STATE OF KANSAS)
WYANDOTTE COUNTY)) SS **SPECIAL SESSION, THURSDAY, APRIL 20, 2017**
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Thursday, April 20, 2017, with ten members present: Bynum, Commissioner At-Large First District; Walker, Commissioner At-Large Second District; Townsend, Commissioner First District (arrived at 6:32 p.m.); McKiernan, Commissioner Second District; Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Markley, Commissioner Sixth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District; and Holland, Mayor/CEO, presiding. Murguia, Commissioner Third District; was absent. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Joe Connor and Melissa Mundt, Assistant County Administrators; Carol Godsil, Deputy Unified Government Clerk; Alan Howze, Chief Knowledge Officer; Jeff Fisher, Executive Director of Public Works; Kathleen VonAchen, Chief Financial Officer; Debbie Jonscher, Deputy Finance Director; Reginald Lindsey, Budget Manager; Jud Knapp, Budget Department; Debbie Pack, County Treasurer; Alyse Villarreal, Fiscal Officer; Angela Lawson, Deputy Chief Counsel; Rocki Mayes, Executive Asst. to County Administrator; Mike Taylor, Public Relations Director; Maureen Mahoney, Asst. to Mayor/Chief of Staff; and Doug Bailey, Sergeant-at-Arms.

MAYOR HOLLAND called the meeting to order.

ROLL CALL: Walker, McKiernan, Johnson, Kane, Markley, Walters, Philbrook, Bynum, Holland.

NOTICE OF SPECIAL MEETING of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, April 20, 2017, at 5:00 p.m. in the 5th floor conference room for a Commission Retreat.

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 Holland said this is our Strategic Planning and Budget Retreat that we do in the spring each year to get ready and rather than spending a Saturday morning together we are doing a Thursday evening. This is our agenda for the entire evening. I'm going to turn over the leading of the meeting to Administrator Bach and his team to walk us through this proposal. If you want to be called on to speak, then Mr. Bach will be directing the activity from here.

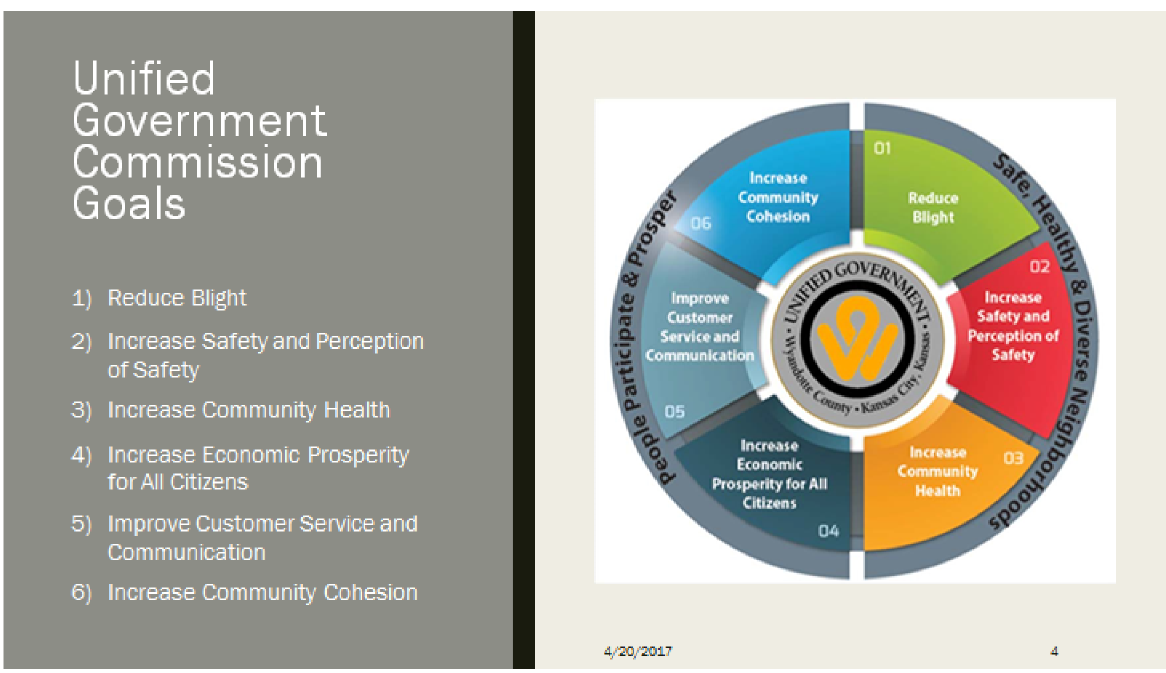
Doug Bach, County Administrator, said we look forward to this one. I think last year we went through a pretty good session and it helps us out a great deal from a staff perspective to be able to come into this and be able to kick around different ideas, different thoughts of where we're at, and get a lot of directions so when we come out with the budget in July we're somewhere close to where you all want us to be. I think that really leads to the fact that allows us to move through the process in July fairly efficiently because we spend the time now and you spent the time in previous months going through and making good directions and decisions where we want to spend the money.

I will just walk through the agenda real quick. We're going to review our vision, mission and really this first section is looking at decisions we've already made so that's kind of what the visions are that are out there that you guys have set forth. We went through that last fall.

We talked about the Citizen and Stakeholder meeting. We're not going to break into that folder a lot, but that was sent up to your office earlier today and you will have that if you want to dig into that more at a later time. We're going to look at our debt because that's a big part of where our budget is and then we're going to look at the initiatives that we did. We're going to run through all that and then we will take our dinner break after that timeframe. Then we're going to come back and go over the policy initiatives, an overview of our mill rates and such like that and then go through in our small groups exercise.

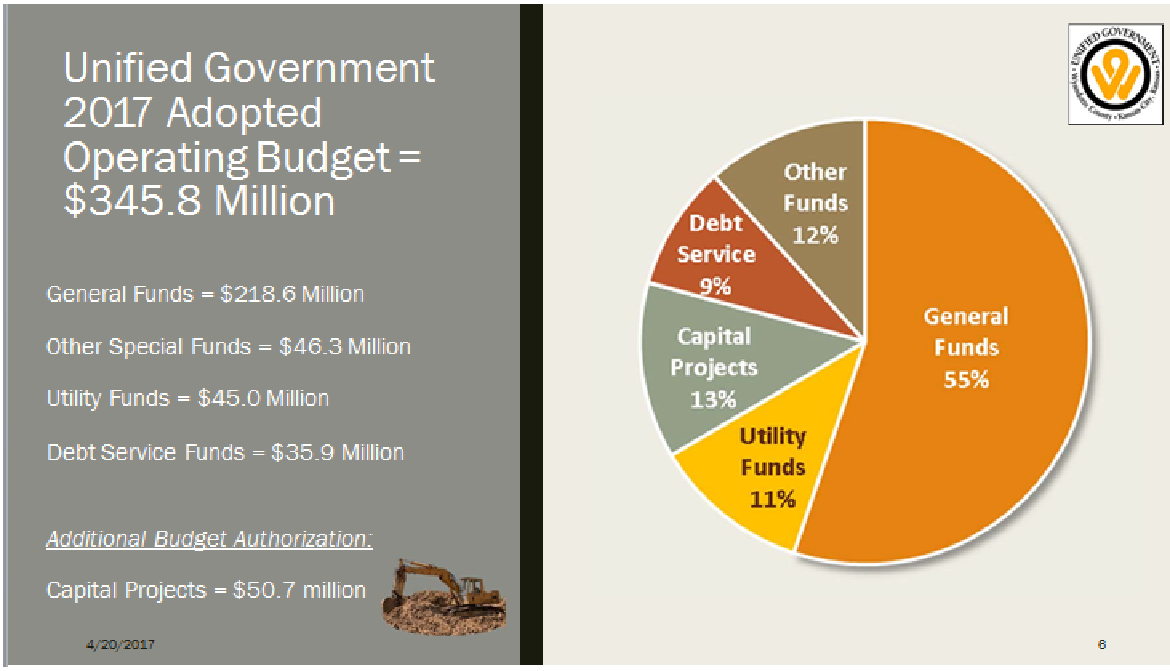
We're going to use a similar format that we did last year and that's why the first part of this is to kind of talk about what initiatives we want to get into and then take those into the small groups, walk through it and then come back and have some full commission discussion on that and then talk about our next steps. This really is programmed to be about a four hour session tonight and I think working through it kind of keeps everybody energized into it and it should be good.

The vision that is set out and this is your vision, Uniquely Wyandotte – a vibrant intersection of diversity, opportunity and distinctive neighborhoods. An engaged community: healthy, fulfilled and inspired. These are the things I've been sitting out in front of my staff and working through our Mission and our Values.



The next one is the goals and these are the six different areas that you all set out to reduce blight. That's the one with our SOAR Program. It's really one that's been the leading initiative that we've been spending a lot of time on and I think it flows over into a lot of the different areas to what we've been doing within the government. Increase Safety and the Perception of Safety in the community as another one of the goals. Increasing Community Health, Increase Economic Prosperity for All Our Citizens, Improve Customer Service and Communication and Increase Community Cohesion and so I just stepped back through those as these are the goals that you all set out. These are the things we need to be thinking about when we think about where is our allocation of money going, what's our priority in the different areas through our budget so we want to keep that in check and if we want to reallocate in different areas or we think we're going down the right track with where we have things going.

I'm going to turn it over to Reggie and he is going to run through a little bit of the Community Stakeholder Input information that came out and we will move from there.



Reginald Lindsey, Budget Manager, said first I'm going to start out with the budget we approved last summer. It was a $345M budget that provides the services for over 30 funds and over 200 services is what it provides services for. You can see we have the General Funds at $218M that's made up of the City General Fund, the County General Fund and Parks & Rec Fund. Then we have Other Special Funds which is $46M. That's our funds like Aging, the Health Levy, also our Alcohol Funds, Special Parks Fund and Other Fund also. Then we have our Utility Fund which is made up of our Water Pollution Fund and also our Storm Water Fund and then we have our Debt Service Fund which is made up by our County and City Fund.

During our first budget kickoff we also had where individuals could submit budget forms if they could not make it to our budget hearing. Within that whole process we had six citizens submit forms and also come to the public hearing and we had 12 Citizen Community Stakeholder groups come forward for a total of $4.4M and also information was emailed out to you all earlier with all the information that was submitted in forms. There were also details on each person that came to the public hearing and we will provide binders of hard copies if you like hard copies.

I will turn it over to Debbie. She is going to move into the debt portion of the presentation.

Debbie Jonscher, Deputy Finance Director, said before we get started I want to introduce Alyse Villarreal. She has worked with part of the SOAR group. She has been in the Finance Office for several years now and we're getting her more and more involved on the debt side so she is going to be helping us out with presentations and the debt issues going forward. She will be doing one little piece of the presentation so I just wanted to introduce her.

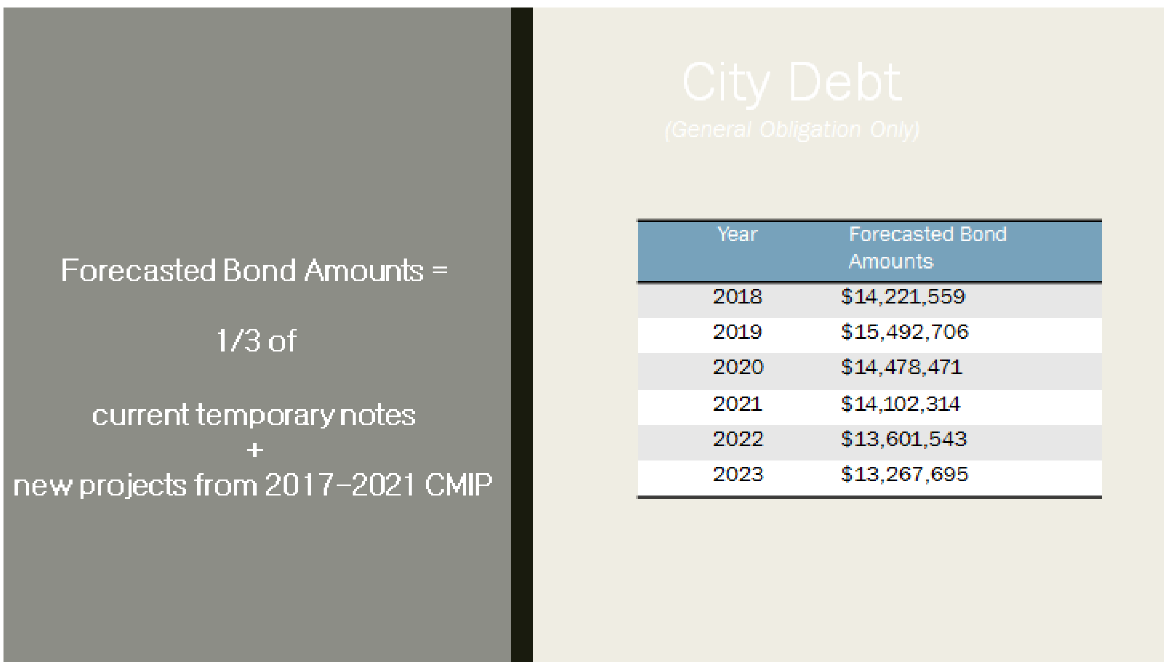
The first slide we're going to talk about is the City Debt Service. The current mill rate in 2017 for the City Debt Service Fund is 16.782 mills. This fund brings in $23M in property tax revenues and $17.8M of it is current real estate property and then the other $6M is personal property and other tax revenues; delinquent tax that may have been assessed in a prior year. In addition to the $23M we have $8M that comes from other sources such as the Sewer or Storm Water Utility and the Dedicated Sales Tax Fund for debt issues that are issued under our General Obligation Debt.

Commissioner Philbrook said on this, would you give me that breakdown on the real property and the personal property? **Ms. Jonscher** said the mill rate is $16.782 mills. That generates $17.8M in property tax revenue. **Commissioner Philbrook** asked is that personal and real? **Ms. Jonscher** said that would just be real. **Commissioner Philbrook** said and then the personal. **Ms**. **Jonscher** said the personal property tax would be the remainder of it. The other taxes include, in addition to personal property, which would be your motor vehicle and recreational vehicle, you also have delinquent tax which would be taxes that were levied in a prior year that were received in the current year.

Ms. Jonscher said on the Expenditure side we have a total of $30M in Annual Debt Service Payments and that includes GO Debt which covers streets, bridges, public buildings, sewer and stormwater and we also have some PBC debt. At the current rate we are collecting enough revenue to cover our current annual debt service payments in this fund.

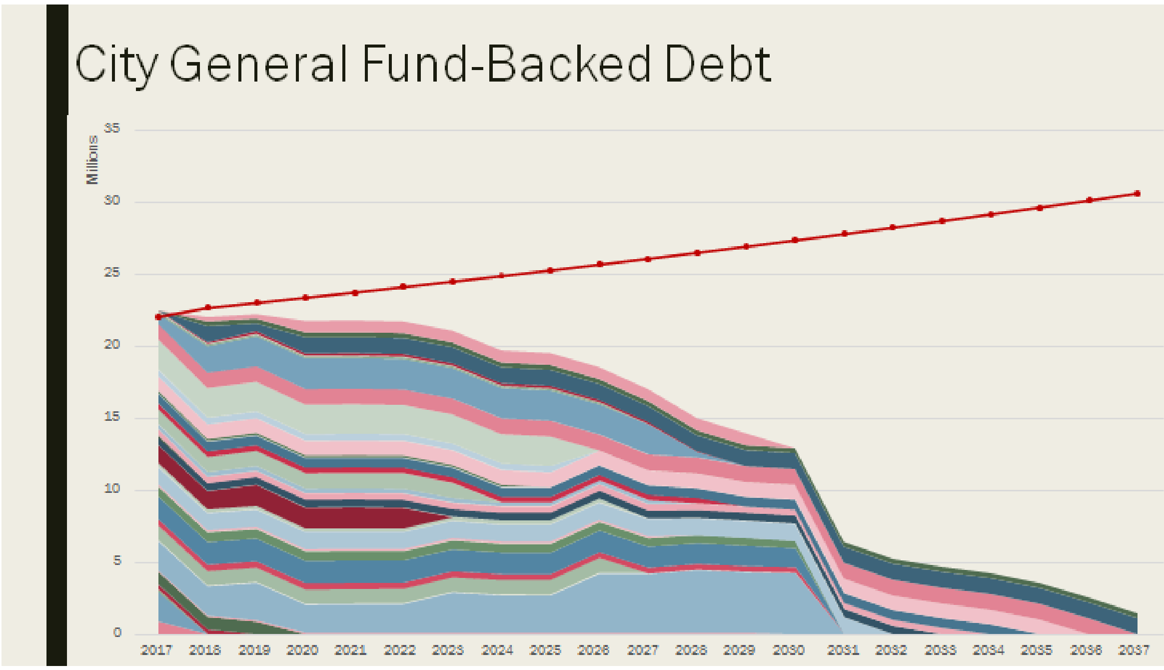
The next page I'm going to turn over and let Alyse explain what amounts we built into our forecasted amounts for bond issues going forward.

Alyse Villarreal, Fiscal Officer, said we're getting ready to show you another slide that will have a graph on it and in that graph we've tried to project out what the conditions will be in the next 20 years.

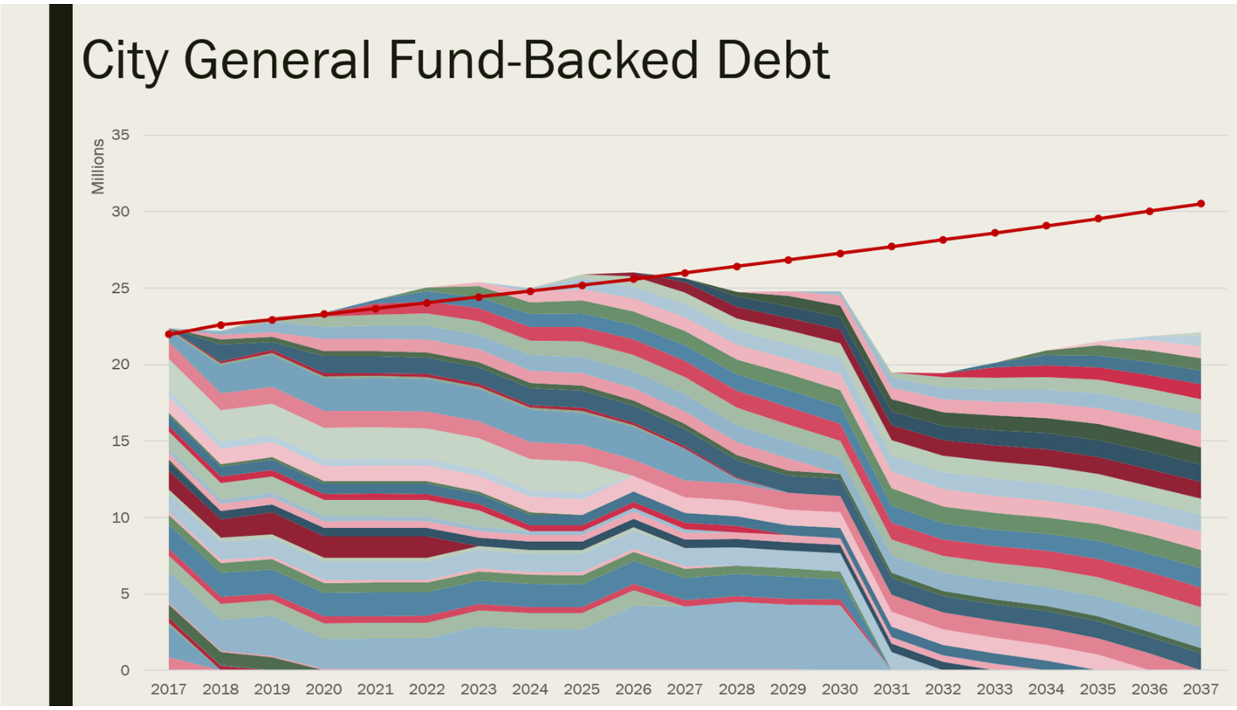


The way we came up with those numbers is we had data for the first six years. We've taken our current temporary notes and the GO funded projects that are in that. To that we've added for each of the years the approved projects in the CMIP, the Five-Year CMIP, and historically we've bonded a third of that. That comes up to us adding $15M of new projects each year onto the CMIP and it also results in bonding $15M of GO Projects and so for the remaining years we continued that $15M trend out for the rest of the 20 years.

Kathleen VonAchen, Chief Financial Officer, said I wanted to mention the reason she mentioned the one-third is because temporary notes can only be used for three years and then they have to be rolled into a permanent financing so that's why you take a third, a third. **Ms. Jonscher** said we typically bond about a third of our temp notes so we add on new temp notes but then we also bond a portion of the current temp notes issuance.



This slide shows the General Fund-Backed Debt. The graph shows the debt that is currently obligated that we have already issued and we are currently making payments on. As you can see, this is just the General Obligation portion and it's about $23M which I said previously. The line on the graph is the revenues associated with this fund and this is based on the tax revenue that we're receiving. With this line we've assumed a constant mill rate so we're still at 16.7 mills. We haven't increased it, but what we have increased is the assessed valuation growth so we built in 3.5% for 2018 and for the future years we built in 1.9% which as we looked at over the past decade 1.9% growth was about our average and so that's why we used that going forward.



This next graph shows—what we have done is we have gone in and the information Alyse talked about on the previous slide we have added in every year an additional $15M in bonded debt. You can see that as we get—with the assessed value growth that we built in I think previously we had talked about possibly needing additional revenues in 2019. If we see this growth as we projected, we're thinking that we may not need additional revenues until maybe the year 2021 and that would assume the values that we built in are what we actually receive. This shows each of the debt issues out all the way—**Mr**. **Bach** said this is a pretty good slide I think and then one thing you will note in your hard copy to come out this didn't come through that way unless you have a PowerPoint that layers it on, but there are a few questions here.

Commissioner Walker said I look at that and of course first that blank space beginning when I'm about 80-81, now that looks good except I think everybody probably somewhere intuitively feels that there won't be any blank space because there will always be new or emergency capital improvement projects that either haven't been thought of yet or will be thought of. The line—I guess what I've always hoped we would see with our debt structure and what we should see with our debt structure if we're going to ever give serious relief to taxpayers is to quit waiting on the assessed value to continue to grow and take a straight line ruler and I don't know what the right number is 21, 20 and draw it straight across projecting it out and that be the line in the sand that we're not going to cross. If we don't do a capital improvement project, we just don't do it. I mean the idea that somewhere out in the future we're going to start seeing space between that line and that multicolored robe there of lines I don't believe it for a minute. I don't think anybody else believes it either. **Mayor Holland** said they only projected it out to 2030 so they stopped adding the $15M a year at that point. That's why you see the gap. **Commissioner Walker** said if they add the $15M it fills in. **Ms**. **Jonscher** said no, we actually did project out all the way to 2037. What happens in 2030-2031 a big portion of our debt, and I believe that's the 2010 Series, drops off. Normally when we have a Capital project we issued the temporary note it can go anywhere from one to three years and then we do the permanent financing. In 2010 we had the Stimulus Bonds and we bonded a lot of projects that were not even started. We bond them at the beginning of the project instead of letting them go two or three years and then bonding and so that's one of the reasons you're going to see that big chunk of debt drop-off at that point. We did project this out for debt going out through 2037 at a rate of $15M per year. If we increase that amount and went higher and bonded $20-$25M than that gap would get smaller.

Mr. Bach said I think one thing that's really important in this one is this does hold us as somewhat of a flat line in the amount of debt we issue each year. If you want to take on the equation of not doing any more debt, that's a pretty tall order. I mean we can try to get there, but the initiatives of going after more street projects and the infrastructure that we have in a lot of our buildings and things we're responsible for really probably makes that somewhat impractical. Trying to stick to the $12-$15M on an annual basis is probably a tough enough objective to look at and say where you're going and as Debbie went through it that's where you see each one of these new colors coming on each year is we're planning to throw that $15M out there each time and keep working that into the equation.

Mayor Holland said to follow-up on that, you've projected out that amount over the next 20 years. Is that right? **Mr**. **Bach** said yes. **Mayor Holland** said and that's assuming if you're issuing $15M in debt today is not going to be as valuable as $15M in debt in 20 years because you're going to have inflation so you're already doing less work. In real dollars it's actually going—what you're doing is going down. **Mr. Bach** said well said, so you're actually cutting into the amount you're doing in debt by doing it the same because just like we're saying it's worth 1.9% more, you can probably conservatively say your dollar is worth 1.9% more every year too so you're inflationary rate is going to be somewhere in that 2% and it will go up and down throughout. I mean I like the way they look back over the past decade and we had not exactly the best growth in the last decade because we had a heck of a drop in there and we've just started to recover and we still made a 1.9% valuation increase as an average.

Commissioner McKiernan said just a couple of things and I'm sure I've asked these questions before so just humor me and answer them again. On the x axis the 21, 22 that is $22M that we budget for debt service per year, correct? **Ms**. **Jonscher** said that's correct. **Commissioner McKiernan** said and we are projecting that if we kept with our mill rate we would be recovering additional money every year that could be put toward debt service so by the time we get to 2037 we would have $31M that we could put toward debt service. Is this too simplistic and it might be so tell me if it is. What if you took that increase and you drew that horizontal line, as Hal had suggested, you drew that horizontal line and you said we're going to do our best to stay below that line, you take that money that we project that is going to increase and we turn that into cash financing and we don't bond those projects, we save the interest on them and eventually wouldn't we get ourselves to a place where we can be in a better cash financing position and not putting so much of it—because we're losing on $4M borrowed, we pay what $1M in interest. Intuitively it seems to me if we start saving that interest plus we're getting more revenue coming in then eventually we would be in a better cash position and we would stop debt funding so much. Is that too simplistic? **Ms. VonAchen** said you certainly can do that. You won't be able to do as much because the incremental revenue coming each year doesn't match up with the needs out there.

Mr. Bach said I might offer, Commissioner, to your point; by following this you accomplish that and it's probably the thing of thinking it's pretty difficult to figure this body could right the equation or change the equation for the past 40 or 50 years of debt financing, but by following this pattern you know by the year 2028 now you've got this to go to cash. There is a way you can look at it if this maintains that this trajectory and you maintain your debt issue, which becomes less and less each year because of inflationary factors, you know within a 15 year time period you have taken and put yourself in a pretty good cash position. When you start looking out you could take and start putting a lot more money to cash and it may be a different group sitting here in 15 years, but if you put yourself in a long-term plan to accomplish that and that's not really unrealistic to say in 10 years we're making a heck of a dent out of it in 15 because—I'm sure we've in a debt program for as long as we could issue debt because it's just been practical. **Commissioner McKiernan** said I would strongly advocate that we do just exactly what you said and that we have a long-term strategy of trying to recover that and make it cash spending and save that interest, that 1.5 on $4M bonded. Eventually that's got to add up, eventually it has to.

One more question, each horizontal colored band represents one bond issue, correct, represents the amount that we're paying each year on any given bond issue and each color is a different bond. **Ms. Jonscher** said right. **Commissioner McKiernan** said tell me again why 30 to 31 all of them trend—I still don't get the 30 to 31 how everything trends down so significantly. **Ms. Jonscher** said you see the blue line down at the bottom we have about four series of bond issues that will all drop-off—**Commissioner McKiernan** said got it. The thickness of any colored band stays the same except for that one.

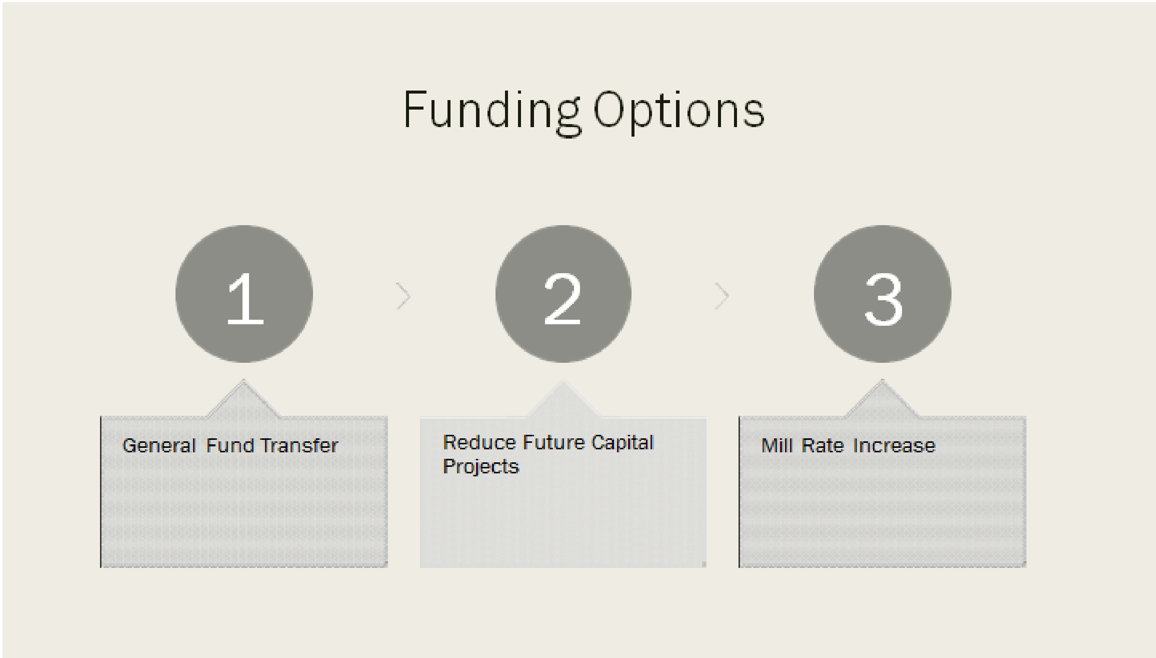
Ms. VonAchen said I want to address one question you had. In the coming year we're going to be looking at some revisions to our Capital Policy, but one thing that we did fold into the long-range financial forecast is the possibility that in the out years we would dedicate 5% of our General Fund expenditures towards Capital Outlay which is basically cash fund a greater portion of our Capital than what we have in the past. Generally we finance—we pay with cash between $6 and $7M a year and by setting a policy of 5% of the expenditures it ranges up into the 10 or 11 per year so little by little addressing that policy and developing a discipline for following it is what we are hoping to go forward with in the future. There is a tremendous amount of deferred maintenance on our facilities; there are a lot of needs out there. **Commissioner Philbrook** said when I hear the word discipline, I really want to thank you for that because that is something that I could definitely use is some discipline especially around trying to decide how much money I want to spend on different things because I want to take care of everybody, but I can't. Thank you for giving me the guidelines to do that and try to hold my feet to the fire.

Mayor Holland said one of the things too and, Commissioner McKiernan, you make an interesting point about if we—saving the $1.5M in interest, most items we bond we bond for 20 years is that right? **Ms**. **Jonscher** said that's correct. **Mayor Holland** said there is and philosophically I think there is good debt and bad debt. I think borrowing money to lease police vehicles is bad debt. Police vehicles are disposal. You run them for three years and you park them and walk away, you park them at an auction and walk away, there is just nothing left of them. Good debt I think is long-term debt for infrastructure, curbs, sidewalks, sewers and the generational equity of spreading $1.5M in interest over 20 years, as inflation comes the value of that $1.5M goes down over time as well. I think there is merit in bonding out. It's like the mortgage on your house, that's good debt. Credit card debt is bad debt and I think the discipline that we need is to make sure we're only bonding over 20 years 20-year equity projects and not short-term things. I think that's where—you know during the recession—we were buying police cars on a cash basis and then the recession hit and we stopped buying police cars but what we did buy we leased. There is an argument to be made that $1.5M in interest is not the worst thing that we could over 20 years because of the value of inflation over time. I think there is a philosophical reason, a good reason to bond street projects, curb projects, sidewalks, and sewers because the people who use them for 20 years should help pay for them over 20 years and not just the folks that are using them now.

Commissioner McKiernan said that $22M in debt service what does that represent in actual debt? **Ms. Jonscher** said on the City side we have for principal and interest—**Commissioner McKiernan** said just principal. **Ms**. **Jonscher** said principal amount $210M. **Mayor Holland** said principal and interest? **Ms**. **Jonscher** said just principal. Principal and interest is about $321M. **Commissioner McKiernan** said so that's $70M of interest we're going to pay on that when it's all said and done. That's a big number to me. That seems to me like at some point that begins to make a difference. If we're paying $70M on 210 granted it's over the life of the bond, it's over 20 years, but doesn't that eventually start to make a difference? I won't belabor the point. We don't need to really stay with it. **Commissioner Markley** said I would just like to say I thought only millennials felt this way but I agree. **Ms. VonAchen** said there is a recommended practice for financing Capital projects and generally speaking the range is that you think of your Capital needs as a portfolio and generally speaking you should probably fold in around between 10 and 20% of your capital cost with cash. We're not there yet.

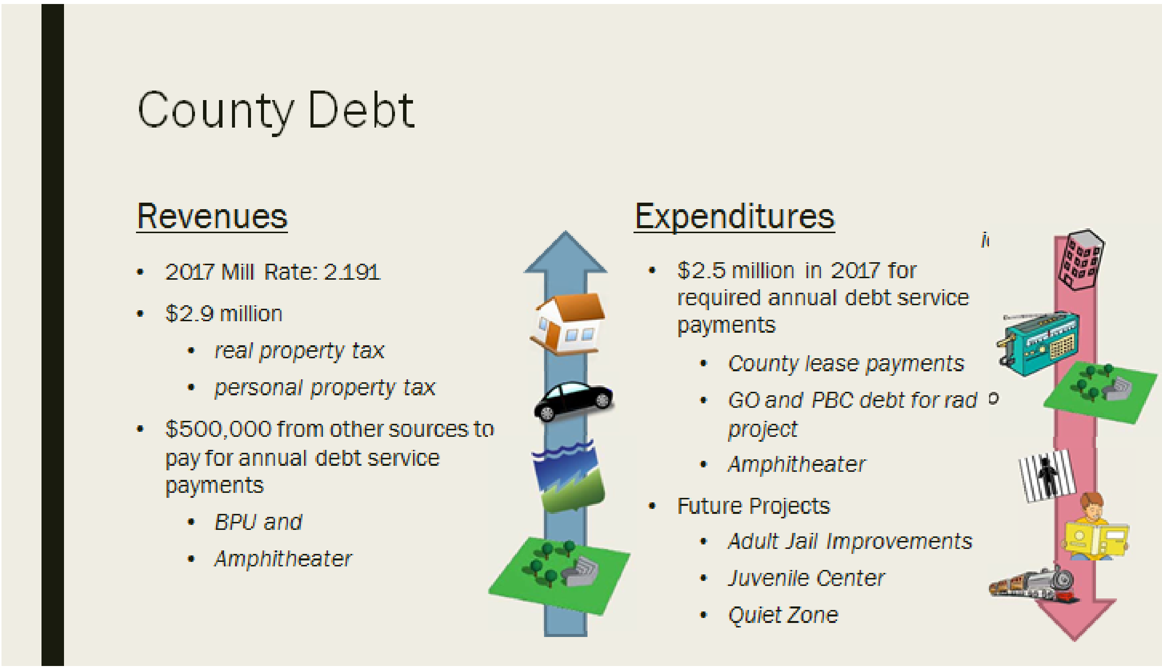
Commissioner Walker said to the Mayor's point I understand, and that's been the philosophy for a long time, well let's issue debt because the people who use the bridge, the road, the building, whatever it might be; should be the ones to pay for it over 20 years. When you commit yourself to that philosophy in its entirety, you're never out of debt. You're going to be in debt for the rest of your existence. I realize there are probably a lot of cities that do something similar, but we know of cities that have very little debt and so the real answer to this issue is how are we going to get more revenue. Sometime during the evening I'm going to come back to my favorite topic, we give all of our revenue away for 20 years or the lion share of whatever new revenue we create. I don't believe the right philosophy now, two years from now or four years from now is to continue a program that will continuously keep us at $20, 22, 23M in debt year after year after year for all eternity because we want the people who use the bridge, the road or the sidewalk to pay for it. You're condemning us to eternal debt. Nobody individually chooses to live their life that way, constantly in debt however many years you've got up to the point that you can barely afford. I think we're at a point that any more than this we can't afford so we will just stay in debt $20-$25M a year and when we need a new project where there is a little white space there between the line and the bond issues we will just fill her up. I guarantee you that is a long-term, it will not serve the interest of the people in this community that we're trying to either keep or attract.

Mr. **Bach** said I'm going to move us along. We've got a little bit more debt to go through here.

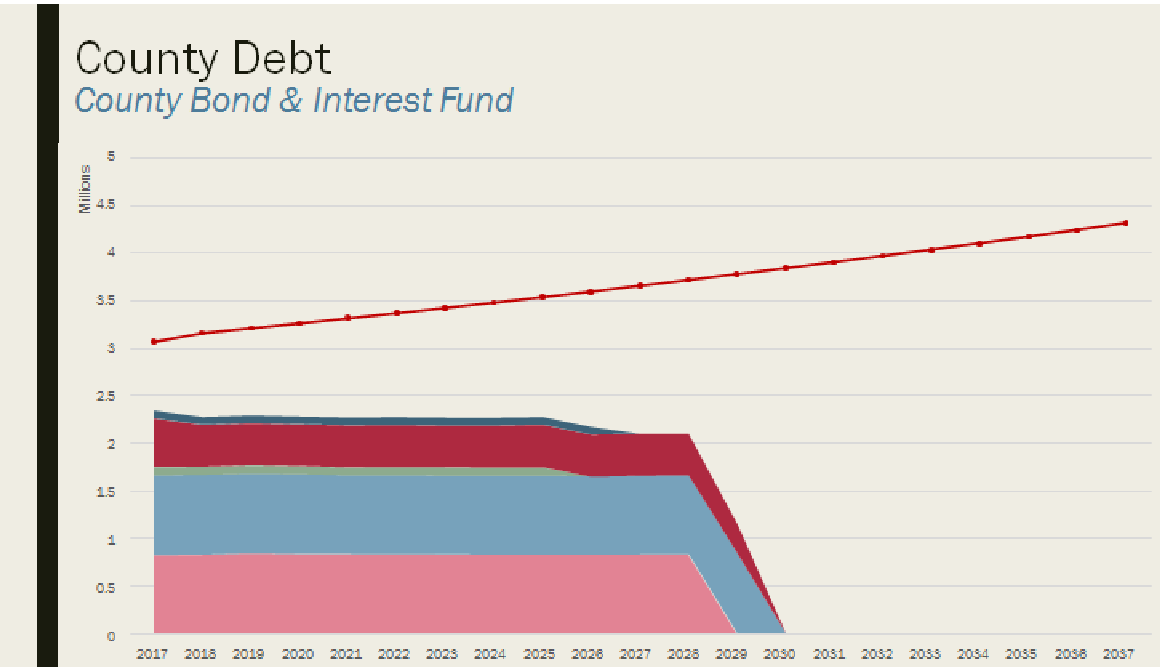


Ms. Jonscher said as I said in looking at 2021 or 2022 we may need additional resources if we don't find it through either refinancing or restructuring of debt. Some options that we just put there could possibly a General Fund Transfer, reducing future capital projects that we debt-finance or even a mill rate adjustment. **Mr. Bach** said what's important about this point is this decision is already made. This bill is coming due in 2021-22 so your decisions you make on each year—you know we go three or four years then we roll it into it, we know this is coming and so the previous graph you saw, assuming we have a 1.9% increase per year after next year, at least on average, we will have to make some adjustment.

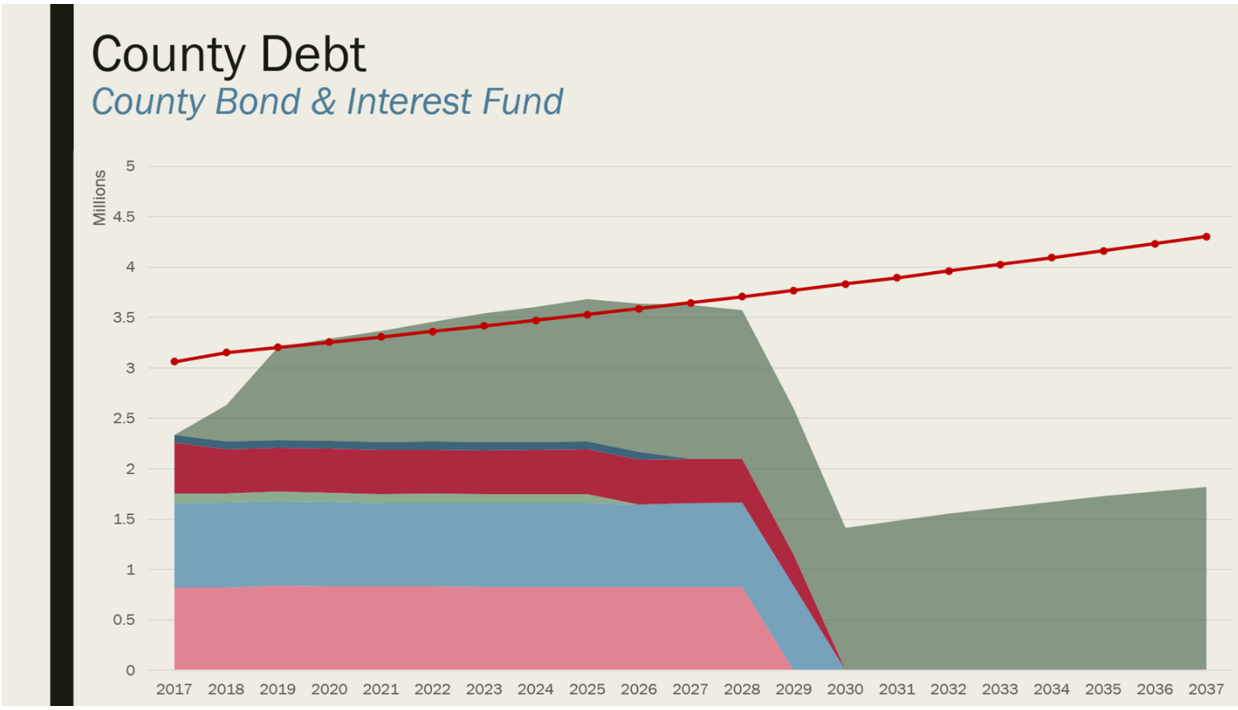
Commissioner Markley said to that point I'm going to say this, tell me if I'm wrong, if reducing capital projects is our choice; we need to start thinking about that this year because we wouldn't want to like do no capital projects in 2021 because we see this coming. We would want to do a smaller decrease each year leading up to that, I would think, so that there is less debt going into 2021 and not just 2021 we're going to do nothing to our streets or anything else because we waited until the bill was due. **Ms. Jonscher** said right. A third of the debt that we already have out in temp notes is going to be financed over the next three years. Those projects are ongoing so we're to have to fund those.



We did the same thing for the County. I will just do that real quickly. The mill rate for the County Debt Service Fund is 2.19 mills and that generates a total of $2.9M for both real and personal property tax revenues. We also do receive about $500K for annual debt service from other projects that we financed with County Debt including the BPU for their portion of the Radio Project and the Amphitheater Improvements. On the Expenditure side we have about $2.5M in annual required debt service payments. I did want to note at the bottom we do have some future County projects that are in the current Five-Year CMIP Plan. That includes additional improvements to the Adult Jail, Juvenile Center and the Quiet Zone Projects.



This graph shows—we've got the same information. This shows the current debt service that is already committed to the County Debt Service Fund and we have built in the same assumption. There is no increase in the mill rate, but we have built in the assessed value growth showing that. **Commissioner Markley** asked does that include the future projects. **Ms. Jonscher** said this next piece does.



For here we have built in bonding those projects and what that future debt service would look like for this fund. In 2021 or 22 we start to see it creep above the line just as we did on the City side. **Mr. Bach** said what's interesting about this is if you look at many jurisdictions and even our own from a County perspective whenever we've done anything from a County side, it was always a special bond election to go out and build a jail. What we were doing with this juvenile facility is trying to figure out how to do it within the existing mill rate that we currently have and it shows we can do it. Now, I guess to take the discussion we just had, you would say let's not do this, let's save up enough money until we can pay for it with cash, but the reality is we need that facility now and if we want to do the other projects, this is how we can do it and we have the three mills over there that are positioned to go back and pay either against the debt portion that's in the County or to go against the Public Building Commission where we have debt issued there and we have to have a funding stream to pay that and part of this comes into that to allow for that to happen each year.

Commissioner McKiernan said sorry to belabor this, but in each of the City and the County Debt graphs there is this marvelous gap that shows up on the right side because, make sure I understand this, we are only showing the debt that we've already projected or committed to and wouldn't that gap disappear? I mean, are we going to suddenly stop issuing debt? I'm missing something here. **Ms. Jonscher** said this shows (back up one) the debt that we are already committed to and so on the County side the debt payments would end—if we issued no more debt on the County side, the debt payments would end in 2030. So now the next graph we've—**Commissioner McKiernan** said it's what we've already projected out. **Ms. Jonscher** said this is what we're projecting for the future projects, the Adult Jail Improvements, the Juvenile Center and if we do the Quiet Zone. If we do all those projects—**Commissioner McKiernan** said but my point is we're only putting up the projects we currently have thought of and currently project. We're not putting up—**Ms. Jonscher** said on this graph. On the City graph we projected out \$15M all the way out that we were going to issue \$15M every year out to 2037. On this graph we've only done the future projects that are in the CMIP. On the City graph we projected all the way out to 2037.

Mr. Bach said the main reason for that is we haven't historically issued a lot of debt on the County side so a few of these special projects is why we're doing it that way and not saying well we're going to add another one every year. Now, we may elect to, but right now we don't have that projection. **Mayor Holland** said one of those is our Radio Project, right? **Mr. Bach** said yes. **Mayor Holland** asked which one is that. It's one of the two big ones. **Mr. Bach** said it's about a mill. **Ms. Jonscher** said the Radio Project has several issues. There were a couple different issues with the Radio Project. We financed it over multiple years. **Ms. VonAchen** said I did also want to mention that there has been discussions that there is some projected savings that may occur on the County side by bringing back the inmates that are on private beds back into the County. There is some savings being generated within the County General Fund that are not showing here yet. **Mayor Holland** said that's right. That's an important piece. Commissioner McKiernan, did you hear that? **Commissioner McKiernan** said yes I did. **Mayor Holland** said should I ask, are you excited about that? **Commissioner McKiernan** said I won't belabor this, let's just move on and get on. I'm going to come and talk to you later, all of you, because something about these graphs just doesn't ring true for me. If you take \$15M and you add \$5M of interest onto that and put that over 20, something is not adding up for me but it doesn't matter. **Commissioner Markley** said are you saying you're sad that there is a white gap coming up because that's like the only good thing about these graphs isn't it, that someday there is a white gap.

Commissioner Walker said I can assure you by 2030 there is going to be a new jail required or an additional jail required somewhere in this county. It won't be adequate to hold—we will find a way to fill that gap with the County I assure you.

Commissioner Philbrook said it's kind of like a purse, a bigger purse you carry, the more stuff you put in it and so I can't see the gap either. I have a problem with seeing that gap too. I have to go along with him on that.

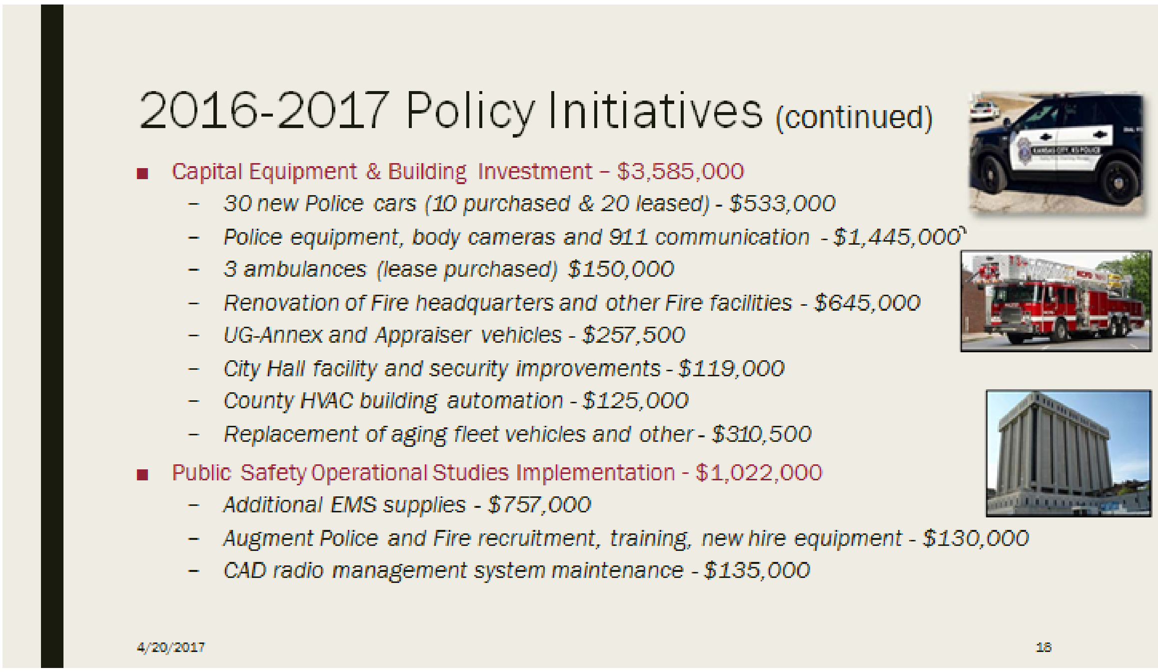
Mr. Bach said okay. I think that's part of what you look at strategically going forward. I think my goal particularly with that last chart was I don't want to walk back into an environment where a few of you clearly remember on the Radio Project where we authorized the project to move forward and then after that came back and said now you have to issue the mill rate for it. What I'm trying to show you is before we issue this mill rate—this is the plan in this green of how we're planning to pay for the new juvenile facility. If you give away a mill somewhere on the county side then I've got to cut a million dollars out of the budget somewhere. I may have it this year but I don't have it next year or the year after that because it has to go to pay for these projects that we're talking about doing. That's why we're doing this long-range forecasting so it's out there in front of you so you will see it so we don't come in and you know I can say well you all agreed to pay for the Radio Project, we all said we were going to do it, and then the next year we go now give me another mill and we had to work through that to figure out how to do it. This way we're projecting it out, we've already got it in the mill rate and then we're going to have to start spending it so we've got a little bit room and then we're going to have to start spending it.

Commissioner Markley said at some point, not tonight, I think it would be interesting to see what that graph—the green part broken out between the three future projects and then I also would be interested to see what happens if we move those future projects into different years. Like what happens if we push it out a year, what happens if we do the jail improvements one year and the bond issue for the next one the next year. I would just be curious to see if that helps us not have the bump that goes over the red line that we like to avoid.

Mr. Bach said we're now going to move forward into the Police Initiatives from 2016 and 2017 so we've got about 15 minutes and then we're going to break for dinner. This is more of a quick reminder of what we put into this years' budget. We issued out the Budget-In-Brief to you here a couple weeks ago so you guys would have a chance to look at it if you wanted to, but I just wanted to walk back through these so you were good at remembering some of the big initiatives we put forward that we're going after this year.

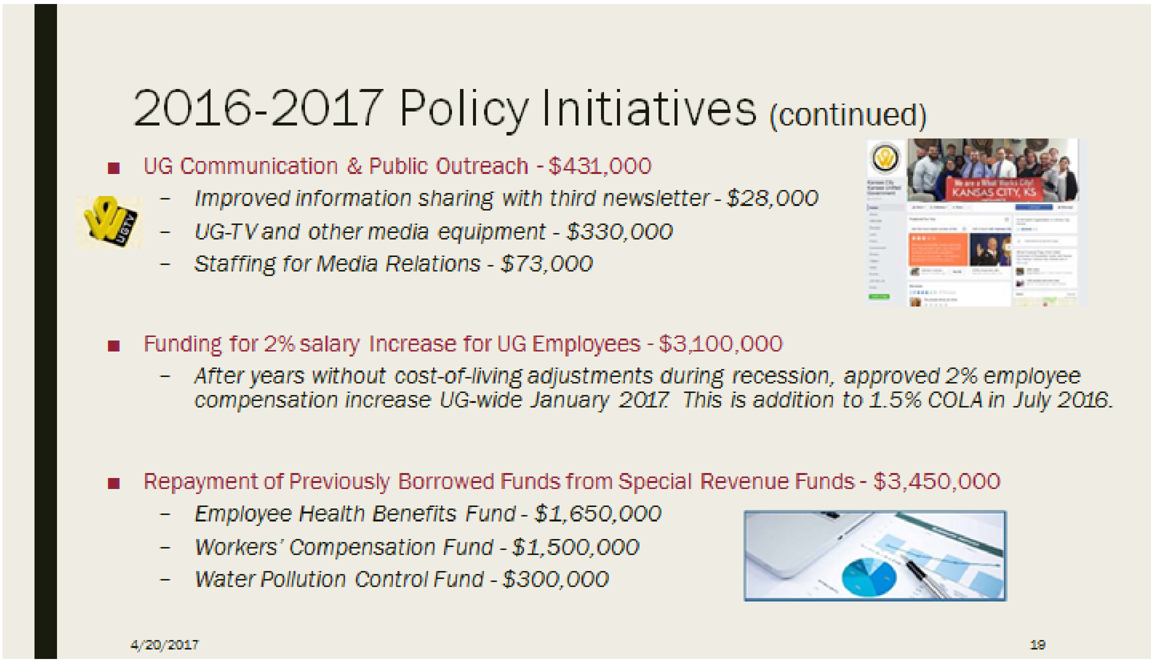
We reduced our mill rate 7% on the City side or $2.1M so that was the primary thing for funding and went after mill rate reduction. Streets & Neighborhood Improvements received $1.5M. These are broke out for the areas that we spent the money in. In the area of Parks & Recreation, a new recreational programming, we also spent close to $1.5M that's going into that in the budget.

Our SOAR Initiative another $1.5M, we kind of had a theme going there with how we were breaking that out but that's kind of how—from the demolition abatement, the neighborhood beautification and all that we're doing in different Code Enforcement areas to spend that money.



We went after Capital Equipment & Building Investment. Part of this initiative was, as you were talking earlier, more cash invested because really one of the first steps to getting away from debt is let's get away from our lease purchased for our really short-term items and that's cash so we got our major capital projects out here and then we've got our cars and trucks that we're also leasing. We took a big step towards that last year. Still purchased 30 police cars, 10 of them were in cash, 20 with lease. We get to a program where we only have to do 20 a year because we get caught back up, we get ahead on the game so we're not out there having to every third year we're just in the same cycle and we're not ahead and we're just financing all the way. We went toward police equipment, body cameras and starting to move money in that direction and you can see the breakout of all the different areas there.

Then we did some Public Safety Operational Studies. This wasn't just toward studies but it was toward some of the implementation where the EMS supplies were probably the biggest bulk of that with $757K. A lot of that came from the EMS Fund that came out of the increased STAR amount from them and then augmenting Police and Fire recruitment, training and then the CAD radio maintenance.



On the communication side, $431K, we saw *The Citizen* come out and we will be issuing more of those throughout the course of the year. We increased the media equipment so we're set up so we will be able to make sure we can film more stuff. We can have the Planning Commission meetings going on at the same time as these meetings. We put a staff member in there to add to it. I just saw him duck back through the rooms so if he comes back through I will try to introduce him to you tonight that was hired into the Public Relations area.

We funded our 2% salary increase for UG employees, a major initiative. Thank you very much for that. It's very much appreciated for the employees. That just spoke to what we did this year, not what we've done in the previous years, and then we had the repayment of previously borrowed funds from Special Revenues so those are big one time numbers going after the Employee Benefits Fund, Workers' Compensation and Water Pollution Control; all areas we had borrowed from during the recessionary times and now we've paid back into them.

Commissioner Markley said I think we've said this in past years but I just want to say it out loud again because some of you were not here as long as some of the rest of us and don't remember what the budget used to be like, but the fact that anybody is even tracking what initiatives we did last year is a huge improvement. The fact that we do this planning is a huge improvement. Another thing I would like to say is that I just really appreciate that came out of the SOAR Initiative, which obviously I'm a huge fan of, is I felt like before every department was kind of fighting for their one big item but it was difficult for us, as commissioners, to prioritize if this departments one big item is as big a deal as this departments one big item and getting all those departments together as part of SOAR at least for that initiative was a nice way of having those departments look at each other's big items. Obviously each department still had their thing they wanted but it was nice way of giving the commissioners a little better idea of what the priority was between the departments instead of just seeing the one sheet and saying well this one big item is as important as this one big item for this department over here. That has been nice for us as well I think to have assistance in prioritizing those things.

I just want to say I really appreciate the budget process and it makes our lives much easier and I hope it also makes your life easier, but it's just a huge change and I think back to that first year I was here and it wasn't only painful because we didn't have any money, it was painful because it seemed like nobody had any idea what our goals were or what was going on through most of the process. **Mr**. **Bach** said thank you and we do make it better.

Commissioner Kane said I know we are showing where we spent a lot of money which is great that we've got it setup the way it is, but is the fire station out west in here? **Ms. VonAchen** said the initiative list that you have here is only those items that were paid for with cash. Those fire stations are funded with debt so it's in the Debt Projects. That's why I don't have it listed here. **Commissioner Kane** said so we're going to see it sometime soon. **Ms**. **VonAchen** said well, they're appropriated. They're authorized projects.

Commissioner Bynum said on these Policy Initiatives and the way they mirror our strategic planning and our budget initiatives these are the additional dollars, if you will, that were—**Mr**. **Bach** said I think most of it is done from the $12M. I didn't go back and add the way you did that, Kathleen, to show it from the $12M or do you show all money that we put into different areas throughout the budget? **Ms. VonAchen** said all these initiatives it's citywide. It's not just the General Funds and it's not just STAR dollars. **Commissioner Bynum** said it's kind of everything. **Ms**. **VonAchen** said but it is additional resources that have come into the organization and it's over two years, its 2016 and 2017. **Mr**. **Bach** said we had some of that money remember when we funded out the STAR Bonds so we targeted some of that to go toward it especially to one-time payments.

Commissioner Johnson said I don't want to get too far ahead, but under the idea that perhaps we will look at lowering our mill levy again by some number that means this is going to have an effect on the graphs and the charts that we've just looked at, correct? **Mr. Bach** said not really because what you were looking at was the amount of money dedicated toward debt so we have our Operating Budgets to go for from there. You can look at those areas and say it went into debt and staff went into debt because it's clearly one of those areas that we've got some stuff that's committed for the next five years so you can't really take—if you take a mill off my debt and say we're taking that away, then I'm going over here and saying you've got to go to the Operating Budget and transfer $1M over to debt so it's really not on the table right now. We can decide to lower how much we want to put into debt going in the future but that's helping our four and five years down the road. No, it doesn't make that decision. It just tells you—bottom line what I'm telling you is the mill rates dedicated to debt are not on the table to take off in the next couple of years; maybe that's what I'm saying, but the rest of it is.

Ms. VonAchen said I included this in this retreat because at the financial forecast presentation a lot of your questions had come up about how does our debt outlook look into the future so that's why we're presenting so you can see.

Commissioner Bynum said I had jotted a note for at some point tonight if we get there, the Silver Tsunami graph of your forecasting presentation from five or six weeks ago was particularly alarming. You had a slide that was only a few years away and I just want to make sure that we are aware of that again and I don't know if we will see it tonight, but I know it's coming. **Ms. VonAchen** said after we take our dinner break we're going to come back and I'm going to show you revisions I've made to the forecast based on new information that we've collected over the last six weeks.

Mr. Bach said when we come back we will be looking ahead to what we're going to do for some of our future projections and then let you breakout and kind of prioritize from there.

Dinner break was 5:55 p.m. to 6:25 p.m. Commissioner Walker returned at 6:28 p.m., Commissioner Kane returned at 6:29 p.m. and Commissioner Townsend arrived for the meeting at 6:32 p.m.

Ms. VonAchen said we're real excited to have you here and that we had this opportunity to do another year of this exercise. Last year was the first time and this time now you've got—you are better informed because we presented that long-range plan to you back on February 23rd. Now you have a better feel for what the forecast looks in the future. Since February 23rd we actually have refined our numbers for fiscal '18 so as you remember the forecast it was just a forecast so I was using a 10-year average for the most part of various revenues and then apply that same average for '18 and all the subsequent years in the forecast period. Now we have taken a look at the current '18 year and instead of applying an average, a 10-year or decade old average, we're actually looking at more immediate factors that are economic that impact the revenue side and the expenditure side.

Here I summarized just generally how our '18 number looks now that we've refined our numbers. So we've—more recent sales tax growth in '17 and '16 have prompted us to increase the percentage increase that previously had been applied which was 2.1% and we've applied 4.1 for '18. The 2.1 is still going to be the out year number but '18 we're expecting to get about 4%. That's how it's coming in in the current year too—so is '17 so that's good.

Property tax growth, as you know we've got some information that the appraisal has come back with higher property values than normal so as a result of that and some analysis we've determined that the increase should be around 2.9% rather than 1.8 and that's on the revenue side you understand. Some of the property tax revenue actually gets discounted slightly because we have to pull out an expected amount for delinquency and of course that's one area that we hope to improve in the future years through the SOAR Initiative and many other initiatives that we're working on. **Mr. Bach** said, Kathleen, just in clarifying that when you're using the 2.9% number on the tax growth versus when we had the appraiser come in and she was talking to us and we had the commercial rate was around 4 something and the residential was a little over 5 so that blended rate comes down but then you backed it down to 2.9 after you've taken out the delinquency numbers and then factors—**Ms**. **VonAchen** said that's true too and so there is a lot more involved in this, assessed values than just the residential and commercial, there is also a number of other categories. Generally speaking we increase the AV, the blended AV, which is the total AV by 4.4% around 4.1. In '18 based on—actually that's the total if you add residential plus commercial and you take that same number for the prior year, the increase in AV for those two categories is around 4%. We plug that into our model but then you back out the delinquency level and this is the number you come up with or the percentage you come up with. **Commissioner Walters** said wouldn't that be about 25%. **Mayor Holland** said that was my question. That's 25% of it. Our delinquency rate isn't 25% is it? **Ms**. **VonAchen** said delinquency rate is around 7%, but it's not 7% of AV, it's 7% of the revenue. It's 7% of the incremental revenue.

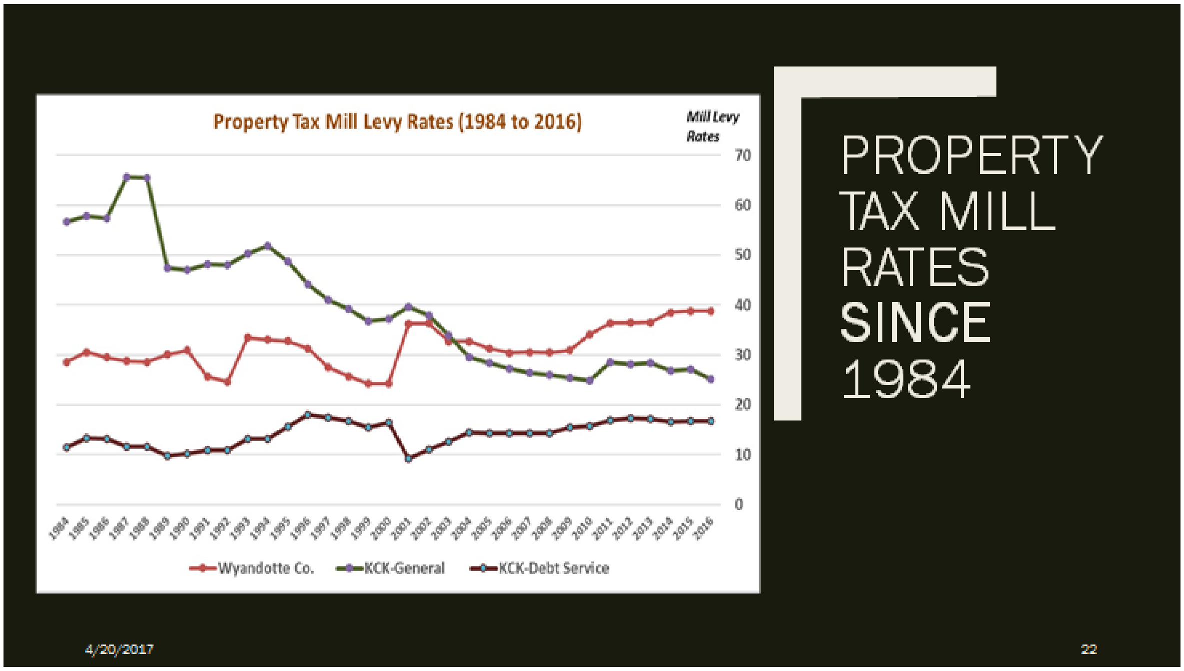
You're questioning the assumption and I think that's great. Part of the reason for this exercise is because you will get to have the model and you will get to plug in you know I think that property tax number should go up and so actually on the top of the model, which I'll show you in a minute, you could actually plug in a different rate and it will give you a different number. I mean we're here because as staff we want to get your feedback so absolutely I'm happy to hear about that.

I also spoke, as you mentioned, about the Silver Tsunami at the forecast so I looked at all the employees when I was doing the forecast and I kind of based it on the age of the employee and the number of years of service, but actually I didn't fold in other information so my Payroll Manager mentioned to me that there is this 85 point rule, usually employees wait until 65 regardless if they're eligible even if—I figured if you're 60 or 58 you probably want to retire if you're eligible but actually a lot of people delay their retirement because they want to wait until they're eligible for Medicare. There are lots and lots of motivations for the decision-making process when you retire and it depends on whether you're in Fire, Police or what kind of job you do and so we actually went through and reviewed that a second time. Then also because the forecast period was only for five years or so we kind of had that cap and when I decided in my second review is to extend it out 10 years and so a lot of those employees that I expected to retire around 2024-2025 they ended up getting pushed out. As a result the estimated amount that we are projecting in terms of payout for accrued leave, sick leave, vacation and the KPERS penalty payment; some of those are going to be spread out over a longer period. I think overall previously I expected those costs to be ranging in the $4 to $5M range and of course this is the entire UG, not just the General Fund. Now I have reduced that number to around $2.5 to $3M a year so that frees up some resources for us on the near term.

We also went through and determined all those onetime items many of which are discussed in the initiatives that we passed out in the Budget-in-Brief. There are a number of items that are one time. We pulled that out because we want you to give us feedback on whether you want to continue with those programs, not all of them, but some of them. For example, I know I pulled out—there was about $400K or $500K that was added to the current year budget for demolition. I pulled that out because we need to have that conversation. Do you want to continue, do you want to increase it, you want to keep it at the prior level. The additional transfer of a half million dollars to fund recreation programs, I left that in. If you have any questions I'm here and available to tell you what I put in and what I took out. To list it all here would be too much.

We went through and determined that a lot of our expenditure lines were probably just a little out of sync with—you know we have more recent data and we have more up-to-date data for 2016. We had a whole quarter in fiscal '17 that gave us a little bit more information so we realigned some information. There is professional services in general probably had a little bit too much, there are some other areas that probably had a little too little and so all that managed to change the forecast a little bit. In the end what we determined is that our projection is that we're going to have about $2.5M more in revenue and that we reduced expenditures by 2.18. As you know at '18 it wasn't a balanced budget so if that math doesn't work for you it's because we already had a negative. Now we're actually showing that we're going to have about $2.1M in available resources. What does that mean? That's the difference between revenues and expenditures. If you spent the whole $2M, then you would have a balanced budget. If you chose to dedicate $2M to the Reserve and grow our fund balance, in my opinion, that would be a good idea. Of course that's why we're all here is just to talk about all the options.

You're going to see on the next slide here if you dedicate $1.8M next year one time to the General Fund we will grow our fund balance back to the 10% level because right now we're not at 10% and the credit rating agencies they really like it when you're at 10% at least.



One item of possible discussion is should we do a property tax mill levy reduction and so in order to give you a little bit more information I provided you again this graph that we had previously shown at the forecast. This is the total mill, this is the total mill broken up. It's in three categories. You've got this red one here that's the County and this is dating back to 1984 so here is the County. The green one this is the City so you can kind of see how they kind of crisscross, they change positions and then this is that City Debt which we were talking about before. The mill rate for the debt that pays our debt service, that's this one here. You can see all of them are kind of trending down over this horizon which is going pretty far back. **Commissioner Walters** was inaudible due to mic not being on. **Ms. VonAchen** said that's true. The County is actually trending up so the County was at 30 and now it nearly 40. You know when we talk about the County you realize it's not just the County General Fund, it's also a lot of those other special levies, you know the elections and this one also includes the County mill rate dedicated for County debt.

Property Tax Bill Calculation [a]

Impact of Assessed Value Growth Only

	FY 2017		FY 2018		Variance	
	AV Growth % [c]	Tax Bill Change	AV Growth % [c]	Tax Bill Change	AV Growth % [c]	Tax Bill Change
Residential [b]	2.97%	$ 28.28	6.21%	$ 57.63	3.24%	$ 29.35
Commercial [b]	5.39%	$ 557.53	5.50%	$ 554.48	0.10%	$ (3.06)

Net Impact of One Mill Reduction with Assessed Value Growth

	FY 2017		FY 2018		Variance	
	AV Growth % [c]	Tax Bill Change	AV Growth % [c]	Tax Bill Change	AV Growth % [c]	Tax Bill Change
Residential [b]	2.97%	$ 16.44	6.21%	$ 45.42	3.24%	$ 28.98
Commercial [b]	5.39%	$ 425.79	5.50%	$ 422.61	0.10%	$ (3.19)

Net Impact of Two Mill Reduction with Assessed Value Growth

	FY 2017		FY 2018		Variance	
	AV Growth % [c]	Tax Bill Change	AV Growth % [c]	Tax Bill Change	AV Growth % [c]	Tax Bill Change
Residential [b]	2.97%	$ 4.60	6.21%	$ 33.21	3.24%	$ 28.61
Commercial [b]	5.39%	$ 294.05	5.50%	$ 290.73	0.10%	$ (3.31)

(a) Assumes for ad valorem property in Kansas City, Kansas.
(b) Assumes Market Value of $100,000 for residential and $500,000 for commercial.
(c) Assessed Value (AV) Growth % does not include new improvements.

One Mill Reduction = $1,043,000 in 2018, or $5,414,000 over 5-Year Forecast Period

4/20/2017 23

One information request I got, which I thought was very valuable, is to kind of look at what our tax bill would look like if we changed the mill rate and in correlation with also how does that also get impacted by Assessed Value Growth. What I've got here is the assessed value, only the growth up here and then down here I've got if during these two years there was only a 1 mill reduction, which we know last year—or in the current fiscal year, there was a 2 mill, but in order to apples to apples or apples to oranges, we don't want apples to oranges so we need apples to apples. The second is a 2 mill reduction. The first column shows the Assessed Value Growth between residential and commercial for the respective years. As you can see for residential last year or this current fiscal year, let's say this current fiscal year, it increased almost 3% whereas the year that we expect into the future, which of course is an estimate, we expect residential to increase by 6.2%. The variance is a 3.2%. If all things being equal, if the mill rates don't change, then basically how that works is that your tax bill at this growth rate increased by $28 where in '18 it increased by $57 and here's the difference. **Commissioner Bynum** said I just need to make sure I understand. The top line is based on mill rate as it stands right now. **Ms. VonAchen** said yes, that's right. **Commissioner Bynum** said so the top line is my tax bill this year assuming I live in a $100K house with a 2 mill reduction (inaudible due to mic not being on). **Ms. VonAchen** said that's correct. **Commissioner Bynum** said and the increase valuation of my property, my taxes are now up $28.28. **Ms. VonAchen** said that's correct and next year because of the increases under these assumptions it would be $57. **Mayor Holland** said that's combined City/County. **Ms**. **VonAchen** said yes it is. **Mayor Holland** said and it does not include other taxing entities. **Ms**. **VonAchen** said no, it doesn't and it assumes it is here in Kansas City, Kansas by the way, but it's both City and County.

On the commercial side we're using a $500K commercial property as the assessment. You know residential property is appraised at 11.5% of the market value whereas commercial is appraised at 25%. That explains some of the difference there. In 2017 the Assessed Value Growth was 5.4% and in '18 it's 5.5 so that didn't change very much on the commercial side.

The second scenario is if we just gave it a 1 mill reduction from what it is now and so then you can see how much that is. Actually when you're looking at this you kind of want to compare from here to here, not necessarily this way. For example, you can see that's the 57 and then there is the 45 and that's the amount of tax savings or tax reduction that's in place. If you take it to this level here, 2 mills of both then you've got 33. **Commissioner Bynum** said again to make sure—**Ms**. **VonAchen** said do nothing or 2 mills—**Commissioner Bynum** said fiscal '17, 2.9% growth and then fiscal '18 assumes on top of that an additional 6.2—**Ms**. **VonAchen** said there is a little bit of compounding but I'm not sure what you mean by on top of that. **Someone** spoke but mic was not on. **Ms**. **VonAchen** said yes there is, a little bit.

Mayor Holland said that's my question. You showed on an earlier slide you assumed the AV Growth was at 2.9% and that shows 6.21%. **Ms. VonAchen** said the assessed value for it if you combine all of this—I added the entire assessed value; it was around 4.4% so there are more than a just residential/commercial categories. On top of it this excludes any kind of funding for new improvements, sorry, assessed value for new improvements. **Commissioner Walters** said or new construction. **Ms**. **VonAchen** said yes. I mean that yes, that's what I meant. There are other categories in assessed values not just residential and commercial.

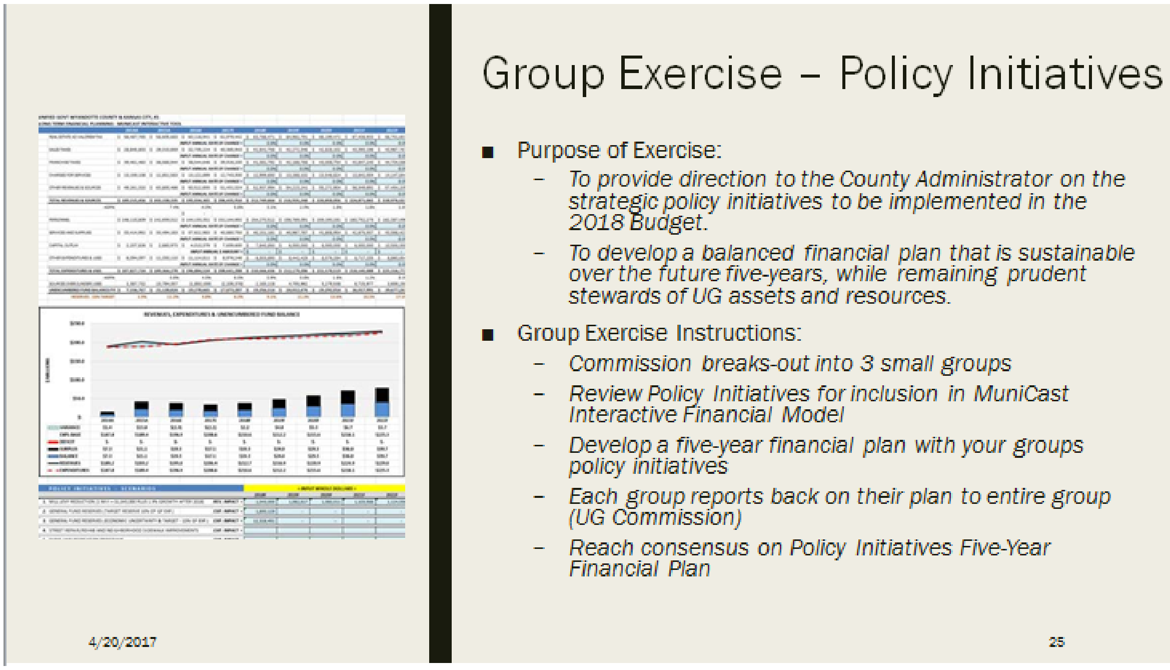
If you were to do a 1 mill reduction for your exercise, it costs $1.43M in tax revenue and if you were to keep that 1 mill reduction it would by $5.4M. **Mayor Holland** said that's on the City side, right? **Ms**. **VonAchen** said it doesn't really matter that much whether it's on the City or the County. It's pretty close to the same number.

Policy Initiatives – 2018 Options

POLICY INITIATIVES - SCENARIOS			> INPUT WHOLE DOLLARS >					ACTIVATE ? ↓ (Y / N) ↓
			2018F	2019F	2020F	2021F	2022F	
1.	MILL LEVY REDUCTION [1 Mill = $1,043,000 PLUS 1.9% GROWTH AFTER 2018]	REV. IMPACT >	1,043,000	1,062,817	1,083,011	1,103,588	1,124,556	N
2.	GENERAL FUND RESERVES [TARGET RESERVE 10% OF GF EXP.]	EXP. IMPACT >	1,800,129	-	-	-	-	N
3.	GENERAL FUND RESERVES (ECONOMIC UNCERTAINTY & TARGET - 15% GF EXP.)	EXP. IMPACT >	12,328,451	-	-	-	-	N
4.	STREET REPAIR/REHAB AND NEIGHBORHOOD SIDEWALK IMPROVEMENTS	EXP. IMPACT >						Y
5.	PARKS AND RECREATION PROGRAMS	EXP. IMPACT >						Y
6.	PUBLIC HEALTH AND HUMAN SERVICES	EXP. IMPACT >						Y
7.	UG EMPLOYEE COMPENSATION [1% = $1.2 M; 2% IN 2018 BASE; NONE AFTER 2018]	EXP. IMPACT >						Y
8.	SOAR - BLIGHT - DEMOLITION/MOWING/NEIGHBORHOOD APPEARANCE	EXP. IMPACT >						Y
9.	ECONOMIC DEVELOPMENT	EXP. IMPACT >						Y
10.	CAPITAL FUNDING "PAYGO" - CAPITAL PROJECTS [CASH-FUNDED]	EXP. IMPACT >						Y
11.	CAPITAL FUNDING "PAYGO" - EQUIPMENT [CASH-FUNDED]	EXP. IMPACT >						Y
12.	CAPITAL FUNDING "PAYGO" - LEGAL [2018 HAS $650 K]	EXP. IMPACT >						Y
13.	"SET ASIDE" - VEHICLE & EQUIPMENT REPLACEMENT FUND	EXP. IMPACT >						Y
14.	"SET ASIDE" - BUILDING/FACILITIES IMPROVEMENTS [FOR DEFERRED MAINTENANCE]	EXP. IMPACT >						Y
15.	SPECIAL FUNDS REPYMT - WATER POLLUTION FUND [PAY BACK $2.25 M]	EXP. IMPACT >						Y
16.	OTHER REVENUE REDUCTIONS	REV. IMPACT >						Y
17.	OTHER	EXP. IMPACT >						Y
18.	OTHER	EXP. IMPACT >						Y
19.	OTHER	EXP. IMPACT >						Y
20.	OTHER	EXP. IMPACT >						Y
	TOTAL	REV. IMPACT >	-	-	-	-	-	
	TOTAL	EXP. IMPACT >	-	-	-	-	-	

4/20/2017 24

We're going to break out into groups but I need to do a little bit of an exercise here. These are some of the assumptions that I put together in order to make it easier. For example, we've got a mill rate reduction, we have adding to the Reserves, we have an opportunity here to add more for Street Repairs, Parks Programming, Public Health, Employee Compensations, SOAR, Economic Development, Pay-As-You-Go options for Capital Projects, Equipment, Legal, setting up a Vehicle Replacement Fund would be one of the options that addresses some of the questions or discussion earlier, a Facility Improvements Fund to fund with cash or deferred maintenance so a lot of options here none of which you have to use. You could type right over them and add something else.



Our Budget Analysis are here and they are ready and waiting to assist each group. We're going to break you out into three groups and they are going to walk you through the process. What we're looking for well what's the purpose? Well to provide some direction to the County Administrator, and that's what we want to hear from you, as to what is the strategic policy initiatives to be implemented in '18 and also to develop a balanced financial plan that is sustainable over the future five years keeping in mind of course that we want to be stewards of our resources and of our assets.

What we're going to do is break you out into groups. I don't know how—maybe we sound off—**Mr. Bach** said why don't we do one, two, three and that's your group so Commissioner Kane will be one, Commissioner Townsend two and so on. **Ms. VonAchen** said group 1 is going to go with Reggie into the budget conference room and group 2 is going to go into this room back here and group 3 gets to stay here. I think we have about a half hour or 45 minutes but we will call you back. What we want you to do is come up with a Consensus Plan for your group and then you elect a secretary or spokesman to report back your plan as a group of the whole. **Mayor Holland** said walk through our assumptions.

The exercise was from 6:45 p.m. to 7:43 p.m.

Mr. Bach said I appreciate everybody going into this again. I think one thing we realized it didn't quite flow the same as it did last year. Last year we had come in with a $12M and said how do you want to distribute it and that flowed good with the model. I still think we have a pretty dynamic model in the way this works. We probably need to do a couple different test runs on it. I guess one thing to remember that part of it, not part of it, most of this is where we're looking at from you is what's your direction. So you sit there and look at what's practical or not and it gives you some feel for that so if you make drastic changes in one area or another what's the large impact and if you add 1% to employee wages, what happens? If you add 5% and that's compounded over years you see what happens. It's the same thing with the mill rates so it gives you that feel and then helps us to hope that the guidance you give us kind of gets based somewhat into what can really be done and then we can take it from there. I will let you guys take it into your group presentations now so we will start with group 1.

Group 1:

Commissioner Markley said we had some real good discussion. We went with a 1 mill decrease and then we also tried to split what was remaining between putting some in our fund raisers in between a variety of projects including some more funding for SOAR, funding to continue the Northeast Master Plan and funding to purchase an existing building for the library which was one of our funding initiatives that came on the little forms that the citizens filled out.

We messed a little bit with some of the assumptions at the top to see what that did for us. We looked at some of the out years and how we wanted to spend money going forward and what projects we would want to continue to support down the line and how we would want to start making that movement to more cash funding. We discussed those out years as well and I think just had some good discussion about what we wanted to do. **Mr. Bach** said I'm just going to ask that who was in group 1 with them. Did you guys from staff, do you guys have the notes down to what she said? **Commissioner Markley** said yes, we saved it, we saved the model. We agreed it was more fun when we had $12M to spend, but I think it was particularly nice thank you for making us look at the out years and talk about them as well because I think it was important to just our overall understanding of our goals and how we're going to try to get there.

Group 2:

Mayor Holland said we're going to allocate a lot of money from the Public Works Department but the head of that department was at ours so he fended all attempts to reallocate money. Good choice. First thing a 2 mill reduction, 2 mills last year, 2 mills this year for a total of 4 mills and that would be a third of the STAR Bond money at property tax reduction. We feel like that's in keeping with the promises made and what the Listening Tour and the survey said so we wanted to go to 4 mills total and so it's 2 and 2 so we did a 2 mill reduction for $2M and then we realized that most of the SOAR Initiative were onetime expenses. Like a half million dollars of the SOAR Initiatives was onetime expenses and the demo was out and so almost $1M of SOAR was taken out and we put all of that $1M back into SOAR because if we had onetime expenses roll off, we still have a $1.5M worth of SOAR initiatives that we need to do and we were not willing to back off of that funding at all so we restored that. That's how we spent $3M, $2M in property tax reduction and $1M in SOAR as our top priorities. **Someone** was talking but was inaudible due to mic not being on. **Mayor Holland** said yes, we made a budget request to the slides of our initiatives to understand which ones were one time and which ones were multiple times because we weren't sure about which ones were in the model and which ones weren't in the model and so that clarity is important because like—we're confident that the Restoration of Special Revenue Funds that $3.4M was a onetime expense. Then that $3.4M theoretically is available for STAR Bonds again because we didn't spend it again, but we understand the assumptions and the increase we gave to the salaries, which we all feel good about, so we understand we have spent the money but restoring SOAR and continuing the commitment to reduce property taxes were our two priorities.

Group 3:

Commissioner Walker said I'll start and the other two can weigh in because we didn't come to the level of specificity that we wanted to. We projected a 4 mill decrease which left us with about $3M in cuts from other parts of the budget to make up. We did not get down into the weeds as they say and try to pinpoint minutia. We expressed the sentiment that we did not want that to be made up by a reduction in the Reserve Fund. In other words, we left it with the big picture being that we would direct the Administrator to find $3M in cuts from the four major categories of expenditures. There was some discussion that we felt personnel at $154M through attrition and retirement would give you ample opportunity to generate a substantial part of that by simply not replacing it and we did not exempt Police or Fire from the equation of where and what positions would be eliminated. Somebody threw out the idea of one way to save money would be simply to change the personnel rules of the game and basically say from this day forward when you retire you get an amount equal to your accrued vacation for one—instead of double. Of course the fear there is that would cause flight amongst the employee class that was eligible to retire but was not going to retire yet based on how they analyzed the impact of this on their pension.

Jim brought up an intriguing idea that we were just not equipped to build into this budget nor do we know if it's legal, we don't know because we don't know whether state law would prohibit it. As you know we already have a senior citizen rebate for the utility tax that we've been doing for longer than I've been here and the idea would be to eliminate or rebate, I'm not sure which would be the way we would have to go, the sales tax on food purchased in Wyandotte County. I'm not even sure it's legal—**Mayor Holland** said we could not collect it on our side. **Commissioner Walters** said that's my thought, it would be local taxes only, not the state tax. My thought would be that we would use the WIC definition of food which retailers are familiar with and we would just not collect local taxes. We would certainly collect local tax on all non-food items and it's possible that an increase in shoppers from out of the county would offset a revenue reduction, but we don't have enough information yet to evaluate that. **Commissioner Walker** said it's an idea we would like to have explored by Legal and by

Finance to see how—I mean under the current system the State collects it and sends it back to us so if we were going to eliminate our sales tax, would we eliminate it at the point of sale or would we have to set up a rebate program where people would have to apply for it and then of course do you want to do it with everybody or do you want to do it with just certain income levels but there are some issues. I think it's an interesting idea that we would like to know the answer to.

Basically we said cut $3M out of the budget, reduce taxes 4 mill, and direct the Administrator to do his job and find where to cut it because we actually believe that the revenue is understated. We don't think there will be any cuts or anybody not have to have their job replaced at the end of day. We believe that the revenue is understated by $2 to $3M.

Commissioner McKiernan said I don't want to name names or point fingers but somebody in our group wanted to know more about the assumptions that went into building the model and so that might have slowed our group down just a little bit.

One of the things that I wasn't clear on and it sounds like maybe other groups weren't clear on as well, out of what we would consider STAR Bond payoff there were some monies that went for onetime expenses and I was unclear as to whether or not those funds remained available for fiscal '18 or if they are already committed in some aspect in this model. Just for the sake of argument, out of let's say $9M from STAR Bond payoff we had dedicated 4.5 of that, half of that, in terms of ongoing commitments. For example, salary, that would leave $4.5M and it was spent one time one year; does the model automatically commit that 4.5 as an ongoing we're going to spend it on something because I kind of thought as I think the Mayor had said a moment ago that we mentally, at least I mentally, went into this with saying some of that payoff is a onetime expense. We will then have that money in future years to either allocate for a series of onetime expenses or toward a continuing expense that we chose like, for example, another salary increase. That's what I was not clear at all on as to what the model included in terms of assumptions on that money.

Ms. VonAchen said I'm happy to follow-up on that. As I mentioned before of the 12, 3 is going to Dedicated Sales Tax and the EMS so there is only about 9M here in these three funds, the General Fund. I did an analysis of all the initiatives that were done in '16 and '17 and determined which ones were ongoing and which ones were one-time. As you know Capital and Equipment they are all one-time so that was pulled out. Given that assumption then the amount available, theoretically speaking, that's one-time that's available in '18 is roughly around $4M. In CMIP that Capital Outlay line on the top of the model it has an amount it's $6M all the way across so some of the onetime money that was added in '17 because of the STAR Bond money that total for Capital Outlay and Equipment in the General Fund is around $7.5M in '17, in '18 it's $6M. That $6M—you know it's hard to say whether Capital is onetime or not because you still have to replace equipment or you still have to pay for leases, you still have to do other facility improvements related to your Commission goals and those that were left remained in the '18, '19 and '20 budgets. I had 16 all the way across and then I had $10M at the last year.

Commissioner McKiernan said, Mayor, I think last year one of the things—one of the conversations we were having was we're going to allocate some of this forever and some of these others are going to be onetime allocations and we will have the opportunity then to revisit what we spend those particular dollars on. If I understand correctly, the model just assumed we were going to spend all of those dollars on an annual and ongoing basis in some fashion. **Ms. VonAchen** said well, yes, I mean—but individually some of the projects fall off, other projects come on and they're all tied to similar goals but maybe not necessarily the same exact—**Mr**. **Bach** said I think maybe one thing that I wasn't clicking on when you were asking the questions earlier that is why as we looked at this last year, and I think we all remember you were at that $4 or $5M of floating money from last year to this year and we came back now and said well we've only got about 2.1. One of the things that we built into this assumption, and we probably should have put it there, we didn't; we built it in because we already have one contract in place because we built in a 2% salary increase into '18, that's $3.1M or a little over that. That takes a chunk out of it and gets us up there over that 4M mark so there is some of that that we did which we should have put that out there and said we don't have to offer that on the other groups but we built that assumption into it and I forgot to mention that. **Mayor Holland** said that's big. **Commissioner McKiernan** said that's an assumption that is at the foundation—**Ms**. **VonAchen** said well I said that. **Commissioner McKiernan** said but the way you just explained it and I finally just figured it out, you just said okay you considered 3M last year as a onetime expense, but we've got 2.1 more now in terms of employee salary expense because we obligated ourselves for this pay increase. So, the assumption is we're going to take 2.1 of that 3 that you're still thinking is floating and we're going to allocate that into personnel. I'm just making numbers up. These are not real numbers, I'm just making numbers up, so there is an assumption at the foundation of that model that is different than I thought going in. **Mayor Holland** said that's right, I forgot that. **Commissioner McKiernan** said I just wasn't prepared for that which is why I keep asking where did the one-time money go. **Ms**. **VonAchen** said it was in the forecast six weeks ago, it's always been, I apologize if I didn't point it out. I thought I had. **Commissioner McKiernan** spoke but was inaudible due to mic not being on. **Mayor Holland** said that $3M is the answer to the gap that we all saw. **Ms**. **VonAchen** said the $3M that's UG wide so the General Fund portion is a lesser number like 1.8ish or so.

Commissioner Walters said I still don't understand why that would come out of the STAR Bond proceeds instead of just the general increase of revenue that we would expect. **Mayor Holland** said I think it did come out of the general increase in revenues, but the STAR Bond—that's where—what would have been helpful, and this is our learning process as we're building this budget, to see all the revenue sources including onetime expenses that are available again and all of the new costs and just to see them next to each other compared to last year so we get the net out because the $3.5M we put last year into fund balance restoration should be available now because we didn't allocate it last year. Last year we spent it once and not several times so we should have that amount of money and we had, I contend a 4.9% increase in property tax values that is additional revenue and that's where the 2% increase for employees should come from. What I wanted to do of the 3.5M that we put into fund balance last time, I wanted to put 2M of that into property tax reduction again so you do 2 and 2 and now we have 1.5 of that 3.5 left and I want to make sure it's driven back into SOAR. Then the increase of valuation is absorbed by our employees so I think there is a way to show it, but I do think this exercise did do this piece, we all got to put our priorities in. Everybody mentioned some property tax reduction, everybody talked about SOAR and then was there another—**Someone** was speaking but inaudible due to mic not being on—**Mayor Holland** said other various programming. Priorities were mill levy reduction and SOAR and a priority is the 2% increase for our employees in '18. We've got to list that as a priority, that's a big one.

Ms. VonAchen said I would like to commend all of you because I really like how compared with some other cities I have been at, you're really taking into consideration onetime versus ongoing. That's a huge leap in financial planning for a governing body so we're getting there. **Mayor Holland** said it's taken us a long time to get here.

Ms. VonAchen said we have a number of workshops ahead of us and we can come back with that breakout and we're happy to do it. **Commissioner Philbrook** said it helps me because it's kind of a slurry of things because you guys you do this for a living, this is what you're supposed to do and you're supposed to be able to understand it. It's just you have to be able to put forth this stuff for those of us who don't handle this type of budget all the time nor the complexity. I would appreciate that breakdown so I know the flow.

Ms. VonAchen said I'm going to pass this off to our Budget Manager. These are the many workshops that I just discussed.

Mr. Lindsey said the current slide provides dates of upcoming budget meetings. In May we have two CMIP Special Sessions, we don't have any meetings with the Commission in June and we come back July 6th where County Administrator Bach presents his 2018 Proposed Budget and then July 10th we come back and set the maximum mill levy. Then we have a number of Commission Workshops and Budget Workshops that go throughout the month of

July. We have our second public hearing on July 24th and we move to vote for the budget on July 27th.

Commissioner Markley said I had a meeting from some previous version of the calendar on July 13th. Is that not happening? Can I delete it? **Mayor Holland** said I wouldn't delete it yet. **Commissioner Markley** said I'm afraid to delete it and then have it come back up.

Commissioner Bynum said, Doug, I have a question on the dates. I was looking at these dates when the Monday Forecast document comes out and I was noticing May 4 and 18 are not Commission nights. Was that deliberate? **Mr**. **Bach** said yes. We looked at these when we were adopting the calendar and since we were running to say okay we have those open nights, we always try to wedge in the CMIP in there and so we said let's schedule these on the off nights and get that in place. When we publish our calendar after the first of the year we specifically went after these dates so we would be able to say—if you look at your calendar you've got Commission meetings on the other Thursday's so that was a very deliberate move to do it that way and let everybody know that including those that might be wanting to schedule special events that night.

Commissioner Philbrook said I do have a question for you, and I know there are probably other commissioners around here that are going to throw things at me, but I really don't like not being able to be at the graduation for the Sheriff's Department. I would rather come in later and go to that because that's at 5:30 p.m. on the same day on May 4th. I mean that's just me. **Mr**. **Bach** said we scheduled it then their department called over and said they wanted to do it then and we said we had a meeting scheduled that night and asked them if they would consider a different night and they indicated they would like to keep it that night even though it conflicted. It's your pleasure, whatever you want to do with that. **Mayor Holland** said we have worked very hard to make sure that we can be at all those graduations. **Commissioner Philbrook** said it is kind of important to us. **Mayor Holland** said it is important to us and we have largely in the last four years aligned all of the graduations with Commission meetings. This is probably the first miss in four years, but we did have this scheduled when it was brought to us and the Sheriff's Department did determine they would rather go ahead and hold the date than move it so we could attend. **Commissioner Philbrook** said so I'll just let you know if I disappear for a little bit, that's where I am.

Commissioner Bynum asked could we convey to Diana and Diana and the Commission Office to maybe go back through our Outlook calendars and double-check what dates are there because that May 4th, specifically that May 4th item for the Sheriff's Department is not on my calendar and they put a lot of stuff—you know they have loaded by Outlook with all the dates and it's pretty reliable. If we could just have them double-check all the dates? **Mr. Bach** said we will do that. I think, looking in my notes, there were some earlier indications of the July 13th so we will double-check and see where we're at on that and see what's happened. **Ms. VonAchen** said Reggie and I think maybe the 10th—there was an error in our calendar. **Mr. Bach** said I think we may have had both, but we will see.

Commissioner Kane said I won't miss that graduation so if we're downstairs for a little while and we come back up, that's just the way it's going to be.

Commissioner Markley said I think in the past in June we've done three-on-three, is that going to happen again this year? **Mr. Bach** said yes. Somewhere in mid to late June we'll get together in small groups and that's when we will try to breakout some of these things you are asking for then if we don't have them before. We will have our final appraised numbers come in by that point and we will be able to build this stuff through, we will know where we're at from the Capital and how much we're trying to work through from cash versus debt and be able to line that out for you.

Mayor Holland said thank you all, great job to the staff, the Finance team for pulling this together, well done.

MAYOR HOLLAND ADJOURNED
THE MEETING AT 8:10 p.m.

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Carol Godsil
Deputy Unified Government Clerk

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