

July 29<sup>th</sup> 2013

From: Richard Boeckman  
To: Commissioners and Barton County Taxpayers

Subj: 2014 Budget Message

Adoption of a budget by the Commissioners is one of the most significant actions taken by the Commissioners. The budget demonstrates priorities established by the Commissioners for the following year. For several years now I have identified what I view as the Commission priorities as established by the budget. Those priorities for the 2014 budget are as follows:

1. Reverse the trend of spending down cash.
2. Reverse the trend of spending down cash reserves by budgeting for year-end transfers to the County's reserve accounts.
3. Maintain a stable mill levy.
4. Provide a cost of living increase for county employees.
5. Provide for an additional pay raise for some detention officers and road patrol employees.
6. Provide funding for core county services.
7. Provide funding for supported agencies.
8. Continue to invest in county infrastructure.

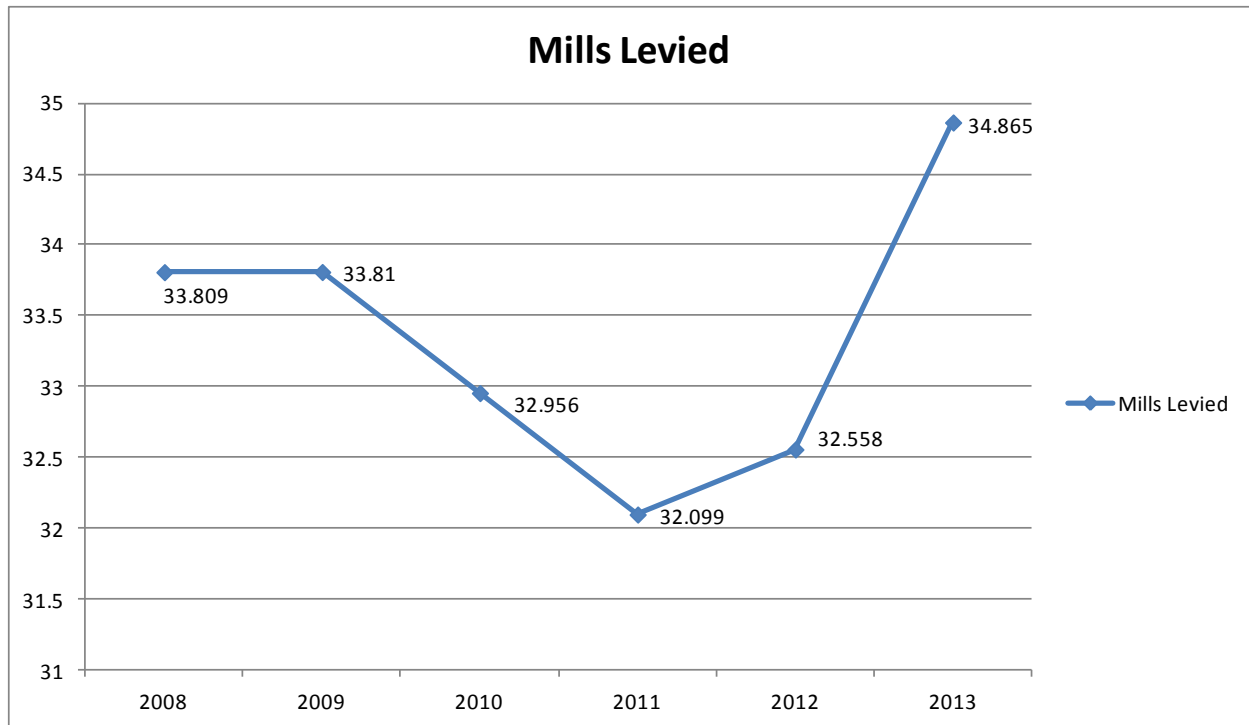
Before I discuss these goals, I want to provide a brief history.

For many years the Barton County mill levy had remained stable at approximately 33.8 mills. For the 2010 and 2011 budgets, the commissioners lowered the mill levy .854 mills and .857 mills respectively for a total mill decline of 1.711 mills. Those were years when the economy was in decline, and these decisions reflected the intent of the commissioners to ease the tax burden on Barton County taxpayers. The Commissioners did not reduce expenditures in a comparable amount. Since revenues were reduced and expenditures were not, the net result was the Commissioners started a trend to spend down cash.

Cash is one of the components in the municipal budget process. Year- end cash plus anticipated revenues equal expenditures.

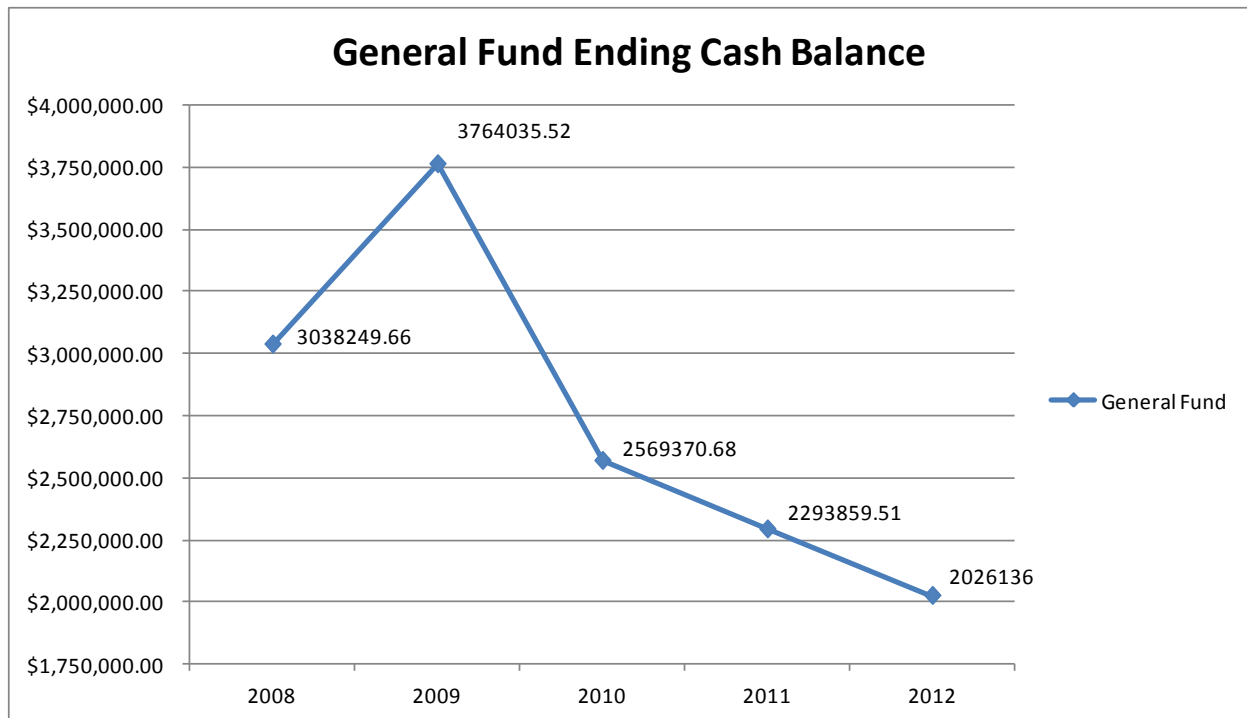
Ending year cash is important for a variety of reasons. Cash is necessary to fund the following year's budget. The county does not receive a large influx of cash until 1<sup>st</sup> half taxes in late January. Without cash carry forward the county might have difficulty paying bills in January of the next budget year. Cash also enables the county to fund its reserve accounts, the capital improvement and equipment replacement accounts. Having money in reserves is important for several reasons. First, if the county needs to make an expensive purchase, such as a road maintainer, the county can pay cash and not borrow money to do so. Some counties fund such purchases by raising the mill levy for the purchase. Raising the mill levy one year, lowering the next, and so on to fund large purchases creates a very unstable mill levy. Taxpayers prefer the predictability of a stable mill levy.

With this background I want to provide you some history, easily demonstrated in charts. First I will show you the history of the mill levy from 2008 through 2013.



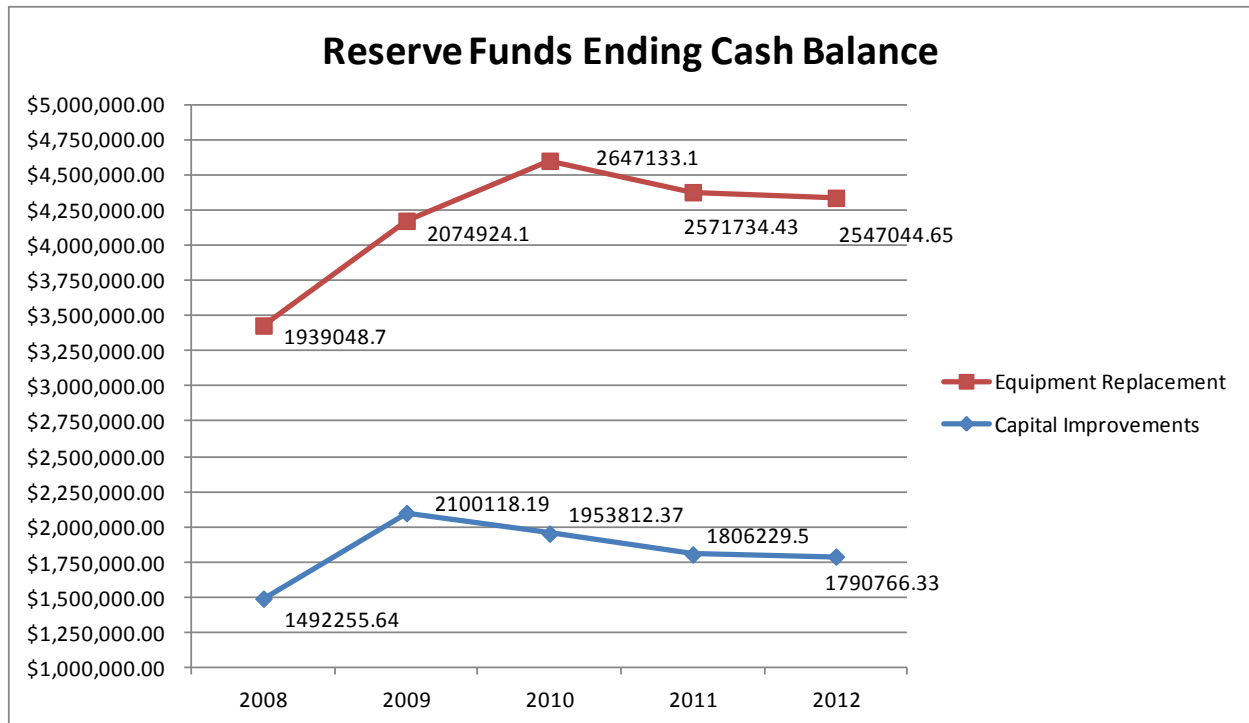
The chart from 2008 through 2009 shows a stable mill levy. For about 5 years before 2008 the mill levy had been stable at about 33.8 mills. In 2010 and 2011 the mill levy dropped by 1.711 mills. There was a slight increase in 2012, primarily due to adjustments in the final valuation. For the 2013 budget the commissioners raised the mill levy an effective rate of 2.307 mills.

The result of reducing the mill levy and not reducing expenditures was to spend down cash. This trend is easily demonstrated in the chart showing history of ending year general fund cash balances for the same years.



The previous chart does not require a lot of explanation. When the mill levy stayed stable the County had adequate cash. When the mill levy was reduced but expenditures were not reduced at a comparable rate, cash was spent to make up the difference. From 2009 through 2012, the County spent down cash by \$1,737,899.00. While figures are not available, I think the decision to raise the mill levy last year will cause the ending cash balance to increase for the first time since 2009.

The impact on County reserves can be seen by the next chart, which shows the history of these funds over the same time period.



Recall that impacts on these funds will follow the budget decisions by 18 months. Results of decisions made in July 2013 will not be seen until December 2014. With that explanation it is clear that the balances in the general fund reserve funds peaked in 2010 for equipment replacement and in 2009 for capital improvement, and balances in those funds have declined since then. The funds are still healthy, but the concern is with the trend – one cannot continually spend down cash and reserves without adversely impacting the budget.

The commissioners realized this trend could not continue and raised the mill levy last year. The impact on the 2014 budget is significant. A mill in 2014 will be worth \$273,463.00. The value of that mill in the 2014 budget is computed by multiplying the mill levy increase of 2.307 x \$273,463.00 for the revenue increase of \$630,880.00. Add to that the additional revenue of \$165,000.00 attributable to an increase in valuation and there is approximately \$795,880.00 additional revenue in the 2014 budget. I think that additional revenue made 2014 budget decisions easier for the commissioners.

The estimated 2014 budget anticipates total expenditures of \$19,289,119.00. Of that \$9,739,121.00 is funded by the ad valorem tax. Ad valorem tax will contribute 50 ½% of the revenue for the 2014 budget. This results in an estimated mill rate of 35.615 mills, an increase of .75 mills.

The next chart demonstrates these figures

	2012		2013		Proposed Budget 2014		
	Prior Year	Actual	Current Year	Actual	2010 Amount	Est.	
	Actual	Tax Rate*	Estimate	Tax Rate*	Expenditures	Ad Val Tax	Tax Rate*
Totals	\$ 20,552,060	32.558	\$ 18,478,186	34.865	\$ 19,289,119	\$ 9,739,121	35.615
Less Transfers	\$ 482,935		\$ 294,447		\$ 518,262		
Net Expenditure	\$ 20,069,125		\$ 18,183,738		\$ 18,770,857		
Total Tax Levied	\$ 8,376,361		\$ 9,369,413				
Assessed Value	\$ 257,270,901		\$ 268,729,682		\$ 273,463,061		
2014 Budget Compared to 2013 Budget							
	Total Budget Expenditures Increased				\$ 802,954	4.34%	
	Total Net Expenditures (Less Transfers) Increased				\$ 523,452	2.87%	
	Amount of Ad Valorem Tax Budgeted Increased				\$ 369,709	3.95%	

Because of the mill increase in the 2013 budget there is adequate revenue to finance 2014 anticipated expenditures. The mill levy increase is intended to fund a transfer at the end of 2014 to capital improvement and equipment replacement totaling \$205,097.00.

About ½ the budget is funded by the ad valorem tax. The other half comes from a variety of sources, as shown on the revenue chart. While this chart is for the general fund only, for the other major funds, including road and bridge, there are miscellaneous revenue sources that provide funding in addition to the ad valorem tax. For example, road and bridge receives approximately \$976,500 from the City and County Highway Tax.

<b>MAJOR REVENUE SOURCES - General Fund</b>		
Ad Valorem Tax	\$ 3,129,201	52%
Delinquent Tax	\$ 100,000	2%
Vehicle Taxes	\$ 345,760	6%
Neighborhood Revitalization	\$ (15,414)	0%
Sales Tax	\$ 1,744,250	29%
Compensation Use Tax	\$ 100,000	2%
Other Tax	\$ 82,001	1%
Emergency Risk Management	\$ 24,000	0%
Sheriff, Prisoner Keep, and Others	\$ 95,000	2%
Environmental Management, Fees, and Grants	\$ 8,000	0%
Register of Deeds	\$ 207,500	3%
County Attorney, Diversion, and Other Fees	\$ 12,000	0%
District Court	\$ 50,000	1%
Motor Vehicle Operating Account	\$ 40,000	1%
Other Income	\$ 83,000	1%
Interest on Idle Funds	\$ 30,000	0%
<b>Total</b>	<b>\$ 6,035,298</b>	<b>100%</b>

What do the taxpayers of the county get for their tax dollars? Barton County provides many services to the taxpayers of the county. These services include 2nd floor services. The county appraises property, sets property values, collects and distributes taxes, records deeds and other instruments, conducts elections, and performs other services that benefit all the taxing entities in Barton County since those entities do not have to provide those services. The county provides patrol officers and a jail; maintains roads and bridges; sprays noxious weeds, maintains a health department, provides 911 services for the entire county, provides a fee based landfill, and other services. The county also provides funding totaling \$538,300 to the supported agencies. Many county residents benefit from the support provided these agencies.

Many of the county services are provided through the general fund. The General Fund chart demonstrates general fund expenditures.

<b>GENERAL FUND</b>				
<b>DEPARTMENT TOTALS</b>	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Difference</b>	<b>Percentage</b>
County Commissioners	\$ 95,100	\$ 98,550	\$ 3,450	3.63%
County Clerk	\$ 197,500	\$ 288,425	\$ 90,925	46.04%
County Clerk - Election	\$ 87,850	\$ 225,015	\$ 137,165	156.14%
County Treasurer	\$ 143,700	\$ 146,350	\$ 2,650	1.84%
County Attorney	\$ 467,700	\$ 473,700	\$ 6,000	1.28%
Register of Deeds	\$ 110,150	\$ 116,980	\$ 6,830	6.20%
Sheriff	\$ 988,400	\$ 1,030,166	\$ 41,766	4.23%
Juvenile Detention	\$ 72,325	\$ 77,275	\$ 4,950	6.84%
Detention Facilities	\$ 1,123,325	\$ 1,166,835	\$ 43,510	3.87%
Appraiser	\$ 373,080	\$ 376,480	\$ 3,400	0.91%
District Clerk / District Expenses	\$ 380,600	\$ 407,363	\$ 26,763	7.03%
Courthouse General	\$ 607,500	\$ 875,602	\$ 268,102	44.13%
Facilities Maintenance	\$ 191,700	\$ 194,900	\$ 3,200	1.67%
Administrator	\$ 291,600	\$ 289,200	\$ (2,400)	-0.82%
Information Technology	\$ 186,000	\$ 177,700	\$ (8,300)	-4.46%
Finance General	\$ 457,550	\$ 473,300	\$ 15,750	3.44%
Emergency / Risk Management	\$ 61,325	\$ 62,575	\$ 1,250	2.04%
Engineering	\$ 194,700	\$ 198,150	\$ 3,450	1.77%
Records Maintenance	\$ 87,675	\$ -	\$ (87,675)	-100.00%
Environmental Management	\$ 84,025	\$ 85,525	\$ 1,500	1.79%
Communications	\$ 516,825	\$ 526,175	\$ 9,350	1.81%
<b>Total</b>	<b>\$ 6,718,630</b>	<b>\$ 7,290,266</b>	<b>\$ 571,636</b>	<b>8.51%</b>

Some observations are in order. The 2014 budget does include a pay raise for all employees of 25 cents. This is equivalent to a cost of living increase of about 1.6%, which mirrors the inflation rate when the budget was put together in May and June. That increase accounts for many, but not all, the increases in department funding. All county departments experienced a reduction in expenditures of 5% in the 2010 budget, and another 5% in the 2011 budget. For most departments, excluding pay, there has not been any increase in expenditures since 2011 so most county departments experience less real spending than in 2009. The same is true for supported agencies. A notable exception is road and bridge. That department has received increases over the past several years, but much of those increases are attributable to increased commodity costs for commodities, including road oil, needed to maintain county roads.

In 2014 the clerk will conduct primary and general elections. Election costs increase during general election years. The clerk also realizes she may need to purchase new election equipment in several years, and the county is starting to save money for that purchase in the election line. The budget includes \$70,165.00 intended as a year-end transfer to reserves to start saving for the approximate cost of \$350,000 when the purchase will be made in several years. The increase of 46% to the clerk's line occurs because the records department has been disbanded and that department budget has been transferred to the clerk, who has assumed some records functions. The District Court budget increases by \$26,000. The district court will outsource microfilming requirements and some of the district court increase is due to that outsourcing.

The Sheriff receives an increase in funding both for the sheriff and detention. Part of this is to provide proper funding for the sheriff's Global Software system, which was not budgeted properly last year. The sheriff receives additional funding to provide a pay raise above the county raise for some detention and road patrol deputies.

Courthouse General sees three specific increases. \$205,097.00 is intended to fund the year end transfer to reserves. \$41,000.00 pays for CIC software maintenance. \$22,000.00 is for longevity and sick leave buyback.

Finance General is the general fund account in which most supported agencies are listed. As the supported agency chart shows, funding for most supported agencies is anticipated to remain at 2013 levels with 2 exceptions. Those exceptions are Extension and Early Childhood Education.

AGENCY\ ACTION SUPPORTED	2012	2013	2014
Barton County Arts Council	\$ 5,000	\$ 4,000	\$ 4,000
Barton County Fair Association	\$ 24,000	\$ 24,000	\$ 24,000
Barton County Historical Society	\$ 46,500	\$ 46,500	\$ 46,500
Barton County Soil Conservation	\$ 24,650	\$ 24,650	\$ 24,650
Golden Belt Humane Society	\$ 16,250	\$ 16,250	\$ 16,250
Great Plains Development	\$ 5,500	\$ 5,500	\$ 5,500
Barton County Extension	\$ 204,250	\$ 204,250	\$ 180,000
Volunteers in Action / RSVP Medical Transport Program	\$ 7,800	\$ 8,000	\$ 8,000
Sunflower Diversified - Early Intervention	\$ 25,000	\$ 20,000	\$ 15,000
SW Kansas Agency on Aging	\$ 1,400	\$ 1,400	\$ 1,400
Prairie Enterprise Project	\$ 15,300	\$ 10,000	\$ 10,000
Ambulance - EMT Required Training	\$ 25,000	\$ -	\$ -
Teen Court	\$ 3,000	\$ 3,000	\$ 3,000
Miscellaneous Contractual	\$ 10,000	\$ 50,000	\$ 75,000
Nuisance Resolution Clean Up Expenses	\$ 5,000	\$ -	\$ -
Economic Development	\$ 43,000	\$ 30,000	\$ 50,000
Community Development - Scenic Byway	\$ 10,000	\$ 10,000	\$ 10,000
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 471,650</b>	<b>\$ 457,550</b>	<b>\$ 473,300</b>



In addition to the General Fund the county provides revenues to other departments and supported agencies. The non-general fund chart shows summarizes those budgets.

<b>NON-GENERAL FUND BUDGETS</b>				
<b>DEPARTMENT TOTALS</b>	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>Difference</b>	<b>Percentage</b>
Road and Bridge	\$ 4,525,500	\$ 4,715,000	\$ 189,500	4.19%
Noxious Weed	\$ 788,500	\$ 786,750	\$ (1,750)	-0.22%
Special Bridge	\$ 360,000	\$ 360,000	\$ -	0.00%
Employee Benefits	\$ 2,526,465	\$ 2,578,370	\$ 51,905	2.05%
Ambulance	\$ 465,850	\$ 465,850	\$ -	0.00%
Mental Health	\$ 125,000	\$ 125,000	\$ -	0.00%
Developmental Disability	\$ 100,000	\$ 80,000	\$ (20,000)	-20.00%
Health	\$ 1,347,998	\$ 1,327,468	\$ (20,530)	-1.52%
Special Liability	\$ 57,943	\$ 72,943	\$ 15,000	25.89%
Cemetery \ Memorial Parks	\$ 40,000	\$ 40,000	\$ -	0.00%
Solid Waste	\$ 1,175,500	\$ 1,180,537	\$ 5,037	0.43%

Road and Bridge increase is attributable to the increasing costs of commodities such as the sand and oil needed to maintain county roads.

Employee benefits increases due to a KPERS increase and because of the pay increase.

Developmental Disabilities decreases by \$20,000. Health decreases due to grant funding issues.

#### SUMMARY

How have the commissioner's goals been realized?

Goals 1, 2 and 3 tie together. Decisions made in 2013, and carried forward in 2014, should stop the trend to spend down cash. For the first time in many years there is a conscious decision to budget for a year end transfer to the county reserve accounts. Last year's budget decisions helped bring expenditures and revenues more in balance. This year's decisions reverse the trend to spend down reserves. A combination of these decisions may help stabilize the mill levy in coming years.

The employees have been provided a cost of living increase, and there is an additional pay increase for some detention officers and road patrol deputies.

Core services receive adequate funding to continue to provide necessary services to county residents. The same is true for the supported agencies.

Road and bridge receives an increase in its budget to keep up with commodity costs, thereby showing the commissioner's intent to maintain the county's road and bridge infrastructure. Putting money into capital improvement at the end of 2014 will have the same impact.

The 2014 budget has been a challenging one for the commissioners. The commissioners have been faced with difficult decisions. The decisions made by the commissioners in 2013 and now in 2014 likely will result in stabilizing the county's finances and will enable the county to return to the days of a stable mill levy.