

Board of County Commissioners Budget Retreat

March 30, 2023



Agenda

- 1:00 - 2:00 Financial Overview
- 2:00 - 2:45 Breakout Groups
- 2:45 - 3:15 Discussion/Conclusion
- 3:15 - 4:00 BOCC/CMO

Upcoming Calendar

- March 30 BOCC Budget Retreat
- April 6 Salary adjustments/market alignment for Johnson County targeted jobs
- May 18 County Manager Proposed Budget
- *June/July* *Budget open houses (2)*
- May 25-June 23 BOCC budget sessions
- June 29 BOCC sets maximum expenditure budget to publish
BOCC approval of salary/benefits study - new JC pay plan
BOCC approval of 2024 Med-Act (ES) step plan and interim compensation adjustments
- July 9 Proposed implementation of salary/benefits study (JC Plan) and interim Med-Act (ES) market adjustments
- August 21 County/Park/Library budget public hearing and revenue neutral rate hearing
- August 31 Budget adoption
- January 2024 Proposed implementation of Med-Act (ES) step plan

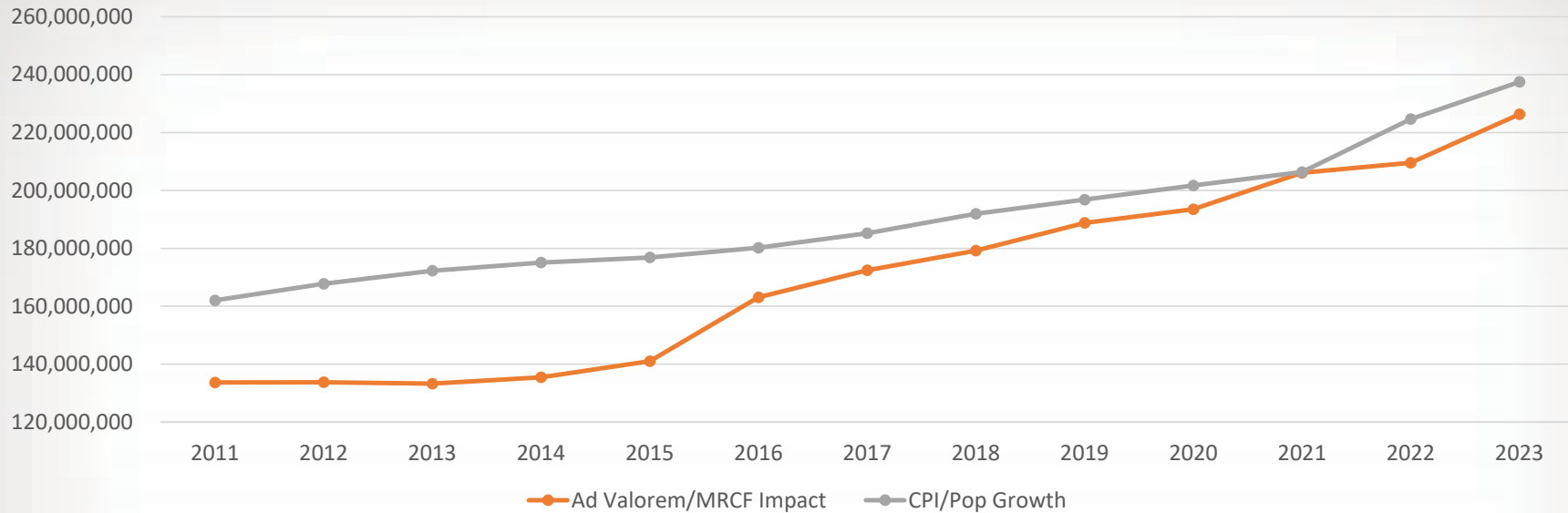
Financial Overview



Historical Information



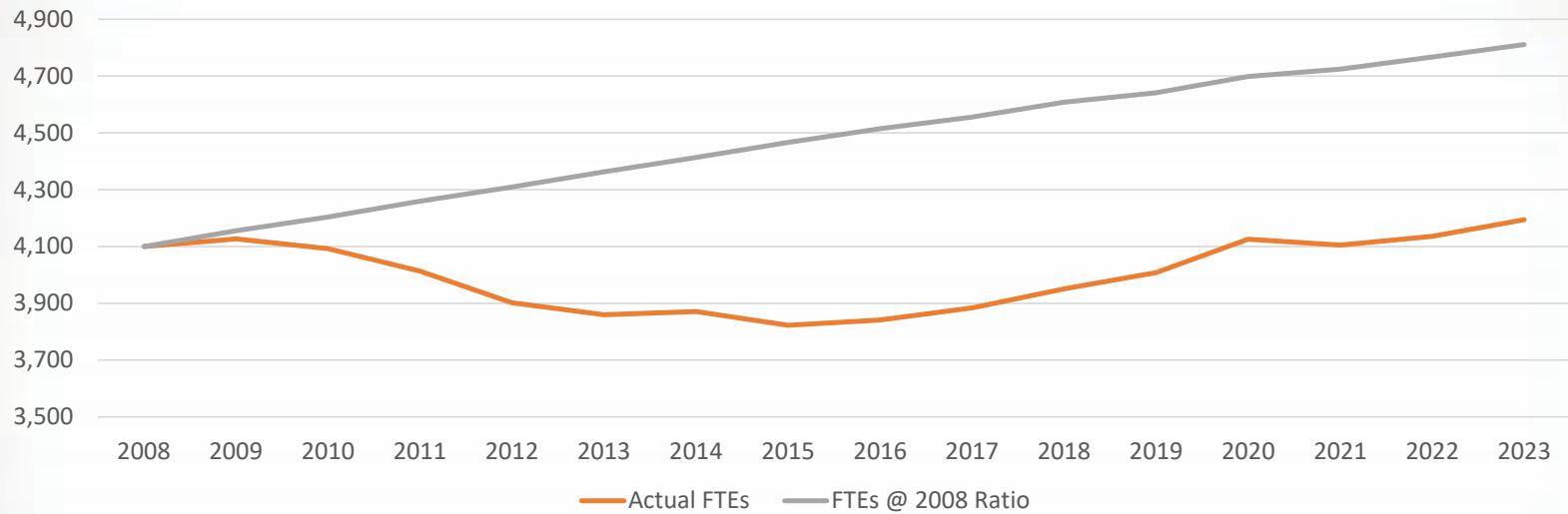
County Taxing District Ad Valorem vs. CPI/Population Growth



Surplus/Deficit (in millions) of Actual Ad Valorem net of MRCF Impact vs. CPI/Population Growth

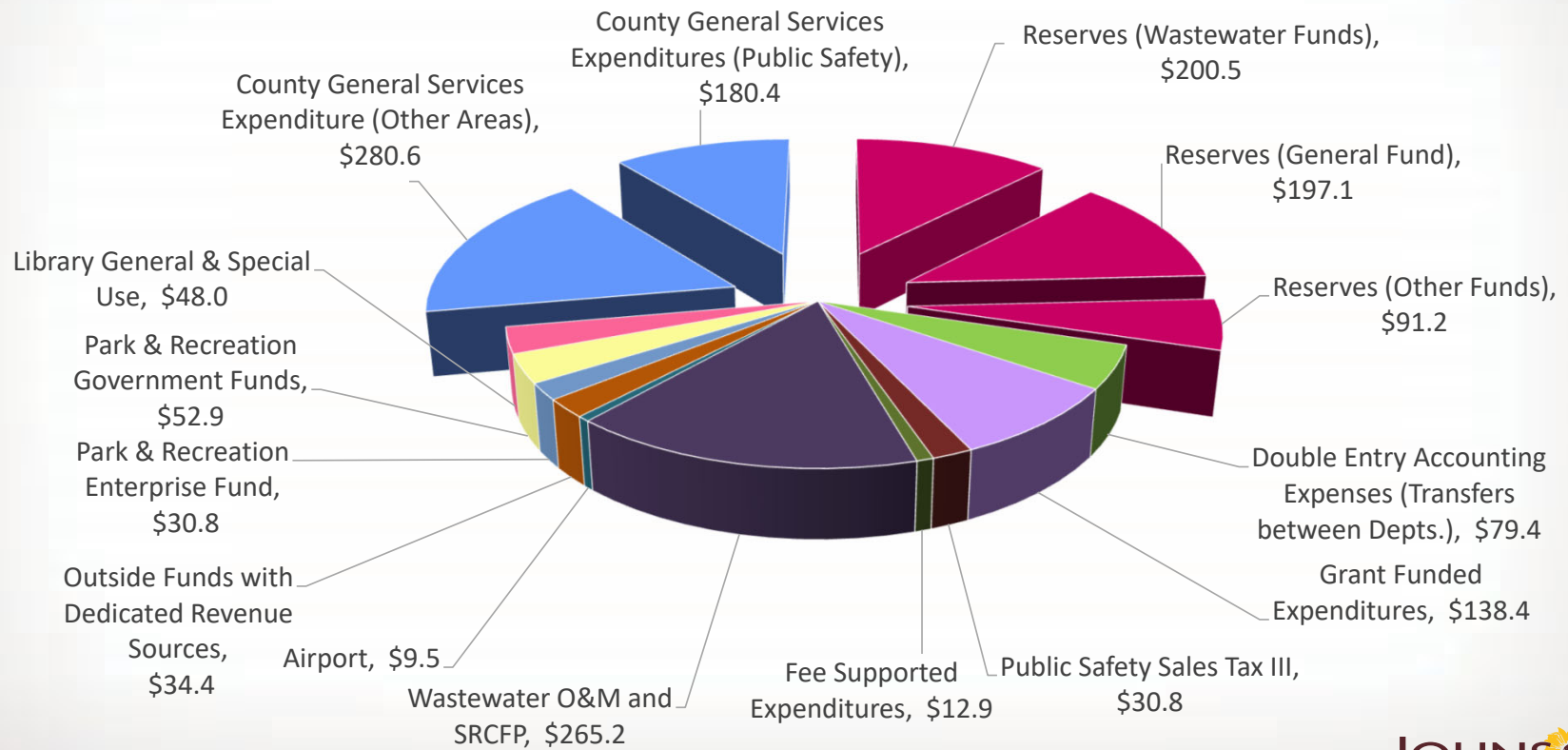
Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Annual	(28.3)	(34.0)	(39.0)	(39.6)	(35.8)	(17.1)	(12.8)	(12.7)	(8.0)	(8.2)	(0.2)	(15.1)	(11.2)
Cumulative	(43.5)	(77.6)	(116.5)	(156.1)	(191.9)	(209.0)	(221.8)	(234.5)	(242.5)	(250.7)	(250.9)	(266.0)	(277.2)

Actual FTEs vs. Population Growth

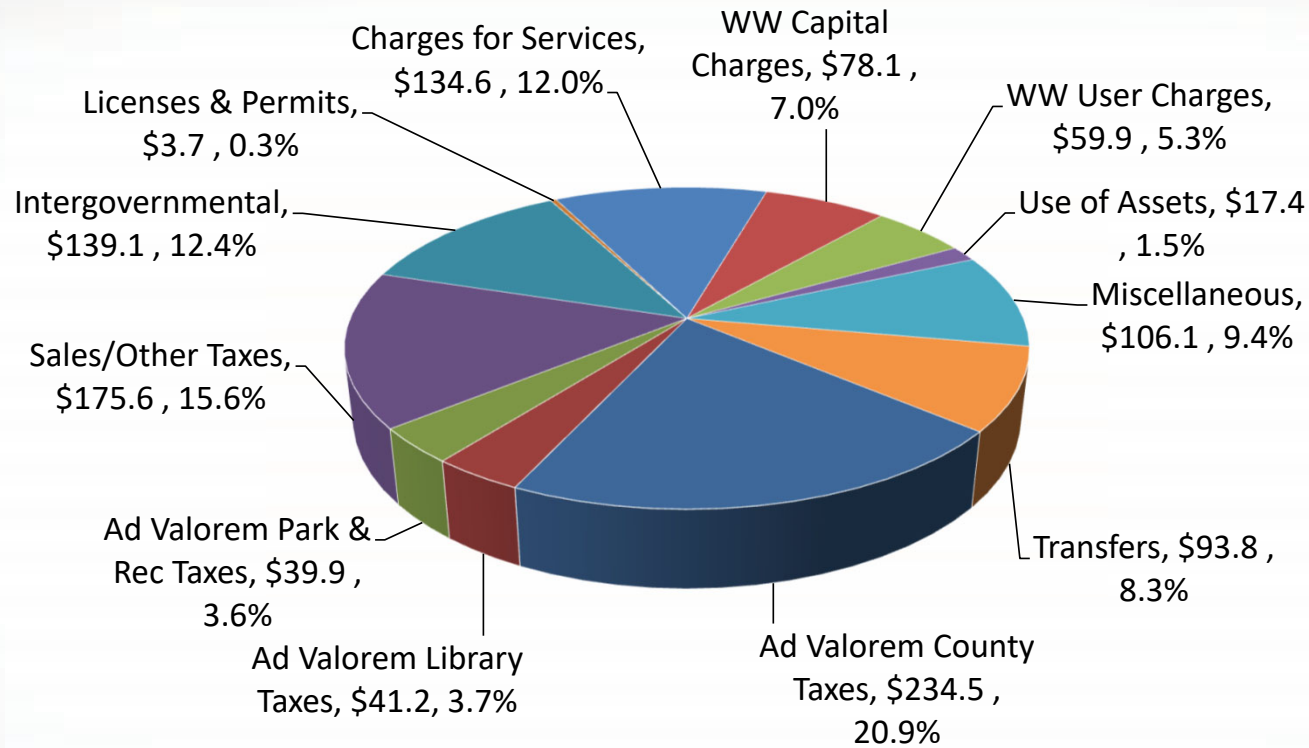


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Actual FTEs	4,100	4,127	4,093	4,013	3,902	3,860	3,871	3,822	3,841	3,884	3,951	4,008	4,126	4,105	4,136	4,194
FTEs @ 2008 Ratio	4,100	4,156	4,204	4,260	4,310	4,363	4,414	4,466	4,515	4,555	4,608	4,641	4,698	4,724	4,767	4,811
Difference	-	(48)	(111)	(246)	(408)	(503)	(543)	(644)	(674)	(671)	(657)	(633)	(573)	(619)	(631)	(617)

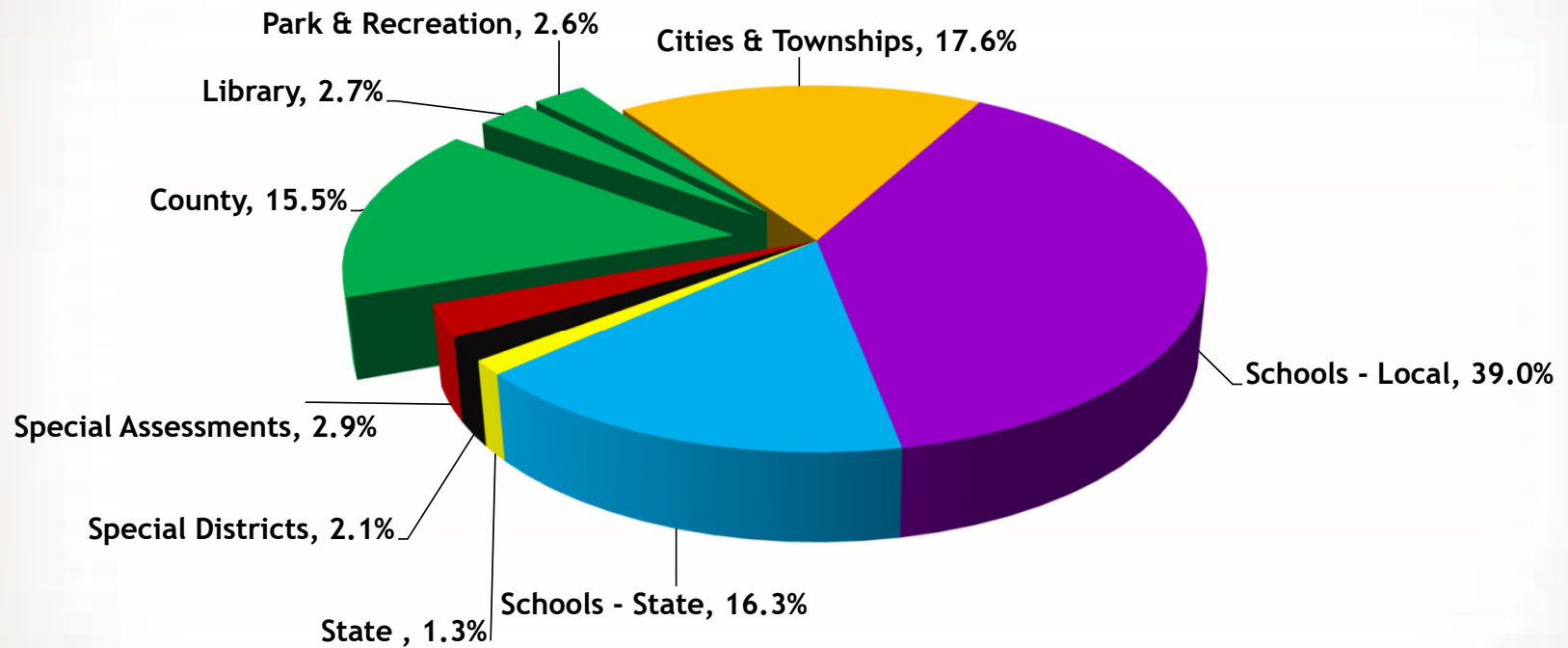
Breakdown of FY 2023 Budget (in millions)



FY 2023 Revenues in Millions and Percent



Distribution of Property Tax in Johnson County 2023



2022 County Mill Levy in Terms of % of Household Income for FY 2023 Budget

	Median Household Income*	Median Value Owner Occupied Homes*	Mill Rate	Estimated Median County Tax	County Tax as % of Household Income
Kansas County					
Johnson	\$96,059	\$294,300	17.772	\$601	0.63%
Sedgwick	\$60,593	\$153,600	29.368	\$589	0.86%
Wyandotte	\$52,366	\$116,500	37.328	\$500	0.96%
Leavenworth	\$80,853	\$207,500	35.924	\$857	1.06%
Shawnee	\$59,948	\$140,100	49.861	\$803	1.34%
Douglas	\$62,594	\$224,200	46.219	\$1,192	1.90%

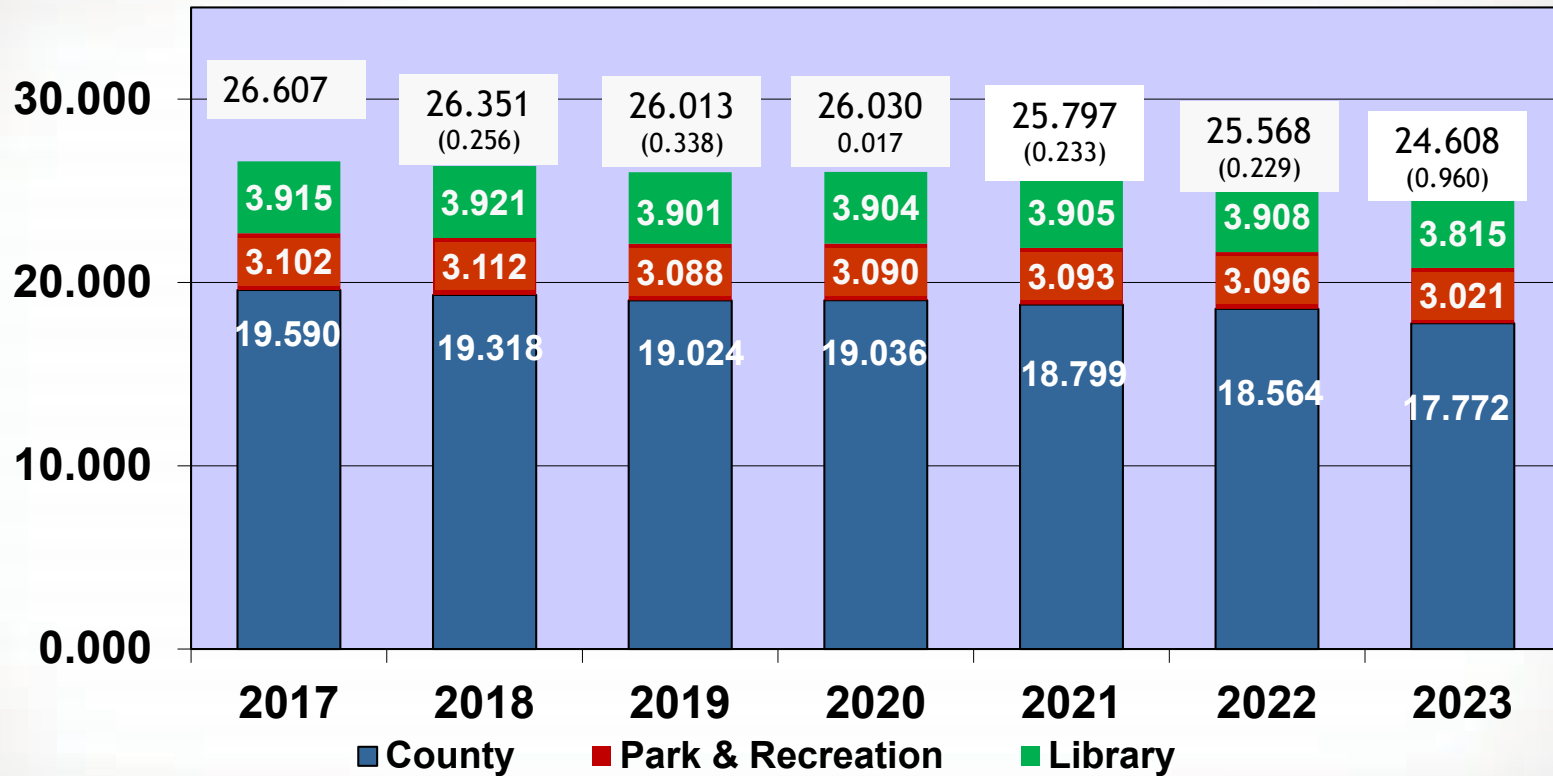
**Median Household Income and Median Value Owner Occupied Homes data is from the U.S. Census Bureau 2017-2021*

Revenues

Valuation Process - FY 2024 Estimate

	FY 2024 Estimate	% Change Compared to FY 2023
Real Property Assessed Valuation (Feb.)	14,730,631,768	12.46%
Appeals/IRBs/TIFs (Mar.-Oct.)	(130,000,000)	
Real Property Assessed Valuation (June)	14,600,631,768	11.47%
Personal Property Assessed Valuation from Appraiser (June)	59,831,057	-5.00%
Utility Property Assessed Valuation from State (June)	325,171,533	3.00%
Total Assessed Valuation for Budget	14,985,634,358	11.19%

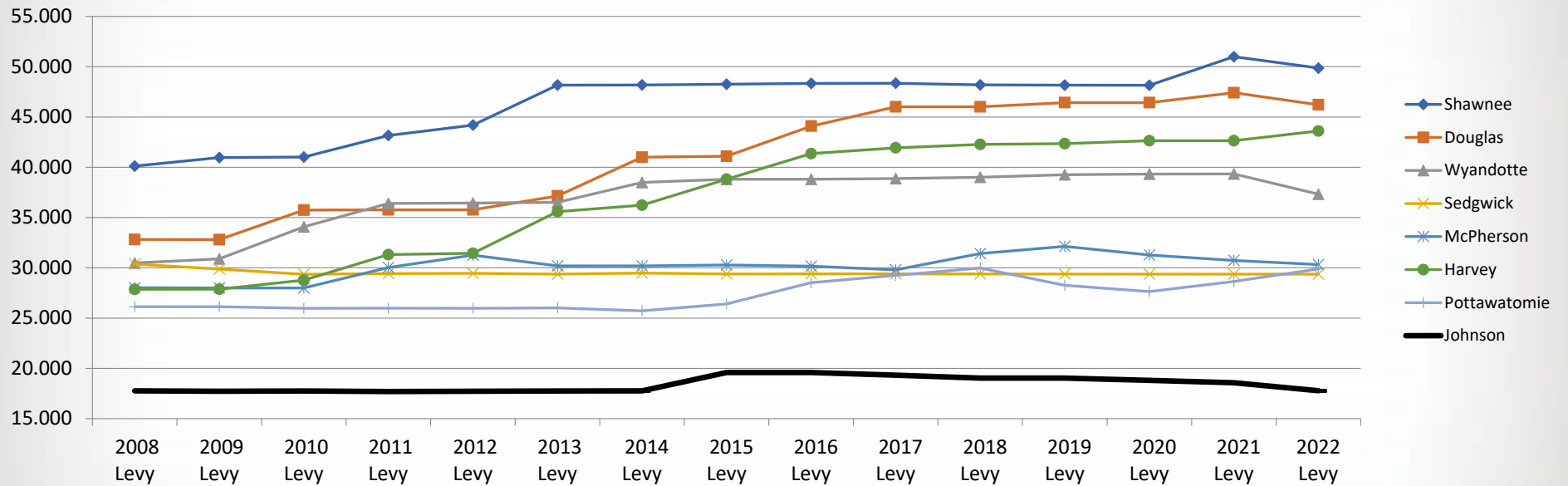
Overall County Property Tax Rates



Reduction of 1.999 mills from 2017 to 2023 including County, Parks and Recreation and Library taxing district

County Mill Levy Comparison

Kansas County Taxing District Mill Levy Comparison



*Tax year mill levy is used for following year budget cycle, e.g., 2008 levy used for FY 2009 Budget

Ad Valorem Outlook (in millions)

County Taxing District								
	2017	2018	2019	2020	2021	2022	2023	2024
Value of one mill	\$9.0	\$9.6	\$10.3	\$10.9	\$11.5	\$12.0	\$13.2	\$14.6
		6.81%	7.10%	5.61%	5.23%	4.49%	9.93%	11.19%
Actual Mill Levy	19.590	19.381	19.024	19.036	18.799	18.564	17.772	17.772
Ad Valorem	\$177.0	\$186.4	\$196.6	\$207.8	\$216.0	\$222.8	\$234.5	\$260.7
Flat Mill Levy	19.590	19.590	19.590	19.590	19.590	19.590	19.590	19.590
Ad Valorem (Flat Mill Levy)	\$177.0	\$189.1	\$202.5	\$213.8	\$225.0	\$235.1	\$258.5	\$287.4
Annual Impact to Residents		(\$2.7)	(\$5.9)	(\$6.0)	(\$9.0)	(\$12.3)	(\$24.0)	(\$26.7)
Mill levy reduction from 2017 - 2024								(1.818)
Cumulative impact of rollbacks to taxpayers								(\$86.6M)

Factors included in 2024 estimates include appeals, exemptions, TIFs, personal property and utility valuation

Ad Valorem Outlook (in millions)

Park and Recreation Taxing District					
	2020	2021	2022	2023	2024
Value of one mill	10,916,163	11,487,419	12,002,903	13,194,208	14,670,936
	5.61%	5.23%	4.49%	9.93%	11.19%
Actual Mill Levy	3.090	3.093	3.096	3.021	3.021
Ad Valorem	\$33.7M	\$35.5M	\$37.2M	\$39.9M	\$44.3M
Flat Mill Levy	3.090	3.090	3.090	3.090	3.090
Ad Valorem (Flat Mill Levy)	\$33.7M	\$35.5M	\$37.1M	\$40.8M	\$45.3M
Annual Impact to Residents		\$35k	\$72k	(\$910k)	(\$1.0M)
Mill levy reduction from 2020 - 2024					(0.069)
Cumulative impact of rollbacks to taxpayers					(\$1.8M)

Mill levy reduction from 2017-2023 is (0.081)

Ad Valorem Outlook (in millions)

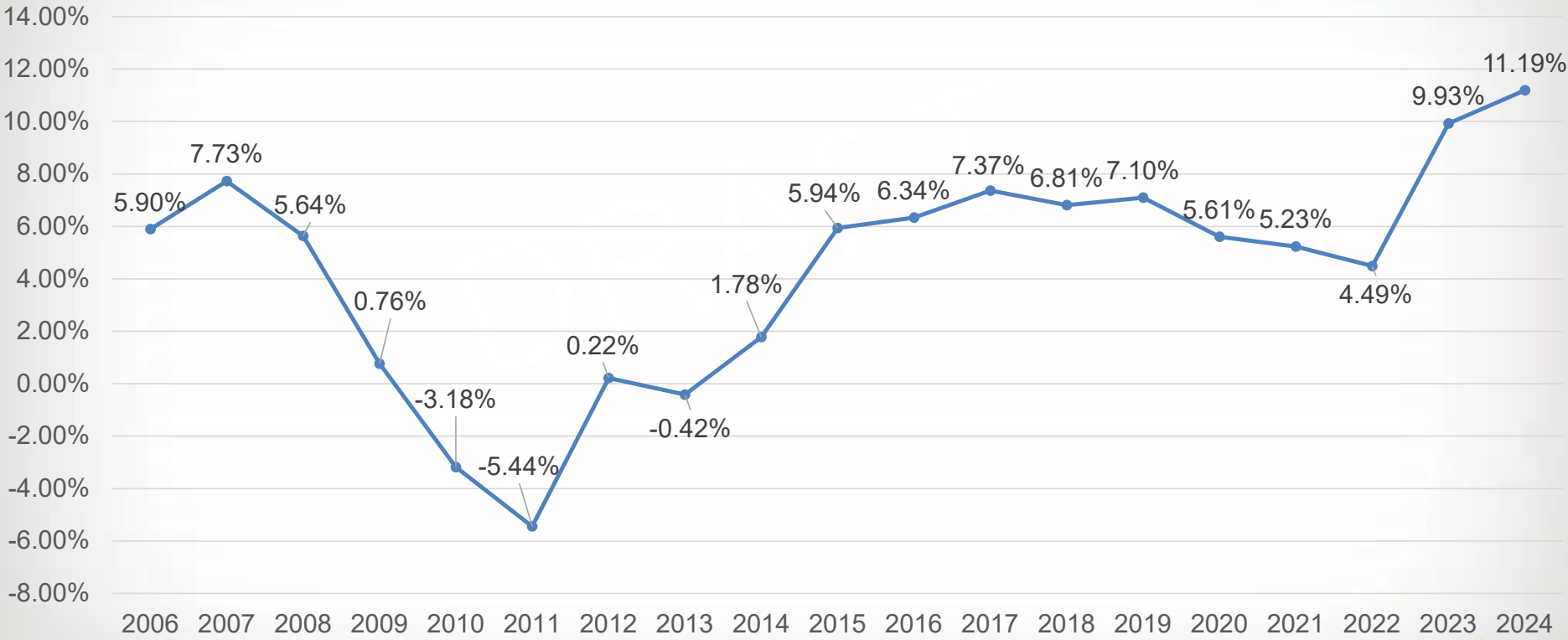
Library Taxing District					
	2020	2021	2022	2023	2024
Value of one mill	8,929,027	9,402,517	9,810,830	10,814,365	11,930,178
	5.42%	5.30%	4.34%	10.23%	10.32%
Actual Mill Levy	3.904	3.905	3.908	3.815	3.815
Ad Valorem	\$34.8	\$36.7	38.3	41.3	45.5
Flat Mill Levy	3.904	3.904	3.904	3.904	3.904
Ad Valorem (Flat Mill Levy)	\$34.8	\$36.7	\$38.3	\$42.2	\$46.6
Annual Impacts for Residents		\$0	\$0	(\$962k)	\$1.1M
Mill Levy Reduction from 2020 - 2024					(0.089)
Cumulative impact of rollbacks to taxpayers					(\$2.0M)

Mill levy reduction from 2017-2023 is (0.100)

Major Revenues (General Fund) in millions

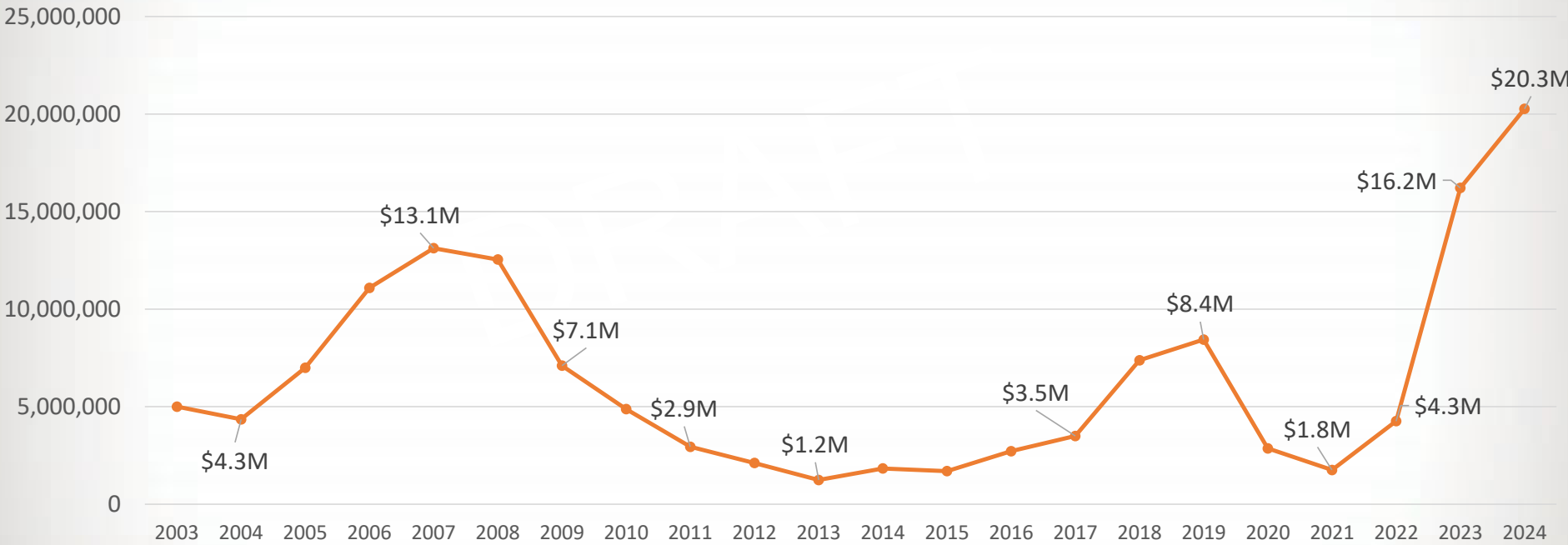
Major Revenue	2022 Actual	2023 Budget	2023 Re-estimate	2024 Budget
Motor Vehicle Tax	\$14.1	\$15.3	\$14.3	\$14.4
Sales Tax (Local/PS1/PS2)	\$63.7	\$64.3	\$66.2	\$68.2
Use Tax (Local/PS1/PS2)	\$21.4	\$20.8	\$23.6	\$25.4
Investment Interest (excluding PS3)	\$4.3	\$8.0	\$16.2	\$20.3
Recording Fees	\$5.8	\$6.0	\$6.0	\$6.0
TOTAL	\$109.3M	\$114.4M	\$126.3M	\$134.3M
Budget 2024 – Budget 2023				\$19.9M
Budget 2024 – Re-estimate 2023				\$8.0M

Assessed Valuation % Change



Investment Interest History

Investment Interest
(in millions)



Year	Actual Yield
2003	
2004	
2005	
2006	
2007	3.85%
2008	
2009	1.54%
2010	
2011	0.59%
2012	
2013	0.55%
2014	
2015	
2016	0.80%
2017	
2018	1.78%
2019	
2020	0.79%
2021	
2022	0.79%
2023	
2024	3.75%



Expenditures

Salary & Benefits Study - Summary

- In May 2022, the BOCC authorized a countywide salary and benefits study to determine if our compensation was market competitive
- The market analysis was based on the median (50th%), in accordance with BOCC policy
- The study results indicate we are below market and not competitive based on BOCC policy (median)
- The estimated cost of market alignment is within the projected five-year forecast

Total Cost Estimations by Funding Source

Funding Source	Fund	Total Est. Salary and Employer Costs
County Taxing District	General Fund, Developmental Supports, Mental Health, Public Works, Public Health	\$13,136,729*
Other Taxing Districts	Park and Recreation, Library	\$2,889,044
County Grant	General Fund, Developmental Supports, Mental Health, Public Health	\$946,500
County Fee	General Fund	\$26,389
Outside Funds	Wastewater, Airport, Fleet, Stormwater, Risk Mgmt.	\$1,374,041
Other Taxing Districts Fee	Parks Enterprise	\$517,905
Total Salary and Benefits Study		\$18,890,608
Med-Act Market Review	General Fund	\$2,600,000
Total Cost		\$21,490,608

*County Taxing District impact is \$10,068,896 for salary/benefit study with offsetting revenue and \$2,600,000 for Med-Act market review

Data effective 3/10/23; Data will be updated periodically and will change due to hires, terms and job changes

2024 Request for Additional Resources - Personnel

County Personnel Breakdown by Strategic Program Area	Total Request	Tax Support
Public Safety, Judicial & Emergency Services (39 FTE)	\$4.0 million	\$4.0 million
Health & Human Services (16 FTE)	\$1.5 million	\$0.4 million
Support Services (4 FTE)	\$0.5 million	\$0.5 million
Culture and Recreation (4 FTE)	\$0.4 million	\$0.4 million
Infrastructure (1 FTE)	\$0.2 million	\$0
TOTAL (64 FTE)	\$6.6 million	\$5.3 million

2024 Request for Additional Resources - Non-Personnel

Non-Personnel Requests	On-Going Tax Support	One-Time Use of Reserves
County Total	\$6.5 million	\$6.78 million
<i>General Fund</i>	<i>\$6.0 million</i>	<i>\$5.0 million</i>

- Of the \$6.0 million in on-going General Fund tax support, \$3.9 million is for inflationary requests

Total Requests	On-Going Tax Support
Personnel	\$5.3 million
Non-Personnel	\$6.5 million
Total Tax Support	\$11.8 million

2024 Capital Improvement Projects

Capital Improvement Projects	New CIP Funding Requested
Additional Funding in Building/Technology Maintenance Projects From Prior Year	\$5.6 million
Additional Funding for Ongoing Projects From Prior Year	\$3.0 million
One-Time Funding Requested for Studies	\$1.9 million
One-Time Funding Requests	\$6.0 million
Debt Service Funded Requests (2024 cost)	\$31.3 million
TOTAL (2024 cost only)	\$47.8 million

2024 Merit/Market Salary Budget Trends

- 2022 and 2023 actual and projected salary increases are due to:
 - Tight labor markets
 - Inflationary pressures
 - Employee retention concerns

U.S. Market Studies: 2023 Salaries Increasing

- Average projected pay increase is 4.6% *
- 76% of respondents increasing salary ranges (2%-5%) *
- 90% of organizations are giving two salary increases per year *
- Inadequate compensation is biggest reason employees are leaving *
- Salary budgets projected to increase 4.3% **
- Largest US employer, the Federal Government, increasing pay across-the-board 4.1%, plus 0.5% locality adjustment = average 4.6% increase.

* Society of Human Resources Management (SHRM)

** Conference Board 2022-2023 US Salary Increase Budget Survey

2024 Merit/Market

- Salary trend combined merit/market movement: 5.0-6.5% for FY 2024
 - Merit increase: 4-4.5%
 - Market movement: 1-2%
- Combined merit and market included in five-year forecast: 5% annually for 2024-2028 (4% Merit, 1% Market)

Estimated General Fund Balance

	FY 2022
Estimated ending balance	\$291.5M
Restricted Funds	
Less: Auxiliary Fund	(\$36.0M)
Less: <i>Public Safety Sales Tax 3</i>	(\$36.4M)
Less: <i>Other Restricted Reserves including planned use of CSF</i>	(\$64.1M)
<i>Estimated ending fund balance</i>	\$155.0M 27.4%

Other Fund Reserves

Fund	2022 Ending Fund Balance
Developmental Supports <i>(Target 8-12%)</i>	\$8.0M 27.6%
Mental Health <i>(Target 8-12%)</i>	\$9.9M 24.3%
Public Health <i>(Target 5-10%)</i>	10.1M 45.8%
Public Works <i>(Target 5-10%)</i>	\$2.4M 7.3%

Current Estimated Status

	Current 2024 Projection
Revenue	
Est. Ad Valorem Tax increase (constant mill levy)	\$26,200,000
Est. additional major revenue	\$19,900,000
Other changes	(\$1,700,000)
Available Funding	\$44,400,000
Expenditures	
Sheriff step plan impact	\$13,200,000
Salary comp study impact	\$10,100,000
Med-Act impact	\$2,600,000
Merit and Market impact (5%)	\$11,000,000
Request for additional resources/CIP (on-going)	\$7,500,000
Estimated Expenditures	\$44,400,000

Assumptions

Parameter	2024	2025	2026	2027	2028
Revenues					
Assessed Valuation*	11.19%	6.0-8.0%	4.0-6.0%	4.0-6.0%	4.0-6.0%
Motor Vehicle Tax	0.7%	3.0%	3.0%	3.0%	3.0%
Investment Int. Rate	3.75%	3.25%	2.50%	2.50%	3.00%
Sales Tax	4%	3%	2%	2%	2%
Use Tax	10%	8%	6%	6%	6%
Recording Fees	\$6.0M	\$6.0M	\$6.0M	\$6.0M	\$6.0M
Expenditures					
Merit/Market	5%	5%	5%	5%	5%
Health Care Increase	0%	3%	4%	5%	5%
On-going RARs/CIPs	\$7.5M	\$5.0M	\$5.0M	\$5.0M	\$5.0M

**Assessed Valuation after appeals, personal and utility property*

FY 2024 - FY 2028 General Fund Five Year Forecast - Flat Mill Levy 2024 (in millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Fund Balance	\$248.4 54.9%	\$232.5 49.5%	\$219.9 45.6%	\$201.1 42.5%	\$161.2 33.3%
Revenues	\$516.7	\$535.7	\$551.3	\$544.8	\$559.0
Expenditures	(\$532.6)	(\$548.3)	(\$570.1)	(\$584.7)	(\$582.9)
Use of Reserves for one-time needs	(\$15.9)	(\$9.9)	(\$9.9)	(\$9.9)	(\$9.9)
Use of Reserves to balance budget	\$0	(\$2.6)	(\$8.9)	(\$12.6)	(\$14.0)
Use of Public Safety Sales Tax III				(\$17.4)	
Ending Fund Balance	\$232.5 51.4%	\$219.9 46.8%	\$201.1 41.7%	\$161.2 34.1%	\$137.3 28.3%
Less: Restricted Reserves	(\$38.0)	(\$15.0)	(\$15.0)	(\$15.0)	(\$15.0)
Less: Auxiliary Fund	(\$36.0)	(\$36.0)	(\$36.0)	(\$36.0)	(\$36.0)
Less: Public Safety Sales Tax III	(\$36.4)	(\$36.4)	(\$36.4)	(\$19.0)	(\$19.0)
Revised Ending Reserves	\$122.1 27.0%	\$132.5 28.2%	\$113.7 23.6%	\$91.2 19.3%	\$67.3 13.9%

Assumes add'l RAR/CIP/Compensation funding \$5.0-7.5M annually (2024-2028)

FY 2024 - FY 2028 General Fund Five Year Forecast - One-Quarter (1/4) Mill Levy Rollback 2024 (in millions)

	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028
Beginning Fund Balance	\$248.4 55.3%	\$228.8 49.1%	\$212.3 44.4%	\$189.4 40.4%	\$145.1 30.2%
Revenues	\$513.0	\$531.8	\$547.2	\$540.5	\$554.4
Expenditures	(\$532.6)	(\$548.3)	(\$570.1)	(\$584.8)	(\$582.9)
Use of Reserves for one-time needs	(\$15.9)	(\$9.9)	(\$9.9)	(\$9.9)	(\$9.9)
Use of Reserves to balance budget	(\$3.7)	(\$6.6)	(\$13.0)	(\$17.0)	(\$18.6)
Use of Public Safety Sales Tax III				(\$17.4)	
Ending Fund Balance	\$228.8 51.0%	\$212.3 45.6%	\$189.4 39.6%	\$145.1 31.0%	\$116.6 24.3%
Less: Restricted Reserves	(\$38.0)	(\$15.0)	(\$15.0)	(\$15.0)	(\$15.0)
Less: Auxiliary Fund	(\$36.0)	(\$36.0)	(\$36.0)	(\$36.0)	(\$36.0)
Less: Public Safety Sales Tax III	(\$36.4)	(\$36.4)	(\$36.4)	(\$19.0)	(\$19.0)
Revised Ending Reserves	\$118.4 26.4%	\$124.9 26.8%	\$102.0 21.3%	\$75.1 16.0%	\$46.6 9.7%

Assumes add'l RAR/CIP/Compensation funding \$5.0-7.5M annually (2024-2028)

Ad Valorem Tax Impact

Original Appraised Value	Johnson County Annual Tax 24.608 mills*	Revised Appraised Value with 11% increase	Johnson County Revised Value Annual Tax 24.608 mills	Monthly Increase at Flat Mill Levy 24.608 mills	Monthly Increase at One-Quarter Mill Rollback 24.358 mills	Difference
\$250,000	\$707.48	\$277,500	\$785.30	\$6.49	\$5.82	\$0.67
\$350,000	\$990.47	\$388,500	\$1,099.42	\$9.08	\$8.15	\$0.93
\$500,000	\$1,414.96	\$555,000	\$1,570.61	\$12.97	\$11.64	\$1.33

**Johnson County includes County, Parks & Recreation and Library taxing districts*

Average appraised value for single family home for 2023 is \$470,000

Budget Strategy

Challenges

- Pressure on workforce and salaries
- Sufficient 2024 and 2025 revenues
 - 2026 - 2028 estimated revenue growth slows
- Short term vs. long term (unknown economic cycles)
- Modest other expenditure growth to stabilize budget
- Food Sales Tax
- Legislation

Budget Factors

- BOCC priorities
 - Community Survey
 - Request for additional resources/Capital improvement projects
 - Merit/Market Movement
 - Use of reserves - budget stabilization
 - Growth prioritization
-
- Further discussion and direction about compensation for proposed budget

Discussion/Questions