

# Financial Forecast

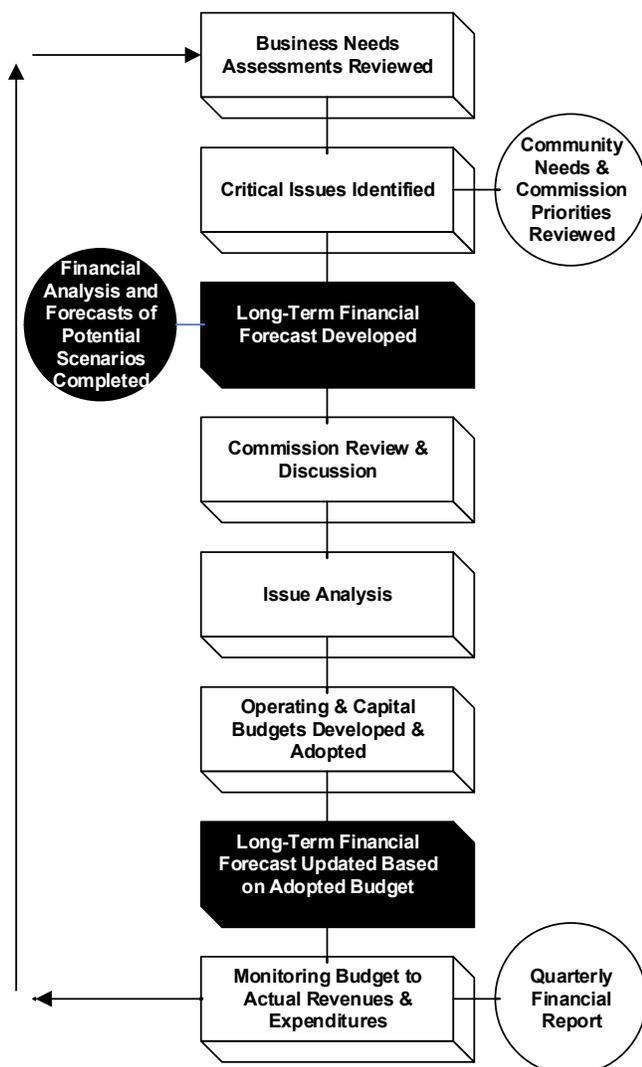


For the Period of 2021 - 2026

## ■ 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.

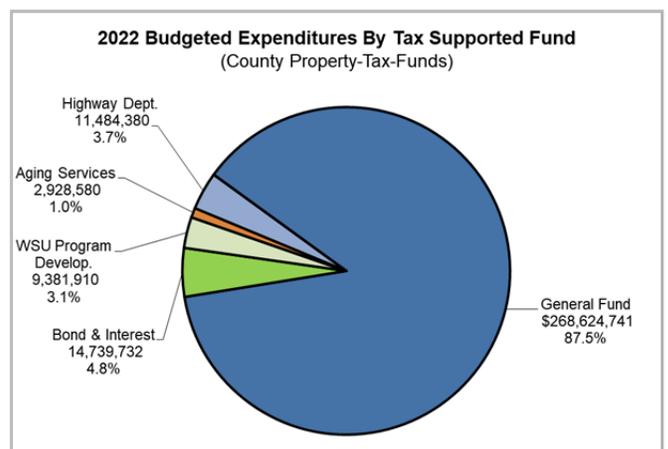
### Financial Forecast and the Budget Process



## ■ 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 2022, \$26.1 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 five property-tax-supported funds. Prior to 2022, the County had eight property-tax-supported funds. Beginning in 2022, the EMS, COMCARE, and Noxious Weeds tax funds were consolidated into the General Fund to allow for flexibility and efficiencies within those departments. These funds are outlined in the pie chart below. Total budgeted expenditures in these funds are \$307,159,342 though forecasted expenditures total \$274,459,959 in 2022. 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 2021, along with the changes included in the 2022 budget.

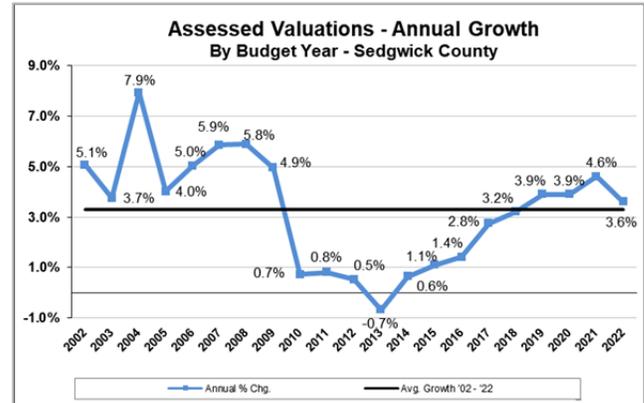
Unfortunately, financial variables are constantly changing. The County’s forecast is subject to unforeseen and uncontrollable national, state, and local events, in addition to the timing of large capital projects and operational decisions that may make the forecast less accurate. All information is presented on a budgetary basis.

**Executive Summary**

After a successful fiscal year in 2019, January 2020 brought news of issues with the Boeing 737 Max, affecting production work at Spirit Aerosystems, the largest employer in Sedgwick County, then in March 2020, the World Health Organization declared the coronavirus disease (COVID-19) a pandemic, further impacting the local economy. The impacts were not as severe as initially anticipated and growth is expected to return in 2022 as the economy recovers.

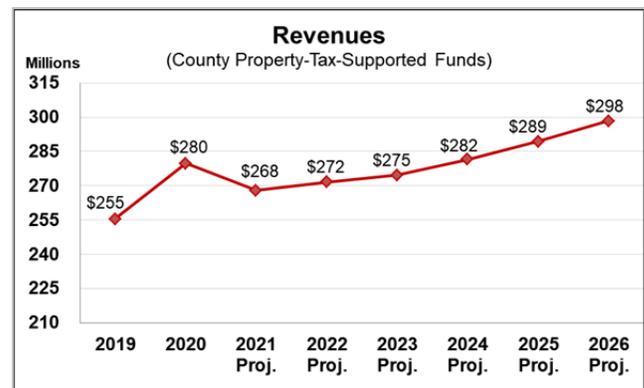
Similar to other state and local governments, Sedgwick County was seeing a return in property valuations closer to levels that were seen prior to the Great Recession. From 2010 through 2012, valuations driving property tax collections (more than 50 percent of total revenues per year) experienced less 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 2017 budget was 2.8 percent over the previous year. Growth was 3.2 percent for the 2018 budget, 3.9 percent for the 2019 budget, 4.5 percent

for the 2020 budget, 4.6 percent for the 2021 budget and 3.6 percent for the 2022 budget. However, slower growth is anticipated for the 2023 budget year before returning to more normal levels of growth in 2024. The table below illustrates changes in Sedgwick County’s assessed valuation since 2002.



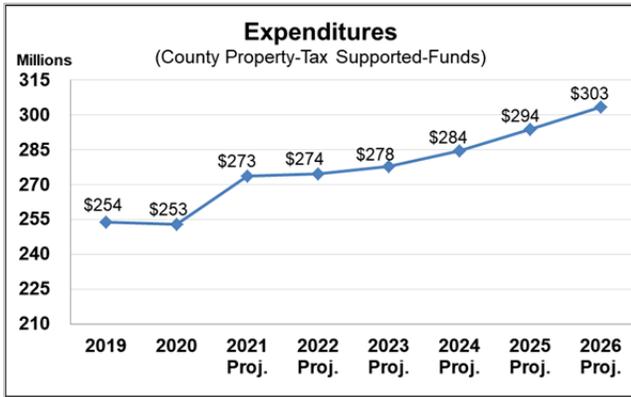
While initial estimates for 2020 showed very significant shortfalls, actual data showed that the economic impact in County property-tax-funds was less than expected. An anticipated rebound in the economy from the impact of COVID-19 led to stronger revenue projections for the 2022 budget.

As shown in the table below, projections outline increased revenue in 2020, largely due to the one-time reimbursement for eligible personnel costs from Federal Coronavirus Aid, Relief, and Economic Security Act (CARES) funding, with revenue growth expected to return in 2022 with normal growth in 2023-2026 as economic conditions 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.



The 2022 budget represents a decrease from the 2021 revised and reflects the first year of a multi-year compensation plan to move the organization closer to market pay to help with the recruitment and retention of employees and includes the reclassification of 1,637 positions as well as a 2.0 percent general pay adjustment (GPA) for all other employees.

The blue line in the graph below shows the County’s actual and current projections for each year in the forecast. The 2022 budget projects a deficit of \$2.8 million related to acceptable use of fund balance in the General Fund and strategic use of fund balance to reach targeted levels in the County’s other property-tax-supported funds. The actual results for 2020 reflect reimbursement of COVID-19 related expenses from CARES funding, while the 2021 projections reflect anticipated use of those funds to support COVID-19 response.

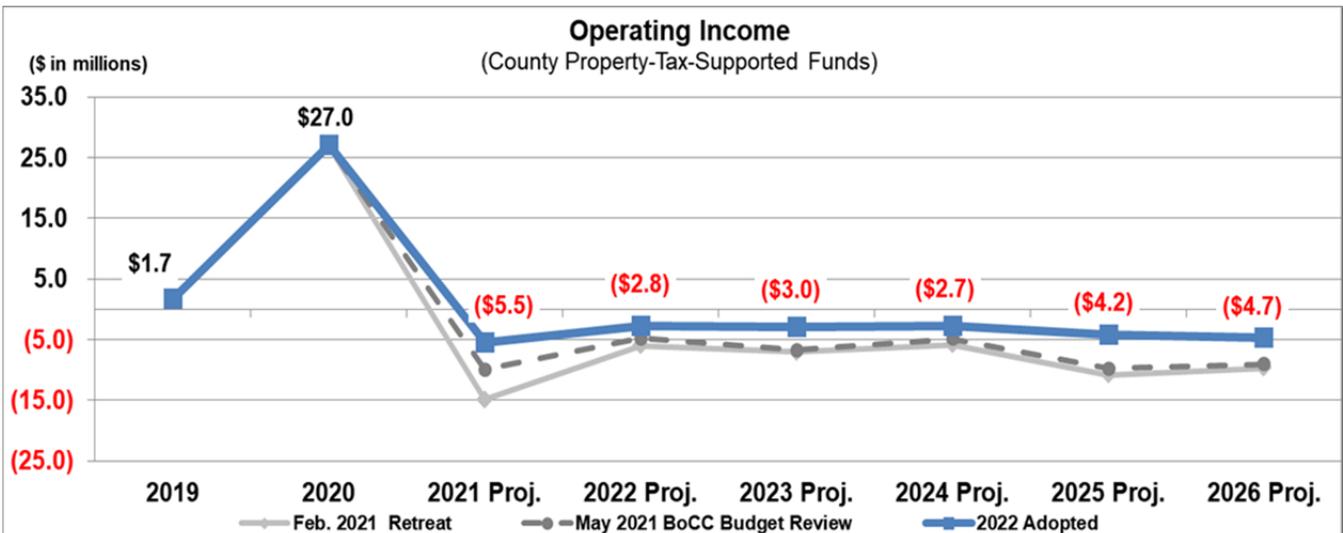
The 2022 budget includes \$2.8 million in transfers for capital improvement projects from County

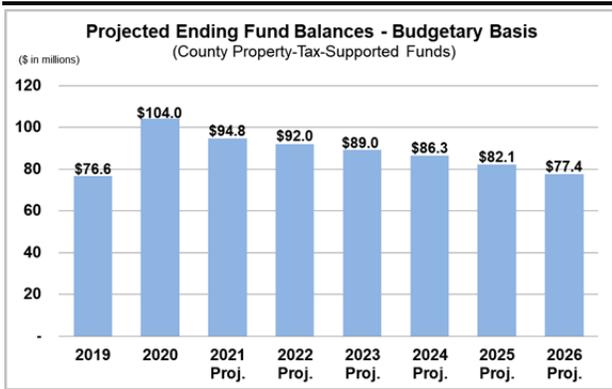
property-tax-supported funds to the County’s Capital Improvement Fund in 2022: \$1.8 million for facility projects; and \$0.9 million for drainage.

Current projections outline deficits in 2021 through 2026 as expenditures are projected to exceed revenues in each of those years. Deficits in 2022 are largely tied to an additional pay period in that year as well as the first year of the compensation plan adjustments. Deficits are also projected in 2023 through 2026 as expenditures are projected to exceed revenues in those years. Cumulative fund balances in property-tax-supported funds are projected to decrease to around \$77.4 million throughout the forecast as shown on the graph on the top of the next page; however, the General Fund will still exceed the minimum fund balance requirement of 20.0 percent of budgeted expenditures in each year of the forecast.

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”.

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 through the 2021 fiscal year, and the Board has directed staff to take actions as necessary to limit significant use of the balances beyond those needed for COVID-19 response.





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.

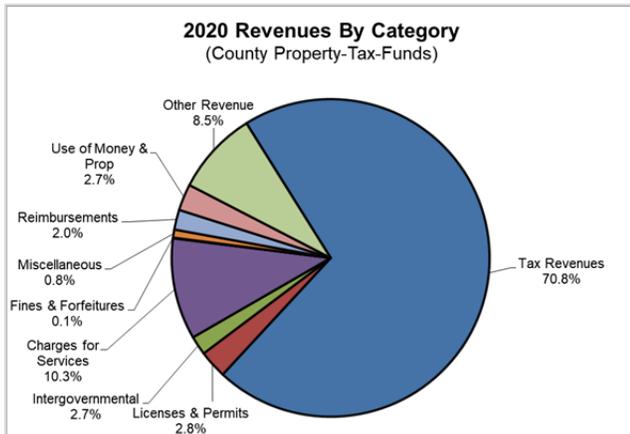
Over the planning horizon of the financial forecast, the County will continue to confront a variety of challenges beyond the COVID-19 pandemic. In addition to challenges from an uncertain economy, actions at the Federal and State levels continue to cause concern to County management. These challenges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

- **Revenue Core Guidelines**
  - Maintaining a consistent property tax rate
  - Maintaining a diversified revenue base requires diligence. Adjust current fees when appropriate
  - Effective governance is the result of effective partnerships. County services mandated by another government should be funded by that government
- **Expenditure Core Guidelines**
  - Concentrate public services on those areas of greatest need for resources
  - Strategically use debt and bonding
  - Seek innovative programs for delivering public services beyond current operating standards
  - Educate State legislators on the impact of new and pending State mandates

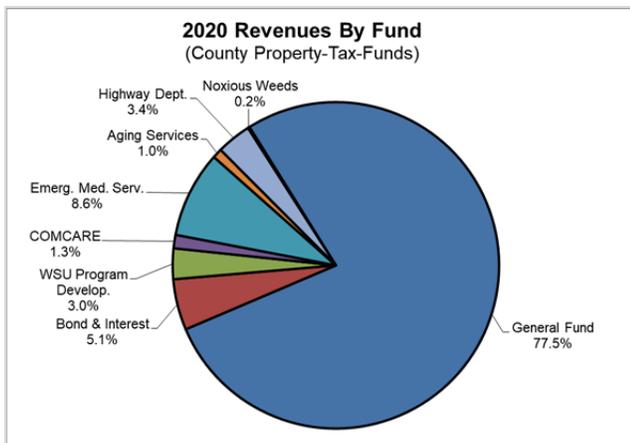
- Previous Management Decisions**
- **2014:** Implement a 2.5 percent performance-based compensation pool. Fund the recommendations of a market pay study for full-time employees. Shift programs to alternative revenue sources. Implement a mental health pod at the Adult Detention Facility. Closure of the Judge Riddel Boys Ranch, a State program, due to insufficient State funding
  - **2015:** Implement a 2.5 percent performance-based compensation pool. Shift to a self-funded employee health insurance model. Add funding for recommendations of Coordinating Council addressing increasing EMS call demand. Add part-time mower positions. Shift programs to alternative revenue sources.
  - **2016:** Implement a 1.75 percent 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 percent performance-based compensation pool along with \$5.0 million in County property-tax supported funds to address pay compression. 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 funding to replace the Election Commissioner’s election machine fleet.
  - **2018:** Implement a 2.5 percent pay adjustment and 0.5 percent 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.
  - **2019:** Implement a 2.5 percent pay adjustment and a 1.5 percent bonus pool for exemplary performers. Add resources in Public Safety including 6.0 FTE Call Taker positions for Emergency Communications and 4.0 FTE positions and an ambulance to EMS. Add funding to the Department of Aging for in-home and community and physical disability services.
  - **2020:** Implement a 2.25 percent pay adjustment, a 1.25 percent pay structure adjustment, and a 1.25 percent set aside pool for targeted pay adjustments. Add additional resources in Public Services including 6.0 FTE positions to the COMCARE Community Crisis Center and funding for a nutrition program and highest priority needs in the Department on Aging. Addition of 3.0 FTE positions to Emergency Communications staffing table.
  - **2021:** No pay adjustment for employees. Add resources for critical needs including 1.0 FTE Epidemiologist position for the Health Department, 5.0 FTE Docket Assistant positions for the District Attorney’s Office, and the addition of 2.0 FTE positions, a Clinical Social Worker and a Paramedic, for Integrated Care Team 1 (ICT-1). Additional funding for The Kansas African American Museum (TKAAM) for relocation strategic planning process.

### 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 2020, a total of \$279,709,019 in revenue and transfers in was received in these funds, with 71 percent collected from multiple tax sources. These actual results are the baseline from which financial estimates in the financial forecast are made.



Of the eight funds receiving property tax support through 2021, the largest is the General Fund, with 78 percent of total revenue collections in 2020, followed by EMS, Bond & Interest, and Highway funds. Revenues by fund are outlined in the chart below. When the COMCARE, EMS, and Noxious Weeds funds are consolidated into the General Fund for 2022, the General Fund will represent nearly 90.0 percent of revenue collection in these funds.



### Specific Revenue Projections in the Financial Forecast

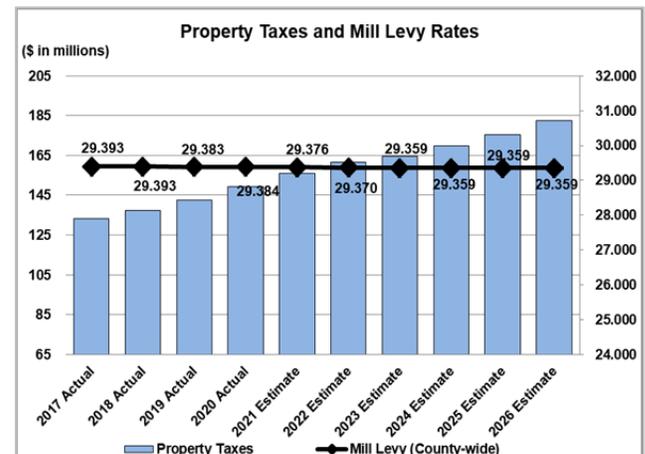
Of the total revenue collections and transfers from other funds in 2020, 84 percent was collected from eight distinct revenue sources. The following discussion on revenue projections included in the financial forecast will concentrate on these revenues as outlined in the table below.

	2020	% of Total
Total Revenues & Transfers In	\$ 279,709,019	100%
Property taxes	\$ 146,641,066	52%
Local sales & use tax	\$ 30,877,745	11%
Motor vehicle tax	\$ 19,617,289	7%
Medical charges for service	\$ 16,215,723	6%
Licenses & permits	\$ 7,971,462	3%
Officer fees	\$ 5,635,637	2%
Special city/county highway	\$ 4,602,950	2%
Investment income	\$ 3,337,429	1%
<b>Total</b>	<b>\$ 234,899,301</b>	<b>84%</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.

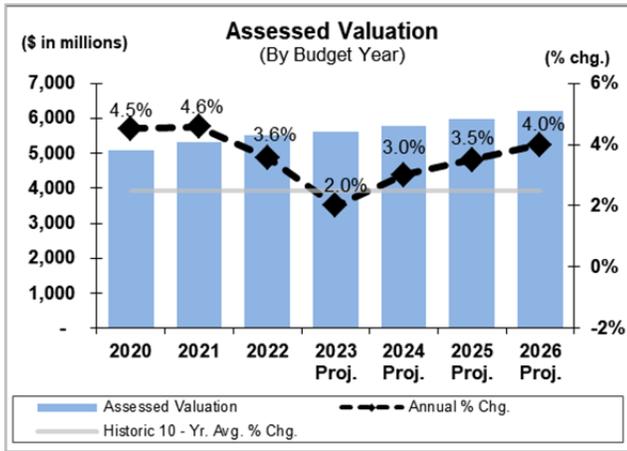


The 2022 budget includes a mill levy rate of 29.370 mills. This forecast assumes that the property tax rate will remain unchanged at the targeted level of

29.359 mills through 2026 based on State legislative action and updated County policy in 2021.

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 2026, 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 about 3.0 percent, after the delinquency rate reached 4.2 percent in 2010.



Over the past 10 years, Sedgwick County’s assessed valuation has grown an average of 2.5 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. Assessed valuation growth for the 2017 budget was 2.8 percent over the previous year. Growth was 3.2 percent for the 2018 budget, 3.9 percent for the 2019 budget, 4.5 percent for the 2020 budget, 4.6 percent for the 2021 budget, and 3.6 percent for the 2022 budget. However, slower growth is anticipated for the 2023 budget year due to the effects of COVID-19 on the local economy before returning to more normal levels of growth in 2024.

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

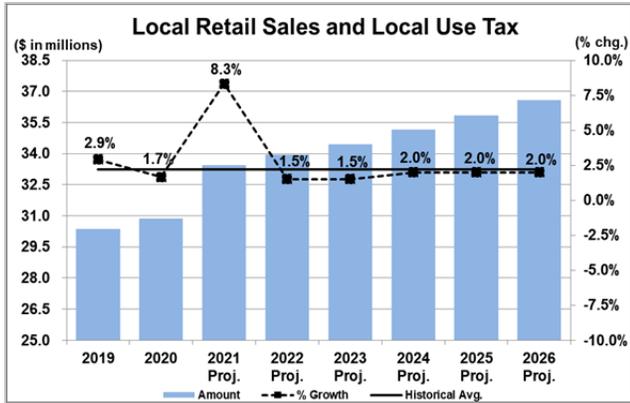
in service delivery. In some instances, distribution of the total property tax rate is adjusted due to changing operations, one-time projects such as capital improvements, or the availability of unexpected resources. The table below outlines the property tax rate movements estimated within this plan.

Property Tax Rates by Fund (in mills)						
	2021	2022	2023 Est.	2024 Est.	2025 Est.	2026 Est.
General	22.869	24.363	24.845	24.838	24.884	24.976
Bond & Int.	2.193	2.035	1.773	1.685	1.624	1.506
WSU	1.500	1.500	1.500	1.500	1.500	1.500
Highway	0.951	0.990	0.815	0.908	0.924	0.946
EMS*	0.745	0.000	0.000	0.000	0.000	0.000
Aging	0.441	0.482	0.426	0.428	0.427	0.431
COMCARE*	0.617	0.000	0.000	0.000	0.000	0.000
Noxious Wds*	0.060	0.000	0.000	0.000	0.000	0.000
<b>Total</b>	<b>29.376</b>	<b>29.370</b>	<b>29.359</b>	<b>29.359</b>	<b>29.359</b>	<b>29.359</b>

\* These three funds will be consolidated into the General Fund in the 2022 budget

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**Local Retail Sales and Use Tax**



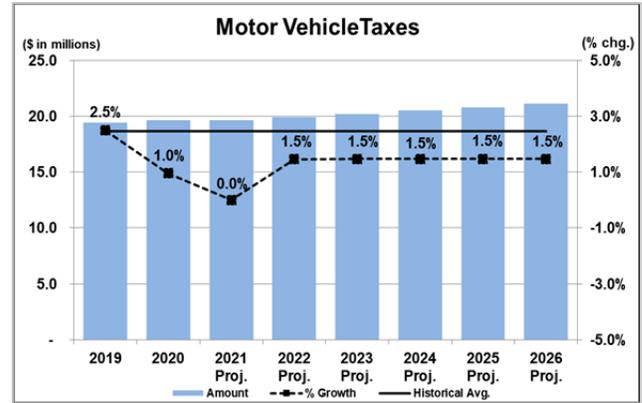
Local retail sales tax is generated from a County-wide one-percent tax on retail sales, imposed pursuant to voter approval in July 1985. Local use tax, per State statute K.S.A. 12-198, is a tax paid on tangible personal property purchased from other states and used, stored, or consumed in Kansas on which 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. Total revenues of \$30.9 million were collected in 2020; with estimated increases to \$33.4 million in 2021 and to \$33.9 million in 2022. As the economy improves, revenues in this category are estimated to generally increase in the outer years of the forecast.

**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 challenging economic conditions collections in 2021 are estimated to be flat with 2020 before returning to a more steady level of growth in 2022.

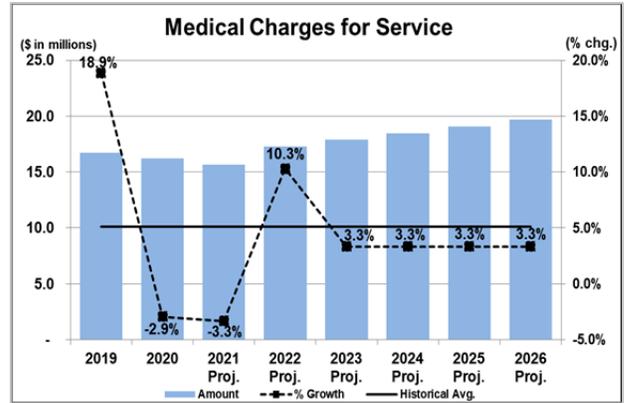
**Officer Fees**



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 increases in 2020 and 2021, officer fees are expected to stabilize in 2022 with what is anticipated to be normal annual collections, remaining fairly flat through 2026. Collections are estimated at \$6.2 million for 2021.

**Medical Charges for Service**

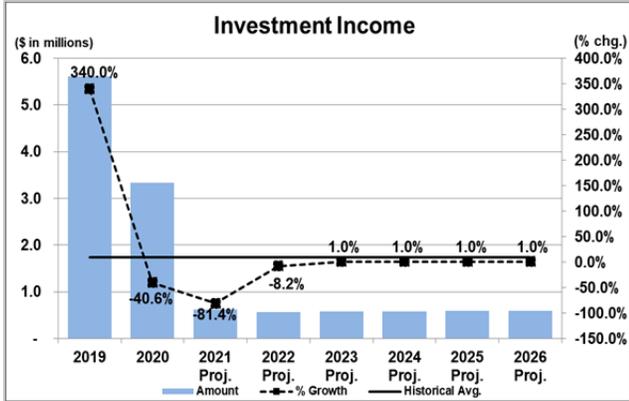


Medical charges for service include Medicaid, Medicare, insurance, and patient fees for delivered medical services. In the property-tax-supported funds, these services are predominately delivered through EMS, generating 95.6 percent of the total 2020 collections, followed by the Health Department and the Sedgwick County Offender Assessment Program (SCOAP). Revenues related to emergency medical services were deposited in the EMS Tax Fund through 2021 and will be deposited in the County General Fund starting in 2022 due to the consolidation of the EMS Tax Fund into the County General 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 increase in 2019 is 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**

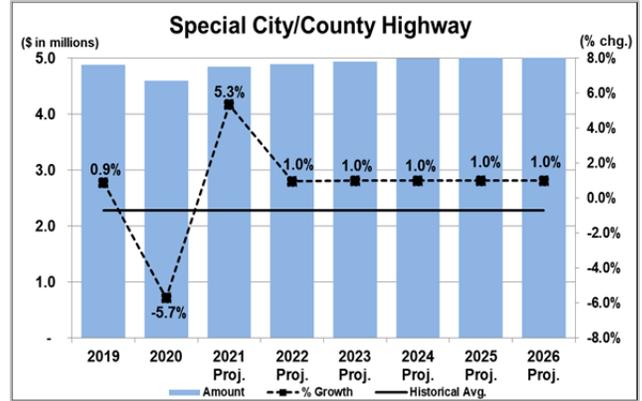


Investment income accounts for revenues generated from the investment of idle County funds. Traditionally, this revenue source can be volatile with collections dependent on interest rates in investment markets, the timing in which investments mature, and the size of the investment portfolio. State law 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. In 2019, the extremely high income was due to a strong economy, but was dampened in 2020 after the effects of COVID-19 on the international economy. The forecast projects revenue of \$0.6 million in 2021.

The increase in 2019 is 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.

**Special City/County Highway**

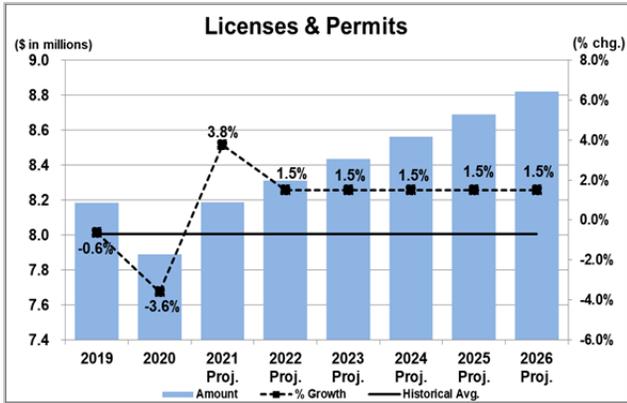


The Highway Department is financed through the Highway Fund to construct and maintain the County’s roads, bridges, and intersections. Of the revenues used to fund these operations, the largest is the State’s special city/county highway fund authorized under K.S.A. 79-3425. Through the Fund, the State 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, with the exception of a slight decrease in 2020 due to the economic conditions resulting from the COVID-19 pandemic. Starting in 2021, collections are anticipated to remain relatively flat through 2026.

**Licenses & Permits**

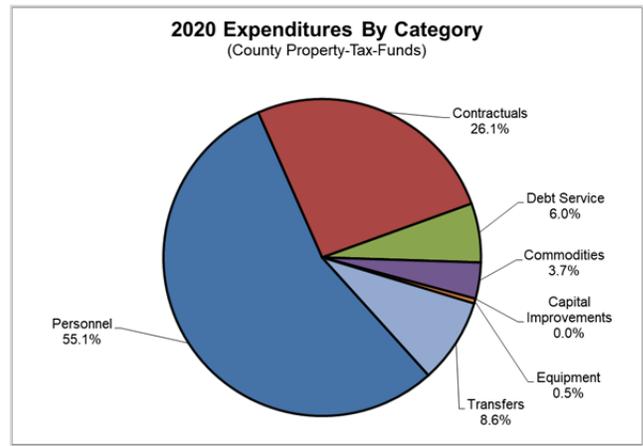


License and permit fee revenues are generated from businesses needing licenses and/or permits in order to construct new buildings or make improvements to existing structures to ensure compliance with City or County codes.

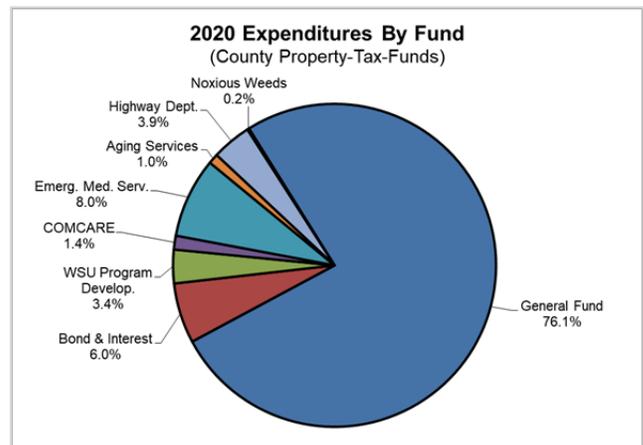
Licenses and permits became a key revenue for the County in 2017 as a result of the County-City of Wichita code function merger. In 2017, the first year with the County as managing partner, the County began receiving all revenue related to the Metropolitan Area Building & Construction Department (MABCD), 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 2020 in County property-tax-supported funds were \$252,677,902. Of those, 55 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.

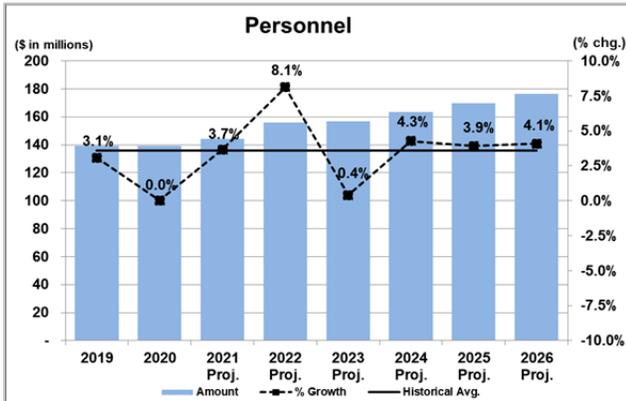


Of the total spent in funds receiving property tax support, the fund with the greatest portion of total expenses is the General Fund with 76 percent of total 2020 expenditures, followed by EMS and the Bond & Interest Fund. After the EMS, COMCARE, and Noxious Weeds funds are consolidated into the General Fund, the General Fund will reflect nearly 90.0 percent of total spending from this fund grouping.



**Specific Expenditure Projections in the Financial Forecast**

**Personnel**

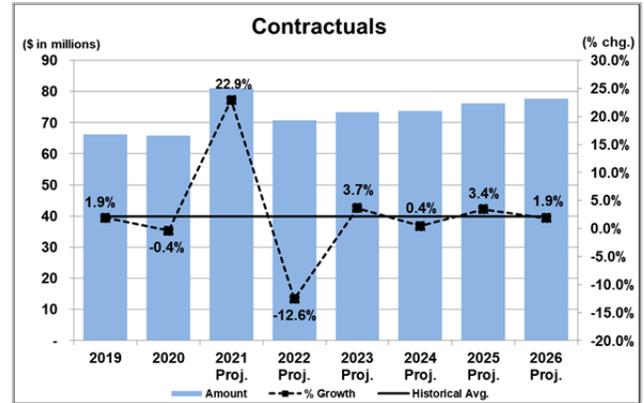


Similar to most government and proprietary entities, personnel expenditures represent the largest cost in delivering services. The projections included in this financial forecast incorporate the following variables:

- Reclassification of 1,637 positions as well as a 2.0 percent GPA for all other positions in 2022
- A pay pool of 4.0 percent in 2023 through 2026 to continue the multi-year compensation strategy
- A 3.0 percent budgeted increase in employer health/dental insurance premiums in 2022 with increases of 5.0 percent in 2023 through 2026
- Increases in retirement contribution rates through the Kansas Public Employees Retirement System (KPERS) and 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

	2017	2018	2019	2020	2021	2022
<b>KPERS - Retirement Rates</b>						
	8.96%	9.39%	9.89%	9.89%	9.87%	9.90%
<b>KP&amp;F - Retirement Rates</b>						
Sheriff	19.39%	20.22%	22.13%	21.93%	22.80%	22.99%
Fire	19.03%	20.09%	22.13%	21.93%	22.80%	22.99%
EMS	19.03%	20.09%	22.13%	21.93%	22.80%	22.99%

**Contractuals**

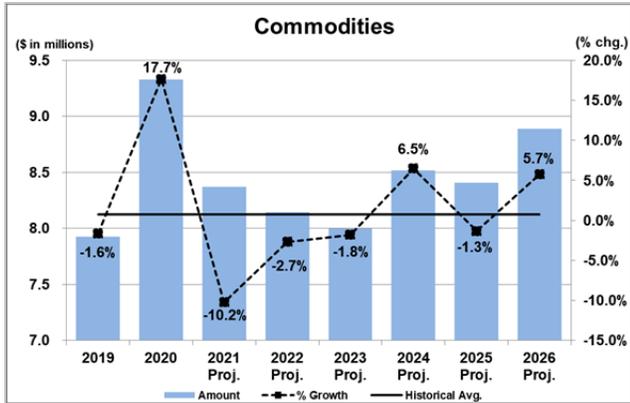


Contractual expenditures, the second largest expenditure category, include services purchased from and delivered by an external entity and internal departmental charges to other funds. These may include utility services, insurance services, software agreements, social services delivered by other community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

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 2026 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**

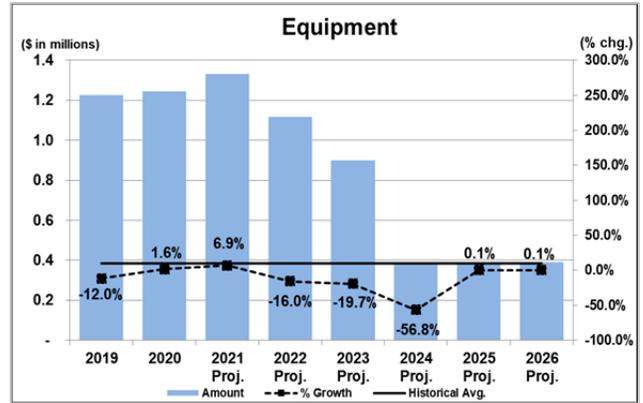


This category includes expenditures for the purchase of common tangible items. This may include office supplies, fuel, food, clothing, software, and equipment with acquisition costs of less than \$10,000 per unit.

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).

The increase in 2020 was 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).

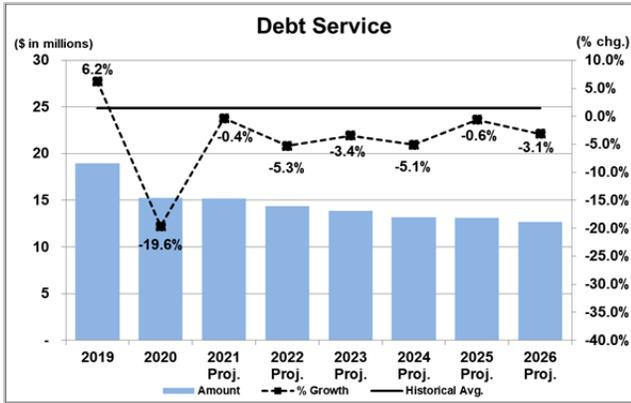
**Equipment (Capital Outlay)**



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 decrease in 2019 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 2018. Costs increased in 2020 and will continue through 2023 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**



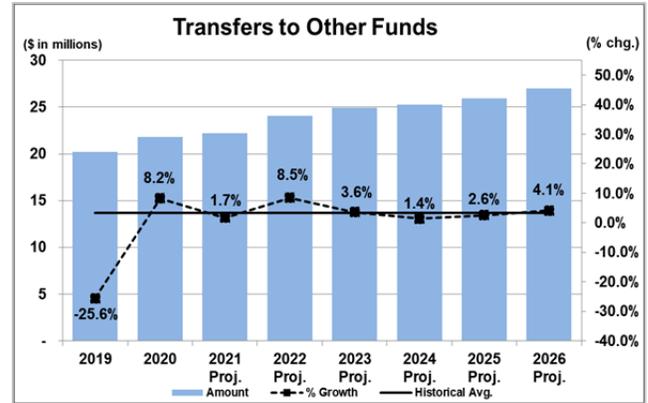
The financial forecast incorporates debt service payments on current debt obligations. Sedgwick County continues to hold high bond ratings from the three most widely used rating agencies: Moody’s Investor Services, Standard & Poor’s, and Fitch Ratings. In a recent rating evaluation, Standard & Poor’s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

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

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.

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.

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 \$13.6 million to \$16.7 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 \$1.5 to \$4.6 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 table on the next page, significant changes in transfers from one year to the next are largely related to cash-funded capital projects included in the County’s CIP.

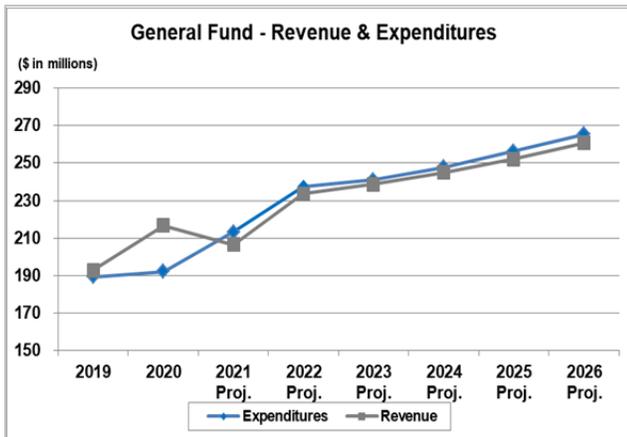
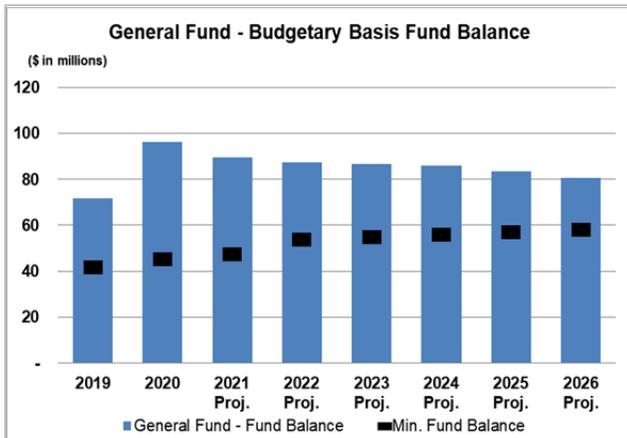
Primary Recurring Transfers - General Fund				
	Sales Tax To LST Road & Bridge Fund	Sales Tax To Bond & Interest Fund	Other Cash Funded Capital Projects	General Fund to Risk Mgmt.
● 2019	13,588,283	1,597,566	1,984,137	1,500,000
● 2020	13,841,306	1,597,566	932,238	1,500,000
● 2021 Proj.	15,125,866	1,597,566	1,543,645	3,404,556
● 2022 Proj.	15,376,717	1,597,566	2,772,243	2,807,085
● 2023 Proj.	15,631,331	1,597,566	2,700,041	3,293,598
● 2024 Proj.	15,975,909	1,597,566	2,443,339	3,558,767
● 2025 Proj.	16,327,379	1,597,566	2,272,926	4,027,772
● 2026 Proj.	16,685,878	1,597,566	2,425,407	4,617,786

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## ■ 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



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 45 departments. Prior to 2022, the County had eight property-tax-supported funds. Beginning in 2022, the EMS, COMCARE, and Noxious Weeds tax funds were consolidated into the General Fund to allow for flexibility and efficiencies within those 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 2022:

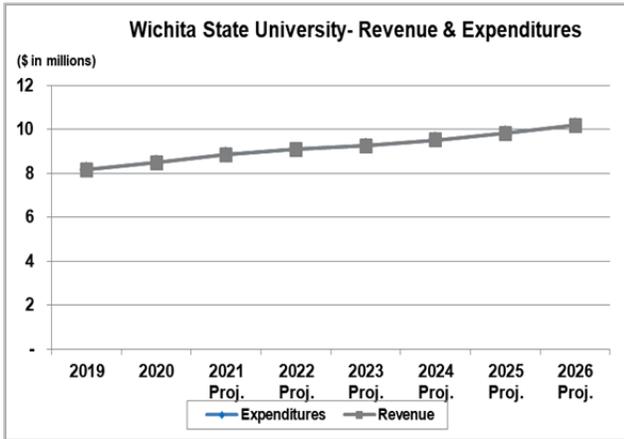
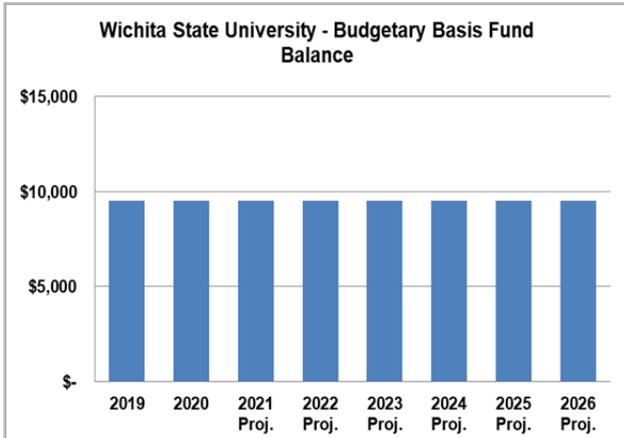
- Reclassification of 1,637 positions as well as a 2.0 percent GPA for all other positions
- A 3.0 percent increase in employer contributions for health insurance premiums
- Additional funding for the 27<sup>th</sup> pay period in 2022
- Addition of 1.0 FTE Grant Administrator position in the Division of Finance
- Addition of 2.0 FTEs for the County Appraiser’s Office
- Addition of 1.0 FTE Chief Pathology Assistant for the Regional Forensic Science Center (RFSC)
- Additional funding for a Paramedic and EMT education program in EMS
- Additional funding for the first of a five-year commitment for The Kansas African American Museum (TKAAM) for a capital campaign
- Additional funding for Senior Centers
- Funding for Technology Review Board projects to centralize the process of managing information technology
- \$2.8 million for other County facility capital improvement projects

### Major fiscal challenges:

- Addressing the ongoing economic impacts of the COVID-19 pandemic while maintaining a prudent fund balance
- 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

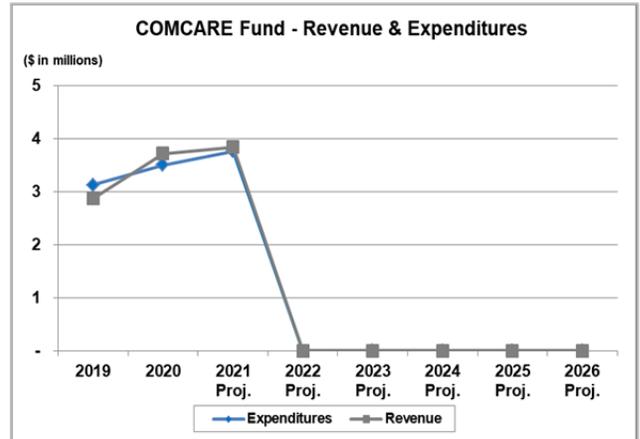
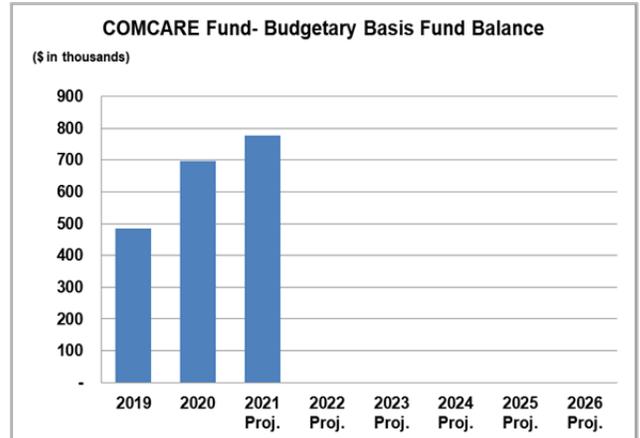
This Fund is discussed more fully in the “County General Fund Forecast” section of this document.

**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.

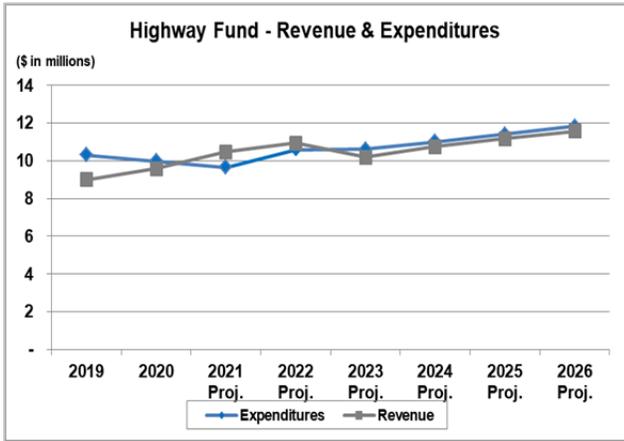
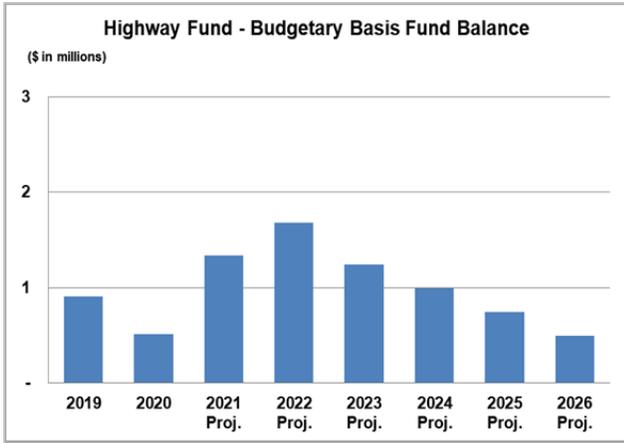
**COMCARE Fund**



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 was consolidated into the General Fund starting in 2022.

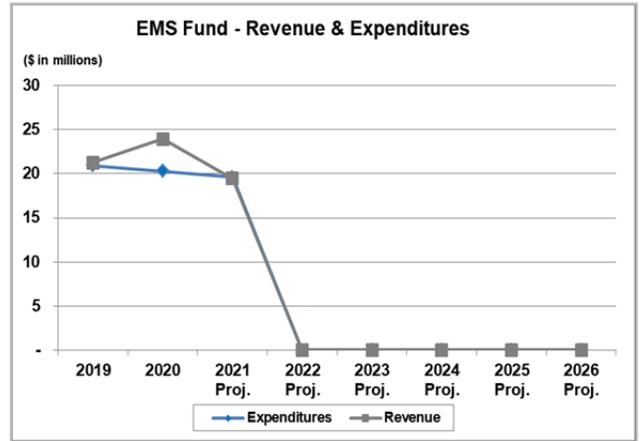
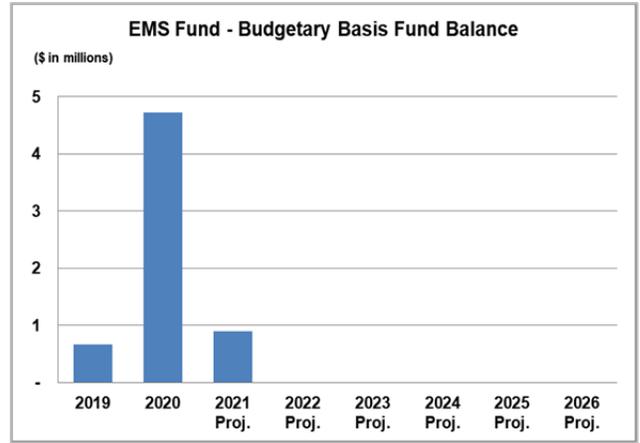
**Highway Fund**



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.

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

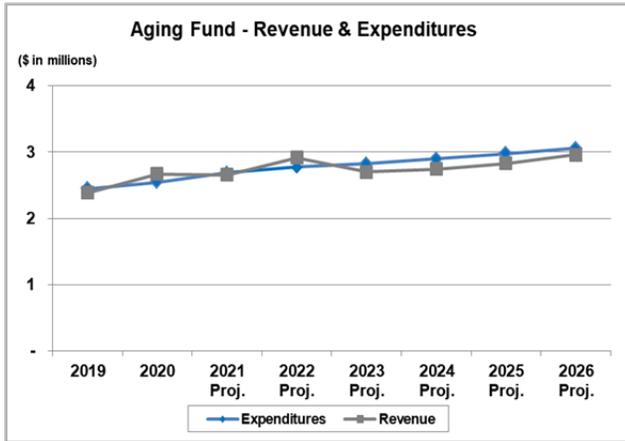
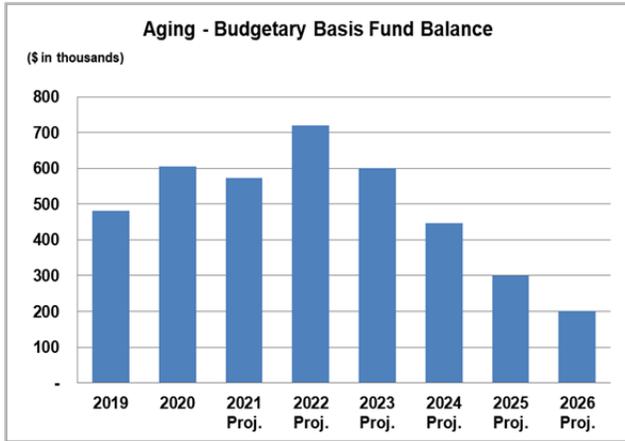
**Emergency Medical Services Fund**



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.

This fund was consolidated into the General Fund starting in 2022.

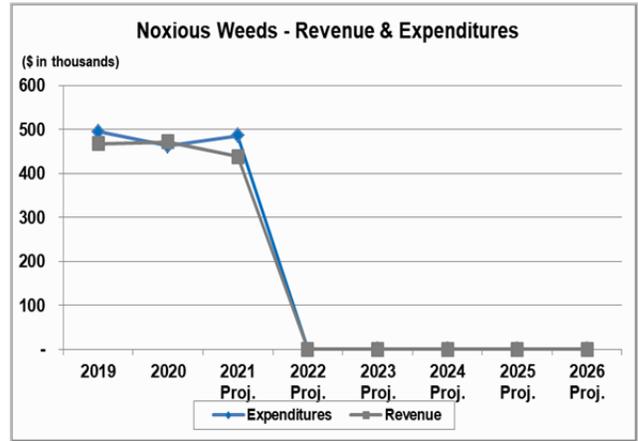
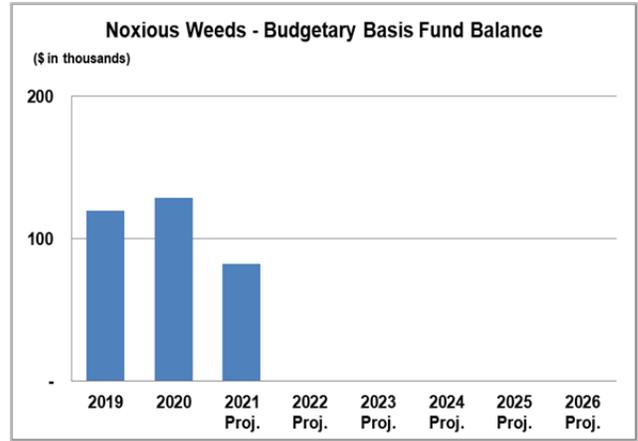
**Aging Fund**



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.

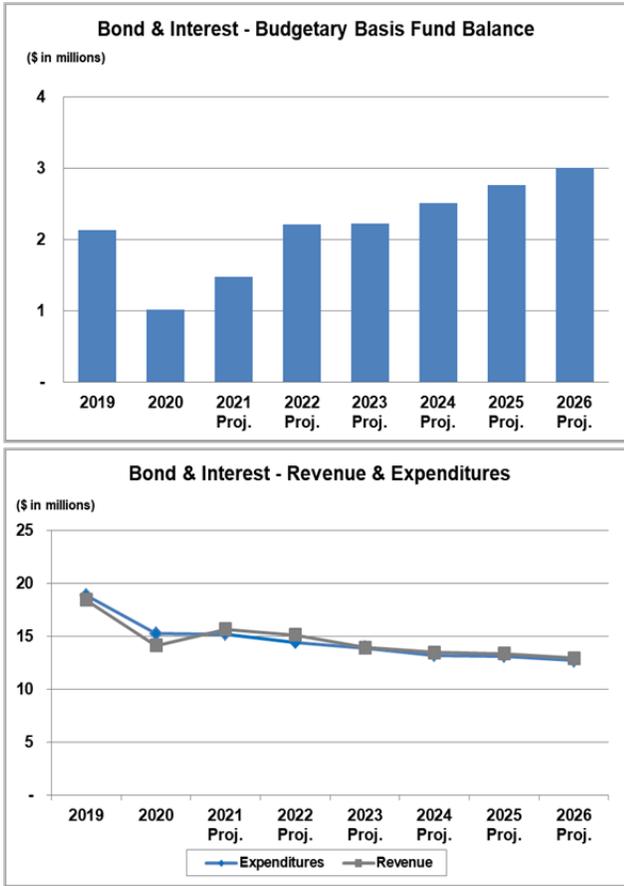
**Noxious Weeds Fund**



The Noxious Weeds Department was established to eradicate and control noxious weeds as required by K.S.A. 2-1318.

This fund was consolidated into the General Fund starting in 2022.

**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 \$3.0 million.

	Actual						Estimates					
	2018	2019	2020	2021	2022	2023	2024	2025	2026			
1 <b>Beginning Fund Balance</b>	73,961,006	75,217,366	76,944,993	103,976,110	98,460,896	95,698,655	92,730,043	89,982,488	85,800,917			
2 <b>Operating Revenue</b>												
3 <b>Taxes</b>												
4 Current property taxes	194,870,931	191,237,078	197,952,358	207,542,562	212,328,531	216,154,987	221,889,620	228,614,228	236,414,989			
5 Back property taxes & warrants	132,250,345	137,448,203	143,551,601	150,732,831	154,920,350	157,994,303	162,787,193	168,546,632	175,359,210			
6 Special assessment property taxes	3,159,310	3,028,157	3,089,465	3,044,980	2,990,581	2,975,801	2,961,087	2,946,438	2,931,854			
7 Motor vehicle taxes	603,665	569,093	524,606	429,263	264,574	224,888	191,154	162,481	138,109			
8 Local retail sales tax	18,961,043	19,431,850	19,617,289	19,617,279	19,903,753	20,196,856	20,493,182	20,793,952	21,099,233			
9 Local use tax	26,259,295	26,671,754	26,776,858	28,617,427	29,046,688	29,482,389	30,072,037	30,673,477	31,286,947			
10 Other taxes	3,254,814	3,699,945	4,100,886	4,829,436	4,901,878	4,975,406	5,074,914	5,176,412	5,279,940			
11 Intergovernmental	374,461	388,077	291,653	271,346	300,708	305,344	310,053	314,836	319,696			
12 Charges for service	6,096,348	5,852,768	5,403,810	6,318,094	5,768,089	5,861,965	5,912,116	5,956,906	6,004,438			
13 Reimbursements	27,725,088	29,487,766	28,865,628	29,478,673	29,838,629	30,594,781	31,373,704	32,176,141	33,002,856			
14 Use of money and property	5,845,017	5,667,036	5,668,980	5,570,707	5,701,606	4,175,947	4,320,032	4,469,140	4,623,445			
15 Other revenues	4,845,200	9,476,201	7,538,334	5,075,253	4,277,705	3,733,295	3,774,785	3,816,836	3,859,458			
16 Transfers from other funds	12,296,999	10,886,351	10,442,674	11,103,338	11,163,464	11,339,231	11,517,843	11,699,347	11,883,790			
17 <b>Total Revenue</b>	13,921,568	2,823,420	23,837,236	2,838,742	2,616,516	2,829,486	2,761,017	2,710,005	2,613,609			
18 <b>Operating Expenditures</b>	255,601,152	255,430,620	279,709,019	267,927,368	271,694,541	274,689,691	281,549,117	289,442,604	298,402,586			
19 Personnel and benefits	134,989,631	139,132,853	139,151,925	144,251,742	155,949,980	156,557,801	163,224,537	169,588,444	176,506,909			
20 Contractual services	64,881,860	66,122,963	65,873,848	80,973,021	70,786,897	73,373,864	73,692,849	76,200,944	77,620,602			
21 Debt service	17,867,734	18,979,127	15,251,327	15,195,387	14,388,816	13,894,849	13,187,506	13,106,279	12,696,585			
22 Commodities	8,059,061	7,926,962	9,327,032	8,371,574	8,146,310	7,999,881	8,518,508	8,404,887	8,886,751			
23 Capital improvements	27,375	141,676	1,583	1,131,191	1,118,285	898,535	388,373	388,835	389,310			
24 Capital outlay > \$10,000	1,392,246	1,225,494	1,245,151	1,330,906	1,118,285	24,933,374	25,284,899	25,934,786	27,003,353			
25 Transfers to other funds	27,126,883	20,173,919	21,827,036	22,188,761	24,066,494	24,933,374	25,284,899	25,934,786	27,003,353			
26 <b>Total Expenditures</b>	254,344,791	253,702,993	252,677,902	273,442,582	274,456,783	277,658,303	284,296,673	293,624,174	303,103,509			
27 <b>Operating Income</b>	1,256,360	1,727,626	27,031,117	(5,515,214)	(2,762,242)	(2,968,612)	(2,747,556)	(4,181,571)	(4,700,923)			
28 <b>Ending Fund Balance</b>	75,217,366	76,944,993	103,976,110	98,460,896	95,698,655	92,730,043	89,982,488	85,800,917	81,099,993			
29 <b>Assessed valuation</b>	4,675,741,600	4,858,132,534	5,077,374,541	5,309,726,413	5,499,916,842	5,609,915,179	5,778,212,634	5,980,450,076	6,219,668,079			
30 <b>Assessed valuation % chg.</b>	1.41%	3.90%	4.51%	4.58%	3.58%	2.00%	3.00%	3.50%	4.00%			
31 <b>Mill levy</b>	29.393	29.383	29.384	29.376	29.370	29.359	29.359	29.359	29.359			
32 <b>Mill levy change</b>	0.000	(0.010)	0.001	(0.008)	(0.006)	(0.011)	0.000	0.000	0.000			