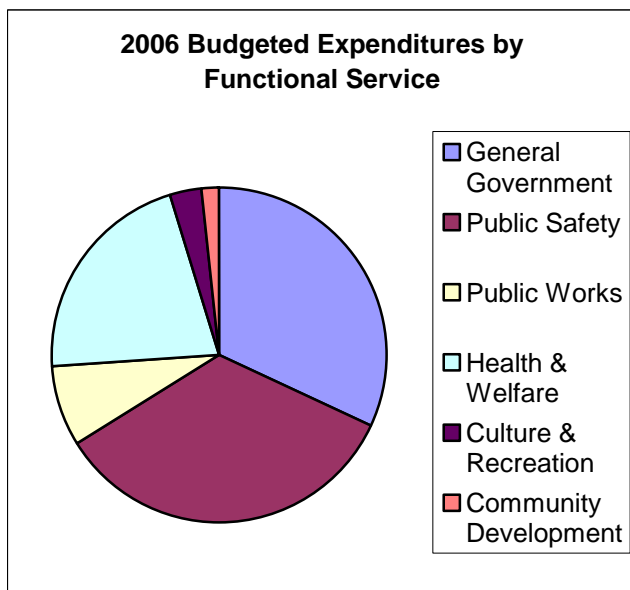


On August 3, 2005 the Board of County Commissioners adopted the 2006 budget of \$345,293,247 as recommended by the County Manager. Composing the budget is a yearlong process that converts strategic plans and community needs into a one-year spending plan. The adopted budget allocates a variety of public resources to the essential services used to assist citizens-in need, delivers cultural and recreational opportunities, develops and maintains transportation infrastructures, and makes our community safe.

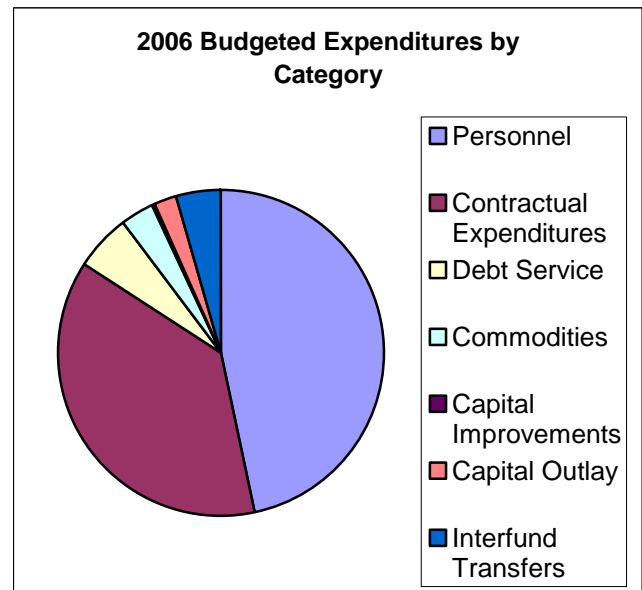
The adopted budget maintains the property tax rates for Sedgwick County and Fire District #1 at 28.763 and 18.579 mills respectively.

Budgeted Expenditures

The 2006 budget of \$345.3 million for All Funds represents a \$15.6 million or 4.7 percent increase from the 2005 revised budget. The 2006 budget is divided into six functional service sections based on the type of public service delivered. These functional services include: General Government, Public Safety, Public Works, Health and Welfare, Culture and Recreation and Community Development. Of the six functional areas, the largest increase from the 2005 budget occurred in Public Safety (\$8.0 million) followed by Health and Welfare (\$6.6 million). As outlined in the table below depicting the 2006 budget by functional services, these are also two of the largest services delivered by the County.



The County's financial structure also includes seven primary expenditure categories as outlined below.



Of these categories, the largest is personnel with a 2006 adopted budget of \$161.3 million. The growth in the personnel budget is influenced by a number of variables. These include increases in employee health benefit costs, increases in retirement rates with the Kansas Public Employees Retirement System and the employee compensation plan.

The 2006 employee compensation plan continues the three-year strategic plan first adopted in 2005. The strategic plan was built on a compensation philosophy to support the County Mission to encourage excellence in public service; be perceived as fair, both internally and within the context of prevailing markets; and provide equitable incentives, holding employees accountable for results and rewarding high performance.

Three-Year Strategic Compensation Plan:

2005

- ⇒ General Pay Adjustment
- ⇒ Customer Service Recognition Award Program (additional monetary award)
- ⇒ Performance Based Merit Pay for Leadership Team
- ⇒ Adjustments to compensation structure as needed

2006

- ⇒ Performance Based Merit Pay for Leadership Team and Pilot Groups
- ⇒ Customer Service and Performance Recognition Award Programs
- ⇒ Adjustments to compensation structure as needed

2007

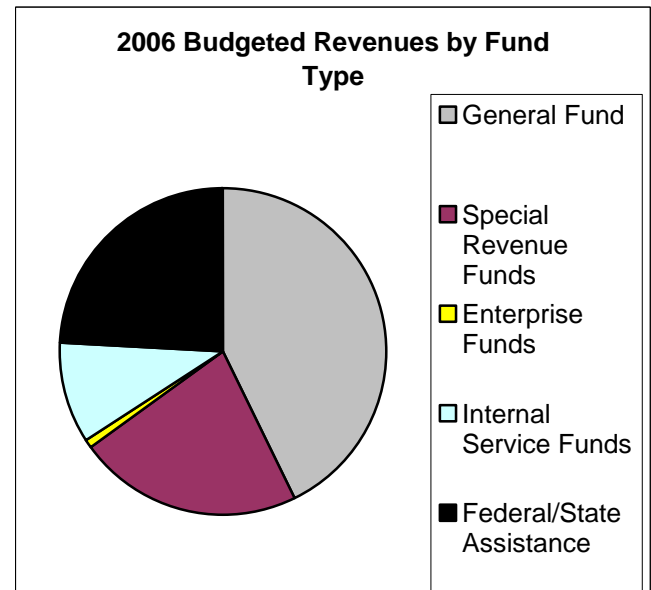
- ⇒ Performance Based Merit Pay
- ⇒ Adjustments to compensation structure as needed
- ⇒ Recognition Award Programs

The 2006 adopted budget continues this strategic plan with the inclusion of a four percent salary pool that will be allocated through a general pay adjustment, continuation of the Customer Service Recognition Awards initiated in 2005 and implementation of a Performance Recognition Award Program to give an annualized monetary award for exemplary performance and significant contributions.

The four percent salary pool will also be utilized to fund the compensation plans for the County Leadership Team (6 people reporting directly to the County Manager) who will continue to experience the Performance Based Merit Pay Plan. In addition within the County, established Pilot Groups will also experience the Performance Based Merit Pay Plan. Eligible employees in the Performance Based Merit Pay pilots will also have an opportunity to receive a Customer Service Recognition Award. Both the Leadership Team and the Pilot Groups will not be eligible for the General Pay adjustment.

Budgeted Revenue

The 2006 budget is comprised primarily of five different fund types. They include the General Fund, Special Revenue Funds, Internal Service Funds, Enterprise Funds and Federal/State Assistance Funds. Of these, the largest is the General Fund, which totals \$139.7 million in the 2006 budget, or 42.9 percent of total revenue. The General Fund is the primary funding source for the majority of County's services. Some of these services include the County Sheriff, District Attorney, Community Development and Financial Management. The second largest fund type is Special Revenue Funds. These Funds were established to account for revenue, which can only be expended for specific purposes. Some of the County services funded through Special Revenue Funds include: Emergency Medical Services, Noxious Weeds, and mental health services through COMCARE. For the 2006 recommended budget, revenue collections through Special Revenue Funds are budgeted at \$71.4 million.



Of the County's annual revenue collections, over 68 percent is collected from ten primary sources, with the largest single source being property taxes. If issues regarding revenue collections arise, they are generally related to collections from these ten sources. As outlined in the table below, the County is projecting to maintain solid growth in the top ten revenues of 8.3 percent above the 2005 revised budget.

Top Ten Revenues
All Funds

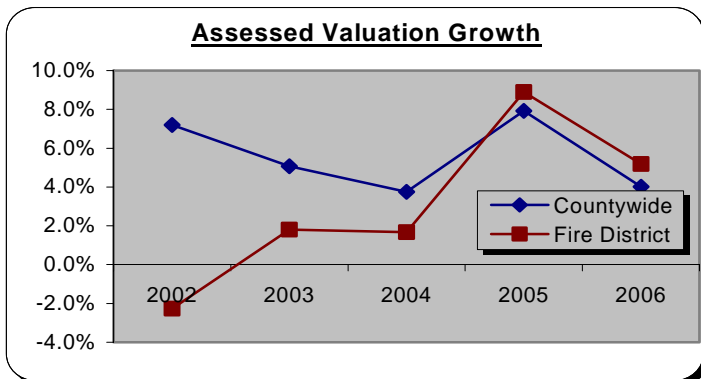
	2004 Actual	2005 Adopted Budget	2005 Revised Budget	2006 Budget
Property taxes	99,804,025	104,178,222	104,178,222	110,681,350
Medicaid fees	28,592,372	25,375,615	27,063,083	34,265,537
Sales & use tax	22,366,981	22,600,000	22,600,000	23,513,175
Motor vehicle tax	14,643,262	14,361,888	14,361,888	15,535,037
State revenue - SRS	15,482,328	12,170,337	12,753,821	16,054,859
Mortgage registration fees	7,174,480	8,645,251	8,645,251	7,458,407
Insurance fees	7,857,998	8,349,985	8,359,185	9,131,865
Investment income	3,018,513	4,733,392	4,733,392	3,742,488
Special assessments	4,113,396	4,179,009	4,179,009	4,221,870
Officer fees	1,454,178	1,896,592	1,896,592	1,518,023
Total	204,507,533	206,490,291	208,770,443	226,122,611

Property Taxes

Property taxes play a vital role in financing essential public services. Property tax revenues are primarily used to fund services countywide 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. In addition, the County also levies a property tax in the Fire District. This reliable revenue source has no attached mandates, as many other state and federal revenues often do. In 2004, property tax collections grew by 7.1 percent from 2003 to \$99.8 million.

The countywide mill levy rate has slowly edged up from 28.60 mills in 2001 to the 28.763 mills adopted in the 2006 budget. For the Fire District, the mill levy rate has grown from 15.426 mills in 2001 to the 18.579 mills adopted in the 2006 budget. The mill levy increase will allow the Fire District to pursue the relocation of five fire stations to maximize response times.

The following graph displays annual changes in assessed valuation from 2002 to 2006. With the exception of the Fire District in 2002, there has been positive growth in assessed valuation since 2002.



Capital Planning and Budgeting

Sedgwick County's five-year Capital Improvement Program (CIP) includes the building, remodeling, and repairing of public facilities and infrastructure systems. This long-range CIP planning process began in 1982 with the goal of facilitating area-wide economic development by updating the County's roads, bridges, and drainage systems, as well as maintaining facilities. It is a dynamic plan that specifies the capital spending budget for the 2006 budget year and projects it for 2007 through 2010, the planning years of the program.

Total planned 2006 capital spending is \$44,093,382, an increase of \$20,112,648 from the 2005 Capital Budget. The 2006 program continues to support the County's commitment to maintain and improve its facilities and infrastructure including roads, bridges and drainage. 2006 projects include:

- Construction of an annex for the Regional Forensic Science Center to help meet increased demand for services
- Widening of 13th Street to four lanes between K-96 and 159th Street East
- Replacement of the bridge on MacArthur between Hoover and Ridge
- Purchase of Right of Way, together with the City of Wichita and KDOT, for the Northwest Bypass

Fund Balances

Ending fund balances for the 2006 Budget are shown below and on the table titled, "Summary of Estimated Financial Sources and Uses" in the "Budget Summaries" section of the budget book. The overall ending balance of \$49,182,622 is calculated based on the estimated 2005 ending fund balance and on a budgetary basis in 2006. Of the total \$19.3 million fund balance reduction shown for 2006, over 85 percent is related to budget authority adopted for contingency reserves in the General Fund.

Contingency reserves represent budget authority set aside primarily to address community needs that can't be reasonably planned for at the time the budget is adopted. This may include a natural or man-made disaster or unexpected operational needs of the County. In addition, the ending balance for 2006 is based on the total adopted budget. Traditionally, the County does not expend the total adopted budget during any given fiscal year.

Fund Type	2006 Budget		
	Beginning Balance	Ending Balance	Variance
General Fund	34,382,821	18,204,717	(16,178,104)
Special Revenue Funds	13,984,062	11,076,615	(2,907,447)
Enterprise Fund	333,932	110,334	(223,598)
Internal Service Funds	7,447,886	7,071,652	(376,234)
Federal/State Assistance Funds	12,387,939	12,719,304	331,365
	\$68,536,640	\$49,182,622	

