to which the government is bound to honor such limitations.

When the County evaluates its General Fund fund balance in the context of the GASB standards, it does so on an accounting basis referred to as the Generally Accepted Accounting Principles (GAAP), rather than the budgetary basis used in budget materials.

On a GAAP basis, the County must account for more than just revenues received by the County's General Fund; it also must take into account assets in terms of cash, accounts receivable, inventories, and amounts due from other funds. It must account for more than just payroll and costs paid to vendors; it also must take into account all liabilities, including accounts payable and unearned revenues. This is done by classifying six types of fund balance:

- Nonspendable: amounts not in spendable form (i.e., inventories, prepaid amounts, long-term amounts for loans, and notes receivable), or legally or contractually required to be maintained
- Restricted: constrained by creditors, grantors, and contributors, through constitution or legislation. Such limitations are externally enforceable by constitution or legislation.
- Assigned: used for specific purposes which do not meet the criteria of restricted or committed. Limitations are self-imposed by government or management.
- Committed: used for specific purposes. Limitations are self-imposed and determined by formal action of the BOCC. Restrictions are removed in the same manner in which formal action was taken.
- Unassigned: excess portion of fund balance over nonspendable, restricted, committed, and assigned fund balances.
- Unrestricted: combined balances of committed, assigned, and unassigned fund balances

The County's Board of County Commissioners (BOCC) adopted a revised minimum fund balance policy in 2011. The policy outlines that, "County finances will be managed so as to maintain balances of the various funds at levels sufficient to mitigate current and future risks, such as revenue shortfalls and unanticipated expenditures, ensure stable tax rates, and protect the County's creditworthiness."

The policy further states that the County's General Fund will be managed to maintain a minimum unrestricted fund balance equal to at least 20 percent of budget annual expenditures and transfers out. If fund balance exceeds the minimum requirement at the end of a fiscal year, the policy outlines how the excess may be used:

- Appropriated in the following budget cycle to lower the amount of bonds needed to fund capital projects in the County's Capital Improvement Program.
- Appropriated in the following budget cycle to fund the County's expected liabilities in risk management and workers compensation.
- Appropriated in the following budget cycle as one-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs.
- Appropriated in the following budget cycle to increase reserves for equipment replacement.
- Start-up expenditures for new programs, provided that such action is approved by the Board of County Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Division.

At the beginning of the 2020 budget development process in January 2019, the General Fund's unrestricted fund balance was $55,595,129 on a GAAP basis. Based on the policy outlined above, the minimum required in 2019 is $42,500,496, resulting in excess, "spendable" fund balance of $13.1 million. To compare, on a budgetary basis, the fund balance was $68,056,800 in January 2019.

Based on 2019 activity, revenues are estimated to exceed expenditures by $0.7 million at year-end, which would result in an unrestricted fund balance of $56.3 million to start 2020, $13.8 million more than the minimum required by policy. This surplus is primarily due to increased investment income and increased assessed valuation.

Financial management actions the County has taken in the 2020 budget to reach the BOCC's stated intention to not have a deficit in the General Fund has resulted in a projected operating surplus of $0.5 million in the County General Fund's financial forecast.

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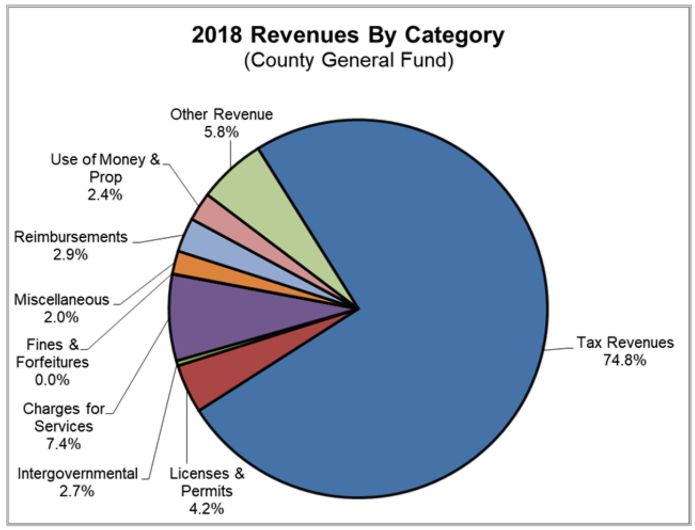
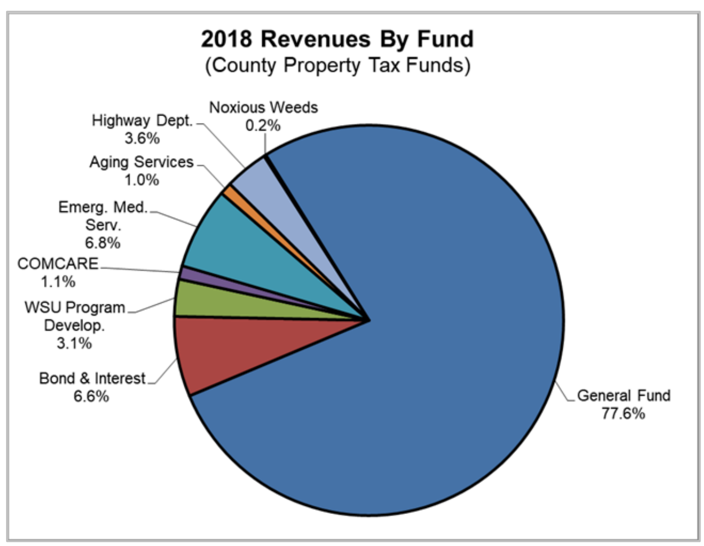
■ Revenues & Transfers In

Sedgwick County's revenue structure for the General Fund groups the revenues into seven primary revenue categories, with aggregate tax collections as the largest revenue source, followed by charges for service, reimbursements, and uses of money and property. These revenue categories are shown in the chart below. In 2018, a total of $198,255,178 in revenue and transfers in was received in the General Fund, 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 78 percent of total revenue collections in 2018. Revenues by fund are outlined in the chart below.



Specific Revenue Projections in the Financial Forecast

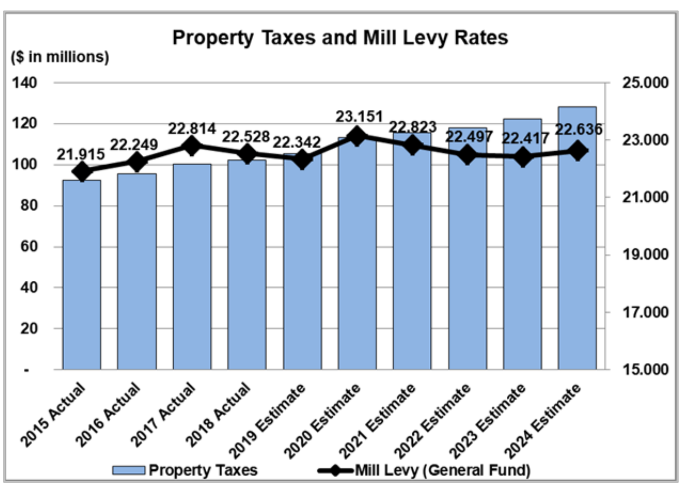
Of the total revenue collections and transfers from other funds in the General Fund, about 92 percent is collected through eight distinct revenue sources. The following discussion on revenue projections included in the financial forecast will concentrate on these key revenues, which are listed in the table below.

Key Revenues
County General Fund

	2018	2019	2020	% of Total
Total Revenues & Transfers In	$ 198,255,178	$ 192,202,634	$ 200,387,573	100%
Current property taxes	$ 101,362,301	$ 104,609,623	$ 112,641,235	56%
Local sales & use tax	29,514,109	30,300,783	31,109,078	16%
Motor vehicle tax	14,698,909	14,894,235	15,164,397	8%
Licenses & Permits	8,228,212	8,352,011	8,726,332	4%
Administrative reimbursements	5,075,890	5,236,011	5,737,770	3%
Mortgage reg. & officer fees	5,142,465	3,430,383	3,464,484	2%
Prisoner housing fees	3,835,964	3,712,819	3,970,396	2%
Investment income	1,276,621	5,765,634	3,459,381	2%
Key Revenues Sub-Total	$ 169,134,471	$ 176,301,499	$ 184,273,073	92%

Property Taxes

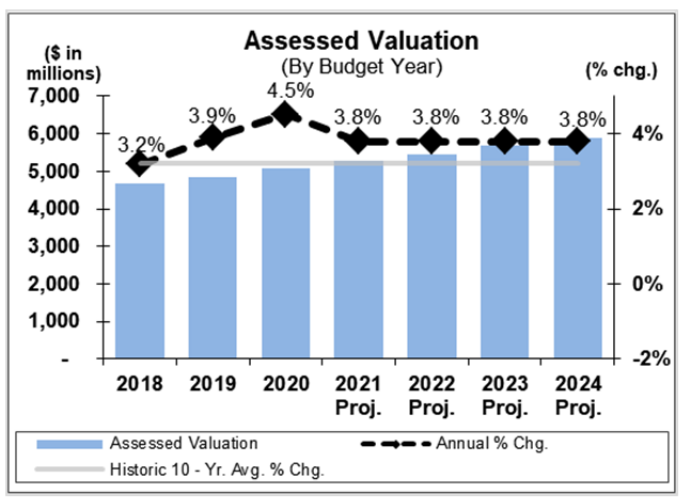
Property taxes play a vital role in financing essential public services. Property tax revenues are used to fund services County-wide in the General Fund. This reliable revenue source has no attached mandates as many other State and Federal revenues often do. The table on the next page shows the estimated mill levy rate and property tax levy in the General Fund throughout the forecast. The table reflects the total property tax levy, not just estimated collections, which are shown in the table above. Collections are often significantly less than the levy due to delinquent taxpayers and certain economic development incentives that allow property owners to divert property taxes in a defined area toward an economic development or public improvement project.



The 2020 budget includes a total mill levy rate of 29.384 mills, despite the targeted rate of 29.359 mills which was included in the Recommended Budget. 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. However, as illustrated in the table above, the mill levy rate assigned to the General Fund will shift as resources are needed across the eight total County property-tax-supported funds.

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. The tax rate to support the 2020 budget is 29.384 mills, after technical adjustments. The intended mill levy rate was 29.359 mills at the time of budget adoption. However, final assessed valuation as of November 1, 2019, was lower than originally estimated in July 2019, and a technical adjustment to the mill levy rate was necessary to generate the amount of property tax needed to fund the 2020 budget.
- 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 continue at more typical historical levels, after the delinquency rate reached 4.2 percent in 2010.

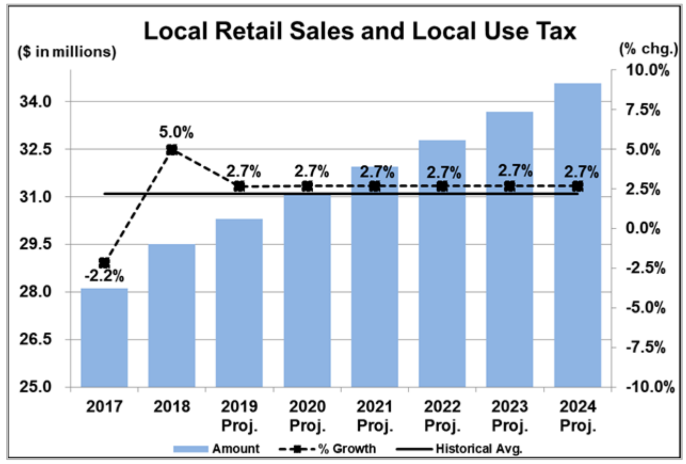


Like many other jurisdictions, the County experienced strong valuation growth between the years of 2000 to 2009 with an average growth rate of 5.6 percent. That trend changed notably in 2010 when valuation increased by less than a percent. Growth was less than one percent through 2012; then, for the 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, then grew at 1.1 percent for the 2015 budget year, 1.4 percent for the 2016 budget year, 2.8 percent for the 2017 budget year, 3.2 percent for the 2018 budget year, 3.9 percent for the 2019 budget year, and the 2020 budget includes growth of 4.5 percent. Estimates for assessed valuation growth in the outer years of the forecast are shown in the table above.

Within the financial forecast, property tax rates among different County property-tax-supported funds can be 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 in the next column outlines the property tax rate movements estimated within this plan for all County property-tax-supported funds.

Property Tax Rates by Fund (in mills)	2019	2020	2021 Est.	2022 Est.	2023 Est.	2024 Est.
General	22.342	23.151	22.823	22.497	22.417	22.636
Bond & Int.	2.770	1.773	2.106	2.240	1.776	1.570
WSU	1.500	1.500	1.500	1.500	1.500	1.500
Highw ay	0.720	0.872	0.876	0.906	0.915	0.938
EMS	1.059	0.916	0.806	0.978	0.937	0.916
Aging	0.428	0.468	0.475	0.486	0.478	0.472
COMCARE	0.494	0.634	0.694	0.675	0.660	0.650
Noxious Wds	0.070	0.070	0.079	0.077	0.075	0.076
Total	29.383	29.384	29.359	29.359	28.758	28.758

Local Retail Sales and Use Tax



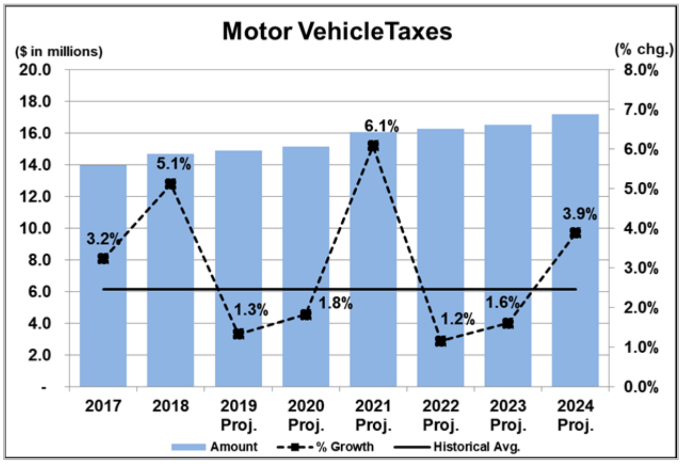
Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July 1985. Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which 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, but averaged 5.7 percent from 2004 to 2008. As a result of economic stress and the County's reduction in its mill levy over three consecutive years, collections declined from a high of $26.8 million in 2008 to $25.7 million in 2012; however, as the economy has improved, revenues in this category have increased. Total revenues of $29.5 million were collected in 2018.

Motor Vehicle Taxes



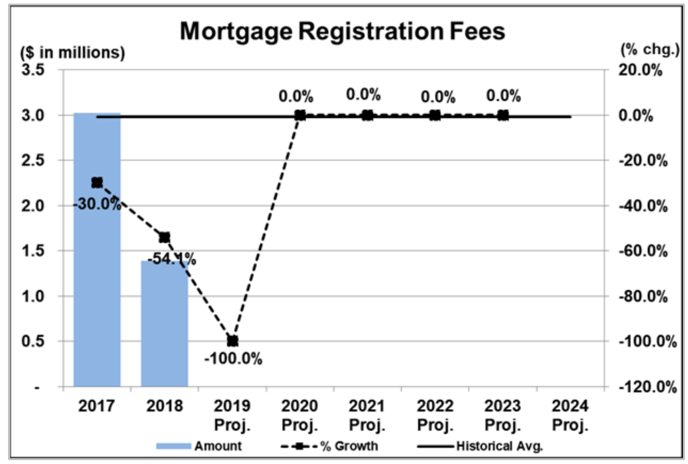
The State statute describing the collection and distribution of Motor Vehicle Taxes is outlined in K.S.A. 79-5101 et seq. Motor vehicles are distinguished by 20 vehicle classes, and then taxed at 20 percent of the class value based on the average County-wide mill levy during the previous year. State 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, statute further directs revenues be 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 changing economy and impact of past tax reductions it has become more inconsistent. This revenue source reached a historical high of $19.0 million received across all funds in 2018. Of this amount, $14.7 million was received in the General Fund.

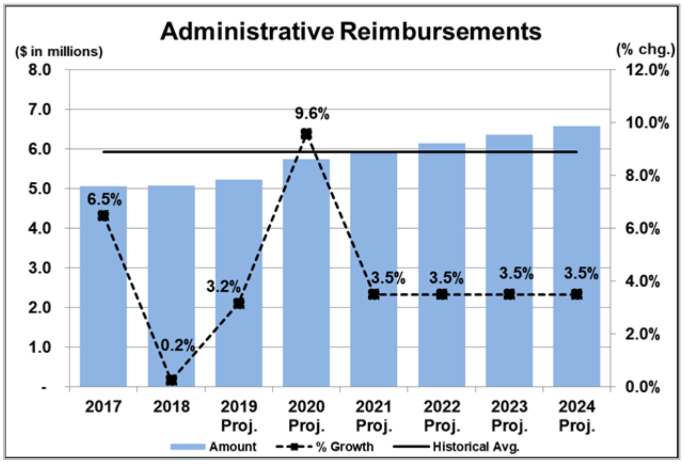
Mortgage Registration Fees



Mortgage registration fees were collected by the Register of Deeds. Mortgage registration fees had been established under K.S.A. 79-3102, which set the fee rate at 26 cents per $100 of mortgage principal registered through 2014; the County General Fund received 25 cents. However, legislative action in 2014 began a phase-out of the fee in 2015, with complete elimination by 2019. Additional per-page mortgage filing fees were implemented by that legislative action, recorded as officer fees in the County's financial system, which will offset some of the reduction from the phase-out.

Within this revenue source, collection levels historically were strongly correlated with the strength of the local real estate and refinancing market. Mortgage registration fees reached a high of $8.7 million in 2003 and generated $5.8 million in 2014, the last year where the fee was at its historic level.

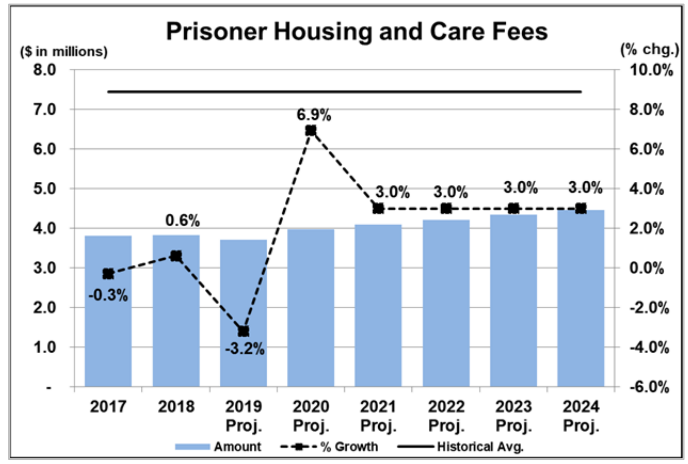
Administrative Reimbursements



Administrative reimbursements to the General Fund are charges that are passed along to departments operating outside of the General Fund for the indirect support of those operations. Consultants prepare a Cost Allocation Plan annually as a basis for budgeted reimbursements. For the General Fund to receive reimbursement revenue from those funds receiving grants from the Federal government, an annual allocation plan following specific accounting guidelines is required.

Budgeted reimbursements in 2019 reflect a greater consumption of services performed in non-General Fund departments.

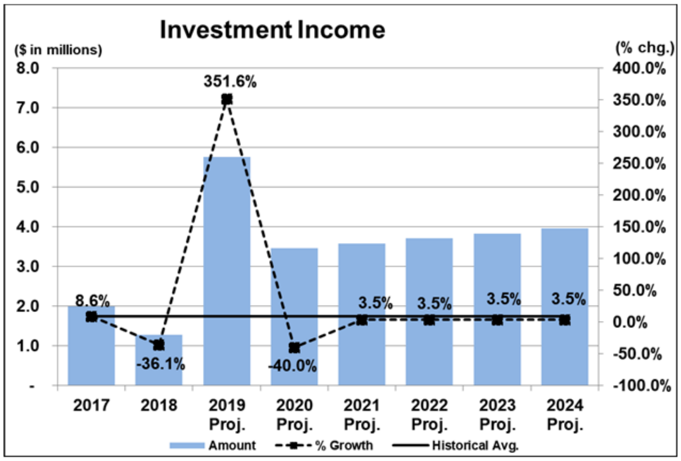
Prisoner Housing and Care Fees



Prisoner housing and care fees are received from Federal, State, and local authorities for housing their prisoners in the Sedgwick County Adult Detention Facility and care in Sedgwick County Correction facilities.

In 2007, the BOCC adopted a municipal housing fee for all cities located within Sedgwick County to mitigate the overcrowding issues in the Adult Detention Facility. Collections began in 2008. Some cities chose not to pay immediately, including the City of Wichita, resulting in litigation. In 2010, the County settled its claims against the cities that had not paid for less than what was owed and gave rebates of 85 percent to those cities that had paid, resulting in lower revenues.

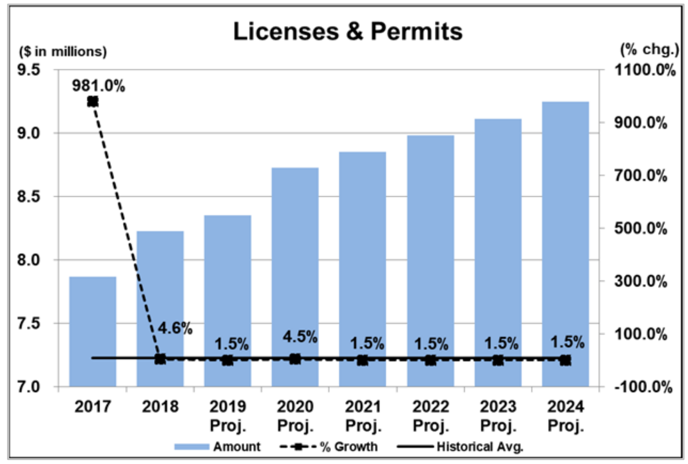
Investment Income



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

The County has an investment portfolio that ranges from $225 million to $500 million depending on the time of year. By law, the County's investments are restricted to short maturities having little or no risk. Since the Great Recession, investment income has been very low due to very low interest rates. In 2014, collections increased for the first time since 2007, though the amount of revenue generated was $1.3 million. The forecast projects revenue of $5.7 million in 2019 due to selling some lower yielding investments and reinvesting them into higher yielding investments; however, as interest rates begin to drop after 2019 due to anticipated Federal Reserve action, investment income will start to return to more normal levels.

Licenses & Permits



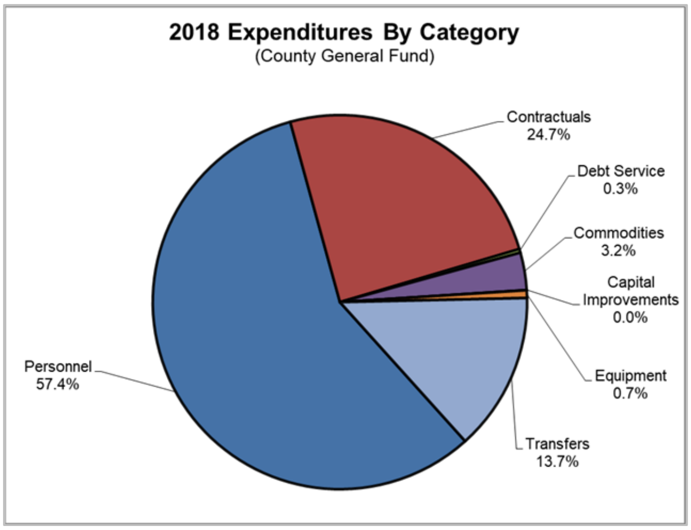
License and permit fee revenues are generated from businesses needing licenses and/or permits in order to construct new buildings or make improvements to existing structures to ensure compliance with City or County codes.

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 the initial year of receiving this revenue source it will begin to stabilize at what is anticipated to be normal levels of collection.

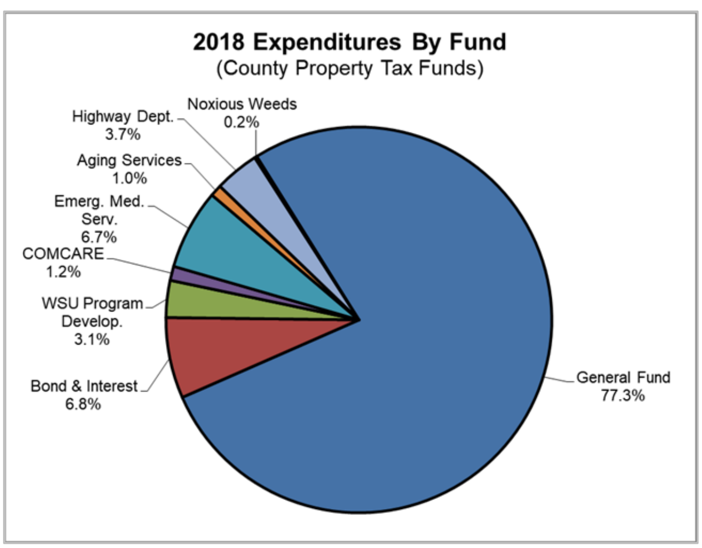
■ Expenditures

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 2018 in the County General Fund were $196,630,844. Of those, 57 percent were for personnel costs and 25 percent for contractual services.

As with revenues, these actual results are the baseline from which the current financial forecast was developed.

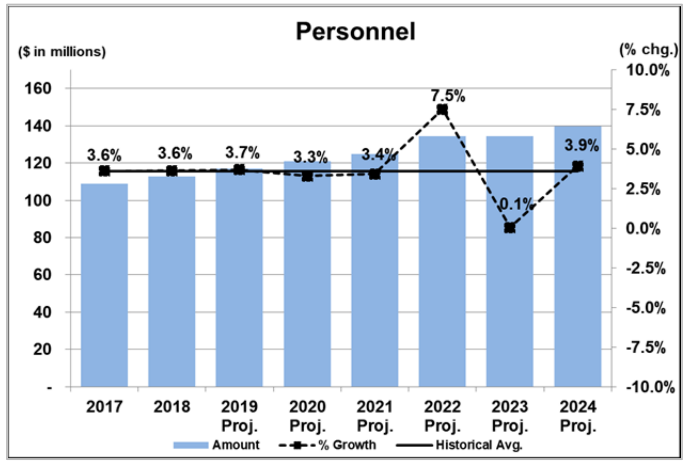


Of the total spent in funds receiving property tax support, the fund with the greatest portion of total expenses is the General Fund with 77 percent of total 2018 expenditures.



Specific Expenditure Projections in the Financial Forecast

Personnel

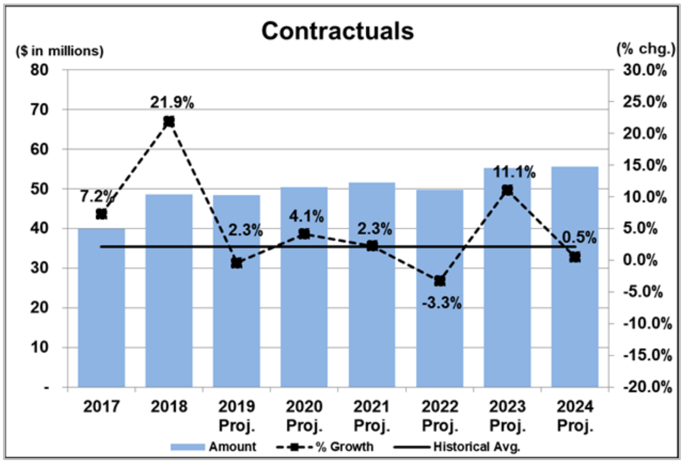


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- A 2.25 percent flat compounding pay adjustment for all County employees along with a 1.25 percent pay structure adjustment and a 1.25 percent set-aside pool for targeted pay adjustments
- A 5.0 percent budgeted increase in employer health/dental insurance premiums
- Decreases 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 the County operates off

	2015	2016	2017	2018	2019	2020
KPERS - Retirement Rates						
	10.41%	10.18%	8.96%	9.39%	9.89%	9.89%
KP&F - Retirement Rates						
Sheriff	21.72%	20.78%	19.39%	20.22%	22.13%	21.93%
Fire	21.36%	20.42%	19.03%	20.09%	22.13%	21.93%
EMS	21.36%	20.42%	19.03%	20.09%	22.13%	21.93%

Contractuals

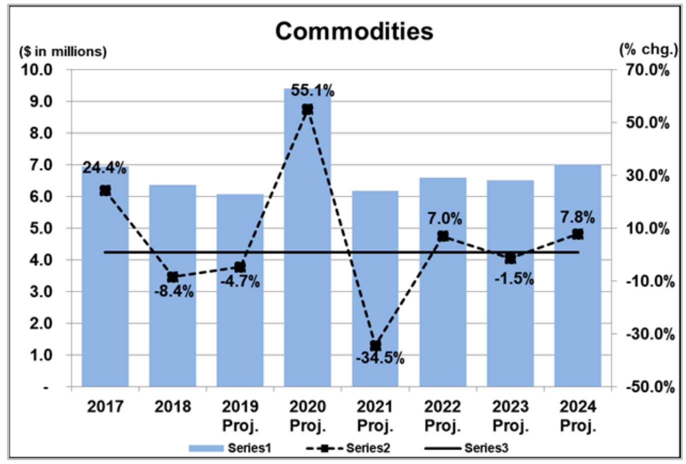


Contractual expenditures, the second largest expenditure category, include services purchased from and delivered by an external entity and internal departmental charges to other funds. These may include utility services, insurance services, software agreements, social services delivered by other community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

The increase in 2018 resulted from increased costs incurred as a result of the County-City of Wichita code function merger. In 2017, the County began receiving all revenue related to the Metropolitan Area Building & Construction Department (MABCD). In 2017, as the merged operation began its first year with the County as managing partner, the County began reimbursing the City for costs for employees still on the City's staffing table. Those costs, paid as a contractual item, were $2.8 million in 2018, but will decrease as City employees vacate MABCD positions and are replaced with County positions. 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). Increases in 2023 and 2024 are due to anticipated implementation of strategic plan initiatives.

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.

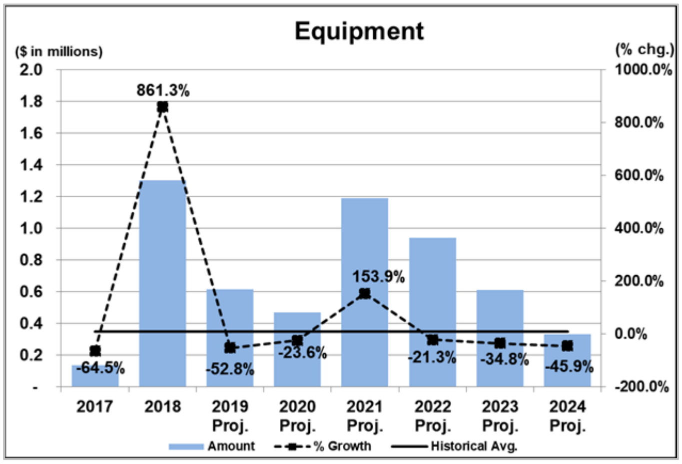
Commodities



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. The increase in 2017 was due to the replacement of the County's election equipment fleet. The increase projected in 2020 is due to the Presidential Election and increased paper costs due to market pricing.

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

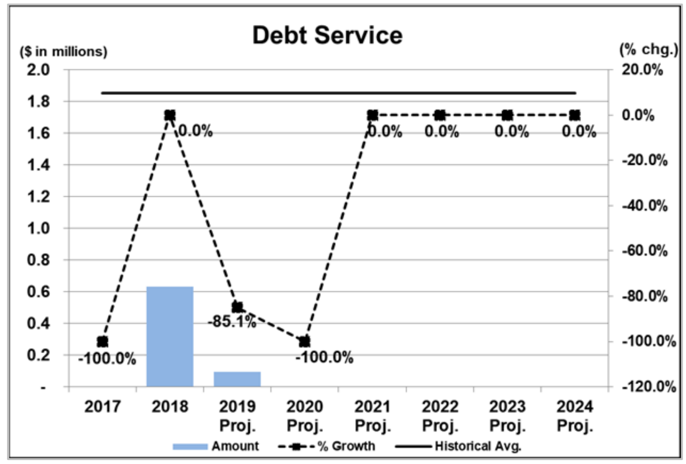
Equipment (Capital Outlay)



Equipment includes expenditures for office, technical, operating, and vehicular equipment that are more than $10,000. Overall, the County spends relatively small amounts for equipment in the property-tax-supported funds, so isolated purchases can often result in sizable year-to-year percentage changes.

The spike in 2018 related to the purchase of equipment for a new Stream Maintenance crew in Public Works and the replacement of a server in the Sheriff's Office. In 2019 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. Costs are anticipated to return to more typical levels in 2024.

Debt Service

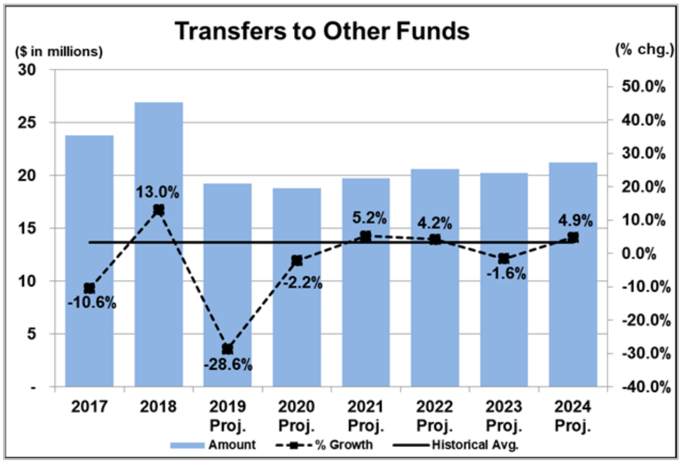


The financial forecast incorporates debt service payments on current debt obligations. Sedgwick County continues to hold high bond ratings from the three most widely used rating agencies: Moody's Investor Services, Standard & Poor's, and Fitch Ratings. In a recent rating evaluation, Standard & Poor's 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+

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 the General Fund 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 from the General Fund to other funds include:

- $1,597,566 annually in collected retail sales and use tax revenues to the Bond & Interest Fund to mitigate the cost of debt service on road and bridge projects
- Approximately $12.5 million to $15.7 million annually in retail sales and use tax revenues to the Sales Tax Road & Bridge Fund for capital projects
- Approximately $1.0 million annually to the Risk Management Fund
- Annual transfers of varying amounts for cash-funded capital projects as included in the CIP

As outlined in the table below, 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 - General Fund

	Sales Tax To LST Road & Bridge Fund	Sales Tax To Bond & Interest Fund	Other Cash Funded Capital Projects	General Fund to Risk Mgmt.
• 2017	12,461,776	1,597,566	11,934,577	771,455
• 2018	13,057,006	1,597,566	3,144,659	916,197
• 2019 Proj.	13,220,269	1,597,566	2,689,137	1,107,458
• 2020 Proj.	13,956,973	1,597,566	857,238	1,167,496
• 2021 Proj.	14,372,240	1,597,566	1,485,611	1,101,648
• 2022 Proj.	14,798,944	1,597,566	1,739,529	1,248,643
• 2023 Proj.	15,237,414	1,597,566	1,051,350	1,161,258
• 2024 Proj.	15,687,989	1,597,566	1,485,709	1,339,902

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Financial Forecast 2016 - 2024

County General Fund

Modified Accrual Basis

#		Actual 2016	Actual 2017	Actual 2018	Estimates 2019	Estimates 2020	Estimates 2021	Estimates 2022	Estimates 2023	Estimates 2024
1	***Beginning Fund Balance***	*63,006,659*	*62,556,586*	*66,685,155*	*68,309,489*	*69,020,693*	*69,484,100*	*70,986,689*	*68,254,620*	*66,577,274*
2	**Operating Revenue**									
3	**Taxes**	139,297,377	143,895,542	148,351,485	152,302,042	161,389,600	165,250,577	168,916,573	173,956,168	181,453,088
4	Current property taxes	94,623,180	99,355,840	101,362,301	104,609,623	112,639,963	114,676,074	117,338,652	121,352,093	127,214,871
5	Back property taxes & warrants	2,002,654	2,113,289	2,401,706	2,117,673	2,091,089	2,157,363	2,118,469	2,078,259	2,104,519
6	Special assessment property taxes	-	-	-	-	-	-	-	-	-
7	Motor vehicle taxes	13,546,562	13,983,702	14,698,909	14,894,235	15,164,397	16,087,033	16,270,433	16,454,273	17,155,339
8	Local retail sales tax	25,719,209	25,100,867	26,259,295	26,915,777	27,588,672	28,278,388	28,985,348	29,709,982	30,452,731
9	Local use tax	3,024,796	3,017,817	3,254,814	3,385,006	3,520,406	3,661,223	3,807,672	3,959,979	4,118,378
10	Other taxes	380,976	324,026	374,461	379,728	385,073	390,496	395,999	401,583	407,250
11	**Intergovernmental**	3,109,324	1,561,187	884,450	980,666	963,361	978,496	994,061	1,010,063	1,023,758
12	**Charges for service**	17,340,735	15,380,085	14,625,785	12,918,195	13,352,798	13,839,447	14,139,065	14,446,446	14,761,808
13	**Reimbursements**	5,110,994	5,455,204	5,793,658	5,505,833	5,999,799	6,239,806	6,450,602	6,668,703	6,894,363
14	**Use of money and property**	4,712,540	5,421,101	4,845,200	9,439,293	7,173,190	7,335,869	7,503,357	7,675,815	7,853,408
15	**Other revenues**	3,766,215	12,245,943	12,267,384	10,899,070	11,245,002	11,098,109	11,252,727	11,408,897	11,567,647
16	**Transfers from other funds**	556,881	477,058	11,487,216	157,536	262,551	419,791	388,851	356,146	371,727
17	***Total Revenue***	*173,894,066*	*184,436,120*	*198,255,178*	*192,202,634*	*200,386,302*	*205,162,094*	*209,645,237*	*215,522,239*	*223,925,800*
18	**Operating Expenditures**									
19	**Personnel and benefits**	105,069,803	108,875,775	112,838,032	117,014,771	120,888,002	125,031,034	134,436,571	134,505,715	139,796,642
20	**Contractual services**	37,144,454	39,834,283	48,557,205	48,364,514	50,363,834	51,507,164	49,817,852	55,333,325	55,611,683
21	**Debt service**	375,100	-	633,811	94,738	-	-	-	-	-
22	**Commodities**	5,587,649	6,950,687	6,366,993	6,069,505	9,414,963	6,170,399	6,600,052	6,503,487	7,008,846
23	**Capital improvements**	21,977	11,834	27,375	133,255	-	-	-	-	-
24	**Capital outlay > $10,000**	380,752	135,349	1,301,165	614,637	469,691	1,192,323	938,615	611,981	331,053
25	**Transfers to other funds**	26,613,171	23,800,780	26,906,263	19,203,827	18,786,404	19,758,586	20,584,216	20,245,077	21,228,156
26	***Total Expenditures***	*175,192,907*	*179,608,708*	*196,630,844*	*191,495,247*	*199,922,894*	*203,659,506*	*212,377,306*	*217,199,585*	*223,976,380*
27	***Operating Income***	*(1,298,842)*	*4,827,413*	*1,624,334*	*707,387*	*463,407*	*1,502,589*	*(2,732,069)*	*(1,677,346)*	*(50,580)*
28	***Ending Fund Balance***	*62,556,586*	*66,685,155*	*68,309,489*	*69,020,693*	*69,484,100*	*70,986,689*	*68,254,620*	*66,577,274*	*66,526,695*
29	**Assessed valuation**	4,410,040,706	4,531,486,166	4,675,741,600	4,858,132,534	5,077,374,541	5,267,776,086	5,465,317,690	5,670,267,103	5,882,902,119
30	***Assessed valuation % chg.***	1.41%	2.75%	3.18%	3.90%	4.51%	3.75%	3.75%	3.75%	3.75%
31	**Mill levy**	22.249	22.814	22.528	22.342	23.151	22.823	22.497	22.417	22.636
32	***Mill levy change***	(7.229)	0.565	(0.286)	(0.186)	0.809	(0.328)	(0.326)	(0.080)	0.219