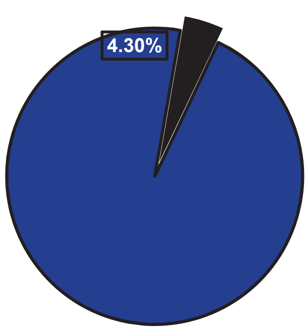
Bond & Interest

Inside:

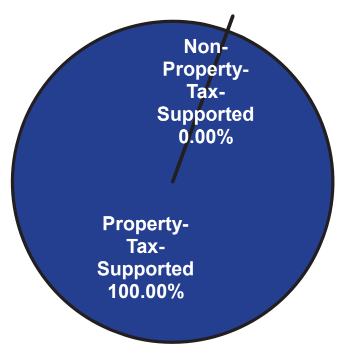
Page	Department	2019 Budget All Operating Funds	General Fund	Debt Service Funds	Special Revenue Funds: Property-Tax-Supported	Special Revenue Funds: Non-Property-Tax-Supported	Enterprise/ Internal Serv.
242	Bond & Interest	18,884,389	-	18,884,389	-	-	-
	Total	**18,884,389**	-	**18,884,389**	-	-	-

2019 Budget by Operating Fund Type

% of Total Operating Budget



Operating Expenditures by Fund Type



* Includes the General, Debt Service, and Property-Tax-Supported Special Revenue Funds

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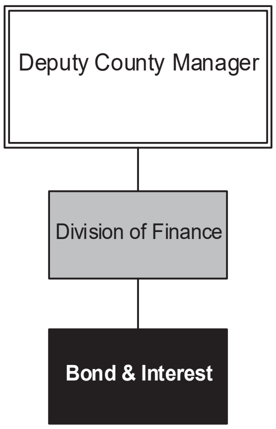
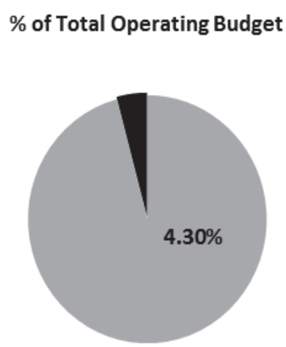
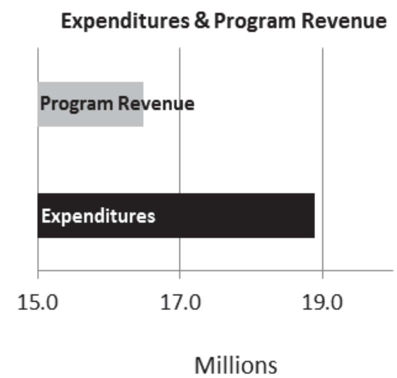
Mission:
- **To assure Sedgwick County government and citizens of proper use of County resources and informed financial decision-making.**







Description of Major Services

The Bond and Interest Fund provides for the retirement of general obligation, Public Building Commission (PBC) revenue bonds, and special assessment bonds of Sedgwick County. Each year, the County levies taxes that, together with special assessments and other revenues credited to the Fund, are sufficient to pay the principal and interest payments due throughout the year.

The County's Debt Policy establishes guidelines pertaining to the County's use of debt. The objectives of the policy are to ensure financing is obtained only when necessary; the process for identifying the timing and amount of debt or other financing is as efficient as possible; the most favorable interest rate and other related costs are obtained; and future financial flexibility is maintained.

A summary of key points from the Sedgwick County Debt Policy is presented here:

- Debt management committee is formed to ensure compliance with debt policy.
- Pay-as-you-go financing is favored when the project can be funded from available current revenue and fund balances, the project can be completed in an acceptable timeframe given available resources, additional debt could affect the County credit rating, or when repayment sources or market conditions are considered unstable or suggest difficulty in marketing the debt.
- Debt financing is favored when market conditions are favorable, a project is mandated and current revenue or fund balances are insufficient, or a project is immediately required to meet capacity needs. The useful life of each project must equal or exceed the term of the financing.
- Total outstanding debt is capped. The policy limits direct debt per capita ($500), overlapping and underlying debt per capita ($3,000), direct and overall debt as a percentage of estimated full market value (1.5 percent and 6.0 percent, respectively), and debt service is limited to 10.0 percent of general and debt service fund budgeted expenditures. Debt issuance is prohibited if two of the first four measures are exceeded or if the final ratio measuring debt service as a percent of budget is exceeded on its own.

- Debt repayment is expedited. Debt issues are to be structured so that at least 30.0 percent of the aggregate outstanding principal amount is repaid within five years and 60.0 percent within ten years.

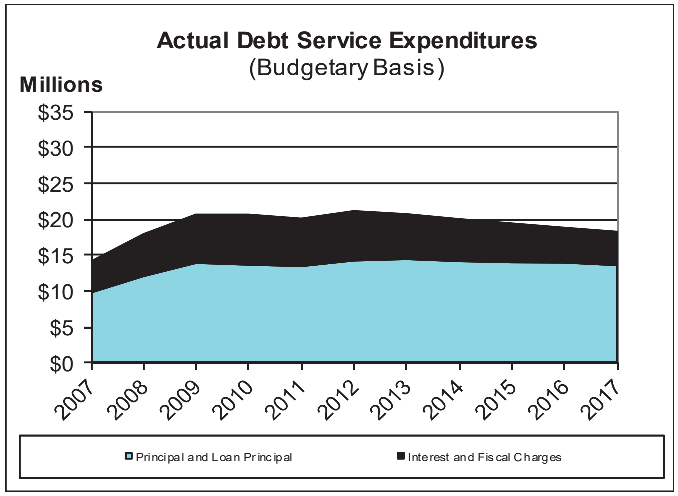
Sedgwick County issues debt primarily to finance major capital projects such as roads, bridges, buildings, or other facilities. The instruments used to finance these projects are typically general obligation bonds or PBC revenue bonds. General obligation bonds are issued by Sedgwick County and backed by the County's full faith and taxing power, meaning that bondholders have the power to compel the County to levy property taxes to repay the bonds. When a project meets a specific set of criteria described in Kansas law, the County can ask the PBC to issue revenue bonds on its behalf. These bonds are secured by lease revenues paid to the PBC by the County. The lease payments to the PBC are also backed by the full faith and taxing power of Sedgwick County.

Another type of debt occasionally issued by Sedgwick County is special assessment bonds. Special assessment bonds are issued to develop basic infrastructure for the benefit of properties within a defined district. Typically such projects are requested by property owners within the district, and as part of their petition for specified improvements, they agree to pay the project costs through specially assessed taxes. Special assessment taxes are then levied on property within the benefit district for up to 15 years to repay the principal and interest on the bonds sold by the County to finance the cost of the improvements.

When a jurisdiction issues debt, it has the option of obtaining a debt rating -- an evaluation of its credit worthiness -- by an independent rating service. Sedgwick County currently has high debt ratings from each of three credit rating agencies: "AAA" from Standard & Poor's, "Aaa" from Moody's Investors Service, and "AA+" from Fitch Rating Service.

Sedgwick County and its PBC have issued debt for various large projects including adult and juvenile detention facilities, roads and bridges, courthouse improvements, a juvenile court building, a public safety center, Exploration Place, the National Center for Aviation Training, the Law Enforcement Training Facility (LETC), and the Ronald Reagan Building. The debt for these projects, in addition to special assessment debt, leaves the County with total outstanding direct debt of $103.1 million as of November 30, 2018.

In recent years, the County's annual debt service, including both the repayment of principal and interest on outstanding bonds has been approximately $18 million.



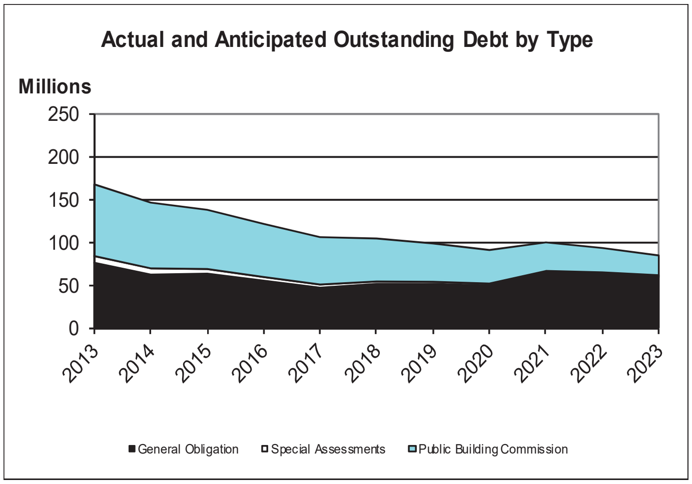
The following table shows the debt service requirements on debt existing as of November 30, 2018. If no additional bonds were issued, Sedgwick County would pay its debt in full by 2038. During this time period, yearly principal and interest payments would decrease from $17.9 million in 2018 to $0.4 million in 2038. When Sedgwick County issues additional bonds, debt service requirements will be extended into the future.

Schedule of Existing Debt Service Requirements as of November 30, 2018

Budget Year	Bonds Outstanding	Principal	Interest	Total
2018	$103,055,000	$13,665,000	$4,202,904	$17,867,904
2019	$87,865,000	$15,190,000	$3,789,816	$18,979,816
2020	$76,780,000	$11,085,000	$3,295,009	$14,380,009
2021	$65,485,000	$11,295,000	$2,823,814	$14,118,814
2022	$54,540,000	$10,945,000	$2,364,774	$13,309,774
2023	$45,585,000	$8,955,000	$1,888,993	$10,843,993
2024	$37,980,000	$7,605,000	$1,540,524	$9,145,524
2025	$30,335,000	$7,645,000	$1,245,883	$8,890,883
2026	$23,565,000	$6,770,000	$1,014,780	$7,784,780
2027	$17,500,000	$6,065,000	$806,908	$6,871,908
2028	$11,265,000	$6,235,000	$610,298	$6,845,298
2029	$8,860,000	$2,405,000	$402,093	$2,807,093
2030	$6,575,000	$2,285,000	$312,093	$2,597,093
2031	$4,405,000	$2,170,000	$227,225	$2,397,225
2032	$3,390,000	$1,015,000	$149,831	$1,164,831
2033	$2,510,000	$880,000	$116,663	$996,663
2034	$1,770,000	$740,000	$86,269	$826,269
2035	$1,035,000	$735,000	$62,013	$797,013
2036	$700,000	$335,000	$37,488	$372,488
2037	$355,000	$345,000	$25,506	$370,506
2038	-	$355,000	$13,169	$368,169

Bond & Interest

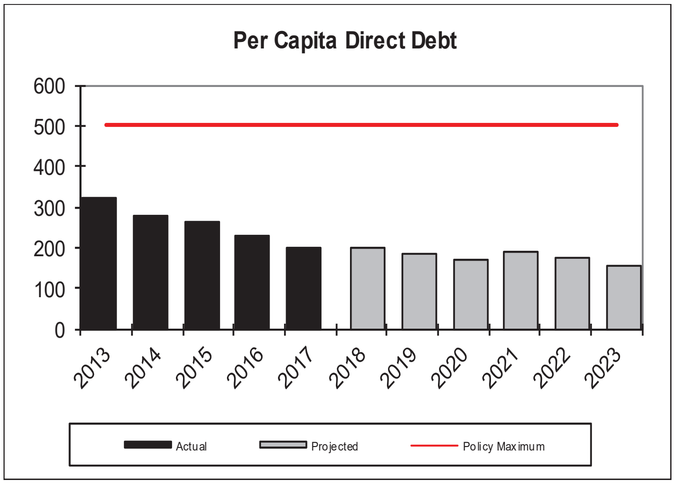
The 2019 budget includes projects supported with bonds in all five years, to include significant facility projects like a County administrative building, remodeling of space in the main Courthouse to accommodate public safety agency needs, remodeling of the first floor of the Adult Detention Facility (ADF) to include a building addition, replacing EMS Post 1, and large road/bridge projects.



If the County chose to issue debt as included in the "Anticipated Debt with Issuance Costs" table the last page of this narrative, it would be in compliance with four of the five County's debt limits, discussed below.

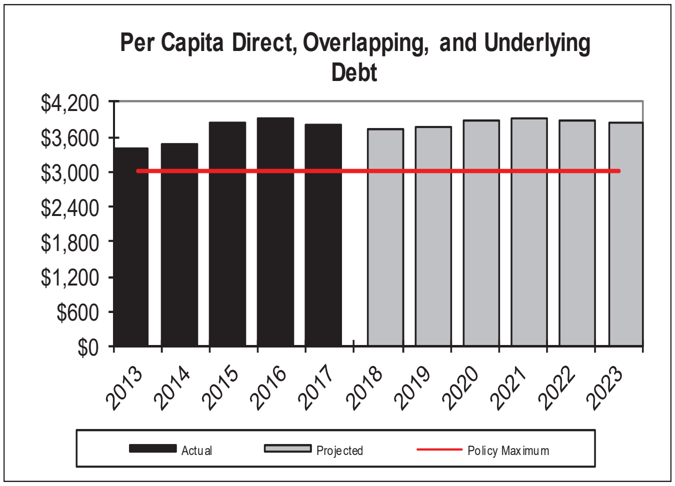
Per Capita Direct Debt

This ratio, which is figured by dividing total direct debt by the population of Sedgwick County, measures the amount of County government debt per resident. The debt policy sets $500 per capita as the maximum limit. In 2013, Sedgwick County was below this level by approximately $150. The County has remained below that level through 2017, and in 2018 the County was below the $500 limit by more than $300. The margin between County per capita direct debt and the policy maximum will decline through 2020, but will increase in 2021 before declining again in 2022 through 2023. At the end of 2023, per capita direct debt is estimated to be at $158.



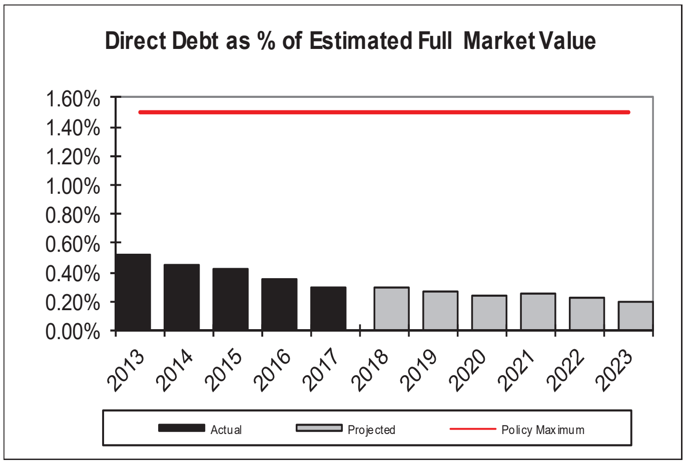
Per Capita Direct, Overlapping & Underlying Debt

This per capita ratio adds overlapping and underlying debt, which is the debt issued by cities, school districts, and special districts within Sedgwick County and backed by Sedgwick County taxpayers. Thus, this ratio measures that total amount of local government debt borne by each resident in the County. The debt policy sets a limit of $3,000 per capita. Since 2008, due to multiple bond issuances by cities and school districts, this target ratio has been exceeded. Based on anticipated future debt issuances by cities, school districts, and other governmental units in this County, this ratio is expected to remain above the targeted maximum through 2023, and is expected to be approximately $3,800 throughout that period, and will be just over $3,800 in 2023.



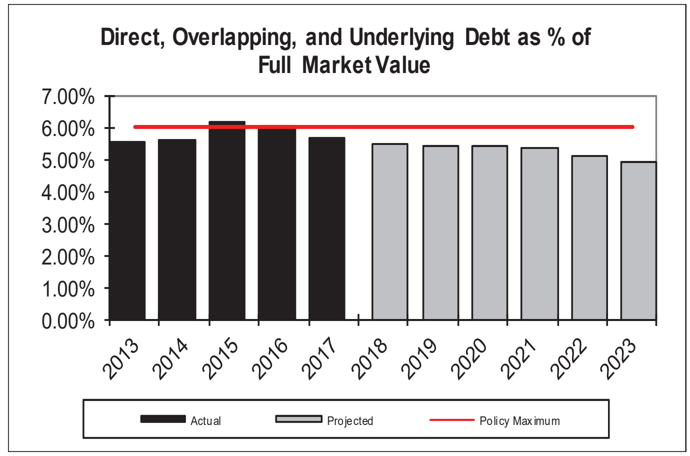
Direct Debt as Percent of Estimated Full Market Value

This ratio shows the impact of debt issued by Sedgwick County or its PBC on the property tax base. The policy limit is 1.5 percent for this measure. The County consistently has remained well below this threshold, and has reduced it from 0.5 percent in 2013 to 0.30 percent in 2018. It is projected to be further reduced to 0.2 percent of the estimated full market value by the end of 2023.



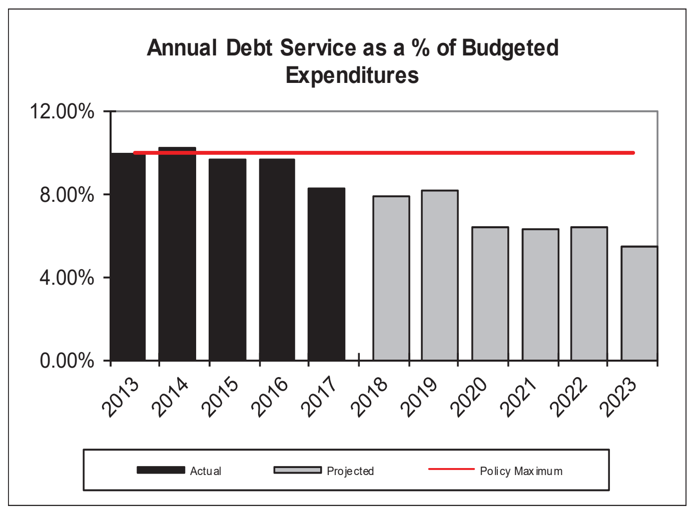
Direct, Overlapping & Underlying Debt as Percent of Full Market Value

This ratio shows the impact of all local government debt, without regard to the governmental issuer within the County, on Sedgwick County's property tax base. The policy sets a maximum target of 6.0 percent. In 2013 and 2014, the ratio was 5.6 percent. Due to bond issuances by cities and school districts, it then increased to a peak of 6.2 percent in 2015 before dropping to 6.1 percent in 2016. The ratio is projected to further decrease throughout the planning horizon, ending at 4.9 percent in 2023.



Annual Debt Service as a Percent of Budgeted Expenditures

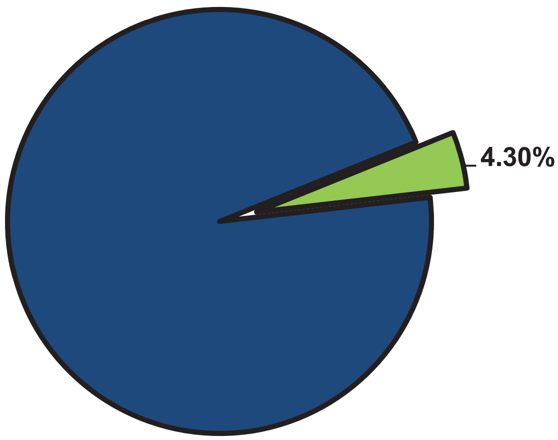
This measure shows the extent to which debt service obligations consume resources that otherwise might be used to deliver County services. Sedgwick County's debt policy sets a limit of 10.0 percent. The County's debt service stayed below 10.0 percent of budgeted expenditures between 2013 and 2017, except in 2014 when the ratio increased to 10.2 percent. The ratio is expected to drop to 5.5 percent of budgeted expenditures by the end of 2023.



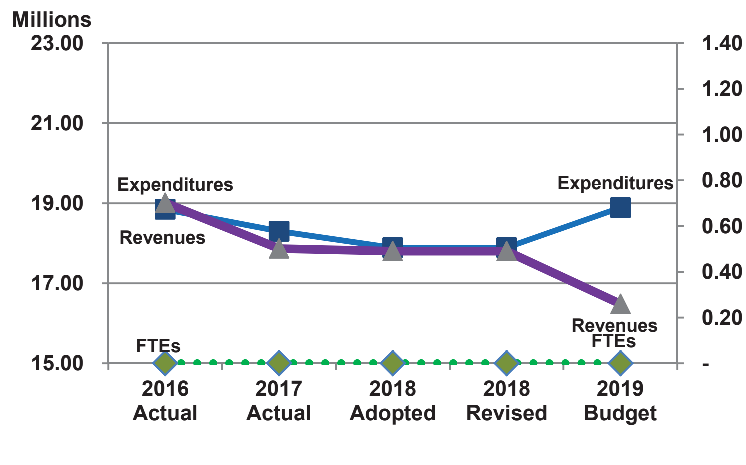
Sedgwick County Anticipated Debt with Issuance Costs					
Project	**2019**	**2020**	**2021**	**2022**	**2023**
Road/Bridge Improvements	$4,000,000	$4,050,000		$4,000,000	
County Administration Building			$21,048,145		
District Court & District Attorney Office Expansion/Renovation				$1,500,000	$3,000,000
ADF 1st Floor Remodel/Addition & Courthouse Space	$5,497,094				
Replace EMS Post 1				$1,042,668	
Totals	**$9,497,094**	**$4,050,000**	**$21,048,145**	**$6,542,668**	**$3,000,000**

Divisional Graphical Summary

Bond & Interest
Percent of Total County Operating Budget



Expenditures, Program Revenue & FTEs
All Operating Funds



Budget Summary by Category

Expenditures	2016 Actual	2017 Actual	2018 Adopted	2018 Revised	2019 Budget	Amount Chg '18 Rev.-'19	% Chg '18 Rev.-'19
Personnel	-	-	-	-	-	-	
Contractual Services	1,700	1,650	20,000	20,000	20,000	-	0.00%
Debt Service	18,843,980	18,297,164	17,867,904	17,867,904	18,864,389	996,485	5.58%
Commodities	-	-	-	-	-	-	
Capital Improvements	-	-	-	-	-	-	
Capital Equipment	-	-	-	-	-	-	
Interfund Transfers	-	-	-	-	-	-	
Total Expenditures	**18,845,680**	**18,298,814**	**17,887,904**	**17,887,904**	**18,884,389**	**996,485**	**5.57%**
Revenues							
Tax Revenues	14,522,661	13,940,234	14,549,534	14,549,534	13,461,733	(1,087,801)	-7.48%
Licenses and Permits	-	-	-	-	-	-	
Intergovernmental	245,945	119,643	148,847	148,847	244,802	95,955	64.47%
Charges for Services	628,582	633,811	677,444	677,444	-	(677,444)	-100.00%
All Other Revenue	3,609,320	3,167,490	2,427,675	2,427,675	2,776,494	348,819	14.37%
Total Revenues	**19,006,507**	**17,861,178**	**17,803,500**	**17,803,500**	**16,483,029**	**(1,320,471)**	**-7.42%**
Full-Time Equivalents (FTEs)							
Property Tax Funded	-	-	-	-	-	-	
Non-Property Tax Funded	-	-	-	-	-	-	
Total FTEs	**-**	**-**	**-**	**-**	**-**	**-**	

Budget Summary by Fund

Fund	2016 Actual	2017 Actual	2018 Adopted	2018 Revised	2019 Budget	Amount Chg '18 Rev.-'19	% Chg '18 Rev.-'19
Bond & Interest	18,845,680	18,298,814	17,887,904	17,887,904	18,884,389	996,485	5.57%
Total Expenditures	**18,845,680**	**18,298,814**	**17,887,904**	**17,887,904**	**18,884,389**	**996,485**	**5.57%**

Significant Budget Adjustments from Prior Year Revised Budget

	Expenditures	Revenues	FTEs
Increased budget due to anticipated 2019 principal and interest costs	996,485		
Decrease in charges for service to due the end of the funding agreement with WATC		(677,444)	
Total	996,485	(677,444)	-

Budget Summary by Program

Program	Fund	2016 Actual	2017 Actual	2018 Adopted	2018 Revised	2019 Budget	% Chg '18 Rev.-'19	2019 FTEs
Bond & Interest	301	18,845,680	18,298,814	17,887,904	17,887,904	18,884,389	5.57%	-
Total		**18,845,680**	**18,298,814**	**17,887,904**	**17,887,904**	**18,884,389**	**5.57%**	**-**