



UPDATE (2nd Revision)
Economic Development and Finance
Committee
Standing Committee Meeting Agenda
Monday, February 5, 2018
5:15 PM

Location:

Municipal Office Building
701 N 7th Street
Kansas City, Kansas 66101
5th Floor Conference Room (Suite 515)

Name

Absent

Commissioner Tom Burroughs, Chair

☐

Commissioner Brian McKiernan

☐

Commissioner Gayle E. Townsend

☐

Commissioner Ann Brandau-Murguia

☐

Commissioner James Walters

☐

Jeff Bryant, BPU Member

☐

I. **Call to Order/Roll Call**

II. **Revisions to February 5, 2018 Agenda**

Blue Sheet - Additional information for:

Item No. 2 – Proposed revisions to financial planning policies

Item No. 3 – Gap Fund Policy PowerPoint

Pink Sheet – Remove item

Item No. 4 – Update on Schlitterbahn Vacation Village STAR Bond Project

III. **Approval of standing committee minutes from December 4, 2017.**

IV. **Committee Agenda**

Item No. 1 - REPORT: 4TH QUARTER 2017 CASH AND INVESTMENT

Synopsis: The 4th Quarter Cash and Investment Report for the period of October through December 2017, submitted by Kathleen VonAchen, Chief Financial Officer.

For information only.

Tracking #: 1869

Item No. 2 - PRESENTATION: PROPOSED REVISIONS TO FINANCIAL PLANNING POLICIES

Synopsis: Presentation of proposed revisions to the UG's financial planning policies, submitted by Kathleen VonAchen, Chief Financial Officer.

Information forthcoming.

For information only.

Tracking #: 1867

Item No. 3 - UPDATE: URBAN DEVELOPMENT GAP FUND POLICY

Synopsis: Update on the Urban Development Gap Fund Policy, submitted by Jon Stephens, Interim Economic Development Director.

*On December 4, 2017, the **Economic Development and Finance Standing Committee**, chaired by Commissioner McKiernan, voted 5 to 1 to refer the matter back to staff to consider modifications that would allow the Gap Fund to be used for either residential or commercial.*

Information forthcoming.

For information only.

Tracking #: 1870

Item No. 4 - UPDATE: SCHLITTERBAHN VACATION VILLAGE STAR BOND PROJECT

Synopsis: Update from the developer on the Schlitterbahn Vacation Village (SVV) STAR Bond District, primarily to Project Area 3 retail development, submitted by Jon Stephens, Interim Director of Economic Development.

For information only.

Tracking #: 1871

V. Public Agenda

VI. Adjourn

**AGENDA UPDATE
ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MEETING
MONDAY, FEBRUARY 5, 2018**

IV. COMMITTEE AGENDA

ADDITIONAL INFORMATION

**ITEM NO. 2 – 1867...PRESENTATION: PROPOSED REVISIONS TO
FINANCIAL PLANNING POLICIES**

Synopsis: Submission of red line versions of the: Operating and Capital Budget Policy, General Fund Operating and Economic Uncertainty/Emergency Reserve Policy, Special Revenue Operating Funds Reserve Policy, Enterprise Operating and Internal Service Funds Reserve Policy, Capital Asset and Equipment Investment and Management Policy, and the Long-Term Financial Planning Policy.

ADDITIONAL INFORMATION

ITEM NO. 3 – 1870...UPDATE: URBAN DEVELOPMENT GAP FUND POLICY

Synopsis: Submission of a PowerPoint to be presented on the Urban Development Gap Fund Policy Update.



Unified Government of Wyandotte County and Kansas City, Kansas

Operating and Capital Budget Policy

Commission Resolution:
2018-xxx

Adopted: xx/xx/xxxx

I. **Authority:**

The Mayor and the Board of Commissioners are responsible for legislation, policy formulation and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of the Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. **Purpose:**

The Operating and Capital Budget is developed on an annual basis through departmental business plans to achieve operational objectives. Together, these documents and activities provide a comprehensive plan to deliver efficient services to residents and stakeholders of the Unified Government in a manner that aligns resources with the policy, goals, mission, and vision of the Board of Commissioners.

The formulation of the Operating and Capital Budget, including the publication of a comprehensive budget document, is one the most important financial activities that the Unified Government undertakes each year. This budget policy is intended to provide guidelines to assist in the formulation and consideration of broader implications of financial discussions and decisions, which ultimately assist in completing financial planning cycles that deliver the best value.

Budgeting is not a “clerical” process nor is it an exercise in “counting the beans—where they come from and where they go.” The National Advisory Council on State and Local Budgeting (NACSLB) calls the budget document “arguably the single most important document prepared by governments”. It’s one of the single most important documents produced each year. It is a policy document, financial plan, operations guide, and communications tool all rolled into one. It shares what money is available, where it goes, what services are provided and at what costs. The Unified Government’s budget has four main functions. It is a Policy Document, a Financial Plan, an Operations Guide, and a Means of Communication.

Policy Document: This is the most significant function of the budget document. In its broad context, it pertains to long-term, organization-wide policies that establish broad goals, direct how and where resources are spent, and establish a framework for providing and funding services. As a Policy Document, the budget also describes the County's short term financial and operational policies which influence the budget development process for the upcoming year, for example: the goals and objectives of the County's departments, new programs, staffing requirements, etc. Finally, the policy function articulates the most

significant choices and decisions regarding key issues, priorities, ramifications and how these have changed from the current year.

Financial Plan: As a financial planning tool, the budget provides an explanation of the County's financial structure; descriptions of its funds; summaries of major revenues and expenditures; narratives for the major revenue sources; and assumptions associated with revenue estimates and trends. The budget provides a comprehensive discussion of capital projects and their impact on the operating budget, includes financial data and narrative on current debt levels and debt limits, and addresses the potential effect of existing debt levels on the future operations of the County.

Operations Guide: The budget document is designed to be a readable guide to the County's varied activities and services. It is a valuable resource which includes summary tables of personnel and positions, community statistical information, measurements of performance, and other information often referred to by department directors, managers, and the citizens.

Communications Device: To be an effective communication tool, the budget must be able to clearly explain significant budgetary issues, trends, and priorities; short-term and long-term financial strategies; capital improvement plans; and significant budgetary impacts to elected officials, department heads and their staff, and to the citizens for whom they work. The Unified Government has been striving over the past several years to provide the most comprehensive, yet "readable" and usable document possible. The following section describes the budget process.

III. **Applicability and Scope:**

This policy shall apply to all Funds under the budgetary and fiscal control of the Mayor and the Board of Commissioners.

IV. **Definitions and Acronyms:**

- A. Adopted Budget Resolution - The formal statement approved by the Board of Commissioners which shows budgeted revenues and expenditures/expenses for the upcoming fiscal year by Fund.
- B. Balanced Budget - A budget is balanced when the sum of estimated revenues and appropriated Fund Balances/Net Position is equal to appropriations.
- C. Capital Maintenance and Improvement Budget – The Amended Current Year and Year One of the Capital Improvement Plan shall be appropriated with the annual budget and accounted for within a capital project Fund(s).
- D. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and associated Funding sources the Unified Government intends to undertake in the current year plus five additional future years, including the acquisition or construction of capital facilities, equipment and other capital assets, and the maintenance thereof.
- E. Cash Basis of Accounting / Kansas Cash Basis Law – Cash basis of accounting is the practice of recording revenues when cash is received and recording expenses when the expense is paid. Kansas cash basis law, K.S.A. 10-1101 et seq. is designed to prohibit cities and counties from spending money they don't cash the entity does not have or incurring obligations that they cannot be met promptly. The law and makes it unlawful

to create any indebtedness in excess of the amount ~~of money~~ budgeted and appropriated for the purpose during the current budget year. Any contract of the municipality creating indebtedness, in violation of the law, ~~would be~~ is declared void. Accordingly, multi-year contracts must have a provision that allow ~~for the~~ cancellation of ~~the~~ contracts if the funding to pay the obligation ~~was~~ is not appropriated for the budget year. There are certain exceptions to the cash basis law in the Kansas statutes, specifically pertaining to the issuance of certain types of government debt.

- F. Full Accrual Basis of Accounting - Under this basis of accounting, transactions and events are recognized as revenues and expenses when they occur, regardless of timing of related cash flow.
- G. Fund - An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources, together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying out specific activities or attaining certain objectives. Funds can be divided into various types, depending on their purpose. These types include Governmental (general Fund, special revenue Funds, capital project Funds, debt service, proprietary Funds (internal service and enterprise Funds) and Fiduciary Funds (trust Funds, agency Funds).
- H. Fund Balance (CAFR) - Fund balance is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a governmental Fund as reported in the Comprehensive Annual Financial Report (CAFR).
- I. Fund Balance (Budgetary) - Fund Balance for Budgetary Purposes begins with the beginning of the year unencumbered fund balance as reported in the CAFR's Schedule of Budgetary Accounts, Budget and Actual Budgetary Basis (non-GAAP) for the respective fund, plus all revenues less all expenditures recorded on a cash basis for the respective fiscal year.
- J. Legal Level of Control - The lowest level of budgetary detail at which a local government's management or budget officer may not reassign resources without approval of the governing authority.
- K. Modified Accrual Basis of Accounting - Under this basis of accounting, revenues are recognized when they become both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recognized when an event or transaction is expected to draw upon current spendable resources.
- L. Net Position - The residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.
- M. Operating Revenue - Revenues from regular taxes, fees, fines, permits, charges for service and similar sources. Operating Revenues exclude proceeds from long-term debt instruments used to finance capital projects and other financial sources.
- N. Operating Expenditures/Expenses - Expenditures/expenses are made to pay for daily operations that provide basic government services such as personnel, supplies, and contracted services. Operating Expenditures exclude capital costs and their financing uses. Expenditures are reported within governmental Fund types; expenses within proprietary Fund types.
- O. Other Financing Sources - The other financing sources category normally is used only for items that authoritative reporting standards have identified as such. Those items are: the issuance of long-term debt; inception of a capital lease; debt service on demand

bonds reported as Fund liabilities; sales of capital assets; insurance recoveries; and transfers.

P. Other Financing Uses - The other financing uses category serves to report the following events and transactions: original issue discount on debt; payments to advance refunding escrow agent; reclassification of demand bonds as Fund liabilities; and transfers.

Q. Program - A set of activities, operations, or organizational units designed and directed to accomplish a specific service outcomes or objectives for a defined customer.

V. Related Documents and References:

A. Budget Process Manual

B. Budget Resolution

C. Capital Asset and Equipment Investment and Management Policy

D. Enterprise Operating and Internal Service Funds Reserve Policy

E. General Fund Operating and Economic Uncertainty/Emergency Reserve Policy

F. Long-Term Financial Planning Policy

G. Special Revenue Operating Funds Reserve Policy

H. County Administrator policies as applicable

VI. Policy:

A. Basis of Budgeting

1. Governmental, Special Revenue and Enterprise Fund Types - Budgets for these Fund types are adopted on the Cash Basis of Accounting.

2. Cash Basis of Accounting includes the following budgetary treatments:

a. Changes in the fair value of investments are not treated as adjustments to revenue in the annual operating budget;

b. Debt service and capital lease principal payments are treated as expenses in the annual operating budget;

c. Depreciation expense is not recognized in the annual operating budget; and

d. Capital purchases are recognized as expense in the annual operating budget.

B. Budgetary Control

1. The Unified Government must comply with the Kansas budget law, K.S.A. 79-2925 et seq., and the Kansas cash basis law, K.S.A. 10-1101 et seq. The budget law requires local governments to adopt a balanced budget and not to raise taxes or spend moneys other than as provided in the budget. State law

requires the Unified Government to adopt an annual balanced budget by formal resolution for the General Fund, special revenue funds, debt service funds and enterprise funds in use. The Board of Commissioners is allowed to adopt and operate under a project-length balanced budget for each capital project Fund. Both the budget law and the cash basis law make it unlawful to create any indebtedness in excess of the amount of money budgeted and appropriated for the purpose during the current budget year. Any contract of the municipality creating indebtedness, in violation of the law is declared void. Accordingly, multi-year contracts must have a provision that allows cancellation of the contract if the funding to pay the obligation is not appropriated for the budget year.

- 1.2. The Unified Government's budgeting system is a program-based line item process. Departments prepare operating and capital program budgets at a detailed level. Department management is responsible for administering their respective Programs within the financial constraints described by the budget as adopted.
- 2.3. At a minimum, the Legal Level of Control is for each Fund for which a budget is adopted, although for administrative oversight each department director is responsible for managing to their respective department's adopted budget. The level of control is established at the fund level by State statutes, which also permits the transfer of budgeted amounts from one category to another within the same Fund. Funds cannot be ~~transferred-moved~~ between departments without obtaining approval from ~~administration~~the County Administrator, or his/her designee. The Unified Government further controls spending by requiring that no expenditures be committed that would exceed the amount appropriated for the spending category (e.g. Personnel, Services, Commodities, Capital) without the department first obtaining approval.
- 3.4. Nothing in either the budget or cash basis laws prohibits ~~the transfer-revisions of budgets of funds~~ from one account within the ~~G~~general ~~F~~fund to another account in the General Fund, if needed. The following types of budget ~~revisions transfers~~ require approval from both from the department director and ~~C~~ounty ~~A~~administrator, or his/her designee's office: a) An appropriation of contingency ~~budgets~~funds, b) An appropriation of reserve ~~budgets~~funds, c) ~~Transfers-Revisions~~ that move budgetary appropriations funds between operating and capital budgets, and d) ~~Transfers-Budget revisions~~ within a ~~F~~fund that equal to or are greater than \$10,000.
5. The following financial transaction processing actions require ~~B~~udget ~~D~~irector's approval before execution: a) Pre-Bid Contracts, b) Capital Project Contracts, c) Capital Equipment Contracts, and d) Changing status of an unfunded personnel position to funded or creation of a new personnel position.
6. The following budgetary controls ~~have been implemented and~~ will be adhered to by all departments and divisions:

 - a. ~~Reallocating budgets Transfers~~ from ~~the salary-personnel~~ accounts require department director, chief financial officer, and County Administrator's Office approvals.
 - b. ~~Funds-Budget appropriations~~ may be ~~transferred-moved~~ between other accounts with department director approval.

- c. ~~Transfers from the personnel accounts require approval from the department director, chief financial officer and county administrator's office. Funds may be transferred between other accounts with department director approval. Fund transfers~~Moving budget appropriations are allowed from one division to another division within the same Fund's cost category. Additionally, all transfers such budget appropriation revisions must be approved by the department director and the transferring division manager.
- d. Commission approval is required for budget amendments at the fund level, in accordance with K.S.A. 79-2929a.

4.7. ~~There are~~Special budgetary controls and reporting requirements are in effect for the following four categories of budget expenditures ~~with differing controls as follows:~~

- a. Commission review is necessary for discretionary expenditures that exceed \$50,000 and do not impact operations or present an immediate health and safety concern. *Discretionary expenses include legal settlements (excluding legal fees), new capital projects, property acquisition payments, or other initiatives not previously reviewed by the governing body.*
- b. The County Administrator ~~has authority~~is authorized to approve budget revisions that exceed \$50,000 for matters involving health and safety concerns, other emergencies or to sustain on-going operations, subject to approval by the Mayor or the Mayor pro-tem, if the Mayor is absent. These revisions will be reported to the next scheduled meeting of the Economic Development and Finance Standing Committee.
- c. The County Administrator ~~has authority~~is authorized to approve budget revisions ~~from between~~ \$10,000 to \$50,000 for emergencies, health and safety concerns, new capital projects, legal settlements, property acquisition, or to sustain on-going government operations. These revisions will be reported to the Economic Development and Finance Standing Committee on a quarterly basis.
- d. Routine day-to-day ~~d~~Department expenditure ~~budget revisions~~, less than \$10,000, are managed by the ~~d~~Department directors and are subject to the ~~Administration~~County Administrator's budget controls set forth in this policy and do not require Commission review.

8. The Chief Financial Officer and the Budget Director will provide updates on the Unified Government's financial position of all applicable Funds by quarterly reporting to the Economic Development and Finance Standing Committee and the Board of Commissioners the status of actual expenditures, expenses, and revenues compared to the adopted budget (also refer to the Financial Reporting, Auditing and Internal Controls Policy). Further, the Chief Financial Officer and the Budget Director will ensure that department management has access to timely and accurate financial data.

C. Balanced Budget

- 1. The Unified Government shall adopt a balanced budget for each Fund in which

this policy covers. All Unified Government Tax Levy Funds' budgets are required to balance according to Kansas Statute (K.S.A 79-2967). A budget resolution is balanced when the sum of estimated revenues and appropriated Fund Balances/Net Position is equal to appropriations.

2. Operating revenues, other financing sources and resources from fund balances/net position must fully cover operating expenditures / expenses, including debt service and other financing uses. Operating expenditures / expenses for the purposes of balancing the annual budget shall include that year's contribution to capital Funds deemed required to maintain existing assets. Further, Operating expenditures / expenses shall include the portion of Funds required to maintain the viability of internal service Funds for the purposes in which they were created.
3. Minimum reserves policy levels must be maintained unless reserves are being used in accordance with the purposes permitted by the Unified Government's policy (see Unified Government reserves policies for further guidance).
4. The balancing of Operating Revenues with Operating Expenditures (as defined above) is a goal that should be applied over a period of time which extends beyond current appropriations. Temporary shortages, or operating deficits, can and do occur, but they shall not be tolerated as extended trends. The Unified Government cannot develop a legacy of shortages or a legacy of mixing one-time revenue sources to Fund operational costs and expect to continue the delivery of services.

D. Form of the Budget

9. Unified Government Vision - The budget shall be constructed around the Board of Commissioners vision for the long-term direction of Unified Government services and the associated desired culture and environment. When appropriate, a needs assessment of stakeholders' priorities, challenges and opportunities shall be integrated into the visioning process to assist with the establishment of both short-term and long-term goals.
10. Financial Plans - The Unified Government's departments shall create plans that describe their operational needs. These plans shall address the appropriate level of Funding required to meet stakeholders needs based upon the Unified Government vision previously established. Such Funding requests will be prepared in a financially sustainable manner. Operational plans should contain the identification of opportunities and challenges associated with implementing the stakeholders' priorities and vision of the Board of Commissioners.
11. Programmatic Budgeting - The budget shall be based on Programs in order to provide insight into the costs of the lines of service that the Unified Government provides. Deliverables and specific actions shall be detailed at the Programmatic level, which support the goals and vision outlined within the plan and Unified Government vision.
12. Cost Allocation - The budget shall be prepared in a manner that reflects the full cost of providing services. Internal service Funds shall be maintained to account for services provided primarily to departments within the Unified Government.
13. Financial Information - The budget shall display estimated beginning Fund

Balances (Budgetary Basis); estimated revenue and receipts; appropriated expenditures or expenses; and the estimated year-end Fund Balances (Budgetary Basis).

E. Estimates of Revenue, Expenditures, and Expenses

14. Objective Estimates - The Unified Government shall take an objective and analytical approach to forecasting revenues, expenditures and expenses as accurately as possible. Though the Unified Government will use the best information available to estimate revenues, including millage rates and tax revenues, accurately, absolute certainty is impossible. Should revenues be overestimated, the spending plans and priorities established during the budget process shall be used to propose appropriations and spending as required to bring the budget into balance.
15. Regular Monitoring of Projections - The Finance Department shall monitor revenue incomes and expenditure/expense outflows to assess the implications of the annual budget in order to provide timely updates on actual financial performance.
16. Long-Term Forecasts - The Finance Department shall develop and maintain long-term financial forecasts, at least five years into the future, in order to help the Unified Government management and elected officials assess its long-term financial sustainability.

F. Stakeholder Participation - The Unified Government shall provide meaningful opportunities for the stakeholders to provide input into the financial planning and budget process, before a budget is adopted.

G. Create Value for the Stakeholders - The Unified Government seeks to maximize the value each stakeholder receives through its spending. Accordingly, staff should develop budget tools and methods to measure and maximize value, particularly by critically examining existing spending patterns.

H. Address Long-Term Liabilities - The Unified Government shall fully Fund current portions of long-term liabilities in order to maintain the trust of creditors and avoid accumulating excessive liabilities over the long-term.

A-I. Responsibilities and Calendar - The Unified Government's fiscal year runs from January 1 through December 31. The County Administrator shall submit or cause to be submitted annually to the Mayor and Board of Commissioners, typically in early July, a proposed budget governing expenditures/expenses of all applicable Unified Government Funds, including capital outlay and public works projects, for the following year. The procedures for budget preparation, submission to the Mayor and Board of Commissioners, review by the Mayor and Board of Commissioners, public review, notice, and public hearings are provided in State law as well as in the Unified Government practice. State budget law requires the budget be adopted by the Mayor and Board of Commissioners and submitted to the County Clerk of the Unified Government by August 25th of the prior year to which it applies, which budget, when so adopted shall constitute the Mayor and Board of Commissioners' appropriation of all applicable Funds for such year.

J. Budget Amendments - Amendments shall be considered and adopted by the Mayor and Board of Commissioners. If unexpected or unfunded expenditures must be made, department directors are expected to manage their available resources and reevaluate priorities before requesting a budget amendment. Budget Amendments require formal approval of the UG Commission as allowed by State Statute for any current fiscal year budget, at the fund level, for the current fiscal year operating budget if sufficient funds are available. A budget amendment may only be made for previously unbudgeted increases in revenue estimates, with the exception of other than ad valorem property tax revenues. The UG may authorize an amendment of any current fiscal year budget, at the fund level, for the current fiscal year operating budget. It is the policy of the UG to Criteria for amending a fund's budget include: a) for emergencies, b) federal and state mandates, or and c) other circumstances which could not be anticipated, and only if sufficient funds are available. A budget may not be amended solely due to simply because additional revenues have become available. If unexpected or unfunded expenditures must be made, department directors are expected to manage their available resources and reevaluate priorities before requesting a budget amendment. The Chief Financial Officer submits to the Commission a request to amend the budget. The request contains explanations written by the director(s) of the department(s) needing requesting additional budget appropriation funds. The request also includes with a proposal for financing the additional expenditures appropriation. To amend the budget, do this a notice of public hearing to amend the budget must be published in the local newspaper. At least Ten days after the publication, the public hearing may be held at which time the and the governing body may amend the budget at that time has the option of approving or denying the request.

K. Operating Carryover and Surplus – A fiscal year-end operating surplus may occur when there is a net increase in fund balance or when there is a positive budget variance at the Fund-level. Such a surplus will be reviewed by the Commission for potential use based on the following priorities: 1) increase reserves if reserves, 2) paying down liabilities for internal service funds with negative financial positions, 3) examine opportunities for pre-payment and accelerated payoff of debt, and 4) increase funds for capital facilities.

L. Priorities for Funding - The County has many Funding requirements established by the United States Federal Government and the State of Kansas. The Unified Government is directed by a large body of laws, Program mandates, rules, and policies which can dictate its operations. It is the Unified Government's policy to effectively and efficiently manage its operations in conformity with these legal directives.

VII. Quality Control and Quality Assurance:

It is the responsibility of the Budget Director to ensure the presence of procedures that provide sufficient guidance to affected Unified Government personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VIII. Metrics:

To be developed and managed accordingly.

IX. **Records:**
There are no records associated with this policy.

X. **Process Flow Maps:**
Not applicable.

XI. **Forms:**
Not applicable.

XII. **Appendices:**
Not applicable.



Unified Government of Wyandotte County
and Kansas City, Kansas

**General Fund Operating and Economic
Uncertainty/Emergency Reserve Policy**

Commission Resolution:
2018-xxx

Adopted: xx/xx/xxxx

I. Authority:

The Board of Commissioners is the authoritative Governing Body of the Unified Government. The Governing Body may approve the use of budgeted reserves in the case of emergency events, or conditions that result in unanticipated expenditure requirements or revenue fluctuations within a fiscal year, or to take advantage of an extraordinary opportunity. The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

To set forth the general public policy objectives of the Unified Government as relates to fund balance policy. The overlying goal of this policy is to ensure that there will be adequate liquid resources to serve as a financial cushion against the potential shock of unanticipated circumstances and events. The Unified Government desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the Unified Government's credit worthiness. The General Fund Operating and Economic Uncertainty/Emergency Reserves are accumulated and maintained to provide stability and flexibility in response to unexpected adversity and/or opportunities. Aside from ensuring cash availability when revenue collections diminish, the Reserves generate investment income thereby diversifying the government's revenue streams.

This policy establishes the amounts the UG will strive to maintain in its General Fund Operating and Economic Uncertainty/Emergency Reserves, how the Reserves will be funded, and the conditions under which Reserves may be used.

III. Applicability and Scope:

This policy shall apply to the City of Kansas City General Fund, Wyandotte County General Fund, and Consolidated Parks and Recreation (General) Fund, referred to combined as the "General Fund".

IV. Definitions and Acronyms:

- A. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and associated funding sources the Unified Government intends to undertake in the current year plus five additional future years, including the acquisition or construction of capital facilities, equipment and assets, and the maintenance thereof.
- B. Cash Balance - The sum of cash and Cash Equivalents of an accounting fund.
- C. Cash Equivalent - In the context of cash flows reporting, short-term, highly liquid investments that are both 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investment is acquired.
- D. Fund Balance (CAFR) - Fund Balance is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a governmental fund as reported in the Comprehensive Annual Financial Report (CAFR).
- E. Fund Balance (Budgetary) – Fund Balance for Budgetary Purposes begins with the beginning of the year unencumbered fund balance as reported in the CAFR's Schedule of Budgetary Accounts, Budget and Actual Budgetary Basis (non-GAAP) for the respective fund, plus revenues less all expenditures recorded on a cash basis for the respective fiscal year.
- F. General Fund - One of five governmental fund types. The General Fund typically serves as the chief operating fund of a government. The General Fund is used to account for all financial resources not accounted for in some other fund. The "General Fund" includes the combined City of Kansas City General Fund, Wyandotte County General Fund, and Consolidated Parks and Recreation (General) Fund.
- G. Non-Recurring Item - An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.
- H. Pooled Cash - The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
- I. Reserve - Reserve refers only to the portion of Fund Balance that is intended to provide stability and respond to unplanned events or opportunities.
- J. Unrestricted Fund Balance - The difference between total Fund Balance in a governmental fund and its nonspendable and restricted components.

V. Related Documents and References:

- A. Capital Asset and Equipment Investment and Management Policy
- B. Long-Term Financial Planning Policy
- C. Operating and Capital Budget Policy
- D. County Administrator policies as applicable

VI. Policy:

A. Reserve Levels - It shall be the goal of the Unified Government to maintain a minimum fund balance in the general fund of 10% of expenditures. The Unified Government will maintain a minimum level of Unrestricted Fund Balance (CAFR) in the General Fund equivalent to three-months of regular, on-going operating expenditures (including transfers out). Of this three-month reserve, two-months will be maintained to meet general operating needs and to allow for budgetary uncertainty (named as the "Operating Reserve") and one-month will be assigned to provide resources during economic downturns or to address vulnerabilities to extreme events, and emergencies impacting public safety concerns (named the "Economic Uncertainty/Emergency Reserve").

The two reserve categories are represented below as a percentage of regular, on-going operating expenditures (including transfers out):

• Operating Reserve:	17% (two-months)
• Economic Uncertainty/Emergency Reserve:	8% (one-month)
• Total Reserve Level	25% (three-months)

B. Compliance - The UG will measure its compliance with this policy as of December 31st each year, as soon as practical after final year-end account information becomes available. During the course of the year the Finance Department shall closely monitor the UG's revenues and expenditures to ensure Reserves are not used beyond any planned. For the purposes of this policy, current year's actual expenditures will exclude significant Non-Recurring Items.

If, based on staff's analysis and forecasting, the target level of Reserves is not being met or likely to not be met at some point within a five-year time horizon, then during the annual budget process, Fund Balance levels will be provided to the Mayor and Board of Commissioners. Should the projected year-end Fund Balance be below the Reserve amounts established by this policy, a plan to replenish the Reserves would be established based on the requirements outlined in this policy.

C. Cash Balance - To provide liquidity adequate to meet the demands of government service provision including budgetary uncertainty, unanticipated reductions in

revenues or unplanned expenditure increases, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The two-month Operating Reserve is intended to support this effort and counterbalance the tax collection cycle.

D. **Funding the Reserve** - Funding of General Fund Reserve targets will generally come from excess revenues over expenditures or one-time revenues. The reserve will be funded in the following priority order: Operating Reserve followed by the Economic Uncertainty/Emergency Reserve.

E. **Conditions for Use of Reserves** - It is the intent of the Unified Government to limit use of General Fund Operating Reserve to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the Unified Government to restructure its operations in a deliberate manner (as might be required in an economic downturn or an emergency), but such use will only take place in the context of an adopted long-term plan.

The Economic Uncertainty/Emergency Reserve may be used at the discretion of the Board of Commissions to:

- Provide resources to make up for temporary decreased revenues resulting from economic uncertainties or loss of major revenue sources;
- Provide resources to meet emergency expenditures in the case of flood, fire, tornado or other natural disaster.

F. **Authority over Reserves** - The UG Board of Commissioners may authorize the use of Reserves. The Finance Department will regularly report both current and projected Reserve levels to the UG Board of Commissioners.

A.G. **Fund Balance Classification** - The Unified Government desires to establish a fund balance classification policy consistent with the needs of the Unified Government, and in a manner consistent with governmental accounting standards. The following classifications serve to enhance the usefulness of fund balance information. It shall be the policy to reduce restricted fund balance first, followed by unrestricted fund balance. For unrestricted fund balance, committed amounts should be reduced first, followed by assigned amounts, followed by unassigned amounts.

Restricted Fund Balance

- a) *Non-spendable Balance:* Assets legally or contractually required to be maintained, or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.
- b) *Restricted Balance:* Assets with externally imposed constraints, such as those

mandated by creditors, grantors and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.

Unrestricted Fund Balance

- c) *Committed*: Assets with a purpose formally imposed by resolution by the Governing Body of the Unified Government, binding unless modified or rescinded by the Governing Body.
- d) *Assigned*: Assets constrained by the government's intent as expressed by the Governing Body, County Administrator or designee. Encumbrances shall be considered as assigned, unless they specifically meet the requirements to be committed or restricted.
- e) *Unassigned*: All amounts not included in other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

H. Assigning Fund Balance - The County Administrator and Chief Financial Officer, collectively, are hereby authorized to assign Fund Balance for specific purposes in accordance with the intent of the County Administration and actions of the Board of Commissioners. This policy expresses the intent to assign one-month of regular, on-going operating expenditures (including transfers out) for the "Economic Uncertainty/Emergency Reserve" to temporarily offset unanticipated reduced revenues during economic downturns or to address vulnerabilities to extreme events, emergencies impacting public safety concerns.

I. Replenishment of Reserves - In the event that Reserves are used resulting in a balance below the three-months minimum, a plan will be developed and included in the formulation of the five-year forecast presented during the annual budget process.

J. Excess of Reserves - In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

- a) Fund accrued liabilities, including but not limited to debt service, workers' compensation benefits, pension, employee health benefits and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget resolution. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
- b) Appropriated to lower the amount of bonds or contributions needed to fund capital projects in the UG's CMIP;

c) One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

d) Start-up expenditures for new programs, provided that such action is approved by the Board of Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Department.

I. **Periodic Review of the Targets** - Compliance with this section will be reviewed in conjunction with the annual budget process. At a minimum, during the annual budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the Unified Government is subject to.

IX.VII. Quality Control and Quality Assurance:

It is the responsibility of the Budget Director to ensure the presence of procedures that provide sufficient guidance to affected Unified Government personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

X.VIII. Metrics:

To be developed and managed accordingly.

XI.IX. Records:

There are no records associated with this policy.

XII.X. Process Flow Maps:

Not applicable.

XIII.XI. Forms:

Not applicable.

XIV.XII. Appendices:

Not applicable.



Unified Government of Wyandotte County
and Kansas City, Kansas

**Special Revenue Operating Funds
Reserve Policy**

Commission Resolution:
2018-xxx

Adopted: xx/xx/xxxx

I. Authority:

The Board of Commissioners is the authoritative Governing Body of the Unified Government. The Governing Body may approve the use of budgeted reserves in the case of emergency events, or conditions that result in unanticipated expenditure requirements or revenue fluctuations within a fiscal year, or to take advantage of an extraordinary opportunity. The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

To set forth the general public policy objectives of the Unified Government as relates to fund balance policy. The overlying goal of this policy is to ensure that there will be adequate liquid resources to serve as a financial cushion against the potential shock of unanticipated circumstances and events. The Unified Government desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the Unified Government's credit worthiness. The Special Revenue Operating Fund Reserves are accumulated and maintained in governmental funds in order to provide stability and flexibility to respond to unexpected adversity and/or opportunities.

This policy establishes the amounts the UG will strive to maintain in its Special Revenue Operating Funds Reserves, how the Reserves will be funded, and the conditions under which Reserves may be used.

III. Applicability and Scope:

This policy shall apply to all special revenue operating governmental funds that receive property tax revenue, assess a fee directly to residents, or include operational expenditures restricted for specific use by local, state and federal laws. Funds not meeting any of these criteria do not have a minimum Reserve requirement. The specific funds sought to meet compliance with this policy are detailed in the policy section.

IV. Definitions and Acronyms:

A. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and associated funding sources the Unified Government intends to

undertake in the current year plus five additional future years, including the acquisition or construction of capital facilities, equipment and assets, and the maintenance thereof.

B. Cash Balance - The sum of cash and Cash Equivalents of an accounting fund.

C. Cash Equivalent - In the context of cash flows reporting, short-term, highly liquid investments that are both 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investment is acquired.

D. Fund Balance (CAFR) - Fund Balance is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in a governmental fund as reported in the Comprehensive Annual Financial Report (CAFR).

E. Fund Balance (Budgetary) – Fund Balance for Budgetary Purposes begins with the beginning of the year unencumbered fund balance as reported in the CAFR's Schedule of Budgetary Accounts, Budget and Actual Budgetary Basis (non-GAAP) for the respective fund, plus revenues less all expenditures recorded on a cash basis for the respective fiscal year.

F. Non-Recurring Item - An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.

G. Pooled Cash - The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expenditure is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

H. Reserve - Reserve refers only to the portion of Fund Balance that is intended to provide stability and respond to unplanned events or opportunities.

I. Special Revenue Fund - Governmental fund type used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purpose other than debt service or capital projects and exclusive of resources held in trust for individuals, private organizations, or other governments.

J. Unrestricted Fund Balance - The difference between total Fund Balance in a governmental fund and its nonspendable and restricted components.

V. Related Documents and References:

A. Capital Asset and Equipment Investment and Management Policy

B. Long-Term Financial Planning Policy

C. Operating and Capital Budget Policy

D. County Administrator policies as applicable

VI. Policy:

A. Reserve Levels - The Unified Government will maintain a range for the minimum level of Fund Balance (CAFR) in the Special Revenue Operating funds equivalent to the percentages by respective Fund listed below of regular, on-going operating expenditures (including transfers out).

The following is a list of the applicable special revenue and debt service funds with the range of minimum level of Reserves established by this policy, presented as a percentage of on-going operating expenditures (including transfer out):

• <u>County Clerk Technology</u>	<u>5-10% of expenditures</u>
• <u>County Treasurer Technology</u>	<u>5-10% of expenditures</u>
• Court Trustee	8-12% of expenditures
• <u>Developmental Disabilities</u>	<u>10-15% of expenditures</u>
• Elections	10-15% of expenditures
• Health Department	10-15% of expenditures
• Jail Commissary	8-12% of expenditures
• Library District	10-15% of expenditures
• Mental Health	10-15% of expenditures
• Mental Retardation	10-15% of expenditures
• Register of Deeds Technology	5-10% of expenditures
• Special <u>Dedicated Sales Tax-2010</u>	<u>5-10% of expenditures</u>
• <u>Special Assets Fund</u>	<u>5-10% of expenditures</u>
• Special <u>Programs for Elderly Aging</u> expenditures	<u>10-15% of expenditures</u>
• Special <u>Wyandotte 911 Tax</u>	<u>5-10% of expenditures</u>
• Special Alcohol	5-10% of expenditures
• Special Parks & Recreation	3-5% of expenditures
• Special Street & Highway	3-5% of expenditures
• Tourism & Convention	3-5% of expenditures
• Environmental Trust Fund	10-15% of expenditures
• <u>Debt Reserve funds</u>	<u>5-10% of expenditures</u>

B. Compliance - The UG will measure its compliance with this policy as of December 31st each year, as soon as practical after final year-end account information becomes available. During the course of the year the Finance Department shall closely monitor the UG's revenues and expenditures to ensure Reserves are not used beyond any planned. For the purposes of this policy, current year's actual expenditures will exclude significant Non-Recurring Items.

If, based on staff's analysis and forecasting, the target level of Reserves is not being met or are likely to not be met at some point within a five-year time horizon, then during the annual budget process, Fund Balance levels will be provided to the Mayor and Board of Commissioners. Should the projected year-end Fund Balance be below the minimum Reserve amount established by this policy, a plan to replenish the Reserve would be established based on the requirements outlined in this policy.

- B. **Cash Balance** - To provide liquidity adequate to meet the demands of government services provision including unanticipated reductions in revenues or unplanned expenditure increases, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The above established Reserves are intended to support this effort and counterbalance the tax collection cycle.
- C. **Funding the Reserve** - Funding of Special Revenue Operating Reserve targets will generally come from excess revenues over expenditures or one-time revenues.
- D. **Conditions for Use of Reserves** - It is the intent of the Unified Government to limit use of Special Revenue Operating Reserves to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves may, however, be used to allow time for the Unified Government to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.
- E. **Authority over Reserves** - The UG Board of Commissioners may authorize the use of Reserves. The Finance Department will regularly report both current and projected Reserve levels to the UG Board of Commissioners.

A.F. Fund Balance Classification - The Unified Government desires to establish a fund balance classification policy consistent with the needs of the Unified Government, and in a manner consistent with governmental accounting standards. The following classifications serve to enhance the usefulness of fund balance information. It shall be the policy to reduce restricted fund balance first, followed by unrestricted fund balance. For unrestricted fund balance, committed amounts should be reduced first, followed by assigned amounts, followed by unassigned amounts.

Restricted Fund Balance

- a) **Non-spendable Balance:** Assets legally or contractually required to be maintained, or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.

- b) *Restricted Balance*: Assets with externally imposed constraints, such as those mandated by creditors, grantors and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.

Unrestricted Fund Balance

- c) *Committed*: Assets with a purpose formally imposed by resolution by the Governing Body of the Unified Government, binding unless modified or rescinded by the Governing Body.
- d) *Assigned*: Assets constrained by the government's intent as expressed by the Governing Body, County Administrator or designee. Encumbrances shall be considered as assigned, unless they specifically meet the requirements to be committed or restricted.
- e) *Unassigned*: All amounts not included in other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

G. **Assigning Fund Balance** - The County Administrator and Chief Financial Officer, collectively, are hereby authorized to assign Fund Balance for specific purposes in accordance with the intent and actions of the Board of Commissioners.

H. **Replenishment of Reserves** - In the event that Reserves are used resulting in a balance below the established reserve minimum ranges, a plan will be developed and included in the formulation of the five-year forecast presented during the annual budget process.

I. **Excess of Reserves** - In the event Reserves exceed the minimum range balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways, within the use of funds required by local, state or federal laws:

- a) Fund accrued liabilities, including but not limited to debt service, workers' compensation benefits, pension, employee health benefits and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget resolution. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
- b) Appropriated to lower the amount of bonds or contributions needed to fund capital projects in the UG's CMIP;
- c) One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or

d) Start-up expenditures for new programs, provided that such action is approved by the Board of Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Department.

I. **Periodic Review of the Targets** - Compliance with this section will be reviewed in conjunction with the annual budget process. At a minimum, during the annual budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the Unified Government is subject to.

VII. Quality Control and Quality Assurance:

It is the responsibility of the Budget Director to ensure the presence of procedures that provide sufficient guidance to affected Unified Government personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VIII. Metrics:

To be developed and managed accordingly.

IX. Records:

There are no records associated with this policy.

X. Process Flow Maps:

Not applicable.

XI. Forms:

Not applicable.

XII. Appendices:

Not applicable.



Unified Government of Wyandotte County
and Kansas City, Kansas

Commission Resolution:
2018-xxx

Adopted: xx/xx/xxxx

Enterprise Operating and Internal Service Funds Reserve Policy

I. Authority:

The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

The Unified Government desires to maintain a prudent level of financial resources to guard its stakeholders against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures. In addition, this policy is intended to document the appropriate Reserve level to protect the Unified Government's credit worthiness. The Enterprise Operating and Internal Service Funds Reserves are accumulated and maintained to provide stability and flexibility in response to unexpected adversity and/or opportunities. Aside from ensuring cash availability when revenue collections diminish, the Reserves generate investment income thereby diversifying the government's revenue streams. Finally, a strong reserve policy for these funds can help maintain a stable rate and fee structure.

This policy establishes the amounts the UG will strive to maintain in its Enterprise Operating and Internal Service Funds Reserve, how the Reserve will be funded, and the conditions under which Reserve may be used.

III. Applicability and Scope:

This policy shall apply to all enterprise operating and internal service funds under the budgetary and fiscal control of the Mayor and Board of Commissioners.

IV. Definitions and Acronyms:

A. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and associated funding sources the Unified Government intends to undertake in the current year plus five additional future years, including the acquisition or construction of capital facilities, equipment and assets, and the maintenance thereof.

B. Cash Balance - The sum of cash and Cash Equivalents of an accounting fund.

- C. Cash Equivalent - In the context of cash flows reporting, short-term, highly liquid investments that are both 1) readily convertible to known amounts of cash and 2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, only investments with original maturities of three months or less meet this definition. For this purpose, "original maturity" means maturity as of the date the investment is acquired.
- D. Enterprise Fund - Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. Enterprise funds are used to report the similar functions as business-type activities.
- E. Internal Service Fund - Proprietary fund type used to report an activity for which a fee is charged to external users for goods or services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the Unified Government's various functions. Internal services funds serve several activities, such as self-insurance and equipment and vehicle replacement.
- F. Net Position – The residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.
- G. Non-Recurring Item - An expenditure that has not occurred in the previous two years and is not expected to occur in the following year.
- H. Pooled Cash - The sum of unrestricted cash and investments of several accounting funds that are consolidated for cash management and investment purposes. Investment income or expense is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
- I. Reserve - Reserve refers only to the portion of Working Capital and net Position that is intended to provide stability and respond to unplanned events or opportunities.
- J. Working Capital – An accounting term defined as current assets less current liabilities in a proprietary fund. Working Capital is used to express the Reserves available in proprietary funds available for use.

V. Related Documents and References:

- A. Capital Asset and Equipment Investment and Management Policy
- B. Long-Term Financial Planning Policy
- C. Operating and Capital Budget Policy
- D. County Administrator policies as applicable

VI. Policy:

- A. **Enterprise Funds Operating Reserve Levels** - The Unified Government will maintain a minimum level of Working Capital Reserve in Enterprise funds, by respective fund listed below, equivalent to the percentage of regular, on-going operating expenditures (including transfers out). Working Capital will include long-term investments, of which are able to be liquidated within five business days. Any fund that is subsidized by the General Fund on an on-going basis (such as the Stadium – T-bones and Sunflower Hills Golf Course), will maintain Operating Reserves equal to one month of regular, on-going operating expenses (including transfers out), with any excess reverting back to the General Fund.

The following is a list of the applicable enterprise funds and the minimum level of Operating Reserves established by this policy, presented as a percentage of on-going operating expenditures (excluding transfer out):

• Emergency Medical Services	10-15% of expenditures
• Public Levee	3-5% of expenditures
• Sewer System Utility	40-50% of expenditures
• Stadium – T-Bones	5-8% of expenditures
• Stormwater Utility	40-50% of expenditures
• Sunflower Hills Golf Course	5-8% of expenditures

- B. **Self-Insurance Internal Service Funds Reserve Levels** – The Unified Government will maintain a minimum self-insurance reserve in its respective internal service funds. Self-insurance services, such as employee and retiree healthcare related benefits and workers' compensation benefits, are to be funded at actuarially determined marginally acceptable levels. "Marginally acceptable levels" is an insurance actuarial term that connotes a funding reserve level which the insurance industry has 70 percent confidence that the reserve is adequate to meet funding needs.
- C. **Equipment and Vehicle Replacement and other related Internal Service Funds Reserve Levels** – The Unified Government will maintain a minimum level of Net Position in Equipment and Vehicle Replacement and other related internal service funds adequate to spread the cost of replacement evenly over the life of the asset. Funding will come from the UG department users of the fund's services and will be assessed for their share of the needed reserve based on the replacement cost of the assets they use. Sales of surplus equipment as well as any related damage and insurance recoveries will be credited to the fund. Contributions from each UG operating fund shall be made in accordance with the fund's pro-rate share of replacement costs.
- D. **Compliance** - The UG will measure its compliance with this policy as of December 31st each year, as soon as practical after final year-end account information becomes available. During the course of the year the Finance Department shall closely monitor the UG's revenues and expenses to ensure Reserves are not used beyond any planned. For the purposes of this policy, current year's actual expenses will exclude significant Non-Recurring Items.

If, based on staff's analysis and forecasting, the target level of Reserves is not being met or are likely to not be met at some point within a five-year time horizon, then during the annual budget process, Working Capital/Reserves levels will be provided to the Mayor and Board of Commissioners. Should the projected year-end Working Capital/Reserves position be below the minimum Reserve amount established by this policy, a plan to replenish the Reserve would be established based on the requirements outlined in this policy.

- E. **Cash Balance** - To provide liquidity adequate to meet the demands of government services provision including unanticipated reductions in revenues or unplanned expenditures increases, Cash Balances will be maintained and managed through the Pooled Cash method in such a way as to minimize short-term borrowing. This reduces overall cost to taxpayers by minimizing interest expense. The above established Reserves are intended to support this effort and counterbalance cycles often experienced in fee and other revenue collections.

- F. **Funding the Reserve** - Funding of Enterprise Operating Reserve targets will generally come from excess revenues over expenses or one-time revenues.

Funding of Internal Service Funds Reserve targets will generally come from excess contributions from department users and UG employees over claims and equipment replacement expenses or one-time revenues. Contributions from each department operating fund shall be made in accordance with the fund's pro-rata share of claims and equipment replacement expenses.

- G. **Conditions for Use of Reserves** - It is the intent of the Unified Government to limit use of Enterprise Operating and Internal Service Funds Reserves to address unanticipated, Non-Recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures, with the exception of the equipment replacement and related funds where a major equipment replacement is scheduled for acquisition. Reserves may, however, be used to allow time for the Unified Government to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

- H. **Authority over Reserves** - The UG Board of Commissioners may authorize the use of Reserves. The Finance Department will regularly report both current and projected Reserve levels to the UG Board of Commissioners.

- I. **Fund Balance Classification** - The Unified Government desires to establish a fund balance classification policy consistent with the needs of the Unified Government, and in a manner consistent with governmental accounting standards. The following classifications serve to enhance the usefulness of fund balance information. It shall be the policy to reduce restricted fund balance first, followed by unrestricted fund balance. For unrestricted fund

balance, committed amounts should be reduced first, followed by assigned amounts, followed by unassigned amounts.

Restricted Fund Balance

- a) *Non-spendable Balance*: Assets legally or contractually required to be maintained, or are not in spendable form. Such constraint is binding until the legal requirement is repealed or the amounts become spendable.
- b) *Restricted Balance*: Assets with externally imposed constraints, such as those mandated by creditors, grantors and contributors, or laws and regulations. Such constraint is binding unless modified or rescinded by the applicable external body, laws, or regulations.

Unrestricted Fund Balance

- c) *Committed*: Assets with a purpose formally imposed by resolution by the Governing Body of the Unified Government, binding unless modified or rescinded by the Governing Body.
- d) *Assigned*: Assets constrained by the government's intent as expressed by the Governing Body, County Administrator or designee. Encumbrances shall be considered as assigned, unless they specifically meet the requirements to be committed or restricted.
- e) *Unassigned*: All amounts not included in other fund balance classifications. The general fund shall be the only fund to report positive unassigned fund balance. All other governmental funds may report negative unassigned fund balance.

J. **Replenishment of Reserves** - In the event that Reserves are used resulting in a balance below the established reserves minimum, a plan will be developed and included in the formulation of the five-year forecast presented during the annual budget process.

K. **Excess of Reserves** - In the event Reserves exceed the minimum balance requirements, at the end of each fiscal year, any excess Reserves may be used in the following ways:

- a) Fund accrued liabilities, including but not limited to debt service, workers' compensation benefits, pension, employee health benefits and other post-employment benefits as directed and approved within the long-term financial plan and the annual budget resolution. Priority will be given to those items that relieve budget or financial operating pressure in future periods;
- b) Appropriated to lower the amount of bonds or contributions needed to fund capital projects in the UG's CMIP;

- c) One-time expenditures that do not increase recurring operating costs that cannot be funded through current revenues. Emphasis will be placed on one-time uses that reduce future operating costs; or
- d) Start-up expenditures for new programs, provided that such action is approved by the Board of Commissioners and is considered in the context of multi-year projections of revenue and expenditures as prepared by the Finance Department.

- I. **Periodic Review of the Targets** - Compliance with this section will be reviewed in conjunction with the annual budget process. At a minimum, during the annual budget process staff shall review the current and five-year projected Reserves to ensure that they are appropriate given the economic and financial risk factors the Unified Government is subject to.

VII. Quality Control and Quality Assurance:

It is the responsibility of the Budget Director to ensure the presence of procedures that provide sufficient guidance to affected Unified Government personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VIII. Metrics:

To be developed and managed accordingly.

IX. Records:

There are no records associated with this policy.

X. Process Flow Maps:

Not applicable.

XI. Forms:

Not applicable.

XII. Appendices:

Not applicable.



Unified Government of Wyandotte County
and Kansas City, Kansas

Commission Resolution:
2018-xxx

Adopted: xx/xx/xxxx

Capital Asset and Equipment Investment and Management Policy

I. Authority:

The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

Capital assets and equipment have a major impact on the ability of the Unified Government to deliver services, the economic vitality and overall quality of life for Wyandotte County and Kansas City, Kansas stakeholders. The purpose of this policy is to provide guidelines to complete a comprehensive process that allocates limited resources in capital investment and management decisions.

III. Applicability and Scope:

This policy shall apply to all funds under the budgetary and fiscal control of the Mayor and the Board of Commissioners.

IV. Definitions and Acronyms:

A. Adopted Budget Resolution - The formal statement approved by the Board of Commissioners which shows budgeted revenues and expenditures/expenses for the upcoming fiscal year by fund.

B. Asset Classifications - Assets will be grouped by asset type into one of the following accounts:

1. Building
2. Construction in progress
3. Equipment
4. Furniture & Fixtures
5. Improvements
6. Infrastructure
7. Land
8. Land Improvements
9. Machinery
10. Other Assets
11. Land held for resale

B.C. Capital Assets - Any fixed or Intangible asset, including personal property, land,

buildings, improvements other than buildings, and infrastructure. When acquiring any capital asset, additional costs required to place the asset in its intended state of operation should be added to the cost of the asset. This may include: a) Land – title search cost, attorney fees, liens assumed, taxes assumed, grading costs, building demolition, land improvements with an indefinite life, etc.; b) Buildings – attorney fees, architect fees, inspection and building permits, etc.; c) Equipment – Freight charges, installation costs, setup costs, trade-in discounts, training, etc.

C.D. Capital Maintenance and Improvement Budget – Amended Budget Current Year and Year One of the Capital Improvement Plan shall be appropriated with the annual budget and accounted for within a capital project Fund(s).

D.E. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and equipment and associated funding sources the Unified Government intends to undertake in the current year plus five additional future years, including the acquisition or construction of capital facilities and assets, and the maintenance thereof. The Capital Maintenance Improvement Program (CMIP) is a long-term planning tool intended to assist management in financial forecasting that allows for prioritization, financing, coordination, and technical design of all capital assets. The CMIP is a 5-year plan of capital project improvements and equipment needs. Each year the document is updated and presented to Commission for approval. Changes may include the addition of new projects or equipment, as well as, the reprioritization or removal of other capital projects. The CMIP includes all projects funded by grants.

E.F. Capital Outlay – Is construction, alteration, restoration, improvement or equipment acquisition that does not meet the definition of a capital project, as defined in this policy.

F.G. Capital Project - Any construction, alteration, restoration, or improvement of any capital asset. Capital projects are usually maintained in a capital project fund. For the purposes of the CMIP the definition of a capital project and equipment includes projects or items with a useful life of five years or more and a cost of at least \$50,000 within six consecutive years or more than \$100,000 in one year. Project improvements can include construction, reconstruction, rehabilitation or maintenance of a capital asset. Equipment needs can include replacement, upgrade or purchase of new equipment. Capital projects assets are usually defined as having a cost estimate greater than \$5,000 and may require engineering support or consulting services to evaluate, design, and prepare documents. The capital program may include maintenance projects that result in new fixed assets.

G.H. Debt - An obligation to pay something; liability.

I. Infrastructure – Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are stationary in nature. Examples include roads, bridges, curbs, gutters, streets, drainage systems, lighting systems, resurfacing (which specifically adds life to the asset) and similar assets that are of value only to the Unified Government.

- H.J. Intangible Asset – An item that will serve the government which has no physical substance in nature (such as software) that has an expected useful life longer than one year. The items are acquired through outright purchase, construction, lease purchase agreements, installment purchase contracts, tax or special assessment foreclosure, eminent domain, donations, grants or gifts.
- H.K. Land – This accounts for the cost of land itself and the cost of preparing land for its intended uses, such as: Purchase price, closing costs (title, attorney, recording, and appraisal fees), costs incurred in getting the land ready for its intended use (grading, filling, draining, clearing, etc.), all costs incurred up to actual excavation of a building, including demolition or removal of unwanted structures, assumption of any liens or mortgages, additional land improvements having an indefinite life (such as landscaping), and any back taxes or other obligations assumed by the purchaser.
- H.L. Land Improvements: This account is used for permanent (i.e., non-detachable) improvements of a depreciable nature, other than building and infrastructure assets (see above), that add value to land (e.g., fences, retaining walls). This account also is used for leasehold improvements. Examples are fences, docks and dock improvements, park lighting systems, parking lots, driveways, and retaining walls. Costs of water and sewer lines and improvements such as, but not limited to, electrical and gas lines, construction, beginning with excavation.
- H.M. Machinery, Equipment & Furniture & Fixtures: This accounts for tangible property of a more or less permanent nature (other than land, buildings, or improvements), which is useful in carrying out operations. Examples are office equipment, machinery, tools, trucks, cars, furniture, fixtures and furnishings and costs include purchase price, freight and handling charges, installation or assembling costs, and sales tax.
- H.N. Pay-as-You-Go Financing - The use of currently available cash resources to pay for capital investments. It is the alternative to Debt financing.
- H.O. Real Property – Land, land improvements, building, building improvements, and improvements other than buildings. Fixtures attached to land, building, and improvements other than buildings in such a way that removal would alter the intended use of the facility.
- P. Repair and Maintenance – Any addition or change to an existing asset that does not change the value or useful life of the asset.

V. Related Documents and References:

- A. Budget Process Manual
- B. Budget Resolution

C. Operating and Capital Budget Policy

D. Enterprise Operating and Internal Service Funds Reserves Policy

E. General Fund Operating and Economic Uncertainty/Emergency Reserves Policy

F. Long-Term Financial Planning Policy

G. Special Revenue Operating Fund Reserve Policy

H. County Administrator policies as applicable

VI. Policy:

A. Roles and Process of the CMIP - The Finance Department is responsible for coordinating the CMIP process and compiling the CMIP document. Other key roles include:

1. CMIP - Each year, Unified Government staff shall develop a six-year long-range CMIP that describes and prioritizes the capital projects the Unified Government intends to undertake.
2. Review of Capital Project Proposals – The Finance Department will coordinate a financial capital project review process within the annual budget calendar.
 - a. Full Consideration of Operating and Maintenance Costs - Adequate resources should be identified to operate and maintain existing assets as well as proposed expanded assets before funding is allocated to any new Capital Project.
3. Stakeholder Participation - The Unified Government shall provide meaningful opportunities for stakeholders to provide input into the CMIP development before the plan is adopted.
4. UG Commission Responsibilities - (link to plans) All projects submitted for consideration of inclusion within the CMIP, with minor and occasional exceptions, should be based on investments called for by master plans and/or capital assets needs assessments that have been formally reviewed and adopted by the UG Board of Commissioners. Operating and maintenance cost estimates will be reflected in departmental operating plans.
5. Approval of the CMIP - The Board of Commissioners shall review and approve the CMIP. Amendments to the CIP shall be considered and adopted by the Board of Commissioners at regular meetings except for specific adjustments when limited authority is delegated to the County Administrator, Chief Financial

Officer, and the Budget Director, as prescribed within the Operating and Capital Budget Policy.

C. CMIP Project Selection - An objective set of criteria will be used to assess and evaluate project proposals. Although specific criteria may be updated from time to time, the following concepts are core principles to be considered in the development of such criteria:

1. Long-Term Forecasts - Long-term forecasts should be prepared to better understand resources available for capital spending and to assess operational impacts and eventual maintenance replacement costs.
2. Impact on Other Projects - Projects should not be considered in isolation. One project's impact on others should be recognized and costs shared between projects where appropriate.
3. Allow for Funding of Preliminary Activities - For some projects it may be wise to fund only preliminary engineering/planning before committing to funding the whole project. However, even these expenditures can be considerable. Therefore, these preliminary engineering/planning should also be evaluated, analyzed and prioritized appropriately.
4. Full Lifecycle Costing - Cost analysis of a proposed project should encompass the entire life of the asset, from planning and acquisition to disposal.
5. Predictable Project Timing and Scope - Schedule and scope estimates should be practical and achievable within the requested resources, including financial and human.

D. Balanced CMIP - The adopted CMIP is a balanced six-year plan. This means that for the entire six-year period, resources will be equal to project expenditures in the CMIP. Expenditures in the CMIP must equal the estimated resources available for capital spending and weigh the full costs of proposed projects in relation to funding sources. It is possible that the plan will have more expenditures than revenues in any single year, but this imbalance will be addressed through the use of interim financing as needed. However, over the life of the six-year plan all expenditures will be provided for with identified revenues. All unfunded projects will be retained on the unfunded list for further consideration in the future.

E. CMIP Funding Strategy - The operating budget includes capital projects and equipment that are generally of a recurring nature and are appropriated for one year only. Changes from year to year for annual or reoccurring projects represent incremental variances in the cost of doing business. Capital pProjects that result in procurement or construction of major physical assets for the UG are aligned with the governments financial forecast. Resources for the capital plan can come from the same resources as the operating budget, but the ~~more costly~~costlier projects are

funded by bond and temporary note financing. ~~Capital projects and equipment should be funded on a pay-as-you-go (cash) basis and/or debt financing (lease 3-10 years, general obligation bonds 15-20 years).~~ The Unified Government has provided financial resources for the CMIP through three primary methods: 1) various local dedicated taxes, charges for services revenues, grants and other funding sources from external entities, 2) Pay-As-You-Go, and 3) Debt financing. These funding methods are expected to be used for future CMIP's. Guidelines are provided below to assist the Unified Government in making the choice between Debt and Pay-As-You-Go financing.

1. Factors which favor Pay-As-You-Go financing include circumstances where:

- a. The project can be adequately funded from available current revenues and fund balances;
- b. The project can be completed in an acceptable timeframe given the available revenues;
- c. Additional Debt levels could adversely affect the Unified Government's General Obligation credit rating or repayment sources;
- d. Costs considered for Debt financing pertain to the maintenance of existing assets; or
- e. Market conditions are unstable or suggest difficulties in marketing a Debt.

2. Factors which favor long-term Debt financing include circumstances where:

- a. Revenues available for Debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained;
- b. Credit market conditions present favorable interest rates and demand for Unified Government Debt financing;
- c. A project is mandated by state or federal government and current revenues or fund balances are insufficient to pay project costs;
- d. A project is immediately required to meet or relieve capacity needs and existing un-programmed cash reserves are insufficient to pay project costs;
- e. Costs considered for Debt financing pertain to the new assets or capital projects;
- f. The life of the project or asset financed is ten years or longer; or

g. Those expected to benefit from the project include generations in years to come.

F. **Vehicle and Equipment Lease Financing** - In addition, the Unified Government has relied on lease financing for various vehicle and equipment acquisitions with the lease periods ranging from three to ten years depending on the cost of the equipment and its useful life. It is the goal expressed in this policy that the UG reduce its reliance of lease financing for the acquisition and replacement of vehicles and equipment, and instead to move towards paying in cash for these items. As a result, a separate vehicle and equipment replacement internal service fund is established to ensure that adequate funds are available to purchase vehicles and equipment, to stabilize budgeting for major purchases, and to provide a systematic, UG-wide approach to procurement and disposition of the related assets. The goal is to provide sufficient cash flow for annual purchases. At this time, this fund is not designed to equal the replacement value of the vehicle fleet and equipment of the UG. Policies and procedures detailing more specifics for the financial planning and funding of vehicle and equipment will be developed in the future.

G. **Capital Budget** - Each year the Finance Department will develop a Capital Budget which will contain the spending plan for capital projects. The first year of the adopted CMIP will be the Capital Budget for the fiscal year, in addition to the Amended Budget of the current fiscal year.

H. **Capital Project Management** - Management of capital project is essential to create the best value for Unified Government taxpayers through capital spending. Each department must actively manage their projects and major departments may provide quarterly reports on the status of each project. The following policies shall be observed in order to help ensure the best project management possible.

1. **Project Management** - Each department is responsible as follows:

- a. Lead, coordinate, and plan processes that may lead to projects
- b. Prepare the project proposal
- c. Ensure that required phases are completed on schedule
- d. Authorize all project expenditures
- e. Monitor project cash flows
- f. Ensure that all regulations and laws are observed
- g. Periodically reporting project status
- h. If it is a facility or infrastructure project, work through Public Works to develop a project budget and cash flow forecast for the CMIP prior to project commencement
- i. Public Works will manage facility and infrastructure projects, with few exceptions, and expect requesting departments to continue to lead all stakeholder engagement.

2. Department directors are responsible for administering their respective CMIP projects within the financial constraints described by the CMIP budget as adopted. It is expected that line item budgets within an individual project

may exceed their planned levels, but totals project costs may not be exceeded.

3. Limits on Amendments - Capital project amendments during a year shall not exceed the annually adopted budget and funding levels. Each department must manage its capital program within certain time and cost constraints.

4. Upon completion of a capital project, any remaining appropriated funds for the project will revert to the fund balance of the funding source.

I. **Asset Condition Assessment** – Unified Government department staff may conduct a comprehensive asset inventory that projects replacement and maintenance needs for the next six years and will update this projection each year. The asset inventory will describe the current condition of the Unified Government's assets, establish standards for asset condition, account for the complete cost to maintain assets up to standard over their lifecycle, and account for risks associated with assets that are below condition standards. Unified Government departments shall have responsibility for inventorying and assessing the assets within their purview and ensuring that it reconciles with Finance Department capital asset records.

J. **Prioritization of Asset Maintenance and Replacement** - It is the Unified Government's intent to maintain its existing assets at a level that protects the initial capital investment and minimizes future maintenance and replacement costs. Based on an asset inventory and risk assessment, staff shall include recommendation for asset maintenance in the CMIP.

K. **Funding of Asset Maintenance** - This policy addresses the need to protect the Unified Government's historical investment in capital assets. It is the UG's intent to ensure that adequate resources are allocated to preserve the UG's existing infrastructure to the best of its ability before allocating resources to other capital projects.

~~C.L.~~ **CMIP Process** - The CMIP Process is directly linked to the annual budget process, land-use planning, facility plan implementation, coordination with the state, county, and other local municipalities, and the ongoing direction of the UG leaders. The pProcess for including a capital project or equipment requestn item in the CMIP:

1. CMIP requests are submitted to the Finance Department ~~throughby~~ a:
 - a. Department request in response to need;
 - b. Public request identified at a public hearing or from direct contact with the department, or a
 - c. Commission request for an improvement need within a Commissioner district.

2. Requests effecting facilities and infrastructure are evaluated by the Public Works Department within the asset management program for viability, impacts and timing.

~~2-3.~~ **Administrative Review** – County Administration and the requesting department will review all capital projects and /equipment requests submitted.

~~3.4.~~ Planning and Zoning Commission Review – The CMIP is presented to a designated Planning and Zoning Commission regular or special ~~M~~meeting for capital project review and comment.

~~4.5.~~ Unified Government Mayor and Board of Commissioner Review – Project and equipment ~~committee~~ meetings are held for Commissioners to review and comment on items that ~~have been submitted~~ are recommended by the County Administrator.

6. Once finalized, the CMIP Project and Equipment lists are submitted to the entire UG Commission for approval during as part of the annual budget process.

~~D-M.~~ **Periodic status reports** – Reports will be presented periodically to the UG Mayor, Commissioners and staff to share project progress and identify significant issues associated with a project.

VII. Quality Control and Quality Assurance:

It is the responsibility of the Budget Director to ensure the presence of procedures that provide sufficient guidance to affected Unified Government personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VIII. Metrics:

To be developed and managed accordingly.

IX. Records:

There are no records associated with this policy.

X. Process Flow Maps:

Not applicable.

XI. Forms:

Not applicable.

XII. Appendices:

Not applicable.



Unified Government of Wyandotte County
and Kansas City, Kansas

**Long-Term Financial
Planning Policy**

Commission Resolution:
2018-xxx

Adopted: xx/xx/xxxx

I. Authority:

The Mayor and the Board of Commissioners are responsible for legislation, policy formulation, and overall direction setting of the government. This includes the approval of financial policies which establish and direct the operations of Unified Government (UG). The County Administrator is responsible for carrying out the policy directives of the UG Board of Commissioners and managing the day-to-day operations of the executive departments, including the Finance Department. This policy shall be administered on behalf of the County Administrator by the Chief Financial Officer and the Budget Director.

II. Purpose:

The purpose of this policy is to ensure the Unified Government's on-going financial sustainability beyond a single fiscal year budget cycle in light of our long-term service vision and objectives. Financial sustainability is defined as the UG's long-term financial performance and positioning where planned long-term service and infrastructure levels and standards are met without unplanned increases in rates or disruptive cuts to services. This policy is intended to describe particular elements or aspects of such long-term planning Programs within the UG and to memorialize this financial practice into a formal policy.

III. Applicability and Scope:

This policy is applicable to all funds with a minimum reserve requirement set by official action of the Board of Commissioners.

IV. Definitions and Acronyms:

- A. Business Plan - An operational plan that describes how a given department will accomplish its mission.
- B. Capital Maintenance and Improvement Plan (CMIP) - A plan that describes the capital projects and associated funding sources the Unified Government intends to undertake in the current year plus five additional future years, including the acquisition or construction of capital projects, facilities, equipment and capital assets, and the maintenance thereof.
- C. Long-Term Financial Plan (LTFP) - An investment plan or strategy with a term of usually longer than one year.
- D. Program - A set of activities, operations, or organizational units designed and directed to accomplish a specific service outcomes or objectives for a defined customer.

V. Related Documents and References:

- A. Capital Asset and Equipment Investment and Management Policy
- B. Enterprise Operating and Internal Service Funds Reserve Policy
- C. General Fund Operating and Economic Uncertainty/Emergency Reserve Policy
- D. Operating and Capital Budget Policy
- E. Special Revenue Operating Fund Reserve Policy
- F. County Administrator policies as applicable

VI. Policy:

~~Each year during the budget process, Unified Government staff shall include in the budget submittal a 5-year forecast for the general and debt service funds of operating and capital expenditures. In addition, the UG will prepare and adopt a 5-year CMIP plan that is a part of the forecast process. The financial forecast will be updated annually. It is the objective of the forecast to achieve a balanced budget during the 5-year period. As part of the budget message, the County Administrator will advise the Commission of potential long-term positive and adverse trends. This forecast will also be available to Commission for input during strategic planning sessions.~~

~~The UG's financial forecast should reflect the Commissioner's vision, values, goals, priorities. The forecast will consider current and future fiscal conditions and challenges; and support government fiscal policy and decision-making efforts.~~

~~The financial forecast will consider such factors as:~~

~~**Revenues**~~

~~Casino-related revenue; franchise and utility payments in lieu of tax; interest rate trends; property valuations; retail sales taxes; and STAR Bond revenues.~~

~~**Expenses**~~

~~Capital improvement projects 5-year plan; fuel and utility cost trends; pension obligations, including KPERS/OPEB liabilities; insurance/liability, including employee, workers compensation; scheduled debt payments; and union contracts.~~

~~**Government Actions**~~

~~Federal and State mandates; and inter-government grants.~~

~~**Socio-economic**~~

~~Residential and socio-economic trends~~

~~The projections may be derived using both quantitative and qualitative methods. Trend analysis may be an important component of the forecast.~~

~~This policy will be reviewed on an annual basis.~~

A. Commitment to Long-Term Financial Planning - The LTFP process evaluates known internal and external issues impacting the Unified Government's financial condition. Such issues are identified, presented, and mitigated when and where possible. The process begins by identifying critical areas which have, or are expected to have, an impact on the financial condition of the UG over the next five years. Once the issues are identified, specific goals and objectives are developed for each structural deficiency.

The LTFP is a constantly changing and moving document which will be routinely updated and presented on an ongoing five-year rolling basis. The LTFP is incorporated into the Unified Government's annual budget process and presented to the Mayor, the Board of Commissioners, and staff prior to and/or throughout the formulation of the annual financial plan.

The LTFP is intended to help the Unified Government achieve the following:

1. Ensure the UG can attain and maintain financial sustainability;
2. Ensure the UG has sufficient long-term information to guide financial decisions;
3. Ensure the UG has sufficient resources to provide Programs and services for the stakeholders;
4. Ensure potential risks to on-going operations are identified in the long-term financial planning process and communicated on a regular basis;
5. Establish mechanisms to identify early warning indicators; and
6. Identify changes in expenditure or revenue structures needed to deliver services or to meet the goals adopted by the Board of Commissioners.

B. Scope of the Plan

1. Time Horizon - The LTFP will forecast revenues, expenditures, and financial position at least five years into the future or longer where specific issues call for a longer time horizon.
2. Comprehensive Analysis - The LTFP will provide meaningful analysis of key trends and conditions, including but not limited to:
 - a. Analysis of the affordability of current services, projects, and obligations:
 - i. An analysis of the Unified Government's environment in order to anticipate changes that could impact the government's service and/or financial objectives.
 - ii. Revenue and expenditure projections, including the financial sustainability of current service levels over a multi-year period.

- iii. The affordability of current debt relative to affordability ratios prescribed by UG policy and/or State law.
 - iv. The affordability of maintaining and replacing the UG's current capital assets, equipment and facilities.
 - v. The ability to maintain reserves within the target ranges prescribed by UG policy over a multi-year period.
 - vi. The impact of non-current liabilities on the UG's financial position.
- b. Analysis of the affordability of anticipated service expansions or investments in new assets:
- i. The operating costs of any new initiatives, projects, or expansion of services where funding has been identified through alternative sources (CMIP, grants, debt issuance, etc.) or adopted or approved by the Board of Commissioners through other actions. Service delivery of administrative services and functions shall be included to the extent needed proportionately with the expansion of other services.
 - ii. The affordability of the UG's long-term CMIP, including operating and maintenance costs for new assets.
 - iii. The affordability of other master plans that call for significant financial investment by the Unified Government.
- c. Synthesis of the above to present the UG's financial position:
- i. A clear presentation of the resources needed to accomplish the capital improvements identified in the UG's CMIP and to maintain the existing capital assets.
 - ii. A clear presentation of the resources needed to maintain existing services at their present level in addition to the expansion of services as may have been identified through the analysis described above.
 - iii. Identification of imbalances between the UG's current direction and the conditions needed for continued financial health.
3. Solution-Oriented - The LTFP will identify issues that may challenge the continued financial health of the Unified Government, and the plan will identify possible solutions to those challenges. Planning decisions shall be made primarily from a long-term perspective and structural balance is the goal of the planning process. For the purpose of this policy, structural balance means that ending fund balance

(or working capital in enterprise funds) must meet the minimum levels prescribed by UG reserves policies.

- C. Relationship between Financial and Strategic Planning** – The UG’s annual budget process involves incorporating the goals and strategies identified by the Board of Commissioners into an operational plan that provides for the Government’s highest priority needs. Strategic planning begins with determining the UG’s fiscal capacity based upon long-term financial forecasts of reoccurring available revenues and expenditures.
- D. Continuous Improvement** – Unified Government staff will regularly look for and implement opportunities to improve the quality of the forecasting, analysis, and strategy development that is part of the planning process. These improvements will primarily be identified through the comparison of projected performance with actual results.
- E. Structural Balance** - Long-term structural balance is the goal of long-term financial planning at the UG. A multi-year financial plan exists where future issues are identified, and possible solutions are identified, if not implemented; revenue and expenditure decisions are made primarily from a long-term perspective. Structure balance is a clear goal.

In preparing the plan and based on available data, staff will analyze long-term trends and projections of revenues, expenditures, debt, deferred capital maintenance, and non-current liabilities in order to uncover potential long-term imbalances. Should the long-term forecasting and analysis show that the Unified Government is not structurally balanced over the five-year projection period; staff would then identify alternative strategies needed to address the issues and make recommendations, for the Board of Commissioners consideration, on how the plan can be brought into balance.

- F. Non-Current Liabilities, Pensions and Other Post Employment (OPEB)** - The LTFP will address strategies for ensuring that the UG’s non-current liabilities remain affordable. The Board of Commissioners supports efforts to ensure that critical non-current liabilities like debt service, asset maintenance, pensions and other post-employment (retiree health) benefits remain affordable and sustainable. The long-term financial planning process will seek to alleviate concerns about pension and other post-employment (retiree health) benefits by making it clear the need to assess the size of the liability, determine the Government’s capacity to pay for it, and develop approaches to ensure that the liability does not compromise the Government’s ability to provide services to the public over the long term.

VII. Quality Control and Quality Assurance:

It is the responsibility of the Chief Financial Officer to ensure the presence of procedures that provide sufficient guidance to affected UG personnel to fulfill the intent of this policy.

These policies will be reviewed at least annually and updated on an as-needed basis.

VIII. Metrics:

To be developed and managed accordingly.

| IX. **Records:**
There are no records associated with this policy.

| X. **Process Flow Maps:**
Not applicable.

| XI. **Forms:**
Not applicable.

| XII. **Appendices:**
Not applicable.



URBAN DEVELOPMENT GAP FUND POLICY UPDATE

ED&F Standing Committee

February 5th, 2018

What We Are Here For Tonight

- Review the Revised Urban Development Gap Fund Policy Framework
- Review key program component options
 - Loan versus Grant
 - Source of Program Funding
 - Total Program Cap Amount
- Provide feedback on structure
- Approve policy to guide staff

Overview

The Unified Government Urban Development Gap Fund was established by the UG Commission to assist with the financing and facilitation of renovations, revitalization and attraction of new business ventures in the City of KCK.

This funding is intended as supporting revenue to leverage more investment into the community.

By utilizing the Gap Fund program, the UG seeks to bring needed projects to the community that meet citizen needs, improve quality of life, and make Wyandotte County more desirable place to live and work.

Program Item 1: Grant versus Loan

The Urban Development Gap Fund Program was originally presented as a loan based program.

The cause return on the loan could be designated as direct or indirect.

- Direct cause return would be actual payments to the UG to return the loan. (Terms structured as necessary to make program viable for development)
- Indirect cause return would be a formula that takes into account all new revenue from development to the UG. This would primarily be increased property tax due to valuation increases.

There would be no cause return on the program as a grant based program.

The value and viability of projects would be based on gap need and general benefit to the community.

Grant based program would be more flexible for developers.

Loan based program, if given option of direct and indirect cause return could be more restrictive, but provide more accounting controls.

Program Item 1: Grant versus Loan

Financial Implications to UG:

*A grant program would generally require ongoing annual debt service of the principal and interest.
Would likely be set at a 20 year term.*

*A loan program would be assumed to have some variable cause return based upon projects.
Therefore, the outstanding debt service would be assumed to be less than a grant program.*

Program Item 2: Source of Funding

Option 1:

Gap Fund is bonded through GO Bond issuance:

- Allows for immediate implementation of program
- Allows for flexibility by Commission on program cap amount
- All Gap Fund outlay must be debt serviced (interest only or corpus and interest)

Gap Fund is allocated by Commission in budget process:

- Program would have to wait until budget allocation occurs
- Limited flexibility on allocation. Once cap is set it is fixed.
- Gap Fund outlay is allocated and therefore would incur no debt costs

Gap Fund is a hybrid of GO Bond & budget allocation:

- Program could be implemented immediately
- Budget allocation could lessen debt service or retire bonds as designated
- Indeterminate blend of allocated and bonded amounts

Program Item 3: Program Cap Amount

Current program framework allows Gap Program grants/loans to a development in variable amounts ranging from \$100,000 to \$1,000,000.

That means the total development project cost must be from \$1,000,000 to \$10,000,000+.

Based on current program parameters project private investment (non-UG contribution) must range from \$500,000 to \$5,000,000+

The current proposed program cap amount is set at \$3,000,000 without Commission action.

Depending upon how cause return or debt service is structured, this could limit total program reach to just a few projects. _

Fund Requirements

- Gap Funding is a cash loan program.*
 - Core capital outlay is provided to the project where private financing or normal public incentives will not leverage the funds required to advance the project.
- Future project revenues should still demonstrate the ability of the project to pay the UG back for the project loan at a minimum of a 1-to-1 ratio for the term of the project and such will be demonstrated in an approved Development Agreement Schedule.*
- Proposed project must meet all UG standards for a development project.
- It must be determined that the project is not viable without Gap Funding.
- Traditional economic development tools are not enough to cover the financing gap
- Financing must be majority private (non-UG) equity

* *With exception of residential noted on page 8*

Fund Requirements

- Qualifying Loan Amounts:
 - **\$100,000 - \$1,000,000**
 - **Must not exceed 10% of total project cost**
 - **Total public incentive not to exceed 50% of total project cost**
- Unless otherwise noted, payback to UG:
 - Cause return in 5, 10, 15 or 20-year term
 - Payback is at a 0% interest rate
 - *Analysis shows that gap between current market rate interest and UG bond interest was not great enough to provide a viable Gap Fund.*
- Total Gap Fund Issuances are to be capped at \$3,000,000
(unless Commission waives cap)
- As payback is made, new issuances may be made.
- This caps total annual interest at approx. \$96,000.

Fund Requirements

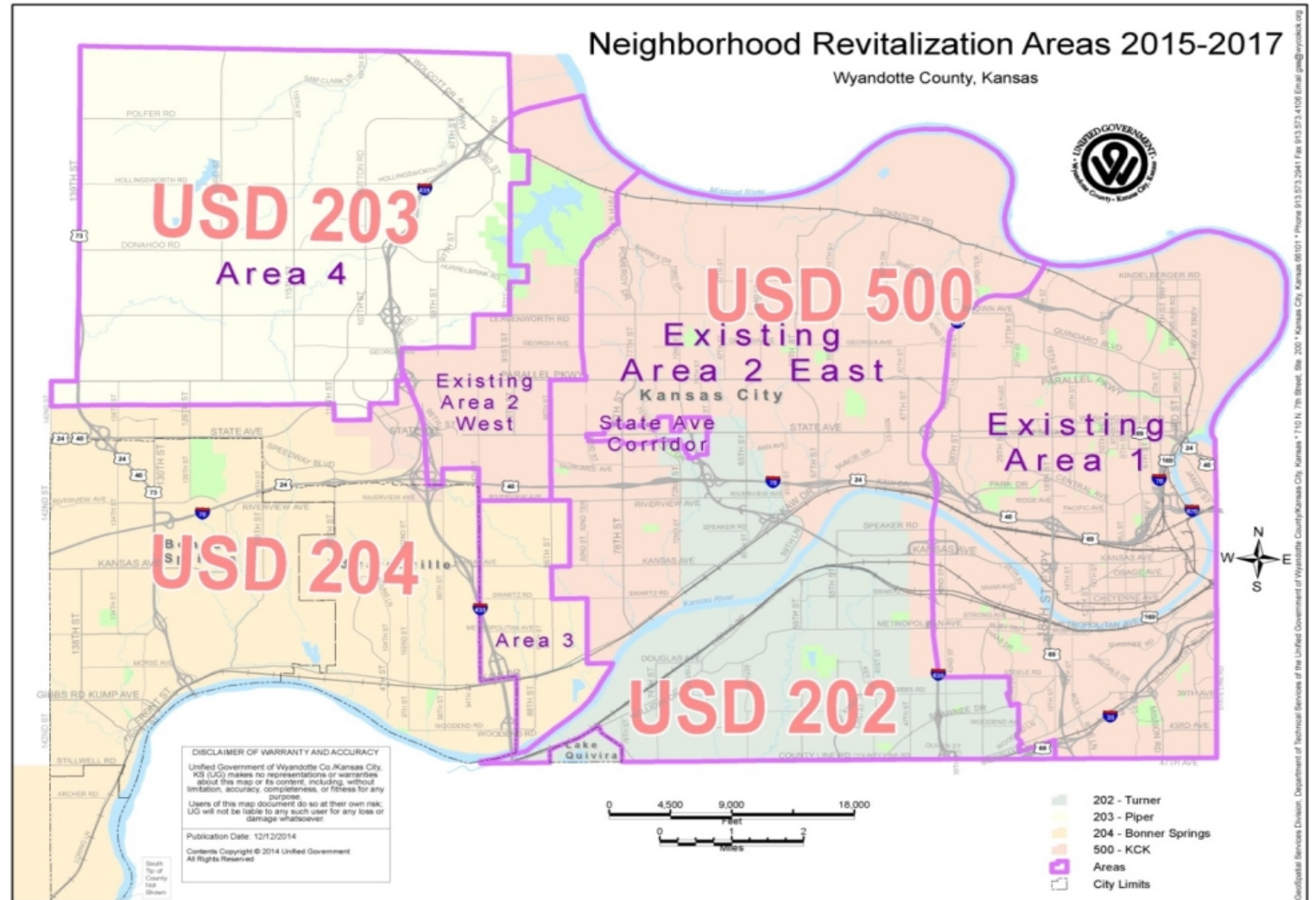
- Gap Funding Projects must adhere to the following requirements:
 - Soft costs must not exceed 30% of total project cost.
 - Changes of more than 10% to any cost line estimate must be approved by the County Administrator.
 - L/M/W requirements must meet or exceed agreed upon UG standards.
 - Gap Funds may not be used for operating expenses, equipment purchases or marketing purposes.
 - Must meet a need/service in the community not currently satisfied by existing business in the area, or helps to significantly improve quality of life for residents.

Comparable Programs

- **Gap Funds are not a common tool – Offer variable formats**
- **Detroit**
 - Offers a Gap Tool of up to \$750,000.
 - Capped at 40% of project cost.
 - Zero interest.
- **North Dakota**
 - State gap fund offered to any private business (non-ag)
 - Variable terms
 - Must be located in a community with less than 8,000 residents
- **Denver**
 - Offers Gap Tool of up to \$350,000.
 - Capped at 25% of project cost (30% for minority businesses)
 - Rate of return from 0% to market rate
- **Texas Chapter 380 Legislation**
 - New Braunfels/Ft. Worth & Others: Can loan any amount as long as net tax back exceeds amount. Total payback also forgivable

Fund Requirements: Project Areas

- The target areas for Gap Funding use correspond with the Neighborhood Revitalization Areas.
- Qualifying areas include:
 - NRA Area 1
 - NRA Area 2 East
 - NRA Area 2 East - Turner



Fund Requirements: Types of Projects

Residential Projects

- Single-Family
 - Must be a minimum of 5 homes
 - Gap Funding cash advancement issued on a per home basis
 - Single family, “for sale” homes may be issued as grants with zero repayment to the UG
 - Preference given to non-profit, existing, local housing organizations. *(However, private developers not excluded if project meets the guidelines and exhibits need.)*
 - Must be new construction
- Multi-Family
 - Must have a qualifying size minimum of 12 units
 - May be new or rehabilitation



Fund Requirements: Types of Projects

Commercial Projects

- Must have a minimum total investment of \$2,000,000
- May be a rehabilitation or new construction



Industrial Projects

- Does not qualify



Questions
Thank You

**AGENDA UPDATE
ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MEETING
MONDAY, FEBRUARY 5, 2018**

IV. COMMITTEE AGENDA

REMOVE ITEM

**ITEM NO. 4 – 1871...UPDATE: SCHLITTERBAHN VACATION VILLAGE
STAR BOND PROJECT**

Synopsis: The Schlitterbahn Vacation Village STAR Bond project update is removed from the agenda.

**ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, December 4, 2017**

The meeting of the Economic Development and Finance Standing Committee was held on Monday, December 4, 2017, at 6:15 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairman; Commissioners Walker, Townsend, Murguia, Bynum for Walters, and BPU Board Member Groneman. Commissioner Walters was absent. The following officials were also in attendance: Gordon Criswell, Assistant County Administrator; Kathleen VonAchen, Chief Financial Officer; Patrick Waters, Senior Attorney; Reginald Lindsey, Budget Director; and Jon Stephens, Interim Economic Development Director.

Chairman McKiernan called the meeting to order.

Roll call was taken and members were present as shown above.

Approval of standing committee minutes from October 2, 2017. **On motion of Commissioner Walker, seconded by Commissioner Townsend, the minutes were approved.** Motion carried unanimously.

Committee Agenda:

Item No. 1 – 171349...REPORT: THIRD QUARTER BUDGET REVISIONS

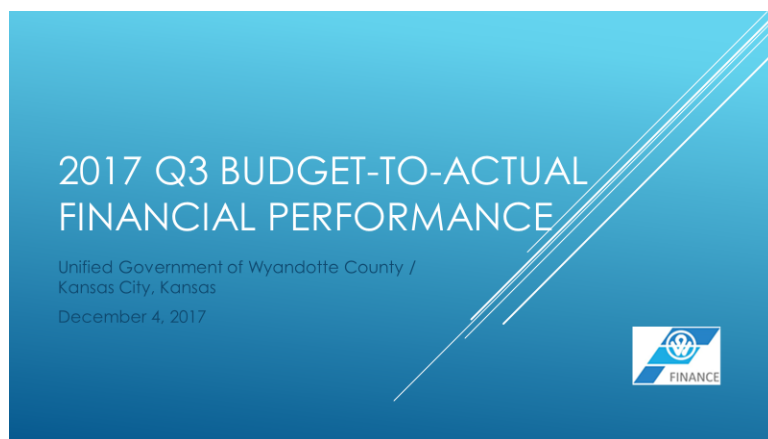
Synopsis: Third Quarter Budget Revision Report, submitted by Reginald Lindsey, Budget Manager.

Reginald Lindsey, Budget Director, said we had one item on our Third Quarter Budget Revision Report that was over \$10,000. It was a \$30,000 transaction in the County General Fund in District Court and it was related to sexual assaults. There was a new statute that was passed and it allows victims to go to the hospital to get tested and be examined. It required \$30,000.

Commissioner McKiernan said this is an item that is for information only. There's no action. Just to reiterate that this was budget neutral. It was just a transfer. **Mr. Lindsey** said yes.

Item No. 2 – 171347...REPORT: THIRD QUARTER BUDGET TO ACTUAL

Synopsis: Third Quarter of Fiscal Year 2017 Budget to Actuals Report, submitted by Kathleen VonAchen, Chief Financial Officer; and Reginald Lindsey, Budget Manager.



Kathleen VonAchen, Chief Financial Officer, said we are going to report tonight on the revenue and expenditure performance for our General Fund as well as all the other funds.

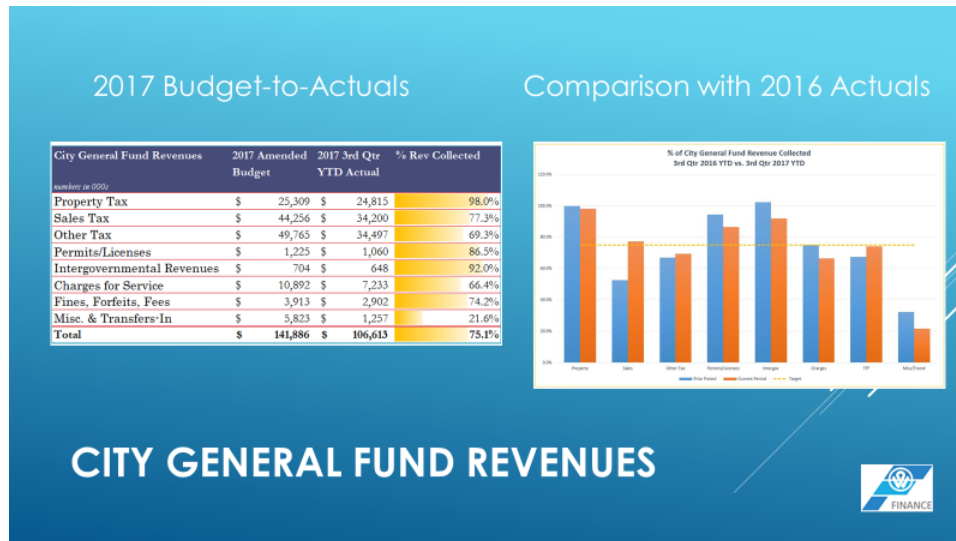
CONSOLIDATED GENERAL FUND							
<i>numbers in 000's</i>	FY 2016			FY 2017			
	Budget	3rd Qtr YTD Actual	% of budget	Budget	3rd Qtr YTD Actual	% of budget	
Revenues	\$ 192,441	\$ 153,420	79.7%	\$ 204,028	\$ 162,908	79.8%	
Expenditures	\$ 198,213	\$ 140,881	71.1%	\$ 205,767	\$ 141,210	68.6%	
Net Alloc & Transfers	\$ (2,299)	\$ (1,725)	75.0%	\$ 982	\$ 736	75.0%	
Net Change	\$ (8,072)	\$ 10,815		\$ (757)	\$ 22,434		
Balance, Start of Year	\$ 21,129	\$ 21,129		\$ 19,279	\$ 19,279		
Balance Year-to-Date	\$ 13,057	\$ 31,944		\$ 18,521	\$ 41,713		

CONSOLIDATED GENERAL FUND OVERVIEW



We'll start out with the Consolidated General Fund which include the city and county and the Consolidated Parks and Recreation Fund in total. That total budget there is excluding an annual appropriation for debt with \$205M for fiscal 17. As of the end of September 30 we have expended \$141M and that was balanced by \$163M in revenue collected. Because our fiscal year is on a calendar year through September represents 75% of the fiscal year. You can see that at the end of the year or at the end of September we collected almost 80% of our other revenues which is greater than the 75%. Correspondingly, our expenditures came in at 68% which is less than the 75%. Our collections are greater than we expected and our expenditures are less than we expected so we are coming out pretty good.

The columns over here by the way are comparison with the prior year and just so you can see that the current activity in this current fiscal year is pretty consistent with what occurred at the same period last year.



We're going to walk you through a few of the largest funds, which are the City General Fund and then the County General Fund. I'm going to talk about the revenues and then Reginald is going to talk about the expenditures.

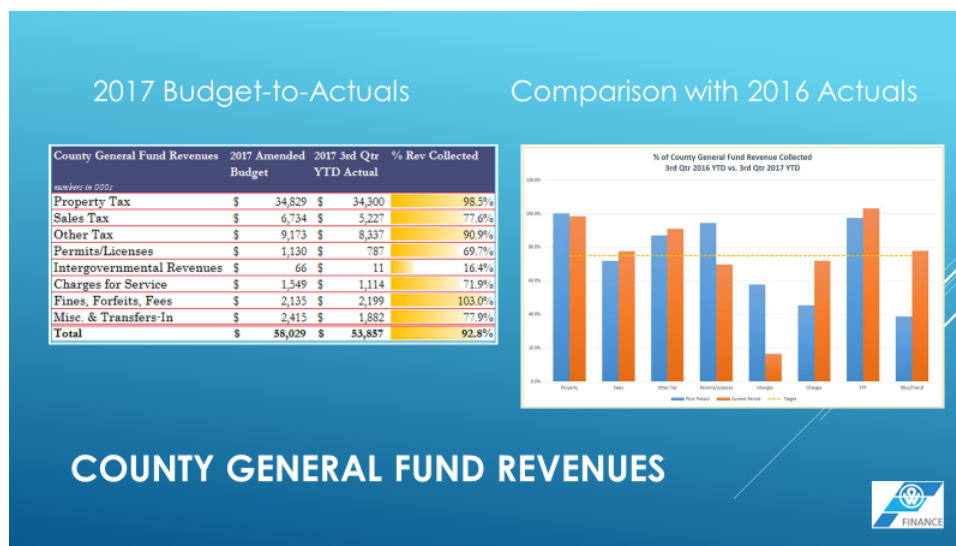
The City General Fund Revenues, this chart shows what we've budgeted by category and then what we've spent through the end of September by these same categories and what revenues collected and what percentage of the total budgeted estimate was and this is a comparison by all those categories with the prior year during the same period. You can see from the City General Fund a good portion of the total taxes or the total revenue collected for the General Fund is \$25M, of the \$141M are property tax collections. So far through the end of September, those were 98% collected and that's because our property taxes are collected earlier in the year and they're all due pretty much in April and May. There are some collections that take place later on in the year, but for the most part we collect all the revenues at the beginning of the year for property tax. The sales tax that happens throughout the year, but we do get a big bump during Christmas as you would expect.

Sales Tax revenue is coming in at 77% through the end of September which is higher than we expected so it's looking pretty good and given the fact that we are expecting better sales tax revenues during the higher Christmas months of October, November, and December.

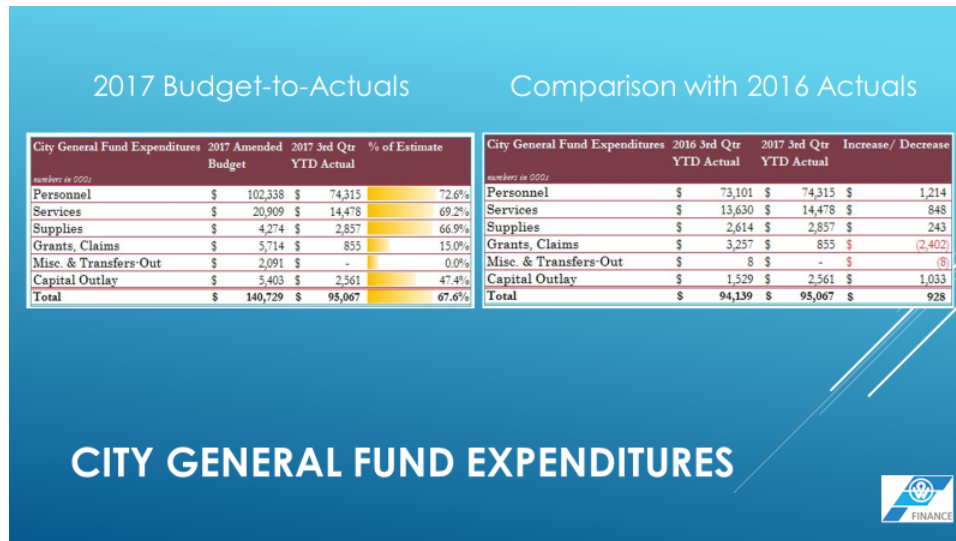
Other revenues, other tax is below the expected 75% and that's mainly because in that number there's an annual appropriation that we appropriate for debt reserve just in case there isn't enough funds to make our debt service payments. Typically, we don't actually ever spend

that because we are always have—so far we’ve always had the revenues to spend it.

Other key items here which are a little larger, charges for services are down from what we expected. They’re at 66%. We need to kind of take a look at that, but those are items that are a little bit out of our control. Most of the costs are related to the collection of trash collection fees and also the other area is Municipal Court fines and fees and court costs. Some of this difference may be a result of a delay in payment, especially the residential trash collection charges. Overall, we’re doing pretty good, 75%.



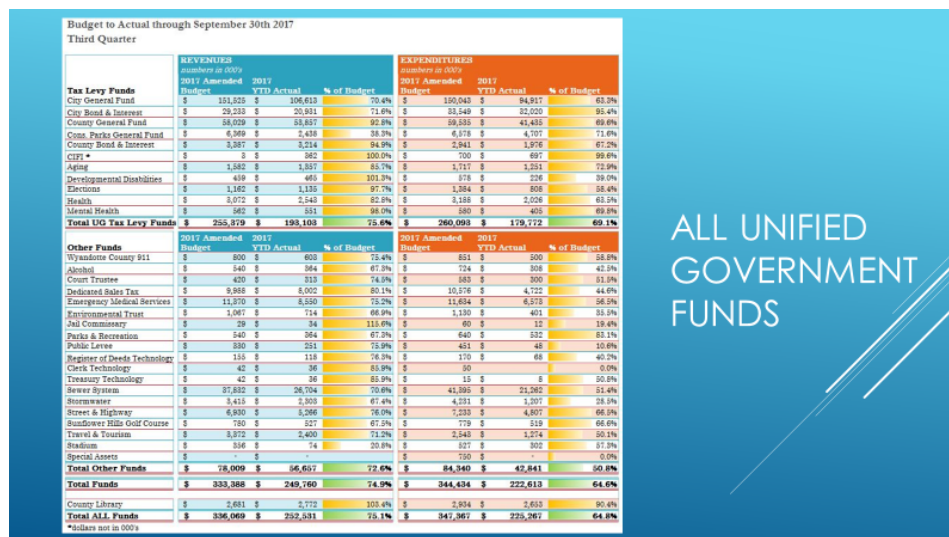
On the County General Fund Revenue side, also we’re doing really well. We’re at 98% and that’s because this fund it collects property tax and it represents a greater portion of it’s total. Total total is \$58M budgeted for revenue in the County General Fund of which \$35M is property tax and that, as I mentioned before, property tax is collected earlier in the year so we’re at 98% of that. Sales Tax also at 77% just like the City Fund. This revenue collection is consistent with what’s been shown as what we collected the prior year for the same period.



Reginald Lindsey, Budget Director, said we have \$140M City General Fund Budget. This doesn't include the appropriations, with appropriation it's \$151M.

The Personnel category is our largest category at \$102M of this Public Safety and Public Works are \$100M of this budget. A good rule of thumb is that we should have around 75% of the budget left here. Moving to the bottom line we have 69% of the budget left in all the categories and all the categories were below 75% so with Personnel we're 72%. Services were 69% and supplies 66%. In grants and claims we are 15%. This is what where we pay legal claims from and also where we give a grant to Parks and Recreation General Fund. That hasn't been done yet, and our legal expenses are not as much as they have been in the past years so we will have some savings there. Capital Outlay is at 47%. We have a lot of spending going on right now with Capital so that number will get closer to the 100% towards the end of the year.

In the County General Fund we have a \$59M budget with Personnel being our largest category of \$40M. Public Safety is our largest spending category as far as departments. It's a \$32M budget. You can kind of see how mostly all these categories are below the 75% spending that we're looking for so we see all of the categories together for 69% with Personnel coming in at 74% right on the edge. You can kind of see grants and claims are up at 80%. Here is where we grant some of our outside agencies funding. We paid a lot of those out this year already. You can kind of see here again with Capital Outlay at 50%. The departments are working hard on their Capital budgets right now so we will see that number more closely to 100% towards the end of the year.



This chart right here kind of illustrates and shows us all the other funds we have within the Unified Government on the revenue side and the expenditure side. Rule of thumb, we want the revenues to come in at 75%. You can see that most of them have come in over 75%.

On the Expenditure side we want the revenues to be below 75%. You can see the bottom line here is at 64%.

Chairman McKiernan said so once again an information only. Not an action item. Bottom line is, we are even or a little ahead on revenue and a little behind on expenses which is always a great place to be at this time of year.

Ms. VonAchen said that's right. By the way, this report is on the Finance Department website and you can also get much more detail if you refer to the OpenGov website in the Budget Division part of the Finance Department website. **Chairman McKiernan** said there is a complete report with narrative that we all got. That's going be part of our minutes packet anyway. Everybody could theoretically have access to the report with the narrative as well as the graphs in the minutes. **Ms. VonAchen** said that's also on our website.

Action: No action taken.

Item No. 3 – 171400...RESOLUTION: CASH MANAGEMENT AND INVESTMENT POLICY

Synopsis: Resolution adopting the Unified Government Cash Management & Investment Policy as previously adopted with no recommended revisions, submitted by Kathleen VonAchen, Chief Financial Officer.

Commissioner Walker said if I'm not mistaken, this just asks us to approve the current policy. **Chairman McKiernan** said that is correct. There has been no change to this policy since the last time this committee and the Commission voted on it. **Commissioner Walker** said I know it's an exciting topic, but I'd like to make a motion to approve it.

Action: **Commissioner Walker made a motion, seconded by Commissioner Townsend to approve.** Roll call was taken and there were six "Ayes," Groneman, Bynum, Murguia, Townsend, Walker, McKiernan.

Item No. 4 – 171416...UPDATE/RESOLUTION: GAP FUND POLICY

Synopsis: Update on the Unified Government Urban Development Gap Fund Policy, and request adoption of a resolution approving said policy, submitted by Jon Stephens, Interim Economic Development Director.



Jon Stephens, Interim Economic Development Director, said if you remember a couple months ago we brought this initial Gap Fund Policy before this committee. I think there was a great discussion on it. There were many questions, a couple of key questions that came out related to clarifying a little bit more related to some of the issues. Staff went back and looked at that and during that time I would say that Commission members have expressed some other ways to refine and offer some suggestions to make this a more robust policy. I'm going to walk through, most of this you have seen before. This has not substantially changed except for a couple of key issues that I'll highlight that were brought forward by some folks in the community.

What We Are Here For Tonight

- Review the Revised Urban Development Gap Fund Policy Framework
- Provide feedback on structure
- Approve policy to guide staff

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I will just walk you through that. We are here tonight to review the revised Gap Fund Policy framework, provide feedback on any of the structure and then to advance the policy to guide staff.

Overview

The Unified Government Urban Development Gap Fund was established by the UG Commission to assist with the financing and facilitation of renovations, revitalization and attraction of new business ventures in the City of KCK.

This funding is intended as matching revenue to leverage more investment into the community.

By utilizing the Gap Fund program, the UG seeks to bring needed projects to the community that meet citizen needs, improve quality of life, and make Wyandotte County more desirable place to live and work.

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To refresh you again, the overview, this was established by the Commission to assist with the financing and facilitation of renovations, revitalizations, and attraction of new business into the city of KCK, so a pretty broad framework. It is intended as a matching revenue program to leverage more investment into our community and by utilizing the Gap Fund we seek to bring

needed projects to the community to meet citizens needs. Improve the quality of life and make Wyandotte County a more desirable place to live and work.

Fund Requirements

- Gap Funding is a cash loan program.*
- Core capital outlay is provided to the project where private financing or normal public incentives will not leverage the funds required to advance the project.
- Future project revenues should still demonstrate the ability of the project to pay the UG back for the project loan at a minimum of a 1-to-1 ratio for the term of the project and such will be demonstrated in an approved Development Agreement Schedule.*
- Proposed project must meet all UG standards for a development project.
- It must be determined that the project is not viable without Gap Funding.
- Traditional economic development tools are not enough to cover the financing gap
- Financing must be majority private (non-UG) equity

** With exception of residential noted on page 8*

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The Gap Fund Policy as outlined before you, this is a Cash Loan Program; however, at this point I will note the bottom of the proposed revision to this is outlined with the exception of a residential caveat that has been added into this as a proposed change. I wanted to note that because the rest of this has not changed from the previous presentation.

When it is used as a Cash Loan Program is a cause return related to the project on a minimum of 1 to 1 ratio. All UG standards for economic development must be met to utilize this program. It must also be determined by staff as being not viable without this tool.

Additionally, it must meet the need, the traditional economic development tools. All of the other things in our toolbox are just not enough to cover this gap.

The financing must be majority private. The explanation there is non-UG equity. Even utilizing other incentive tools that are UG equity.

Fund Requirements

- Qualifying Loan Amounts:
 - **\$100,000 - \$1,000,000**
 - **Must not exceed 10% of total project cost**
 - **Total public incentive not to exceed 50% of total project cost**
- Unless otherwise noted, payback to UG:
 - Cause return in 5, 10, 15 or 20-year term
 - Payback is at a 0% interest rate
 - *Analysis shows that gap between current market rate interest and UG bond interest was not great enough to provide a viable Gap Fund.*
- Total Gap Fund Issuances are to be capped at \$3,000,000
(unless Commission waives cap)
- As payback is made, new issuances may be made.
- This caps total annual interest at approx. \$96,000.

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The qualifying loan amounts, again this has not changed from your previous presentation, we believe that the qualifying loan amount should be in the amount of \$100,000 to \$1,000,000. It must not exceed 10% of the total project cost. Total public incentives related to the project must not exceed 50% of the total project cost. This is a Gap Fund so this would be layered onto potentially other incentive tools.

Unless otherwise noted, the payback would be cause return in 5 years, 10, 15, or 20 years as need determines related to the type of project, the type of financing tools, etc. The payback would be set at a 0% interest rate. The analysis shows that the gap between current market rate interest and UG bond interest was not great enough to provide a viable Gap Fund. This was brought up in the discussion with this committee last time related to if we bond this Gap Fund dollars as discussed, couldn't we charge the developer in these projects a percentage of that between the 3.5% and 0%, somewhere in there. It really was determined in discussions with a lot of people that going to a partial percentage just was not enough to support development when the Gap Fund is utilized.

The total Gap Fund issuance would be capped at \$3M. So that's the total loan granted and approved by the Commission of all projects that would be utilizing this. Once it reaches a cap of \$3M, we would have to stop issuing Gap Funds or look at the Commission to expand the program to grow the program past the \$3M cap.

As payback is made, so as these cause return payments come back on this that cap, obviously the outstanding debt on that would lower so; therefore, we would make new

issuances for new projects, Gap Fund Projects before.

Based on a \$3M maximum it was asked before what would the bonding look like. It's annual interest would approximately equal \$96,000 a year if we were capped out on Gap. At this point another question was asked, if I could editorialize a little bit, is how many projects are currently in the pipeline seeking Gap Funds. There have been a couple that have expressed a lot of interest in this after hearing the ED&F presentation, but there is currently one that, one project, that I believe seeking specific ask with specific type project related to Gap Funding.

Fund Requirements

- Gap Funding Projects must adhere to the following requirements:
 - Soft costs must not exceed 30% of total project cost.
 - Changes of more than 10% to any cost line estimate must be approved by the County Administrator.
 - L/M/W requirements must meet or exceed agreed upon UG standards.
 - Gap Funds may not be used for operating expenses, equipment purchases or marketing purposes.
 - Must meet a need/service in the community not currently satisfied by existing business in the area, or helps to significantly improve quality of life for residents.

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The fund requirements related to this would also be the soft cost related to the total project must not exceed 30% of the total project costs. Changes of 10% or more to any cost line must be approved by the County Administrator. That's just good financial diligence on a development project where we have a cash outlay risk like this. All L/M/W requirements must be meet or exceeded according to UG standards. The Gap Fund may not be used for operating expenses, equipment purchases or marketing purposes for a project. It must meet a need or service in the community that is not currently satisfied by the existing businesses in the area or to help to significantly improve quality of life for residents.

Comparable Programs

- **Gap Funds are not a common tool – Offer variable formats**
- **Detroit**
 - Offers a Gap Tool of up to \$750,000.
 - Capped at 40% of project cost.
 - Zero interest.
- **North Dakota**
 - State gap fund offered to any private business (non-ag)
 - Variable terms
 - Must be located in a community with less than 8,000 residents
- **Denver**
 - Offers Gap Tool of up to \$350,000.
 - Capped at 25% of project cost (30% for minority businesses)
 - Rate of return from 0% to market rate
- **Texas Chapter 380 Legislation**
 - New Braunfels/Ft. Worth & Others: Can loan any amount as long as net tax back exceeds amount. Total payback also forgivable

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It was also asked by this committee last time to bring back some comparisons to some other programs. I will say there are not a lot of apples to apples comparisons of a Gap Fund Program like this. There are many Gap Fund programs out there, some administered by banks, some administered by different things. However; I wanted to bring you at least a few variable options to look at that staff found had some interesting comparison points.

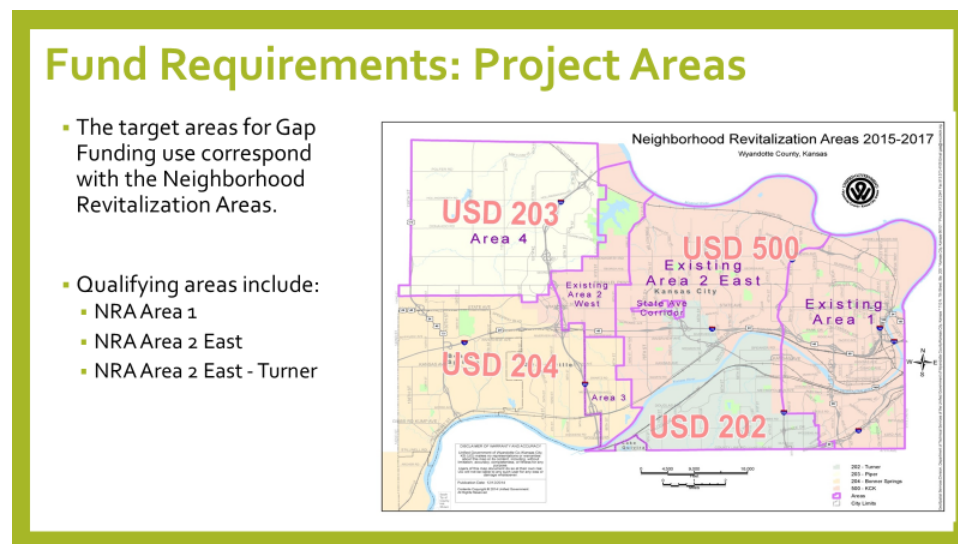
Detroit, given all of their Urban Renewal needs and Urban Renewal efforts they offer a very generalized tool Gap Fund tool of up to \$750,000 per project. It's capped at 40% of project costs so this can cover a pretty significant gap within it. It is offered at a zero interest with variable payback terms.

North Dakota has a state Gap Fund program. A state authorized Gap Fund program that is offered to any private business that is non-agriculture. It cannot being offered to a farm-based business. It has a variable terms as well. Very open to negotiable terms on that, but they're caveat is it must be located in a community with less than 8,000 residents. This one, they identified a very specific need related to underserved small towns. It's in areas that were really underserved with traditional financing vehicles or proof of development investment.

Denver offers a Gap Fund tool. Denver is generally is very thriving economically. They offer a Gap Fund tool of up to \$350,000. Theirs is capped at 25% of project cost, but that increases to 30% if it is a minority owned business. The rate of return there is set at a variable rate and that is based on many factors from what we were able to find. If it's an underserved area, it may be given 0% cause return rate interest rate. If it's in an area such as LoDo or some

of the areas of Denver that are very thriving, but still these projects are deemed in need of a Gap it may be offered a market rate interest rate. So that one is unique.

Texas has that one. I hesitated to throw this in here because it's a very broad, pretty excessive one, but I thought it was worth sharing. Their Chapter 380 legislation statewide is a very broad Gap Fund Program that can offer a loan in any amount as long as the net tax back exceeds the amount. Therefore, they base their cause return on the return of taxes back into that community or into the state over a period of time. If that's a 10, 15, 20 year, they look at the net increase of value and they assess a payback based on what the incremental tax increase would be and that's how they set that Gap Fund.



The project areas as proposed previously have not changed. We recommend utilizing the NRA 1, NRA 2 East, and the NRA 2 East – Turner so your traditional areas there that correspond with the Neighborhood Revitalization Act areas.

Fund Requirements: Types of Projects

Residential Projects

- Single-Family
 - Must be a minimum of 5 homes
 - Gap Funding cash advancement issued on a per home basis
 - Single family, "for sale" homes may be issued as grants with zero repayment to the UG
 - Preference given to non-profit, existing, local housing organizations. *(However, private developers not excluded if project meets the guidelines and exhibits need.)*
 - Must be new construction
- Multi-Family
 - Must have a qualifying size minimum of 12 units
 - May be new or rehabilitation



The types of projects that we propose as being used are residential. Single-Family we still recommend that it must be a minimum of five homes. The Gap Fund Cash Advancement is issued on a per home basis. Single-family "for sale" homes may be issued as grants with zero repayment to the UG. This is the new one that was brought by interested parties, I think was discussed with one or more commissioners related to this being an additional tool within this Gap Fund Policy that would be beneficial. We felt that we wanted to bring this revision before this body for discussion and then we would say the preference be given to non-profit existing local housing organizations; however, we would not limit it to non-profit or local housing organizations if a private developer were to come with a Gap Project that meets or exceeds the guidelines, meets or exceeds all the other need and expressed a clear Gap need within their financing, we would not necessarily exclude them from participating in this program. The residential single-family must be new construction.

Multi-family utilization of this tool would be a minimum qualifying size of 12 units and it may be new or rehabilitation.

Fund Requirements: Types of Projects

Commercial Projects

- Must have a minimum total investment of \$2,000,000
- May be a rehabilitation or new construction



Industrial Projects

- Does not qualify



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Commercial must have a minimum total investment of \$2M. It may be a rehabilitation or new construction as well.

Finally, we still maintain that Industrial Projects, there are just many other tools within the Industrial Project array and we just don't feel that this is a tool that really in anyway would be necessary for Industrial Projects.

With that that is the revised Gap Fund Policy brought back before this committee and entertain any and all questions.

Commissioner Murguia said I have a bunch of questions. It was a great presentation and I even do development as you know, but I have some questions, this is kind of hard to understand. The language used in the overview, and I'm not sure it's really important, but just so there's not any misunderstanding it says the funding is intended as matching revenue, but yet you're only funding up to 10%. When I think of the word matching, I think of your matching me 1-to-1. I just caution you about that language so that there's no misunderstanding. Without looking at this, just so I kind of have an idea, are you saying that the Gap Fund is a loan for both residential and commercial or is it a loan for commercial and a grant for residential. **Mr. Stephens** said I think what we have looked at as the best course of action for this program from our recommendation and our analysis would be that this would be a loan program at a zero percentage return, zero percent interest; however, with the exception of qualified residential

single-family projects that it could be there could be a no repayment so then, therefore, for clarity sake; I would qualify that as a grant Gap Fund component of the Gap Fund Policy. **Commissioner Murguia** asked why would you separate out single-family residential as grant funding, but you wouldn't do that for commercial. **Mr. Stephens** said I think as we looked at it we felt like commercial and multi-family that many of their gaps, many of the deltas that exist in any of those projects, I'm not going to speak to all of them, but in many of those the zero percent interest tool was enough so repaying the corpus back to the Unified Government was something that could still be done within their performance's, whereas the single-family residential projects in many instances and in a couple specific instances those numbers were just very, very difficult to coalesce even with any amount of repayment.

Commissioner Murguia asked what commercial retail projects have we done east of I-635 that's new construction that you've been able to compare them to. **Mr. Stephens** said I wouldn't say we necessarily compared because obviously if they've been completed, they somehow found their financing, their capital stack, but within rehabilitation and construction there have been several that I have been told from various previous staff and current staff in looking at it, that the but for analysis they've just been unable to gain traction, unable to happen on the east side of our community because they are unable to close that last piece of financing. I think we looked at it as these are the projects that have been unable to move forward or were envisioned that never came about. We believe this tool is an additional piece that could help those projects come about. **Commissioner Murguia** said I'm not sure I understand. I'm still not clear. I have not seen—the whole point of this I was around because I was one of the people that thought this Gap Fund was a good idea before there was a Gap Fund. The whole point of this was to spur economic development east of I-635 in the way of housing and in the way of commercial development. Industrial was never a conversation because we seem to do a pretty good job at attracting industrial development. I'm just speaking of retail and housing development. I guess what I'm saying is that since we want more of that development and it's not happening on our own, with our current incentives, then why would commercial be restricted from it being a grant fund versus a no-interest loan. I guess, in my mind, your either in or your not. This is the problem. Maybe some commissioners have said that housing is a bigger priority and so they want more houses built. As someone that dabbles in the economic development for

the last decade, I will tell you people will not locate where there are not resources and amenities like grocery stores. We've seen that when we tract the population trends within our community and how people have moved out of the urban core, even people not for any bad reasons just moved out because there weren't any amenities any longer in that area. Why are we treating those two issues different? Specifically retail, commercial development, and single-family housing. **Mr. Stephens** said I can tell you we were looking at initially in crafting this, myself and the staff was looking at how can we be beneficial to the developers while being as conservative as possible on behalf of the Unified Government's bottomline. That's where we landed at a cause return and a repayment at a zero percent. That being said, I certainly would agree with you that if we very much want to spur revitalization within commercial, multi-family and single-family moving many of the same qualifications, but then removing any cause return or repayment to the Unified Government and making this a true grant would certainly be a tool that I think would be highly valuable to developers of all types.

Commissioner McKiernan said if I could just jump in real quick here. When I originally talked to Mr. Bach about this idea, probably five years ago now, there was one specific project you can probably see from City Hall that was a gap short of coming to fruition, a mixed-use project. My original thought on this was that we would have a pool of cash that would effectively go as grants to fill gaps for projects that our team had said were worthy of having the gap filled and would spur development and that we would have a pool of cash and we would simply spend it until it was gone and then the next year we would have another pool of cash and we'd spend it until it was gone and we've kind of worked this into borrowing this, and I'm on record as saying, "I would prefer to still have a pool of cash and if we happen not to spend it then it just goes to our bottom line". I think that would be the ideal for me is that a pool of cash is a grant rather for residential or commercial and that we have a fine item amount of money and projects that are eligible and met all the criteria and move forward up to the point where the fund is gone for that particular year.

Commissioner Murguia said I would think that the effect that would have in the development world is knowing that there's x amount of dollars for that year is that the projects would be—the quality of the project would become more competitive whether it be commercial or residential

and that the reason we have people like you and other economic development staff is to determine what the quality of the project is. You have the ability to say we don't believe that this project meets our quality standards when we're making this level of investment. I go back to what I said; I guess I don't understand any development and honestly I haven't been over this with you, no one has briefed me on this. I've just seen this presentation so it's always hard to have to really think it out. I guess I don't even know—I'm not a huge fan of multi-family, but I don't know why we would exclude anything. What it's really based on is it depends on the neighborhood, the block it sits on, the location, what the need in that particular area of our city is. It's so specialized, that's why I would just think that having something less restrictive with so many rules, as Commissioner McKiernan said, where you had a pot of money and staff would review the projects. I guess the worse thing that can happen in that is you can have all of a sudden a flood of projects come to the Unified Government wanting to take advantage of this Gap Fund. I'm not sure any of us would be heartbroken about that. Now staff might be a little overwhelmed, but I think that in my opinion—**Mr. Stephens** said you'd have no complaint from me.

Commissioner Murguia said that's a good being overwhelmed, then we'd need to reevaluate hey, we're just on the cusp, we're really close. We all know that what we do right now in the urban core is we do what I call onesies and twosies. We do small projects because they are high risk. We all know that. I live in that urban core. I can say that. They're high risk. Nobody wants to take that level of risk so we do little projects that don't create the momentum that you need to do larger scale developments. I think, not to bring up a bad subject, but just last Thursday we authorized \$2M in my mind, in grant money to move forward with a Downtown Healthy Campus. We did just Gap Fund with a grant, \$2M on a project, where we don't have any tenants. I've said that over and over again. This policy, if it's written, they have to come forward with tenants ready to go, ready to sign a lease, ready to move forward. You have to come forward with developers who are ready to build a house who have financing. Why would we do one thing for this Downtown Healthy Campus and not offer that same privilege all across east of I-635 and including midtown. I'm saying east of I-635, I probably shouldn't say that, I should use Area 1 and Area 2, whatever you call them. We did this once before, and I don't want to get you sidetracked, but this government threw millions of dollars at Indian Springs to buy it and tear it down. That was a decade ago with the hopes of something happening there.

Nothing has ever happened. Now we're making it hard for people that are bringing forward real projects, they have a real deal in hand and we're putting all of this criteria on them. I guess we're very inconsistent and we're sending really the wrong message to the public.

Commissioner Walker said first of all I don't think we'll ever have east of I-635 a project that doesn't have a Gap, to be perfectly honest, and if you have a Gap Fund that's applicable anywhere in this city, developers who see that with two exceptions, casino maybe the industrial, you're going to have a Gap. I had envisioned, much like Brian, that we just had a pool of money and we maybe had a few rules on an annual basis because we don't have the money—you know fund it to the extent of \$10M a year. Maybe what you have here—it's hard for me to get clear in my mind, maybe we have two kinds of Gap Funds. We have this \$3M which is a payback and basically follows all these rules and that's available and on then on an annualized basis we have a pool of money and I'm going to say a \$1M, I don't know what the number is. It's a budget item every year and maybe some years you have more and maybe you got less and the rules be less restrictive, more in keeping with what Commissioner Murguia has outlined. I think the problem is we're not going to move anything forward here tonight to the full commission in my opinion because there's just across the board, I don't want to say dissatisfaction, it's a great attempt, a great job.

Commissioner Murguia said I'll be very direct as always. I'll move this forward and I'll tell you my districts not going to suffer at all because what I'm going to do is I'm going to go raise private money and I'm going to fill my gap. Unless we're going to hold long drawn out special sessions to throw \$2M at a Downtown Healthy Campus and then do stuff like that and every project has to be a special pet project, nobody else is going to get any money. Nobody else's job up here is to fund raise money. I'm really hurting myself. I'd be better off to just sit here and say okay, Aye, go head, knock yourself out; but nobody is coming to those areas and the difference is, Commissioner Walker, I hear what you're saying, everybody has a Gap Fund, but the reality is that everybody does have a Gap Fund, but we're not even getting any takers in the city. You're right, all those people are getting incentives that are out west, nobody is even looking—we've just thrown tons of money at the northeast and we still don't have a signed deal on a grocery store, how ridiculous—**Commissioner Walker** said I know. We've gone over that

a dozen times already since last week and tonight and the decision was made and it's water under the bridge. The bottom line here is we either need to move this forward or we need to send it back and then next month you guys rewrite, argue over it again. I don't care, but I want to do something. We're not going to decide it all here tonight. **Commissioner Murguia** said I'm not arguing. Like I said, if I'm just looking at my district, it doesn't hurt me at all. **Commissioner Walker** said then good.

Action: **Commissioner Walker** made a motion, seconded by **Commissioner McKiernan**, to move this forward to the full commission.

Chairman McKiernan said what I'm hearing here is there is some thought about asking staff to consider a total grant program as opposed to loan/commercial grant/residential. To be clear, although, I may have envisioned a pot of money, we don't have one. We still have the issue of—**Commissioner Murguia** said no one is suggesting the amount of money increases. **Commissioner McKiernan** said exactly. **Commissioner Murguia** said so wherever you're getting the pot of money to give grant money to housing, it's just grant money—**Chairman McKiernan** said we don't currently have that cash so it's still going to be the original intent to borrow that money.

Action: **Chairman McKiernan** made a motion that we ask staff to consider revisions that would make this a Gap filled grant program for both residential and commercial. **Commissioner Walker** seconded.

Commissioner Townsend said here would be my objection to that. I know we have another economic development tool with a pot of money that's only \$50,000 to help smaller businesses in these same areas. We're taking those individuals, that was supposed to be initially a true grant program and now it's not. I can't remember the name of the smaller program. **Commissioner Murguia** said I thought we were giving a grant. **Chairman McKiernan** said it is a grant. It's a payback. We have a small Business Development Grant Program. It is a maximum of \$5,000 or \$10,000 per grant.

Ms. VonAchen said I think that's funded with the IRB abatement. **Chairman McKiernan** said it would be from IRB sales. **Commissioner Murguia** said that's right. **Chairman McKiernan** said and this was a grant program. It's a payback. It's not a upfront delivery of money, it's a payback. **Commissioner Murguia** said that's right. **Ms. VonAchen** said it's not for a Capital kind of intensive—**Commissioner Townsend** said here's my questions, are those people under that program required to pay the money back or not? Let's check because that was my initial thought and understanding and then later, and I won't talk about the individual situation, it was presented to them later that no, they had to repay it. We talked about here and said what was the point if they had that type of ability to raise cash. They could have done it on credit card or gotten a loan. Let's check and see if that's true because it would make no sense whatsoever to have such a small pot of money that supposed to be a grant and was not. It seems like that would be where rules were changed in the middle of the stream.

With regard to this situation, we talked about it before, everybody is going to have a gap if we make this a true grant. I thought the distinction that was made with the housing and why there was no payback requirement there were certain areas in the city where people wouldn't be, wouldn't come, would not build, some of these non-profits, and so the profit potential was so much less than from commercial; that was my understanding of the rationale for it. I don't know that I would be in favor of these amounts of money just being given away. Yes, we want to spur development, but I certainly want that \$50,000 hot check first because that was changed and then that was my understanding as to the difference for the treatment in the single-family here on the fund requirement page.

One last question, Mr. Stephens, on the fund requirement page where they start with qualifying loan amount as written cause/return, explain to me what we're saying here. Some paybacks would be at intervals of 5, 10, 15, 20 year terms. How would that be decided? **Mr. Stephens** said I can speak to both of those issues with your second question first. The cause/return here, and I will say obviously there are larger policies discussions out here and we were tasked with doing our best to create a program that was usable, workable, but really policy decisions or policy decisions that are obviously left to the commissioners. I appreciate all the comments and we're certainly not trying to make an onerous program or an onerous outline. We're trying to make it something that is beneficial and we're happy to look at revisions. With that, we did want to work in flexibility Commissioner, related to certain projects may need very

little—they may have a higher ramp up on their revenues. For instance, a small commercial building that has potential tenants and leaseholds that are going to pay fair market rate once they come in or near fair market rate of the rental if they're coming in. Therefore, we would look at that and work with them to say, does this work within your performa, would you be able to repay, if we we're looking at this as a loan program, would you be able to repay your Gap Fund at a five-year return. If you complete your project and you start generating revenue on that project on day one of the completion, would five years work within your development calendar and your financing and capital stack to make that work. If that's unable to work, then we would go to a ten-year, if that's unable to work, we'd go to a 15 year, and really we felt like 20 years was about the maximum that we could really fairly—beause that also conforms with most other tools that we would use related to TIF or other things, to try to cap it at that 20 year because that is pretty much the max on most tools that are available for development. Does that answer your questions?

Commissioner Townsend said yes. It would be on a case-by-case basis. **Mr. Stephens** said absolutely on a case-by-case basis. As Commissioner Murguia had mentioned, this is all about staff looking and dertermining the most viable, the most beneficial projects and then working as closely and as fairly and as open as we can with the developer to say how can we make your project work, how can we make your project happen.

Commissioner Murguia said maybe I'm missing something on this, but in a variety of meetings people have talked about this and developers coming forward and having a gap and how every developer is going to have a gap. If you've never been through a development deal with the Unified Government, you have no idea the rigger they put you through every single line item of a performa. Those of you on the Commission don't realize that when a developer comes forward and shows Jon a deal, and you can correct me Jon if I'm wrong, he looks at every single line item for what they're charging. He wants to know specifically what that money is going to pay for and where it's going to go. Everything from lawyer fees to developer fees to whoever is going to make money. It isn't just a random gap and it isn't just well, you know sometimes it might come down to how badly do we want this business. I'm just saying this Commission is committed to econcomic development in the midtown area and in the city we should be looking at all of the projects that are out there that can come to these harder to develop areas and then let the Commission decide whether or not it's a priority or not. I just think that putting a lot of rules on it

is only going to make it more difficult. One, when developers can go out west and not have to consider all of the details of these rules, they're going to go where it's easier to develop. Even though there is an incentive, weeding though the incentive sometimes will cost you more in lawyer fees and developer fees for wading through it than if it was more straightforward. I'm not suggesting we just give away anything to anyone, but you have to decide and I'm not belaboring, Commissioner Walker, anything about Thursday's vote with the Healthy Campus. What I'm saying is, I'm using it as an example. Are grocery stores a priority in the urban core? Well if they are, which they are because we just threw \$2M at a maybe, then we need to look at all these deals. Maybe another development wouldn't be as big of a priority. It just depends and there's no way to know that unless they come in front of us. Right now, no one is coming in front of us. I'm getting things in my district, but I don't know the last retail development project that came to me from Commissioner McKiernan's district or from Commissioner Townsend's district. If you want to keep marching in that direction, I'm fine, that's up to you guys, but I'd kind of like to see development all over.

Mr. Stephens said, Commissioner Townsend, your other question specifically related to the single-family homes and why that was brought. That was your question, correct? **Commissioner Townsend** said not so much that I had a question about it, that was my understanding of why the distinction was made. **Mr. Stephens** said yes, if I could clarify that. The distinction was made specifically there and it was brought to staff's attention and so we made a proposed revision to this body based on that. **Commissioner Townsend** said I'm okay with that. **Mr. Stephens** said the reason, if I could get two seconds to explain that, the reason that single-family homes, especially for sale homes are difficult; they're already property tax abated in most instances in a lot of these areas. When they're property tax abated already, the cause return even if it's leveraged against property tax repayment isn't there for a period of time. Therefore, a developer builds a single-family home, they need a gap to keep that home at a price that is market rate without exceeding market rate and pricing the buyers out of the market. Therefore, they brought a compelling case that you need a gap there, but then when they sell that home they recoup the dollars for that home, but if they have to repay the gap they have no—there is no other income related to their project. That's why we do feel the single-family homes specifically because there is no recurring income when they are a home sale. There is just no other income that comes in

from that so we did have to look at that a little separate versus tenancy, multi-family, commercial; those have recurring income performance that we can look at and evaluate. **Commissioner Townsend** said I agree with that. I have spoken to some people about that, but let me just say this about the \$2M dollars, because someone or two or three somebody's may call me and say you put \$2M for a grocery store. That was not my understanding of what we did the other day just so everybody out there in TV land does not think that this Commission has put \$2M toward a grocery store. That was to do some moving forward with some other costs for the Healthy Campus. In fact, the questions I asked at the special session got to a small percentage of that money and the project may have been attributed to the grocery store, but so it's clear we're not throwing \$2M at a grocery store because I will get calls about that.

Chairman McKiernan said related to the Gap Fund, there has been some discussion about potential revisions, but Commissioner Walker did have a motion that he made several minutes ago to move this forward to full commission as it has been submitted to us. Is there a second to that motion. Commissioner Townsend seconded the motion.

BPU Board Member Groneman said Hal had a second to his, but you made a motion that Hal seconded. **Commissioner Murguia** said yes, that's why I 'm confused. I agree.

Chairman McKiernan said you seconded mine. **Commissioner Walker** said yes. I didn't hear you withdraw your original one. If you withdraw your original—**Commissioner Walker** said I withdraw my original one.

Action: **Chairman McKiernan made a motion, seconded by Commissioner Walker, that we ask staff to take this policy back to consider modifications that would make it a grant Gap Fund for either residential or commercial, bring it back to this committee for further review and potential approval to move forward to full commission.** Roll call was taken and there were five "Ayes," Gronemen, Bynum, Murguia, Walker, McKiernan, and one "no" Townsend.

Chairman McKiernan said that has enough votes to move it back to staff for some further consideration to return to this committee. **Commissioner Townsend** said with that, I would just like to request that staff look into the status of that other fund for the small ones to see currently what the status is with that with regard to a loan program or not. That was my caveat.

Adjourn

Chairman McKiernan adjourned the meeting at 7:15 p.m.

tk



Staff Request for Commission Action

Tracking No. 1869

Full Commission Meeting Date: NA

Committee: Economic Development & Finance

Date of Standing Committee Action: 2/5/18

(If none, please explain):

Publication Required: No

<u>Date:</u> 01/24/2018	<u>Contact Name:</u> Kathleen VonAchen	<u>Contact Phone:</u> x5186	<u>Contact Email:</u> kvonachen@wycokck.org	<u>Department/Division:</u> Treasurer
<u>Item Description:</u> The 4th Quarter Cash and Investment Report for the period of October thru December 2017, presented by Kathleen VonAchen, Chief Financial Officer				
<u>Action Requested:</u> N/A				
<u>Budget Impact: (if applicable)</u> Amount: Source: Included In Budget: Other (explain):				
<u>Attachments List:</u> 4th Quarter 2017 Investment Report				



Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
December 31, 2017

Investment Summary - Aggregate Portfolio By Type of Investment

Security Type	Original Cost	Market Value ¹	Amortized Cost ²	% of Portfolio	% Permitted by Policy	In Compliance	# of Days to Maturity ³	Average Yield ³
Property Tax Held for Entities ⁴	\$59,446,112	\$59,446,112	\$59,446,112	na	see note 4	✓	3	1.01%
Cash Equivalents	\$79,848,888	\$79,848,888	\$79,848,888	38.5%	100%	✓	3	1.01%
Total Liquidity	\$79,848,888	\$79,848,888	\$79,848,888	38.5%			3	1.01%
Certificates of Deposit	\$118,470,000	\$118,470,000	\$118,470,000	57.1%	100%	✓	498	1.42%
Federal Agency Securities	\$9,083,974	\$8,994,106	\$9,012,855	4.3%	50%	✓	336	0.86%
Total Securities	\$127,553,974	\$127,464,106	\$127,482,855	61.5%			299	1.38%
Total Portfolio	\$207,402,862	\$207,312,994	\$207,331,743	100%			300	1.24%

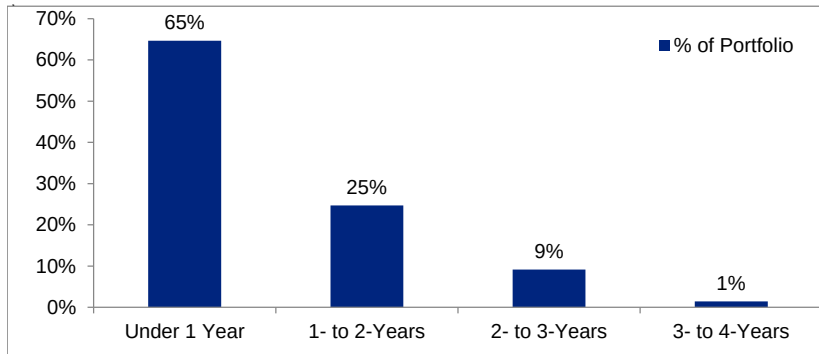
1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent.

2. Amortized cost is the original cost of the principal of the security adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report.

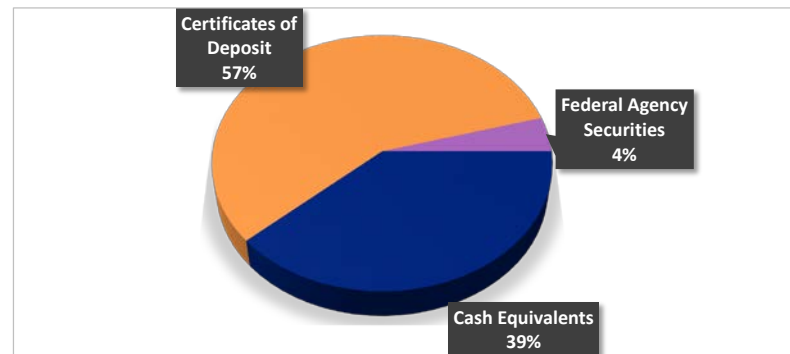
3. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.

4. Property Tax collections temporarily held by the County on behalf of other governmental entities is not a part of the Unified Government's cash and investment value. The cash being held in trust is presented here for informational purposes.

Maturity Distribution



Sector Distribution





**Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
December 31, 2017**

Compliance

Yes No

Liquidity

☒ ☐

Permitted types of investments

☒ ☐

Limits within investment categories

☒ ☐

Limits within single agency/institution

☐ ☒

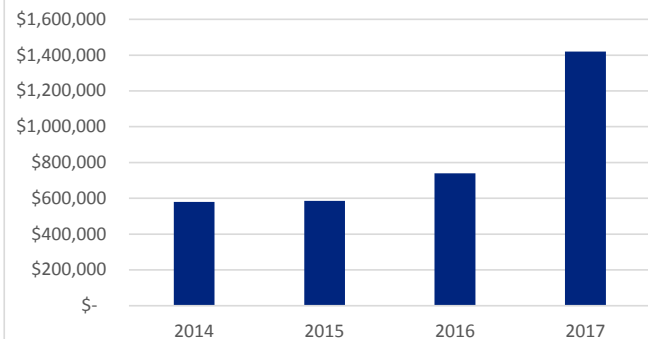
Limits relating to maturity

☒ ☐

*The investment report herein shown along
with ongoing income provides sufficient
liquidity to meet estimated
expenditures for next 6 months*

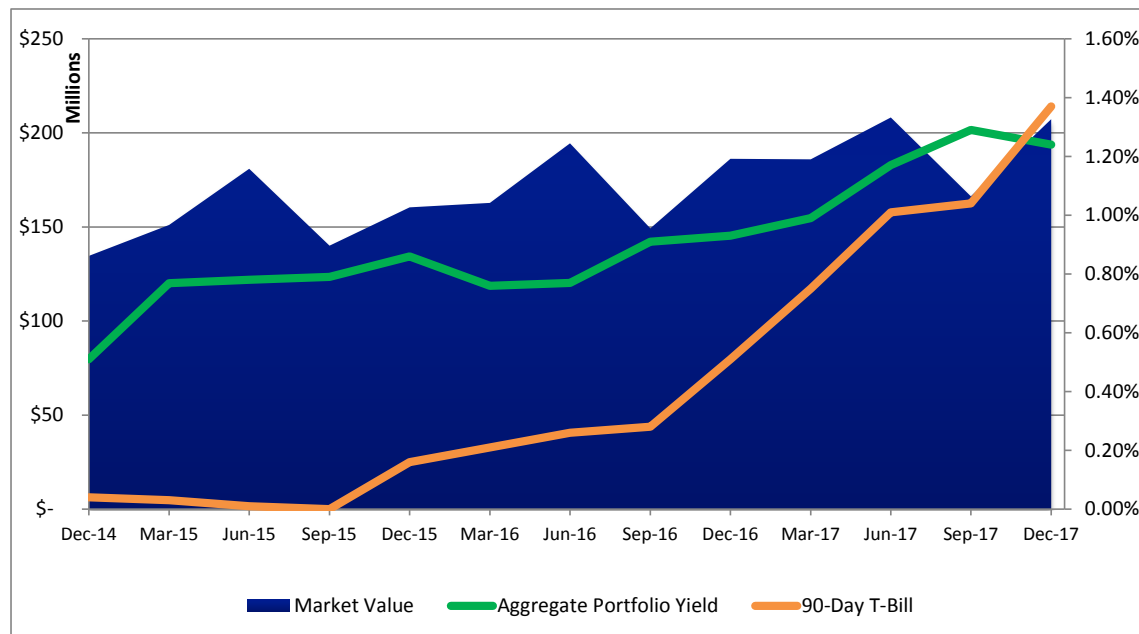
☒ ☐

Interest Earned



Historic Portfolio Size

Aggregate Yield vs. 90-Day T-Bill Rate



CFO Note: The 30% limit within a single banking institution per the investment policy compliance parameters was exceeded. Capital Federal Bank holdings totaled 30.87% of the total aggregate portfolio. In the upcoming quarters, the CFO will adjust investment strategies to come into compliance with the policy.

Kathleen VonAchen

**Kathleen VonAchen
Chief Financial Officer**

December 31, 2017

Date



Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
 December 31, 2017

Issuer Detail - Aggregate Portfolio by Issuer

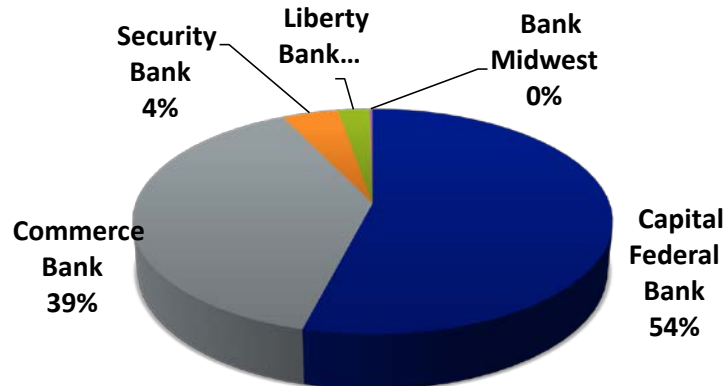
Issuer	Original Cost	Market Value ¹	% of Portfolio ³	% Permitted by Issuer	In Compliance ³	Weighted Maturity ²	Weighted Yield ²
Property Tax Held for Entities³	59,446,112	59,446,112	na	See note 3	✓	3	1.01%
UMB, Wyandotte Operating	78,986,888	78,986,888	38%	30%	✓	3	1.01%
UMB, Wyandotte Health	862,000	862,000	0%	30%	✓	3	1.01%
Cash Equivalents	79,848,888	79,848,888	39%		✓	3	1.01%
Capital Federal Bank	64,000,000	64,000,000	31%	30%	✓	675	1.63%
Commerce Bank	46,000,000	46,000,000	22%	30%	✓	221	0.92%
Security Bank	5,235,000	5,235,000	3%	30%	✓	513	1.50%
Liberty Bank	3,000,000	3,000,000	1%	30%	✓	609	1.44%
Bank Midwest	235,000	235,000	0%	30%	✓	577	1.36%
Certificates of Deposit	118,470,000	118,470,000	57%		✓	498	1.42%
FHLB	8,085,008	8,004,700	4%	30%	✓	200	1.60%
FREDDIE MAC	998,966	989,406	0%	30%	✓	1325	0.95%
Federal Agency Securities	9,083,974	8,994,106	4%		✓	336	0.86%
Grand Total	207,402,862	207,312,994	100%			300	1.24%

1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent.

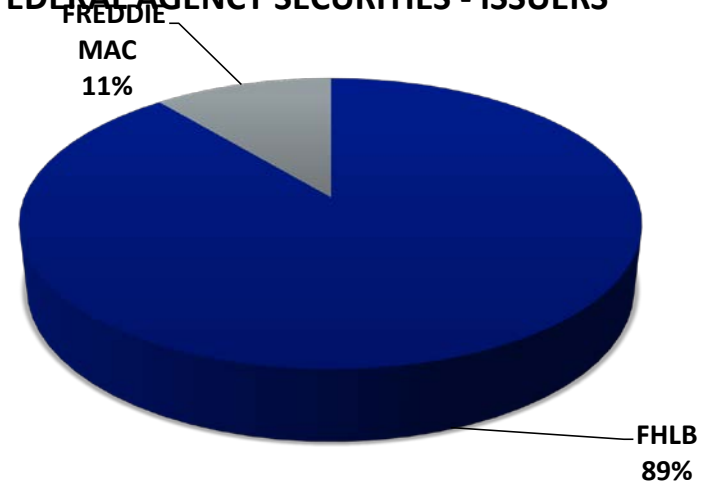
2. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.

3. Property Tax collections temporarily held by the County on behalf of other governmental entities is not a part of the Unified Government's cash and investment value for financial reporting purposes. The cash being held in trust is presented here for informational purposes.

CERTIFICATES OF DEPOSIT - BANKS



FEDERAL AGENCY SECURITIES - ISSUERS





Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
4th Quarter 2017 - Oct. 1, 2017 - Dec. 31, 2017

Quarterly Transactions Detail - Aggregate Portfolio

Settlement Date	CUSIP	Issuer	Coupon	Maturity Date	Par	Original Cost
Thru Q4	NA	UMB, Wyandotte Operating	1.134%	1/2/2018	48,755,888	48,755,888
Thru Q4	NA	UMB, Wyandotte Health Reserve	1.134%	1/2/2018	(732,000)	(732,000)
Cash Equivalents					48,023,888	48,023,888

Purchases

					-	-
12/11/2014	70122998	Capitol Federal	0.990%	10/23/2017	(3,000,000)	(3,000,000)
5/9/2014	343007030	Commerce	1.100%	11/1/2017	(4,000,000)	(4,000,000)
Calls/Maturities					(7,000,000)	(7,000,000)
Total					41,023,888	41,023,888



Staff Request for Commission Action

Tracking No. 1867

Full Commission Meeting Date: NA

Committee: Economic Development & Finance

Date of Standing Committee Action: 2/5/18

(If none, please explain):

Publication Required: No

<u>Date:</u> 01/24/2018	<u>Contact Name:</u> Kathleen VonAchen	<u>Contact Phone:</u> x5186	<u>Contact Email:</u> kvonachen@wycokck.org	<u>Department/Division:</u> Finance
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Item Description:

A summary presentation of proposed revisions to the Unified Government's financial planning policies for Committee member comment and discussion. Policies to be reviewed include: a) Budget Policy, b) Long Term Financial Planning (LTFP) Policy, c) LTFP Policy Regarding Pensions and OPEB, d) Capital Asset Inventory / CMIP Policy, and e) Reserves (Fund Balance) Policy.

Action Requested:

Discussion purposes only. No action at this meeting. Committee approval of proposed financial planning policy revisions requested at the March Committee meeting.

Budget Impact: (if applicable)

Amount:

Source:

Included In Budget:

Other (explain):

Attachments List:



Staff Request for Commission Action

Tracking No. 1870

Full Commission Meeting Date: NA

Committee: Economic Development & Finance

Date of Standing Committee Action: 2/5/18

(If none, please explain):

Publication Required: No

<u>Date:</u>	<u>Contact Name:</u>	<u>Contact Phone:</u>	<u>Contact Email:</u>	<u>Department/Division:</u>
01/24/2018	Jon Stephens	x5749	jstephens@wycokck.org	Economic Development

Item Description:

Update of the Urban Development Gap Fund Policy.
Review of core elements, to include:
Loan program versus grant program (and financial impact)
Source of funding (budget allocation or bonds)
Total allocation cap amount

Action Requested:

For information only

Budget Impact: (if applicable)

Amount:

Source:

Included In Budget:

Other (explain):

Attachments List:



Staff Request for Commission Action

Tracking No. 1871

Full Commission Meeting Date: NA

Committee: Economic Development & Finance

Date of Standing Committee Action: 2/5/18

(If none, please explain):

Publication Required: No

<u>Date:</u> 01/24/2018	<u>Contact Name:</u> Jon Stephens	<u>Contact Phone:</u> x5749	<u>Contact Email:</u> jstephens@wycokck.org	<u>Department/Division:</u> Economic Development
<u>Item Description:</u> Update from the developer on the Schlitterbahn Vacation Village (SVV) STAR Bond District. Developer to present an update on the SVV project status related primarily to Project Area 3 retail development. SVV Project Area Map Attached for reference.				
<u>Action Requested:</u> For information only				
<u>Budget Impact: (if applicable)</u> Amount: Source: Included In Budget: Other (explain):				
<u>Attachments List:</u> STAR Bond Project Areas				

