

2016 BUDGET MESSAGE

The 2016 budget has been both frustrating and challenging. It has been frustrating because for the second year in a row delays by the Treasurer has caused delays with the audit. The Commissioners did not receive the audit until August 31st this year due to those delays. In adopting the budget on September 14th the Commissioners are over a month late in adopting a budget compared to most years. Last year the budget was late due to similar reasons.

The only advantage to this delay is that the Commissioners have had more time to consider a very challenging 2016 budget. The 2016 budget has been challenging because the county has a significant revenue loss for the second year in a row. The revenue loss for 2016 is more significant than in 2015. The 2016 revenue loss is just over \$1 million dollars. For the 2015 budget the revenue loss was approximately \$410,000.00. Over the past two years the county has had significant revenue losses.

As will be explained, the Commissioners have determined to hold expenditures as closely to 2015 levels as possible. In order to fund expenditures at that level, with very small expenditure increases for the 2016 budget, an increase in revenue the equivalent of 6 mills is required.

A mill in 2015 is worth \$270,067.00. A mill in 2016 will be worth \$243,232.00, a difference of \$26,836.00. This decline in the value of a mill is primarily attributable to oil and gas valuation decreases. The math is simple. $\$26,836 \times \text{the 2015 mill levy } 37.461 = \$1,005,303.00$. This means just to fund the 2016 budget at 2015 levels the mill levy must increase by 4.13 mills. There are two other factors that impact the 2016 budget. 2016 expenditures increase very slightly. The increases are primarily due to 2016 general election costs, and increased banking costs. These increased costs overall amount to \$132,120, the equivalent of .55 mill. The Commissioners are aware that other county revenues have decreased in 2015. Sales and use tax revenues are down compared to 2015, and other sources of revenue have declined. Because of less revenue in 2015, there will be less cash carry forward for 2016. Another 1.32 mills are necessary to offset lost revenues and less cash carry forward to fund the budget at a 6 mill level. To repeat to fund the budget at 2015 levels with a very small expenditure increase, 6 mills are needed.

A shortfall of one million dollars is a considerable revenue loss for Barton County. The Commissioners have considered a variety of options to address this shortfall. Those options are:

1. Reduce expenditures
2. Use reserves
3. Increase revenues
4. Use a combination of 1, 2, and 3.

I will review each of the options.

1. **REDUCE EXPENDITURES** At a commissioner/department head luncheon on July 6th I presented a plan that would have reduced expenditures across the board for all departments and supported agencies by 5%. That plan would have resulted in expenditure reductions just over \$900,000.00. I also presented to the commissioners information about expenditure reductions if commissioners reduced employee pay by 5%. That would have reduced expenditures by approximately \$450,000.00. A combination of these proposals would have reduced expenditures by a total of approximately \$1,350,000.00.

The Commissioners discussed the expenditure reductions with the department heads. Recall that in the 2010 and 2011 budgets the commissioners reduced expenditures for all departments by 5%. With several exceptions, and exclusive of payroll, those reductions have not been replaced. This means most departments have the same spending authority in 2015 as they had in 2011. We all know costs have increased over those years. Many department heads told you they could not absorb another 5% reduction in expenditures without laying off employees. Elected officials and department heads told you they already are working with a very lean work force. Laying off employees would impact the ability of departments to provide services to the citizens of Barton County.

A pay reduction presented issues. In the 2015 budget the commissioners had as a goal to increase employee wages to counter serious problems departments were experiencing to hire and retain qualified employees. In my 2015 budget message I commented that the sheriff, 911, road and bridge, and county attorney and other departments had all lost employees due to inadequate county wages. The 2015 budget contained funds to provide for a 4% increase in the wage line for raises. The sheriff has commented that for the first time in decades the county was competitive pay wise with other local law enforcement agencies. The raise boosted morale and I can see in 2015 that the quality of job applicants is improving. Reducing wages would have lost these gains and put the employees in worse condition than they were in in 2014.

These proposals were dramatic. I presented several other less dramatic expenditure reduction proposals as the budget season progressed.

With expenditure reductions road and bridge would have considerably less money to repair and replace county roads and bridges. Public safety agencies like 911 likely would lay off employees. Many of the services the County provides are mandated by statute. Those statutory mandates make it difficult to reduce those services. For example, the elected officials must perform their legally mandated duties and need employees to perform those services. Cuts to supported agencies would have been painful to those agencies and the citizens they serve.

After careful consideration and discussion the Commissioners have decided not to reduce expenditures in the 2016 budget. However, the Commissioners did decide they will not increase expenditures for 2016 over 2015 expenditures with some minor exceptions. This means there is no employee pay raise in the 2016 budget. It also means the county departments can continue to provide required and expected services, although there will be no expansion of services. The supported agencies will in almost all cases receive funding at the same levels as 2015.

The County will continue to maintain essential services but will not be expanding any essential services.

2. USE RESERVES The County presently has \$2,418,325.85 in capital improvement and \$2,088,987.71 in equipment replacement for a total of \$4,507,313.56. The county has received \$1,791,623.62 over the last two years in oil and gas valuation depletion moneys. Those moneys have helped the County's reserve position substantially. There are those who might say the Oil and Gas Valuation Depletion Fund money was intended for a situation exactly like this one. Why are the Commissioners considering a mill levy increase when the Oil and Gas Valuation Depletion Fund money could be used to fund the 2016 budget?

There are many answers to this question. Having reserves means the County can pay cash instead of borrowing money for high cost projects. The county has no debt. This saves the citizens of the county money in the long run by not having to pay interest on loans. Having cash provides flexibility and the ability to respond quickly if necessary to an emergency because money is on hand.

The best answer though is the possibility the Legislature will place a tax lid on cities and counties during the 2016 legislative session.

A tax lid was passed by the 2015 legislature. Highly summarized, the tax lid provided cities and counties could not raise new revenue without a vote of the citizens, and then provided no meaningful way for an election to occur. The legislation initially was proposed with an effective date of 2018 but was passed by the legislature with an effective date of 2016, which means it would have impacted the present budget. That legislation provided no ability whatsoever for cities and counties to prepare for the lid. The legislature recognized the flaws in this legislation and during sine die amended it to re-impose the 2018 date. This means that for the 2018 budget the Commissioners must expect a tax lid. One can hope the legislature will revisit the tax lid issue but one cannot be sure, nor can one predict with any certainty what that future legislation will look like. It could be less friendly to cities and counties than the present legislation, which in my opinion is not friendly to cities and counties at all.

One cannot predict what the legislature will do nor can one predict what will happen to county valuations in the next two years.

I think that were in not for the tax lid that the Commissioners would more aggressively use a combination of reserves and a mill levy increase to make up the shortfall. The Commissioners would be making a bet that valuations will improve and future valuation increases would help to offset the revenue loss. The present scenario, with a tax lid lurking, makes that option a very risky bet. If the Commissioners do not address the revenue shortfall and a tax lid is in place, the revenue shortfall likely could not be replaced in subsequent years. The only result in this scenario is a significant diminishment of services the county provides because the cash to pay for those services would continue to decrease as years pass.

3. INCREASE REVENUES Ultimately the 2016 budget problem is a revenue problem. The County has lost \$1 million in revenue due to valuation declines, and has lost other revenues. As I have demonstrated, the Commissioners evaluated the expenditure reduction option and for reasons stated, have determined not to use that option. Use of reserves carries with it significant risks. The issue is then how much to raise the mill levy? If the Commissioners choose to make up the revenue shortfall by a mill levy increase only, that increase will be 6 mills. The advantage to this course of action is that lost revenues are replaced. The proposed tax lid is revenue, not a mill levy, tax lid. This means if valuations increase in future years the Commissioners could not take advantage of the valuation increases to make up the shortfall without an election, and again, no one can predict if the legislature will fix the flaw in the legislation that makes an election virtually impossible. A 6 mill increase provides no new revenues. A 6 mill increase maintains the status quo. Such an increase enables the County to provide existing services but no new or extended services.

4. USE A COMBINATION OF 1, 2, and 3. The commissioners have discussed raising the mill levy 5 mills and using reserves to make up the difference – using reserves totaling \$243,232.00. This approach raises the mill levy but not as much. This approach put less of a burden on the taxpayers of the County but does not fully address the revenue issues I have outlined. The Commissioners would then not be bringing in sufficient revenue to fund the level of spending in the 2016 budget.

The attached chart shows the impact of a 5 mill increase on various properties valued at \$100,000.00.

Type of Property	Value	Current Taxes	5 Mill Increase	Taxes		
				(5 Mill Inc)	(6 Mill Inc)	
Residential (Current Levy 172.636)	100,000	1,985.31	57.50	2,042.81	69.00	2,054.31
Commercial (Current Levy 172.636)	100,000	4,316.00	125.00	4,441.00	150.00	4,466.00
Dryland in Albion Township (Typical Section - Current Levy 162.242)	43,020	2,093.89	64.53	2,158.42	77.44	2,171.33
Irrigated Land in Albion Township (Typical Section - Current Levy 162.242)	53,410	2,599.60	80.12	2,679.72	96.14	2,695.74
Native Grass Land in Albion Township (Typical Section - Current Levy 162.242)	4,910	238.98	7.37	246.35	8.84	247.82

The commissioners have had many discussions concerning the 2016 budget. Most discussion I have listened to since early June point to either a 6 mill budget increase or a 5 mill budget increase, with \$243,232.00 in reserves used to make up the difference. The Finance Officer has prepared both budgets and staff is prepared to present to you the budget you choose for signature after you vote. Both budgets are identical excepting the funding mechanism.

I will now discuss the details of the 2016 budget.

The basic formula for a municipal budget is expenditures less revenue equals the amount of mill levy money needed to fund the budget. I will work through the formula, but will do so by first addressing revenue.

REVENUES

I have already discussed with you the impact on the budget of significant valuation declines and resultant loss of revenue. Mill levy money does not fund the entire budget. There are a variety of other revenue sources.

MAJOR REVENUE SOURCES - General Fund		
Ad Valorem Tax	\$ 3,363,776	55%
Delinquent Tax	\$ 38,888	1%
Motor Vehicle Taxes	\$ 290,846	5%
Recreational Vehicle Tax	\$ 4,509	0%
16/20M Vehicle Tax	\$ 8,640	0%
Commercial Vehicle Tax	\$ 22,937	0%
Watercraft Tax	\$ 2,370	0%
Neighborhood Revitalization	\$ (38,907)	-1%
Sales Tax	\$ 1,735,000	28%
Compensation Use Tax	\$ 80,000	1%
Other Tax	\$ 77,290	1%
Emergency Risk Management	\$ 24,000	0%
Sheriff, Prisoner Keep, and Others	\$ 124,100	2%
Environmental Management, Fees, and Grants	\$ 8,000	0%
Register of Deeds	\$ 130,000	2%
County Attorney, Diversion, and Other Fees	\$ 12,000	0%
District Court	\$ 75,000	1%
Motor Vehicle Operating Account	\$ 40,000	1%
Other Income	\$ 108,000	2%
Interest on Idle Funds	\$ 30,000	0%
Total	\$ 6,136,449	100%

Another major revenue source is the City and County Highway Gas Tax. That amounts to \$964,173.00 in 2016, a decline of \$68,947.00 compared to 2015.

EXPENDITURES

Expenditures stay largely the same in 2016 as compared to 2015.

GENERAL FUND				
DEPARTMENT TOTALS	2015 Budget	2016 Budget	Difference	Percentage
County Commissioners	\$ 105,505	\$ 105,505	\$ -	0.00%
County Clerk	\$ 277,405	\$ 277,405	\$ -	0.00%
County Clerk - Election	\$ 66,950	\$ 152,450	\$ 85,500	127.71%
County Treasurer	\$ 159,960	\$ 181,560	\$ 21,600	13.50%
County Attorney	\$ 491,855	\$ 496,095	\$ 4,240	0.86%
Register of Deeds	\$ 118,130	\$ 120,910	\$ 2,780	2.35%
Sheriff	\$ 1,138,045	\$ 1,138,045	\$ -	0.00%
Juvenile Detention	\$ 78,770	\$ 78,770	\$ -	0.00%
Detention Facilities	\$ 1,292,991	\$ 1,292,991	\$ -	0.00%
Appraiser	\$ 413,560	\$ 413,560	\$ -	0.00%
District Clerk / District Expenses	\$ 416,000	\$ 416,000	\$ -	0.00%
Courthouse General	\$ 580,505	\$ 592,505	\$ 12,000	2.07%
Administrator	\$ 475,905	\$ 475,905	\$ -	0.00%
Information Technology	\$ 182,250	\$ 182,250	\$ -	0.00%
Finance General	\$ 583,340	\$ 589,340	\$ 6,000	1.03%
Emergency / Risk Management	\$ 63,890	\$ 63,890	\$ -	0.00%
Engineering	\$ 202,295	\$ 202,295	\$ -	0.00%
Environmental Management	\$ 88,925	\$ 88,925	\$ -	0.00%
Communications	\$ 559,735	\$ 559,735	\$ -	0.00%
Total	\$ 7,296,016	\$ 7,428,136	\$ 132,120	1.81%

AGENCY\ACTION SUPPORTED	2014 Budget	2015 Budget	2016 Proposed Budget
Barton County Arts Council	\$ 4,000	\$ -	\$ -
Barton County Fair Association	\$ 24,000	\$ 25,000	\$ 25,000
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	\$ 30,000	\$ 30,000
Great Plains Development	\$ 5,500	\$ 6,890	\$ 6,890
Barton County Extension	\$ 180,000	\$ 215,000	\$ 215,000
Volunteers in Action / RSVP Medical Transport Program	\$ 8,000	\$ 8,000	\$ 14,000
Sunflower Diversified - Early Intervention	\$ 15,000	\$ 10,000	\$ 10,000
SW Kansas Agency on Aging	\$ 1,400	\$ 1,500	\$ 1,500
Prairie Enterprise Project	\$ 10,000	\$ -	\$ -
Teen Court	\$ 3,000	\$ 3,000	\$ 3,000
Miscellaneous Contractual	\$ 75,000	\$ 75,000	\$ 75,000
Economic Development	\$ 50,000	\$ 77,800	\$ 77,800
Community Development - Scenic Byway	\$ 10,000	\$ 10,000	\$ 10,000
Ambulance - Special Distribution	\$ -	\$ 50,000	\$ 50,000
TOTAL APPROPRIATIONS	\$ 473,300	\$ 583,340	\$ 589,340

NON-GENERAL FUND BUDGETS				
DEPARTMENT TOTALS	2015 Budget	2016 Budget	Difference	Percentage
Road and Bridge	\$ 4,770,750	\$ 4,770,750	\$ -	0.00%
Noxious Weed	\$ 806,150	\$ 806,150	\$ -	0.00%
Special Bridge	\$ 360,000	\$ 360,000	\$ -	0.00%
Employee Benefits	\$ 2,776,200	\$ 2,776,200	\$ -	0.00%
Ambulance	\$ 465,850	\$ 465,850	\$ -	0.00%
Mental Health	\$ 125,000	\$ 125,000	\$ -	0.00%
Developmental Disability	\$ 70,000	\$ 70,000	\$ -	0.00%
Health	\$ 1,307,583	\$ 1,417,454	\$ 109,871	8.40%
Special Liability	\$ 93,000	\$ 93,000	\$ -	0.00%
Cemetery \ Memorial Parks	\$ 40,000	\$ 40,000	\$ -	0.00%
Solid Waste	\$ 1,177,860	\$ 1,174,310	\$ (3,550)	-0.30%

GOALS

Adopting a budget is the most important function the Commissioners perform each year. The budget sets policy for the following year since the budget contains funding for county operations. The Commissioners have faced two extremely challenging budget years, in 2015 and again in 2016. Revenues have declined but the citizens of the County still expect the County to provide quality services to the taxpayers. The Commissioners by adopting the 2016 budget have stated their policy to continue providing services at the same level as the past several years. There is neither an increase nor is there a decrease in services. The Commissioners recognized the value of county employees last year by providing a pay raise and continue to recognize the value of the employees by not reducing wages or laying off employees this year. The Commissioners see the County on a positive track and want to keep the county on that track without unduly burdening the taxpayers of the county with a tax increase any larger than necessary to offset significant revenue losses.

I want to thank the Commissioners, the Clerk, and the Finance Officer in particular for their efforts this year. Many supported agency leaders and supporters actively assisted in the budget process. Department heads and elected officials contributed time and talent, and good suggestions.