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NOTICE OF SPECIAL MEETING

To the Members of the Governing Body of the
Unified Government of Wyandotte County/Kansas City, Kansas:

You are hereby notified that a Special Meeting of the Unified Government of Wyandotte County/Kansas City, Kansas, is scheduled to be conducted in a hybrid format on Thursday, April 3, 2025, at 5:00 PM, for a budget workshop related to debt strategy in the Commission Chambers of the Municipal Office Building, 701 N. 7th Street, Kansas City, Kansas. **A copy of the presentation is attached to this notice.**

The public will be able to observe or listen to the special session live on YouTube or UGTV, or through ZOOM; information is below. The public may also view the special session from the Commission Chambers of the Municipal Office Building, 701 N. 7th Street, Kansas City, Kansas.

Please click the link below to join the webinar:
https://wycokck.zoom.us/j/83550817839
Webinar ID: 835 5081 7839
Or One tap mobile:
+12532158782,81423989537# US (Tacoma)
+13462487799,81423989537# US (Houston)
Or Telephone:
Dial (for higher quality, dial a number based on your current location):
+1 253 205 0468 US; +1 253 215 8782 US (Tacoma); +1 346 248 7799 US (Houston)
+1 669 444 9171 US; +1 669 900 9128 US (San Jose); +1 719 359 4580 US
+1 309 205 3325 US
+1 312 626 6799 US (Chicago)
+1 360 209 5623 US
+1 386 347 5053 US
+1 507 473 4847 US
+1 564 217 2000 US
+1 646 558 8656 US (New York)
+1 646 931 3860 US
+1 689 278 1000 US
+1 301 715 8592 US (Washington DC)
+1 305 224 1968 US
877 853 5257 US Toll-Free
888 475 4499 US Toll-Free
International numbers available:
https://wycokck.zoom.us/u/kpmJ15SjC

Dated this 1st day of April 2025.

Budget Workshop #2

DEBT STRATEGY – ORIGINALLY MARCH 13, 2025; RESCHEDULED TO APRIL 3, 2025

Funding Approach for Capital Projects

- **Capital Projects** are long lived capital assets and infrastructure needs with a significant life cycle (20+ years) such as roads, sewer lines, and buildings; maintenance needs are short term / one-year expenses such as routine upkeep of assets as part of the operating budgets

- **Capital Improvements Plan (CIP)** is a 5-Year Plan, however, only the first year is appropriated in the budget [1]

- The UG funds capital project needs in three ways:

  - **Cash Funding** – pay as you go financing budgeted in annual operating budget

  - **Lease Financing** – typically capital equipment that has a shorter life and are funded in operating budgets and financed over a 3 – 10 years repayment schedules [1]

  - **General Obligation (GO) Debt** – typically repaid over 20 years; tied to the life cycle of the capital project typically through a bond competitive sale or through a state revolving loan fund

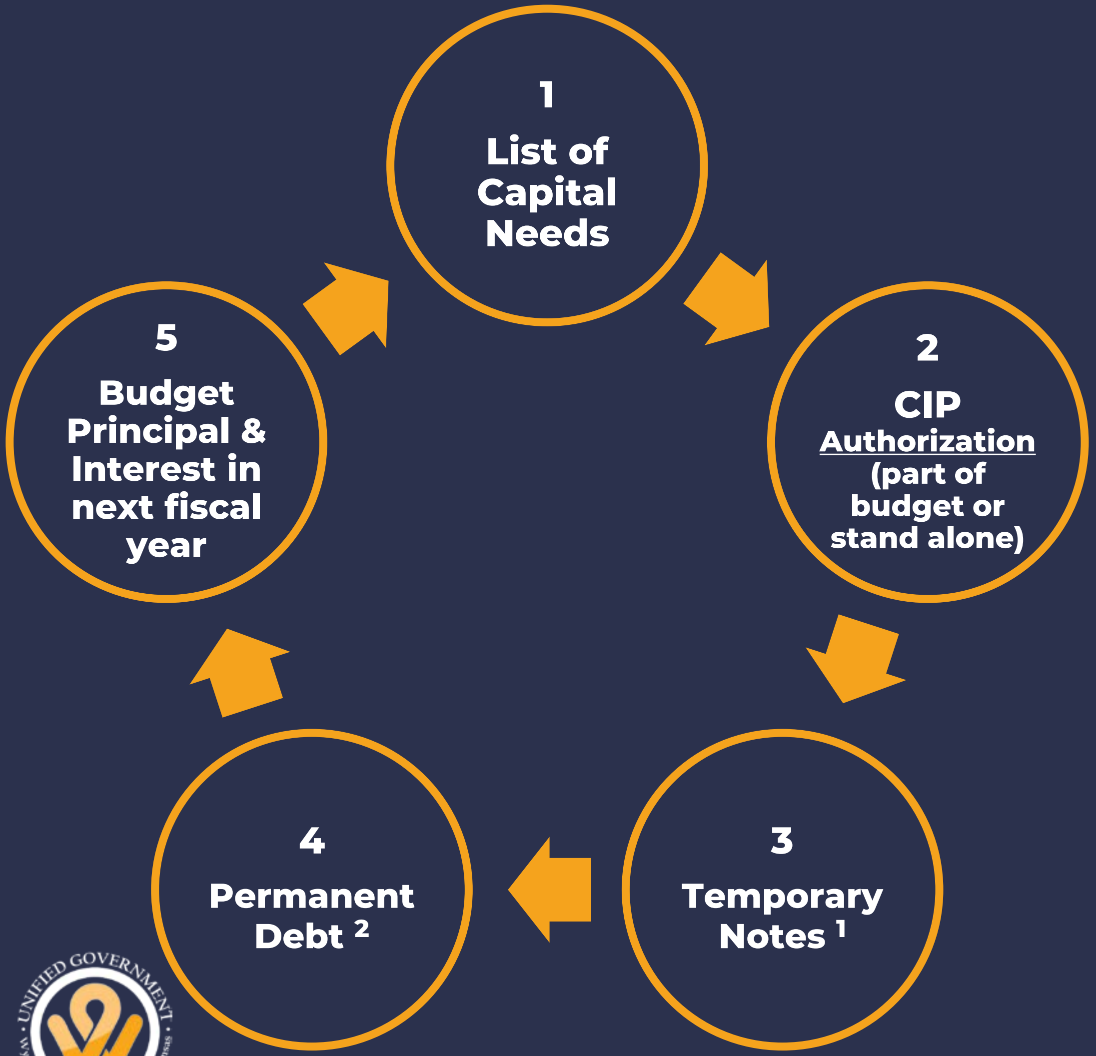
Purpose of Debt Presentation on 4/3/25

- Discuss Current Debt Financing Approach
- Review Outstanding Debt Portfolio
- Overview on Impact on Annual Budget
- Discuss Proposed New GO Debt Process and Strategy

[1] Per the Capital Asset and Equipment Investment and Management Policy, Res-10-21 & the Debt Policy, Res-18-19

Background on Debt

Current CIP & Debt Authorization Process



- Previous goal was to issue only $15M - $16M per year
- UG has exceeded that amount in recent years and total debt began to grow and annual debt principal & interest payments compounded
- Additionally, due to constrained budgets debt began being used for smaller maintenance projects such as ADA ramps or sidewalk repairs

[1] Temporary notes are typically 1 year financing but not more than 4 years to provide partial funding for projects to begin; the borrower only pays interest on the temporary notes (no principal repaid) – they are not permanent financing

[2] Permanent debt is the 20+ year bond to fully fund the project, and principal and interest are both repaid over the term

Background on Debt

Outstanding Debt by Fund

$489,869,900

City General Obligation Outstanding Debt (P&I)
AS OF 2025

- $279,781,444 total City General Obligation outstanding debt principal and interest
- Bonds for sanitary sewer and stormwater projects totaled $210,843,556 (enterprise storm sewer funds and sanitary sewer rates as repayment source)
- Outstanding balance of State Revolving Loan Fund of $13,814,434
- PBC debt principal and interest totaled $244,900.

$51,370,100

County General Obligation Outstanding Debt (P&I)
AS OF 2025

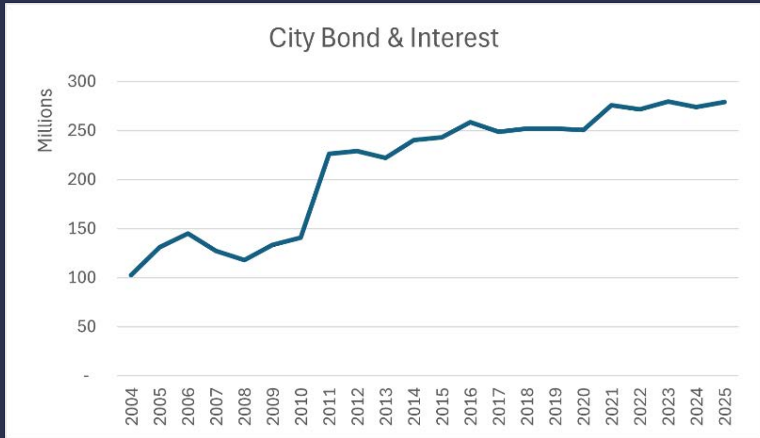
- County General Obligation Bonds for debt and principal interest totaled $12,095,000
- County General Obligation Bonds for PBC projects totaled $39,275,100

	City Bond & Interest Fund				County Bond & Interest Fund			
	Tax Levy	Sewer/Storm	PBC	Total	Tax Levy	PBC	Total	
2024	273,487,510	157,467,490	362,700	431,317,700	13,305,000	42,057,300	55,362,300	486,680,000
2025	278,781,444	210,843,556	244,900	489,869,900	12,095,000	39,275,100	51,370,100	541,240,000

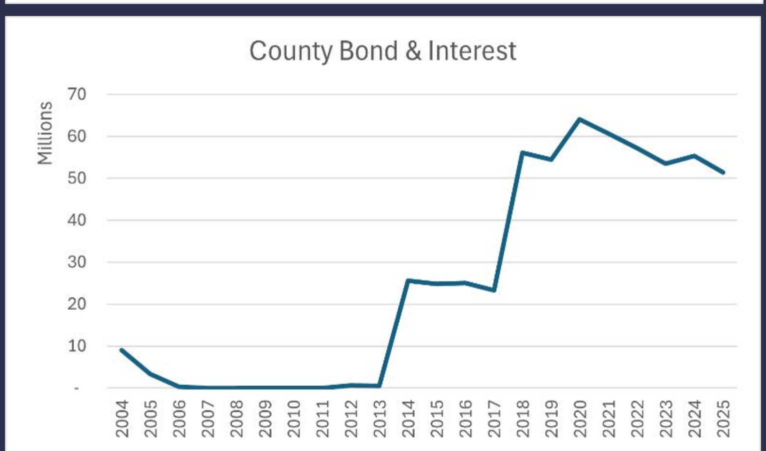
Background on Debt

Total Debt by Major Fund

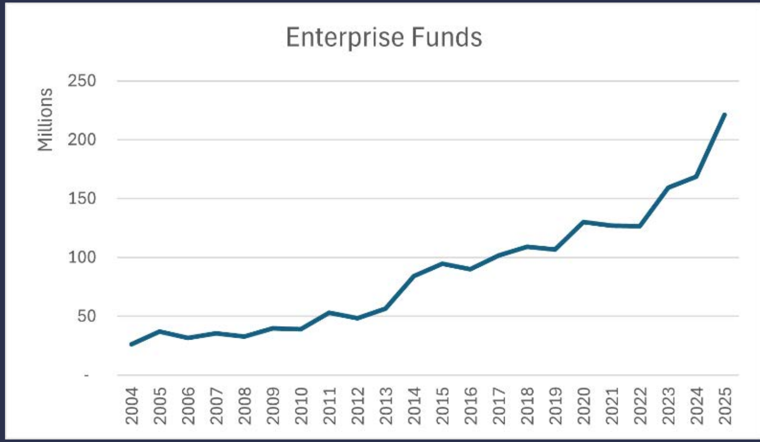
$541,240,000 TOTAL OUTSTANDING DEBT



$279.0M 2025



$51.4M 2025



$210.8M 2025

Funded Needed Infrastructure Needs & Economic Development Initiatives

City Projects

- Annual Street Overlay Program $2M-$6M per year (additional funds from cash)
- New Fire Stations – Hutton Road and Turner $15M
- City Hall Stabilization $7M
- Leavenworth Road Improvements – (38^{th} - 78^{th}) $15M
- Hutton Road Improvements - $6M
- Courthouse/Jail Facilities $18M
- Police CSI Lab $8.5M
- Economic Development Projects - Downtown Hotel, Downtown MERC, & Stadium Parking

County Projects

- Courthouse/Jail Facilities $18M
- New Juvenile Center $27M
- County Emergency Radio System Improvements $25M

Sanitary Sewer and Storm Water Projects

- Consent Decree Projects
- Sewer Facility Relocation $21M
- Wolcott Treatment Plant $65M
- Kansas Levee Betterment $10M
- Turkey Creek $15M

Other Key Initiatives Funded with Debt

- Various court settlements ($18.2M)
- Workday implementation ($7.5M)
- District Attorney digitization project ($1M)

	Settlement Amount
2010	$432,484
	$77,408
	$507,787
2012	$258,333
	$516,667
2013	$329,518
2014	$257,500
	$210,000
	$1,520,000
	$387,661
	$766,353
2015	$211,214
2023	$12,751,511

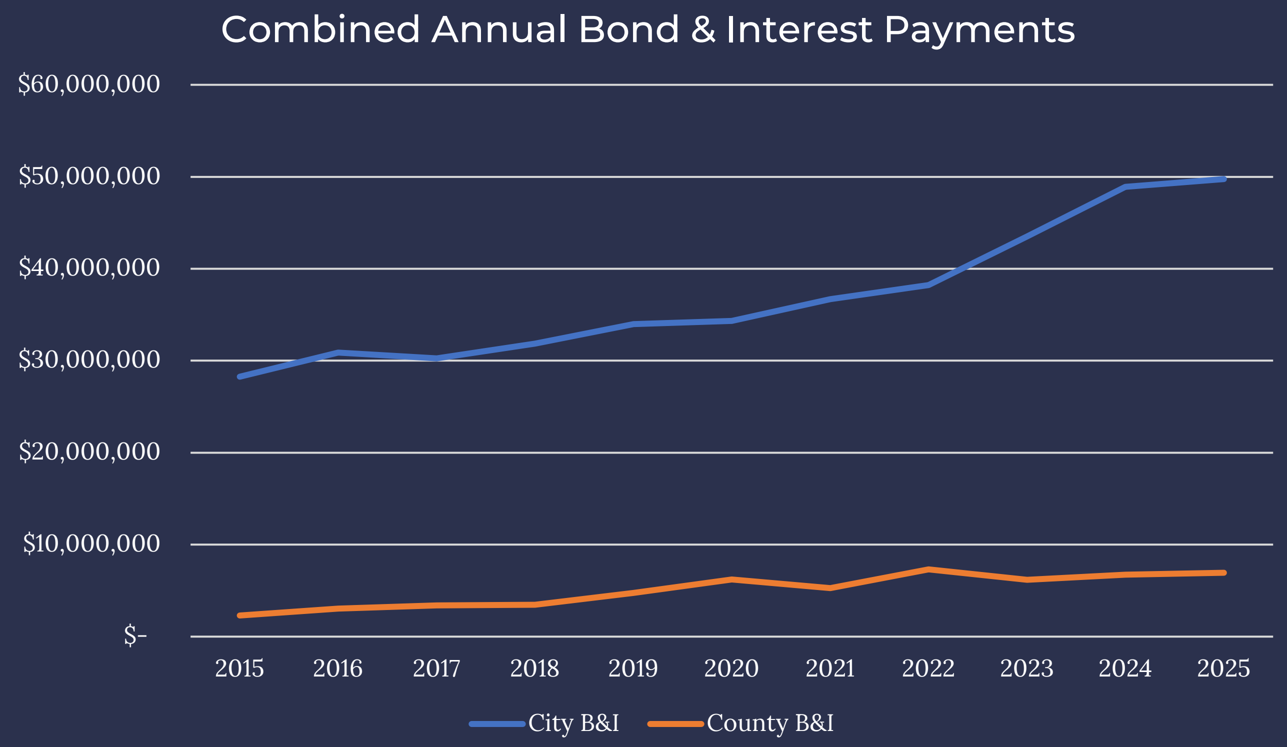
Debt Annual Budget Impact

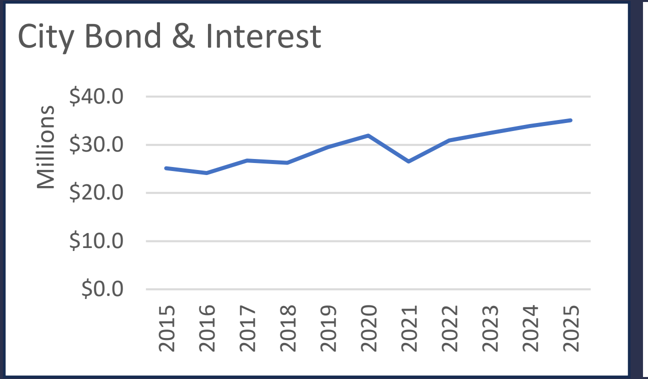
Principal & Interest Payments

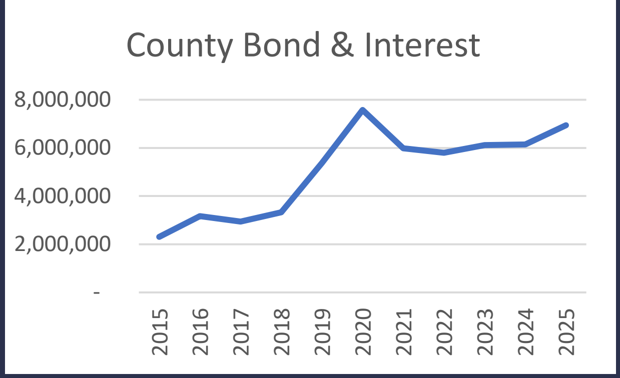
Year	City General Fund	City Sanitary Sewer	City Storm Sewer	County General Fund
2015	$24,644,808	$4,857,009	$809,725	$2,306,962
2016	23,309,101	5,110,270	1,103,125	3,162,791
2017	25,968,479	6,828,760	1,101,933	2,941,388
2018	25,351,042	6,979,073	1,249,230	3,323,002
2019	28,123,720	6,970,434	1,718,790	5,370,945
2020	31,109,204	7,097,959	1,729,588	7,576,822
2021	25,770,671	7,576,752	1,720,332	5,982,330
2022	29,986,365	8,851,319	1,884,482	5,800,639
2023	31,386,111	11,093,291	1,964,722	6,112,177
2024	32,876,880	12,060,764	1,944,728	6,149,624
2025	33,973,196	13,431,128	2,048,794	6,944,548
2026 Estimate	35,173,196	16,729,880	2,064,493	6,944,548
Net Change 2015-2025	$9,950,012	$8,574,119	$1,239,699	$4,637,586
% Increase	39%	176%	153%	202%

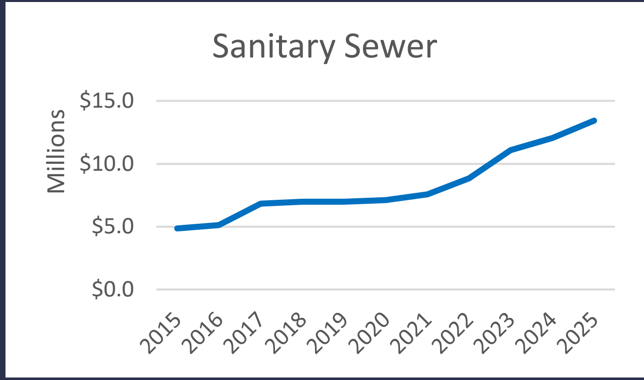
Debt Annual Budget Impact

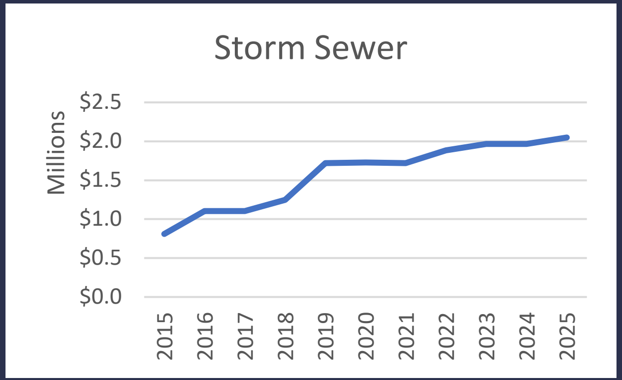
Principal & Interest Payments











Current Debt Process

3+ Years, Five Steps at Commission Level

Identify and Authorize Projects

YEAR ONE

Resolution to Authorize Projects (part of CIP in Budget or Stand-Alone Resolution) - Spending begins, UG cash flows expenses.

STEP 1: Resolution to Authorize Projects

Partial Funding with Temporary Notes

YEAR ONE or TWO

Typically, only issue a portion of total debt authorized, pay interest only, spending continues

- STEP 2: Sale resolution/ordinance
- STEP 3: Award of bid

Permanent Debt

YEAR TWO or THREE

All issued temporary notes, interest paid on temporary notes for prior year, spent cash, encumbrances, or additional funds needed for projects are bonded into permanent 20-year debt

- STEP 4: Sale resolution
- STEP 5: Award of bid

Current Debt Process

Concurrent, Overlapping Years

As many as four budget years before principal and interest is in budget

Identify and Authorize Projects → Partial Funding with Temporary Notes → Permanent Debt → Bond Principal & Interest added to budget

Identify and Authorize Projects → Partial Funding with Temporary Notes → Permanent Debt → Bond Principal & Interest added to budget

Identify and Authorize Projects → Partial Funding with Temporary Notes → Permanent Debt → Bond Principal & Interest added to budget

Current Debt Process

2025 Debt Reset – Where we are now…

Identify and Authorize Projects Through CIP

Paused Prior Authorizations & Spending if no debt has been issued

Partial Funding with Temporary Notes

No New Temporary Notes

Sale Resolution / Ordinance Permanent Debt

Hold on Additional Permanent Debt

Current Debt Process

Impact of Temporary Notes

- Tie the issuance of bonds to construction schedule to avoid paying arbitrage/interest on earnings from bond proceeds (all proceeds must be spent within three years)

$88.3M
February 2025
GO Bond Issue

$61M
Temporary notes

$1.1M
Interest cost

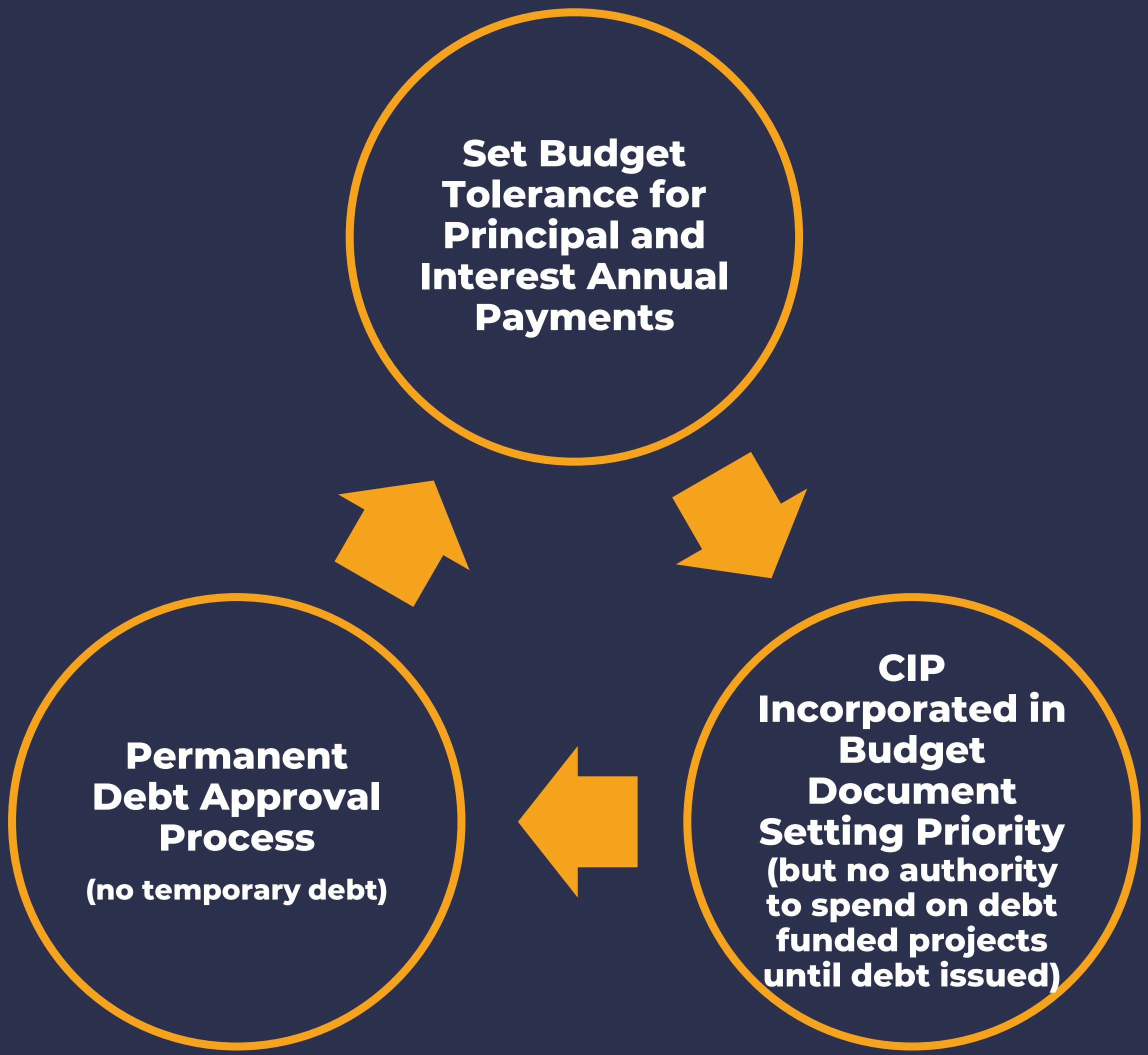
$1.2M
Cost of issuance (2%)

$3.345M
Additional costs for a 20-year bond with temporary notes

Proposed Debt Strategy

New Debt Simplified Authorization Process

- Start with the End in Mind
- Set Debt Issuance Level Based on the Annual Budget Impact Measured by Principal & Interest Payments



Proposed Debt Strategy

One-Step, Two Actions Commission Process Moving Forward

Commission approves a <u>Project Resolution</u> approving the projects and amounts to be included in the permanent debt
(typically to match the CIP in the adopted annual budget)

\+

Commission approves a <u>Sale Resolution / Ordinance</u> authorizing proceeding with the debt sale

Occurs at same meeting

→

Sale of Bonds Occurs (within 60 days)
Results Shared with Commission & Mayor
Executes Documents Post Sale

No spending on debt funded projects until the debt proceeds are in place

→

Projects are completed within three years to avoid arbitrage

Debt Strategy 10-Year Forecast

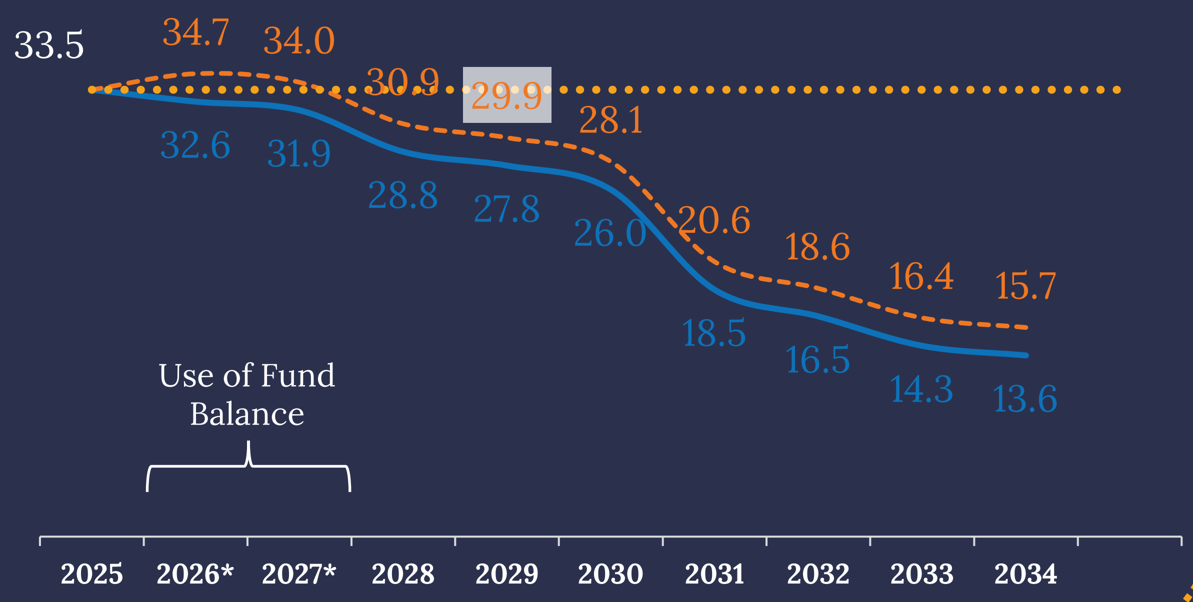
City General Fund Bond Principal & Interest Payments

- 44% of City General Fund Property Tax is used for Annual Bond & Interest Payments
- Debt will begin retiring in 2028

Projected City Bond & Interest Tax Levy Debt

Impact of adding **2025-A Debt Service** to **Existing Debt Service**

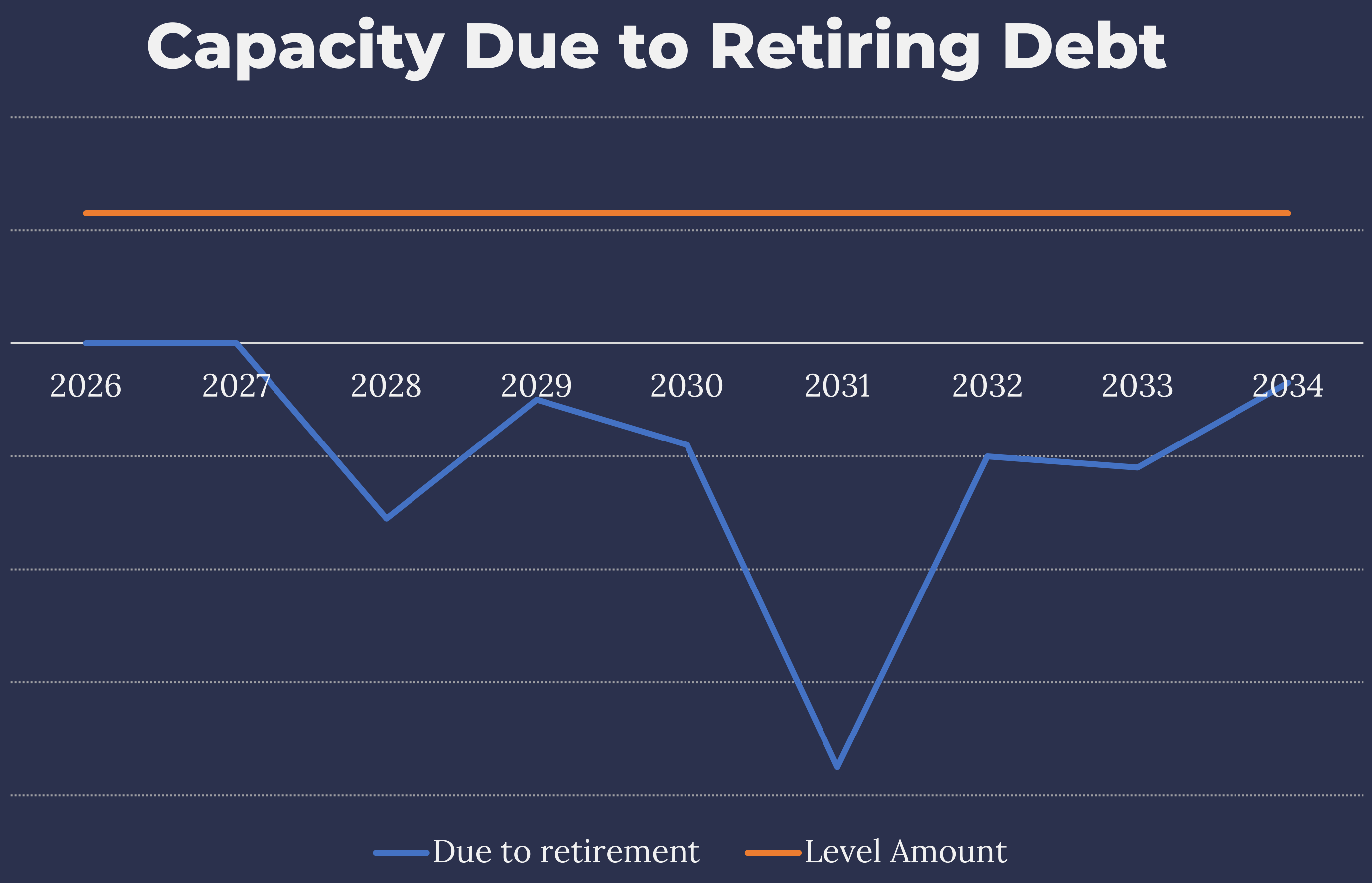
in ($) USD millions



Debt Strategy

Capacity due to Retiring Debt vs. Smoothing

Over time as the total general fund property tax revenue grows, the % will decline with level debt service with this strategy



Debt Strategy

City General Fund Options As Debt Retires

Option A

Issue Additional Debt Setting Aside More Mill Levy for Additional Bond Principal and Interest Payments

Option B

Do Not Issue More Debt Set more aggressive target to reduce percentage of property tax captured for debt payments

Option C

Do not issue full amount of capacity for more debt to free up funds for property tax relief

Option D

Do not issue full amount of capacity for more debt to shift more capital projects to cash funding, saving interest costs

Option E

Do not issue full amount of capacity for more debt to achieve a more aggressive target to reduce property tax captured for debt payments

Or Some Combination

General Fund Debt Strategy 10-Year Forecast

- Recommend level annual principal and interest costs at approximately $34 million (2025 baseline)
- Maximum amount of project costs to be bonded estimated (dependent on interest rates at the time)

	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual P&I Payment Including 2025 Debt	$32.6M +$2.1M ======= $34.7M	$31.9M $2.1M ====== $34.0M	$30.9M	$29.9M	$28.1M	$20.6M	$18.6M	$16.4M	$15.7M
Net Change Due to New Debt or Debt Retiring	$0	$0	($3.1M) ======= $34M	($1.0M) ======= $34M	($1.8M) ======= $34M	($7.5M) ======= $34M	($2.0M) ======= $34M	($2.2M) ======= $34M	($0.7M) ======= $34M
Maximum Project Amounts for New Debt ($13M : $1M)	$0	$0	$40M	$13M	$23.4M	$97.5M	$26M	$28.6M	$9.1M

Debt Strategy

Alternative Phase In Option to consider for City General Fund

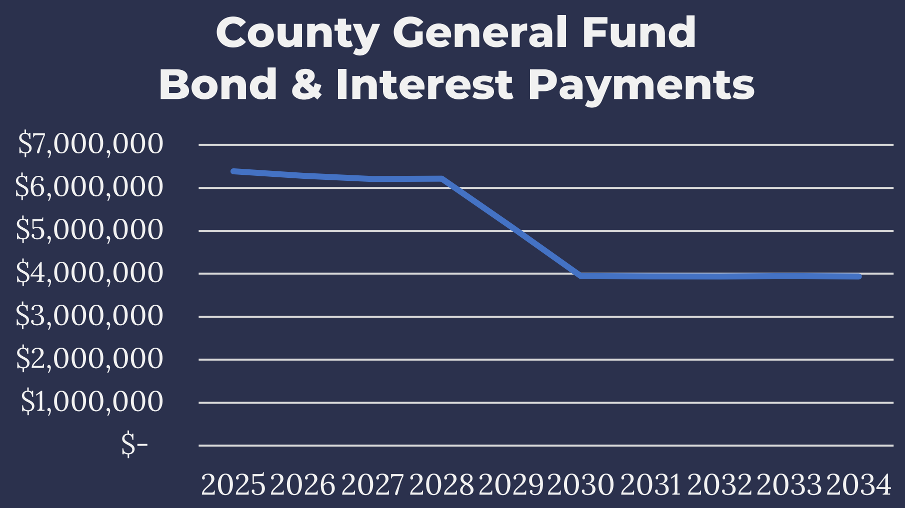
3 Year Plan

2026 *	2027 *	2028	2029-2034
+$770K Principal/Interest	+$770K Principal/Interest	+$1.54M Principal/Interest	TBD
$10M Project costs	$10M Project costs	$20M Project costs	

* Unless revenue neutral and then cannot issue any new debt until 2028 when existing debt begins retiring

Debt Strategy

County General Fund Debt



	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Annual P&I Payment Including 2025 Debt	$6,383,544	$6,282,154	$6,201,263	$6,213,394	$5,092,044	$3,942,438	$3,937,544	$3,938,569	$3,944,456	$3,938,869
Net Change Due to New Debt or Debt Retiring	$0	$137,000	$0	$0	($1,121,350)	($1,149,606)	$0	$0	$0	$0
Maximum Project Amounts for New Debt ($13M : $1M)	$0	$3,000,000	$0	$0	$14.3M	$14.9M	$0	$0	$0	$0

Debt Strategy

County General Fund Recommendations

Recommend no additional county debt until at least 2029 due to financial challenges of County General Fund except for Willa Gill previously approved $3 million in debt (net add of $130k P&I offset by debt retirement)

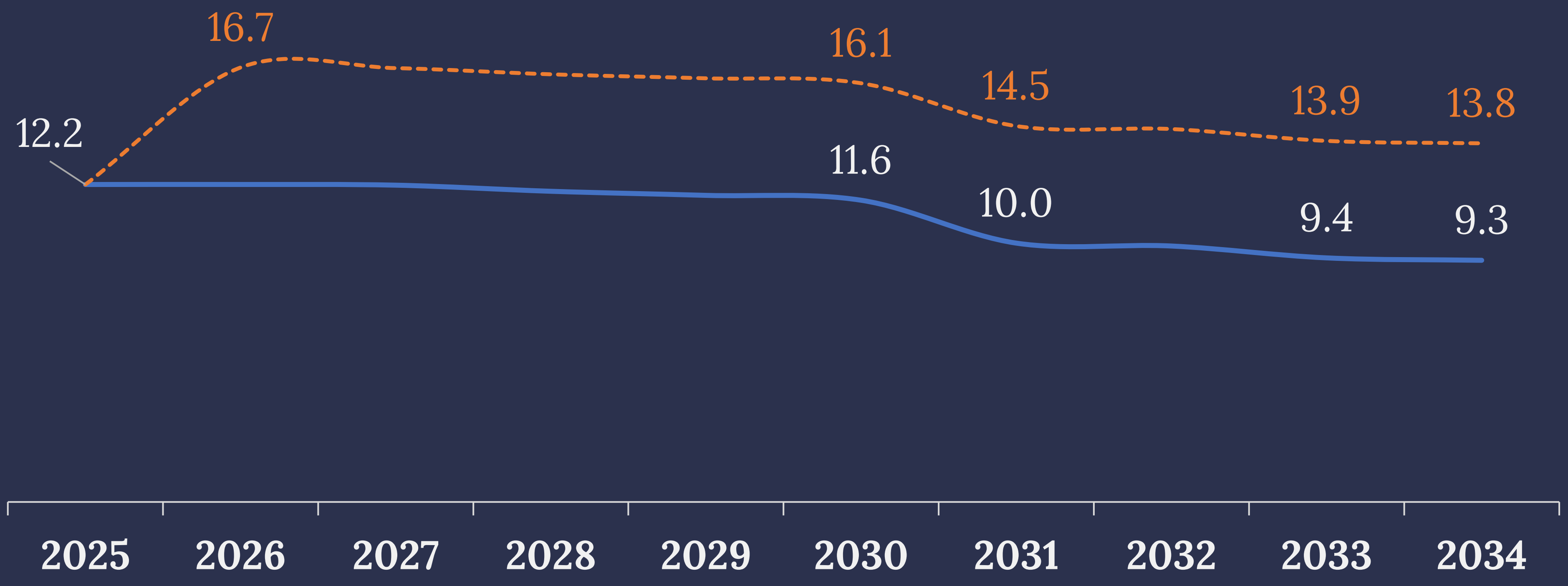
In 2029, evaluate future debt versus needs of operational budget

Debt Strategy

Sanitary Sewer Enterprise Fund

Projected Sanitary Sewer Rate Funded Debt

Impact of adding **2025-A Debt Service** to **Existing Debt Service**
in ($) USD millions



Debt Strategy

Sewer Enterprise Fund Recommendations

Recommend only issue debt that can be afforded within the 4% annual sewer rate increase through 2028 to maintain affordability

Recommend only issue debt that can be afforded within the 3.5% annual rate increase 2029 and beyond to maintain affordability

Personnel, operations, cash capital projects, and debt service all funded from the same funding source of fees

Questions?