

# Financial Forecast

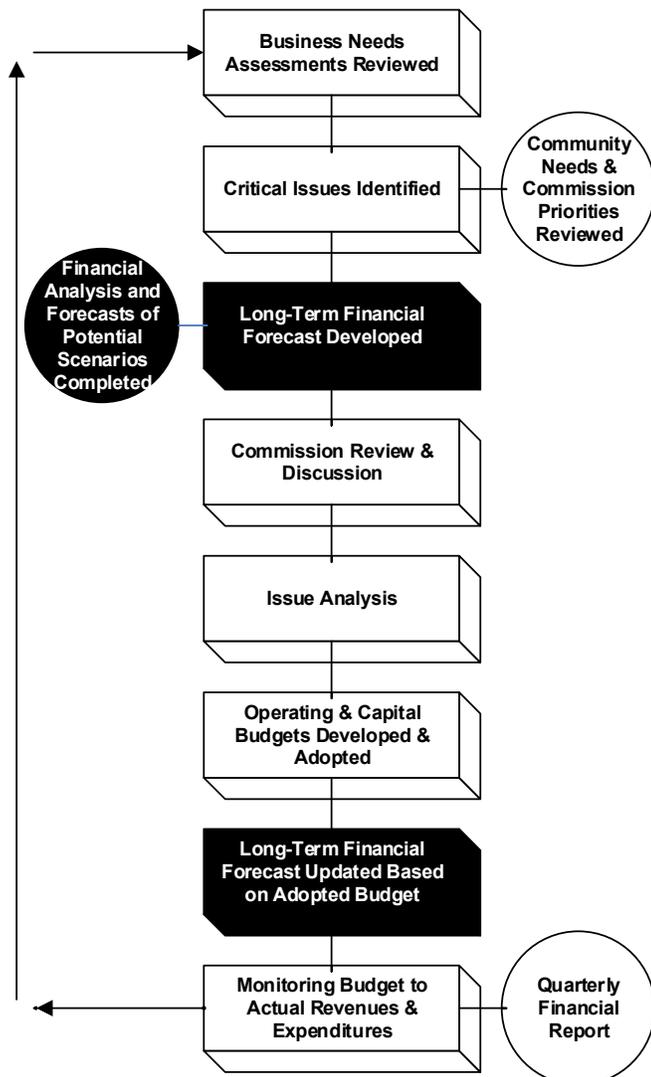


## For the Period of 2019 - 2024

## 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 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.

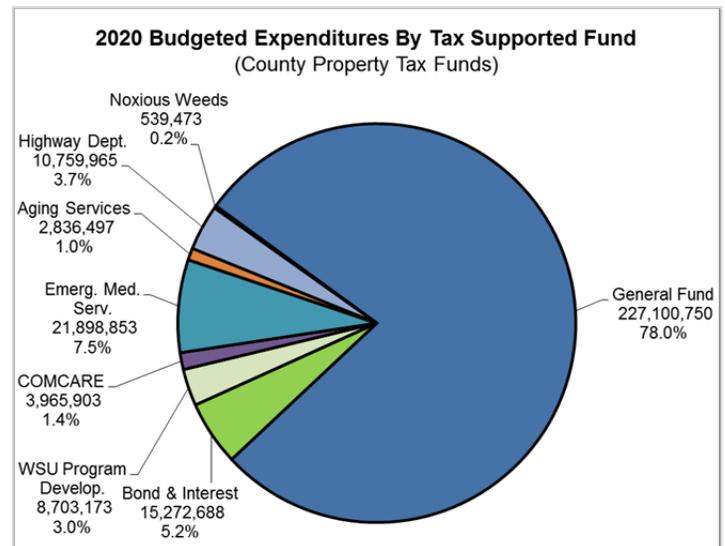
### Financial Forecast and the Budget Process



## 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 2020, \$22.6 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 \$291,077,302 though forecasted expenditures total \$262,002,446 in 2020. 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,

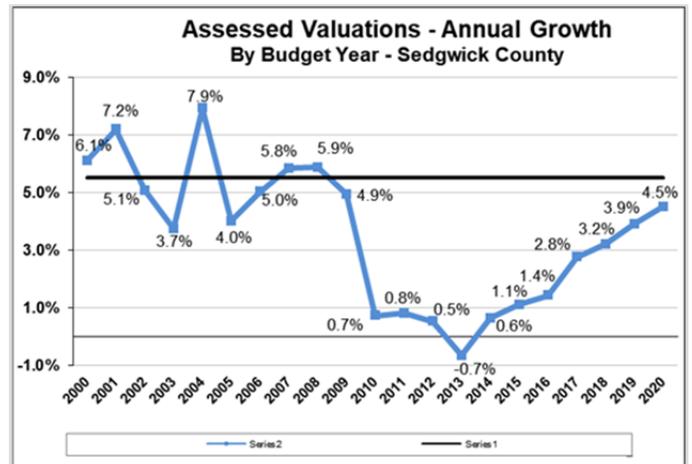
national, state, and local economic conditions were evaluated to determine what impact they may have on the County’s ability to generate specific types of revenue. Qualitatively, the forecast draws upon the experience and knowledge of finance staff, along with input from department managers, to outline 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 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. All information is presented on a budgetary basis.

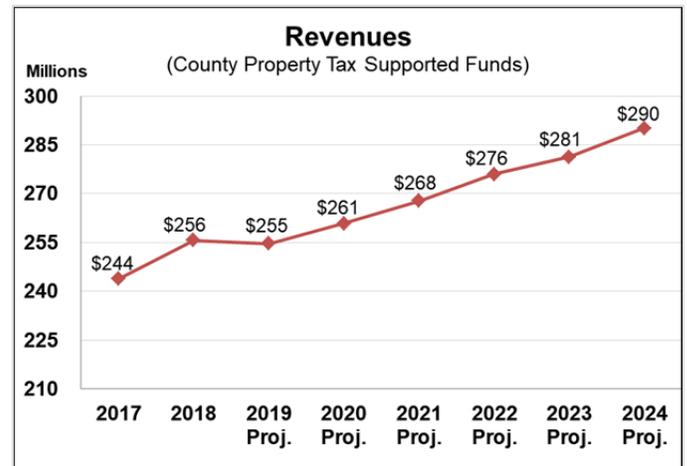
**Executive Summary**

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. 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 2015 budget was 1.1 percent over the previous year. Growth was 1.4 percent for the 2016 budget, 2.8 percent for the 2017 budget, 3.2 percent for the 2018 budget, 3.9 percent for the 2019 budget, and 4.5 percent for the 2020 budget. The table at the top of the next column illustrates changes in Sedgwick County’s assessed valuation since 2000.



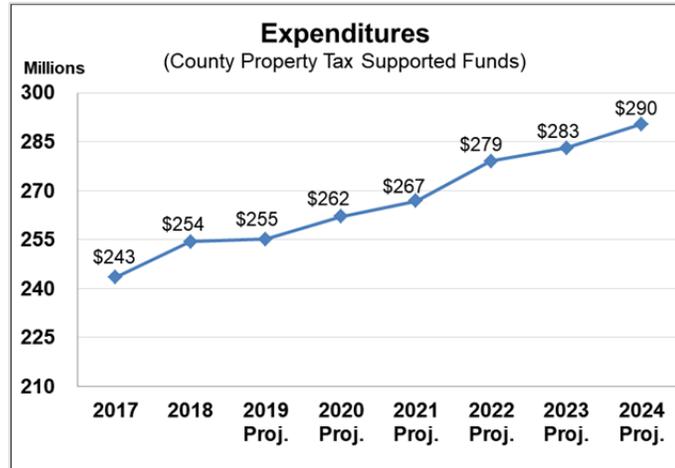
Other key revenues comprising approximately 30 percent of total revenues in County property-tax-supported funds are slowly returning to pre-Great Recession levels. These key revenues do not include property taxes and are highlighted and discussed within this section of the budget document.

The County’s revenue collections since the Great Recession have gradually increased, after falling significantly in 2009. As shown in the table below, projections outline increased revenue in 2018, largely due to one-time revenues, with a slight decrease in 2019 and stronger revenue growth returning in 2020-2024 as property valuations slowly 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.

The blue line in the graph below shows the County’s actual and current projections for each year in the forecast. The 2020 budget projects a deficit of \$1.1 million related to surpluses in some funds, offset by an intentional draw-down of fund balance to reach targeted levels in the County’s property-tax-supported funds. These targeted levels are outlined later in this section.

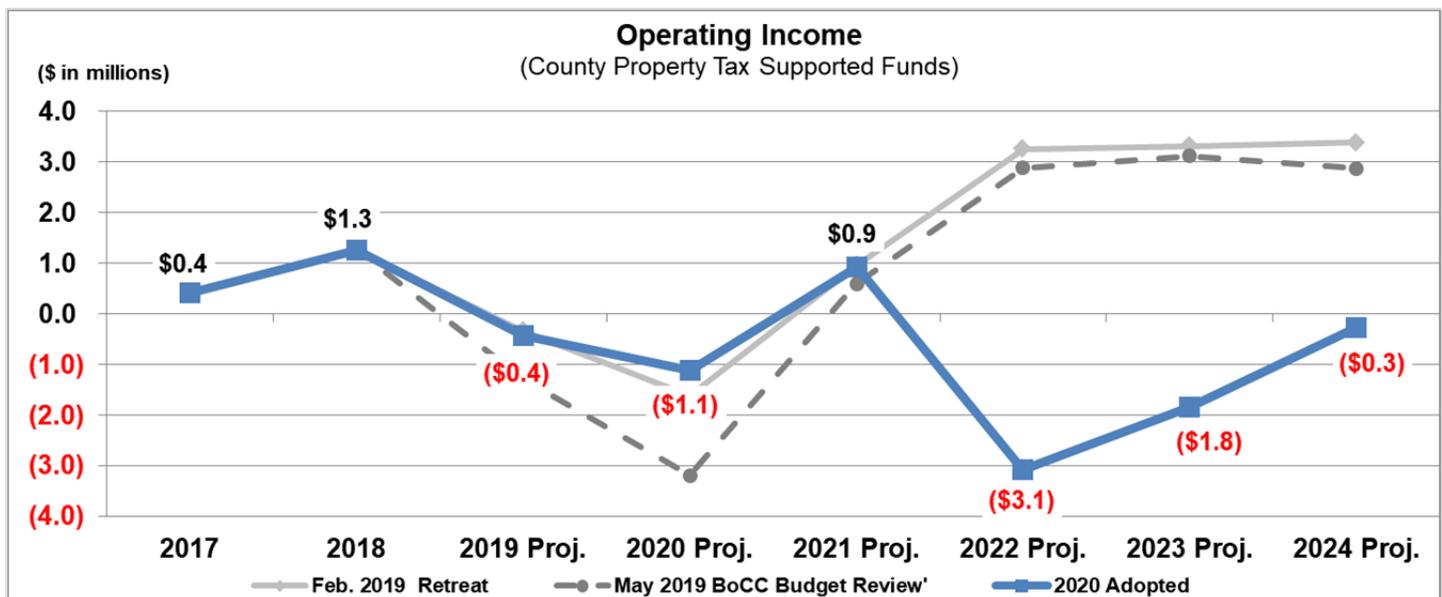


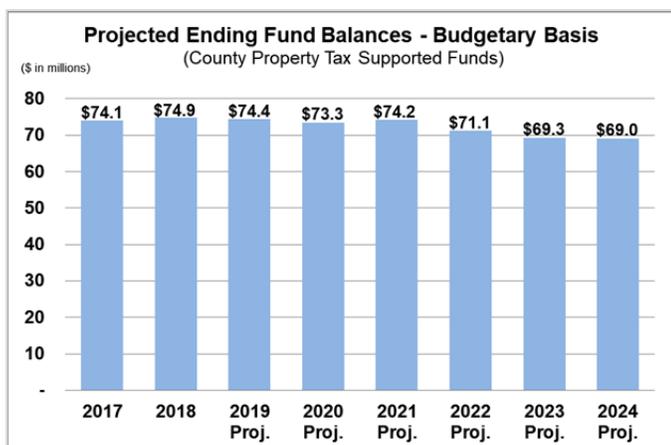
The 2020 budget includes \$0.9 million in transfers for capital improvement projects from County property-tax-supported funds to the County’s Capital Improvement Fund in 2020: \$0.4 million for facility projects; and \$0.5 million for drainage.

Current projections outline deficits in 2019 and 2020, with a surplus in 2021, and deficits in 2022 through 2024, as expenditures are projected to exceed revenues in those years. Cumulative fund balances in property-tax-supported funds are projected to stay around approximately \$70 million throughout the forecast as shown on the graph on the top of the next page.

Because of the challenging revenue environment and flat expenditure growth over an extended period, Sedgwick County has experienced significant changes in both the services it delivers and how those services are delivered. Since the economic downturn, the County has been responsive to the financial challenges outlined in the financial forecast. While the economy continues to improve, the County will continue to be challenged by expenses that exceed revenues.

As outlined previously, the organization’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”.





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 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**

- o Live within the mandated property tax lid
- o Maintain a diversified revenue base requires diligence. Adjust current fees when appropriate
- o Effective governance is the result of effective partnerships. County services mandated by another government should be funded by that government

• **Expenditure Core Guidelines**

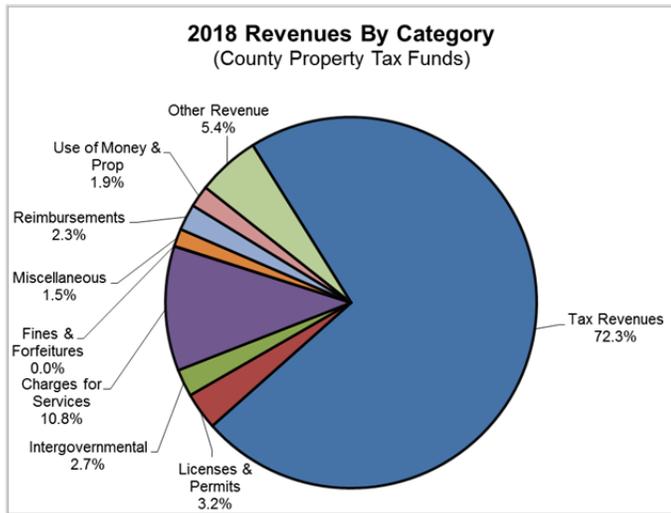
- o Concentrate public services on those areas of greatest need for additional resources
- o Evaluate opportunities and risks associated with shifting service provision from internal to private sector providers
- o Strategically use debt and bonding
- o Seek innovative programs for delivering public services beyond current operating standards
- o Educate State legislators on the impact of new and pending State mandates

**Previous Management Decisions**

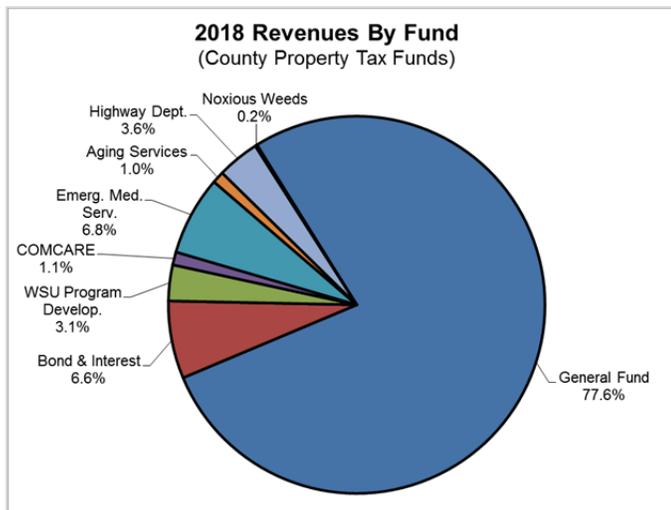
- **2010:** Suspend performance compensation and implement a general pay adjustment of 2.0% for eligible employees with salaries below \$75,000. Implement a 0.5 mill reduction in the property tax rate, combined with \$3.3 million in budget reductions. In May, deferred and/or reduced capital projects totaling \$1.8 million and established a position review team.
- **2011:** Implement a 0.5 mill reduction in the property tax rate, 2.0% performance-based compensation pool combined with adjustments to employee benefits, defer a capital project, implement \$2.5 million in annual recurring operating reductions in April, and initiate a voluntary retirement program.
- **2012:** Implement budgetary reductions of \$10.3 million (impacting both 2011 and 2012 budgets) and no employee compensation adjustment.
- **2013:** Implement budget reductions of \$7.2 million with a 2.5% performance-based merit compensation pool combined with an adjusted health benefits plan which was designed to encourage employees to take responsibility for their health
- **2014:** Implement a 2.5% performance-based compensation pool. Fund the recommendations of a market pay study for full-time employees. Shift programs to alternative revenue sources. Fully 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% performance-based compensation pool. Shift to a self-funded employee health insurance model. Add funding for recommendations of Coordinating Council formed to address increasing EMS call demand. Add part-time mower positions. Shift programs to alternative revenue sources. Eliminate funding for Visioneering. Reduce funding to Wichita Area Technical College.
- **2016:** Implement a 1.75% 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% performance-based compensation pool along with \$5.0 million in County property-tax supported fund to address pay compression and support pay-for-performance. 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 positions to address other public safety needs for Sheriff, District Attorney, and Regional Forensic Science Center. Additional funding to replace the Election Commissioner’s election machine fleet.
- **2018:** Implement a 2.5% flat pay adjustment and 0.5% 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. Maintaining consistent funding for Public Services and cultural experience agencies.
- **2019:** Implement a 2.5% flat pay adjustment and a 1.5% bonus pool for exemplary performers. Add additional resources in Public Safety including addition of 6.0 FTE Call Taker positions for Emergency Communications and 4.0 FTE positions and an ambulance and equipment to Emergency Medical Services. Add funding to the Department of Aging for in-home and community and physical disability services.

## 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 2018, a total of \$255,601,152 in revenue and transfers in was received in these funds, with 72 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, followed by EMS, the Bond & Interest, and Highway funds. Revenues by fund are outlined in the chart below.



## Specific Revenue Projections in the Financial Forecast

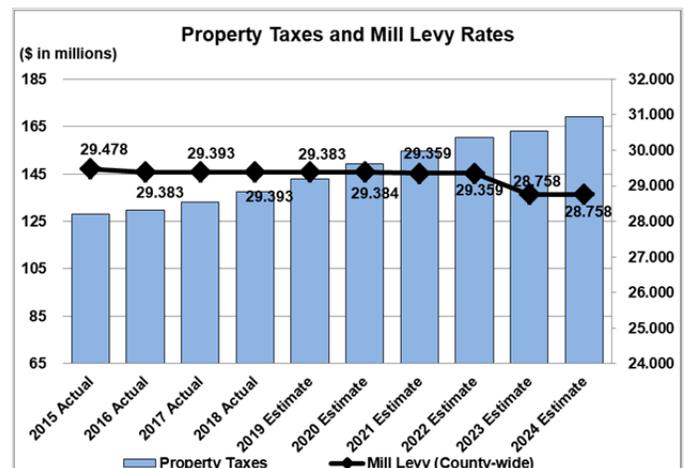
Of the total revenue collections and transfers from other funds in 2018, 85 percent was collected from eight distinct revenue sources. The following discussion on revenue projections included in the financial forecast will concentrate on these revenues as outlined in the table below.

	2018	% of Total
Total Revenues & Transfers In	\$255,601,152	100%
Property taxes	\$135,417,654	53%
Local sales & use tax	\$ 29,514,109	12%
Motor vehicle tax	\$ 18,961,043	7%
Medical charges for service	\$ 14,056,385	5%
Licenses & Permits	\$ 8,236,012	3%
Mortgage registration & officer fees	\$ 5,142,465	2%
Special city/county highway	\$ 4,839,954	2%
Investment income	\$ 1,276,621	0%
<b>Total</b>	<b>\$217,444,243</b>	<b>85%</b>

\*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.



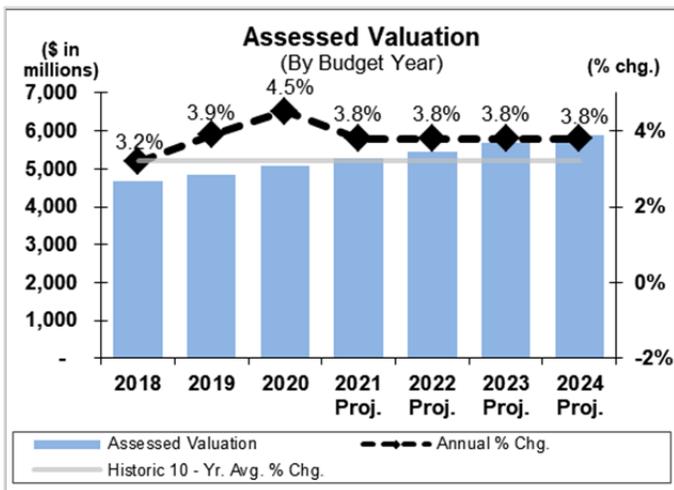
The 2020 budget includes a mill levy rate of 29.384 mills. This forecast assumes that the property tax rate will remain unchanged at the targeted level of 29.359 mills through 2022, and then will reduce to 28.758 mills in 2023 as set by resolution.

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 more typical historical levels, after the delinquency rate reached 4.2 percent in 2010.

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)					
	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
Highway	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 Wlds	0.070	0.070	0.079	0.077	0.075	0.076
<b>Total</b>	<b>29.383</b>	<b>29.384</b>	<b>29.359</b>	<b>29.359</b>	<b>28.758</b>	<b>28.758</b>

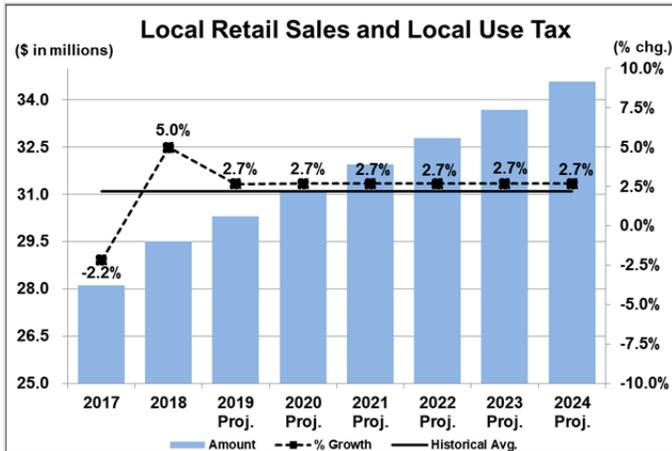


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Over the past 10 years, Sedgwick County’s assessed valuation has grown an average of 3.2 percent annually. Like many other jurisdictions, the County experienced strong valuation growth between the years of 2000 to 2009 with an average growth rate of 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, 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.

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

**Local Retail Sales and Use Tax**



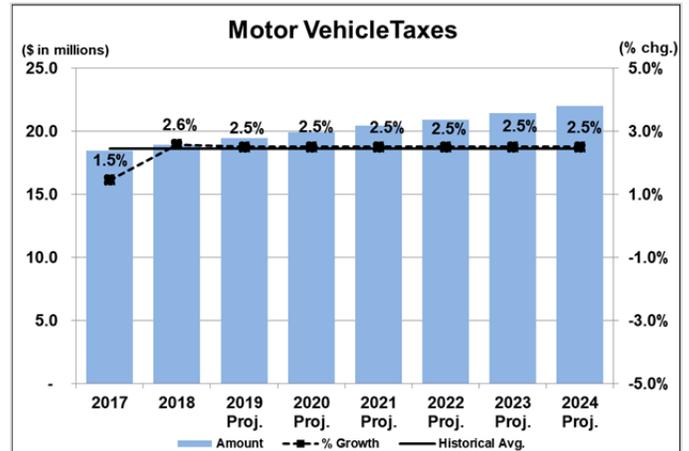
Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July 1985. Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which 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 generally 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.

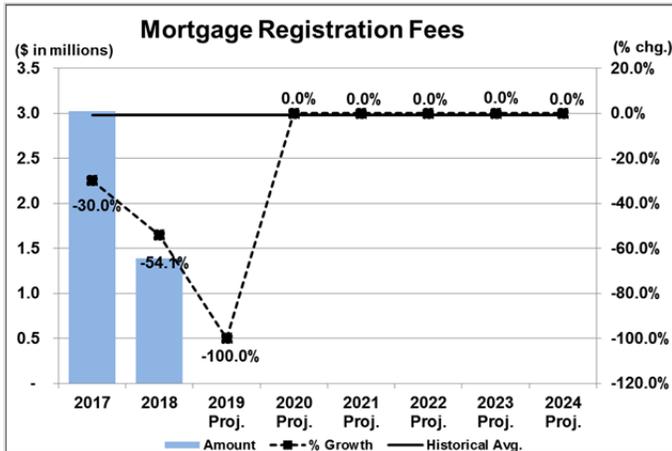
The 2012 Legislature enacted legislation requiring that an annual commercial vehicle fee be paid in lieu of current property taxes for both interstate and intrastate commercial vehicles registered in Kansas.

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, 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 changing economy and impact of past tax reductions it has become more inconsistent. This revenue source reached a historical high of \$19.0 million in 2018.

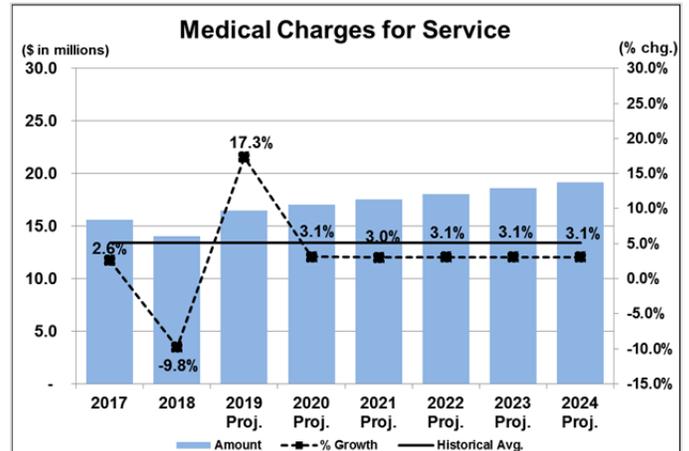
**Mortgage Registration Fees**



Mortgage registration fees were collected by the Register of Deeds. Mortgage registration fees were 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 fees were implemented by that legislative action, recorded as officer fees in the County’s financial system.

Within this revenue source, collection levels historically have been 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.

**Medical Charges for Service**

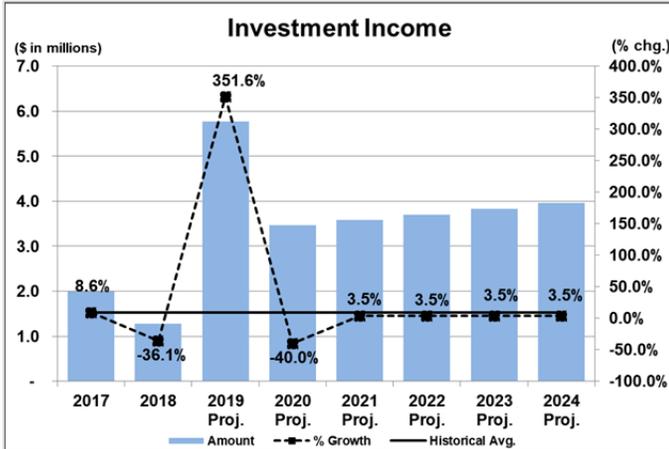


Medical charges for service include Medicaid, Medicare, insurance, and patient fees for delivered medical services. In the property-tax-supported funds, these services are predominately delivered through EMS, generating 92.4 percent of the total 2018 collections, followed by the Health Department and 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**

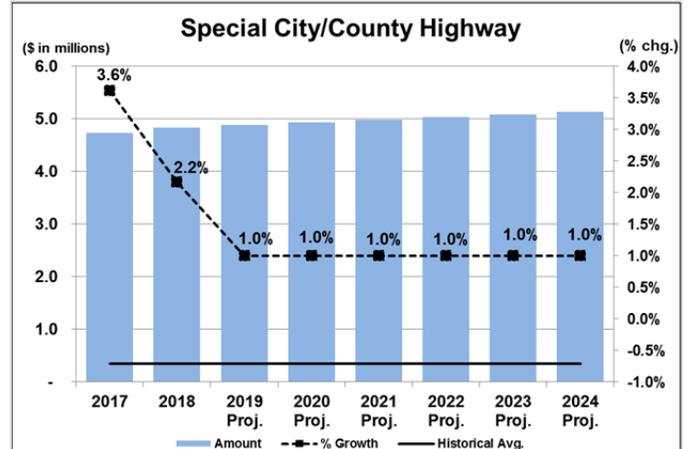


Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law 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. 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 \$5.8 million in 2019.

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. Increases in outer years also project a return to interest rates near pre-Great Recession levels.

**Special City/County Highway**

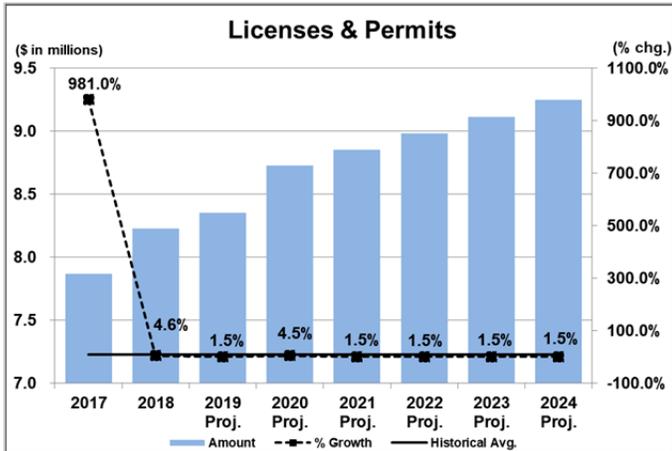


The Highway Department is financed through the Highway Fund to construct and maintain the County’s roads, bridges, and intersections. Of the revenues used to fund these operations, the largest is the State’s special city/county highway fund authorized under K.S.A. 79-3425. Through the Fund, the State 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. Collections are anticipated to remain relatively flat through 2024.

**Licenses & Permits**

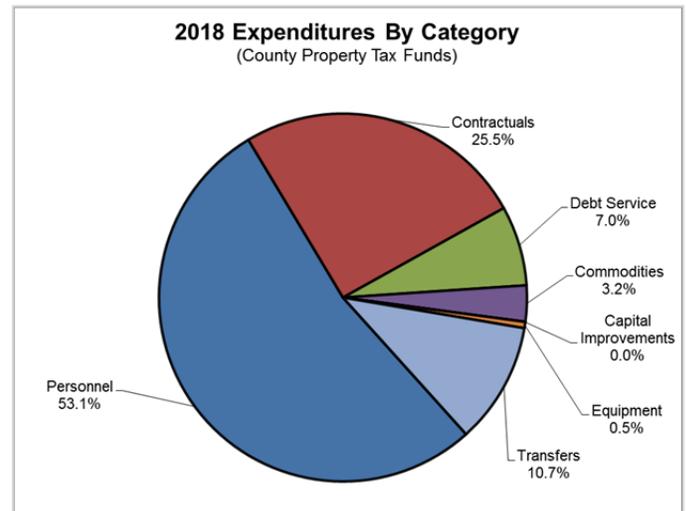


License and permit fee revenues are generated from businesses needing licenses and/or permits in order to construct new buildings or make improvements to existing structures to ensure compliance with City or County codes.

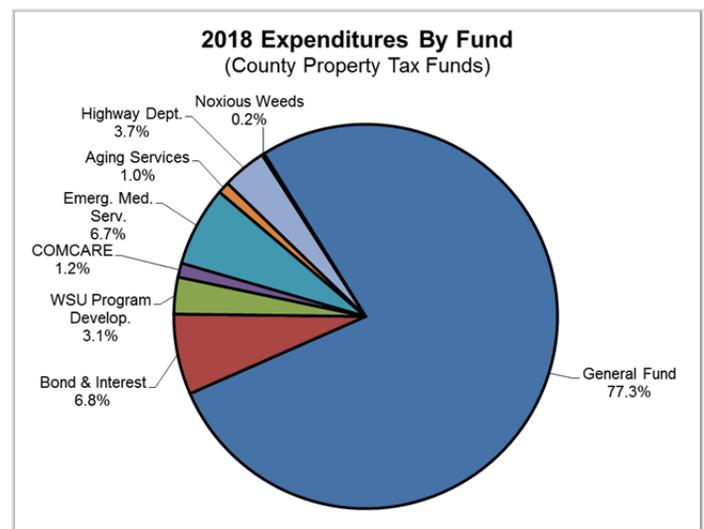
Licenses and permits became a key revenue for the County in 2017 as a result of the County-City of Wichita code function merger. In 2017, the first year with the County as managing partner, the County began receiving all revenue related to the Metropolitan Area Building & Construction Department (MABCD), 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, contractals, debt service, commodities, capital improvements, equipment, and interfund transfers. Total expenditures incurred in 2018 in County property-tax-supported funds were \$254,344,791. Of those, 53 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.

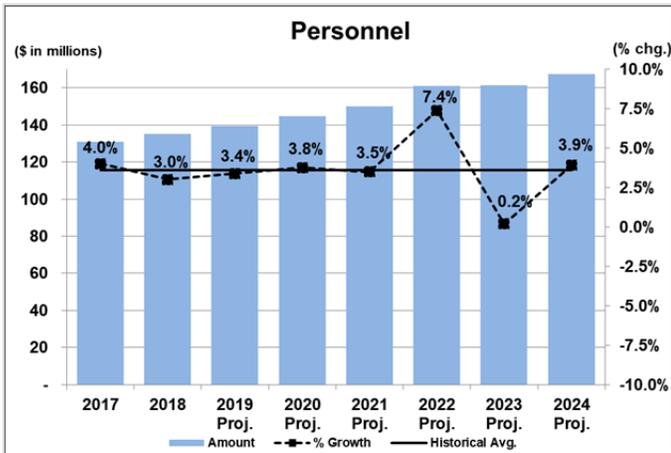


Of the total spent in funds receiving property tax support, the fund with the greatest portion of total expenses is the General Fund with 77 percent of total 2018 expenditures, followed by Emergency Medical Services and the Bond & Interest Fund.



**Specific Expenditure Projections in the Financial Forecast**

**Personnel**

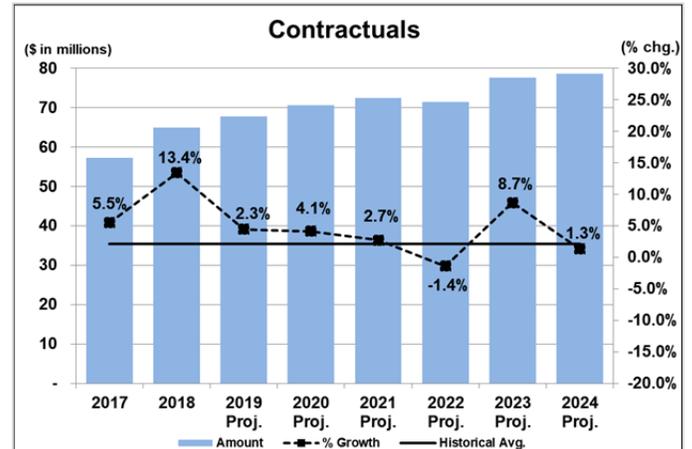


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- 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
<b>KPERS - Retirement Rates</b>	10.41%	10.18%	8.96%	9.39%	9.89%	9.89%
<b>KP&amp;F - Retirement Rates</b>						
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**

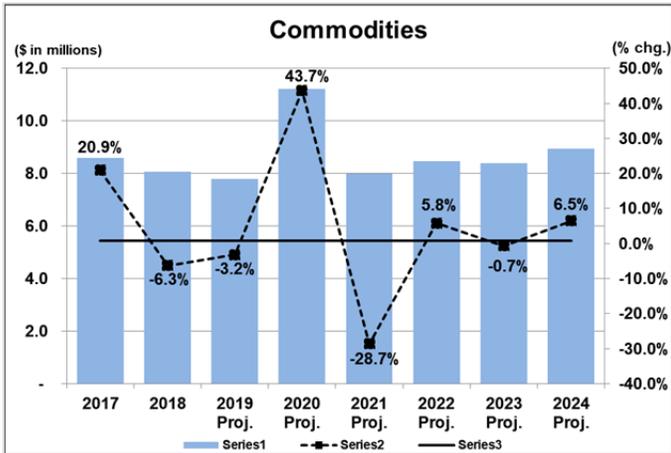


Contractual expenditures, the second largest expenditure category, include services purchased from and delivered by an external entity and internal departmental charges to other funds. These may include utility services, insurance services, software agreements, social services delivered by other community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

The increase in 2018 was due to 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. 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**

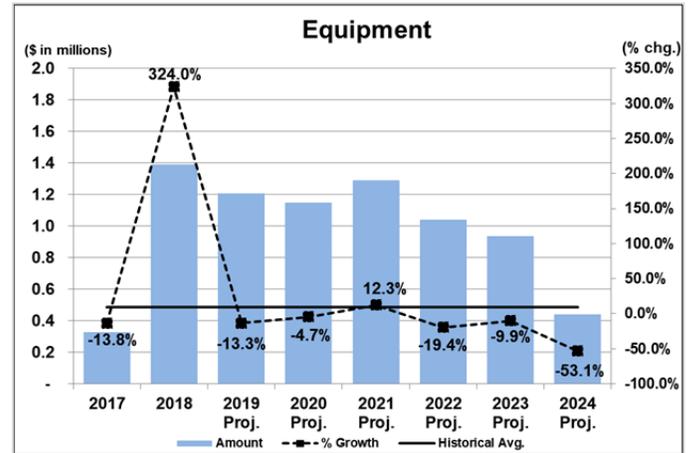


This category includes expenditures for the purchase of common tangible items. This may include office supplies, fuel, food, clothing, software, and equipment with acquisition costs of less than \$10,000 per unit.

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).

Expenses in 2017 were due to the purchase of new voting equipment for Elections (\$1.2 million). The increase in 2020 is due to the purchase of a new Computer Aided Dispatch (CAD)/Records Management System (RMS) for Emergency Communications (\$3.0 million).

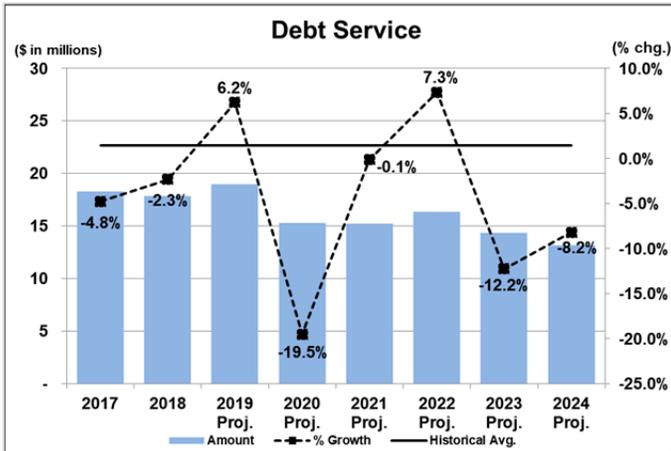
**Equipment (Capital Outlay)**



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 anticipated replacement of monitors/defibrillators for EMS. Costs are anticipated to return to more typical levels in 2024.

**Debt Service**

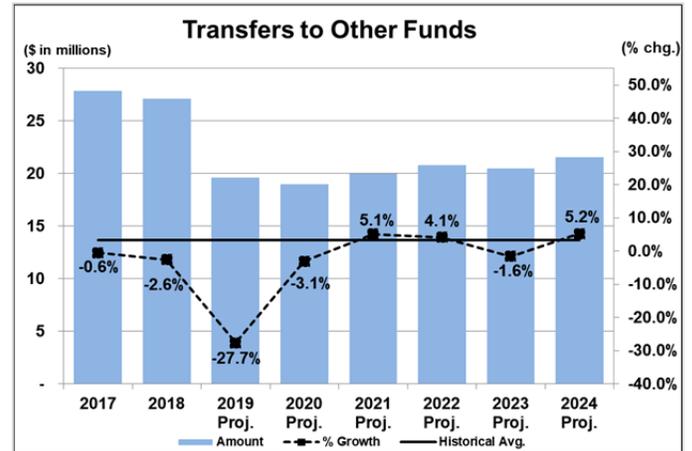


The financial forecast incorporates debt service payments on current debt obligations. Sedgwick County continues to hold high bond ratings from the three most widely used rating agencies: Moody’s Investor Services, Standard & Poor’s, and Fitch Ratings. In a recent rating evaluation, Standard & Poor’s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

As older issues mature, anticipated debt expenses decrease; however, in 2019, the County will repay 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.

Rating Agency	Rating
Standard & Poor’s	AAA
Moody’s	Aaa
Fitch	AA+

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 \$14.2 million to \$16.6 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)

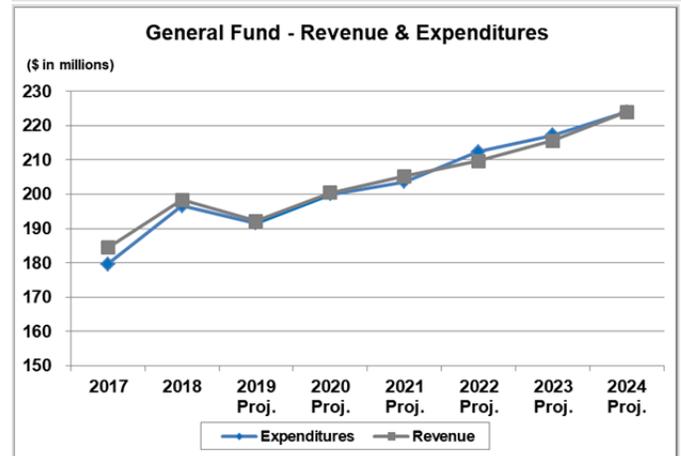
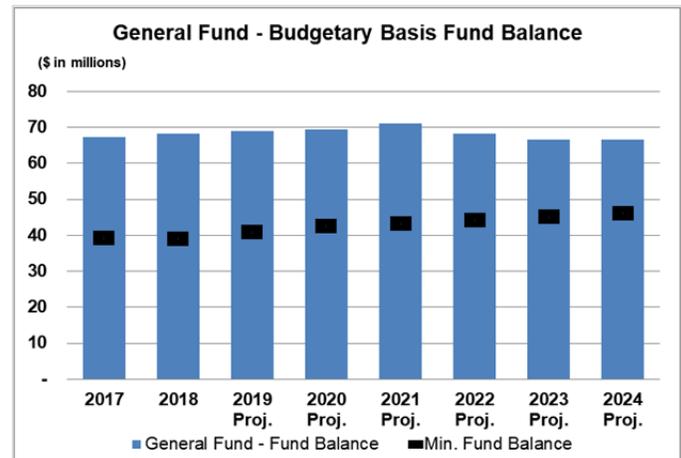
As outlined in the adjacent table, significant changes in transfers from one year to the next are largely related to cash-funded capital projects included in the County’s CIP.

Primary Recurring Transfers				
	To LST Road & Bridge Fund	Sales Tax To Bond & Interest Fund	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	2,709,137	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

### ■ 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



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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 significant one-time costs in the County General Fund in 2020:

- Employee compensation package, including a 2.25 percent flat compounding pay adjustment for employees and a 1.25 percent shift in the pay structure, along with a 1.25 percent set-aside for targeted adjustments
- A 5.0 percent increase in employer contributions for health insurance premiums
- Addition of 3.0 FTE positions to Emergency Communications staffing table to help the Department meet industry standards for call answer times during the busiest parts of the day
- Additional funding for meal programs, wheelchair posture seating, and highest priority need programs in the Department on Aging
- Funding for Technology Review Board projects to centralize the process of managing information technology
- \$0.9 million for other County facility capital improvement projects

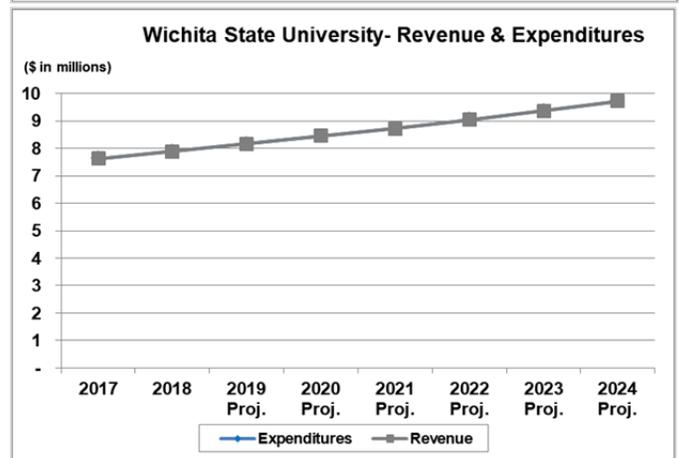
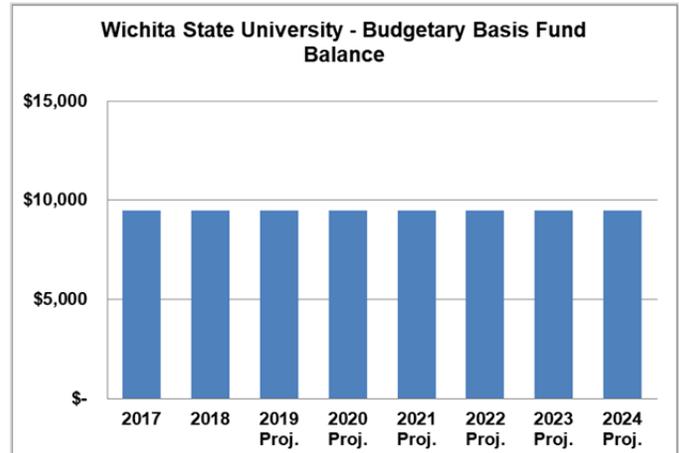
Revenue growth is estimated to be fairly moderated as the result of the gradual phase-out of the mortgage registration fee by 2019, which was referenced earlier in this section. This reduction will be offset somewhat by increased per-page filing fees.

**Major fiscal challenges:**

- Diminished revenues due to State of Kansas actions, including 2014 legislation that began the phase-out of the mortgage registration fee, a key revenue for the General Fund
- Impact of improving economic conditions on various key revenues, such as property taxes, retail sales tax, and investment income
- 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

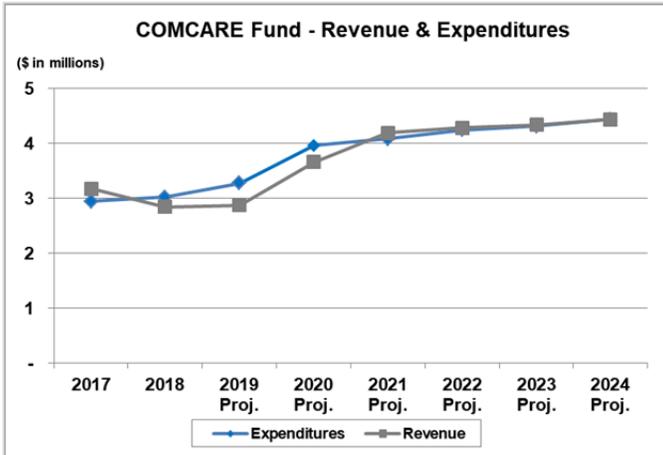
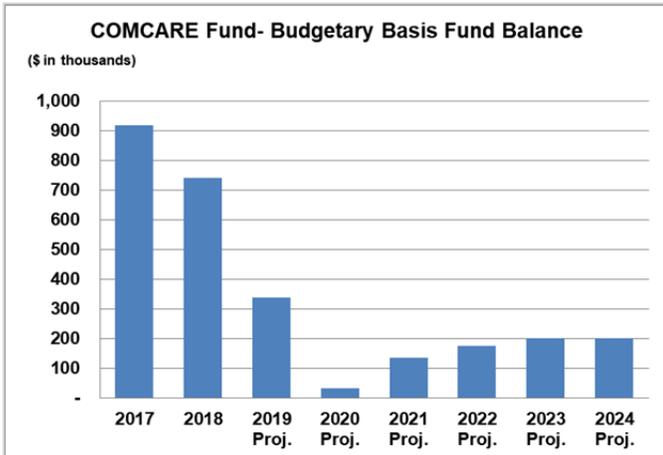
This Fund is discussed more fully in the “County General Fund Forecast” section of this document.

**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.

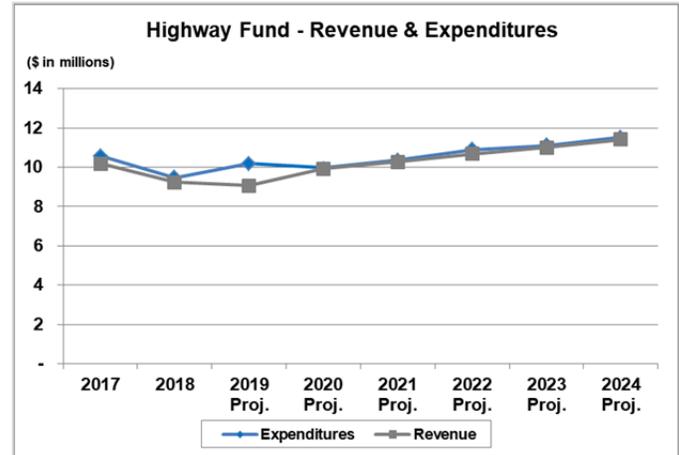
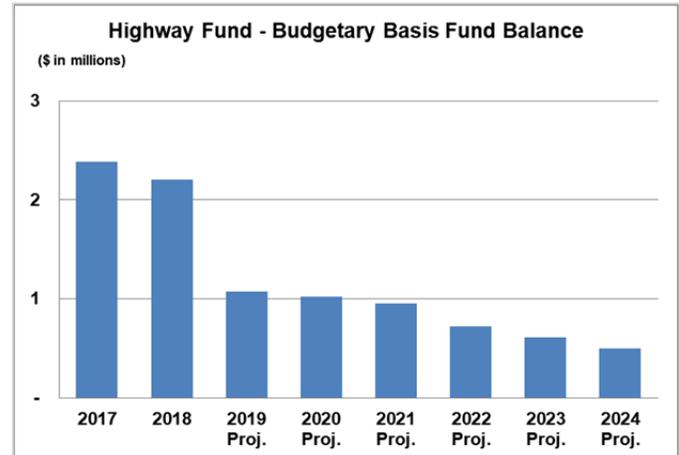
**COMCARE Fund**



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. A strategic draw-down will occur over the years, after a one-time spike in fund balance in 2017 related to an organizational redesign, which resulted in a portion of a high-level position in the COMCARE Tax Fund shifting to the County General Fund. However, the timing of the position movement prevented an adjustment of General Fund and COMCARE property tax levies for the 2017 budget, so significant savings were seen in the Fund in 2017.

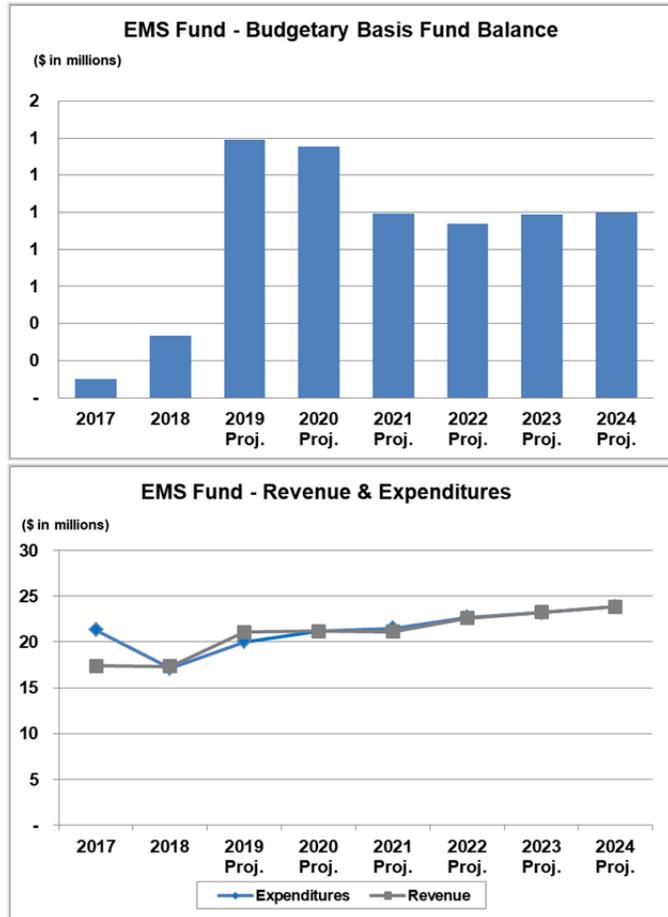
**Highway Fund**



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. Highway Fund fund balance was used to support \$1.0 million in road and bridge capital project costs in 2017. Estimated expenses return to more typical levels in the outer years of the forecast.

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**

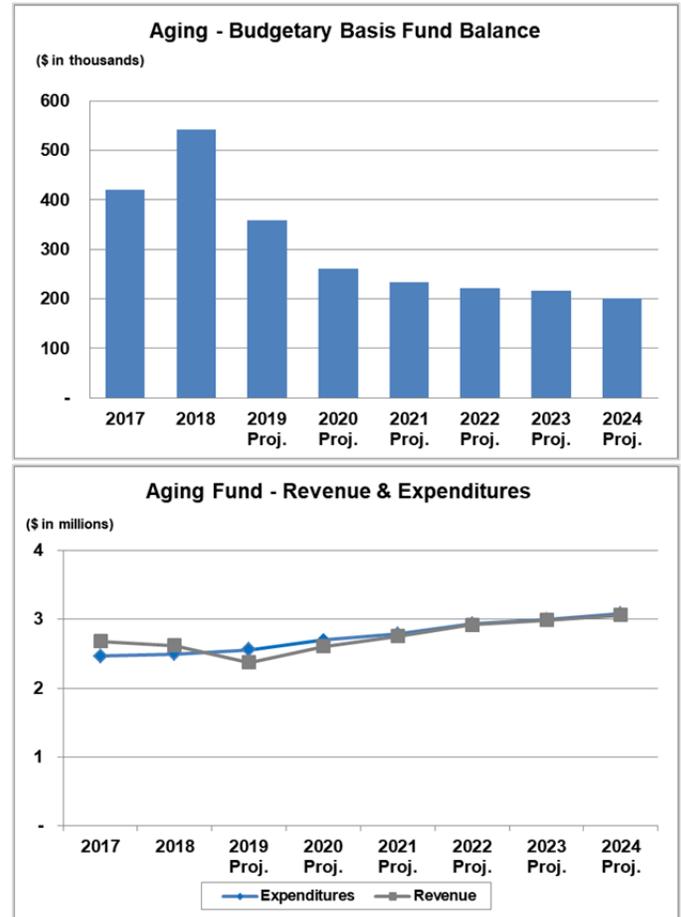


Emergency Medical Services (EMS) was created in 1974 per a City/County agreement to provide emergency response and scheduled ambulatory transfers. Prior to 1974, a private provider delivered EMS services to the community.

Significant one-time expenditures in the EMS Fund forecast included \$1.5 million to fund a new northeast post and \$1.4 million to fund a new southeast EMS post in 2017. The forecast also includes additional recurring costs, including the addition of 4.0 FTE for a new crew in 2018. The increase in 2019 is primarily related to the transition to the outsourcing of EMS billing that started in January 2019.

Based on the activities in this Fund, its targeted fund balance by the end of the forecast period is \$1.0 million.

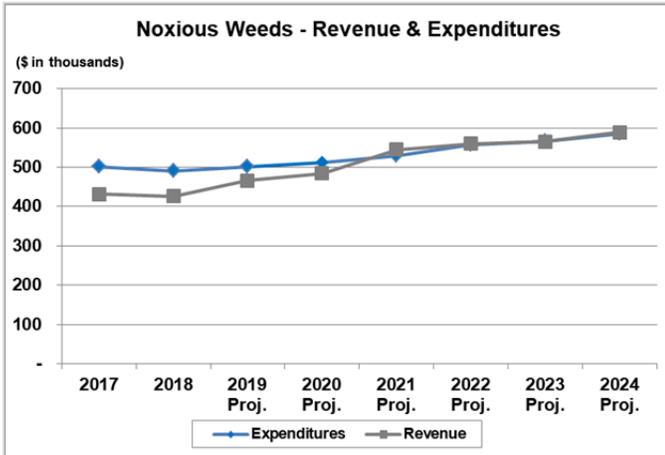
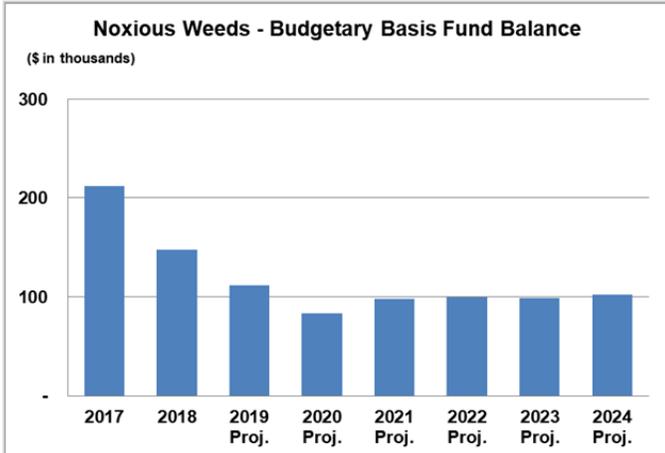
**Aging Fund**



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.

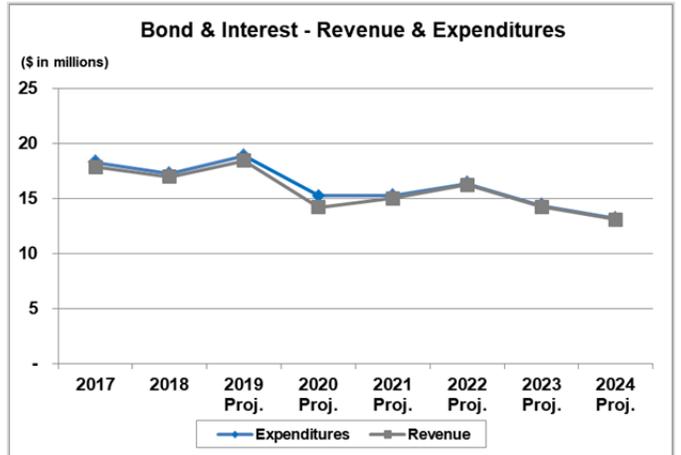
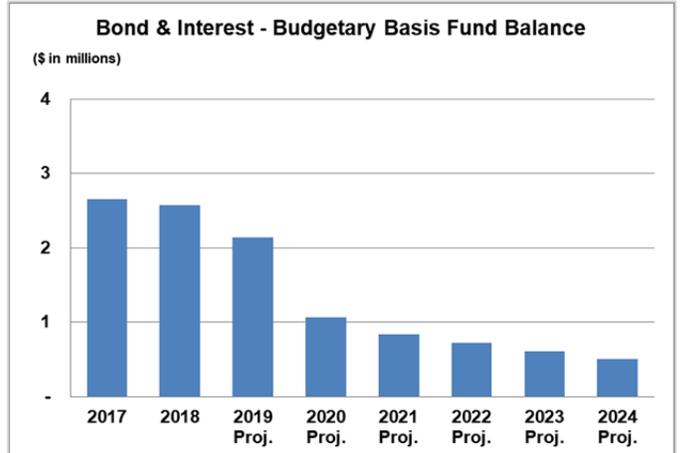
**Noxious Weeds Fund**



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.

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

	Actual					Estimates				
	2016	2017	2018	2019	2020	2021	2022	2023	2024	
1 <b>Beginning Fund Balance</b>			73,604,263	74,860,623	74,440,559	73,321,307	74,242,971	71,152,480	69,315,599	
2 <b>Operating Revenue</b>		73,669,223								
3 <b>Taxes</b>	175,944,036	178,394,416	184,870,931	191,063,469	197,557,393	203,379,077	210,308,772	214,188,703	221,513,766	
4 Current property taxes	124,991,359	128,027,325	132,258,345	137,593,685	142,946,629	147,510,599	153,137,188	155,669,115	161,601,522	
5 Back property taxes & warrants	2,688,433	2,809,749	3,159,310	2,783,682	2,755,662	2,742,679	2,729,722	2,716,792	2,703,890	
6 Special assessment property taxes	918,786	629,541	603,665	568,660	436,148	370,725	315,117	267,849	227,672	
7 Motor vehicle taxes	18,220,476	18,485,092	18,961,043	19,436,930	19,924,804	20,424,966	20,937,727	21,463,404	22,002,323	
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 <b>Intergovernmental</b>	8,103,556	6,671,885	6,096,348	6,211,481	6,390,062	6,443,423	6,498,811	6,554,888	6,608,740	
12 <b>Charges for service</b>	32,227,801	30,897,436	27,725,088	28,495,509	29,397,429	30,367,509	31,167,201	31,991,876	32,842,346	
13 <b>Reimbursements</b>	5,130,018	5,463,700	5,845,017	5,557,754	6,052,191	6,292,721	6,504,047	6,722,683	6,948,883	
14 <b>Use of money and property</b>	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 <b>Other revenues</b>	3,880,294	12,280,252	12,296,999	10,935,676	11,277,617	11,131,324	11,286,554	11,443,348	11,602,733	
16 <b>Transfers from other funds</b>	4,170,178	4,615,626	13,921,568	2,941,139	3,035,312	2,832,608	2,721,922	2,689,634	2,703,414	
17 <b>Total Revenue</b>	234,168,422	243,744,418	255,601,152	254,644,320	260,883,194	267,782,531	275,990,666	281,266,947	290,073,289	
18 <b>Operating Expenditures</b>										
19 <b>Personnel and benefits</b>	125,982,852	131,048,007	134,989,631	139,567,041	144,818,803	149,868,784	160,947,435	161,269,111	167,555,832	
20 <b>Contractual services</b>	54,205,681	57,194,298	64,881,860	67,756,368	70,547,580	72,477,696	71,459,206	77,666,671	78,689,017	
21 <b>Debt service</b>	19,219,080	18,297,164	17,867,734	18,979,126	15,270,971	15,249,629	16,368,570	14,364,056	13,185,724	
22 <b>Commodities</b>	7,113,088	8,598,952	8,059,061	7,801,134	11,207,459	7,993,704	8,459,983	8,400,686	8,944,172	
23 <b>Capital improvements</b>	21,977	11,834	27,375	133,255	-	-	-	-	-	
24 <b>Capital outlay &gt; \$10,000</b>	380,752	328,372	1,392,246	1,206,831	1,150,609	1,291,850	1,041,128	937,607	439,808	
25 <b>Transfers to other funds</b>	28,011,018	27,849,455	27,126,883	19,624,447	19,007,024	19,979,206	20,804,836	20,465,697	21,527,755	
26 <b>Total Expenditures</b>	234,934,449	243,328,082	254,344,791	255,068,203	262,002,446	266,860,867	279,081,158	283,103,828	290,342,308	
27 <b>Operating Income</b>	(766,026)	416,336	1,256,360	(423,882)	(1,119,251)	921,664	(3,090,491)	(1,836,882)	(269,018)	
28 <b>Ending Fund Balance</b>	73,669,223	73,604,263	74,860,623	74,440,559	73,321,307	74,242,971	71,152,480	69,315,599	69,046,580	
29 <b>Assessed valuation</b>	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 <b>Assessed valuation % chg.</b>	1.41%	2.75%	3.18%	3.90%	4.51%	3.75%	3.75%	3.75%	3.75%	
31 <b>Mill levy</b>	29.383	29.393	29.393	29.383	29.384	29.359	29.359	28.758	28.758	
32 <b>Mill levy change</b>	(0.095)	0.010	0.000	(0.010)	0.001	(0.025)	0.000	(0.601)	0.000	