STATE OF KANSAS)
WYANDOTTE COUNTY)) SS **SPECIAL SESSION, THURSDAY, FEBRUARY 23, 2017**
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Thursday, February 23, 2017, with nine members present: Bynum, Commissioner At-Large First District; Walker, Commissioner At-Large Second District; Townsend, Commissioner First District; McKiernan, Commissioner Second District; Johnson, Commissioner Fourth District; Markley, Commissioner Sixth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District; and Holland, Mayor/CEO, presiding. Murguia, Commissioner Third District; and Kane, Commissioner Fifth District; were absent. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Joe Connor, Gordon Criswell and Melissa Mundt, Assistant County Administrators; Bridgette Cobbins, Unified Government Clerk; Kathleen VonAchen, Chief Official Officer; Debbie Jonscher, Deputy Chief Financial Officer; Reginald Lindsey, Budget Manager; Debbie Pack, County Treasurer; Emerick Cross, Commission Liaison; and Doug Bailey, Sergeant-at-Arms.

MAYOR HOLLAND called the meeting to order.

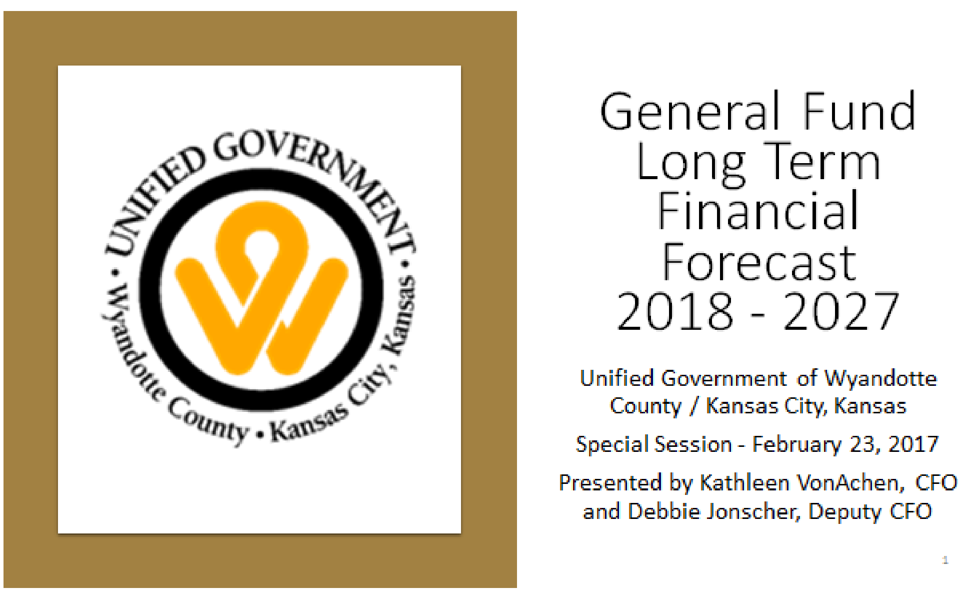
ROLL CALL: Philbrook, Bynum, Walker, Townsend, McKiernan, Johnson, Markley, Walters, Holland.

NOTICE OF SPECIAL MEETING of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, February 23, 2017, at 5:00 p.m. in the 5th floor conference room of the Municipal Office Building, for a presentation on financial forecast. Immediately following, the Commission will recess to the 9th floor conference room for an executive session regarding litigation and property acquisition.

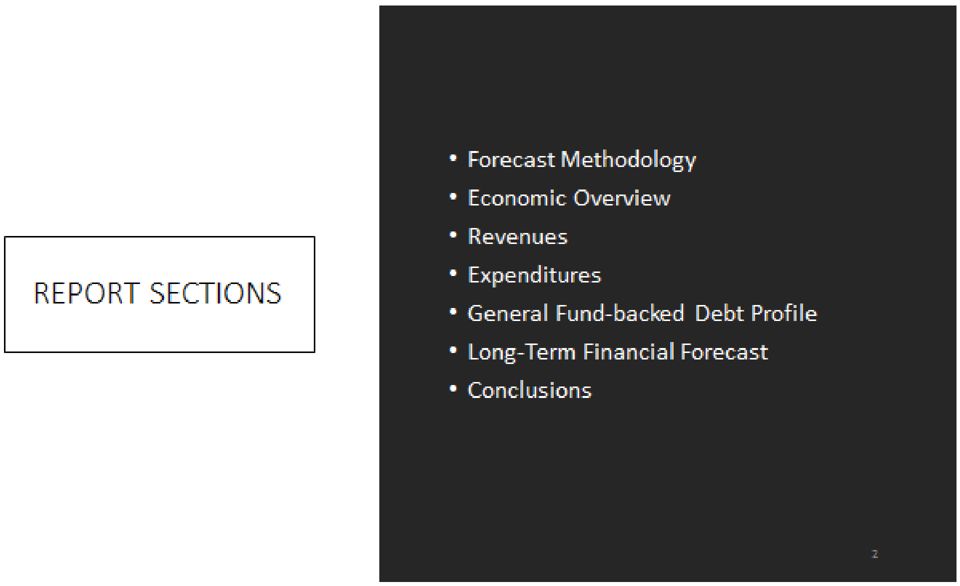
CONSENT TO MEETING of the governing body of Wyandotte County/Kansas City, Kansas, accepting service of the foregoing notice, waiving all and any irregularities in such service and in such notice, and consent and agree that we, the governing body, shall meet at the time and place therein specified and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

Mayor Holland said this presentation is going to prepare us and give us more information than we could possibly digest in one meeting, but it is going to prepare us for our retreat on April 20th. I'm going to turn it over to Mr. Bach for some opening comments.

Doug Bach, County Administrator, said that was well said. There is a lot of information in this and prior to going into the Long-Term Financial Forecast I will just say we have a lot going on tonight from our meeting schedule so as we go into this session as we're talking about the long-term forecasting that we have some big topics in our executive session as we usually do, but then also, we have the public hearing on the budget so that kind of feeds into this as well. As we start with this, as the Mayor said, Ms. VonAchen and her staff has put together a lot of information to go into this, a lot of sophisticated information that they've gone through and analyzed to work forward as we start looking ahead into our future years. She is laying that out there in not really a format that you all need to be jumping into right now. We just delivered it to you electronically a little while ago so you would have that in hand to go back and spend hours and hours reading as you want. We wanted to deliver it to you with the presentation tonight to go through and then we can ask questions as you go forth from that point.

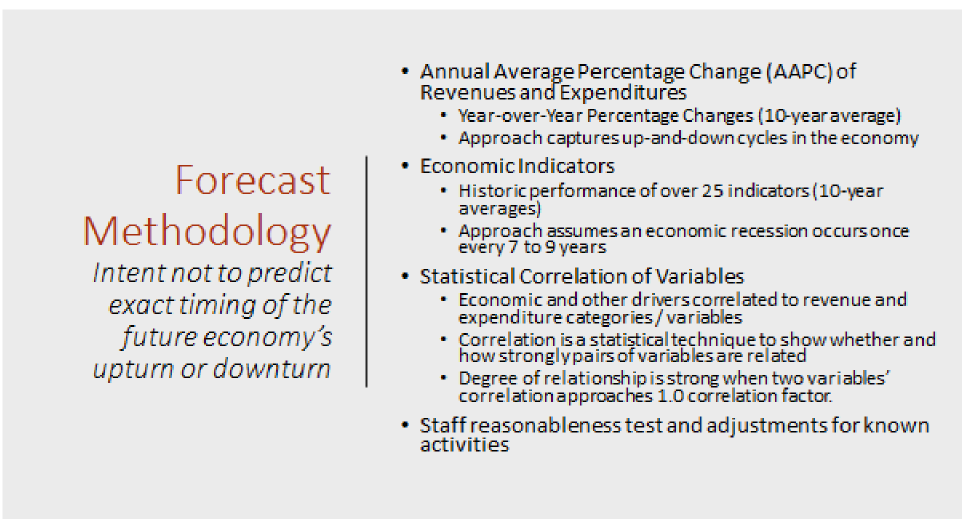


Kathleen VonAchen, Chief Financial Officer, said I have with me tonight Debbie Jonscher, the Deputy Chief Financial Officer and Reginald Lindsey, Budget Manager as well as Debbie Pack, our Revenue and Treasury Manager. I would like to thank them very much for all of their assistance in doing this as well as the rest of our staff, Mike Grimm and Elise as well. Lots of work went into this report and we're very excited to present it to you.



I want to walk you through the different sections of the report. Debbie and I are going to trade off on some of these sections. We're going to start out with the Forecast Methodology. She is going to walk you through it and to the end is where the big news is. Forecast Methodology, how did we get to our assumptions, a brief economic overview, then we're going to talk about our revenue estimates and this is a 10-year plan that starts in 2018 and goes all the way to 2027. We've got our expenditure cost estimates, and then we're going to talk a little bit about General Fund-backed debt which is actually not in the General Fund so this is a long-range financial plan of just the General Fund. We thought it would be a good opportunity to provide a little bit of information on our debt obligation and then finally the long-term financial forecast. This is not a plan, we're not planning anything; we're just forecasting how we think we're going to look into the future and then finally some conclusions. We're providing some staff fiscal sustainability proposals.

I did want to mention that we've used some local art from an organization here locally so you will see some of that in the document as well as in the PowerPoint presentation.



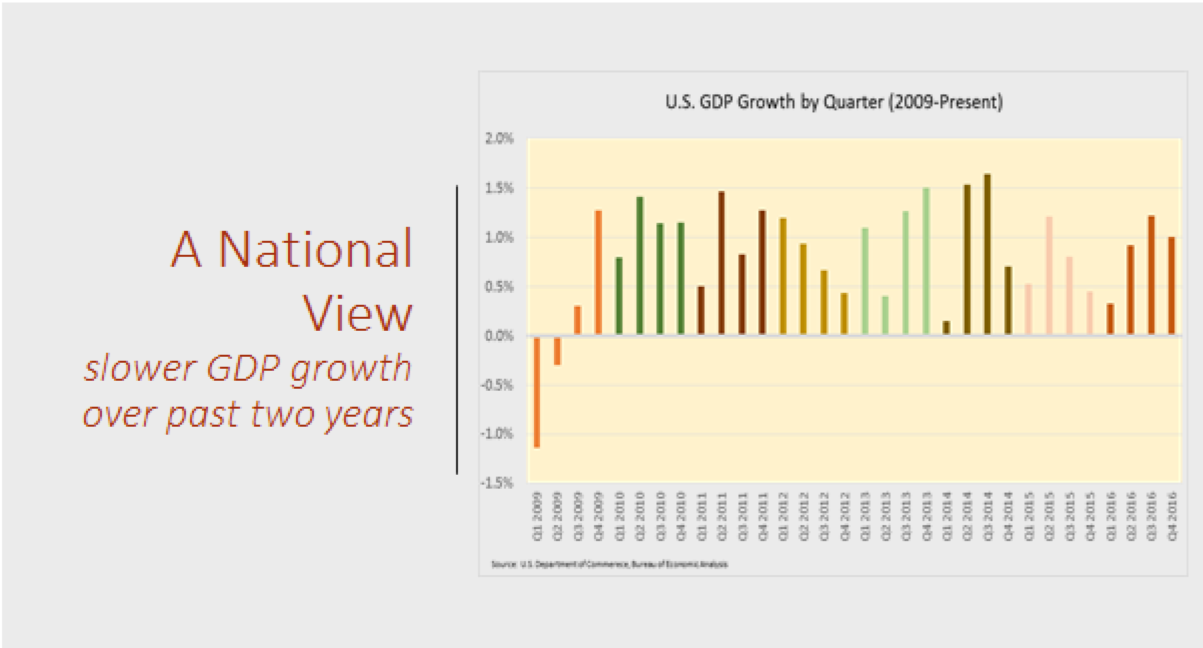
The forecast assumptions are based on a methodology and I want to emphasize that the forecast does not intend to predict exact timing of the future economic up or down turn. What we try to do by doing that is we take prior ten year information, we assimilate it into an annual average percentage and then we come up with a number that we then project forward. Within that percentage or maybe that modified slower growth rate is incorporated a recession at some point and time so we are assuming that there is always going to be a siminco kind of effect of the business climate and so every seven to nine years there is going to be sort of economic recession. By combining all the prior ten years we capture that probability.

We've got a number of forecast methodologies that we use. Like I said the annual average percentage change which we're referring to as AAPC and we just the percentage growth of anything and each percentage then we average those.

We have about 25 different economic indicators in our financial model. We have a spreadsheet model that's very helpful. It's called MuniCast and it's provided by Chris Swanson who is with the Government Finance group affiliated with GFOA.

We also are using statistical correlation of variables. What does that mean? Well, the more closely two variables are correlated the closer they approach one in a fiscal correlation and our wonderful model does that for us. We have picked indicators and matched factors with cost and revenues that are exactly correlated so it improves the validity of our assumptions. We all then just kind of looked at it and saw whether it was reasonable.

I'm going to pass it on to Debbie Jonscher and she is going to give you an economic overview.



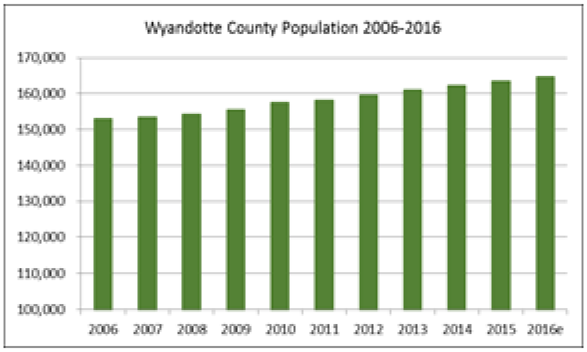
Debbie Jonscher, Deputy Chief Financial Officer, said the first graph we're going to look at is just the GDP which is the Growth Domestic Product and for anyone that doesn't know that's a measure of economic activity. They measure it both on how much gets spent or how much gets earned. Usually in a healthy economy you might see wage increases and lower unemployment whereas in an unhealthy economy you might see lower profits and higher unemployment.

In this graph it will show negative growth and that's usually one of the factors that indicate that we could be in a recession or heading to a recession. You can see at the beginning of this graph it does show 2009 where we were in the recession.

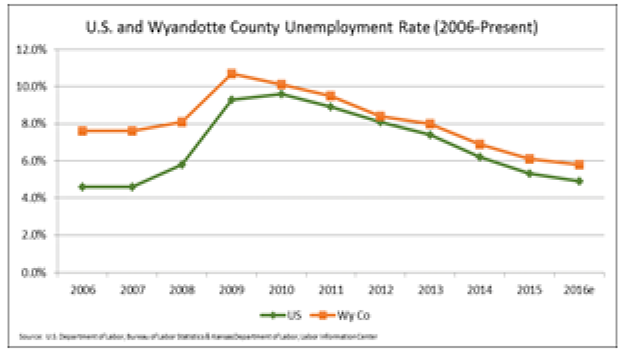
I also wanted to point out that we've seen, and also reported I think by the Kansas City Chamber, was the GPD growth over the past two years has actually been slower than it has been and that's reflected on the graph, those last two sections show 2015 and 2016 and you can see the growth is not as a large as it has been in prior years.

Regional / Local View

- **8% increase in population since 2006.**
- **AAPC increase 0.75%.**



- County unemployment dropped from 10.7% in 2009 to 5.8% in 2016.
- Since 2010, County rate is an average of 0.6% higher than national rate.
- Forecast uses 10-year AAPC with unemployment declining by 1.8% year-over-year.



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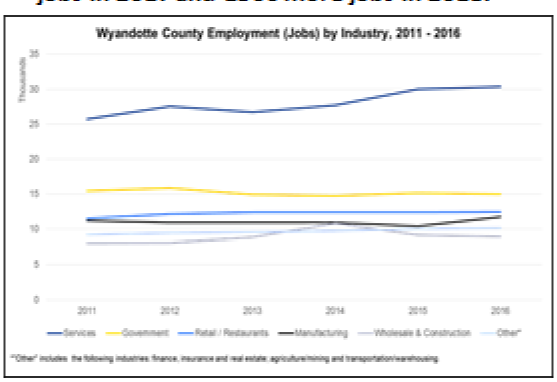
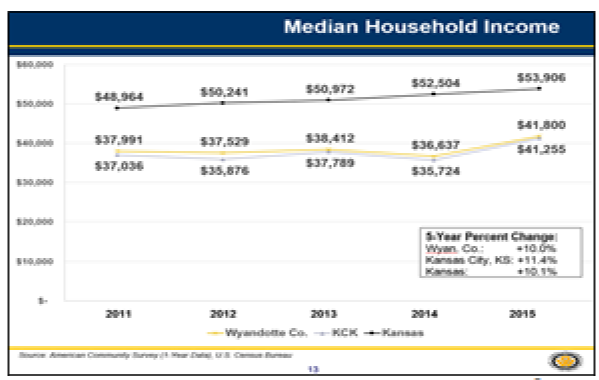
Regional & Local View continued

- Since 2011, jobs increased 11%, mostly in service sector.
- 10-Year AAPC of 1.4%.
- An estimated 2800 jobs added in 2016.
- Forecast uses 10-Year AAPC plus 1000 more jobs in 2017 and 1500 more jobs in 2018.



- KCK outpaced County MHI with 11.4% increase since 2011.
- KCK MHI of $41,800 is still 27% below the national average MHI of $57,000.



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These next two graphs are more on a regional and local view. The first one just shows the population for Wyandotte County and you can see that from 2006 to 2016 we have had actually about an eighth percent growth in our community. In 2006 the number was about 152,000 and now we're at about 164,000 for the county so there is some growth there.

The next slide just shows unemployment rates for Wyandotte County vs. the national average. The orange line is Wyandotte County and the green one is the national average and you can see we are on a similar path; however, the County rate is still higher than the national average by about six tenths of a percent but it is declining at a similar rate to the national average.

Commissioner Walker said the unemployment rate, I've always assumed that means if you have any job at all they count you as employed, correct? I'm employed. I'm a County Commissioner so I make $14,400 a year roughly. Am I one of the employed or unemployed in your statistics? **Ms. Jonscher** said you would be one of the employed. Are you asking if people who are not looking for work are included in the unemployment? **Commissioner Walker** said yes. Frankly, I think there is a lot more than 4% of our population that are not working, but they've given up looking for work or perhaps they are retired. So this doesn't tell us how many people are either underemployed or unemployed that have given up looking for work. **Ms. VonAchen** said the figures that are presented are based on the US Census category or definition and I think I have read that there are a lot of discussions about modifying that definition, but this is the established definition which I think really doesn't include people who are seeking employment or underemployed.

Regional & Local View continued

- Since 2011, jobs increased 11%, mostly in service sector.
- 10-Year AAPC of 1.4%.
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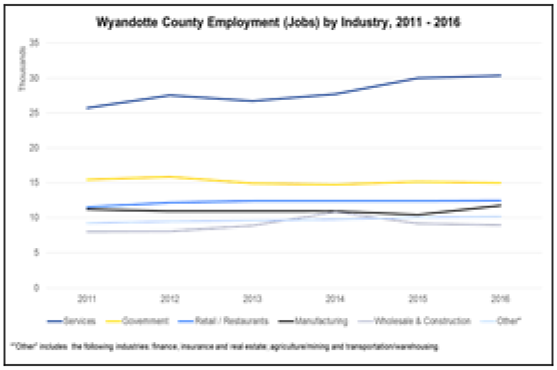
- Forecast uses 10-Year AAPC plus 1000 more jobs in 2017 and 1500 more jobs in 2018.



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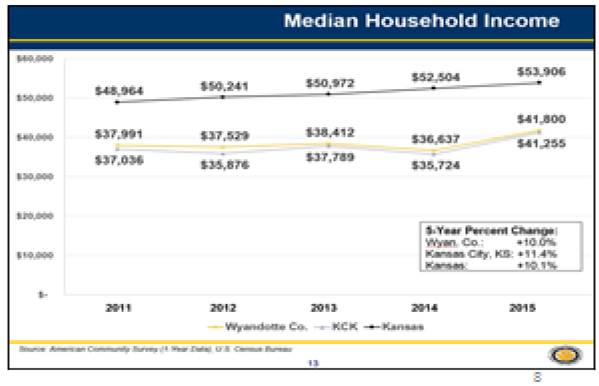
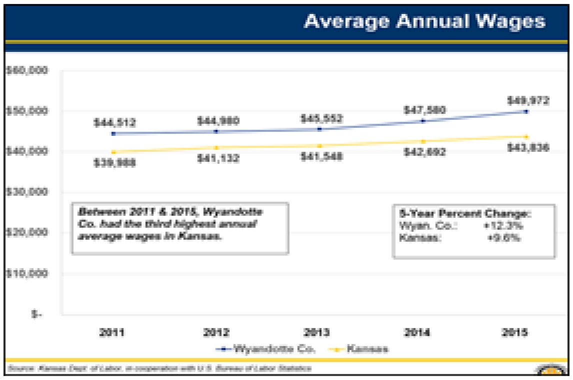


Ms. Jonscher said the next graph we're going to look at here is Wyandotte County jobs and you can see that jobs in Wyandotte County have increased since 2011 by about 11% and most of that has been in the service sector. The top line, the blue line there, is the service sector and it has been growing over the past several years whereas the manufacturing, retail, government has stayed more constant. In the service area professional and medical categories are the two largest of the service areas that are growing.

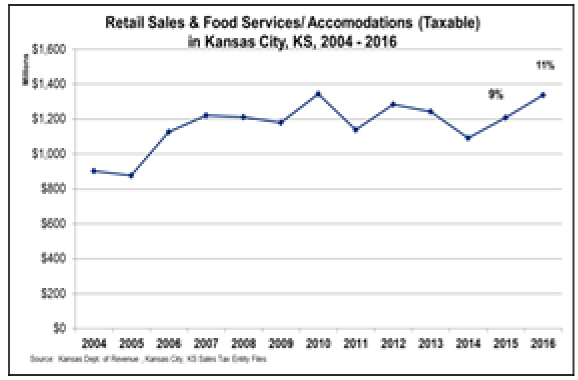
The next graph is median household income and you can see on that one the top line represents the State of Kansas and then there is a yellow line that represents Wyandotte County and Kansas City, Kansas. Over the past five years Kansas City, Kansas median household income has grown at just a slightly higher rate than the State average and the County average; however, we are still below the State average for median household income.

Regional & Local View continued

- County average annual wages 3rd highest in Kansas at $49,972.
- County wages are 12.3% higher than in 2011.
- Although improving, still 91% of national average.



- Retail sales and food services/ accommodations 13-year AAPC was 4.6%.
- 2016 increased 11%.



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This one shows the annual average wages. This gives a comparison between Wyandotte County and the State of Kansas. You can see that Wyandotte County is the top blue line with a higher average annual wage than the State of Kansas. We believe that we've increased a little bit with the economic development projects that have brought higher paying jobs to our community that has helped with that increase. Wyandotte County was the third highest, as of 2015 had the third highest wages in the State of Kansas. The next one just shows a comparison for retail sales and food services over the past like 12 years and just kind of shows that retail growth that has occurred since 2004.

Property Tax
Sales & Use Tax
Franchise Taxes
Charges for Services

General Fund Revenues

The next section I'm going to cover is the General Fund Revenues.

Revenue Forecast

REVENUE & OTHER in 000s)	PROJECTED 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
PROPERTY TAX	$61,063	$62,184	$63,349	$64,535	$65,743	$66,974	$68,228	$69,505	$70,807	$72,133	$73,483
SALES & USE TAX	48,992	49,814	50,596	51,285	51,985	52,697	53,422	54,158	54,907	55,668	56,442
FRANCHISE TAX-ELECTRIC/WATER	31,171	32,488	33,145	33,815	34,499	35,197	35,910	36,637	37,379	38,136	38,910
FRANCHISE TAX-OTHER SERVICES	8,315	8,454	8,594	8,735	8,879	9,028	9,182	9,341	9,504	9,672	9,845
PERSONAL PROPERTY TAX	6,724	6,911	7,064	7,146	7,229	7,313	7,398	7,484	7,571	7,659	7,748
OTHER TAXES	6,605	6,815	6,992	7,100	7,210	7,322	7,436	7,551	7,668	7,787	7,907
DELINQUENT TAXES	3,454	3,590	3,732	3,879	4,031	4,190	4,355	4,526	4,704	4,890	5,082
OCCUPATIONAL TAX	2,000	2,098	2,189	2,261	2,335	2,411	2,490	2,571	2,656	2,742	2,832
IRB / TAX ABATEMENT FEES	1,298	1,323	1,347	1,372	1,398	1,424	1,451	1,478	1,506	1,534	1,562
MORTGAGE REGISTRATION TAX	1,150	1,104	1,060	1,017	977	938	900	864	830	796	765
SUBTOTAL: TAXES	$170,772	$174,782	$178,068	$181,145	$184,287	$187,495	$190,771	$194,116	$197,530	$201,017	$204,576
CHARGES FOR SERVICES	12,743	13,000	13,268	13,549	13,842	14,148	14,467	14,798	15,144	15,503	15,875
FINES, FORFEITS, FEES	5,725	5,949	6,148	6,289	6,433	6,580	6,731	6,885	7,042	7,203	7,368
INTERGVTAL REVENUES	4,464	4,569	4,678	4,788	4,902	5,018	5,137	5,259	5,384	5,512	5,642
MISC. & INTEREST	3,546	3,620	3,696	3,774	3,853	3,934	4,016	4,101	4,187	4,275	4,365
REIMBURSEMENTS	2,708	2,758	2,810	2,862	2,916	2,970	3,026	3,082	3,140	3,199	3,258
PERMITS AND LICENSES	2,120	2,200	2,276	2,342	2,410	2,480	2,552	2,627	2,703	2,782	2,863
SUBTOTAL: NON-TAXES	$31,305	$32,096	$32,875	$33,604	$34,355	$35,130	$35,929	$36,752	$37,600	$38,473	$39,373
TRANSFERS	2,256	2,298	2,341	2,385	2,429	2,475	2,521	2,568	2,616	2,665	2,715
TOTAL SOURCE OF FUNDS	$204,334	$209,176	$213,285	$217,134	$221,072	$225,100	$229,221	$233,436	$237,746	$242,155	$246,664

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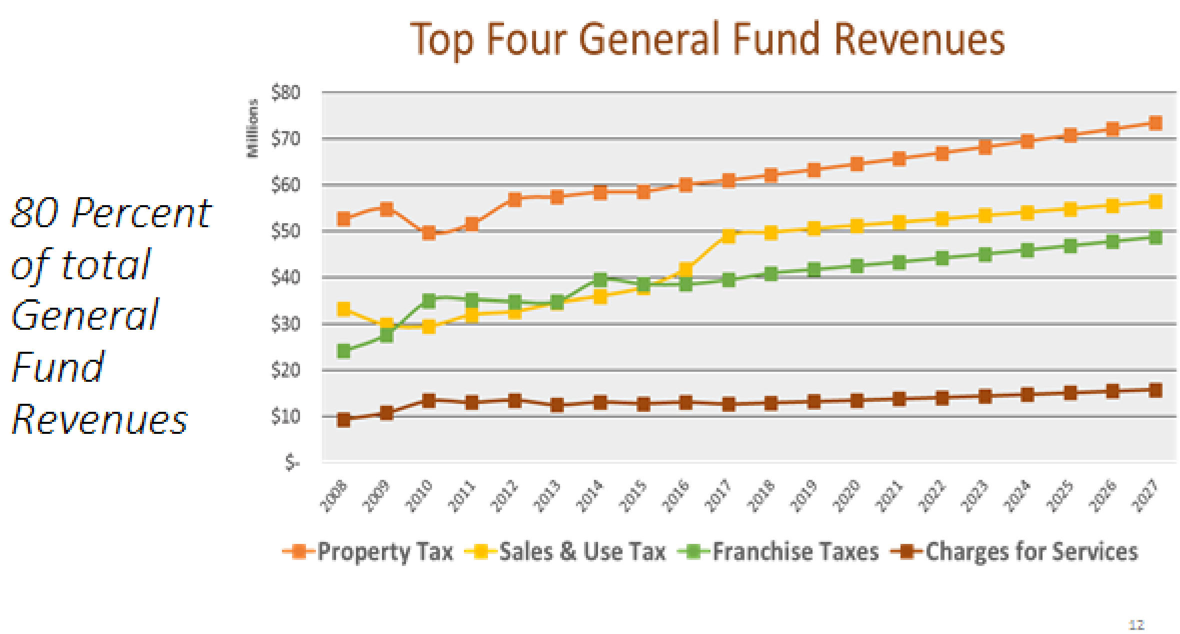
This first graph just shows all the revenues and this does show our forecast. We start with projected 2017 and we carried it out ten years to 2027. This shows all of the revenue categories; however, on the next couple of slides I'm going to concentrate mainly on the top four revenues and go into a little bit more detail and I will discuss the assumptions that have been built into each one of these rates. This detail is also in the packet that you were emailed. There is a little bit more detail for that.

Commissioner Walker said you know, Doug, some of us don't live with our emails. I think it would be nice, if we're going to have a presentation in the future, that we have the PowerPoint in front of us. I don't see any commissioner with their computer here, maybe Brian. **Commissioner Philbrook** said we've got our phones. **Mr. Bach** said okay, my apologies, I should have had it here. **Ms. VonAchen** said we will print it off and get it to you in the next hour or so. **Commissioner Walker** said after the discussion is over with tonight, right? **Ms. VonAchen** said you can bring it home with you. **Commissioner Walker** said I have it at home apparently.

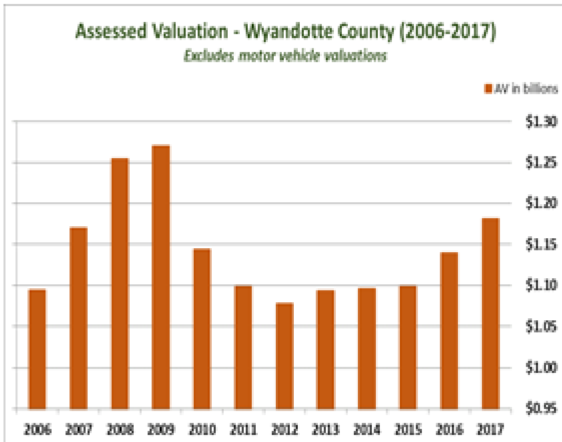


Ms. Jonscher said this first graph just shows—we're going to talk about the top four General Fund Revenues. It shows property tax, sales tax, franchise tax, and charges for service. This graph just shows what has occurred over the past eight years and then we we're projecting where we think we're going to be out into the future.

Commissioner Walker said I have to ask a question and maybe you're coming to this, one more back, I'm looking at Electric and Water Franchise Tax-Other. Which one is the PILOT there? **Ms. Jonscher** said the PILOT is included in the Electric and Water. **Commissioner Walker** said so I'm judging that you're assuming that until the year 2027 the current PILOT rate of almost 12% is going to remain the same. **Ms. VonAchen** said the forecast basically takes the existing or current condition and projects it forward. We haven't made any policy changes and that would require a policy change so yes, that's correct. **Commissioner Walker** said I just want to be clear. That assumes we're going to leave it at the present. **Ms. VonAchen** said the purpose of that is to estimate how our revenues are going to look going forward and then compare that with our known cost drivers to see the affordability of future policy changes. **Commissioner Walters** said so you also assume no property increase in taxes. **Ms. VonAchen** said we're going to talk about that because those are driven by economics.

Commissioner Philbrook said I have one question. Charges for Services, what does that entail? **Ms. Jonscher** said we will have some more detail, but Charges for Services does include things like trash fees, Parks & Recreation programs, anything that we charge fees for. **Commissioner Philbrook** said I just kind of wanted to get an idea what we're talking about.

Property Tax



- 30% of total General Fund revenue base.
- Strong positive correlation to assessed valuation and mill levy rates.
- Assessed Valuation in 2017 reaches its same value from 10 years ago.
- Forecast assumes 1.9% increase in property tax revenue, same as prior 10-year AAPC increase for both assessed value and property tax revenue.
- AAPC captures potential peaks and valleys of this revenue source into the future.

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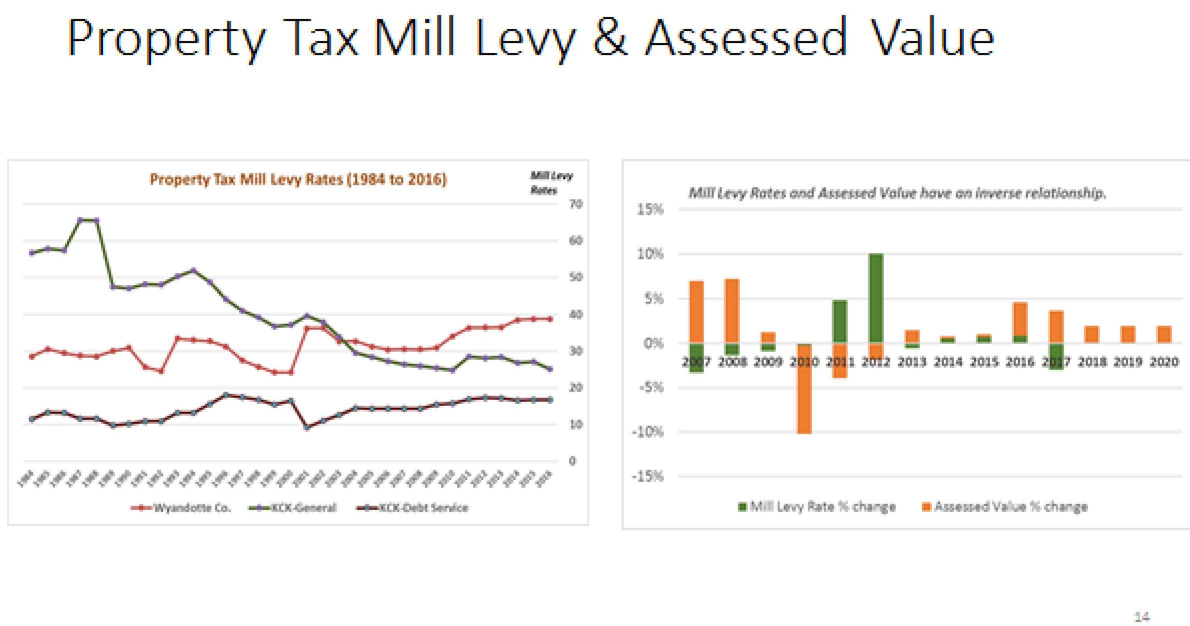
Ms. **Jonscher** said the first one we're going to talk about is Property Tax. This shows the assessed value from 2006 to 2017. Property Tax Revenue in the General Fund is about 30% of the total revenues. There is a strong relationship between the assessed value and the mill levy rates. The assessed value in 2017 is approximately the same value as it was back in 2007 and that shows they are fairly close. The forecast that we put together assumes a 1.9% increase in the property tax revenue, and as Kathleen had talked about, we've used an annual average percentage increase and that's what the ten years showed so that's the amount that we built in. Even though assessed value for 2016 increased about three to four percent, we decided to use this 1.9% in our forecast.

Commissioner Johnson said we're just basically looking at the numbers going back ten years, coming up with an average and just plugging it in going out however many years so it's not really about what happened from year to year, it's just the average of all of those, the average percentage of all of those numbers. **Ms. Jonscher** said yes. **Ms. VonAchen** said some of the years have been adjusted for known items. In the future year our long-range financial planning process will be expanded to include people in other departments who are knowledgeable about known affects that impact their specific departments and we will be able to do that kind of refinement and specificity among the departments and the year and so forth. Right now this is a baseline forecast. **Commissioner Johnson** said that's fine. I've got a better understanding as I look at the numbers.

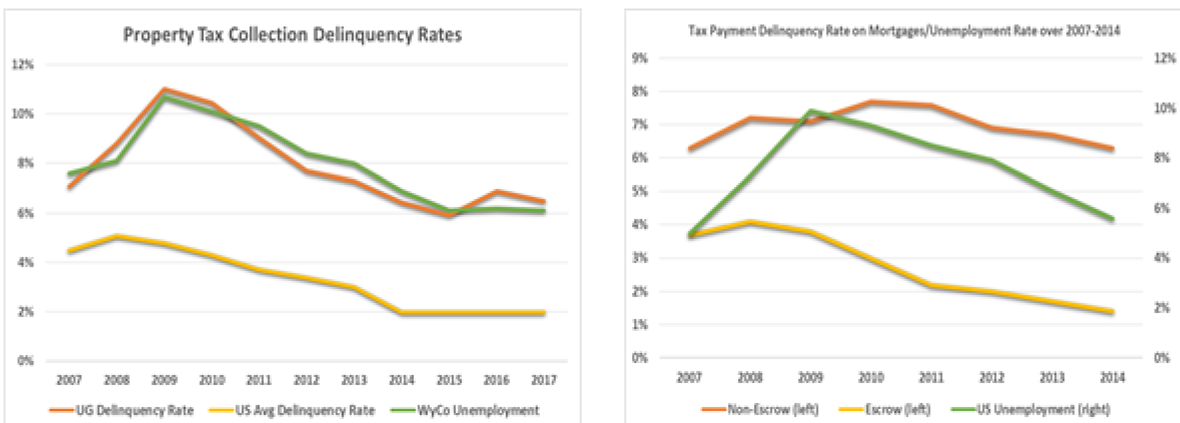


Ms. Jonscher said the next graph we're going to look at is the Property Tax Mill Levy Rate and one of the things we wanted to point out is the first graph on the left shows a breakout between the City of Kansas City, Kansas Mill Rate, the County Mill Rate and the City of Kansas City, Kansas Debt Service Rate. The line on the bottom is the Debt Service Rate. We just wanted to break that out. The total mill levy for the City is 41.875 mills; however, that includes the General Fund mill levy at 25.093 mills and the Debt Service Levy at 16.782 mills. We wanted to break that out just to be able to show that the debt service of 16.7 mills, that revenue is already dedicated to the debt service payments that have already been bonded. When we talk about adjusting the mill rate we're actually talking about the City General Fund rate so this was just to break those out so you could see them separately.

Ms. VonAchen said the other thing I wanted to point out is that the green line starts out on top but then progresses down. That is the City of Kansas City General Fund rate and it is currently at its lowest point over this 20 year period except in 2010 when it was about one-tenth higher than it is now today so it's almost never been lower than it is currently whereas the County rate has never been higher during this period.

Ms. Jonscher said the next graph is showing the relationship between the mill levy and the assessed value and the inverse relationship that they have. This was more just to show that typically when assessed value changes by more than 5% we typically see a change in the mill rate. It may not occur during that year that change occurs, but it usually occurs somewhere around there.

Property Tax Delinquency Analysis



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The next graphs have to do with Property Tax Delinquency rates. The first one on the left is actually comparing delinquency versus unemployment. The delinquency rate in 2016 was 6%; however, we think that for 2017 that has creeped up to back around 7%. I think it was 7% in the past.

Commissioner Bynum said 6% of all parcels on which taxes are paid. **Ms. Jonscher** said yes. **Ms. VonAchen** said it's not parcels, actually its dollar amount. Its revenue—**Mr. Bach** said 6% of the valuation—**Commissioner Bynum** said is delinquent—**Ms. VonAchen** said because actually by parcels it's different. The other little point about this is that we wanted to point out is that yellow line below is the national average for property tax delinquency. As of right now the national is 2% and we're at 7 so there is that big spread. You can see there are delinquencies follows unemployment very closely.

Ms. Jonscher said the next graph is just a comparison that we did for the delinquency rate. The green line in the middle shows the US Unemployment but that really doesn't relate to these two. The yellow line shows mortgage payments or tax payments that are paid through an escrow meaning that if you have a mortgage and the payment for taxes are built into your monthly mortgage payment you're paying monthly into an escrow versus if you own your home outright, you're simply writing a check for the mortgage. We wanted to show that the delinquency rates for non-escrowed payments are actually higher than for payments that are escrowed so that was just a comparison for this graph. **Mayor Holland** asked can you say that last sentence one more time. **Ms. Jonscher** said the delinquency rate for payments that come in on non-mortgaged properties where someone would just have to write a check themselves, the delinquency rate is higher. **Mayor Holland** said when the bank is not doing it for you; it doesn't come in as regularly. **Ms**. **Jonscher** said right.

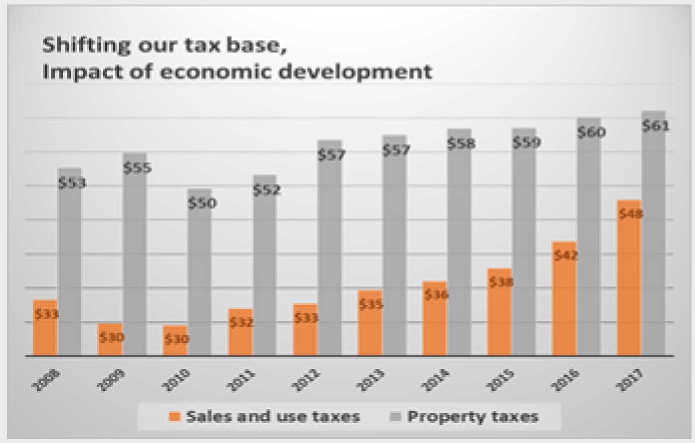
Ms. VonAchen said I did want to share that I came across a Public Administration Study and a professor that's cited in the report found that if you increase the frequency from semi-annually to three times a year, you reduce your delinquency rate by 1.2 so ours would go down from 7 to 5.8. There are things we could do aside from all the SOAR initiatives that are certainly going to assist, but we're looking towards trying to fix this from a property tax administration standpoint because I'm concerned about that.

Commissioner Johnson said I think I basically know, but how does that US average delinquency rate compare to the US unemployment rate? I guess what I'm trying to drive at is ours is almost matched in Wyandotte County but that would not be the same on a national basis. **Ms. VonAchen** said well actually its right there on that chart on the left. It's just that it's higher, but it follows the same—**Mayor Holland** said he's asking about the US unemployment rate, not the one charted on the left. **Ms. VonAchen** said yes, you're right, that's Wyandotte County unemployment. **Commissioner McKiernan** said the chart on the right is US unemployment.

Commissioner Johnson said I guess what I'm saying—**Ms**. **VonAchen** said there are two scales. **Commissioner Johnson** said there is a point in which unemployment gets to—it drives the—**Ms**. **VonAchen** said Elise is passing out the PowerPoint for you.

Sales and Use Taxes

Forecast assumes 1.4% in future annual revenue growth based on 10-year AAPC for inflation, housing price index, county job growth, and school enrollment growth



Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	33,256,316	29,861,968	29,590,523	32,033,764	32,763,449	34,639,631	36,024,497	37,877,475	41,833,947	48,991,572
Percent Change %		-10.2%	-0.9%	8.3%	2.3%	5.7%	4.0%	5.1%	10.4%	17.1%
Percent Change % without STAR revenues in 2016 & 2017		-10.2%	-0.9%	8.3%	2.3%	5.7%	4.0%	5.1%	2.5%	3.0%

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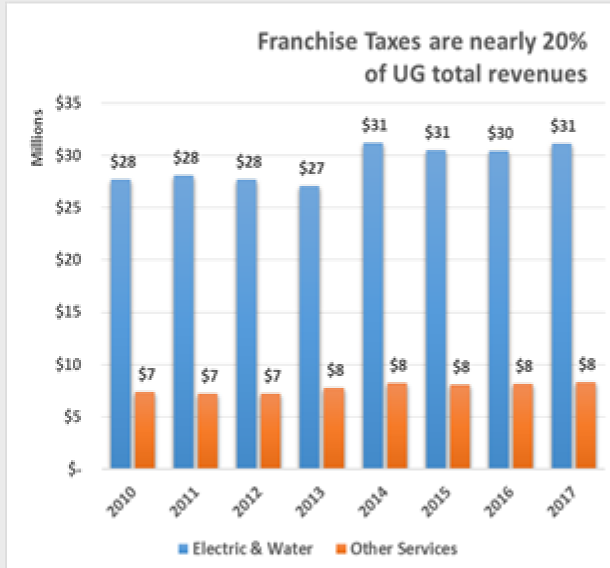
Ms. **Jonscher** said this one just shows our Sales and Use Tax. In the forecast we've assumed 1.4% for future annual revenue growth and once again that's based on our annual average percent change. We've compared it with property tax so the orange is the sales tax and you can that the impact of economic development projects in our community has helped to increase that sales tax number over the years. Down at the bottom we've put together a graph just showing the percent change by year. You want to look at the very bottom percentage. What we've done there is for 2016 and 2017 we've taken out the additional STAR Bond revenue attributable to the payoff of the bonds so that we could have a more comparable rate with the prior years. You can see that from 2013 to 2015 we we're probably in the 4 to 6% range per year whereas in 2016 and 2017 we're in the 2.5 to 3% increase rate.

Franchise Taxes

<u>Forecast assumptions</u>:
- **Electric** at 2.1% tied to AAPC for BPU gross revenues.
- **Water** at 1.4% tied to average of CPI, population and school enrollment.
- **Sewer** at 2.5% tied to CPI plus population.
- **Gas, Video, Cable TV, Telephone** growth rates and assumptions vary by correlated factors.



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The next one is Franchise Taxes and this one shows the electric and water payments as well as sewer, gas, video, cable and telephone. For 2017 $31M of it is the electric and water and then about $8M for the other franchise fees.

Charges for Services

- 4th largest revenue source totaling $13 million in 2018.
- Comprised of many various fees and charges for a variety of governmental services, including waste hauling (trash services) and parks and recreation programs.
- Forecast assumes different growth rates for each service category based on the past revenue performance and how the service correlates to varied economic factors.

Fiscal Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenue	9,428,580	10,824,893	13,431,859	13,090,914	13,589,865	12,551,377	13,159,108	12,852,583	13,122,899	12,743,300
Percent Change %		14.8%	24.1%	-2.5%	3.8%	-7.6%	4.8%	-2.3%	2.1%	-2.9%

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The last one to talk about is Charges for Service. As I said earlier Charges for Service would be any fees or charges that we provide such as trash service or Parks & Rec programs. Charges for Service is the fourth largest revenue totaling about $13M in our forecast. **Mayor Holland** said of the $13M we take in we spend what $7M on trash contract alone? **Ms. Jonscher** said yes, that's correct.

Salary & Benefits
Services
Capital Outlay

General Fund Expenditures

Expenditure Forecast

EXPENDITURES & OTHER USES ($s in 000s)	Projected 2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
SALARY	$107,875	$108,936	$108,322	$108,093	$106,953	$106,229	$106,073	$106,128	$106,128	$106,128	$106,128
BENEFITS	39,214	41,119	43,468	45,121	44,896	45,231	46,375	46,675	48,082	49,250	50,802
LEAVE BENEFIT PAYOUTS	2,342	2,491	2,809	4,149	3,580	3,011	4,286	1,300	1,300	1,300	1,300
KP&F SPECIAL PAYMENTS	1,713	1,725	1,190	2,180	952	886	1,611	-	-	-	-
SUBTOTAL: SALARY & BENEFITS	$151,145	$154,271	$155,788	$159,542	$156,381	$155,355	$158,345	$154,103	$155,510	$156,678	$158,230
SERVICES	34,822	35,381	36,118	36,878	37,662	38,472	39,308	40,171	41,061	41,981	42,930
SUPPLIES & MATERIALS	6,059	6,149	6,240	6,333	6,427	6,523	6,620	6,719	6,819	6,921	7,025
GRANTS & CLAIMS	6,629	6,753	6,879	7,008	7,139	7,272	7,408	7,547	7,688	7,831	7,978
CAPITAL OUTLAY	7,640	7,841	6,000	6,000	6,000	10,500	10,681	10,865	11,053	11,243	11,437
DEBT SERVICE	642	641	644	639	639	640	639	641	643	643	641
SUBTOTAL: OTHER OPERATING EXPENDITURES	$55,791	$56,764	$55,880	$56,857	$57,867	$63,406	$64,656	$65,943	$67,263	$68,619	$70,011
TRANSFERS / OTHER	1,705	1,717	1,729	1,741	1,753	1,765	1,778	1,791	1,804	1,818	1,831
TOTAL USES OF FUNDS	$208,641	$212,752	$213,397	$218,141	$216,001	$220,527	$224,778	$221,837	$224,578	$227,115	$230,072

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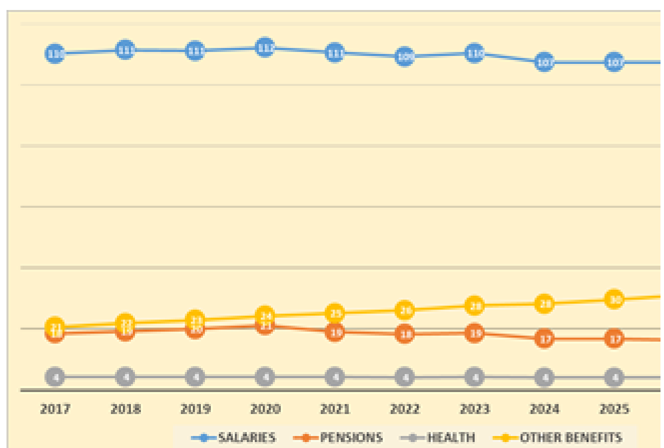
Ms. VonAchen said just like in Revenues we have an Expenditure sheet that has all the details down here for you so 2018 through 2027 by the categories. The top section is Salaries and Benefits and we've got it broken out kind of separately because it's so much bigger than the rest. Salary and Benefits accounts for roughly 72 to 73% of the total expenditures and so it's going to be a focus for our discussion here. The remaining categories are pretty small compared. The second one is Services and then followed by Capital Outlay so those are the three we're going to focus on tonight. Overall, you can see at the bottom total uses of funds. You see we are projecting that total uses in 2018 will be $212M and over the ten year period they grow to $230M.

Commissioner Walters asked can you explain why salaries would go down over time. **Ms. VonAchen** said yes, I am going to explain that.

Salaries, Pensions, Health & Other Benefits

- Forecast Assumptions
  - Forecast for salary and benefits is $154 million in 2018 and $158 million in 2027.
  - Represents 72.5% of total General Fund expenditures in 2018.
  - 2018 salary base includes cost of living adjustment; flat thereafter.
  - Significant one-time costs related to expected retirements (more data on next slides).
  - Pension cost increase of 4.5% in only 2019 to reflect recently changed KPERS investment rate of return actuarial assumption, effective in 2019.
  - Health care benefits increased each year of the forecast by 5 percent.
  - Other benefits increases following average growth rate of salary and/or pensions.



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Salaries and Benefits include salaries, pensions, health and other benefits and so the forecast has salaries and benefits totaling $154M in 2018 and it grows to $158M in 2027 so you think it would grow greater than that and I will explain why in a moment. It represents 72%, as I mentioned, and what we've done for 2018 is we have included a base adjustment to the salary base for cost of living in anticipation of the 12 out of 13 labor agreements which will be expiring and be up for renewal. We're anticipating there will be some salary adjustments made as a result of the negotiations, but then thereafter we're leaving salary and benefits flat without any changes related to that because what we want to do is look in the forecast at how does our base—how affordable would future salary adjustments be and at what time. That's why we left it flat. It's just the forecast for making future policy decisions. There is no additional increase past 2018 for the salary base. There are also no additional employee positions either.

The most significant cost associated in Salaries and Benefits hits us in the first five to six years and they're all what we're going to call one-time costs and they are associated with the Silver Tsunami which I will talk about here in a minute.

Moving on with this slide, the pension cost, we do have pension cost which is a product of the salary base, a percentage of the salaries. Pension cost, we do have them increasing by 4.5% only in 2019 because KPERS decided to revise their assumption for what kind of investment rate of return they're going to receive on their pension assets. We're projecting that and that's going to be effective in 2019.

Health care costs are increasing every year by 5% because just general health care cost increases. All the other benefits, which are very small, are increasing with the salary base.

Salary & Benefits – The *"Silver Tsunami"*

- **US Census Birth Rates** ***(per 1000 population).***
- **Baby Boomer in red (1946 to 1964).**

- **UG Baby Boomer Retirees = estimated 566.**
- **Represents 25% of total UG workforce.**
- **Timing of retirement based on review of age of retirement and years of service.**

EXPECTED UG-WIDE RETIREMENTS BY CATEGORY	2017	2018	2019	2020	2021	2022	2023	Total
CIVILIAN	22	30	76	64	66	46	23	327
SHERIFF	2	2	2	2	3	2	4	17
FIRE	21	21	14	24	3	3	3	89
POLICE	5	3	4	16	25	25	55	133
TOTALS:	50	56	96	106	97	76	85	566

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Salary & Benefits are going to be greatly impacted by the Silver Tsunami and the chart on the left you will see that the US Census birth rates, I think the beginning of the century, all the way to current and right there in the middle is the red line that shows those baby boomers that were born during the years of 1946 to 1964. I was born in 1961 so I'm one of those too. It was a significant bump as you can see. We have estimated that the Tsunami is going to be about 566 employees and that all of those will be eligible to retire within the next five years and it represents 25% of our UG workforce. The timing of these retirements is based on in terms of what year they are going to retire is based on a review we conducted that was purely based on age of retirement and years of service. Ultimately this is what we've come up with in terms of both category and fiscal year. Actually the number of eligible retirements is around 200 currently in 2017. We don't think that's going to happen. What is actually going to happen is maybe 50 happen in 2017, 56 probably will happen in 2018, 96 in 2019 and then it goes off from there. Those are categorized by civilian or non-Police, Fire or Sheriff and then Sheriff, Police and Fire. The largest numbers of employees retiring, of course, are civilians because there are more of them. Police is expecting 133 retirements and Fire is expecting 89. Actually based on this, it's interesting to note that it appears the retirements for Fire are going to be happening sooner and the Police are happening later during that five year period.

Cost Impact of *"Silver Tsunami"* Retirements

SUMMARY TABLE - PROJECTED COSTS FOR ACCRUED LEAVE PAYOUTS AND RETIREMENT SPECIAL PAYMENTS
ASSUMPTION BASED ON EMPLOYEE RETIREMENT EXPECTATION

	2017	2018	2019	2020	2021	2022	2023
CIVILIAN - PAYOUTS @ 40% OF BASE PAY	$ 424,287	$ 657,332	$ 1,448,681	$ 1,379,164	$ 1,498,034	$ 1,091,045	$ 488,208
SHERIFF - PAYOUTS @ 35% OF BASE PAY	49,701	37,934	47,025	51,608	74,867	44,805	98,853
FIRE - PAYOUTS @ 90% OF BASE PAY	1,561,869	1,590,409	1,048,973	1,725,574	199,850	214,159	208,052
POLICE - PAYOUTS @ 80% OF BASE PAY	306,198	204,831	264,002	992,443	1,806,750	1,660,521	3,490,490
ESTIMATED ACCRUED LEAVE PAYOUTS:	*$ 2,342,054*	*$ 2,490,505*	*$ 2,808,682*	*$ 4,148,789*	*$ 3,579,500*	*$ 3,010,529*	*$ 4,285,604*
FIRE - SPECIAL PYMT @ 93% OF BASE PAY	1,613,931	1,643,423	1,083,939	1,783,093	206,511	221,297	214,987
POLICE - SPECIAL PYMTS @ 32% OF BASE PAY	99,468	81,932	105,601	396,977	745,710	664,208	1,396,196
ESTIMATED RETIREMENT SPECIAL PYMTS:	*$ 1,713,400*	*$ 1,725,355*	*$ 1,189,540*	*$ 2,180,070*	*$ 952,222*	*$ 885,506*	*$ 1,611,183*
TOTAL PAYOUTS & SPECIAL PYMTS	**$ 4,055,454**	**$ 4,215,860**	**$ 3,998,221**	**$ 6,328,859**	**$ 4,531,722**	**$ 3,896,035**	**$ 5,896,787**
TOTAL NUMBER OF RETIREES	**50**	**56**	**96**	**106**	**97**	**76**	**85**

Notes: Base Pay uses 2017 salary levels without CPI or step increases. % of Base Pay amounts based on historic levels.

- 2017 total costs of $4 million are already budgeted
- Total costs for 5-years period (2018-2023) = $28.8 million
  - Accrued vacation and sick leave pay-outs at separation = $20.3 million
  - KP&F retirement special payments = $8.5 million

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These are the total costs based on some fairly good assumptions we have. The reason it's going to cost us is because we are required by our employee agreements to payout their unused vacation and sick leave and so those accrued benefits are going to be sizable that we have to pay out when they retire. In addition the KP&F Retirement System requires the value of those accrued leave benefits is also tacked on to their final compensation year which then increases the total kind of future pension payments that the pension system will have to make into the future. As a result, because of the net change in that liability, we have to make the special payments to the KP&F. The first four lines are just accrued leave payouts, the second line are special retirement payments. **Mayor Holland** said instead of calling them special payments, can we call them penalties because that's what they are. We're being penalized, right? **Ms. VonAchen** said I think the organization has been using that term, but they are actuarial payments. I think you have referred to these; these are the penalty payments you have referred to in the past.

In 2017 you can see the cost of $4M is already budgeted so the total cost over the five year period beginning in 2018 totals $28.8M and the accrued vacation and sick leave payout portion is $20M, the KP&F special payments is $8.5M

Net Financial Impact of *"Silver Tsunami"* includes a 10% reduction for salary savings

SUMMARY TABLE - NET FINANCIAL IMPACT OF EXPECTED RETIREMENTS
[NEGATIVE VALUES REFLECT SAVINGS]

	2017	2018	2019	2020	2021	2022	2023	2024
CIVILIAN	424,287	512,013	1,078,227	512,537	159,043	(761,023)	(1,737,543)	(2,392,962)
SHERIFF	49,701	37,934	47,025	51,608	64,095	34,032	64,550	(158,447)
FIRE	3,175,800	2,996,080	1,653,066	2,831,655	(533,322)	(534,648)	(579,664)	(1,034,374)
POLICE	363,081	244,179	291,940	1,266,548	2,259,632	1,712,643	3,990,237	(1,494,196)
TOTAL NET FINANCIAL IMPACT	**$ 4,012,869**	**$ 3,790,206**	**$ 3,070,258**	**$ 4,662,347**	**$ 1,949,447**	**$ 451,005**	**$ 1,737,580**	**$ (5,079,980)**

- Net financial impact (after 10% salary savings) between 2018-2023 = $15.7 million.
- Net personnel cost savings after baby boomers retire = est. $5 million (only 3% of salary base).
- This analysis and the estimates are based on general assumptions and will change as better information is available and retirement events unfold.

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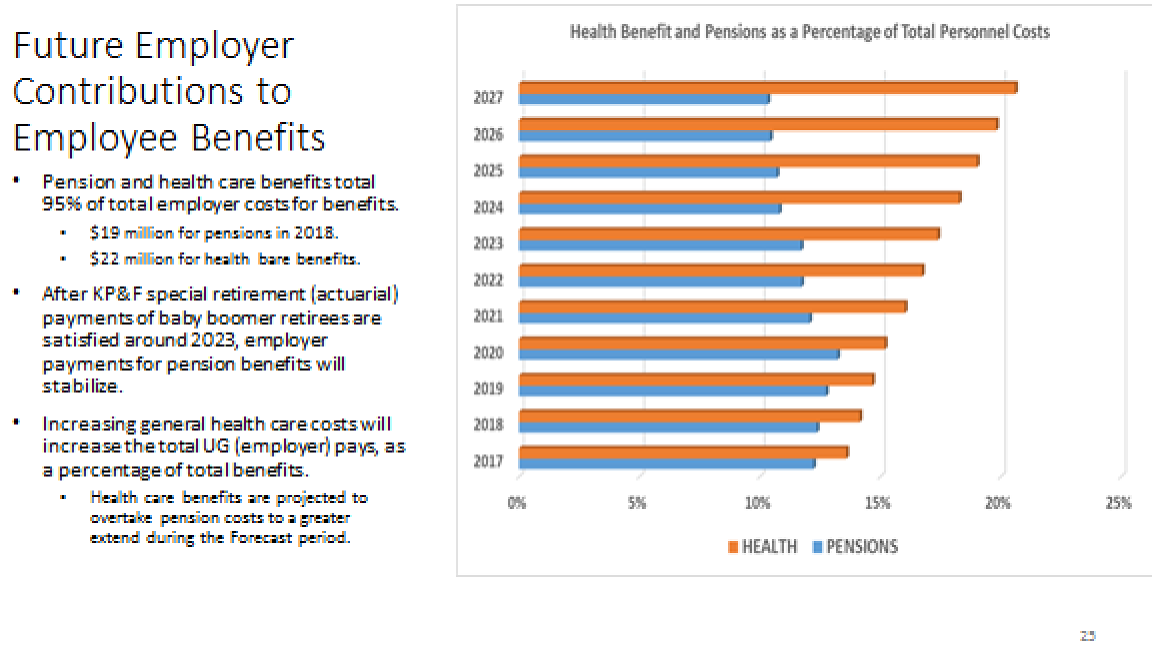
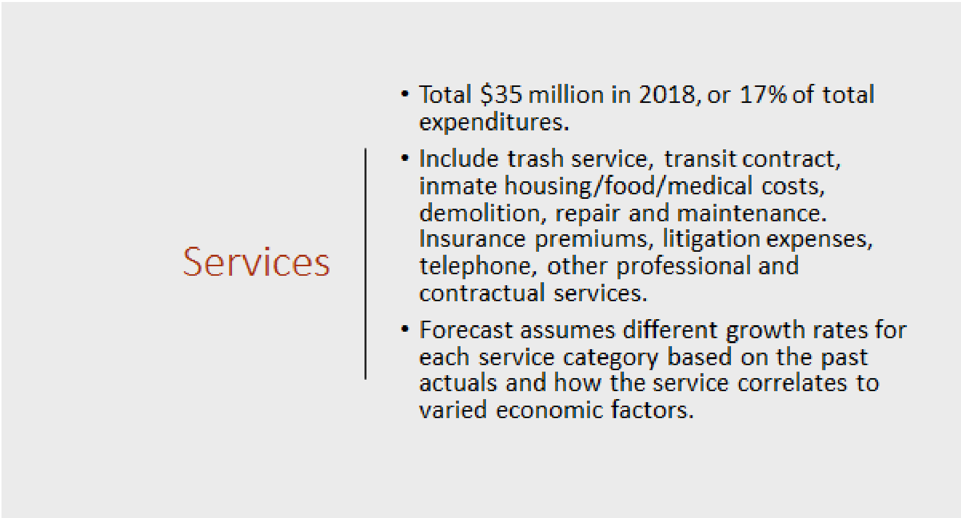
One thing we did do we realized as people retire we can either reassess the positions and their functions, perhaps use some business and process improvements and reorganize the organization from a strategic standpoint but we also realize that we potentially can rehire those positions at perhaps a lower rate. There is some opportunity for some salary-based cost savings and so we've included that in there at roughly 10% of their retiring FTE salary base. As a result, if you net out that cost savings, you come out with these total impacts, the net impacts, financial impacts of the Tsunami. The net impact, after the 10% savings, is $15.7M. The last year, by the way, in 2024 shows kind of the total net savings or what drops off from the salaries and so right now total salaries between now and 2023 are very high and a lot of it is because of those one-time payments. When those one-time payments start dropping off—when we see kind of a value from the salary savings we're going to see a total reduction in our workforce cost over time but it's something that we kind of need to keep in mind and always remember it's just something we have to pay for over the next four or five years.

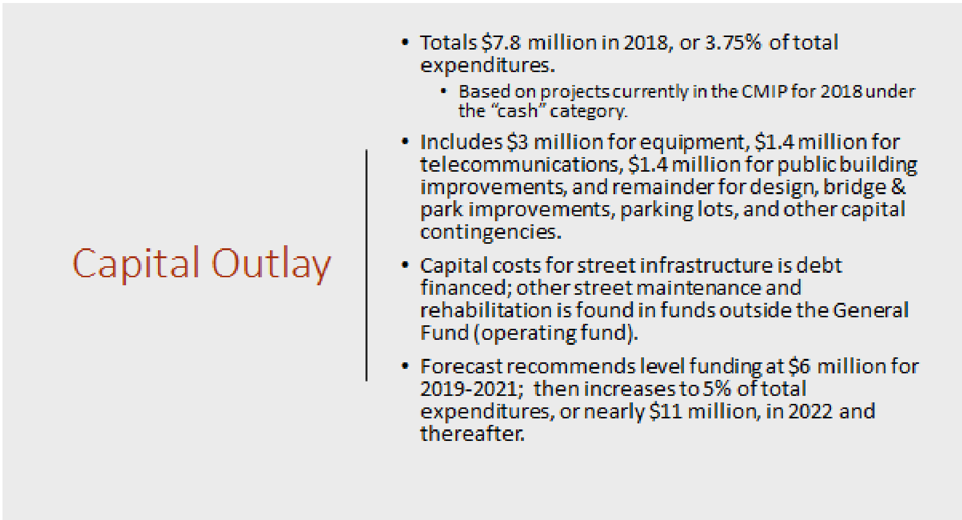
Commissioner Johnson asked does that assume that we will not replace persons when people retire. **Ms. VonAchen** said it's not necessarily a specific assumption. It's just a 10% reduction off whatever the salary base was so it could be that we're hiring them at a lower salary or perhaps we're reengineering the operation and there may not be a replacement necessary. It's a conservative salary reduction.



Just to continue on, the benefits side here, as you know we offer employee benefits to our employees so when I'm talking about the costs I'm talking about only the employer contribution portion. I'm not at all referring to the portions that our employees contribute or pay in premiums or anything, it's just the amounts the UG organizations pays. Overall pension and health care costs employer contributions total 95% of the total employee benefits. It's those two categories alone; $19M in 2018 for pensions, $22M for health care. After these special KP&F payments, you know the actuarial payments for the baby boomers, as I mentioned employer payments for pension benefits will stabilize. You can see that by how that blue line drops off beginning in 2021, 2022, 2023; around that time. Unfortunately health care costs will continue to rise just based on our assumption of prior health care cost performance.

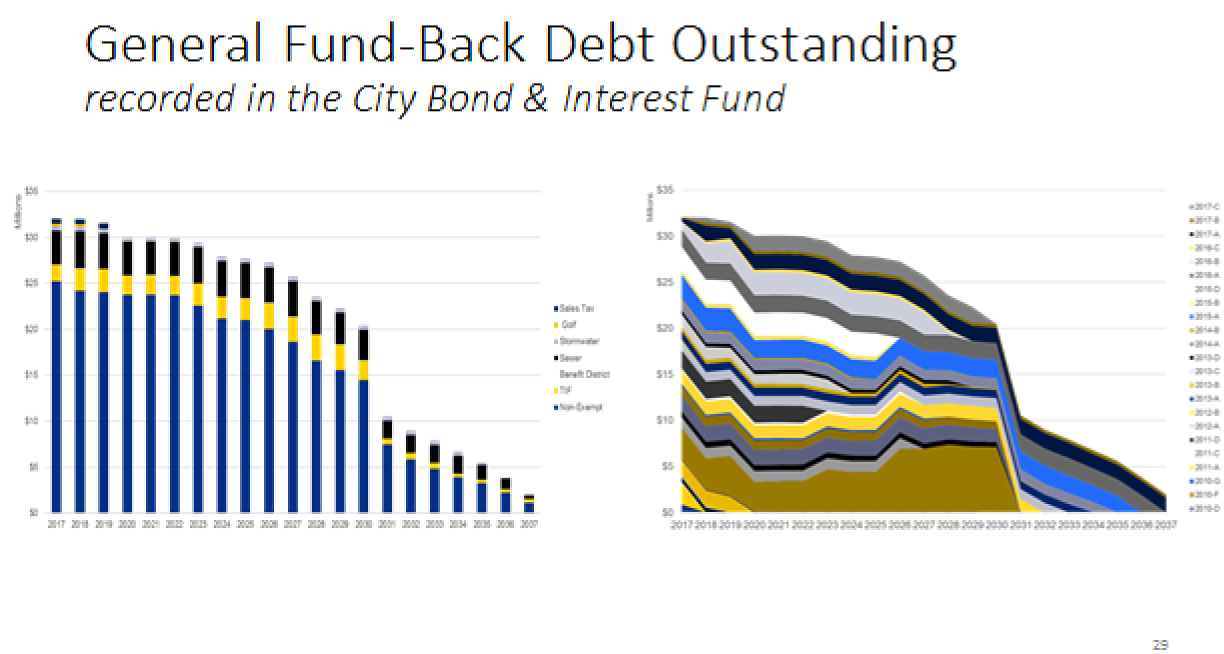


Moving on to another cost category, Services. Services you often hear of, you know, Contractual Services, Professional Services; this is for trash service for the contract with our Area Transportation Authority, inmate housing and food and medical costs, demolition, repair and maintenance, insurance premiums, litigation expense, telephone; you know you have it. Lots of things are involved in there and there is $35M worth of costs associated which totals 17% of the total expenditures. There are so many different categories that I didn't want to really go into each one but for the most part what we did with the forecast was we looked at each one and we correlated it with the right variables that it was strongly correlated to and we made that projection based on those approaches.



The last larger category is Capital Outlay. In 2018 we have $7.8M in the forecast for Capital Outlay and that's just based on what's in the CMIP for the General Fund Cash category. As you know there is this other CMIP portion that's funded with debt and that's over in the Bond & Interest Fund so it's separate from what we're talking about here. We're just paying for the basic equipment, repairs, telecommunications, public building improvements, design, bridge & park improvements, parking lots and other Capital contingencies. All of the street infrastructure and street resurfacing all happens in another part of the budget. It happens by either issuing debt or it's paid for from the Dedicated Sales Tax or it's paid for from the Highway Users Tax that we get from the State. The forecast for this part of the Capital Budget recommends that we continue with the amount that is in the CMIP for 2018 and then beginning in 2019 to 2021 we leveled it out at $6M which right now it's around—I think in those years it's around $5.8M so we just put it at $6M and that's sufficient to meet the lease payments we have on our many vehicles and so forth. Then in 2022 and thereafter we've assumed that is getting bumped up to 5% of total expenditures which is a good goal to have. Typically cities our size at least spends 5% of their total expenditures on Capital Outlay with cash. When you're financing Capital you need to have a mix, you really ought to have a mix of cash and debt and so 5% is a good start. The reason we didn't do 5% earlier is because we have these large payments coming in that we have to make related to our Silver Tsunami.

Ms. Jonscher said the next two slides we're just going to go over and look over the City Debt Service Fund which I referred to earlier.



That fund currently has a mill levy of about 16.7 mills. The two graphs here show the same information. These are the Debt Service payments that we are currently making from the City Bond & Interest Fund. The graph on the left shows the payments by dedicated source. The large blue section are the GO backed debt payments and so these would be funded with property tax.

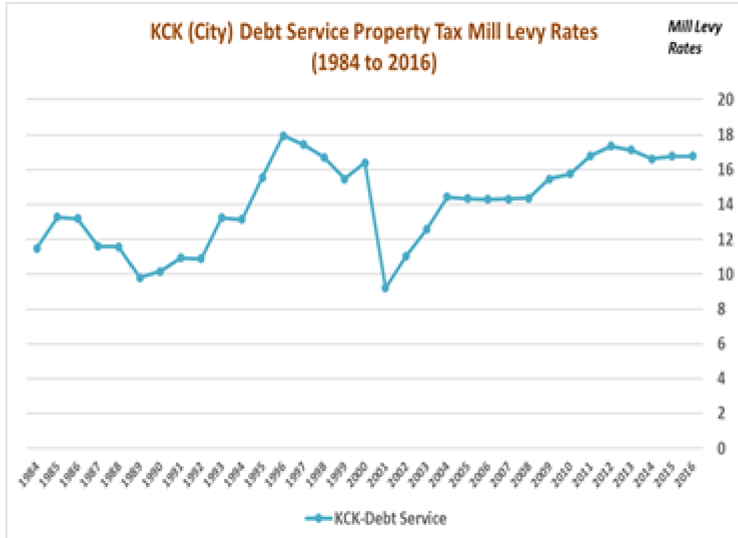
The sections above that are payments that are made by the Enterprise Fund. Most of them are the Enterprise Fund. I think we have one coming out of the Dedicated Sales Tax Fund. The first graph shows those payments by that dedicated source. The graph to the right shows them by each particular bond issue. As you can see the payments on the GO side are pretty much steady for probably about the next six to seven years before we start to see a slight drop-off and then there is a larger drop-off when you get to about 2031. This doesn't assume any future debt at this point. This is just current payments that we are already committed to.

I just wanted to say that I know in the past we've talked about—we haven't reviewed all of the payments and forecasts for this fund, but we are thinking that possibly maybe in another two years or so, depending on how we continue to structure the debt, we may be looking at a mill rate adjustment at that point. We're going to review that as we get into the budget this year.

Commissioner McKiernan said effectively you brought that to us last year at budget time where it was at the level we were kind of trending toward and we would end up getting above our annual cap that we chose. **Ms. Jonscher** said that's correct and I think that was based on possibly issuing an additional $12M to $15M per year of new additional debt that would—you know they're first issued as Temporary Notes and that doesn't hit this fund as a Debt Service payment. Temporary Notes are issued for one year and then once the project is completed then we bond them over the 20 year period and that's when it hits. When a new project comes on it may take a couple of years for that payment to actually get setup here.

City Debt Mill Rate of 16.782 in 2017

- Earns $22 million in property tax revenue to fund general obligation annual debt service payments in 2017, deposited in the City Bond & Interest Fund.
- City Bond & Interest Fund receives an additional $8 million from dedicated sales tax/TIF revenues, storm water revenues, sewer revenues, and benefit districts to pay their respective annual debt service payments.
- City Bond & Interest Fund has $31 million in total expenditures in 2017 for:
  - required annual debt service payments
  - some minor debt administrative costs associated with disclosure to the SEC and to comply with IRS regulations.
- Only one debt service payment is made directly from the City General Fund – 2010-H soccer Stadium Parking Bonds, with are supported 100% from received parking facility revenues.
- **Given anticipated annual capital financing plan of $12-$14 million per year, Forecast anticipates a mill levy rate increase will be necessary in 2019 or 2020.**



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This graph shows the mill rate for the City Debt Service Fund. I just wanted to point out there is currently $22M in property tax revenues that due fund the general obligation annual debt service payments that hit this fund. There is about $8M that comes in for those other Enterprise Funds debt, money that comes into this fund that also contributes to paying those debts. There is about a total of $31M in Debt Service expenditures for 2017. The only Debt Service payment that is not paid from this fund is the Series 2010-H. It was the soccer stadium parking bond, but those are paid from the General Fund; however, they are supported with revenues from the ticket tax that goes directly to the General Fund.

Commissioner Walker said in general though, Debbie, when we're looking at this and the previous one, the one slide before this, if you were to take that one and go this way that peak in 2017 is pretty high up there. The real assumption we're never going to be down here at 2027 where we've just this got little tiny peg of debt. **Ms. Jonscher** said right. This just shows how the current debt pays off. **Commissioner Walker** said our general practice unless there is—we have to assume that the debt is going to stay up. It's just are we going to keep it at 2018, 19 or are we shooting more for 2020 maybe; some reduced level of debt, but there is going to be a constant debt that's going to need to be funded. **Ms. Jonscher** said that's correct and we currently have—we just issued $60M in Temporary Notes for ongoing projects or new projects so even over the next three to four years those projects are going to tack on to this number because we've already issued the debt to start those projects. We've already basically committed to those future payments too. **Commissioner Philbrook** said those are already figured into this. **Ms. Jonscher** said those are not figured into this. **Commissioner Walker** said then we should be looking for a goal of what the maximum level of debt should be at. **Mayor Holland** said we have that with the $20M as our goal for GO Funded Debt Service. **Commissioner Walker** said I understand, Mayor, but I had in mind a number a little bit lower than that. **Ms. Jonscher** said I think $20M was what we had looked at several years ago. We kind of used that as a target based on the current mill levy where our debt—and that's kind of where we were looking last year that the payments were going to creep up there. As far as new debt I know when we go through the Capital Budget we look at $13M to $15M of new projects that we've included in the CMIP. I don't know if that was the number you were thinking.

Commissioner Walker said what I'm thinking is I think we all agree that an ideal situation we would reduce the property tax in Wyandotte County for just a multiplier effect of attracting us to new development and so forth. We only have several ways to do that. You either have to raise the revenue you generate from other sources, which your graphs have shown, to be at best small increases. There are no dramatic increases in sales tax or fees or so forth or you have to reduce your expenses. One of those expenses aside from Personnel is Bonded Indebtedness and that costs us, as you say, $20M a year. The point is if we're ever going to reduce taxes, we have to find a way to bang up the revenue, the sooner the better or we have to reduce the expenses sooner or better. You're saying that 72% of our cost is Personnel which would leave any listener of this on TV to conclude well you've got to reduce Personnel and you've got to reduce debt. If you have another solution, then tell me what it is. **Ms. VonAchen** said we have some fiscal sustainable proposals at the end of the presentation. **Commissioner Walker** said oh okay. I didn't want to spoil the surprise.


Net Operating Margin
Potential Risks &
Unfunded Liabilities
General Fund Long Term Financial Forecast

General Fund Long Term Financial Forecast
[2018 – 2027]

($s in 000s)	2017[a]	2018	2019	2020	2021	2022	2023	2024[b]	2025	2026	2027
Total Revenue	-	$209,176	$213,285	$217,134	$221,072	$225,100	$229,221	$233,436	$237,746	$242,155	$246,664
Total Expenditures	-	$212,752	$213,397	$218,141	$216,001	$220,527	$224,778	$221,837	$224,578	$227,115	$230,072
Net Annual Surplus / (Shortfall)	**-**	**($3,575)**	**($113)**	**($1,007)**	**$5,070**	**$4,573**	**$4,443**	**$11,599**	**$13,169**	**$15,040**	**$16,592**
Net Operating Margin (Cummulative)	**$0**	**($3,575)**	**($3,688)**	**($4,695)**	**$376**	**$4,948**	**$9,391**	**$20,990**	**$34,158**	**$49,198**	**$65,790**

(a) For the Forecast, the Net Operating Margin (Cummulative) approach is used which assumes that no beginning fund balance is available prior to the forecast period.

(b) Assuming the estimated available fund balance of $24 million at the end of 2017, the recommended reserve of 2-mos of operating expenditrures (16%) is reached in 2024.

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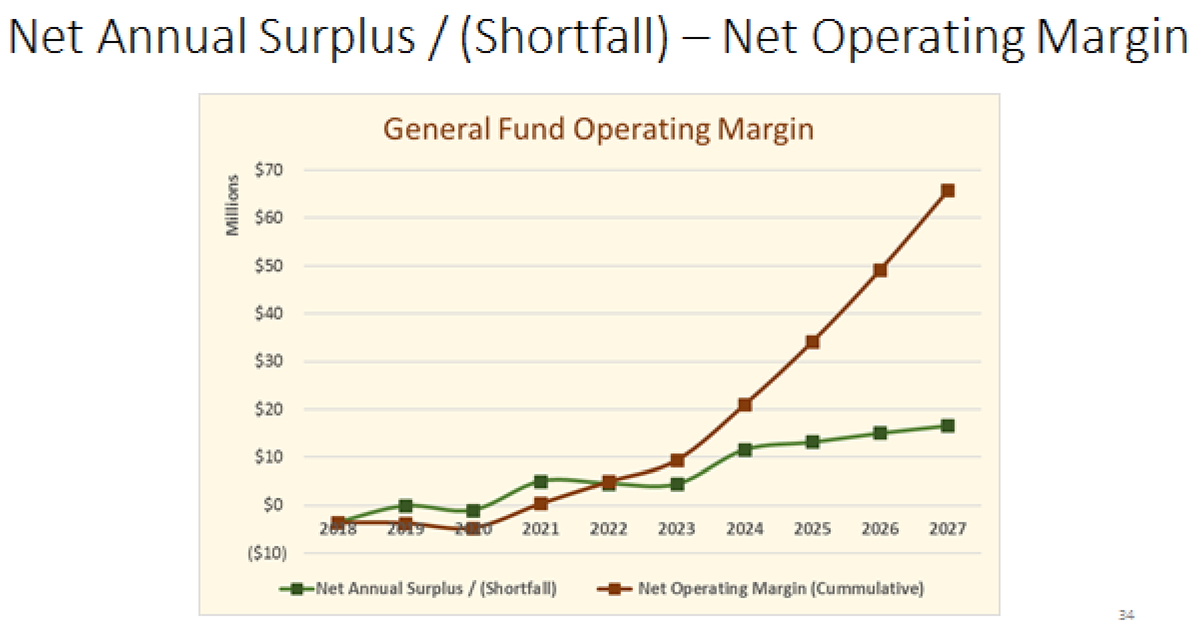
Ms. VonAchen said the Long-Term Financial Forecast is summarized here. All of those numbers are summarized on these three lines here. You've got Total Revenues minus Total Expenses gets you Net Annual Surplus or Shortfall and then the fourth line is a Net Operating Margin a cumulative accounting. We're now assuming there is no beginning fund balance so just for clarity and so we're just moving forward to see how would the performance within this isolated ten years result at the end so that's what that bottom line is. As you can see because these one-time payments for the Silver Tsunami are sizeable we're drawing down on fund balance in 2018, very minimally in 2019 and a little bit less so in 2020 but then after that our Net Annual Surplus is much improved. We're kind of hitting up against kind of a difficult time right now because of the Silver Tsunami and we just want to make sure that all of you are aware of that.

One thing we want to mention is we have this—well; we have a General Fund Reserve Policy. You're targeting 10% of total expenditures should be set-aside in the Reserves and I tell you the credit rating agencies greatly value that you have that policy. Some of them if you wanted to get upgraded would recommend having actually two months of operating expenditures which actually works out to about 16%. Just something to think about, if you wanted to reach the 16%, then you would attain that in 2024 if you spent and collected the revenue exactly as it's shown here which of course it's just a forecast or an assumption.



This information in graphical form and so the green line is that Net Annual Surplus and deficit you can see how it kind of dips a little bit underneath the zero and so cumulatively though our net operating margin grows to up around $70M. We need to kind of get over this hump, this 2022 before we can really make major investments or we need to grow revenues as you mentioned.

Potential Risks & Unfunded Long-Term Liabilities

- Labor Negotiations
  - 12 of 13 employee agreements expire December 2017
- Future Retiree Payout Assumptions
  - Timing of actual retirements could make these cost swing dramatically between fiscal years.
  - Staff recommends a Separation Pay Internal Service Fund to reserve resources for when employees retire or separate from UG service.
- Dedicated 0.325 cent Sales Tax for Public Safety & Street Infrastructure
  - Expires April 2020, with planned renewal voter initiative in fall of 2018
  - Receipts from this tax measure total $9.6 million
- Loss of shared revenue from State of Kansas (i.e. motor fuel tax-$6.8 million)
- Health Benefits ISF Shortfalls
  - Cash shortage at 12/31/16 - $2.3 million
  - Reserves needed for expected future claims - $3.0 million
- Workers' Compensation ISF Shortfalls
  - Cash shortage at 12/31/16 - $435,000
  - Reserves needed for expected future claims - $2.4 million

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There are some potential risks and unfunded long-term liabilities that we would like to point out. We have built in some cost adjustments for labor negotiations that are coming up this year but you know that's a potential risk being maybe more than what we've assumed. The future retiree payout assumptions we really can't absolutely predict when these retirements are going to occur but we do recommend to staff that we setup a separate Separation Pay Internal Service Fund and set that money aside so that when those retirements happen the resources are there. We also, by the way, we're looking at exploring possible ways of maybe smoothing out the cash flow issues related to that. We need to talk to KPERS and see if there are some other options we can offer to our employees voluntarily that would assist in that area, but we're still working on that.

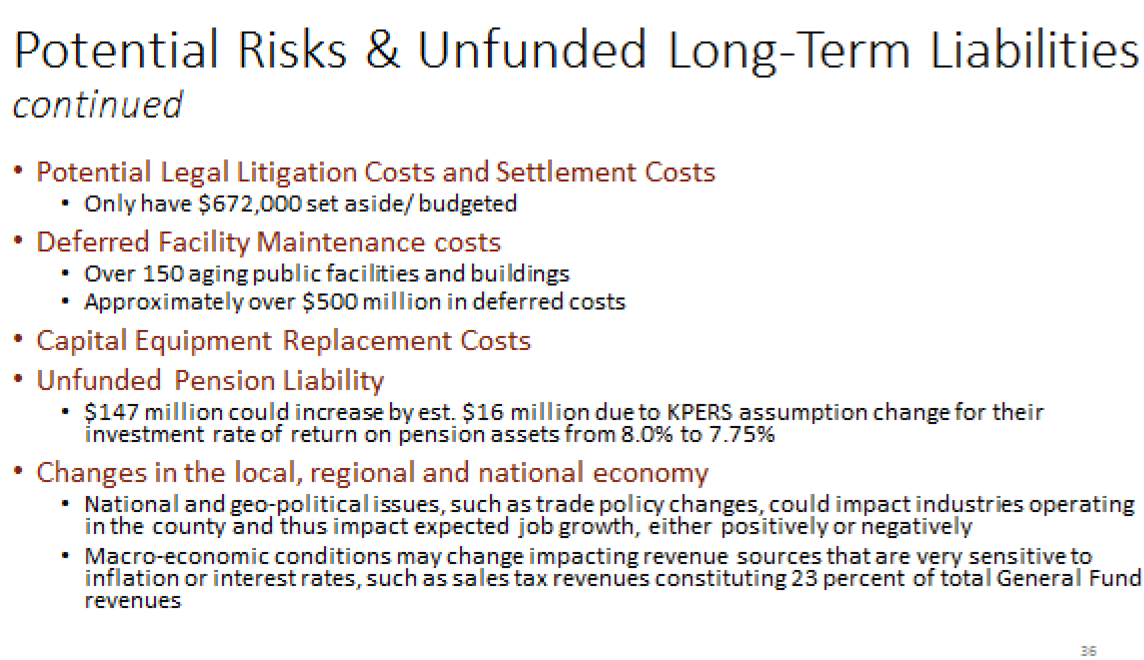
The other potential risk is that the dedicated 0.325 sales tax for Public Safety and Street Infrastructure is up for renewal and it expires in April, 2020 with a planned renewal voter initiative in the fall of 2018. If that receipt were not renewed we would lose $9.6M and so it's a pretty big potential risk.

There is possible loss of shared revenue from the State of Kansas and I'm talking about the motor fuel tax and that amounts to about $6.8M.

There are two other shortfall areas in our budget that we just want to make you aware of and of course we don't want to overwhelm you, but we just want to provide this information to you. Over in the Health Benefits Fund there has been a lot of improvement made to that fund, but unfortunately the costs are very difficult to estimate and so as a result we're now encountering a possible shortfall. The audit is not complete absolutely but we're seeing that there could potentially be a cash shortage in that fund as well as the Worker's Comp, but a very small amount.

Another thing about those Internal Service Funds is that because they are proprietary funds they kind of expect you to have an actuarial study, and we do have one, but they want you to fund that amount. What that is we do the study that determines what we expect the future costs to be and so it's sort of a means of setting aside reserves for those potential future costs. Right now we're not funding those amounts so that's what those second two figures are.

Commissioner Philbrook asked who is watching us to see if we're doing that. Who is the oversight on that? **Ms. VonAchen** said it's a recommended accounting practice and so generally speaking it's GAAP. You know the General Accounting Standards Board, but with respect to the Worker's Comp Fund our Worker's Comp Program is certified by the State of Kansas so they are closely monitoring our performance. In the past they haven't really required us to meet our future claim costs but I think right now they're talking about maybe doing so.



Every year as you know we have litigation costs, legal settlements and we generally budget about $600,000 but sometimes they are more than that just so you know that is a potential risk. Our government has over 150 public facilities and buildings that are aging. Just a very big picture approximation of the total value of this deferred maintenance could reach up to $500M so lots of money which would be paid out over many years.

It would be recommended that we have some kind of Equipment Replacement Fund so that's just something that we need to maybe think about in the future as we're building our budget, building the budgets large enough so that we can set-aside a little piece of the total amount toward an Equipment Replacement Fund so that in the future in 20 years from now or 10 years from now we will have the money to replace the equipment we're using today.

Unfunded Pension Liability certainly is a very big number but the State of Kansas right now caps the amount which employers can contribute and we are paying 100% of that cap so there really isn't a lot we can do to bring down our pension liability apart from some State legislation that would change that.

Our forecast of course is subject to change because of national and geo-political issues. Perhaps changes in trade policy may affect the growth of our jobs positively or negatively and some of our revenues are a little bit sensitive to the economy likes sales tax.

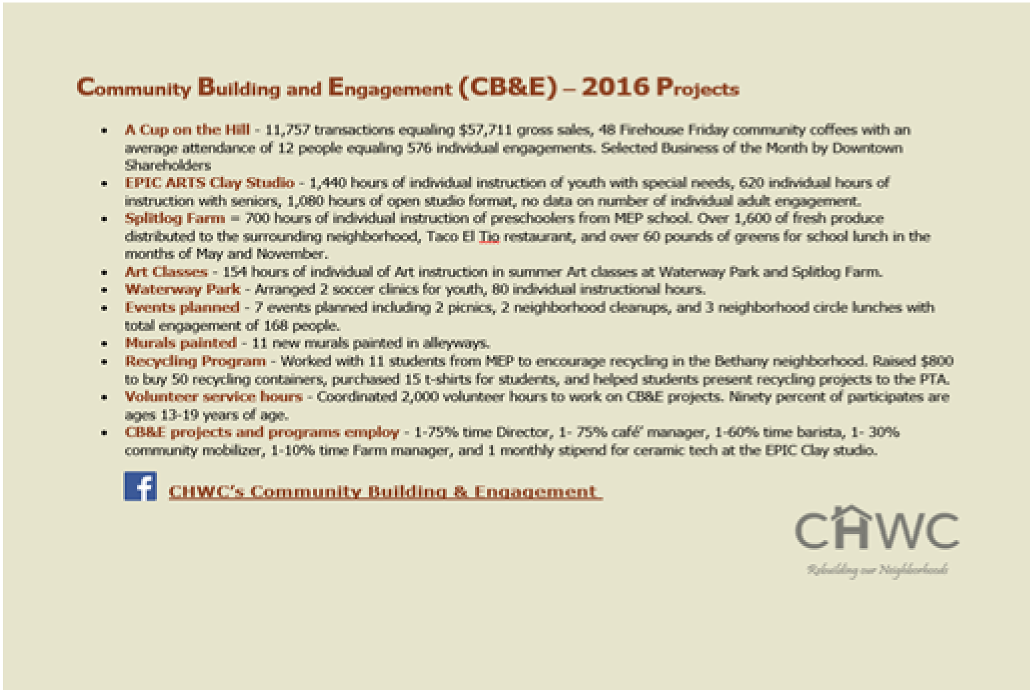
This is the conclusion and some of them I've already kind of stated before. I would recommend that we update our General Fund Reserve Policy so that it is 16% as a target and then it also puts in place some language that talks about when you can tap into it and then what's the means for replenishing it when you do tap into it.

The second one is to establish a Separation Pay Fund in order to set-aside those resources for those expected costs.

We need to renew the Dedicated Sales Tax. If we need to evaluate the Capital financing questions that you brought up, very good questions, and forecast exactly when it is we will need potentially some additional property tax revenue to support our General Obligation Debt.

It would be nice to accumulate resources in those Internal Service Funds so they are there to meet the promises we've made to our employees that are injured on the health care side.

I think establishing a plan for figuring out how to pay for that deferred maintenance on our facilities is a good first step as well as the same for the equipment replacement.



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That concludes my presentation. I did want to mention again that the art work was provided by the Community Building & Engagement which is part of the CHWC and if you have any questions, I will be happy to write them down and get back with you for answers.

Mayor Holland said as promised, overwhelmed with information, we do ask that you spend some time reviewing this. We do have a 4-hour retreat, a half day retreat, on April 20th from 5:00 p.m. to 9:00 p.m. on Thursday night. It will be in lieu of a normal Commission meeting but we will review a lot of this. As you read this, this is just a presentation, so you will have some time to read it and digest it and you have access to Kathleen and Doug if you want to ask any questions about the assumptions and then we're going to be plugging in—as we do our planning we're going to be plugging in policy issues around salaries, policy issues around debt service, policy issues around each of these topics which can affect the forecast up and down.

Commissioner McKiernan said I just want to say thank you for putting this together. You know I've desired something like this for a long time and even created my own crude model of it years ago because I often wonder about how does our anticipated change drive or not drive policy decisions and I didn't feel like we had this comprehensive look forward to drive those decisions. Thanks to everybody on this team. For the first time really I feel like we have a very comprehensive overview of where we've been and with some really sharp assumptions about where we're going and now we can make the hard decisions. **Mayor Holland** said that's right. Now we can start plugging in the data.

Mayor Holland said that concludes this session. We will now accept a motion to go into executive session.

Executive Session:

Commissioner McKiernan made a motion, seconded by Commissioner Markley, for the Commission to go into Executive Session until 7:00 p.m. to discuss confidential matters regarding purchase considerations and property locations related to land acquisition and confidential matters related to pending litigation under the Attorney/Client privilege as permitted under the Kansas Open Meetings Act; and that staff designated by the County Administrator be present to participate in the discussion. Motion carried unanimously.

Mayor Holland said we have a motion and second that we will go upstairs from this meeting for Executive Session.

Bridgette Cobbins, Unified Government Clerk, said the Commission will reconvene in open session at 7:00 p.m. in the Commission Chambers located on the first floor.

Litigation

The Commission moved from the 5th floor conference room to the 9th floor conference room. The executive session started at 6:10 p.m.

Present for the Executive Session: Philbrook, Bynum, Walker, Townsend, McKiernan, Johnson, Markley, Kane, Walters, Holland. **Staff present:** Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Chief Zeigler, Police Department; Henry Couchman, Senior Attorney; Misty Brown, Deputy Chief Counsel; Maureen Mahoney, Asst. to Mayor/Chief of Staff.

Land Acquisition – 6:35 p.m.

Staff present for the Executive Session: Philbrook, Bynum, Walker, Townsend, McKiernan, Johnson, Markley, Kane, Walters, Holland. **Staff present:** Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Misty Brown, Deputy Chief Counsel; Melissa Mundt, Assistant County Administrator; Jeff Fisher, Executive Director of Public Works; Mike Tobin, Director of Public Works; Trent Foglesong; Water Pollution Control Director; and Maureen Mahoney, Asst. to Mayor/Chief of Staff.

Pat Young, HDR was also present.

The executive session was recessed by the Mayor at 6:55 p.m. to be continued after the 7:00 p.m. Regular Session.

The Commission moved from the Council Chambers to the 9th floor conference room. The executive session started at 8:45 p.m. regarding Land Acquisition.

Commissioner McKiernan made a motion, seconded by Commissioner Markley, for the Commission to go into Executive Session until 9:15 p.m. to discuss confidential matters

regarding purchase considerations and property locations related to land acquisition under the Attorney/Client privilege as permitted under the Kansas Open Meetings Act; and that staff designated by the County Administrator be present to participate in the discussion. Motion carried unanimously.

Present for the Executive Session at 8:45 p.m.: Philbrook, Bynum, Walker, Townsend, McKiernan, Johnson, Markley, Kane, Walters, Holland. **Staff present:** Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Jeff Fisher, Executive Director of Public Works; Mike Tobin, Director of Public Works; and Trenton Foglesong, Water Pollution Control Director.

Pat Young, HDR was also present**.**

MAYOR HOLLAND ADJOURNED
THE MEETING AT 9:15 p.m.

Bridgette D. Cobbins
Unified Government Clerk

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