STATE OF KANSAS)
WYANDOTTE COUNTY)) SS
CITY OF KANSAS CITY, KS)

SPECIAL MEETING, THURSDAY, JULY 18, 2024
6:00 p.m.

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Meeting, Thursday, July 18, 2024, with ten members present: Bynum, Commissioner At-Large First District; Burroughs, Commissioner At-Large Second District; Townsend, Commissioner First District; Burns, Commissioner Second District; Ramirez, Commissioner Third District; Hill, Commissioner Fourth District; Kane, Commissioner Fifth District; Lopez, Commissioner Sixth District; Stites, Commissioner Seventh District; and Garner, Mayor/CEO; presiding. Davis, Commissioner Eighth District; was absent. The following officials were also in attendance: David Johnston, County Administrator; Angela Lawson, Interim Chief Counsel; Alan Howze, Assistant County Administrator; Shelley Kneuvean, Chief Financial Officer; Debbie Jonscher, Deputy Chief Financial Officer; Reginald Lindsey, Budget Director; Michael Peterson, Assistant Budget Director; and Monica L. Sparks, Interim Unified Government Clerk.

Mayor Garner said before I call the meeting to order I want to announce that we do have individuals attending remotely as well as on-site. All participants joining by phone, should please mute their phones at this time when not speaking to avoid background noise. During the meeting, make sure you announce yourself by name and title every time you speak so the public that is participating knows exactly who is speaking. This is critical given the number of remote participants and is also current guidance from the Kansas Attorney General's Office. Please make sure to speak clearly and at an audible level into the microphone to ensure that your comments are heard and an accurate record of the meeting can be made.

Mayor Garner called the meeting to order.

NOTICE OF SPECIAL MEETING of the Unified Government of Wyandotte County/Kansas City, Kansas, to be conducted in a hybrid format on Thursday, July 18, 2024, at 4:00 p.m. for a Special Session in the Commission Chambers of the Municipal Office Building for a Budget Workshop. Roll call was taken and there were ten "Ayes," Stites, Bynum, Burroughs, Townsend, Burns, Ramirez, Hill, Kane, Lopez, Garner.

CONSENT TO MEETING of the governing body of Wyandotte County/Kansas City, Kansas, accepting service of the foregoing notice, waiving all and any irregularities in such service and in such notice, and consent and agree that we, the governing body, shall meet at the time and place therein specified and for the purpose therein stated.

Mayor Garner said tonight is another night of our continuing ongoing discussion and presentations from our staff which involves a budget workshop. I'll now turn it over to our County Administrator and he'll take the meeting from here.

David Johnston, County Administrator, said we're having our last budget workshop here and it's kind of a new workshop because of the decision that the Commission made a few weeks ago to have us go through budget neutral for next year's budget. I'll assure you that the staff is working diligently under the guidance of the people you see sitting before you, our CFO, Dr. Kneuvean; our Budget Director, Reggie Lindsey; and his right arm and I only know him as Michael. They're working with all the departments putting a lot of challenging information in front of the department heads to help me reach a recommended budget, which will be presented to you on August 1st. The budget neutral, if you recall, shortened our budget calendar so that's why we have pretty much August 1st instead of mid-August. You don't have till the end of September to pass the budget because you have to pass a budget by August 15th, so we have a truncated budget system.

Because we are working with the departments on the expense side, there's not reports to be made on that side of the ledger tonight, but really need to provide you and the public what that revenue neutral decision is going to do to the revenue side of the budget. What is that pot of money that we will be able to work with next year. So, I'm going to pass this on to Dr. Kneuvean and the team to lead that discussion.

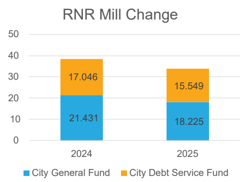
REVENUE UPDATE:
FUND IMPACTS

July 18th Budget Workshop #7

Shelley Kneuvean, Chief Financial Officer, said you should have a copy of the presentation to go through and take notes. If you've got questions now or if you have questions later, be sure to take an opportunity to reach out to me or to the Budget team to clarify. As the County Administrator said, we are focusing tonight on the revenues. I do want to tell you upfront it is still a work in progress. Every time we've come before you we've said that. We are refining and refining.

I will talk about a specific thing that came up literally yesterday with some revisions today that will need to—that'll change us a little bit, not terribly substantially, but it's still—just so you know the information I share with you is still in draft form, but because we are on such an expedited schedule we feel like it's important to take the time to make sure that you have as much information in terms of the revenue which will dictate what the reductions need to be so that when the County Administrator brings forward the recommended budget that includes the reductions, you'll have kind of both sides of that equation. A lot of work is going on. We've had six workshops with the Commission. The Mayor has convened a number of meetings that some of you all have participated in. The internal departments have had countless meetings with their budget analyst, with our leadership team and individually with the management team of the County Administrator's Office. So, a lot of work going on and a lot of people trying to come up with creative ways to hit the budget targets and try to minimize the impact while understanding that there will be an impact from these reductions.

City Property Tax, 20242025



Fund	2024 Mill Rate	2024 Revenue	2025 RN Mill Rate	2025 Revenue
City General Fund	21.431	$35,149,270	18.225*	$34,053,704 ($1,096,315)
City Debt Service	17.046	$27,956,946	15.549*	$29,052,512 $1,096,315
TOTAL	38.477 MILLS	$63,106,216	33.773 MILLS (4.7) MILLS	$63,106,216
% Debt Service	44.30%		46.04%	+1.74%

* Estimated Mill Rate Calculation for 2025

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I want to spend a little bit of time on this slide here. In my viewpoint in this presentation this is probably the most important slide that you're going to see. So, I'm going to spend a little bit of time on it.

The City side of the equation for the property tax goes to two places. It goes to the City General Fund and it goes to the City Debt Fund. When any taxing district has a revenue neutral decision that means that the dollar amount stays the same and now instead of the budget driving what the tax levy is and the assessed value, you back into the tax levy to keep the revenue the same, so it's a different kind of equation.

So, for 2024 the General Fund got 21.431 which generated $35,149,270 and the Debt Fund got 17.046 mills which generated $27.9M. So, the mills were 38.477 and then the bottom line was $63,106,216. You'll see if you then look over to 2025, that bottom line stays the same. That's revenue neutral $63,106,216. In Kansas local governments have the ability to move mills between different funds and so we are obligated to pay our debt and in this next year, and we had mentioned this before, but just to lay it out there in a way that hopefully helps you track the information and communicate it with others, our debt payments on existing debt go up by about $1,096,315. So, what that means is that we have to pull that money from the General Fund side, property tax, because this is all property tax backed and move it over to the Debt Fund so we can meet our minimum debt requirements, but our bottom line stays the same and then we back into the mill rates. That is a number and you see it there as an asterisk, that is a number that is still a bit in flux.

We had some forms that were distributed under the guidance of the state that had included some tax increment financing revenues in the assessed value and those should have been backed out, so we're getting a little bit of recalculation and it affected a lot of counties in the state. So, these numbers will change a little. I want you to know that. The tax rate will change just a little because we are still getting final numbers, but this is meant to illustrate for you to see how the tax levy changes. You'll see that 38.477 is going down to an estimated 33.773, so that's a mill reduction. When you do revenue neutral, that's actually a tax decrease and the reason for that is because new growth, new housetops, new businesses, new buildings that were built during the last year will be paying taxes, but they're not going to—but they feed into the assessed value, but because our revenue is frozen we don't get the benefit, if you will, of that new growth even though those new businesses, new housetops require additional services so they pay. But basically, that new growth benefits the rest of the community through sprinkling that out, if you will, and it causes the tax levy, which is the mill rate, to go down. It's just a mathematical equation.

On the Debt Service side, I know you've seen this before, but we did want to highlight that in '24 Debt Service was 44% of our Tax Levy Fund out of the General Fund, which is extraordinarily high. I know we've talked about we need to take a look at that and I've been asked to put together a debt management strategy to then start bringing forward recommendations to the administration, the Mayor, and to the Commission and that work is underway.

When you change based on the amount of debt, okay the allocation of the tax levies and based on what our actual principal and interest is for existing debt, this is no new debt, then the percentage just mathematically goes up to 46%. So, that's a little bit of a step in the wrong direction, but it's just what the math shows, okay, so just sharing information.

City General Fund Revenue Projections

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$35,149,270 21.431 mills	$34,053,704 18.225 mills	($1,096,315) *
Sales & Use Tax	$55,834,674	$58,795,674	$2,961,000
BPU PILOT	$39,150,000	$37,620,000	-$1,530,000 **
Other Franchise Tax	$10,672,000	$10,100,947	-$571,053
Other Taxes	$22,693,772	$21,896,628	-$797,144
Licenses, Permits and Fees	$1,264,229	$1,267,179	$2,950
Intergovernmental	$840,800	$835,700	-$5,100
Charge for Services	$3,623,630	$5,130,551	$1,506,921
Fines, Forfeitures and Penalties	$1,958,200	$2,044,390	$86,190
Interest Income	$800,000	$800,000	$0
Transfers In	$3,280,000	$3,740,000	$460,000
Miscellaneous Income	$3,929,053	$4,133,895	$204,842
TOTAL	$179,195,628	$180,418,668	$1,223,040

* Reflects additional reduction to pay for principal/interest on issued bonds for 2025
** Updated projection based on 2023 audited actuals from BPU and estimated revenue for 2025

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When we look at the funds and we shared this at a higher level, but I felt like it's important we share some of the details with you. In the budget book you'll see for every fund taxes. Taxes are made up by Property Taxes, Sales and Use Taxes, the BPU PILOT, other Franchise Taxes and some other miscellaneous taxes mostly of which is your Motor Vehicle Tax. When you are looking at the budget book from past years or when you see it this year, we'll probably break it down in a little more detail because property tax is a point of discussion, so we need to show the details of that as have some of these other items. You'll see that the Property Tax, this just translate from that first page. These are the same numbers, so what's happening with the other revenues that go into the General Fund matters because that then affects how many dollars overall we have for '25 operations that are funded out of the General Fund.

For the Sales and Use Tax we've had growth. That's a great thing. That's great for the UG in many ways because it also is reflected in a lot of the economic development deals that we've done, so this is a good thing of course.

BPU PILOT, so we had budgeted based on '23 Actuals based on figures that BPU had given us with a slight inflation on it at 39.1. That's not what happened. In '23 their revenue increases were 38M or their PILOT payment was 38M and for '24 it's running lower than that. The reason why it's running lower based on conversations with their CFO is because we had a relatively mild year so people weren't using as much electricity and the energy conversion rate, which is like a federal passthrough, was lower than they had anticipated. So, our revenue is below what we adopted so we adjusted our projection for next year. Right now we have that at 37.6. That does not include the BPU Pilot Relief that we've talked about. We'll talk about that here in a minute on another slide, but just in terms of if all things are held equal today, we would anticipate about a million five less. I am working with their CFO to get an updated forecast because they've run several scenarios and she's hopeful that they can get that closer to 38, but this is going to be a good ballpark for what we're working with.

In terms of the Franchise Taxes, those also went down. Other Taxes, again, what I had mentioned is that is—and a lot of these funds we're going to go through, that's going to include your Motor Vehicle Taxes, so the taxes that people pay on their cars and their boats and other items like that, are captured under that line. Overall, that line is going down by almost $800K.

Another thing, just to share in there, is that in the past budgets for a number of years there was a TIF for Plaza at the Speedway and that was a sales tax TIF. That is coming to an end and because it was overperforming in that case, which is great, it was generating a surplus, so the surplus was roughly a million dollars. That came over to the UG as a revenue source, but because that is retiring, that debt is paid off. This is a economic development deal that was done over 20 years ago. It's been paid off. There's not going to be any surplus because it's no longer in existence. The sales tax will then just fold into the normal sales tax allocation, but it's a highlight of a change, so the net changes in all of that equal about $800K.

You'll see Charges for Services. We anticipate to be up. That's all kinds of miscellaneous fees. It'll be building permit fees, it'll be other sorts of fees that are collected by the UG for a variety of services that are out of the General Fund and you'll see Transfers In is up and that is an agreement that we had. It's up by $460K to take an equivalent of two mills out of the EMS Fund and move that to the General Fund to help fund EMS that are paid for out of the General Fund. It is a longstanding agreement that the Commission actually approved, so just in terms of the past practice it's continuing with that practice.

The bottom line is as it stands now, now again, I have to update the property tax numbers based on this information we got today, so we'll change a slight bit, but based on this information our net new revenue to the General Fund is $1,223,000 and you'll see at the top the property tax, it's not the same, it's not flat, but that's because I have to move some of those funds over to the Debt Fund to pay for the debt, but the overall property tax is the same. It's revenue neutral.

City General Fund

2024 Revenue	2025 Projected Revenue	Difference	2025 Additional Expenses	2025 Reduction Target
$179,195,628	$180,418,668	$1,223,040		
			BPU Residential Pilot Relief ($1,100,000)	
			Contractual Pay Increases ($5,985,900)	
			IT Increases for Enterprise Systems & Cyber Security ($549,656)	
				($6,412,516)

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In terms of then what's the bottom line. This is a critical slide because we are looking at what is our target because since we're not going to have the kind of increases that we've had in the last few years for a variety of reasons, one of them is revenue neutral, but others are just the changes with, for example, BPU has gone down, so it's a variety, a combined number of things.

We do have new revenue of $1,223,000. We have targeted so that when we're looking for a reduction, we have targeted the $1.1M because we believe we have consensus from the Commission to do a 1% equivalent reduction on residential homes for BPU PILOT, so that is built into our target. We're going to basically have to self-fund that through cuts, but we have so far kept that in as one of the things that we're trying to achieve.

The second thing that we've included is the cost for both health care increases and our contractual pay increases for our employees. That's a 3% generally across the board. There's one group I believe is 4%. We've calculated what the equivalent of that because the great majority of employees are covered by contracts and it is contractual, but also because we know that we need to retain and recruit employees. So, keeping up with pay is an important part of that picture and so we're trying to achieve that as well.

The IT increases, I've shared this with you before. This was the increases for the maintenance agreements on our Enterprise Systems. Those are like your major computer systems and for some cyber security improvements. We've reduced that number down to only the mission critical items. That used to be $1.4M. We've got it down to $549K. At the moment, our number, our target, is $6.4. Within the next day or so we will have updated those property tax numbers so we'll have refined this.

When we start looking then on the reduction side, which we're working on internally fast and furious, that's how much we're trying to identify. Make sense so far? Okay.

City Debt Fund
(issued debt onlyno new debt included at this time)

2024 Revenue	2025 Projected Revenue	Difference	Additional Expenses
$27,956,946 17.046 mills	$29,052,512 15.549 mills	$1,096,315	Increase in principal and interest payments on issued debt only

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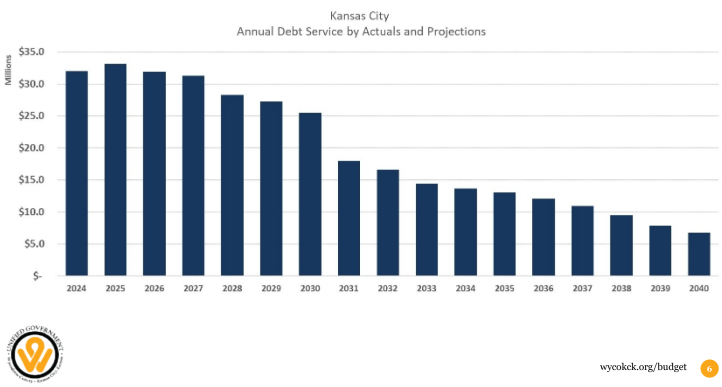
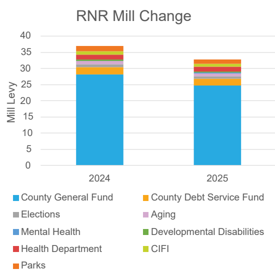
On the Debt side, this again is only issued debt. This assumes no new debt, so our debt payments that are backed by property taxes is what's included in here is $27.9M, it goes up to the $29M. That's $1,096M so that's on a couple of previous slides and that's just the cost that takes it from 44% to 46% of our total property tax levy is going towards debt. That will be one of the things that we look at strategically with the Commission over the next year in terms of how do we tackle that.



I wanted to bring this slide back up. You've seen this before, but I think this is a really helpful slide because if you look at '24, the blue bar is how much is General Fund existing debt and you can see the slight increase for '25, but we can predict some things in terms of what's going to happen. Just looking at the amortization schedules for principal and interest, you can see that we really don't get any relief, if you will, start retiring some debt until '28 and then really we see a pretty good drop in 2031. What the team has educated me on is that in 2010 after the 2008 recession, that we took advantage as the UG of some Stimulus Bonds and those are all—and a lot of them at the same time, those will all be redeemed in the 2031 timeframe. So, that gives us information in order to forecast, but I want to share with you as you're thinking about some of the information you saw on Capital Improvements and such, this will drive a lot of the decisions as to when we can afford to do any more debt and what our strategy and what our target should be. Again, this is representing 44 up to 46%. Best practice is going to be no more than 30% and that's information that's been shared by the County Administrator and confirmed by our outside bond rating companies.

County Property Tax Breakdown



Fund	2024 Mill Rate	2024 Property Tax Revenues	2025 Mill Rate	2025 Property Tax Revenues
County General Fund	28.191	$52,094,871	24.442	$51,299,947 ($794,924)
County Debt Service	2.220	$4,102,485	2.309	$4,897,409 $794,924
County Elections	.881	$1,627,139	.775	$1,627,051
Aging	1.036	$1,913,619	.911	$1,913,597
Mental Health	.0429	$792,036	.377	$791,993
Developmental Disabilities	.347	$642,015	.306	$641,997
County Health Department	1.573	$2,906,231	1.383	$2,906,213
County Initiative for Funding Infrastructure	1.000	$1,847,913	.879	$1,847,842
Consolidated Parks General Fund	1.652	$3,053,296	1.453	$3,053,268
TOTAL MILL RATE	37.328 MILLS	$68,979,605	32.835 MILLS	$68,979,187

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On the County side, it gets more complicated. What's in front of you is a breakdown of the county property tax, which at the very bottom it says 37.328 mills and it's 68.979M. You'll see the mills goes down. It's the same logic. You back into a number when you hold things revenue neutral because new growth is coming into the equation, it's like a new variable, so you back into what your mill rate is and it goes down by about 4.493, it goes down to 32.835, so it is actually property tax reduction in terms of the mill rate.

We as a county, as a Unified Government, but for the county side distribute those county dollars across a number of funds. In Kansas we have the discretion to move those mills around and the Commission's done that before as part of the budget process. What I am illustrating to you right now is only apples to apples. I'm quite certain we will be bringing forward some recommendations to move some of those mills to help shore up the General Fund, but I wanted you to just have apples to apples comparison. All things kept equal. This is what the mills would look like. Again, it's an estimated revenue and the 2025 mill rate is not necessarily what we are bringing forward as a recommendation, but it's information for you to just see the comparisons.

You'll see that the debt issue that I talked about on the county—or city side, you'll see a similar one for the county. The debt service is going up almost by 800K so we have to shift mills and for the moment we've shifted them from the County General Fund just for illustration purposes. So, just to share a little bit of information on that.

County General Fund Revenue Projections

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$52,094,871 28.191 mills	$51,299,947 24.442 mills	$0
Sales & Use Tax	$9,103,568	$9,012,568	($91,000)
Other Taxes	$10,583,840	$9,540,380	($1,583,032)
Licenses, Permits and Fees	$1,190,500	$1,036,000	($154,500)
Intergovernmental	$60,650	$62,180	$1,530
Charge for Services	$1,835,500	$2,411,436	$575,936
Fines, Forfeitures and Penalties	$2,327,586	$2,486,955	$100,369
Interest Income	$3,600,000	$2,500,000	($1,100,000)
Miscellaneous	$1,178,515	$1,216,345	($1,930)
TOTAL	$81,975,030	$79,565,811	($2,409,219)

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When you dive in a little bit more because the great majority of the tax revenue for the county side goes to the General Fund and you can see that the property tax is the $52,094,871, and I apologize, that shouldn't say zero, that should say negative 794, the net difference 924, so I apologize. We'll get that corrected and get that redistributed to you, but you can see that we did update the tax levy, the mills go from 28 down to 24. It's just the difference column is incorrect. When you look at the allocation you can see how all of the funds get impacted by revenue neutral and that's just simply recalculating based on the increased new growth and the current allocation that we have across those funds. So, in total that goes down by 4.493, so again, it's tax decrease.

In terms of what we're looking for and in terms of cuts, this is a lot more difficult situation and I'm sorry, I sure should have—I didn't go through the Other Taxes and I should have. Something different is happening on the county side because on the city side remember we netted still a positive because of all the other funding sources of 1.2M. On the county side we're having different things happen and we're having a decrease in our revenue sources and so that's listed out there. The big one under Other Taxes, has to do with motor vehicles primarily and that has to do with the state distributes the sales tax—I'm sorry, the motor vehicles between the county and the city and they make that determination and it's just based on their calculations and so we're anticipating that to go down based on what the state has told us.

Also, we had overestimated our interest income for the '24 budget so we have brought that down. It's a lot higher interest on the county side because we have a County Treasury over on that side. We collect all those taxes and then we remit them out, so it's a lot different equation for a short amount of time that we actually can make an earnings on that. We overestimated it, so we have right sized it down to the million one, so that's a net loss, if you will, of $2.4M.

County General Fund

2024 Revenue	2025 Projected Revenue	Difference	Additional Expenses	Reduction Target
$81,975,030	$79,565,811	($2,409,219)		
			Structural Imbalance ($2,033,802)	
			Contractual Pay Increases ($2,542,500)	
			Increase in Jailing Costs ($2,170,000)	
			IT Increases for Enterprise Systems & Cyber Security ($553,515)	
				($9,709,036)

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Here you see the total revenue for the fund. That's not just property tax, it's 81.9. It goes to 79.5 which is a loss of 2.4 and then when the budget was adopted for '24 we used $2,033,802 from the fund balance to fund the operations. We can't carry that forward. That was kind of a one-time thing because we quite frankly don't have that large of a fund balance. We have more than $2M, but we don't have anywhere close to an adequate fund balance. We have about $6M total sitting there. The $2M, when you fund operations from your savings account, you're starting out the year with a deficit that you need to find reductions inside the budget so that now you're balanced out.

So, we've got compounding things. We have reduced revenue projections, we have to correct the structural imbalance in that fund, the same issue in terms of pay increases and the health insurance is 2.5. Increase in jailing cost, I have that highlighted because I'm hopeful to have some more conversations with the Sheriff about how we could bring those down, but those are the numbers that he was getting based on current situation for outside housing for meals and for medical. Those are contractual obligations, but they're all driven by headcount, so there is some control over that number, so we're going to work together and look and see if we can bring that number down. That's a higher number than I originally had showed you if you look back at a couple of presentations, but as we get more information, I just keep updating it.

Then, we have the Enterprise Systems. That's our maintenance agreement increases and cyber security improvements, which as you all know is a very, very important priority for the UG and every local government which are targeted by cyber-attacks. So, our reduction is 9.7 for the County General Fund.

County Debt Fund (issued debt only-no new debt)

2024 Debt Payments	2025 Debt Payment	Difference	Additional Expenses
$4,102,485 2.220 mills	$4,897,409 1.953 mills	$794,924	Increase in principal and interest payments on issued debt only

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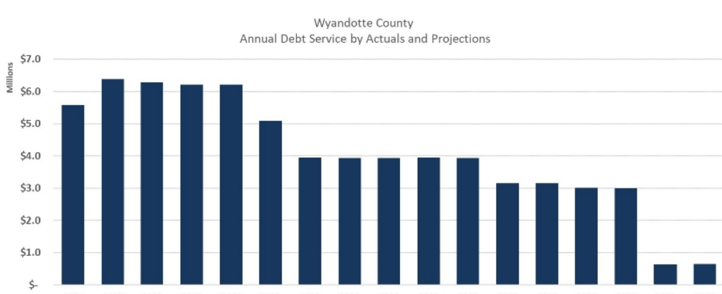
On the Debt side we're in a lot better position on the county side for our debt first of all, so we have debt payments and this is just the debt payments. It's really the revenue dedicated to the debt payments that are funded by the County General Obligation Bonds. I have it called payments. It's really revenue, but if you pulled out the budget book, you're going to see other numbers in there. I'm just trying to simplify some of this, but 2.22 mills are used to pay those debt payments for those projects that were issued that are county projects. Those same projects when we look at the amortization schedule go up to 4.8 and that's the 794 difference. The positive thing here is of the total mill levy, the debt current year is only 5.9% of the levy and the debt for the next year will be 7%. So, we are in a healthy position when it comes to debt on the county side and that's a good thing especially when we're looking at $9M in reductions.



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So Debt, same story. This illustrates and it's a chart you've seen before, existing debt, no new debt built in, but you can see from '24 to '25 the debt payments go up, but in this case they stay pretty consistent until 2028 and it's 2029 and 2030 when you see those coming down. This will be very important information as we work on the debt policy together, so it's just sharing some information.

County Consolidated Park Fund

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$3,053,296 1.652 mills	$3,053,296 1.453 mills	
Other Taxes	$395,235	$409,661	$14,426
Intergovernmental Transfer from City General Fund	$4,900,000	$4,900,000	
Charge for Services	$872,400	$897,100	$24,700
Miscellaneous	$113,350	$115,000	$1,650
TOTAL	$9,334,281	$9,375,057	$40,776

Contractual Pay Increases($223k)

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All right, so different than the city side. City side has General Fund and Debt, two funds that the property tax goes to. On the county side, it's allocated to a number of other funds, so a little bit of highlight about them because we have not really focused in on those much in our presentation so far. When you look at the '24 Adopted, the County Consolidated Park Fund, the county side of the property tax is 1.652 mills which is $3,053M and assuming, and this is a huge assumption, but it's for illustration purposes only. If that stayed the same for '25, the impact on the mill would be 1.45, but I emphasize this is for illustration purposes only because we have such a significant issue and challenge before us for the General Fund, so it is very likely that we'll bring forward recommendations to move mills from some of these funds to help address the General Fund.

When you look at the other revenues, they've grown slightly, but not significantly. So, you could look at this and say oh well that's great, it's only $40K difference at the bottom line, but it's not, that's all things being held equal. If we didn't have a $9M deficit over in this fund, that would be the picture, but that's not—you've got to look at it as the whole, but also in the specific.

At the bottom we noted there's already a known expenditure just like on the other, the General Funds of the contractual pay increases and so this is for the personnel that are paid out of this fund which is $223K that's at the bottom. So, essentially we know out of the gate we need to self-fund, we need to do reductions to fund those contractual obligations. The other variable is the Intergovernmental. So currently, current budget, we transfer $4.9M from the City's General Fund over to the County Consolidated Park Fund because it's one Park Department that maintains the city parks and the county parks. So, they've done a calculation and this has been the obligation, the cost to fund maintaining the city parks. $4.9M is the dollars today. It is likely as we put all of this together that will be proposed to change. Again, it's illustration purposes only. It's not a proposal for '25, so I don't want to mislead anybody, so I want to make sure we share that and make sure that it's clear.

Commissioner Bynum said would you just say that again. We transfer $4.9M city to County Consolidated Parks. **Ms. Kneuvean** said yes. **Commissioner Bynum** said and we do it because the parks are consolidated. **Mr. Kneuvean** said they are in terms of one department oversees it, so the Consolidated Fund is really the county side and the city side joined together, but they do track their expenses separately, but this is just how we've done it. **Commissioner Bynum** said so there's a calculation used to determine how we arrive at $4.9M transfer. **Ms. Kneuvean** said yep and any of the expenditures, any of the personnel that are paid out of this fund, it depends on what they do. If they're doing a capital maintenance project at a county facility or county park, it comes from those funds. If it's at a city park, they are coming from those funds. **Commissioner Bynum** said okay.

County Health Fund

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$2,906,231 1.573 mills	$2,906,231 1.383 mills	
Other Taxes	$394,585	$407,320	$12,735
Licenses, Permits and Fees	$88,000	$75,000	($13,000)
Intergovernmental	$15,000	$15,000	
Charge for Services	$288,500	$255,000	($33,500)
Miscellaneous	$380,100	$351,200	(28,900)
TOTAL	$4,072,416	$4,009,751	($62,665)

Contractual Pay Increases($116k)

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Ms. Kneuvean said the County Health Fund, also more complicated. The property tax funds $2.9M of the County Health Fund and that's 1.573 mills, so when you just back into it assuming nothing changes, it would be 1.38 mills and you can see that essentially the other revenues have stayed fairly consistent. What's not on here is that the County Health Department also gets substantial grant funds and that's actually accounted for differently, so it's not really up on this screen, but I do want to highlight that for you. Their total budget that involves these revenue sources is about $4M and because some other revenue sources have gone down, mostly motor vehicle and their little allocation of it, then it's a negative 62 and then at the bottom we just note for the contractual pay increases, this is for the people, the human beings that are paid for from this fund, that's the equivalent of what their pay increase and the health insurance increase would be.

If everything stays the same, they would need at least 116 plus 62K, so $180K worth of cuts, but just like I've mentioned on the Parks fund, again, one of the things we're looking at is whether or not we shift mills to help with the General Fund problem. So, this is just illustration. It's not a proposal.

Commissioner Ramirez said the County Health Fund, this is what funds the Health Department, correct? So everything and anything the Health Department does comes from this fund. I know that—**Ms. Kneuvean** said or grants because there are almost an equal number of grants. **Commissioner Ramirez** said mainly grant funded department, so I just wanted to clarify this is the Health Department's budget. **Ms. Kneuvean** said yes it is.

County Election Fund

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$1,627,139 .881 mills	$1,627,139 .775 mills	
Other Taxes	$217,997	$225,820	$7,823
Miscellaneous	$18,353	$100,000	$81,647
TOTAL	$1,863,489	$1,952,959	$89,470

Contractual Pay Increases($34k)

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Ms. Kneuvean said next one up and it gets a little easier because I spent time on the harder ones because they had more revenue sources, but it is the Election Fund. It's the same analysis, so it's keeping all things the same as if everything—you know, we didn't have this $9M over here staring at us. It was just all fine. This is what revenue neutral would have done to this fund and the pay increases would have been $34K, but their revenue sources are going up a little bit, about $89K. We would have to really take a look at that by the way though, because that $100K miscellaneous that we plug in each year is really for special elections and the years when taxing districts can call for a special election because then they reimburse, so that is really just a plug number so we wouldn't want them to use those revenues towards the pay increases so there would still be some adjustments that would need to be done.

County Aging Fund

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$1,913,619 1.036 mills	$1,913,619 0.911 mills	
Other Taxes	$256,247	$265,331	$9,084
Miscellaneous	$30,600	$30,600	
TOTAL	$2,200,466	$2,209,550	$9,084

Contractual Pay Increases($49k)

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The next one is the Aging Fund and so this is the fund that provides services to our seniors and it's the same analysis. You've got your property tax revenue staying flat, your mills go down same as all the others and they have a little bit of growth. Their allocation of motor vehicles is a little bit more. Their contractual increases of $49K for pay increases means that if everything else was kept equal, then they would have to self-fund some of the raises, but not as substantial number as some of the other funds.

County Mental Health Fund

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$792,036 .429 mills	$792,036 .377 mills	
Other Taxes	$106,229	$110,047	$3,818
TOTAL	$898,265	$902,083	$3,818

Contractual Pay Increases(N/A)
No FTE in Fund

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Mental Health is actually funds that are appropriated to go to Wyandot Behavioral Health, so there's no employees funded out of this and currently the budget is $792,036 and then again the Other Taxes is a portion of the motor vehicles go to them. You can see they have a slight increase actually from the Other Taxes line and there are no FTEs.

Again, we're looking at all of these. I just can't emphasize this enough because I don't want someone to take this information and tell an agency that they're going to be held harmless because I don't know that that's going to be possible. I don't know what the proposal is going to be yet because we have to look at it in the whole. We have to look overall, but I just know that is such a huge number on the County General Fund side. It's going to require different changes to these funds.

County Developmental Disability Fund

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$642,015 .347 mills	$642,015 .306 mills	
Other Taxes	$81,072	$85,760	$4,688
Reimbursements	$50,000	$50,000	
TOTAL	$773,087	$777,775	$4,688

Contractual Pay Increases($10k)

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Then we have the County Developmental Disability Fund and that is—the department is called Human Services that operates those programs. They get $642K of property taxes. You can see the numbers there. Their pay increases for the people that are paid out of here are about $10K, so we would have to self-fund a portion of those in reductions in order to afford that, but again, that 25 number is only a placeholder for comparisons, apples to apples comparison.

County Initiative for Funding Infrastructure

Source	2024 Adopted Budget	2025 Projected	Difference
Property Tax	$1,847,913 1.573 mills	$1,847,913 .879 mills	
Other Taxes	$160,853	$165,217	$4,364
TOTAL	$2,008,766	$2,013,130	$4,364

Contractual Pay Increases(N/A)
No FTE in Fund

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The next one is the County Initiative for Funding Infrastructure and we currently have 1.573 mills and then the Other Taxes is your vehicle taxes, so about $2M goes into that fund and as you all know that money is divided between Kansas City, Kansas, Bonner Springs, and Edwardsville for road improvements. If everything was held equal with revenue neutral, this would have been the impact. The numbers would have been the same, but the tax levy would have gone down. There's no employees paid out of this fund. It's just a granting fund. It's money transferred, so you can see there's essentially a small increase, but it's essentially the same.

That's the picture for revenue. A pretty tall order when it comes to the County General Fund, about $9M plus. City side $6M plus. The number we were reporting to you was about $17M overall, so pretty consistent, but please do know that these numbers are still being refined. I know today we got information. I need to make a few little changes working with the Budget team for us to correct that, but this essentially gives you a very good idea of what we're looking at.

Expense Reduction Process

- Discretionary funding – non-statutory or compliance related
- Departments asked for input on 5% and 10% reductions
- Efficiency improvements
- Outside agencies
- Vacant positions
- Targeted restructuring review and staffing approaches
- Modifying County mill rate allocation across County funds
- Alternative revenue sources (such as grant funding)

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We are in a process of how do we fund, how do we reduce our expenses. As I said, there's been a number of meetings. We've had budget workshops with you all. The Mayor has convened groups of people to help discuss different ideas. We had the Dotte Talks where we went out in the community and listened to them. We've had public comment here. We've had internal meetings and administration has had meetings just looking at all sorts of ideas. There is a lot in process and I know everybody is anxious to know how are we going to hit these numbers and we simply don't have the answer for you yet. We have a lot of ideas, but again, we have to take those in the context of the whole.

The things that we're doing first and foremost is we're looking at things that are discretionary. Those are things that are not statutorily required or compliance related item. An example of compliance related would by cyber security. We review that as required, but it's not statutory or anything that says you have to make sure your systems are secure, but we have to.

Departments have been asked for input on if they had to do a 5% reduction or a 10% reduction of their entire operating budget including personnel, so their budget targets are all inclusive. It's not just like commodities and capital. It's a targeted overall and they've been asked for what are your ideas of how you would achieve that because we want their input, but not just what would you recommend, but what would be the impact from that so that as decisions are being made and as David is presenting a budget to you, he can articulate here would be the impact or as other ideas are being discussed, we can either answer or go research, well okay, here's what that impact would be so that you make an informed decision.

We're looking at efficiency improvements as well. That's something that has been a charge given to us and I can assure you we are looking at that and some very specific things are being discussed that are driven by efficiency improvements.

We're looking at outside agencies that we fund and getting a listing of all of those and what the amounts are and what they're doing for the UG for those different contracts.

We've asked the departments particularly as they're looking at that 5% or 10% reduction, look at your vacant positions. I will tell you that gets complicated because we budget 93% of our salaries and we've talked about this. I know the Commission is aware, but we don't budget 100% of our salaries, so it's not a one for one. So, if you cut a vacant position, it's not a one for one because we don't budget fully. We assume there's going to be turnover and it's budgeted based on actual trends. There's data behind it. It's the number that we're at, but we have seen that it has ticked up and so we're a bit concerned about the trend line, the 93%. If you're hiring more than we have in the past, you know which in some ways is a good thing, but in other ways then that means that our trend goes down because we don't have as much soft savings from vacant positions. When we cut the vacant positions, we really have to understand what the impact of that is so we don't have a false sense of security if you will. There are things that we can do and we're looking at and we'll be exploring over the course of the next week and a half in terms of how to manage that trend and how to go about doing our business a little differently. So, a lot of work going on there.

We've also asked departments to look at targeted restructuring. This is something that we've talked about some with members of the Commission that in particular result in cost savings. So, looking at staffing approaches, different ways of doing things, how could we reduce duplication or how could we restructure in ways that would make better sense for the use of our employees that we do have.

I've mentioned this a couple times, on the city side we don't need to modify the mill rate between the General Fund and Debt Fund any further because it's just those two funds and we already know we have to pay our debt, so that's already done. I have to tweak the numbers, but we don't have to do that. On the county side, we have to analyze are we going to move mill rates—are we going to recommend to you all to move mill rates from some of those other funds to help address the deficit in the General Fund. That's part of the whole, so when we talk about looking at things on the whole, there's lots of individual ideas, many of which are good, but you have to look at them as a collective.

Then, we're also looking at and I really commend our departments looking at alternative revenue sources. Grant funding is one of them. It's not the only one, but one of them. For example, our District Attorney had a press conference and they got a grant for one of their Victim Advocate positions and they just had their press conference about that. That's wonderful. That's a grant for an operating position. It's focused on sex crimes, but as he shared with you, there's a need for more Victim Advocates in his department, so an alternative funding source like a grant is good because it meets the need, but it doesn't require more county asset—more county revenue.

Others are fee based. There's a lot of different fee structures that we haven't looked at in a long time. It's not going to balance the budget and it's not something we really can get fully accomplished in the next couple of weeks, but it is something that as those ideas have come up, we are going to pick up on them and we're going to be looking at them and bringing ideas to you over the course of the next year as to looking at should we change some of the fee structures that haven't been looked at before.

Again, grants are not necessarily a permanent solution, but frankly, on the county side we may be looking for a solution that helps get us through one year. That's just the honest truth because it's such a huge amount of money that we have to identify.

What's next...

- July 18, 2024 Budget Workshop – Updated Revenues
- August 1, 2024 County Administrator presents 2025 budget
- August 13, 2024 Commission holds 2025 budget public hearing
- August 15, 2024 Commission adopted 2025 budget

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What's next. We're here July 18^{th}. The County Administrator—we have two weeks to put together a budget. We've had, like I said, lots of meetings, some of those meetings will continue. There's some on the schedule gathering input, ideas, about where are areas we should look at. That's both through the Mayor's Office, with the Commission, it's with the department listening to all these different ideas and trying to synthesize it in order for David to put together what he believes is on the whole the best that we can do with the resources we have.

August 13^{th} it was August 12^{th}, but there's a Planning and Zoning meeting on the 12^{th}, so it was moved working with the Mayor's Office to the 13^{th} we will hold the budget public hearing. This is required statutorily. We have to have a public hearing. I know we've had some additional ones but this is the opportunity that the citizens can come and convey their thoughts about the County Administrator's proposed budget, other ideas and so forth. Then, on August 15^{th} because we're compressed on timeline, this is set for in statute, our Commission meeting on the 15^{th} is when we need the Commission to adopt the budget so that we can get it filed with the Clerk's Office on time. Because of revenue neutral, it's just accelerated, so we're on a compressed timeframe.

So, that's where we are in terms of revenues. I wanted to spend the time because it is complicated of what the revenue picture looks like because what it really drives is what our cuts are going to need to be. If you guys have questions, I'm glad to answer them. Reggie, Michael, and Debbie are here. They have extensive knowledge and have been intimately involved in putting this presentation together. It's the work of a collective whole. If you guys have questions, please ask. If I don't know, I know they do know.

Commissioner Kane said great presentation. I really appreciate it, but I have some questions. I'd like the answers to go to Rodney so Rodney can give them to me. I want to know how this affects the contractual obligations, not just now, but three to four years from now. How this affects the salary raises three to four years from now. Are we going to freeze hiring process, layoffs, any furloughs? You know the Sheriff's Department came in and asked for a significant amount of money. I want to know how that's going to go and how we're going to cover that. The DA's Office also asked for some money. The Mental Health thing, I would hate to see us reduce anything in a department like that. I think if you asked our judges, they would say that they'd rather see an increase than a decrease because of how many people are going through the process. How much total from Public Safety and where it's going to come from specifically. I want to know if it's ambulances, police cars, and then—the reason I ask about the—we have a lot of open jobs. We're already putting a lot of pressure on the people that are having to cover for those open jobs, so I would like to see how we plan on covering that.

For the community, and Commissioner Burroughs knows this, just so you know what happened out at the Legends, Kathleen Sebelius was Governor at the time, she eliminated Machinery & Equipment Tax, which cost all those jobs down there at General Motors, all the stuff that happened out at Village West, so when the bonds were paid off the money was already ate up by the Machinery & Equipment they had out there. These are things that put us where we're at today, but these are things that I hope we can get Rodney the answers before our next meeting.

Ms. Kneuvean said we will definitely answer some of the questions. Some of them will be specific to the County Administrator's budget proposal, so like how much cut in the Police Department and what specifically. That is the level of detail we're looking at providing you. Other information we will absolutely get you as soon as—**Commissioner Kane** said I would like as much information as you can provide.

Commissioner Bynum said two requests for the Mayor's Office and County Administrator for—and obviously it would include your department for a post budget adoption time, but I want to put my requests on the public record right now. One is I would like to see at least the last 10 years, possibly 15, of just property tax collection, city side, county side. I'd like to see the changes in dollar amounts collected, straight property tax only, 10 to 15 years, again post budget. That's something I'm curious to look at.

The second request, also post budget, I would like to have, Mayor, perhaps a Special Session because I'm very interested in an analysis of the last 15 to 20 years of any economic development project that received an abatement of any kind, where are we in that abatement process, do we still have 8 years, do we still have 10 years, is it dropping off of its abatement and now we'll be fully paying whatever we abated. I would really like to see that. I think it could be a good projection of future revenue some of which might be coming sooner rather than later. So, those are both post budget because I know they're going to require some work for you to bring that kind of information to us.

My question for today is, tell me again on these slides projected city sales tax up 2.9, but county side sales tax down 91K. Why is that? You might have told us and I missed it. **Ms. Kneuvean** said we project based on actuals and trending looking at actuals. The state actually, based on where businesses are and so forth does the distribution and so it's—sometimes those percentages change. I can't really speak to, and I think our team were kind of the recipients of the information, so it's just based on the information we've gotten from the state, but it is something we want to pursue and better understand.

Commissioner Bynum said when we pay sales tax on something here, that money is collected and shipped off to Topeka and then they divvy it back out. How often do we receive that revenue? **Ms. Kneuvean** said it depends, but we're getting some every month, but different kinds of sales taxes have different frequencies, but mostly every month.

Commissioner Burns said on the expense reduction process, I'm looking at the departments, ask for input on 5 or 10% reduction. Have they already done that in your proposed revenue neutral budget? **Ms. Kneuvean** said you're seeing today revenues and a few things we know on expenses, but you're not seeing anything today on any of the expense side. That will be part of the budget proposal. Most of the departments have submitted that and their recommendations, their ideas of where they would make changes and the impact of that and we're sorting through them right now. I mean there's 40 some departments, so it's quite a bit of work and some of those are very large complex departments and even some that are smaller are still somewhat complex, so we're sorting through all of that right now. Those were arbitrary numbers picked to solicit their input. It's not to say we're doing a 5% across the board or 10% across the board, but it was to have them outline what would be the approaches you would take in terms of expense reduction. Does that answer your question? **Commissioner Burns** said yes, in both with 5% and 10%, two columns. **Ms. Kneuvean** said that's right.

Commissioner Hill said I'm kind of on the same plane with Commissioner Burns. I was wondering about that 5 and 10% reduction, so thank you for answering that question. Just food for thought, number one, our community has really been asking about and saying, hey, this might be a solution, so I'm just glad we're able to have this conversation.

Number two, say if I was a staff at the UG and I was a department head, I wouldn't want to make any deductions, so that's why I'm on the same plane with Commissioner Burns just answering—you already told me you don't have nothing yet, not a whole lot yet, so I understand that. Is there going to be a point; however, when it must be mandated or highly encouraged or something like that with these reductions? I guess that's part of what I'm asking.

Mr. Johnston said I guess I will answer that question. It's always best to try to involve the people, our staff members, in trying to understand this. It has taken a few days for the revenue neutral to sink in as reality with our department heads and their staff. It's never been done before and so there is a little of shock that they have to accept that there's probably going to be significant changes in every department one way or the other. We do have some core principles. We would like to affect our employees lives last. We want to do minimal impacts to our citizens with the services that we provide, but everything that we do, all the services that we provide cost money and by having one of our largest revenue streams fixed, in essence, at '24 levels, there is no normal progression. As Dr. Kneuvean mentioned during the last budget workshop, that we have to incorporate into that flat number contractual raises and other employee raises. We have to then also include the fact that we have to cover any inflation in our operating costs. That takes out from the bottom line as well, but it has to be included because it's a market reality that we're going to be dealing with. Every year we do that.

First step is doing a wake-up call to the departments and they are to involve all their staff members for ideas, approaches and all that, but the bottom line is for me to create a recommended budget, I have to make it work. Yes, we are fighting departments to say I don't want to make the changes that you're asking, I don't want to give you that number. Well, if you don't get, we'll get it. The fact is there are going to be changes in the budget, so I assume that after we go through all this process of involving the staff, my Finance team and I are going to have to probably make some interesting mandates that will be included in my balanced budget. I have to provide a balanced budget to this Commission, a recommendation, so we're just trying to involve everybody to get an understanding of this policy requirement that you passed.

Like I said, after you made that decision, we'll make it work. What does that mean in '25? We won't know until after we pass a budget and what service impacts, what personnel impacts, whatever, you'll see that in the recommended budget, but we're stuck in this truncated faster budget process that we don't have the luxury of time that we normally would have had in the other option.

As I have also told staff, change happens, you've got to react to it, we've got to adapt to it and we can treat this as a new reset. Examine closely how departments operate and sometimes good contributions come from that assessment, so we're involving the staff, but yeah, eventually there's got to be a decision by me with my Finance team in crafting my final recommended budget. It then comes to you, and oh by the way I need to remind you, you have to pass a balanced budget with the same information. So, whatever happens over the two weeks that I give you a budget to where you vote, you don't get to play with more money than I get to play with. That's a reality that we have to face, but you have to start the discussion somewhere and that's with my recommended budget and then it's in your sandbox.

Commissioner Hill said thank you Mr. Johnston. Just a couple other things. You mentioned that you will be looking at outside agencies. These are like contractors and so forth and so on and those who may have been part of the UG providing services over the last 25 years, you'll be looking at all of those. **Ms. Kneuvean** said I would say that some of those agencies are funded through grants, so that's a different funding source, so you may as we bring details forward think well I know such and so, but it may be the funding source isn't really impacted by these particular funds. It's through a grant, but we're glad to answer questions about where's the money come from for this agency or that agency, for this service or that service, so that you can make a good decision.

Commissioner Hill said my last one is about vacant positions. I heard you say something 93%. What is that? What did you say? I'm sorry, I just heard the 93%. **Ms. Kneuvean** said at the UG as a past practice we have budgeted based on a trend of our actual payroll expenses. We do not budget 100% of the approved authorized positions. We look at our actual expenses over a three-year period and we trend it and that's what we budget on, so when we compare the authorized strength, if you will, of the FTEs that are approved to be filled compared to what we actually pay, then it's 93%, it's not 100%. We don't have an opportunity this year to start looking at that, but it's something that in time would be a good thing to look at because this is a practice that limits opportunity because we do know like any organization, nearly any organization, you will have turnover. You have people come and go and it takes time to replace that person and that creates soft savings, it's one-time savings. In a way the practice that we have forgoes that opportunity because we've already counted on we're going to have that vacancy savings and we didn't budget the expense accordingly. So, it's just like a predetermined decision and it's a very long past practice.

There are other entities that do this, but it is something that would be a good thing as our finances improve for us to take a look at and try to get that percentage up because it would help too. The soft savings can go to so many things. It could go your fund balances, which as you know based on Reggie's presentations, we have inadequate fund balances. You can put it towards any other one-time cost, so a capital project. You can put it towards an agency that you want to do a special thing, but it forgoes all those kinds of opportunities because we've already counted up front that we're not going to have all those positions. There's risk with that because if you do hire more than the trend is budgeted, now you're upside down and we are seeing some of that this particular year, so we've got to tweak our model anyway, doing the best we can with all of these things. That's why it all is complex. In a vacuum I could tell you what to do, but I can't accomplish that in a vacuum. We have to look at what the revenues are.

It is a topic that you'll probably hear more about over time and we are looking at some ways to approach it differently, to manage it differently through hiring processes and timing to make sure we hit those numbers and don't get upside down based on what we budget.

Commissioner Burns said concerning the outside agencies, minus those that are under grants, do you know off the top of your head how much money is the General Fund actually funding other agencies in a dollar amount? **Ms. Kneuvean** said yeah, I do round numbers, but I'm going to say though it's not a lot. It doesn't come close to helping our problem. It will help our problem, but it's, you know, I'm going to say less than $300K maybe for General Fund, city side. I'm just thinking about our list and we can certainly get—that will be part of the information we share with you. **Commissioner Burns** said yeah, if you can get that figure to me later, that would be great. **Ms. Kneuvean** said absolutely.

Commissioner Burroughs said have we finished our—you were quoting the 2023 numbers. Have we had the audit, has it been completed yet to give us our accurate numbers? **Ms. Kneuvean** said no, it is not and that is not ideal. It should be completed by June 30 from the prior year based on GFOA best practices. We are planning on getting it done by the end of July. It may go into August and that had to do with our processes and data tracking when we converted from the old financial system to the new with the biggest change that we did wasn't until January of this year which is Payroll. Payroll was still being run in the old system. It's now being run in the new system, so there's some crosswalks that have to be done. So '23 data is still some of that for the audit is being pulled from the old system and then some was all ported over so it can be pulled from the new system. It's a long answer, but in time we will get that done sooner.

I know the question was asked who's our auditor. It's a company called BKD that merged with another company called Forvis. They are widely known. They are one of the big six accounting firms in the nation, widely experienced with higher ed and for local government auditing and we have weekly calls. Our Accounting Manager is in contact with them daily and they've been on-site working fast and furiously. We just completed what's called a trial balance, which is basically the books and revenue expenses. We got that completed and provided to the auditor within the last two weeks. That gives us enough information to feel comfortable with what we're doing for budget.

Commissioner Burroughs said the reason why I asked that is because I think it's important to know when you said these numbers we're still working on them, that is why. **Ms. Kneuvean** said that's part of it. **Commissioner Burroughs** said and we switched auditors too. This is the second year for this auditor and so the first time running through and learning our process is one thing. Now with all the changes, new Administrator and other things have come out of play which can impact the timeline of this audit I just wanted to ensure that the rest of the Commission knew that the audit hasn't been completed yet. I haven't had my exit audit interview with them yet to hear the numbers, but I agree that the document is very eye-opening, so I appreciate it.

Mayor Garner said we're going to take a two-minute recess. I believe we have technical difficulties going on. The Clerk stepped away to try and address those, so those in the audience please bear with us and thank you all. It was a great presentation. I appreciate the work and thank you—I just want to personally thank—we've had several commissioners and I know Duane Beth who's in the audience and he's the Chair of the Efficiencies Committee, and (inaudible) off and on. I know the Administrator has been involved as well where we've had roundtables trying to do just that of trying to help our Budget team and our Finance team get the information that our Administrator is going to need to make an informed decision to get you all the budget that is required by ordinance. So, there is a lot of hard work being done by staff at all levels and not just in this building. I think it goes without being said, you've got all department heads, anyone that has any type of budgetary authority—I know that our ACA's and our Administrator are really putting fire under the feet of staff to really get us to where we need to be when you talk about budget cuts that don't affect personnel and don't erode the essential services that we're obligated to give our residents here in Kansas City, Kansas and throughout Wyandotte County.

Okay, the Clerk said we should be back online. Anybody that was watching, we apologize if you could not hear us. We were having technical difficulties. Again, our apologies.

Commissioner Ramirez said I think our Clerk was going to say the same thing. I see Commissioner Townsend has her hand raised.

Commissioner Townsend said CFO Kneuvean, I thought the presentation was great. Thank you to you and your staff. I wanted to follow up with one question that Commissioner Hill had already raised and follow up to the audit issues that Commissioner also raised. With regard to this 93%, here's my understanding of what you said. We are actually doing our budget numbers based on 93%, we are spending as though 93% of positions are filled. Is that what that is? Is that what you're saying with the 93%? **Reginald Lindsey, Budget Director,** said yes, that is correct. **Commissioner Townsend** said wow, CFO Kneuvean, your voice has changed. How are you Mr. Lindsey, okay. So, here's the other follow up then, if that is the meaning, why is that not a good thing? I heard the CFO say that means we lose out on opportunities, a practice that limits opportunity. I mean if we know that's where we are, what is the opportunity that's being lost? I'm not following that. **Ms. Kneuvean** said it's not that it's a terribly bad practice—it's not a criticism or a terribly bad practice. It's just it comes with risks. If you think about you're running a business and you have 100 employees, but you're counting on really you're only going to fund and hire 93 of them, but what happens if you actually hire 95, you now have a budget problem. You don't have enough money to make payroll and when you're dealing with thousands of positions we're pulling payroll every single time payrolls run so that we can trend based on actuals and that is so it's a living document, it's a living model, but when you go over that amount then you've got a budget issue immediately. That's why it's not necessarily a great practice.

A more modest approach would be to do a higher percentage so that you can count on some turnover, but the opportunity you lose is let's say you have 100 positions and you fully fund 100 positions, but you only fill 93 or 95, so you've had that salary savings for those five positions. It's one-time money because you're planning on hiring those positions, but you have just like when you refinance a mortgage or buy a house, you get that month where you don't have to pay. It's a one-time situation, one-time saving, that creates opportunity. You might go buy a refrigerator or whatever, so for an institution that's large like ours or other places I've worked, that was the way that we built our fund balances to be adequate to meet the 20% minimum and then also, frankly, it's the way that you can fund some of your capital needs because capital needs are one-time expenditures. You may have a road or a building or whatever, you're not going to rebuild that same road every year, but it gives you the opportunity to do a capital improvement based on actual numbers, based on what really happened.

So, when you budget 100% and you do get some salary savings, it's not that that money just disappears in a black hole, you track it and I can attest that this was a practice at another organization that helped us renovate a historic courthouse with cash. It's a practice that works, but it's not a situation that we're in right now. It's an aspirational goal, something to look at. Just like our fund balance, it's aspirational. We need to get there, we need to increase those fund balances. Our bonding rating agencies have told us that. Those are the things we got to work on. We've got to manage our debt. Those are the things we've got to work on, but we can't fix all of those things, even without the budget situation in one fell swoop. It's just to acknowledge that because the way that we budget personnel, it becomes complicated for a vacant position because remember our trend is counting on vacancies. So when Shelly, the Finance person, cuts a couple of positions in my department, we have to consider that on the whole as to how does it relate to the trend. Do I really get to count that savings or should I count 93% of it or 7% of it or what or are there other things we can do to manage our process differently. Let me give you an example, when a person leaves and they're paid out their vacation, long-term employee, our policies pay them out, we can make sure that we manage that process before that position gets back filled, that we use that salary savings in order to pay for that payout before we fill the position. Currently, based on the trends—in the trend is an average of what we pay out each year, so we can remove that from the trend which will help in terms of now we get to count some of our vacant positions that we'll eliminate, but we have to manage the process.

I know it kind of sounds—you know it is complicated, but that's the essence of it in terms of when you're budgeting not full salaries and the impact of that.

Commissioner Townsend said well, you said something, it is complicated and not something you can rely on if you're expensing for 93 people, but maybe you've budgeted for 100. That almost sounds like maybe some changes need to be made in terms of reducing that headcount just for discussion so you can know here is the savings you can count on so to speak. I think I have a better grasp of what you're saying now. I appreciate that.

With regard to the audit, so will the audit be done prior to the conclusion of the numbers that you're going to give us for expense or that's going to be done after because it sounds like you are comfortable with the numbers that you are presenting to us now. **Ms. Kneuvean** said it will not be fully done as in presented to you all. The auditors come and should make a presentation to you, there's exit, there's process that still needs to go on and they're still in the midst of doing the audit, so you'll have to make a budget decision before the final audit is before you. It doesn't mean that enough work hasn't gone into it for us to know good numbers and to be able to estimate fund balances, for example. That's what's important in terms of the audit when you're doing the budget because it tells you how much did you bring in, how much did you spend, how much was left over and so then that goes into the new budget. If we have to modify that some once the final, final, final audit is done, there's a process for that as well. I'm working with you all and will come back to you.

Commissioner Townsend said thank you and to staff for the work that went into this. I appreciate it.

Commissioner Ramirez said very quick question. I may be asking this question wrong or it may not even make sense. We're doing the 93% as you said. Currently, where are the actuals? Are we above that 93? **Ms. Kneuvean** said we are. **Commissioner Ramirez** said and that's where you said we're upside down. **Ms. Kneuvean** said we are. It's only July, so we need to get on top of it and we need to get that corrected which means that we will have to slow down filling some positions, but again, we have to make these decisions in the context of the whole. So, it's which thing comes first and first is to get a handle on what the positions look like, what the structure looks like, what the budget looks like and then what can we do, what tools are there to better manage this so that we don't overspend our budget. **Commissioner Ramirez** said okay, I just wanted to clarify that.

Mayor Garner said thank you again all so much. Thank you for your work. I know you still have a lot more work to do, but we really appreciate you. I see a lot of cars that you all have parked here late at night and I know you're working hard to try and get to where you need to be for this Commission and our community, so I just want to say thank you all for the work you all put in. I know you all are doing the best you can. I believe that's it. Are there any more questions?

Commissioner Burroughs made a motion, seconded by Commissioner Lopez, to adjourn. Roll call was taken and there were nine "Ayes," Stites, Bynum, Burroughs, Townsend, Burns, Ramirez, Hill, Kane, Lopez.

MAYOR GARNER AJOURNED
THE MEETING AT 7:35 p.m.

Monica L. Sparks
Interim Unified Government Clerk

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