

Executive Summary

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Budget Message

October 1, 2013

Chairman Eilert and County Commissioners:

I am pleased to present the Johnson County operating budget and capital improvement program for FY 2014. This budget represents the culmination of almost five years work, dating back to late 2008, by the entire organization as we anticipated and navigated the Great Recession and its aftermath. The FY 2014 Budget adheres to the Board's directive to maintain a constant mill levy and makes good on the Board's longstanding goal of completely eliminating the County's structural deficit for the entirety of the Five-Year Financial Forecast. As a result of years of cost-saving measures, budget reductions, and shrinking the size of the organization, the County is finally positioned to maintain overall operations at their current level for FY 2014 and the years following with a constant mill levy. Making this achievement even more impressive is the fact that our County Taxing District Mill Levy has consistently been the lowest amongst the 105 counties in Kansas. For FY 2013, we were 8.25 mills, or 47%, below runner up Pottawatomie County, and 11.73 mills, or 66%, less than third place Sedgwick County.

After sustaining \$45 million in budget reductions and eliminating 424 full-time equivalent positions over the past four budget cycles, the FY 2014 Budget was balanced by carefully controlling expenditures in tandem with modest revenue increases brought on by an improving economy. The County's economy is gaining strength with unemployment rates below 5%, ahead of metro, state, and national levels, and the housing market coming back to life. As a result, for the first time since 2009, the budget does not include budget reductions. New expenditures in the budget were necessarily limited to only the highest priority requests, mainly reflecting increased costs associated with existing services, and employee compensation.

Throughout the past five years, our employees have shouldered a heavier burden as the County's population continued to grow, demand for services increased, and the organization shrank. As was the case with many organizations during this time, limited availability of funds led to minimal raises in some years and none in others. Recognizing the sacrifices made by our loyal employees as well the need to maintain competitiveness in an improving employment arena, the budget includes funding for a 3% merit pool for County employees and 3% step increases for Civil Service employees of the Sheriff's office. FY 2014 also marks the first year of a planned three year process to implement new employee pay ranges as a result of the Total Remuneration Study authorized by the Board this past year.

This budget reflects our organizational commitment to the Board's goal of providing the best possible services at the least amount of cost. It also characterizes an organization coming to terms with five years of difficult times, looking forward to recovery, and the challenges that await us.

Mission Accomplished: Entire Five-Year Forecast Balanced

In early 2010, the Board of County Commissioners issued a directive and a challenge to County staff: Balance the upcoming 2011 Budget with no mill levy increase and eliminate the deficits in the out years of the five-year forecast in three years while yet holding the levy constant. The challenge came while the

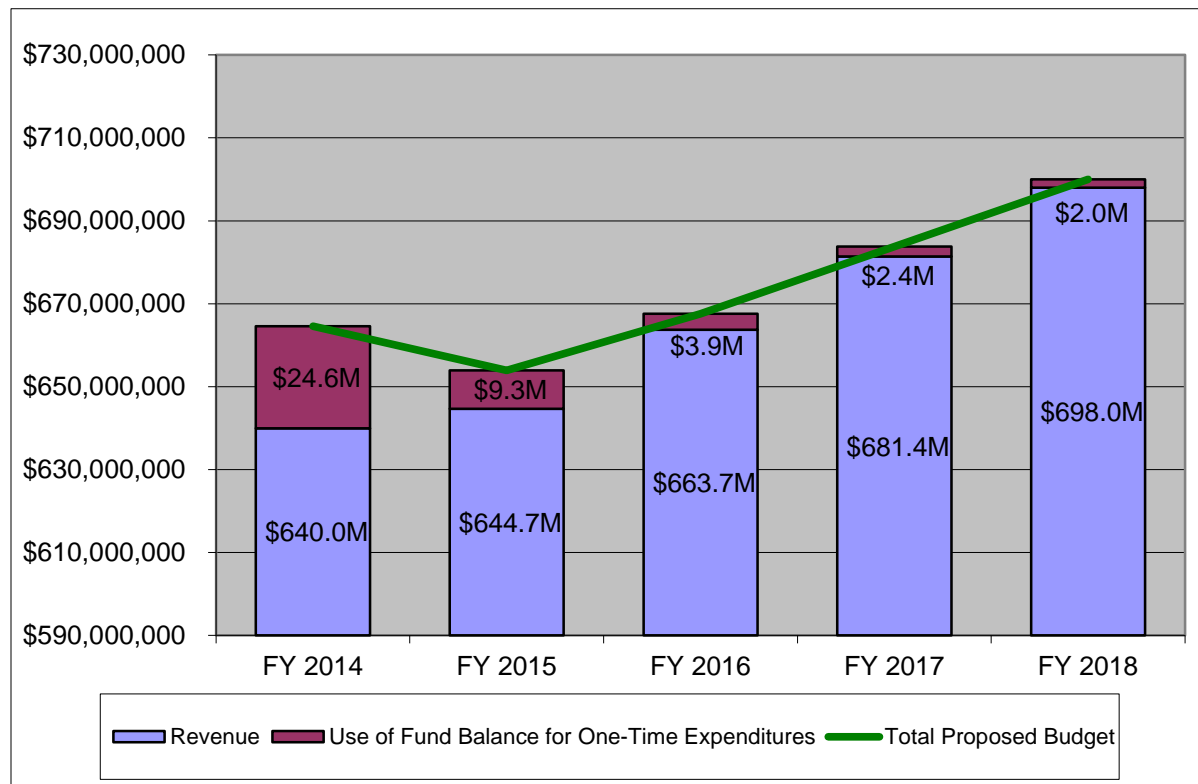
County was facing on-going, significant annual revenue shortfalls for the duration of the five years forecasted. At the same time, the Board gave County Management increased autonomy in how to accomplish the task. Despite the deficit, raises would be allowed so long as expenditures overall were kept in line with revenues and wholesale layoffs were avoided. Across the County, departments came to agreement on the organization's guiding principles for achieving the Board's goals and in developing the tools necessary to achieve the reductions necessary to eliminate the County's structural deficit.

As the years progressed and the cuts took a greater toll, the organization held fast to its values. We continued to develop departmental budget reductions collectively while simultaneously looking at County-wide solutions. A comprehensive analysis of the County's organizational structure was conducted and led to the realignment of work processes, including the elimination of some programs and the mergers of several departments. This led to increased efficiencies and a streamlined organizational structure.

The compounding effect of the years of budget reductions also led to greater risk taking with regard to the types of budget reductions taken. A vacancy pool with 20 FTEs (full-time equivalent positions) was established to make it more feasible for departments to take on greater risk in order to make deeper cuts to their budgets and more significant changes to their departments. Thus far, the vacancy pool was utilized most heavily as a result of the new State of Kansas MVS System created significant workload increases at the County level, and we were forced to add 8 FTEs from the pool and backfill 6 previously vacant positions to alleviate the longer wait times that ensued. While the DMV issues have been addressed, several departments may need increased County support or further restructuring in the future as we continue to monitor the overall impact of the recession.

While many challenges remain, and our focus must always be on the future, I am extremely proud of this organization for working together, tirelessly, creatively, to eliminate the County's structural deficit. Achieving this goal was no small feat. I want to recognize this and extend my sincere thanks to the entire organization on a job well done. Thank you.

Five-Year Financial Forecast: No Deficit!



Future Challenges

There are a number of challenges facing the County, some of which will likely need to be addressed much sooner than others. One of the more urgent of these involves **Mental Health's** revenues, specifically in the fee for services area, which are running far behind projections. The fee shortfall is exacerbating the strain brought on by budget reductions to the point where there is now a need for funds to be transferred in from the General Fund in the current year. Mental Health did request on-going increased County support for FY 2014, but until such time as their fee revenues can be stabilized, a one-time transfer is recommended.

The second urgent issue involves improvements to the existing **courthouse** brought on by a lack of sufficient and appropriate space for the courts and associated functions, the inability to provide for programmatic growth, significant security problems and a general substandard accommodation for public use. Determining a funding plan, the timing, and the best option for the courthouse has been identified as a priority for the Board after concluding the FY 2014 budget process.

The third urgent issue from a capital project standpoint is investment in **Library and Park & Recreation** Projects. For the Library, the constraints of a constant mill levy limit projected capital funding to maintenance and basic renovation projects. Major requests outlined in their long range master plan for both new and replacement branches, as well as a significant expansion total \$60.8 million and fall outside of available funding. Similarly, the Park & Recreation District has only been able to identify \$8.5 million in available funding within their current mill levy, thus leaving unfunded approximately \$58.2 million in projects identified in their MAP2020 plan.

Finally, as an agent of the **State of Kansas**, many County functions are tied to State mandates and funding. Human Services departments, as well as Corrections have been particularly impacted by budget difficulties in Topeka. Future state funding is vulnerable in these areas.

Beyond funding issues for Mental Health and potential State cuts, **Human Services** overall continue to see increases in demand driven by a number of factors, including aging Baby Boomers, increased poverty, and overall population growth. Given limited County resources after years of challenging budgets, many areas are stretched to capacity. Maintaining the County's safety net going forward will be a challenge for the foreseeable future.

2014 Budget Summary

The FY 2014 Budget is \$837.4 million, comprised of \$664.6 million in expenditures and \$172.8 million in reserves. Budgeted expenditures are down by approximately \$5.1 million from FY 2013.

A total of 3,871.01 FTEs is included in the FY 2014 Budget, an increase of 10.99 FTEs from the FY 2013 budget of 3,860.02 FTEs. The overall change in FTEs from the prior year consists of 2.5 new FTE, funded with fees in the budget, as well as positions added outside of the budget process through the addition and deletion of grant and seasonal positions.

The FY 2014 Budget includes \$2.6 million in on-going request for additional resources, with \$400,000 funded with tax support. There is approximately \$1.1 million in one-time requests for additional resources. The needs of the community often grow during an economic downturn. Holding the line on requests for additional resources and reallocating internally to meet the needs of the organization and the community was a difficult, but necessary part of developing the FY 2014 Budget.

Aligning excess reserves with one-time expenditures is a key strategy to balancing budgets in each year of the Five Year Forecast, as well as the FY 2014 Budget. The use of \$21.1 million in excess reserves to fund one-time expenditures has been included in the FY 2014 Budget, as well as \$3.5 to spend down Public Safety Sales Tax II reserves.

Beginning in 2013, the EDU charge, which provides funding for major capital expenditures and the associated debt service, was transitioned off of the tax rolls to customer bills alongside the bi-monthly user charges that fund Operations and Maintenance. In 2014, customers will receive a true combined bill wherein the former EDU portion is replaced with a capital finance charge based on similar criteria used for the Operations and Maintenance user charges. The FY 2014 increase will be 6.5% over FY 2013 rates. The rate increase is driven by inflationary pressures such as increased costs associated with electricity, fuel, chemicals, and the inter-local agreement with Kansas City, Missouri, which comprise a major portion of JCW's budget. Even with the increases, JCW rates remain among the lowest of the six major metropolitan area sewer providers.

Also included in the FY 2014 Budget is the FY 2014 - 2018 Capital Improvement Plan (CIP). The FY 2014 CIP is \$110.7 million. Excluding Stormwater, Wastewater and other projects that have dedicated funding sources, the FY 2014 CIP includes a total of \$23.2 million for various capital projects. To finance portions of the FY 2014 Capital Improvement Program, staff attempted to align one-time revenues with one-time capital needs. Approximately \$5.7 million in one-time resources from the General Fund Reserve was identified to finance a number of capital projects. Information on specific projects is included in the CIP section of the Overview and department sections.

Multi – Year Financial Forecast and Plan for the Future

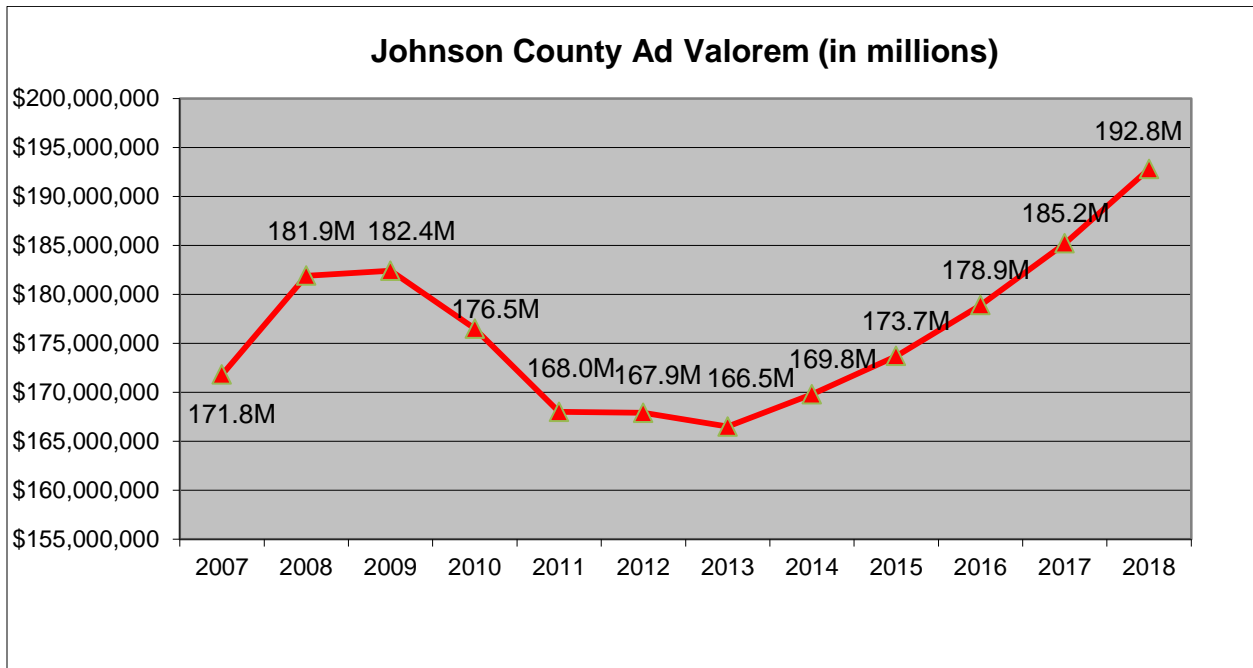
In conjunction with the chart above detailing the County's projected revenue and expense for the next five years, the chart below shows projected fund balances for the County's General Fund for the same period of time. During FY 2012 and FY 2013, the County is utilizing substantial General Fund reserves for spend down of \$12.9 million in Public Safety Sales Tax II and \$17.2 million to fund one-time capital needs. In future years, there will be less funding available for one-time capital projects unless the County experiences operating surpluses.

Projected Fund Balances for General Fund

Fiscal Year	Projected Ending Fund Balance (\$)	Projected Ending Fund Balance (%)
2014	\$70.1 million	27.2%
2015	\$62.5 million	23.7%
2016	\$59.5 million	21.7%
2017	\$58.1 million	20.5%
2018	\$57.1 million	20.0%

In February, 2013, the Board adopted a revision to the General Fund reserve policy that would adjust the percentages reserved and the elements used for the calculation. As a general guideline, the policy calculation is expected to generate a reserve amount that ranges between 20% and 25% of estimated General Fund net revenues. In keeping with past Board direction, the multi-year budget projection gradually draws down the General Fund balance reserve to the policy minimum.

As noted thus far, the County's financial house overall and General Fund specifically are in excellent shape. The organization, however, has shrunk over the past five years and overcome numerous challenges so that we could maintain a constant mill levy throughout the recession and ensuing years. Reviewing both the history and future projections for ad valorem, the County's largest revenue, is quite illuminating.



According to current projections, it will be 2017 before ad valorem reaches the pre-recession levels of 2008. While not all revenues have declined as much as ad valorem, it nonetheless gives a sense of what the organization has endured.

Conclusion

The FY 2014 Budget reflects the Board's direction to maintain a constant mill levy and to eliminate the County's long-term structural deficit. Achieving those significant goals follows years of budget reductions and downsizing and required putting together a basic, no-frills, maintenance budget, with the knowledge that many challenges await in the coming months and years.

In conclusion, I would like to thank the Budget and Financial Planning Department, the staff in the County Manager's Office, as well as department directors and their staff for their diligent efforts in the preparation of the FY 2014 Budget. Much time and effort went into its development.

Respectfully submitted,

Hannes Zacharias
County Manager

A Brief Tour of the FY 2014 Budget

This section provides information on the organization of the FY 2014 Johnson County Budget and answers commonly asked questions.

How the Document Is Organized?

The FY 2014 Johnson County Budget document is organized into various sections, which highlight different information and areas of interest.

It is provided as a high level summary and resource that will address commonly asked questions and provide educational information for those who are new to the budget process.

Each section has a separate tab to assist the reader. Sections of the FY 2014 Johnson County Budget document are summarized below:

- **Executive Summary (Section A)**

The Executive Summary lays out for the reader the current budget situation, key areas affecting the budget, and strategic priorities. The Budget Message brings the entire budget picture together and provides an opportunity for staff to lay out where we are, how we got here, and what challenges lie ahead. Also included in this section is a Quick Reference Guide, which is provided to assist the reader in finding any information which is not included in the FY 2014 Johnson County Budget document.

- **County Profile (Section B)**

This section provides: various economic and demographic information regarding Johnson County, including factors such as population, education, and employment. In addition, an explanation of Johnson County's organizational structure is included in this section.

- **Budget Structure & Policies (Section C)**

This section is designed to provide the reader with a broad understanding of the financial and budget policies which govern Johnson County government. Additionally, this section includes information regarding the budget calendar, budget process, and basis of accounting and budgeting.

- **Budget Summary (Section D)**

This section provides a high level summary of the FY 2014 Johnson County Budget. It includes a quick overview of key budget components (FY 2014 Johnson County Budget at a Glance) and the FY 2014 Johnson County Budget by fund. In addition, this section includes detailed information on assessed valuation and mill levies.

- **Personnel & Compensation (Section E)**

This section provides information on FY 2014 Budgeted Full Time Equivalent (FTE) positions, including a listing of FTEs by agency. Also, this section contains information on the employee compensation package approved for FY 2014.

- **Multi-Year Budget Projection (Section F)**

This section forecasts estimated revenues and expenditures for FY 2013 through FY 2018, including a calculation of the amount of ad valorem tax revenue needed to balance the budget for each year. In addition, an explanation of the methodology and various assumptions used to create the projection is included.

- **Revenue Summary (Section G)**

This section provides an overview of various estimates of the County's major sources of revenue for FY 2014, including ad valorem taxes, sales taxes, motor vehicle taxes, and mortgage registration fees.

- **Capital Improvement Program (CIP) (Section H)**

This section provides an overview of the CIP, including: definition of a Capital Improvement Project (CIP), a calendar of the CIP process, details on the CIP process, how projects are prioritized and rated, the 2014-2018 rating results, the philosophy used by the CIP Review Team, and projects which are included in the FY 2014 Budget. Also included in this section is the total financial impact that the CIP has on the FY 2014 Johnson County Budget.

- **Debt Management (Section I)**

This section outlines Johnson County's existing debt policies and current debt situation as it applies to the FY 2014 Budget. A summary of State mandated debt limits is included as well as a discussion of how the level of outstanding debt issues impacts the County's financial position.

- **Strategic Programs (Section J)**

This section briefly discusses Johnson County's six strategic program areas and lists the County agencies and departments that make up each strategic program area. Additionally, this section lists the five agencies or departments in each program area with the largest budgeted expenditures in the FY 2014 Budget.

- **Agency Budget Information (Section K-P)**

These sections provide detailed information on each agency and department for the FY 2014 budget, including mission statements, budget highlights, agency goals and objectives, major services, requests for additional resources, and CIP project requests. Please note that budget amounts in the major services for each agency or department do not include cost allocation charges and may not add up to the total agency or department budget. Agencies have been grouped into sections by strategic program as follows:

- K – Support Services
- L – Records & Taxation
- M – Public Safety, Judicial & Emergency Services
- N - Infrastructure
- O – Health & Human Services
- P – Culture & Recreation

Please refer to the Table of Contents if you have a question about where to find a specific agency or department.

- **Glossary (Section Q)**

This section contains definitions of key terms found throughout the FY 2014 Johnson County Budget which pertains to both Johnson County specifically as well as budgeting and finance as a whole. A separate section lists a number of acronyms that appear in the FY 2014 Johnson County Budget and their corresponding definitions.

Where To Find Answers To Commonly Asked Questions:

- What portion of a Johnson County citizen's tax bill goes to the County?

Explanation: Of the total property taxes a citizen in Johnson County pays in 2013, 18% fund County expenditures. Education represents the largest portion of the tax bill at 58%. Cities and Townships represent another 16%, with Special Assessments, Special Districts and the State receiving the remaining 8%.

- How much are expenditures decreasing for FY 2014?

Location: Reference **FY 2014 Budget Message, Page A.4.**

- What is the dollar amount of the general fund reserve for FY 2014?

Explanation: Approximately \$70.1 million. Additional information can be found in the **FY 2014 Budget Message** and the **Multi-Year Budget Projection** section.

- Where is a calendar outlining the FY 2014 Budget process located?

Location: Reference **Budget Structure & Policies, Pages C.7-C.8.**

- How much does one (1) mill of property tax generate in dollars?

Explanation: \$7,484,687 - County Taxing District; \$6,227,779 – Library Taxing District.

- What is the mill levy for FY 2014?

Explanation: The FY 2014 mill levy is 23.210 mills. A further breakdown can be found in the **FY 2014 Johnson County Budget Summary, Page D.47.**

- What is the total assessed valuation for Johnson County?

Location: Reference **FY 2014 Johnson County Budget Summary, Page D.46.**

- What is the average appraised value for a home and a commercial property in Johnson County?

Explanation: The average value of a residential property as of February, 2013 was \$240,000. The average value of a commercial property as of February, 2013 was \$1,477,135.

- What is the average tax impact on a \$240,000 home? On a \$1,477,135 commercial business?

Location: Reference **FY 2014 Johnson County Budget at a Glance, Page D.3.**

- How many FTEs are included in the FY 2014 budget?
 Explanation: The FY 2014 Johnson County Budget includes a maximum of 3,871.01 full-time equivalent (FTE) positions. Further information can be found in the **FY 2014 Johnson County Budget - Personnel & Compensation** section.
- How much is the average budgeted merit increase for FY 2014?
 Explanation: The average budgeted merit increase for employees with competent to superior performance is 3.0% for FY 2014.
- What revenue growth assumptions were used for FY 2014?
 Location: Reference **FY 2014 Johnson County Revenue Summary** section.
- What are the County's major revenue sources?
 Location: Reference **FY 2014 Johnson County Revenue Summary** section.
- What is the total ad valorem tax revenue for Johnson County?
 Location: Reference **FY 2014 Johnson County Revenue Summary, Page G.3.**
- What Are the Operating Impacts of the Approved CIP Projects?
 Location: Reference **Capital Improvements Program Summary, Page H.4.**
- What new CIP projects are scheduled to receive funding in FY 2014?
 Location: Reference **Capital Improvements Program Summary, Pages H.3-H.5.**
- What is the percentage of cash vs. debt for the Johnson County CIP?
 Location: Reference **Johnson County Debt Management, Page I.6.**
- What is the level of outstanding debt in Johnson County?
 Location: Reference **Johnson County Debt Management, Pages I.9 -I.14.**
- What are Strategic Programs and how do they relate to the FY 2014 Johnson County Budget?
 Location: Reference **FY 2014 Johnson County Budget by Strategic Program, Pages J.2-J.4.**
- What is cost allocation?
 Location: Reference **Glossary, Page Q.3.**

Additional Information and Quick Reference Guide

Information regarding the contents of the FY 2014 Budget can be obtained by calling the Johnson County Office of Budget and Financial Planning at 913-715-0605 (fax 913-715-0558) from 8:00 a.m. to 5:00 p.m. (Central time), Monday through Friday.

Internet Access: Summary information on the FY 2014 Budget is available at the following address:
<http://www.jocogov.org>.

Reference copies of the budget document can be viewed at:

Central Resource Library
 9875 West 87th Street
 Overland Park, KS 66212
 913-495-2400

Olathe Public Library
 201 East Park
 Olathe, KS 66061
 913-764-2259

Budget and Financial Planning
 111 South Cherry, Suite 2300
 Olathe, KS 66061
 913-715-0605

Other Johnson County Departments

Brief Description and Phone Number

AIMS	Provides mapping and geographical services 913-715-1600
Airport Commission	Air transportation and industrial real estate development 913-715-6000
Appraiser	Appraisal of County land and property 913-715-9000
Board of County Commissioners	Chief governing and policy-making body 913-715-0430
Budget and Financial Planning	Implementation and administration of annual budget and CIP 913-715-0605
Contractor Licensing	Provides testing and licensing for County building contractors 913-715-2233
Corrections	Supervision of juvenile and adult offenders 913-715-4501
County Manager	Manages County departments and services 913-715-0725
Developmental Supports	Developmental disabilities assistance 913-826-2626
District Attorney	Prosecution of law violators 913-715-3000
District Court Trustee	Enforcement of child support and maintenance 913-715-3600
District Courts	Forum for persons with disputes 913-715-3300
Election Office	Voter registration and election results 913-782-3441
Emergency Management & Communications	Dispatches responders for all fire and EMS calls; Normalization of government during disasters 913-826-1000; 913-782-3038
Facilities	Physical/environmental needs of County departments 913-715-1100
Facilities-Print Shop	Provides convenient printing needs for County departments 913-715-1385
Health & Environment	Health services, immunizations, disease control; Waste management, air control and septic systems 913-826-1200; 913-715-6900

Human Resources	Personnel training/issues 913-715-1400
Human Services	Monitors human services for all County residents and manages Community Development Block Grant (CDBG) funds 913-715-8800
Infrastructure/Public Works	Maintain and improve County roads and bridges 913-715-8300
Law Library	Legal resources and services for judges, attorneys and citizens 913-715-4154
Legal	Civil representation of County departments 913-715-1900
Library	Provides information and materials to enrich lives 913-826-4600
Med-Act	Emergency medical services 913-715-1950
Mental Health	Services for mental/emotional illness, substance abuse 913-831-2550
Motor Vehicle	Vehicle registration 913-826-1800
Museums	Collects and preserves County history 913-715-2550
Park and Recreation	Operates County parks and streamways 913-438-7275
Planning, Development & Codes	Zoning administration/code enforcement 913-715-2200
Records and Tax Administration	Custodian/recorder of land records, legal descriptions and documents 913-715-0775
Records and Tax Administration-Archives and Records Management	Storage of County/historical documents 913-715-0400
Sheriff	Law enforcement and jail operation 913-791-5800
Technology and Innovation	Computer management/support 913-715-1500
Transportation	Countywide public transportation 913-782-2210
Treasury & Financial Management	Tax billing, collection and distribution; financial and procurement services for County departments 913-715-2600; 913-715-0525
Wastewater	Sanitary sewer service 913-715-8500

For further County information, contact the County Manager's office at 913-715-0725 or the County's Constituent Services at 913-715-0450. Visit Johnson County's web site at www.jocogov.org.