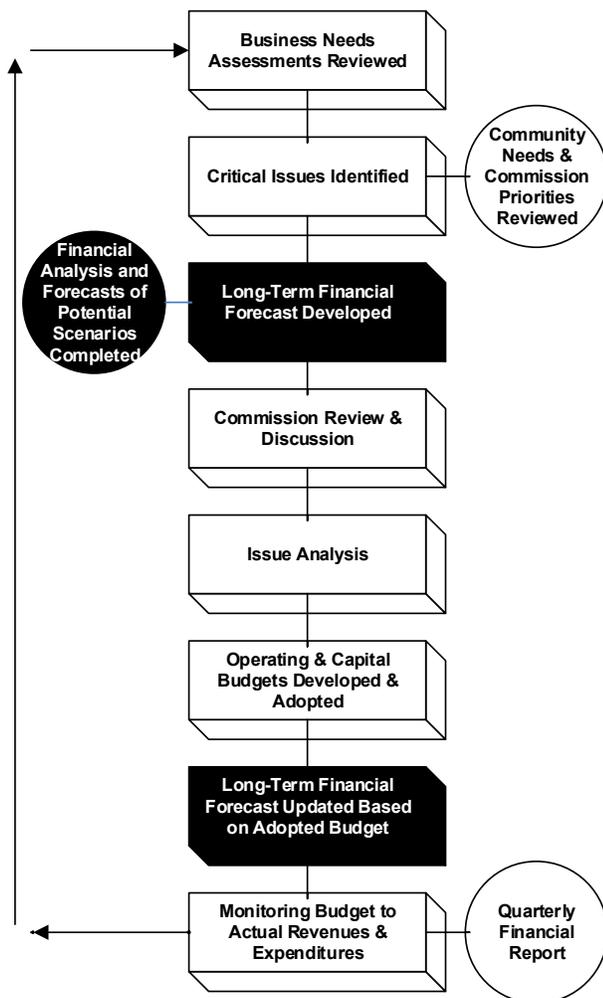


Sedgwick County
General Fund Financial Forecast
+
For the Period of 2020 - 2025

Introduction

Sedgwick County prepares an annual long-term financial forecast as a fundamental element of the budget process. The purpose of the forecast is to evaluate current and future fiscal conditions to guide policy and program decisions. A financial forecast is a fiscal management tool that presents estimated information based on current and projected financial conditions to identify future revenue and expenditure trends that may have an immediate or long-term influence on County policies, strategic goals, or 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 2021, General Fund contingencies are nearly \$23.4 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 \$225,059,434 in 2021. However, the financial forecast projects actual expenses of \$197,180,783, a difference of more than \$27.8 million. Almost all of the difference can be attributed to the nearly \$23.4 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.

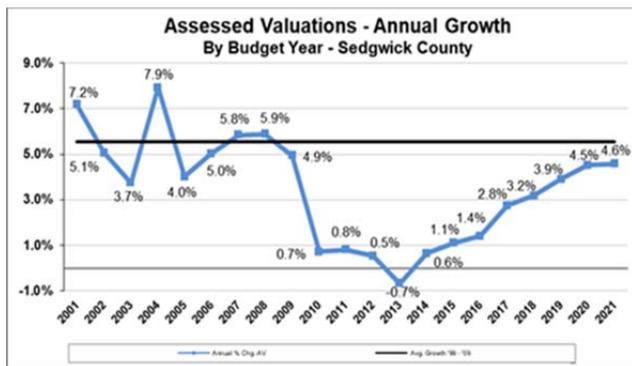
Whenever forecasts are done, even a local weather forecast, one often loses sight that they are performed based on the most recently available variables. For the financial forecast, these variables include economic data through October 2020, along with the changes included in the 2021 budget. Unfortunately, financial variables are constantly changing. The County’s forecast is subject to unforeseen and uncontrollable national, state, and local events, in addition to the timing of large capital

projects and operational decisions that may make the forecast less accurate.

Executive Summary

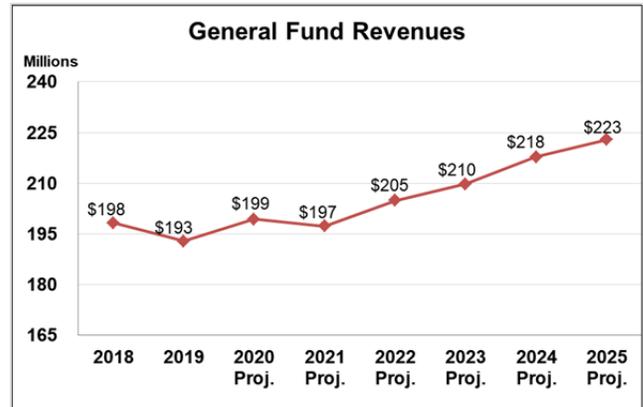
After a successful fiscal year in 2019, with stronger growth in revenues and modest growth in expenses, Sedgwick County was poised to continue its return to pre-Great Recession growth levels. However, January 2020 brought news of issues with the Boeing 737 Max, affecting production work at Spirit Aerosystems,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

Similar to other state and local governments, Sedgwick County was seeing a return in property valuations closer to levels that were seen prior to the Great Recession. 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 4.6 percent in the 2021 budget. The table below illustrates changes in Sedgwick County’s assessed valuation since 2001.

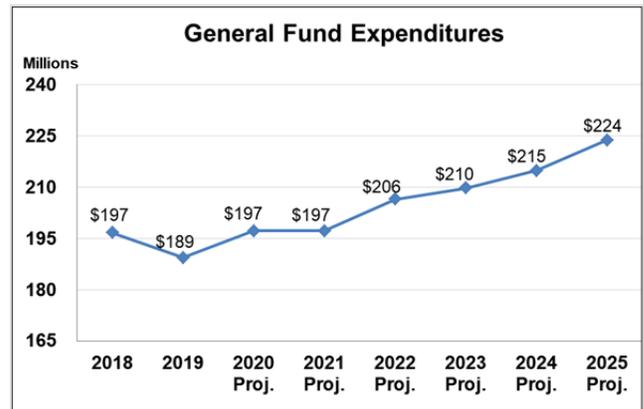


In 2019, property taxes made up 59 percent of revenues received in the General Fund. Another 33 percent of the revenues received in the General Fund in 2019 came from seven key revenue sources, which are highlighted later in this section. As shown in the table in the next column, revenues in 2019

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



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

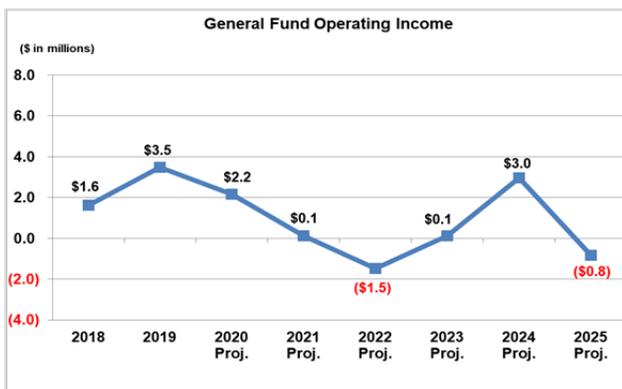


Since the economic downturn, the County has been responsive to the financial challenges outlined in the financial forecast to not only maintain a positive balance in the General Fund, but to ensure adherence to the County’s minimum fund balance policy, which calls for a minimum unrestricted balance of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

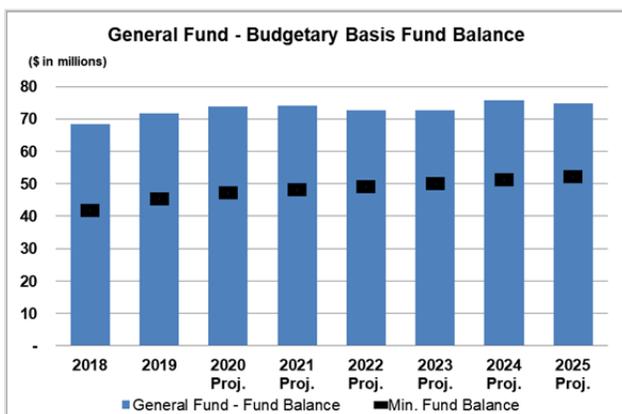
Prior to the national recession, Sedgwick County proactively implemented an initiative to increase its fund balances during the good times to weather significant economic downturns later through a “Rainy Day Reserve”.

As a result of the current economic conditions, the Board of County Commissioners has authorized limited use of ‘Rainy Day Reserves’, or use of fund balance that has been accumulated to withstand unanticipated downturns. This use is contingent on actual outcomes as the 2020 and 2021 fiscal years progress, and the Board has directed staff to take actions as necessary to limit significant use of the balances.

The table below outlines projected operating results in each year of the forecast. Current projections outline that revenues and expenditures nearly equal in 2021 and 2023, deficits in 2022 and 2025 as expenditures are projected to exceed revenues in each of those years, and a surplus in 2024. As illustrated in the table below, the General Fund ending balance is projected to remain above the minimum policy requirement in all years.



The 2021-2025 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, the addition of a DNA Lab at the Regional Forensic Science Center, and a facility expansion at Household Hazardous Waste.



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. 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 beyond the COVID-19 pandemic. In addition to challenges from an uncertain economy, actions at the Federal and State levels continue to cause concern to County management. These challenges will require the County to continue to concentrate on a variety of core financial guidelines, as outlined in the following section.

• **Revenue Core Guidelines**

- o Live within the mandated property tax lid
- o Maintaining 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 resources
- 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

■ **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.

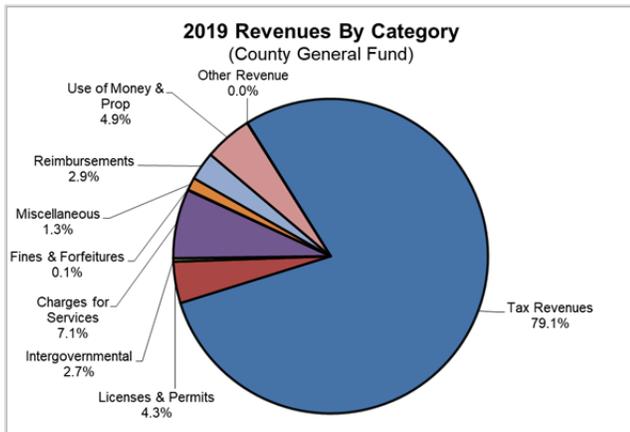
At the beginning of the 2021 budget development process in January 2020, the General Fund's unrestricted fund balance was \$59,037,988 on a GAAP basis. Based on the policy outlined above, the minimum required in 2020 is \$45,420,150, resulting in excess, "spendable" fund balance of \$13.6 million. To compare, on a budgetary basis, the fund balance was \$71,784,045 in January 2020.

Based on 2020 activity, revenues are estimated to exceed expenditures by \$2.2 million at year-end, which would result in an unrestricted fund balance of \$61.2 million to start 2020, \$15.8 million more than the minimum required by policy. This surplus is primarily due to increased investment income and increased assessed valuation.

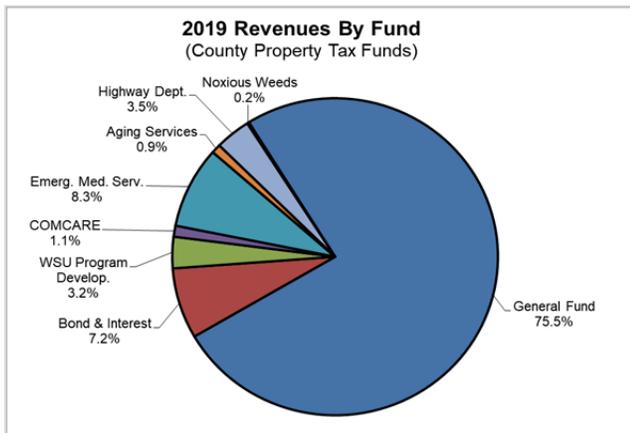
Financial management actions the County has taken in the 2021 budget to reach the BOCC's stated intention to not have a deficit in the General Fund has resulted in a projected operating surplus of \$0.1 million in the County General Fund's financial forecast.

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 2019, a total of \$192,845,429 in revenue and transfers in was received in the General Fund, with 79 percent collected from multiple tax sources. These actual results are the baseline from which financial estimates in the financial forecast are made.



Of the funds receiving property tax support, the largest is the General Fund, with 76 percent of total revenue collections in 2019. Revenues by fund are outlined in the chart below.



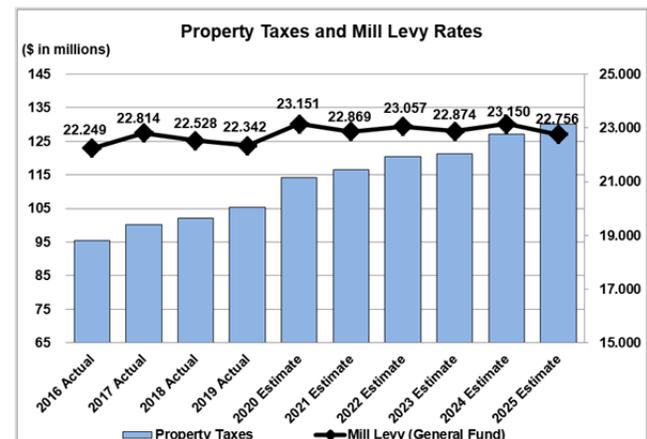
Specific Revenue Projections in the Financial Forecast

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.

| | 2019 | 2020 | 2021 | % of Total |
|-------------------------------|----------------|----------------|----------------|------------|
| Total Revenues & Transfers In | \$ 192,845,429 | \$ 199,402,111 | \$ 197,296,454 | 100% |
| Current property taxes | \$ 104,511,484 | \$ 113,634,881 | \$ 115,867,030 | 59% |
| Local sales & use tax | 30,371,698 | 25,815,944 | 27,811,885 | 14% |
| Motor vehicle tax | 14,900,015 | 14,374,293 | 14,444,801 | 7% |
| Licenses & permits | 8,223,368 | 6,344,279 | 8,224,737 | 4% |
| Administrative reimbursements | 5,630,223 | 5,908,522 | 5,657,559 | 3% |
| Officer fees | 4,057,679 | 4,998,493 | 4,161,732 | 2% |
| Prisoner housing fees | 3,770,411 | 2,031,484 | 2,955,557 | 1% |
| Investment income | 5,617,015 | 2,809,765 | 1,914,937 | 1% |
| Key Revenues Sub-Total | \$ 177,081,893 | \$ 175,917,661 | \$ 181,038,238 | 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 2021 budget includes a total mill levy rate of 29.376 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.

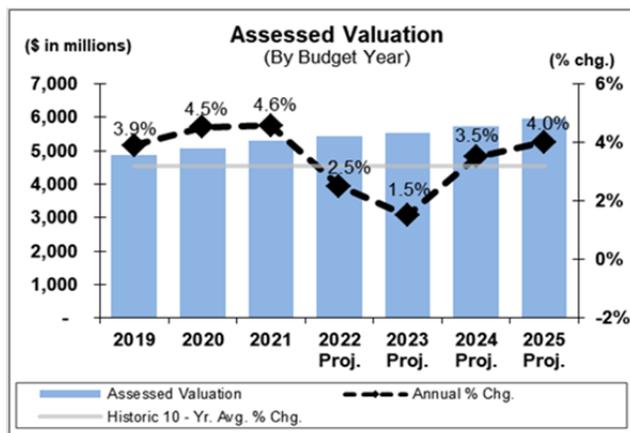
Projected revenue from property tax collections in this financial plan are based on:

- 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 2021 budget is 29.376 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, 2020, was lower than originally estimated in July 2020, and a technical adjustment to the mill levy rate was necessary to generate the amount of property tax needed to fund the 2021 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.

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, 4.5 percent for the 2020 budget, and the 2021 budget includes growth of 4.6 percent. Estimates for assessed valuation growth in the outer years of the forecast are shown in the table above.

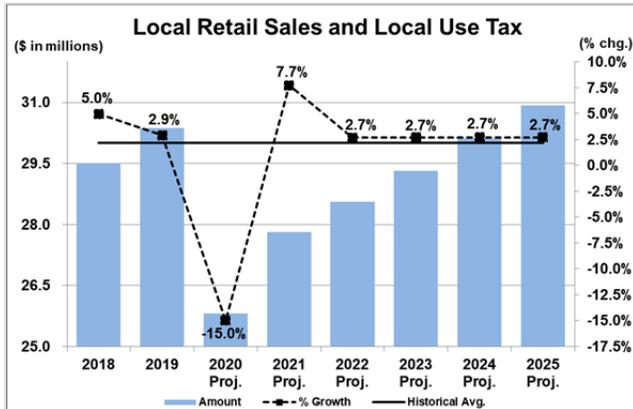
Within the financial forecast, property tax rates among different County property-tax-supported funds can be and are distributed based on the total available resources to achieve the greatest outcomes in service delivery. In some instances, distribution of the total property tax rate is adjusted due to changing operations, one-time projects such as capital improvements, or the availability of unexpected resources. The table below outlines the property tax rate movements estimated within this plan for all County property-tax-supported funds.

| Property Tax Rates by Fund (in mills) | | | | | | |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2020 | 2021 | 2022 Est. | 2023 Est. | 2024 Est. | 2025 Est. |
| General | 23.151 | 22.869 | 23.057 | 22.874 | 23.150 | 22.756 |
| Bond & Int. | 1.773 | 2.193 | 2.020 | 1.867 | 1.478 | 1.820 |
| WSU | 1.500 | 1.500 | 1.500 | 1.500 | 1.500 | 1.500 |
| Highway | 0.872 | 0.951 | 0.824 | 0.862 | 0.883 | 0.939 |
| EMS | 0.916 | 0.745 | 0.818 | 0.705 | 0.617 | 0.604 |
| Aging | 0.468 | 0.441 | 0.481 | 0.488 | 0.468 | 0.475 |
| COMCARE | 0.634 | 0.617 | 0.599 | 0.600 | 0.600 | 0.603 |
| Noxious Wds | 0.070 | 0.060 | 0.060 | 0.062 | 0.062 | 0.061 |
| Total | 29.384 | 29.376 | 29.359 | 28.758 | 28.758 | 28.758 |



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.

Local Retail Sales and Use Tax



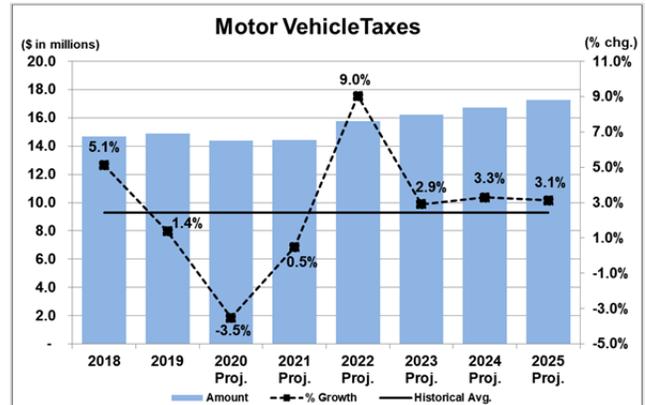
Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July 1985. Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which 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. As a result of economic stress collections are estimated to decline to \$25.8 million in 2020 with a slight increase to \$27.8 million in 2021; however, as the economy improves, revenues in this category are estimated to generally increase in the outer years of the forecast. Total revenues of \$30.4 million were collected in 2019.

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 challenging economic conditions lower collections are expected in 2020 and 2021 before returning to a more steady level of growth. This revenue source reached a historical high of \$21.3 million received across all funds in 2019. Of this amount, \$14.9 million was received in the General Fund.

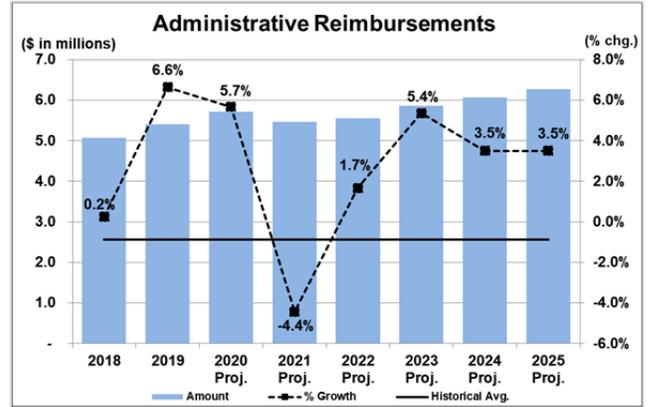
Officer Fees



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

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

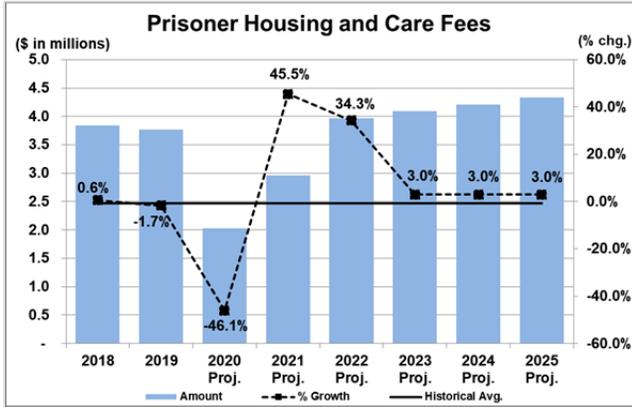
Administrative Reimbursements



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 2020 reflect a greater consumption of services performed in non-General Fund departments.

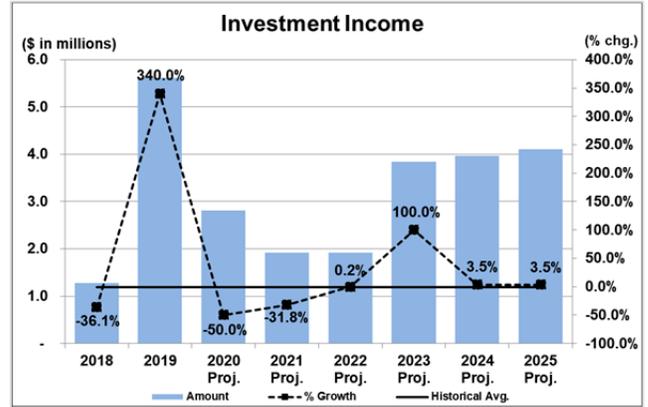
Prisoner Housing and Care Fees



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

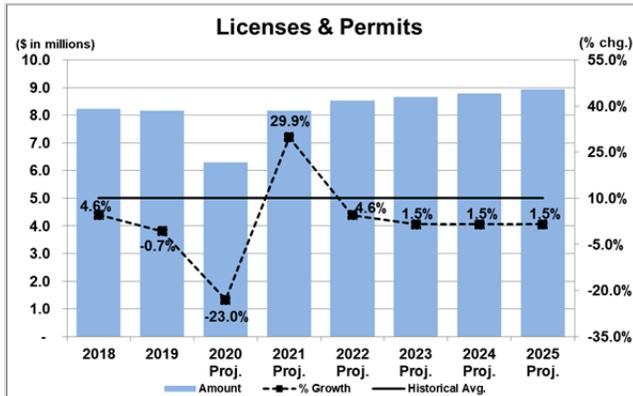


Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law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

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

Licenses & Permits



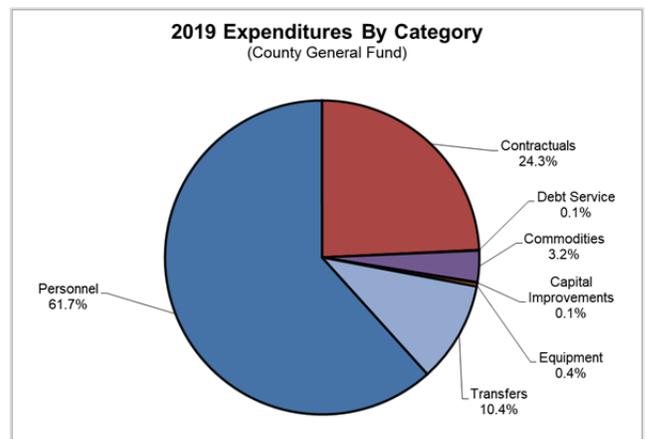
License and permit fee revenues are generated from businesses needing licenses and/or permits in order to construct new buildings or make improvements to existing structures to ensure compliance with City or County codes.

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

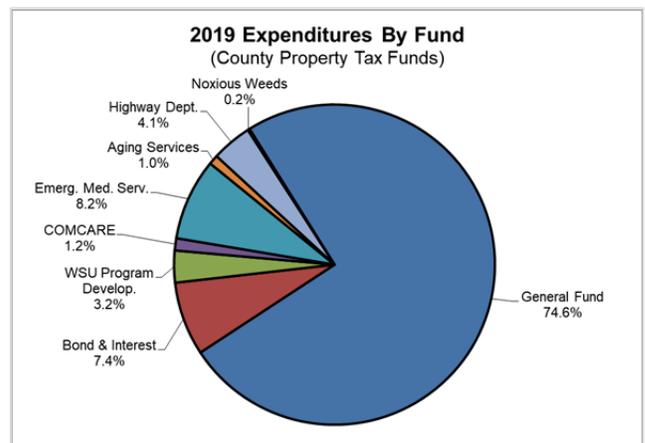
Expenditures

Sedgwick County’s expenditure structure is divided into seven primary spending categories: personnel, contractals, debt service, commodities, capital improvements, equipment, and interfund transfers. Total expenditures incurred in 2019 in the County General Fund were \$189,370,965. Of those, 62 percent were for personnel costs and 24 percent for contractual services.

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

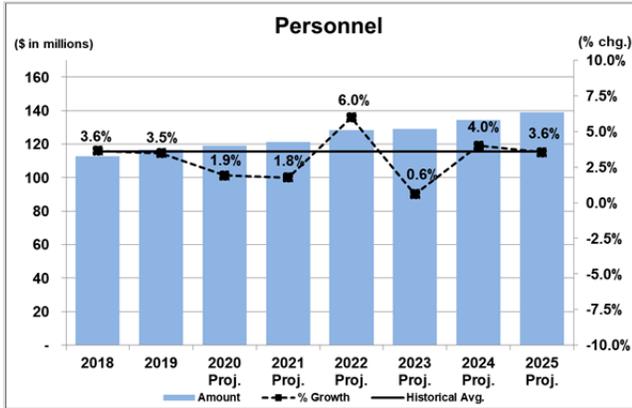


Of the total spent in funds receiving property tax support, the fund with the greatest portion of total expenses is the General Fund with 75 percent of total 2019 expenditures.



Specific Expenditure Projections in the Financial Forecast

Personnel

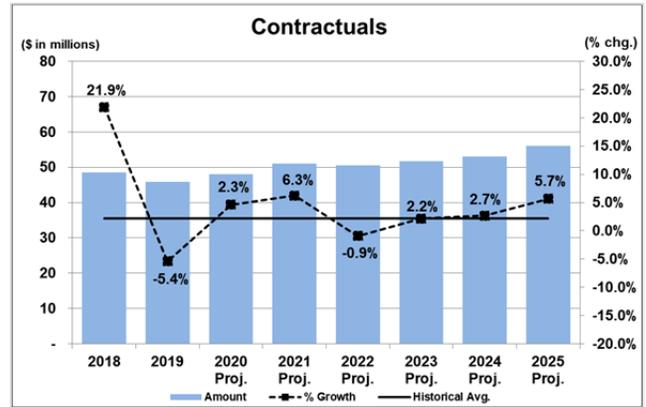


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

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

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

Contractuals

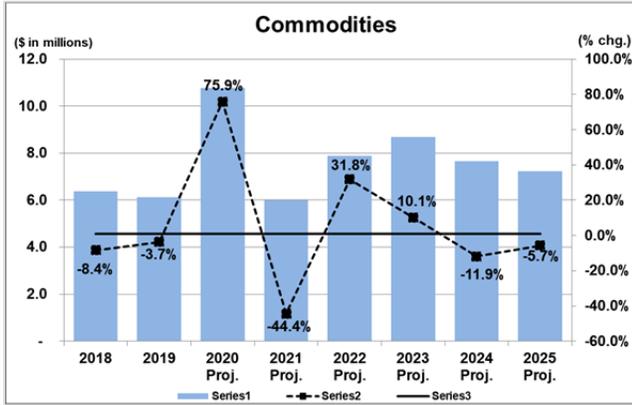


Contractual expenditures, the second largest expenditure category, include services purchased from and delivered by an external entity and internal departmental charges to other funds. These may include utility services, insurance services, software agreements, social services delivered by other community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

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

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

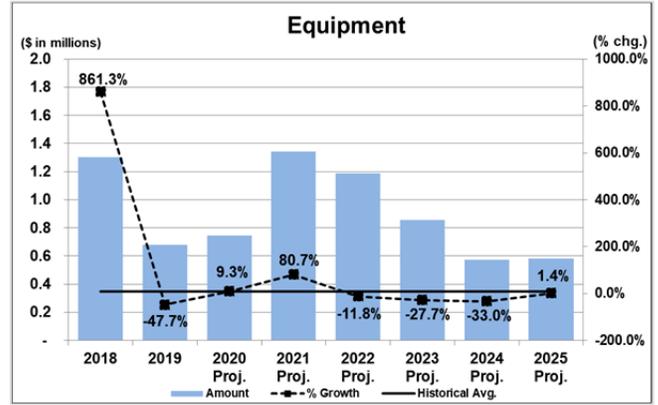
Commodities



This category includes expenditures for the purchase of common tangible items. This may include office supplies, fuel, food, clothing, software, and equipment with acquisition costs of less than \$10,000 per unit. The increase in 2020 is due to the purchase of a new Computer Aided Dispatch (CAD)/Records Management System (RMS)/Jail Management System (JMS) for Emergency Communications (\$3.0 million).

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).

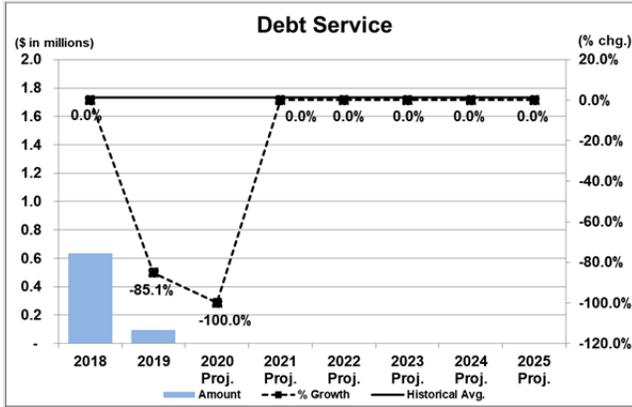
Equipment (Capital Outlay)



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

Debt Service



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

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.

| Bond Ratings | |
|-------------------|--------|
| Rating Agency | Rating |
| Standard & Poor’s | AAA |
| Moody’s | Aaa |
| Fitch | AA+ |

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 \$13.1 million to \$13.9 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. |
| ● 2018 | 13,057,006 | 1,597,566 | 3,144,659 | 916,197 |
| ● 2019 | 13,588,283 | 1,597,566 | 1,784,137 | 1,500,000 |
| ● 2020 Proj. | 13,695,679 | 1,597,566 | 857,238 | 1,929,010 |
| ● 2021 Proj. | 12,308,376 | 1,597,566 | 1,386,145 | 1,067,714 |
| ● 2022 Proj. | 12,603,885 | 1,597,566 | 1,372,058 | 1,425,753 |
| ● 2023 Proj. | 12,681,627 | 1,597,566 | 2,163,130 | 1,209,140 |
| ● 2024 Proj. | 13,065,234 | 1,597,566 | 1,479,115 | 1,400,465 |
| ● 2025 Proj. | 13,864,721 | 1,597,566 | 2,760,786 | 1,264,292 |

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| | Actual | | | Estimates | | | | | |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
| 1 Beginning Fund Balance | | | | 71,784,045 | 73,938,450 | 74,054,121 | 72,571,957 | 72,688,755 | 75,644,952 |
| 2 Operating Revenue | | 66,685,246 | 68,309,580 | | | | | | |
| 3 Taxes | | | | | | | | | |
| 4 Current property taxes | 143,895,542 | 148,351,485 | 152,484,277 | 156,137,078 | 160,779,818 | 166,723,484 | 168,792,313 | 175,944,715 | 180,185,586 |
| 5 Back property taxes & warrants | 99,355,840 | 101,362,301 | 104,511,484 | 113,414,553 | 115,867,029 | 119,794,140 | 120,624,577 | 126,430,977 | 129,314,823 |
| 6 Special assessment property taxes | 2,113,289 | 2,401,706 | 2,313,003 | 2,220,328 | 2,360,627 | 2,321,160 | 2,330,426 | 2,348,992 | 2,365,961 |
| 7 Motor vehicle taxes | 13,983,702 | 14,698,909 | 14,900,015 | 14,374,293 | 14,444,801 | 15,749,632 | 16,206,781 | 16,740,852 | 17,265,533 |
| 8 Local retail sales tax | 25,100,867 | 26,259,295 | 26,671,754 | 22,670,991 | 24,398,223 | 25,008,178 | 25,633,383 | 26,274,217 | 26,931,073 |
| 9 Local use tax | 3,017,817 | 3,254,814 | 3,699,945 | 3,144,953 | 3,413,662 | 3,550,208 | 3,692,216 | 3,839,905 | 3,993,501 |
| 10 Other taxes | 324,026 | 374,461 | 388,077 | 311,960 | 295,475 | 300,165 | 304,930 | 309,773 | 314,694 |
| 11 Intergovernmental | 1,561,187 | 884,450 | 668,565 | 2,484,409 | 693,088 | 705,527 | 718,382 | 734,309 | 745,363 |
| 12 Charges for service | 15,380,085 | 14,625,785 | 13,698,150 | 12,227,711 | 12,942,119 | 14,197,496 | 14,503,260 | 14,816,788 | 15,138,297 |
| 13 Reimbursements | 5,455,204 | 5,793,658 | 5,630,223 | 5,908,522 | 5,657,559 | 5,755,004 | 6,054,989 | 6,261,924 | 6,476,052 |
| 14 Use of money and property | 5,421,101 | 4,845,200 | 9,476,201 | 6,712,050 | 5,860,908 | 5,908,223 | 7,870,911 | 8,050,686 | 8,235,795 |
| 15 Other revenues | 12,245,943 | 12,267,384 | 10,848,184 | 8,783,743 | 10,565,290 | 10,968,810 | 11,124,246 | 11,281,957 | 11,441,976 |
| 16 Transfers from other funds | 477,058 | 11,487,216 | 39,829 | 7,148,598 | 797,672 | 670,308 | 747,399 | 702,829 | 667,614 |
| 17 Total Revenue | 184,436,120 | 198,255,178 | 192,845,429 | 199,402,111 | 197,296,454 | 204,928,853 | 209,811,502 | 217,793,208 | 222,890,683 |
| 18 Operating Expenditures | | | | | | | | | |
| 19 Personnel and benefits | 108,875,775 | 112,838,032 | 116,753,507 | 118,982,861 | 121,092,070 | 128,328,856 | 129,097,161 | 134,266,433 | 139,032,997 |
| 20 Contractual services | 39,834,283 | 48,557,205 | 45,934,351 | 48,051,563 | 51,055,752 | 50,587,667 | 51,676,330 | 53,070,231 | 56,072,374 |
| 21 Debt service | 6,950,687 | 6,366,993 | 6,128,415 | 10,780,675 | 5,989,807 | 7,894,251 | 8,693,468 | 7,655,421 | 7,219,142 |
| 22 Commodities | 11,834 | 27,375 | 141,676 | 5,000 | - | - | - | - | - |
| 23 Capital improvements | 135,349 | 1,301,165 | 680,744 | 743,838 | 1,343,920 | 1,185,793 | 857,275 | 574,405 | 582,337 |
| 24 Transfers to other funds | 23,800,780 | 26,906,263 | 19,637,534 | 18,683,769 | 17,699,233 | 18,414,449 | 19,370,469 | 19,270,521 | 20,821,070 |
| 25 Total Expenditures | 179,608,708 | 196,630,844 | 189,370,965 | 197,247,706 | 197,180,783 | 206,411,016 | 209,694,704 | 214,837,011 | 223,727,920 |
| 26 Operating Income | 4,827,413 | 1,624,334 | 3,474,465 | 2,154,405 | 115,671 | (1,482,164) | 116,798 | 2,956,197 | (837,237) |
| 27 Ending Fund Balance | 66,685,246 | 68,309,580 | 71,784,045 | 73,938,450 | 74,054,121 | 72,571,957 | 72,688,755 | 75,644,952 | 74,807,715 |
| 29 Assessed valuation | 4,531,486,166 | 4,675,741,600 | 4,858,132,534 | 5,077,374,541 | 5,309,726,413 | 5,442,469,573 | 5,524,106,617 | 5,717,450,349 | 5,946,148,362 |
| 30 Assessed valuation % chg. | 1.41% | 3.18% | 3.90% | 4.51% | 4.58% | 2.50% | 1.50% | 3.50% | 4.00% |
| 31 Mill levy | 22.814 | 22.528 | 22.342 | 23.151 | 22.869 | 23.057 | 22.874 | 23.150 | 22.756 |
| 32 Mill levy change | (6.569) | (0.286) | (0.186) | 0.809 | (0.282) | 0.188 | (0.183) | 0.276 | (0.394) |