STATE OF KANSAS)
WYANDOTTE COUNTY)) SS **SPECIAL SESSION, WEDNESDAY, MARCH 7, 2018**
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Wednesday, March 7 2018, with eleven members present: Bynum, Commissioner At-Large First District; Burroughs, Commissioner At-Large Second District (arrived at 5:13 p.m.); Townsend, Commissioner First District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District (arrived at 5:03 p.m.); Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Markley, Commissioner Sixth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District; and Alvey, Mayor/CEO, presiding. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Bridgette Cobbins, Unified Government Clerk; Gordon Criswell and Joe Connor, Assistant County Administrators; Kathleen VonAchen, Chief Financial Officer; Reginald Lindsey, Budget Director; Budget Staff; Mike Tobin, Deputy Director of Public Works; Alan Howze, Chief Knowledge Officer; Mike Taylor, Public Relations Director; Maurine Mahoney, Chief of Staff in Mayor's Office; Lynn Melton, Assistant to the Mayor; Emerick Cross, Commission Liaison; Rocki Mayes, Executive Assistant to County Administrator; and Officer Lobner, Sergeant-at-Arms.

MAYOR ALVEY called the meeting to order.

ROLL CALL: Townsend, McKiernan, Johnson, Kane, Markley, Walters, Philbrook, Bynum, Alvey.

NOTICE OF SPECIAL SESSION of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Wednesday, March 7, 2018, at 5:00 p.m. in the 5th floor conference room of the Municipal Office Building, for a budget retreat.

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

Mayor Alvey said I will turn it over to Administrator Bach to start us off.

Doug Bach, County Administrator, said it's that time of year again, time to start getting excited, get into where we are on the finances. Tonight, we put together a program fairly similar to what we've done in the last couple of years where we've developed our interactive model for you to work with. We spent a little bit of time putting it together. I think what we're after tonight as we go through this is to really talk about kind of—we will do the setup of where we are on the budget, kind of walk back through some of the things we have laid out for goals, look at where we are from a financial forecast modeling, tell you what's within the budget and how we developed it and why we're at where we are today. Then, we will show you the model and we will go through the initiatives that we've laid out. There will be room for you to kind of work through some of the initiatives and this is higher level. You know, we're not in this saying well we need a budget for $50K or something. Quite frankly, we're trying to stay at the $500M to the $1M level so if you're looking at it from a perspective of where we want to reduce the mill rate, or we go after debt, or here's a big initiative we want to include like we did with the SOAR or fund that at different levels, like we threw in demolition last year, and things like that. It's kind of hitting some of those big level projects that we want to target or just directions you want me to go after as we start building the budget this year.

I've laid out an agenda that kind of runs through this minute, play by play, as we work through this and I'm going to take it from this point. This is broke out. It shows the different areas we have. The goals review, the financial forecast and such that I've just kind of walked through and then we will get down and talk about our calendar at the end of the day.

We're going to move through this first hour, it will be more of staff presenting to kind of get everybody up to where we are and if there are questions about that, if we can get through it in less than hour, then we will just move on to dinner that much quicker and then move right into the policy discussion regarding the initiatives.

With that, I'm going to turn this over to Joe Connor and he is going to start walking through the—I'll ask, are there any questions of the Commission before we move through this? Okay, I'm going to turn this over to Joe.

Joe Connor, Assistant County Administrator, said the first thing that we've been reminding ourselves of as we prepare budgets and do programs and just kind of move the organization forward is the strategic planning process we did in November of 2016. You can see we've got the color wheel with our six major areas in it. This is the policy document that we're asking all of the departments to justify what they are doing in their departments every day to meet these six criteria. Getting into our strategic planning, that's how we're going about it.

As a reminder for you all, these are the concepts that we're going by that you all have approved and so as we get into, as Doug said, the high-level planning we're trying to keep these things in mind. Again, as we're developing and implementing our approaches to move forward, these are always kind of at the front of our thought process.

I don't need to read these necessarily, but we set some really good vision, mission and our values as we're developing our programs and setting our budgets and trying to meet the needs of our citizens. I just wanted to show you these as we go through the other information and we break into the small groups. As part of the facilitator job which is me, Gordon and Emerick, is to try to keep you focused and reminding you this is the overall direction we want to try to get to.

I know this is may be a little bit new to you, Mayor, you weren't part of that process in November, but I think it's fairly self-explanatory.

Now, it's time for Kathleen to get into the financial forecast.

Kathleen VonAchen, Chief Financial Officer, said we're looking forward to the conversation and discussion of the policy direction we hope to take the Unified Government into the next future years. We're going to start off by doing a brief review of the 2017 Budget and that just ended at the end of December and then we're going to take a look at the future five-year forecast that begins in '19 through 2023.

general fund 2017 performance

($ in millions)	2015 Actuals	2016 Actuals	2017 Estimate	2018 Budget	2017E % Change	2018B % Change
Revenues	$ 190.7	$ 193.0	$ 207.8	$ 210.8	8%	1%
Transfers in	2.5	2.4	2.8	2.3	14%	-18%
Sale of capital asset	9.8	-	-	-		
Total Revenues & Transfers	203.1	195.4	210.6	213.0	8%	1%
Expenditures	181.8	186.1	192.9	202.5	4%	5%
Capital outlay	2.9	4.6	6.6	5.9	44%	-11%
Transfers out	3.2	4.6	3.9	1.5	-16%	-61%
Total Expenditures & Transfers	187.9	195.3	203.4	209.9	4%	3%
Net Margin	15.2	0.1	7.2	3.1		
Beginning Fund Balance	$ 16.3	$ 31.5	$ 31.6	$ 38.8	0%	23%
Ending Fund Balance	$ 31.5	$ 31.6	$ 38.8	$ 41.9	23%	8%
% of Expenditures	*17%*	*16%*	*19%*	*20%*		

March 15, 2018

Modified accrual (cafr) Accounting

6

We're reviewing 2017. Just to give you a feel for how much available resources we have within the Consolidated General Fund. Remember, the General Fund is three funds. It's the City, County, and the Consolidated Parks Fund. This is all combined together.

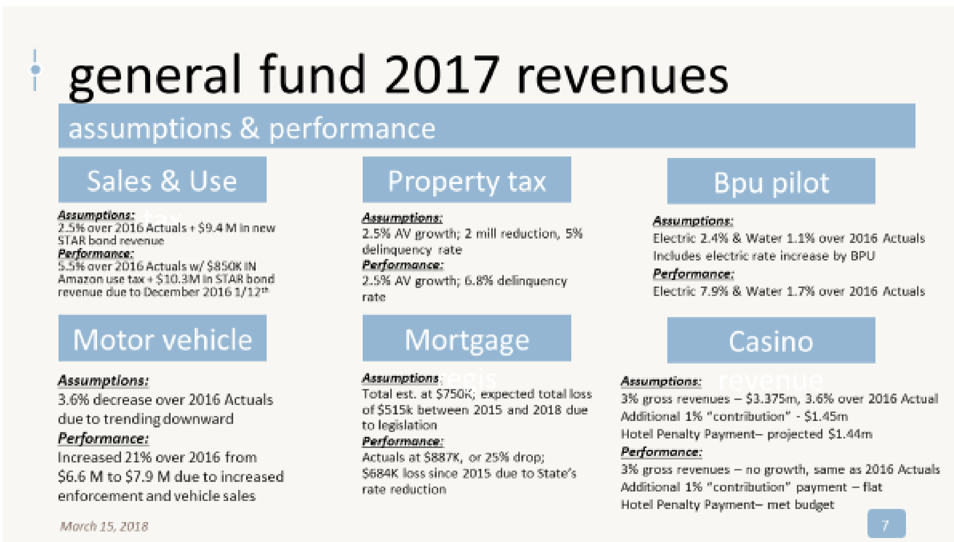
What I've provided here is four years of a little bit history and information to provide you some context. We have the revenues on the top, less the expenditures in the middle, and then how much available Fund Balance is provided here.

I want to point out, this is on a modified accrual basis which are the numbers we report in our CAFR. It's not on the Kansas Cash Basis so tonight we're going to talk modified accrual basis. When we start doing the budget process and those workshops that start in June, those will all be on a cash basis just so you know.

As you can see here in 2015, we ended the year with $31.5M in our Fund Balance and I'm going to remind you that there was a net margin of $15M debts mainly because of this $9.8M one-time resource because we sold the Cerner property. That money carried forward into '16, '16 we ended up pretty much at the same point as we did in '15 because our net margin was only about $100K, you see that, so that resulted in the Fund Balance being 16% of expenditures. Currently, our official policy is 10% of expenditures, we've clearly reached that already, and we're going to have a conversation about that.

We started 2017 and we received $210M in revenue and we only expended $203M with a net margin of $7.2M and that $7.2M is going into our Fund Balance and growing it from 31.6 to 38.8. It also improves our Reserve from 16% to 19%.

Then lastly, I've got here what our 2018 Adopted Budget is. By the way, the 2018 Adopted Budget includes some revisions to the 2018 revenue estimates based on additional information I've been reviewing over the past few months. As a result, I'm expecting to collect $213M in revenue less expenditures of $210M for a net margin of $3M coming into the fund. If we were to collect all that money and spend it all, then our Fund Balance would be roughly $42M which is 20% of expenditures.



I'm going to talk a little bit about why our 2017 revenues and expenditures performed as they did to give you a little background information. This slide is the 2017 revenues and one of the biggest revenues is Sales & Use Tax. We assumed that the Sales & Use would increase by 2.5% over the 2016 Actual, plus we were going to collect that $9.4M in new STAR Bond revenue. What actually happened was that our Sales & Use Tax increased 5.5% over the 2016 Actuals and that is partially due because not only there was improved retail activity, but there was also this one-time collection of $850K in Use Tax paid by the Amazon Company as a result of their acquisition although all the robotics they acquired in order to bring the distribution center online. That's a one-time additional revenue I hadn't planned on, good news.

In addition, we collected instead of $9.4M for STAR Bond revenue we got $10.3M and that's because we paid off the STAR Bonds one month before the end of the 2016 fiscal year so we got 1/12th of the STAR Bond base, but we didn't get that until April of the subsequent year so that's why it got all lumped into '17.

Some good news, obviously the performance of sales tax is better than I anticipated and we have incorporated that new information into our estimate for '18 and '19 in the forecast.

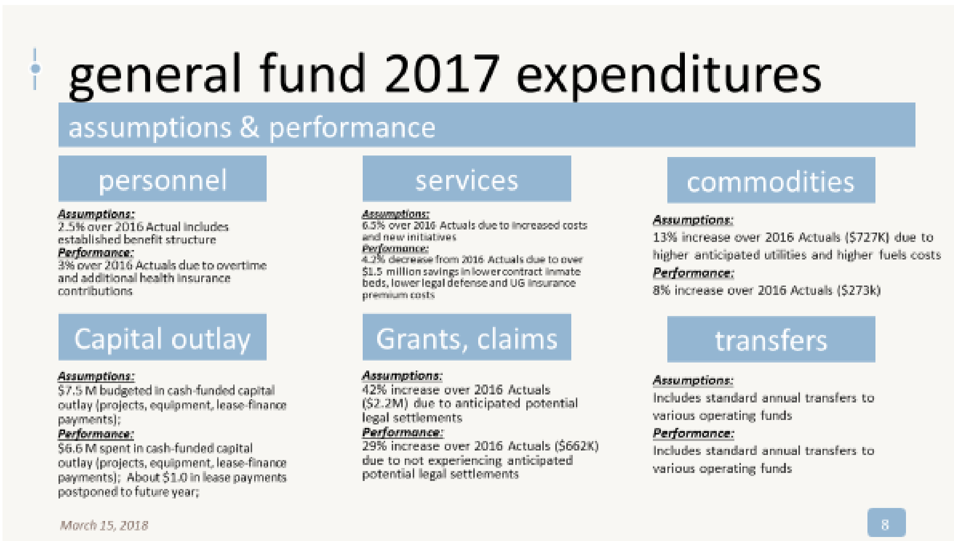
Property Tax, I had AV growing by 2.5% as was certified by the Clerk and I also—we had a 2-mill reduction built in and I also estimated that our delinquency rate on our collections was only going to be 5%. Usually, in the past, it has been between 6% and 7% so I was hoping it was going to come down. It turns out I was wrong, it's still at 6%, 6.8% so that was money that we didn't collect that I had anticipated so there is a little bit of an offset between these two where this was coming in higher and this came in a little lower.

The BPU PILOT; I estimated a 2.4% increase in the franchise tax payments from the Board of Public Utilities for electric and 1.1% increase over 2016 for water. This assumption included the fact they were increasing their rates. Instead, and we're still analyzing it, but instead the payments coming in from the BPU represented a 7.9% increase over '16 which was greater than the 2.4 that I anticipated. We're still studying that. It may have been some utilization issues. It also might have been a timing issue. Perhaps maybe December payment last year didn't come until February or March so there is a little bit of timing issue maybe involved there too.

On Motor Vehicle; more good news here. I anticipated a 3.6% decrease over the '16 Actuals and that was due to the fact that revenue—it jumps around a lot, but it looked like it was trending downward. The estimates are also provided by the State so I went with the States estimate and they were kind of wrong. They came in 21% higher than the 2016 and 21% seems like a lot, but we're talking the difference between $6.6M and $7.9M. I think that was partly due to you know the economy is pretty hot, there's greater vehicle sales amongst our residents and they ended up having to pay more taxes on their higher valued vehicles. Also, we had noted that there's increased enforcement for the UG thanks to the personnel in the Sheriff's Department so I think a combination of all those things.

A couple other noteworthy revenues, they're not real big, but they've draw some attention is Mortgage Registration. We're estimating, because of some legislation that occurred several years ago, we are anticipating we're going to have a loss on that revenue source. The loss is expected to be about $500K between 2015 and 2018 and, by the way, this revenue source right now is estimated at—or in '17 is estimated at $750K, but it actually came in at $887K which is a lower drop than I anticipated. Maybe the loss is not as great or trending as great as I had anticipated.

On the Casino revenue they are pretty much are flat. You know we've got a 3% gross revenue which represents $3.37M, that's a 3.6% increase over the Actuals and that was achieved during the budget and the same goes for the initial 1% contribution. Then, also that hotel penalty that they pay to us.



On the Expenditure side; Personnel, we anticipated a 2.5% increase over '18 Actuals and that includes all the built-in increases in our labor contracts as well as the benefit structures laid out by our contracts and instead the cost came in about 3% over actuals partially due to overtime and some additional health insurance contributions we made.

On the Services side; we anticipated a 6.5% increase over Actuals due to inflationary costs, but also some various new initiatives. What happened was, a 4.2% decrease over the '16 Actuals and that was due to over $1.5M in savings in the lower contract inmate beds, lower legal defense fees and lower insurance premium costs. There was just a little bit of contractual services money that had been appropriated that ended up not getting spent.

On the Commodity side; we anticipated a 13% increase over '16 due to higher anticipated utilities and some higher fuel costs, but that increase was only 8%. The variance isn't a lot of money here.

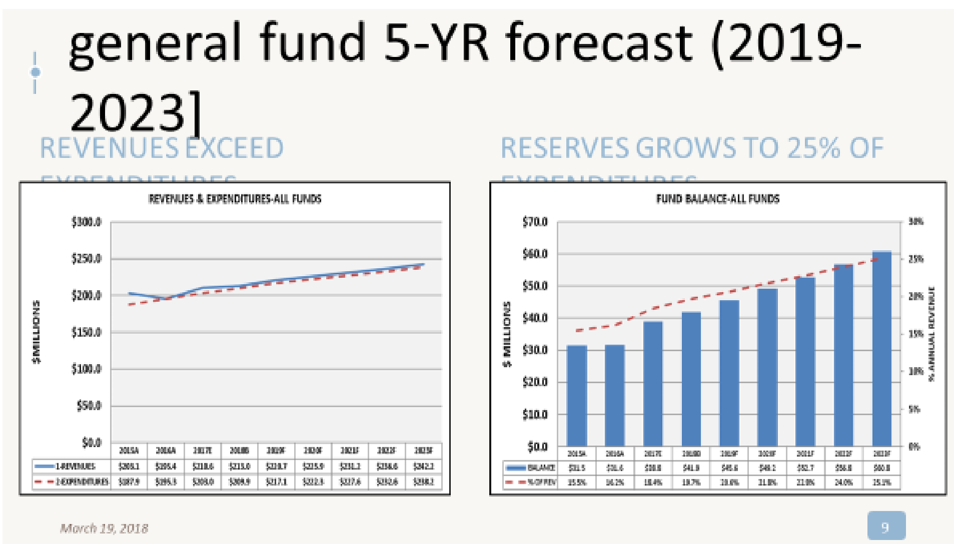
Capital Outlay; we budgeted $7.5M for cash-funded capital outlay projects which also includes equipment, it also includes lease-finance payments on vehicles, and the performance that we—our departments for the most part spent all that. They spent $6.6M and the difference between

7.5 and 6.6 is largely due to the timing of the lease-financing payments which were postponed to the subsequent year due to the delays in the acquisition of the equipment.

Grants; we anticipated increases in grants but they didn't quite come in as high as we had expected and then Transfers were pretty standard with we're budgeting.

Any questions on that? That's why we ended up the year '17 with about $7M more going towards our fund balance.

Commissioner McKiernan said our debt service, our debt payments, principal and interest; did that pretty much match what we had expected it to in '17? **Ms. VonAchen** said oh yes. It's hard not to go wrong there because they are all sitting in bond documents. **Commissioner McKiernan** said I will circle back to that later and then I will want to know the value of that, but that's good. **Ms. VonAchen** said yes, and our debt payments are not reflected in these numbers. There in a separate Bond & Interest Fund.



Now I'm going to skip over to the next future 5-6 years. Based on the experience we saw in '17 and then I've incorporated some of that experience into revising our 2018 revenue estimates leaving 2018 expenditures alone as adopted. You see that we are expecting to end our 2018 Budget around $4.9M. That's our Fund Balance. Fund Balance, you will remember is also, if you look over on the balance sheet, it's all assets minus all liability; that's what Fund Balance so it includes receivables, payables, and all kinds of things.

When we do our long-term financial planning, we like to use that modified accrual approach and so you can see we're looking here on the income statement, you've got the revenues which is that blue line and the red line is the expenditures. Of course, what we all want to see is that expenditure line just below the blue line and it turned out that way and, honestly, I didn't have to play with it at all. It worked out that way just fine. I've worked for a lot of communities when that red line was way above the blue line, just so you know. Now, this is a baseline so we don't necessarily have any kind of policy decisions built-in, it's the existing statuesque. For example, we haven't built-in an additional mill reduction in '19. We haven't augmented our Capital Outlay, our Capital Investment; we've kept it all pretty much the same. The only thing we've built-in is anticipated increases in sales tax, property tax, given the current information we have in place as well as the anticipated inflationary increases and then also what our labor contracts have. On the salary side, we did include 2%--well, I will talk about the assumptions in a minute, but we did include increases in Personnel for those out years.

On the Fund Balance side, given that baseline, this is how our Fund Balance is growing so right now at the end of '18 we're anticipating a Fund Balance Reserve 19.7% of total expenditures. If we all just went home and did not touch the budget at all, adopted it just as it is, by the end of 2023 we would have a Reserve of 25% in five years.

Mayor Alvey said, Kathleen, if you would describe—are you going into later the advantages of moving up to 25%? **Ms. VonAchen** said I certainly can. **Mayor Alvey** said because I think it's important, at least for those who are watching to understand that—when people look at this they are going to say well, we add this increasing Fund Balance which could be used for either more services or reduced taxes, but you've already built-in assumptions for reducing the mill levy and cost-of-living increases, etc. for personnel and other expenses. But, if we just allow this to trend as it's been trending over the past several years, we would still be able to achieve an improvement in our revenue balance, I mean our Reserve Balance, to 25% which has advantages long-term for the fiscal sustainability of the city. **Ms. VonAchen** said yes.

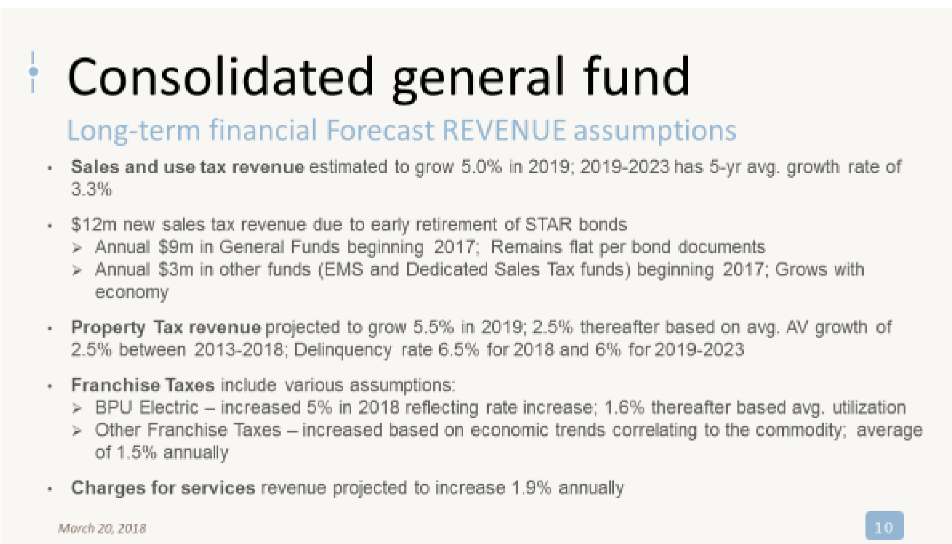
Mr. Bach said I want to clarify, Mayor, you said—she has not built-in additional mill rate reductions. **Mayor Alvey** said I thought she said 2019. **Ms. VonAchen** said no. No bill reduction, it's all the same. **Mayor Alvey** said I'm sorry. I thought you said a 1%. **Mr. Bach** said modest COLA in this at the 2%. **Mayor Alvey** said thank you for the clarification.

Ms. VonAchen said I kind of briefly explained the benefits of the 25% and we are going to touch on it later on, but so right now the Government Finance Officers Association, GFOA, recommends that organizations of our size have at least two months of operating reserve and two months, if you divide two into 12, you get roughly about 17%. The reason is because you want to have enough cashflow to be able, you know, to pay your bills. Sometimes the revenue doesn't always come in evenly throughout the year so there is that seasonality you want to prepare for, but also, there is a lot of unexpected things that can happen with an organization our size and you want to be able to have enough cash to meet all those needs. They recommend two months, but then they also provide cities with this risk assessment tool to determine whether an additional month is probably a good idea. I went through that risk assessment tool myself and I kind of factored in the fact that we could have a tornado go right through our retail activity, but other things that are probably more likely are, for example, there's probably some legislation coming down the pipe that may dramatically affect the appraised value of our property and that may impact our revenue generation dramatically. Then, there are also other tax measures that we have on our list that are up for renewal. If those didn't renew, then we would have to come up with some other contingencies. Just a lot of reasons for getting an extra month.

I would recommend definitely, at a minimum, stay at the two months of expenditures which is that 17% and we've already achieved that so that's great. The credit rating agencies are very happy with that. Now, I'm telling you all our neighbors—I looked it over and most of our neighbors are at the 25 to 30% range. There are a few that are lower than that, are we here, and of course, the credit rating agencies are wanting us to bump it up to be the same as our neighbors or the median**.** **Mayor Alvey** said if we were to go to the 25% level the third month, does that change the borrowing costs for the Unified Government? **Ms. VonAchen** said it does. So, if we were to get up to 25 and if both Moody's and S&P, S&P still has us at AA, if we got up to 25, there's a good chance that Moody's would bring us up to that same level as well. We could experience—well, a 50-basis point reduction in our General Obligation interest rate and that 50-basis point reduction equates to roughly an annual savings of around $375K per year on every $20M bond issue we do. If you do a $20M bond issue one year, then you're going to save $375K in interest in that year and then for the next 20 years.

If you do a second bond issue for $20M in the next year, then you're going to save another $375K so you kind of understand. Over that period, it really grows, the savings really grows and of course you can then take that savings and pay cash for other projects. In addition, you also—I'm estimating, if we added another month to our Reserve, then you could also improve our investment earnings on our portfolio which is about another $400K a year.

Commissioner Walters asked is this the question, answer time now. **Ms. VonAchen** said no, but you can ask questions. **Commissioner Walters** said no, I'll wait. **Ms. VonAchen** said I didn't mean to talk so much about the Reserves. Let me move forward to the next slide.



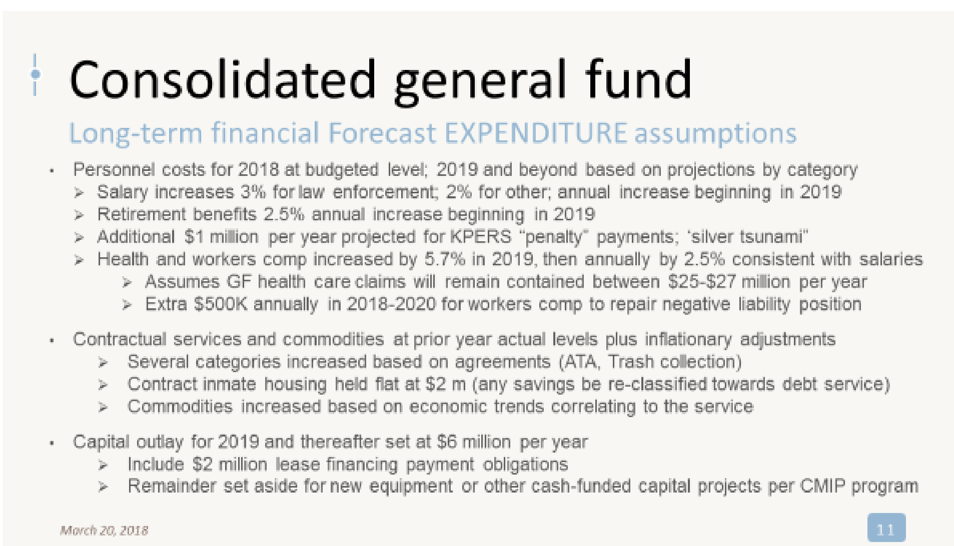
Here are the assumptions for the forecast and the reasons we want you to understand the forecast assumptions is so that later on we're going to break you out into small groups and give you an exercise that would plan out the available resources that fall to the bottom assuming that we're staying at the 17% General Fund Reserve. We're going to get to that point later, but first let me show you the assumptions that I have put together in order to determine the baseline of the forecast.

First off, for Sales & Use Tax I'm estimating, which is a substantial revenue source, I'm estimating—this is only the revenue page here; I'm estimating that they are going to grow 5% actually in '18 and '19 and that's based on a 5-year average growth rate. I think I meant to say that—there's a little typo. It's 5% in '20—this should be 2020 so it's 5% in 2018 and 2019 and then between 2020 and 2023 I have it at—the 5-year average growth rate of 3.3%.

Just a reminder, the $12M in new sales tax revenue as a result of the STAR Bonds, $9M of it is going to the General Fund, the other $3M is going to EMS and Dedicated Sales Tax. This portion that's going to the General Fund, it has to remain flat because that's required in the bond documents, but the portion that's going to EMS and Dedicated Sales Tax are allowed to grow. Tonight, we're really only talking about the General Fund, but I just wanted to make that clear. Property Tax revenue is projected to be 5.5% in 2019 and then a 2.5% increase thereafter based on an average growth rate of 2.5 between—the average growth rate during that prior period of 2013-2018. The delinquency rate, I have it at 6.5% for '18 and then 6% for 2019-2023. Hopefully, we can get that and we can achieve that through better collections.

The Franchise Taxes I have the BPU Electric PILOT increasing by 5% in '18 which reflects the rate increase that they adopted and then dropping down to a 1.6% thereafter to just reflect average utilization of the watt hours and how much that is and then cost-of-living.

Other Franchise Taxes have all been adjusted accordingly based on their respective commodity or service and based on economic trends. They average around 1.5% annually. All charges for services which roughly is about $12M or $13M have been increased by about 1.9 which is the average inflation rate.



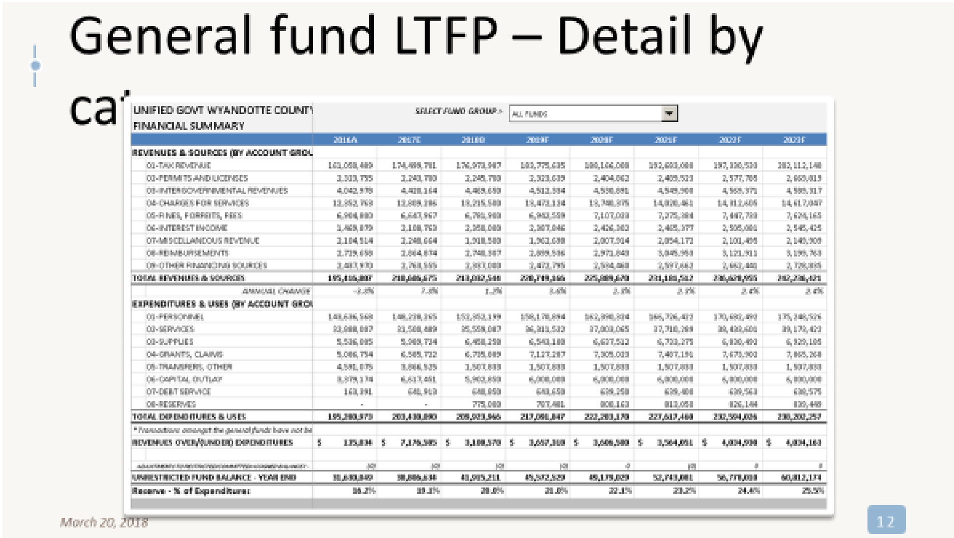
On the Expenditure side, we have Personnel costs for '18 at the budgeted level that you approved and then '19 and beyond we're basing them on the following projections by category. Salary increases are 3% for law enforcement personnel; 2% for all other; and annual increases begin in 2019 so we have built into the model 3% in ‘19, ‘20, ‘21, ‘22; every year so that’s already built-in as a cost. We’ve also built-in an annual increase of 2.5% for retirement benefits just to meet those obligations that we have with KPERS and KP&F.

We’ve added an additional $1M per year into the retirement line in order to accommodate expected penalty payments to KPERS as a result of what we anticipate to be the silver tsunami. I’ve already talked a little bit about this last year, but what happens is many of our Public Safety employees when they’re ready to retire they have the ability to cash in various accrued leave, vacation and sick leave, and that payout is added to their income for that year which makes the income higher than they had been paying into KPERS and as a result KPERS then turns around and sends the UG a bill to make up that difference on an actuarial basis. That’s what those penalty payments are. We already have built into the forecast—the ‘18 year has about $1.5M of those sorts of payments. We’ve added another $1M just in case.

Health & Workers Comp increases by 5.7% in ‘19 and then annually by 2.5% consistent with salary increases. We’ve assumed that healthcare claims will remain contained between the $25-$27M per year total and then an extra $500K annually between ‘18, ‘19 and ‘20 have been included in workers comp in order to repair negative liability position we have in that fund. We need to do that in order to keep our permit with the State.

Contractual Services and Commodities at the prior year actual levels plus a little bit of it inflationary adjustments. For example, we’ve entered into contracts that require us to give cost-of-living adjustments, for example, our Transit Authority contract or the trash collection contract; we’ve left contract inmate housing flat. We expect that if there’s a $2M savings—if there’s any savings there, then we’re going to divert those savings or reclassify it toward the repayment of the juvenile center debt service which we issued just a few weeks ago. Commodities have been increased based on economy trend.

Lastly, Capital Outlay for 2019, we’ve set at $6M which is the current level and that includes $2M in lease obligations that we already have so the difference is $4M in various one-time Capital Projects that are programmed into the CMIP program.



UNIFIED GOVT WYANDOTTE COUNTY
FINANCIAL SUMMARY

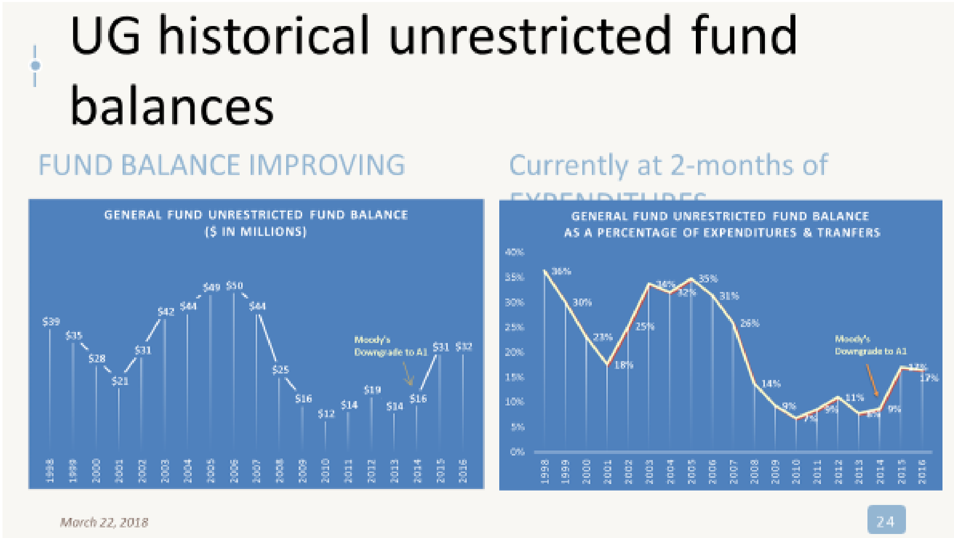
SELECT FUND GROUP > ALL FUNDS

	2016A	2017E	2018B	2019F	2020F	2021F	2022F	2023F
REVENUES & SOURCES (BY ACCOUNT GROU								
01-TAX REVENUE	161,058,489	174,499,781	176,973,987	183,775,635	188,166,088	192,603,088	197,330,530	202,112,148
02-PERMITS AND LICENSES	2,323,755	2,240,780	2,245,780	2,323,639	2,404,062	2,409,523	2,577,765	2,665,815
03-INTERGOVERNMENTAL REVENUES	4,042,978	4,428,164	4,469,650	4,512,334	4,538,691	4,549,908	4,569,371	4,589,317
04-CHARGES FOR SERVICES	12,952,763	12,809,386	13,215,580	13,472,134	13,748,975	14,020,461	14,312,605	14,617,047
05-FINES, FORFEITS, FEES	6,904,880	6,647,967	6,781,980	6,942,559	7,107,023	7,275,384	7,447,733	7,624,165
06-INTEREST INCOME	1,469,879	2,108,763	2,358,080	2,387,046	2,426,382	2,465,377	2,505,081	2,545,425
07-MISCELLANEOUS REVENUE	2,184,514	2,248,664	1,918,580	1,962,638	2,007,514	2,054,172	2,101,495	2,149,909
08-REIMBURSEMENTS	2,729,658	2,864,874	2,748,387	2,899,536	2,971,840	3,045,953	3,121,911	3,199,763
09-OTHER FINANCING SOURCES	2,403,930	2,768,555	2,337,080	2,472,795	2,534,468	2,597,662	2,662,440	2,728,835
TOTAL REVENUES & SOURCES	**195,416,807**	**210,606,675**	**213,032,548**	**220,749,166**	**225,889,620**	**231,181,512**	**236,628,955**	**242,236,421**
ANNUAL CHANGE	*-2.8%*	*7.8%*	*1.2%*	*3.6%*	*2.3%*	*2.3%*	*2.4%*	*2.4%*
EXPENDITURES & USES (BY ACCOUNT GROU								
01-PERSONNEL	143,636,568	148,228,265	152,952,199	158,178,894	162,998,924	166,726,422	170,692,492	175,248,526
02-SERVICES	33,088,087	31,508,489	35,559,087	36,311,532	37,003,065	37,718,289	38,433,601	39,173,423
03-SUPPLIES	5,536,085	5,989,724	6,458,250	6,543,180	6,637,512	6,733,275	6,830,492	6,929,185
04-GRANTS, CLAIMS	5,086,754	6,585,722	6,735,889	7,127,287	7,305,033	7,487,191	7,673,902	7,865,268
05-TRANSFERS, OTHER	4,581,875	3,866,525	1,507,833	1,507,833	1,507,833	1,507,833	1,507,833	1,507,833
06-CAPITAL OUTLAY	8,979,174	6,617,451	5,902,850	6,000,000	6,000,000	6,000,000	6,000,000	6,000,000
07-DEBT SERVICE	163,391	641,913	648,850	643,650	639,258	639,408	639,563	638,575
08-RESERVES	-	-	775,080	787,481	800,163	813,058	826,144	839,449
TOTAL EXPENDITURES & USES	**195,280,973**	**203,430,090**	**209,923,966**	**217,091,847**	**222,283,170**	**227,617,460**	**232,594,026**	**238,202,257**
** Transactions amongst the general funds have not be*								
REVENUES OVER/(UNDER) EXPENDITURES	**$ 135,834**	**$ 7,176,585**	**$ 3,108,570**	**$ 3,657,310**	**$ 3,606,500**	**$ 3,564,051**	**$ 4,034,930**	**$ 4,034,163**
[illegible]	(0)	(0)	(0)	(0)	0	(0)	0	0
UNRESTRICTED FUND BALANCE - YEAR END	**31,630,049**	**38,806,634**	**41,915,211**	**45,572,529**	**49,179,029**	**52,743,081**	**56,778,010**	**60,812,174**
Reserve - % of Expenditures	**16.2%**	**19.1%**	**20.0%**	**21.0%**	**22.1%**	**23.2%**	**24.4%**	**25.5%**

Overall all of these adjustments result in this final kind of summary here by category and this is the baseline. This is the summary of lots of financial information. There is over 40K accounts and they've all been condensed into these 15 lines.

Now, of course, I know all of you are very high level so we're going to get right to the bottom line which is how much is the difference between the revenues minus expenditures. As you can see, again, I will take you back to the '17 number which is $7.1M; that's the net positive, net margin, the positive net margin. Then, as you can see in '18 I'm anticipating it to be $3.1M. In '19 $3.6M and so on. These are annual additions to the fund balance so this number is accumulative, this one down below here, that's an accumulative number. All these numbers up here are not accumulative. As I mentioned before, if we just didn't do anything and kept going, then we would end up with a 25% fund balance at the end. Right now, we're sitting at 19% of our total expenditures which is better than what we've been in the past for sure.

Commissioner Philbrook said, Kathleen, you remember looking to see where we were in 2013, 2014 as far as percentagewise? Do you remember or have you looked at that? **Ms. VonAchen** said I do. I have it at the end here. **Commissioner Philbrook** said I'm sorry. I didn't mean— **Ms**. **VonAchen** said these are just some back-pocket slides in case we need to refer to them.



Here's the history of our fund balance since we initially consolidated starting in 1998. Here's the percentage and we started out at 36 and there was a recession then. It went back up and then it came down and this is where we are now.

Mr. Bach said we are ready to jump into the next part. **Commissioner McKiernan** said is this the next part? **Mr. Bach** said yes, going towards the initiatives. **Commissioner McKiernan** said okay, because there are a couple of very fundamental things that have been left out of or not included in her assumptions. You know the red and blue line they match each other, revenue and expenses really well, but there are a couple of assumptions that have been made that kind of run counter to what we've been discussing for a while so I want to make sure—it looks like we're going to talk about those now. **Mr. Bach** said you can ask questions. **Commissioner McKiernan** said I mean you've got your revenues and expenses and they parallel each other perfectly, but they don't include any sort of mill rate reduction in any year which we've always said we're going to reduce that mill rate and they don't include any sort of PILOT reduction and we've always said we want to reduce the PILOT as well. It's a great place for jumping off, but there is no margin for error so if PILOT revenues don't exceed historic—or don't meet historical, we're going to have to cut expenses. If we want to reduce the mill rate, we're going to have to cut expenses somehow or assume a growth greater than you've projected and I think, frankly, your projections are really good. They're pretty conservative projections on both income and expense, but it doesn't anticipate any sort of PILOT or mill rate reduction. **Mr. Bach** said that's right and that's exactly where we wanted to go tonight because we feel like those are policy directives that we wanted to build ourselves into normal. I think one thing that is different is previous years we've walked in here and even had flatline on salary adjustments. We at least have a modest COLA for our employees here if we want to do some kind of salary increase that's different, but we didn't want to go after PILOT so I think that's a great transition.

I'm going to jump in here now and I know I told you all we were going to go to dinner if we got done early, but I just did that so you wouldn't ask many questions. Sorry, we're not quite ready for it so we have to wait another 15 minutes and then we will transition to that. I'm going to grab it from this point.

As Kathleen and her team have developed a really good exercise that I think grows on a little bit from where we've done that those of you who have been through it, but I wanted to walk through this. Commissioner McKiernan, this is exactly what you're talking about so we have our initiatives that are up here so we have property tax reduction. This is what we did in 2018 so let's just hit some of these big ones. Some of them are ongoing, some are new, so we did a property tax reduction, that accounts at $2.1M. Two years in a roll equals over $4.2M, but last year's amount—that much taken out of the budget, that goes on forever.

Streets & Neighborhood Improvements; we had about $26.5M built in our budget to go towards that kind of initiative this year.

SOAR; we're spending $2.6M and those go through various things. The big one we did was adding into the Demolition Budget for this year.

Public Safety Operating and Equipment; $34.7M, the big one we had there that hits this year's budget but it falls over into the debt side of the equation was for the Juvenile Center. Remember, that was about a $23M one.

UG Communication and Services; we spent $335K. Investment in buildings; that's $6.6 and that just went from cooling tower complex, roof replacement, stuff like that; HVAC and then we funded 2% salary increases for UG employees, actually the 3% we built in we moved it up to our law enforcement personnel.

Those are the big, big higher-level initiatives that are in this year's budget that are working. There are a lot of granular type things underneath each one to get into.

Commissioner Markley said when we say the projections keep everything the same, are these all considered one-time expenses in the projections or are some of them—**Mr. Bach** said it's a mix I think. Some of these things like Capital, yes that's in there, but it's not. The additional money in some areas—we've got our Capital still based at debt line of $15M so that's below. We went above that last year. We anticipated some things to where we would cover the cost of that, but we went back to the 15 going forward. **Ms. VonAchen** said when I built the long-term financial forecast I took out one-time items so one-time items are not carried toward the future and the only one-time or kind of discretionary, like he's mentioned, is the cash funded resources we're dedicating for Capital. We kept that at $6M. **Mr. Bach** said SOAR, the $2,6M, the demolition is not built-in as a continual, that's where we're in debt, but the $1.6 or $1.5M somewhere in that neighborhood that we're spending so the additional mowing and things like that, that's anticipated that we're going to keep doing that. **Ms. VonAchen** said yes, exactly.

Commissioner McKiernan said that brings up—we're kind of mixing debt and cash here. Do I understand correctly, we've got numbers up on this screen that are borrowing numbers, but that's not our cost, our annual cost of that debt. We're kind of mixing $2.6M, that's an annual or $1.6 of that is an annual cash cost, City General Fund, for SOAR but $1M of that borrowed and while we in fact incurred $1M worth of debt we aren't paying $1M in budget year 2018. **Ms. VonAchen** said the purpose of this slide is just to remind you of the things that you approved in general as a policy direction. You know, because it's been six or seven months since we adopted the budget, it's just a reminder. **Commissioner McKiernan** said I absolutely get that, but I want us to not think about—some of these numbers are borrowing numbers and it doesn't represent our annual debt service on that. **Mr. Bach** said I agree with that though it does in the sense that we go through and put all these Capital projects in a list and they represent a big number, but all those projects when we put them in I can't get to more than $15M in annual debt service that's coming out—**Commissioner McKiernan** said and there you go so I would like to see them side by side. What are we borrowing and what's it going to cost us on an annual basis. That really would help me frame how much we have to have set-aside to pay the bills every month rather than this giant number we're going to borrow. **Ms. VonAchen** said we can do that as part of the CMIP process. Today we're really only talking about the Operating Budget. **Mr. Bach** said but I think we can frame it toward how much money we want to stay targeting annually for debt—**Commissioner McKiernan** said did you say, for example, on debt $15M. You don't want to borrow beyond that because you've established that borrowing beyond that has an annual cost. **Mr. Bach** said it does and then if you kept doing that, then you're going to come over here in our debt service piece, you're going to say and we're going to say we're going to have to put another mill in that. When you asked Kathleen the question earlier we're we right on for where we were for debt service, yes, we don't miss that because there is a number that says you owe $17M—**Commissioner McKiernan** said I don't know about anybody else, but I would love to be able to separate out what we're actually borrowing but then the debt service on that borrowing, the annual cost to retire those debts. **Ms. VonAchen** said okay, we can do that.

Mr. Bach said this kind of jumps into the point where we were at. As we built our model we looked at a couple of the big ones to say City Mill Levy Reduction. I think that's one that we built-in there. The SOAR Blight Reduction program; if we want to add to that in any way or put more debt in. Street Infrastructure and that could be saying let's spend an extra million cash on Street Infrastructure. Parks Master Plan; do we want to put some money in that. We put zero toward the Parks Master Plan so far. We did that, studied it and said boy, there are a lot of good initiatives in there. We put a little bit of money toward Operations, but we didn't go after this $60M program. Capital Funding "Pay Go" (Debt Reduction); here's one to say we've got so much money programmed every year to spend, we can do this one of two ways. Instead of doing $15M worth of debt, let's only do $14M but we still want to do all the projects, so it's kind of—it's not additional money toward infrastructure, it's taking some out of debt putting it there or an alternative would be to go after our Temp Notes, we have $65M in Temp Notes we can fund those down now. As Kathleen went through the debt, you could come to those and say let's payoff a couple million and then we don't roll those into, not real flashy because you've already spent the money or we're spending it right now, but it takes it away from future debt service.

Department Special Initiatives; here I just put this out as I don't know what all those are yet, but do we allow for that. You know, this could be something to come forward. Say we wanted to add seven or eight new police officers, that adds up to $500K, somewhere in that neighborhood. We get up to 15, you're at $1M so that equates to a mill rate. When you start looking at things like that or you know you've had some departments like the DA I think talked to all of you about some initiatives he's working on. I'm going to do $250-500K worth of initiatives, I've got to have some money to go after that so I'm not going after $50K, $100K items, I'm talking about things that really impact some of these other trends.

PILOT; if we want to do reductions on that, there's one to go after. Economic Development Gap Fund; that's one that has been discussed several times in the Economic Development & Finance Standing Committee. If we want to put money into that program, this is the time to identify that as an initiative. Increase our General Fund Reserves to the three months so we're going to build this as a baseline, but you're going to see that Kathleen has programmed it in and we stay at the 17%. If you want to build it and get it up there, you can do nothing or you can put some money toward it every year to move towards. Then, Water Pollution Loan

Repayment; most of us recall that, that we borrowed a lot of money from that fund back in 2010-2011, we've been slowly paying it back and we've got some more detail on that.

In fact, I'm going to reference right now and I think this is a really good guide for you. It's one of the handouts you received. It says the Budget Initiatives Information Packet and when you go into your sessions you may want to reference different sections in here. **(This was a handout paper packet and was not on the PowerPoint.)** Like if you go to the second page in there where it's under the property tax, you see where it says General Fund Revenue per mill, so if you're doing a City mill rate reduction it says $1,075,000 so that's generally $1.1M. If you do it on the County side, it's $1.2M.

There is some comparison data on here that talks about the mill rates with other cities and what the county levies are to show all different taxing jurisdictions. That's not as much for the workshop, it's just information of comparables. The SOAR initiatives are listed here. Commissioner Markley, you mentioned those. You can see, here's the one-time items we built in, but on the ongoing items are ones we're continuing to fund year-to-year so if we want to throw some of those other things back in, this is where we would do it. We also listed the STAR initiatives and what's still in that group. On page 10, I referenced the Parks Master Plan listed as unfunded. I do note, that we spent $550K was added for Parks operations and that was really to catch us up from what we were trying to spend out there and then we put $200K into some rehab that paying like for a restroom or a few things like that. Generally, what you have is that plan said we need to put $4.3M into operations and $64.5 into Capital. I have no money in that program right now going for that.

Next page on that is the Capital Pay-Go or debt reduction. I think this demonstrates a little bit our target that's been for a number of years was to keep that in the 12-15. We've always pushed it right up there towards the 15 mark so in 2016 we issued $14.8M, in '17 $14.3 and then in 2018 we went to $16.2 and part of the push on that was in relation to the Leavenworth Road project and the ultimate deal we struck with BPU and we decided we would take some of the increased revenues we were getting in for projection that were coming off their rate increase and said we will use that to pay for this and then it covered that cost. I think that was part of the discussion as we went through that. Since we're getting the money back through the PILOT we would use it to pay for that and not have the BPU pay for that piece of it.

Ms. VonAchen said to that second point, just to clarify, we do have a number of General Obligation Bonds outstanding, but the bond documents restrict us from actually, you know, just paying them off. We can't pay them off until they reach their redemption date which we noticed the next one that we could payoff would be in 2021. If we want to reduce debt, the best way to do it is either borrow less in the future or payoff our temp notes before we roll them into a permanent financing.

Commissioner Bynum said if we ask the public to renew the Public Safety and Infrastructure Sales Tax, what year would that be on a ballot? **Mr. Bach** said it could be on the ballot later this year or the first part of next year. What you want to do is have it done before we go through the budget process in 2019 because it ends in 2020 so if we lose $12M from our budget, that would be a drastic change to any of the discussion we're having right now and we're not really even factoring for that. We're working toward the assumption and fortunately the survey said that's just a renewal of something that's been, I think, fairly positive on the impact on the community that that would stay in play. If we lose that $12M, that would be 6 that will fall off halfway through 2020, we would drop $6M in '20 and $12M from years going forward. That will be a different kind of retreat next year if we don't have that renewal in place. We will be talking about where we're cutting.

Commissioner Johnson said when we talk about the Fund Balance Reserve, and I'm kind of mumbling my way through this trying to get to the point of understanding and its effect on our cost of borrowing, I think you said for $20M it's a savings of $360 some thousand roughly. Is there a systematical way to equate that to what that would mean relative to a reduction in the mill levy net present value? In other words, if I'm thinking about—if we keep more in the bank, so to speak, if we keep our fund balance and we go to 25% and that saves us $360 some thousand per 20 million, how do I look at that relative to okay, well, we can then—how does that direct the logic relative to the lowering or the stagnation of a mill levy? **Mr. Bach** said I will take Kathleen's numbers, after three and four years of continuing debt cycle of $15-$20M, you would be able to correlate that to a one mill reduction. After you did that about four years, because you're saving $365K a year, she said 20, on $20M we're trying to stay at 15 so I will use it somewhere in the 3.5 to 4-year range, that's going to save you cumulative $1M a year and $1M is a mill. If you did achieve that—is that about right? **Ms. VonAchen** said yes, I mean I'm looking at my slide, I was kind of talking off the top of my head before, I said $350K. It's actually $312K—**Mr. Bach** said so four years. **Ms**. **VonAchen** said yes, and as you know, we have 16+ mills dedicated over in our City Bond & Interest Fund so basically if we didn't issue as much or we got a better interest rate, a lower interest rate and our interest costs were down, then we could reduce that mill but a mill is a mill regardless for the taxpayer wherever it's funded at. **Commissioner Johnson** said that helps me a little. **Ms. VonAchen** said it equates to a third of a mill.

Mr. Bach said the next page in the group was about the Franchise Tax so that shows the BPU electric, water and then the UG sewer so we have 11.9% franchise tax on the BPU and we have a 12.9% franchise tax on our service. If you were to cut 1% off of those three areas or 2, however you look at it, that's about $4.6M annually so that's one area you could after and look what the target would be to make that change. It is important to note that we probably keep these close as far as—I mean between what we're doing on the sewer and what we're doing with the BPU because that issue comes up as we have discussions with the EPA.

The last two pages we have the increase in Reserves, Kathleen has already talked about that quite a bit of going to three months' worth of Reserves vs. two months and it shows the dollar figures that can make that happen. The last page talks about our Water Pollution Control Loan. I think she did a good job of breaking that out in the last two bullet points on that page where you look at it and say, we're structuring to go after $300K a year; that's what we built-in, it takes seven more years to pay that loan back. If we increase it to $500K, we would pay it back in four years. We could obviously pay it back all at once if we wanted to make it a major initiative.

Commissioner Philbrook said we just passed approval to do some franchise tax on some additional folks. Right? You know, charging people that wanted to use our—**Ms. VonAchen** said right-of-way. **Commissioner Philbrook** said yes, thank you, and I was wondering are we even thinking about what that could possibly bring in. None of that is figured in yet because we have no idea. Right? **Ms. VonAchen** said I heard it was around $25K a year. **Commissioner Philbrook** said it's not a big amount. That's why I'm asking, but I just wanted to mention, but $25K is $25K and it fills a few potholes. **Mr. Bach** said matter of equity of where you charge the people, but in the overall budget it's not one that really influences a lot today.

Mr. Bach said alright, that sets the stage for us. We can have more questions. I think now, Mayor, if it works, I think it's a good time to take our break and when we come back we will set the exercise out so you have all the initiatives and we will be able to run through how the game will work and plug it in and go from there. **Ms. VonAchen** said Reggie is going to talk about the rules of the game when we get back.

Dinner break began at 6:02 p.m.

Mayor Alvey reconvened the meeting at 6:31 p.m.

Mr. Bach said I will recognize Reginald Lindsey, our Budget Director, who is going to walk us through the exercise that we have set up unless there are any questions as we went through and laid out the initiatives. You have your information booklet with you so the next part we're just going to walk through how—all of you except two have done this before, so you know how it works and we will show any of the tweaks we've done to it and how those work and then take it from there.

Reginald Lindsey, Budget Director, said our exercise includes going into our MuniCast model. We're going to breakout into three small groups. Those groups are going to be facilitated by Emerick, Gordon and Joe. We're going to have one group right here and then we will have one group in the breakout conference room here and then we're going to have a group go down to the Budget Office. The MuniCast model consists of the financials that Kathleen just went through and also the initiatives that Doug went through. What we will do is build a 5-Year Plan and you get to put numbers to the initiatives that we've seen and also add initiatives that you feel might be deemed for this project. **Mr. Bach** asked you're not going to walk through it? **Ms. VonAchen** said I can walk through it.

Commissioner McKiernan said go back to your previous slide. Again, this is what I've been saying for a long time now. Take item #3, Street Infrastructure, to build an annual projection model we need to use the amount that we're going to pay in cash. If you're thinking about borrowing to do street infrastructure, you've got to work backwards to the annual cash outlay for the principal and the interest. I want to make sure we think in terms of annual cash here so it goes back to what I said before, we can't mix debt and cash even conceptually or we don't come up with any valid projections. We've got to think in terms of annual cash necessary to pay off any borrowing or annual cash necessary to pay for any service we want to buy. **Mr. Bach** said yes, and so that is right for that standpoint. If you want to say—if you think in broad terms, if you have so much out there that's in debt now or we go toward $15M and there is a combination of things that go into it. If you say we want to add another million to that, but we will do it in cash to knock that off, that's what it is. Unfortunately, a million dollars doesn't buy you a whole lot of street infrastructure, that's why we end up having to debt a lot of things, but that's how that's intended. We will use the simple method of, I guess, I've used before; maybe I will mix it up next year if you start moving your seats, but I will give you a one, two and three and ask you to go to that group.

Group 1 included Commissioners Johnson, Markley, Philbrook, and Townsend.
Group 2 included Commissioners McKiernan, Kane, Murguia, and Burroughs.
Group 3 included Commissioners Bynum, Walters, and Alvey.

Mr. Bach said let's put Group 1 down in the Budget Office down the hall, we will put the two's— **Commissioner Markley** said are we each getting a budget person like last year that's in there with us. **Mr**. **Lindsey** said there will be a person from the budget staff and then also a person from the County Administrator's Office. **Mr**. **Bach** said Kathleen and I will be roaming around so if there is a question that comes up that can't be addressed by the two staff members working with you, then we will figure out what the answer is.

Commissioner Bynum said I have a question before we break up into our groups. On the Budget Initiatives Key Information slides on page 5 where it breaks down our mill levies for all the taxing districts in the all the cities and school districts, on the third line KCK, USD 500 to the far right is the column Drainage District at 16 mills, but not everybody in KCK pays that, do they, only if you live in a drainage district or have your business—**Mr. Bach** said that's correct. **Commissioner Bynum** said so, that wouldn't be everybody. **Mr. Bach** said that is correct. That is not everybody, that is just those that are part of the—**Commissioner Bynum** said the drainage district so that total levy at the far end column of that is actually lower for most people in KCK. **Mr**. **Bach** said yes.

Ms. VonAchen said I put this together. I was trying to piece it together. I realize some of the jurisdictions don't necessarily overlap 100%. **Commissioner Bynum** said okay, that's fine, I just wanted to make sure I was correct.

Mr. Bach said two will be down the hall in the breakroom and three will be right here at this table in this room. For the facilitator's, we're at 45 minutes from now. We're ahead of time, so if we need more time we can work with that, but we will anticipate being ready to breakout in 45 minutes.

The group session began at 6:38 p.m. and ended at 7:33 p.m.

Mayor Alvey said welcome back from the fund budget policy group exercise. **Mr**. **Bach** said I hope everybody had fun. What we're going to try to do now is build consensus from how easily it was for the three or four of you to build consensus to build consensus among the 11 of you at least to get some direction going from this point. If we can break this out to each group and let you do your reporting, so who had Group 1? Who is going to report for Group 1?

Commissioner McKiernan said what would really be nice is if he had it live on the screen. **Mr. Bach** said I think that's what they're—alright, Commissioner Johnson, I think we have your group onboard.

Commissioner Johnson said with the City Mill Levy Reduction we went with a one mill reduction for the first three years. We did it 2019, 2020 and 2021, one mill per year. We invested a half mill the first year for SOAR, $300K and $200K for the subsequent years in 2021, 2022, and 2023, that would come out of cash and/or debt but with the preference from cash over and above what we're spending. Streets & Neighborhoods, the same philosophy with that as well, but we're open to alternative programs for that so we're a $500K for 2019 and 2020 and then $250K for the subsequent years. Parks, $250K straight across and the thought process with that, and you all help me with that, this can be looked at a couple of different ways. If it's for restroom improvements I think then we would just pay for that out of cash. If it was for a larger overall program for all of the parks say a $20M bond deal, then that could be our debt reduction so we would look at it both ways. It could be either/or.

We talked about the Capital Funding to do a one-time payment of $500K because we know it reduces some number of time relative to our debt obligations. We don't know exactly how long that is, but we know it does reduce some period of time in terms of our debt obligation. Then, we said we would put a $1M investment into economic development. If you look at how that impacts the overall, even by the end of 2021 we are still $1.2M above the threshold of 17% which, in my opinion, then helps to improve our overall rating thereby reducing our cost of funds when our borrowing is going forward.

Mr. Bach said I will just say when I look up there and see it, I see it's kind of a balance attack toward the mill rate, putting more emphasis toward our blight reduction and infrastructure which were top on our list, funding a plan we put in place at least to some degree. What you've done is set up a budget that is, according to the current projections, in the out years our expenditures will outpace the revenues, but that's something in that third mill rate reduction in 2021, you could evaluate at that point if you didn't do it or you wouldn't have to keep spending all these other things because you haven't committed yourself beyond what you can afford. So, that's logical. That could be implemented and it can work. **Commissioner Johnson** said we deferred to the Citizen Survey so that is what kind of drove us from the top-level piece particularly with SOAR and Street and Neighborhood Infrastructure.

Mayor Alvey said I have a question on the SOAR piece, $500K the first year, $200K the second year and then 200, 200, 200. **Mr. Bach** said 500, 300, and then they're doing 200 each year going forward over and above what we currently spend. **Mayor Alvey** said over and above, thank you.

Commissioner Johnson said we know there's a threshold there somewhere where we feel like we will have fund to SOAR and it's going kind of take on its own life. We feel at some point we're probably going to back off from that because of that threshold. **Mayor Alvey** said and to reduce the number of houses, that burden won't be there. **Commissioner Johnson** said yes, exactly.

Mr. Bach asked, Logan, have you guys been able to capture all that on the flipcharts? Okay.

Commissioner Johnson said and we improve our bond rating.

Commissioner McKiernan said you have to take the 650 in 2023 out of Street & Neighborhood Structure, it's going to have to come out. That last one, don't turn it off, just take the 650 out of 2023, zero that. Now, scroll back up and we should be over, yep, we're right there. We actually spent our time having a lot of very good substantive rational discussions about how we approach this and we came up with basically we've got four prerogatives that we think the citizens want. 1) property tax reduction. Then, again, to go back to my bic analogy, blight removal, infrastructure improvements and communications which are the three things that are the highest priority that have the lowest satisfaction out of the items, at least on the City part of our survey. What we did was we took a 2-mill reduction in property taxes for fiscal year 2019. We let that ride for one-year and then we added another 2 mills in 2021. With a total of 4 mills of reduction over the six years of this time. We assume that SOAR will be funded at its current level of 1.7. It will continue to be funded, we're not going to cap that, we're going to depend on that to continue with the progress we've already started and kind of back to what Angela said a moment ago, we start to reach the point of accelerating returns with SOAR as the number of problems are chipped away; at least that's the thought.

Neighborhood & Street Infrastructure; this was really hard for us because we wanted to just borrow a whole bunch of money, but if we put 650 a year for four years into that, we can start to chip away at some of the sidewalks whether they're not there or whether they need to be replaced. It could be a cap onto either our cash or our debt financing for some Public Works improvements. That $500K in the Economic Development Gap Fund is actually not there. You see that it's turned off, it is not factoring in.

Parks Master Plan; we didn't put any funding towards that because, again, if you go back to the Citizens Survey, although it's high importance, the satisfaction is fairly high so we decided not to put money towards that.

We decided not to take anything out of—Pay-as-you-Go effectively is our Street & Neighborhood Infrastructure. We didn't borrow that, we're paying cash for it, but up there rather than some other.

Department Special Initiatives; none. PILOT reduction; none. Gap Fund; I will get to that in a moment. Increase Reserves to 3-months of Expenditures. We thought 2-months was fine. The 17% was what we were shooting for. If you will now scroll up to where we can see the Reserves, Commissioner Burroughs had a really nice idea here. Go to 2019 please and he knows right where it is, right there. If you see that there is $45M worth of Reserves right there, Tom said why don't we consider taking a percentage of that. For example, take 1% of those Reserves, taking 1% doesn't drop us below our 2-months of Reserves, our 17%, but it is a way that can fund, kind of variably even, some of the economic development. Our thought was—our trajectory eventually gets rid of, or takes us right down to the 2-months of Reserves, but for those first four years of this plan there's theoretically a lot of cash that could be available in a Gap Fund Policy. What we said was, we will take 1% so for that one-year now we've got $450K in 2019. There would be $490K, that can't be the right unrestricted fund balance. **Ms. VonAchen** was inaudible. What you're saying is 1% of this, that's actually what you're saying. **Commissioner McKiernan** said it's 1% of whatever is over the 17% of annual expenses. **Ms. VonAchen** said that's what all this is. That's the $20M, you already spent that, the blue, it's the same thing. **Commissioner McKiernan** said what we're saying is if you take—you've got a decrementing—l% gives you a decrementing amount of cash over the next four to five years that could be used to spur economic development, close gaps but with cash and not with borrowing which was always my concern about the Gap Fund Policy. We brought it forward, we're going to borrow to grant, this gives us cash to grant and the idea was we stimulate it in the first few years, so anyway.

Ms. VonAchen said if you do want to dedicate 1% of the Reserves, because you've already spent all of it, then what you're saying is that you want the Reserve target to be 16%, not 17. **Commissioner McKiernan** said I guess I don't know how to read this chart.

Commissioner McKiernan said once again, it would be nice if I could look at these things ahead of the meeting so I can wrap my brain around what numbers are where on this. There are a lot of numbers on this. What we decided was in our first year, my understanding was, that we had dollars in excess of what it would take to have 2-months of 17% of Reserves. **Mr. Bach** said that is correct. **Commissioner McKiernan** said and we would take 1% of the dollars in excess of whatever it took. **Ms. VonAchen** said that is this $20M right here. That is all the money available after the 17% Reserves.

Commissioner Markley said isn't he saying he only wants 1% of the 5.8 that's the red bar after he spent all the other money. Is that what you're trying to say Brian? **Commissioner McKiernan** said it was, but evidently, I don't understand this—**Commissioner Markley** said he wants 1% of the $5.8M that's above the 17% on the bar graph. Go down to the bar graph, 1% of that and then 1% of the 5.7 and 1% of the 3.3 and 1% of the 1.4. **Ms. VonAchen** said but you spend it the next year and next so—**Commissioner McKiernan** said that's what we said. We said every year it is 1% of the red bar so it's 1% of 5.8, it's 1% of 5.7, it's 1% of 3.3, it's 1% of 1.4, and then it's done; four years of cash incentive to close gaps. **(someone spoke but was inaudible). Commissioner McKiernan** said bingo. **Ms. VonAchen** said well, there's no more money so you need to get into the table below in order to account for it.

Mr. Bach said okay, I understand what you said so let's just make sure we're accounting for that down below. **Commissioner McKiernan** said I put in my request again to get materials ahead of time so I can look at them. **Mr. Bach** said this is an interactive model, Commissioner, I understand. You want to turn this on at a certain number for each of those. If you do that, it takes away some of that Reserve each year so I think that's the only point that has to be modified is that we need to adjust it and then your model will just eat up the rest of that money. It will eat up a little faster and that's all. **(there was talking but was inaudible). Mr. Bach** said the good part about that too is hopefully by doing that you're also investing in something that brings revenue back in. Now, the revenue that returns probably is off this chart somewhere before we see it really start to see it come back in, but it is working to grow our community. **Commissioner McKiernan** said that's another thing that we discussed, but we didn't work in here was we're going to have assessed valuation increases, we're going to have potentially all sorts of increases spurred by this, but we didn't want to count on any of those. We wanted to take the conservative estimates for moving forward. Conceptually, that's what we want. If I ever do get that spreadsheet in my email, I'll give you one that shows the exact numbers we talked about. **Mr. Bach** said do we want to turn this on to follow that 1%? **Someone** said well, I'm good with it. **(Commissioner Markley was inaudible).**

Commissioner Murguia said I think the other thing to keep in mind also is that the way I interrupted this is that this is just the Gap Fund so it has to be an economic development project that's coming in front of us that has a gap in it. There has to be an existing project. Otherwise, that money will never be spent so you could go two or three years without ever spending any money at all and this is only the Gap Fund for a project coming in front of us. This isn't for any special initiatives that the Commission would want to do in the way of economic development.

Mayor Alvey said I know we're not going to get down into the details on that, but my only concern, again, on a Gap Fund that we say is only there for existing projects. Once you do one Gap Fund of an existing project that has a gap, the word is going to get out. Everybody will expect that and they will find the gap. That's my concern that—**Commissioner Murguia** said, Mayor, I'm sorry I didn't mean to interrupt you, I hope that happens because right now nothing is coming forward. Serving on the Economic Development & Standing Committee for the last four years, in particular, this targets the areas east of 635. At least people will take an interest and we will get projects to the table. Right now, nothing on its own is coming forward in the way of economic development for the neighborhoods east of 635. So, yes, I hear what you're saying and there might be some concern, but I view it the opposite that you do. I don't think that's a bad thing. I think it's at least going to get people to pay a little bit of attention to it and then start bringing stuff forward. Right now, we've got nothing to look at.

Mr. Bach said I will just clarify too, I mean 1% of $5M is $50K so just a perspective of what we're working with. **(someone spoke but inaudible). Commissioner Murguia** said what we all did agree on, I can't speak to this spreadsheet either, but what we all did agree on is that if we were going to do this fund, that an amount like $50K would not be enticing and we would be in the same position that we're in. That's where we came up with at least $500K or it's not worth anybody's time, especially on a quality project. I mean you might get— **(someone was speaking but was inaudible).**

Commissioner Burroughs said what they're saying is that I just read the spreadsheet that's in there, there was only $50K. The 1% was only going to generate—**Commissioner McKiernan** said $50K, if it's $50K, then you just said what's the point and I agree so misread the spreadsheet and we don't have that kind of money. We've still got our 4 mills of tax reduction, we've still got our infrastructure improvements, we may or may not have Gap Fund.

Commissioner Murguia said that's where our group of four, we had a little different perspective. Everybody had their different opinions sort of on this is that if we don't do anything, that's what we've been doing and that's not working because there really hasn't been any development in the urban core area, any significant amount of development without another party going out and getting their own Gap financing from somewhere else. Some people in the group were very concerned and group members can jump in, were very concerned about debt financing this line item. I was not as concerned about that but others made good arguments for why they would be concerned about that. Others too, it wasn't just Brian. I do think if we don't do anything, we're going to just keep getting what we're doing which is nothing.

Mr. Bach said the focus here, obviously, you went after the mill rate a little more aggressive than the other group, one more mill. I mean it still takes us to 2021 and give yourself a little bit of room if things went a different direction, you could correct and take an emphasis toward the Street & Infrastructure is your number one area to spend more money per the survey.

Mr. Bach said how about group 3? **Commissioner Bynum** said I will kick off group 3. We had myself, Mayor Alvey, and Commissioner Walters and we started from the starting point of the STAR Bond payoff philosophy from the beginning had been mill levy reduction. Our mill levy reduction is 2 on the City side, 1 on the County side across the five years which represents $3.4M.

We funded the Parks Master Plan at $500K annual with the potential that could be debt service on borrowing $15M and upward to fully fund our Parks Master Plan.

The line 6, Department Special Initiatives, is actually a $7M reduction in projected 2019 expenditures and the conversation was that we should hold 2019 expenditures to our 2018 level. I will also just add briefly that we had a brief conversation around the topic of when and if we renew our Public Safety and Infrastructure Sales Tax that we dedicate a portion of that revenue directly to the Parks Master Plan funding. It's not really represented here on the model, but we had that conversation. I think that's my portion of it. Mayor, if you want to chime in. **Mayor Alvey** said I'm going to defer to Commissioner Walters.

Commissioner Walters said we had a lot of involved conversations probably more so than show up on this chart. One of the things that concerns me is our growth in spending over the past several years that exceeds the cost-of-living.

As an exercise we suggested what if we start instead of figuring out how much money we're going to get and figuring out a way to spend it, what if we start at the other end and say this is what we spent last year, can we achieve the same things if we don't have an increase. We may not be able to obviously, but we can't solve all the problems in 45 minutes. The only way to do that on this chart was to have a $7M expenditure reduction in the Department Special Initiatives which I guess $7M evidently is the, according to this worksheet, the expected increase in expenditures so it's 3.5% increase over 2018. I don't know what the exact percentage is, but I think we do need to think about stopping the trend of increasing our expenditures so far in excess of the cost-of-living increases. That was the emphasis for starting where we did. If you go up to the top, we also had a long discussion about not increasing the Reserves, but I think we actually did that and I think if we had more time, we would have probably directed some of that Reserve increase to debt reduction. **Someone** spoke but was inaudible. **Mayor Alvey** asked is that correct. **Commissioner Walters** said we definitely had a conversation about priorities, priority being investing money wisely where it makes tangible impact on property valuations to cutting taxes to help grow our overall tax base and then just the actual growth of the tax base through strategic investment. Those were our priorities and then another priority of reducing debt to improve our overall balance sheet.

Mayor Alvey said we felt that the promise of the trend was to continue to reduce the mill levy and we thought it would be helpful to distribute that also as well to the residents and citizens of Edwardsville and Bonner, at least to some extent, and so that's why we dedicated 1% reduction to that side of it. We also were concerned that we've completed the Parks & Rec Master Plan and we do these master plans and then don't follow it through, come right on with funding, what's the point of that. We've expended the money and created a vision and then said well, that would be great but now we're not going to bring funding to that so we feel that's a concern.

Again, the hope is that we have to be very cautious with a look at all expenditures as an investment in our neighborhoods and that we're really seeking to improve the quality of life for our residents and as we do that, that will be reflected in property values and as property values rise that allows us then to distribute that tax burden on more people, on higher value and so continue to reduce that. It's a long-term play but the property tax rate is an inverse proportion to property value and the higher the property tax rate goes, that causes a decrease in property values. If you want to get that down, you've got to reduce the property taxes and at the same time try to bring values up to bring those into balance.

Commissioner McKiernan said on your $700K--$7M rather, in the first year, you've got to grab for your increasing. You blunted that increase for one year and then it continues to increase after that year, right? **Commissioner Bynum** said only because we—**Commissioner McKiernan** said because the model has increments built-in for every year so you flatten it off for one year, but then it's going to go up after that. To truly flatten it down you would have to have an accelerating amount. **Commissioner Walters** said I don't think we think we could hold expenditures level forever. **Commissioner McKiernan** said exactly, that's interesting.

Commissioner Kane said we've have done a lot of studies. We waste a lot of money and we have the expectation of the people goes up there and then said my God we've got this plan, but we have no funding to perform the plan. That's why we left that one alone and the reason we went after lowering the mill levy is that's what everybody wants us to do. I love the way you did this this year. This makes it easier especially I hope for the new guys, but we're going to make his life miserable. Somewhere in the middle of this you've got to gel it altogether and I hope we've given you enough guidance or misguidance today to get that done, but the people still want their taxes lowered down. We can have this great big plan and when we did it across the board, then everybody feels it and I think that's the most important thing we need to focus on.

Commissioner Burroughs said I'm new to this process as you all know and we're being prudent in addressing what the constituents have clearly stated they want and that is a mill levy reduction to lower the property taxes. Unfortunate side to that, we come in prepared to do that with valuations going up simultaneously so the hard part is how do we communicate that to our constituents so they understand that we took their concerns to heart and addressed it in this budget. I do commend those that talked about the County and the City mill reduction. I would just ask this body, are we prohibited from sending a letter to the other taxing entities that raised the mill levy of our ratepayers to hold the line on their expenses? **Mr. Bach** said no, you're not. **Commissioner Burroughs** asked are we prohibited from doing that. **Mr. Bach** said no, you're not prohibited; you have no legislative authority to tell them what to do, but you certainly can express your wishes upon them if you so desire. **Commissioner Burroughs** said I know how difficult that can be and I know the challenges they face, but ultimately, we're all in this together and if we erase the mill levy and lower it only to have somebody else come in and take advantage of that, we're all painted with the same brush. We should be partners in this process, we're all community members, and we're all community leaders. I would hope we would give strong consideration to sending a strong message to those entities that levy a tax base, a mill, to hold the line on their spending at least through the first year so the residents absolutely have a chance to be educated on the lowering of the mill and the increase in valuation and that we continue to work as partnership here to look how we can reduce the cost of taxation on our ratepayers.

Mayor Alvey said I think as an individual any of us could do that. My only concern is, look at Piper, they knew that they had a very serious need for new facilities that they have been delaying for a long time and have not had success in passing a mill levy. Now, they were finally able to develop the commitment, the consensus in the community, and it was a low voter turnout to move that project forward which is going to be a significant investment in the community because investments in education really do result in increase in property values. I think, as you said, it's a very difficult thing and we know the decisions they have to make and they don't have the same control over revenues perhaps as we do because we can—you know in terms of sales tax and PILOT, they don't have those same accesses to resources that the Unified Government has.

Commissioner Bynum said just to comment to Commissioner Burroughs request of visiting with our other taxing entities, I want to put something forward that I've put forward to several of you individually and I put it forward to you, Mayor, and I think it might be a difficult task but not an undoable task. When we convene in a convocation every taxing entity including the State, including the Board of Public Utilities, every school district, Bonner, Edwardsville, Turner, Piper, but the cities of Bonner and Edwardsville and the college into a session with us that's a facilitated conversation around seeing if we share priorities particularly priorities around budgeting and spending because right at the moment it is a fact that we are not watching other taxing entities lower their mill levy rates. We have not seen that occur, to my knowledge, in the last three or four years among other taxing entities and if we're truly seeking real tax reduction, I would think that might be a priority for everybody. But, what also might happen if we were to have that facilitated convocation of all taxing entities, we might identify two or three priority areas that all of those groups agree are priorities. Then we might find ourselves willing to work more collaboratively toward how can we do those things more efficiently. I just want to put that forward as just something worth thinking about that speaks directly to the point that you are making.

Mayor Alvey said I think we want to get back to our budgeting retreat.

Commissioner McKiernan said thank you, Reggie, for sending me the spreadsheet. Now that I fully understand how it's built, our idea still holds except we go with 10% rather than 1% and it still holds and you get $600K in 2020—you get $580K in 2020 and then 570 and then 330 and then 140 in decrements just as we had imagined it would when we sat in the other room now that I know what actual line of this thing to look at. So, our model would still work as originally proposed with a decrementing pool of Gap Funds to be there. **Someone** was speaking but was inaudible. **Commissioner Burroughs** said that is a ceiling for a year. We as a body have the right to determine if the project warrants any Gap Funding and if we have more than one or two projects, we can decide if we want to build a full gap, partial gap and encourage them to find additional dollars and resources elsewhere, but it's not a mandatory gap. If you come up with a gap, you're not going to get all of that money. It will be determined on the project itself and actually we could leave that up to the Administrator to do that or we can look at it individually through the Economic Development Committee and make the recommendation back to the full Commission. That's something we can hammer out later, but at least we're frontloading it. We have that money there and we know how much every year it's going to run us and by the time the fourth or fifth year comes around it should be paying for itself in new development and new revenue without borrowing the money.

Mayor Alvey said if there's not any other comments or questions, I think we're at the time—Mr. Bach, do you feel like you have the direction you need? **Mr. Bach** said I probably feel the need to comment a little bit on this last sheet that's up here because you guys have a rather aggressive reduction in expenses. You've identified $7M in reduced expenses and I just appreciate the challenge to say where we're at for normal cost-of-living, but I just want to look at on this page we're showing—you took this number to say 2018 to 2019, is that kind of what you were looking at? **Mayor Alvey** said correct. **Mr. Bach** said take 7 out of that so we have about an $8M increase, not really, that's about 7, 210 to 217 so it's about a $7M difference. Generally, if you look at my expenses that we built-in this year, you know we've got a little bit more in Services, some of those are fixed contracts that come into play. Right here is my $6M number in Personnel, that's labor contracts and KPERS. If you give me that direction to cut $7M, I'm either cutting out service contracts, supplies—I mean I'm going to cut 7 out of these categories, that's pretty severe or I'm reducing something we're doing because I'm cutting a lot of bodies. That's kind of a direction I need to understand especially when 55% of our budget is in Public Safety.

Commissioner Bynum said can I ask a question to that because what we were looking at was the increase in expenditures kind of year over year. So, from 2015 to 2018 it's about $20M. In total expenditures and transfer the increase is about $20M and so is that—based on what you're saying would that be primarily in people, in Personnel? **Mr. Bach** said when you look at Personnel, here's '16,143, in '19, 158. **Commissioner Bynum** said mostly people. **Mr**. **Bach** said that's the biggest portion of the increase in Operating that I have and that's driven by—and you know we haven't been aggressive, our COLA's have been 2% and just finally doing a little 3%. The years before we were at zero. **Commissioner Bynum** said I will just say for my part that helps me feel better about seeing that level of increase year over year in expenditure because that's giving people raises if I'm understanding you correctly about the items that are in the Personnel line item, that's paying into retirement funds—**Mr. Bach** said which are fixed that are given to us by the State of Kansas so we can't state what those are and we still have our buyouts. I just want to bring that into perspective. If that's a direction we go, I would need a lot more guidance because I would need to stop doing something that we're doing would be the only way to go about that. Only one group brought that up so it kind of narrows it down to where we would go in that direction.

Commissioner Kane said I'm not for eliminating anybody's job and, in fact, we have several openings, correct? **Mr. Bach** said yes, we always do. **Commissioner Kane** said we don't have enough employees to perform the job function we want to perform so I would be wholeheartedly and red faced and really pissy if we laid anybody off.

Commissioner Walters said I think the point we were trying to evaluate, and understand we can't solve all the problems in 45 minutes. We came up with a number in this exercise that was about a 3.5% increase in expenditures, I think, from '17 to '18; whatever $7M of 202 is and I guess we were just trying to challenge that to say where did that number come from. Is it the real number? A lot of these numbers we don't know, like Capital Outlay, goes from 3.3 in the first column to 6.5 in the current year. I don't know how to explain what's in that number, but it looks like it's had some rigor put to it, I just want to challenge do we really need to increase our expenditures as much as we are shown on this chart. **Mr. Bach** said if I can hit Capital Outlay to just mention, 3.3 was severely underfunded and from the days we were trying to make—we cut our Capital to the point we weren't buying hardly anything new and that put us in a bad way. **Mayor Alvey** said I think that was the other part of discussion, that a lot of the rate increases over the years, part of that was due to the fact that after the economic emergency expenses were reduced and a lot of this was catch-up especially and perhaps on expenditures for equipment and so forth.

Commissioner McKiernan said, Doug, it sounds to me like you want hard budget direction out of this exercise and I will tell you I think that is foolish for us to try to do this. This is a great exercise. It's a good mental exercise, but to come back and take three separate groups who have three separate approaches and try to melt that all into a 20-minute discussion and come up with hard direction for you, I think you've seen there are a lot of different ways to skin this cow, cat, thank you. I will just speak for myself. I think for us to say this is hard budget direction, this is a little dangerous and I'm just on the record.

Mayor Alvey said I guess, and I don't know, maybe our group took it a little bit differently. It seemed to me what we were trying to do is, let's dig down to what are the priorities here and what really is coming clear to me is mill reduction and there is some commitment to, as your group said, streets, parks, capital improvements and our group was parks and rec. Those investments that are really going to make a difference in improving the quality of life for citizens. We kind of know what they are, we know we don't have enough money, but we know we want to do mill reduction;

to what level, that still has to be worked out. We know we have to put money to infrastructure and improvements to neighborhoods, okay, where and how; we know we're committed to that. If that's sufficient direction, we're done. **Mr. Bach** said I would agree. I mean I really do feel like across the board every group came back saying mill reduction. That still needs to come into play and pushing toward getting a couple in there this year seems to be the emphasis between one and two, but that there is the ability to keep that steady decline going with it. Streets was still a continual theme, at least two of the groups put those up. Some emphasis towards SOAR. I think only one group identified it as an out-year thing. Two out of the three came back with emphasis towards funding of the Parks Master Plan and then a couple of you identified some money toward the Gap Fund. If I take and look at all the categories that were out there that we've discussed over the last year or time, you know here comes—and obviously you spend a fair amount of time with the one group talking about ways we could be efficient. Maybe that numbers not $7M, but it's some number it's trying to continue to be efficient with where we're going so that does help us a lot because if I'm scattering over 10 or 12 categories and trying to put a half million or a million into all those, that's a little harder to do.

It didn't leave a lot of room probably for Department Initiatives. That's probably one thing that kind of holds the line that's kind of like if we're not doing it now, I didn't get probably a lot of latitude back for me to come and say here is something we want to add to the budget.

Mayor Alvey said I think the other message that I heard was that there was not a commitment necessarily to really get into that 3-month Reserve Fund. I think that was—**Mr**. **Bach** said I would agree.

Commissioner Murguia said I just have a suggestion or a comment to make. It's great for all of us to get together and give you our opinion about what the priorities are, and I know the Commission has changed since we had this discussion initially, but I thought when we started the Community Survey process with ETC, we were spending money on that and outsourcing it so that the community could drive what our priorities were here at the government. That's my first comment. I'm just sort of throwing it out there. My second sort of comment/suggestion, I guess, and I tried to explain this in my group and I'm not sure I did a good job so I'm going to try it again. What's great about Wyandotte County is that all of our Commission districts are different and I would bet, and I think we did do this or have paid to have this done, is that we break the survey data down by district. Then, staff meets with the commissioners of that district with the survey and the priorities of the community to determine how funding is allocated in that district.

The reason I think this could be an effective way to keep our cost down to be more efficient, to maintain those incremental improvements for a better Reserve Fund, and I don't know anything else to do other than give you an example. Some districts the emphasis may be on sidewalks and in some districts the emphasis might be on a grocery store or some districts the emphasis might be on drainage. Instead of, and I don't know if you've done this in the past, but instead of trying to make sure that each district gets 1/10th of every budget line item when it may not necessarily be a priority in their district; in order to create some impact and to develop some momentum in order to make some significant visible change and improve the quality of life in people's specific neighborhoods, I think it would be easier if we looked at those in-district surveys and we moved the greatest amount of money to the highest priority areas in those districts. Does that make sense? Do you see what I'm saying? I don't know that we already do that, but I don't want to give anything away out of my district, but I am going to give a physical example. If there is a million dollars in Curb & Sidewalk and that isn't one of my top three items, but it's Commissioner Townsend and Commissioner Kane's one of their top three items, then and I can only speak for myself, I have no issue with the bulk of that funding going to them where the bulk of the money that would come to my district would be one of my top three items. I just think when we—you know if I get it then Commissioner Walters gets it, if we have that mindset, there is never any momentum developed, there is never any real difference that takes place. We have to learn as commissioners in our district to prioritize what's important for that area, fund it, fund it well, make a difference, have something that we can point to and show people this is significantly different now. It's significantly better and then work on the next item in the following year. I don't know if that helps you at all, and that's just my opinion, but I really think that would make a substantial difference.

Commissioner McKiernan said I agree, we could use some great direction in things we would like to happen, but I will pick on in particular Department Initiatives, you just mentioned that. What were they? I mean, there's nothing in this PDF document. That's the one line item that actually doesn't have any flash to it. We didn't hear any pitch from any department that if we had this we could make magic happen. That's why I say that sometimes this is a really hard exercise because it is mostly theatrical or in large part theatrical. I think you're right in terms of mill rate reduction, in terms of infrastructure improvement, I think you're hearing clear from all of the groups that those are things we want. To get down and say well you guys didn't say fund any Department Initiatives, well, I didn't know what they were.

Commissioner Bynum said I think there are Department Initiatives that we may have on our wish list so if we at some point want to get into those or maybe once we get into budget workshop time when we begin hearing from departments, we may chime in with items that are on our wish list so to speak. I think another thing that's going to happen is as we move closer and closer to a product with our Northeast Master Planning effort, there are going to be some real things that we're going to be wanting to ask to spend money on and we aren't going to know that for three or four more months maybe. So, we can't really speak to that today in this exercise, but I think we can all agree that once that plan is closer and closer to a product that is adopted by this Commission, there is going to be dollar amounts that we're going to be asking to be allocated for that plan, just as an example.

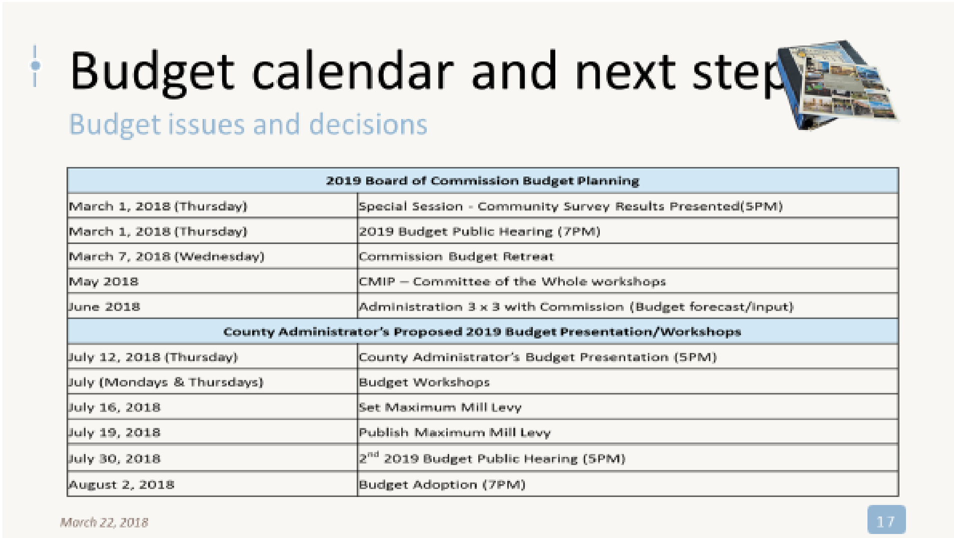
Commissioner Burroughs said, Doug, my position on not building the 3-months Reserves, I think that's a very prudent thing to do for us to get there, but I also think if we can reduce some of the debt. I think we heard from some of the other commissioners that if we can reduce some debt, we will get to the end, we will be able to build our Reserves quicker in the long run but that's that balance there. You know, in going through this exercise, what I seek from it is that the commissioners are committed to lowering the tax burden on citizens of our community, our employees are getting a pay raise, services are doing well. We've seen in the last two weeks that the services and programs that your administration and the commissioners before this year put into place are working and it's making a difference in the community. To back off of that would be foolish for financial reasons. We are making strides and it takes a little at a time, but the only way we're going to do this is to control some of this spending. I'm one that wants to find that balance where we have enough in Reserves to meet our 2-month criteria and I think it's a novel approach to put away to 3-months.

I commend you to have those rainy day funds, but we're also coming out of the time when we drained those rainy day funds and at the same time we implemented programs and we have that momentum and we should keep it going. I really think our employees should be cognizant of the fact that they are getting a pay and I would like to have it be more, but maybe if we continue on being fiscally responsible in how we approach this budget and not spend all the money that we see coming in, but be responsible in paying down some of that debt and slowly move into these programs. I would like to be able to cut the mills even deeper and I hope that in two years we have this discussion again to cut it another three or four.

Mr. Bach said I appreciate that and I think in one of the things Ms. VonAchen has pointed out that every year when we go through this you know we budget—and we come in fairly close on the revenues. Sometimes we have some things that pop in one way or another, but our expenses we always expend less than what we budget and that's where we have to be because I can never expend more. That allows some room for money to fall to the bottom line and that's kind of one thing when we're doing an exercise like this, it doesn't really afford that opportunity so there is going to be some money left every year. I think Kathleen is really also pushing—you know you're at 17% and if you kind of just don't spend what you don't use each year, then you slowly go towards that 25% and we may not get there in five years, but we did by making great strides really by doing that by not spending what we didn't do and had some bigger chunks of money fall to that bottom line and that got us back at the 17 where we were down at 8% not very long ago.

Commissioner Markley said I was just going to point out most of you were here, but some of you weren't, remember when we were desperately trying to get to 10%. Remember that? Desperately trying to get to 10% so we should pat ourselves on the back a little bit because that was not very many years ago. I haven't been here that long that we thought we would never get to 10% and now we're talking about how do we keep it at 17% so we did better than we thought we could. Good job.

Mayor Alvey said, Mr. Bach, can we talk about Next Steps and the calendar.



2019 Board of Commission Budget Planning	
March 1, 2018 (Thursday)	Special Session - Community Survey Results Presented(5PM)
March 1, 2018 (Thursday)	2019 Budget Public Hearing (7PM)
March 7, 2018 (Wednesday)	Commission Budget Retreat
May 2018	CMIP – Committee of the Whole workshops
June 2018	Administration 3 x 3 with Commission (Budget forecast/input)
County Administrator's Proposed 2019 Budget Presentation/Workshops	
July 12, 2018 (Thursday)	County Administrator's Budget Presentation (5PM)
July (Mondays & Thursdays)	Budget Workshops
July 16, 2018	Set Maximum Mill Levy
July 19, 2018	Publish Maximum Mill Levy
July 30, 2018	2nd 2019 Budget Public Hearing (5PM)
August 2, 2018	Budget Adoption (7PM)

Mr. Bach said certainly. As far as next steps, the next big items that come before us are when we start to move into CMIP so from a staff perspective right now Mr. Lindsey just issued out to the organization today to have all departments start turning in their Capital Projects so we start going through those. They get them in the month of March. My office spends some time reviewing them in April so we can come back in May for the CMIP process. I think we've already got a couple of meetings on your calendar, they should be on there and then we will develop from there to try to get that in play and try to work within that debt ratio that we're working with and then how much money we're looking at as projected for cash based on our projections. We will build the budget and as we move through June, that's kind of that opportunity, we will have some of those special initiatives that can't be defined today, but get some feedback from commissioners whether there are some things there that we want to do or try to build in and go through those and probably some on-threes with you all, some feedback toward the end of June and then present the budget in July and we will go into workshop stage. As it's been the last couple of years, I really hope that the budget that I can present to you in July is one that has a lot of input. This isn't the last conversation I will have with you. We won't sit down in this kind of format as much, but I will work from this and then try to get more one-on-one or group feedback as we go through the different things we're working on so when I do present a budget on July 12th, I'm hoping it will be in line with what you all are thinking. Then, what we do through the workshops is hopefully more just tweak some of the stuff and move on from there.

Mayor Alvey said I want to thank all of staff and obviously the commissioners, great work tonight and I think we made great progress. **Mr. Bach** said thank you for your time and thank you staff.

MAYOR ALVEY ADJOURNED
THE MEETING AT 8:33 p.m.

Bridgette D. Cobbins
Unified Government Clerk

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