Economic Development and Finance Committee

Standing Committee Meeting Agenda

Monday, August 20, 2018
5:15 PM

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

Name	Absent
Commissioner Tom Burroughs, Chair	
Commissioner Brian McKiernan	
Commissioner Gayle E. Townsend	
Commissioner Ann Brandau-Murguia	
Commissioner James Walters	
Jeff Bryant, BPU Member	

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

II. **Revisions to August 20, 2018 Agenda**

III. **Approval of standing committee minutes from June 4, 2018.**

IV. **Committee Agenda**

Item No. 1 - REPORT: SECOND QUARTER 2018 INVESTMENTS

Synopsis: Summary of investments for Second Quarter 2018, submitted by Kathleen VonAchen, Chief Financial Officer; and Andrea Parra, Deputy Treasurer, Motor Vehicle Department.

For information only.

Tracking #: 18356

Item No. 2 - RESOLUTION: MANAGEMENT AGREEMENT FOR DOWNTOWN GROCERY STORE

Synopsis: A resolution authorizing the approval of a Management Agreement with Community Mercantile, Inc. (The Merc) for a downtown grocery store (5th & Minnesota Avenue), submitted by Jon Stephens, Economic Development Director.

Tracking #: 18351

**Item No. 3 - RESOLUTION: PLANNING, DESIGN, CONSTRUCTION AND

STABILIZATION FUND FOR A DOWNTOWN GROCERY STORE

A resolution authorizing the County Administrator to enter into contracts for the planning, design, construction and stabilization reserve fund for a downtown grocery store, in an amount up to $6M, submitted by Jon Stephens, Economic Development Director.

Tracking #: 18352

Item No. 4 - RESOLUTION: SET PUBLIC HEARING DATE FOR DOWNTOWN GROCERY REDEVELOPMENT DISTRICT (TIF)

Synopsis: A resolution setting a public hearing date of October 11, 2018, to consider the creation of a Downtown Grocery Redevelopment District located between 5th and 6th Street, Minnesota Avenue and Armstrong Avenue, submitted by Jon Stephens, Economic Development Director.

Tracking #: 18353

V. Public Agenda

Item No. 1 - APPEARANCE: MYRA ATKINSON REGARDING INTEREST ON DEMOLITION LIEN

Synopsis: Appearance of Myra Atkinson, on behalf of Mount Carmel Missionary Baptist Church, requesting exemption of interest owed on a demolition lien levied against 3840 Lloyd Avenue.

Tracking #: 18355

VI. Adjourn

ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, June 4, 2018

The meeting of the Economic Development and Finance Standing Committee was held on Monday, June 4, 2018, at 5:54 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner Burroughs, Chairman; Commissioners McKiernan, Townsend, Walters; and BPU Board Member Jeff Bryant. Commissioner Murguia was absent. The following officials were also in attendance: Gordon Criswell and Melissa Sieben, Assistant County Administrators; Patrick Waters, Senior Attorney; Kathleen VonAchen, Chief Financial Officer; Debbie Jonscher, Deputy Chief Financial Officer; Reginald Lindsey, Budget Manager; and Officer Jacob Dent, Sergeant-At-Arms.

Chairman Burroughs called the meeting to order.

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

Approval of standing committee minutes from April 9, 2018. **On motion of Commissioner McKiernan, seconded by BPU Board Member Bryant, the minutes were approved.** Motion carried unanimously.

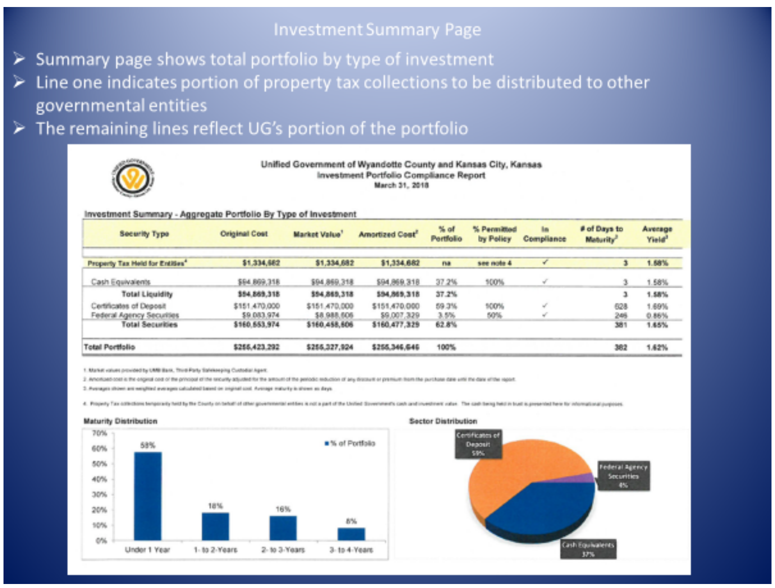
Committee Agenda:

Item No. 1 – 18263…REPORT: FIRST QUARTER 2018 INVESTMENT REPORT

Synopsis: Summary of investments for First Quarter 2018, submitted by Kathleen VonAchen, Chief Financial Officer, and Lisa Nolan, Deputy Treasurer.

Kathleen VonAchen, Chief Financial Officer, said we present our financial report for our investment portfolio quarterly.

This is for the period January through March.



Security Type	Original Cost	Market Value[1]	Amortized Cost[2]	% of Portfolio	% Permitted by Policy	In Compliance	# of Days to Maturity[3]	Average Yield[3]
Property Tax Held for Entities[4]	$1,334,682	$1,334,682	$1,334,682	na	see note 4	✓	3	1.58%
Cash Equivalents	$94,869,318	$94,869,318	$94,869,318	37.2%	100%	✓	3	1.58%
Total Liquidity	$94,869,318	$94,869,318	$94,869,318	37.2%			3	1.58%
Certificates of Deposit	$151,470,000	$151,470,000	$151,470,000	59.3%	100%	✓	628	1.69%
Federal Agency Securities	$9,083,974	$8,988,606	$9,007,329	3.5%	50%	✓	246	0.86%
Total Securities	$160,553,974	$160,458,606	$160,477,329	62.8%			381	1.65%
Total Portfolio	$255,423,292	$255,327,924	$255,346,646	100%			382	1.62%

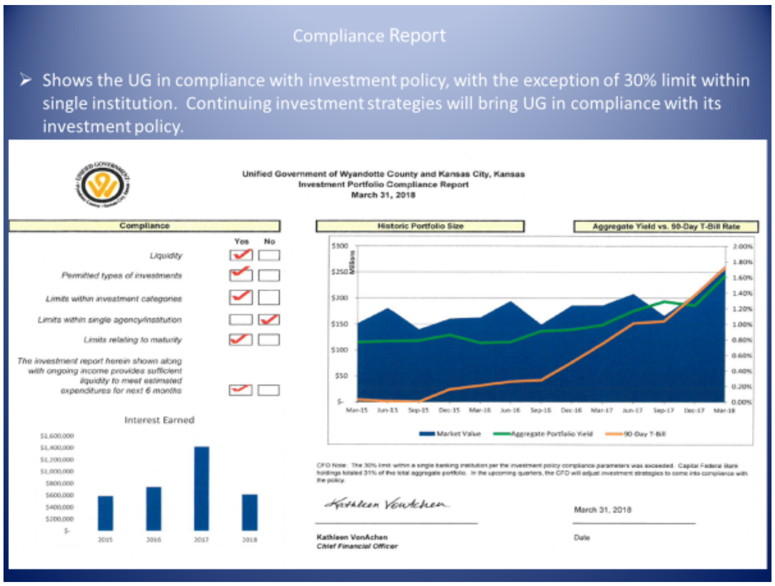
As you know, our portfolio typically grows in the first part of the year because half of the property taxes are collected at the beginning of the year. As of March 31, our portfolio totals $255M. We are earning roughly 1.62% on a weighted average basis. That's slightly up from the prior quarter. That is because of the rate increase that was put in place by the feds. The rates are increasing.

Our investment portfolio isn't necessarily increasing at the same relative rate that the feds are increasing rates because we're holding investments that we purchased prior to the rate increase. The amount that we're earning is a little bit suppressed. Over time, we'll catch up with the feds.

Overall, the graph here below you'll see that most of our investments, or 58% of them, are in short-term investments because we need to keep our cash liquid in order to pay bills. Much of our cash is dedicated for capital projects which are ongoing.

Another interesting item is that 59% or 60% of our portfolio is with certificates of deposit which are very safe, CDs with banks in our local area.

That's the summary of our portfolio in general.

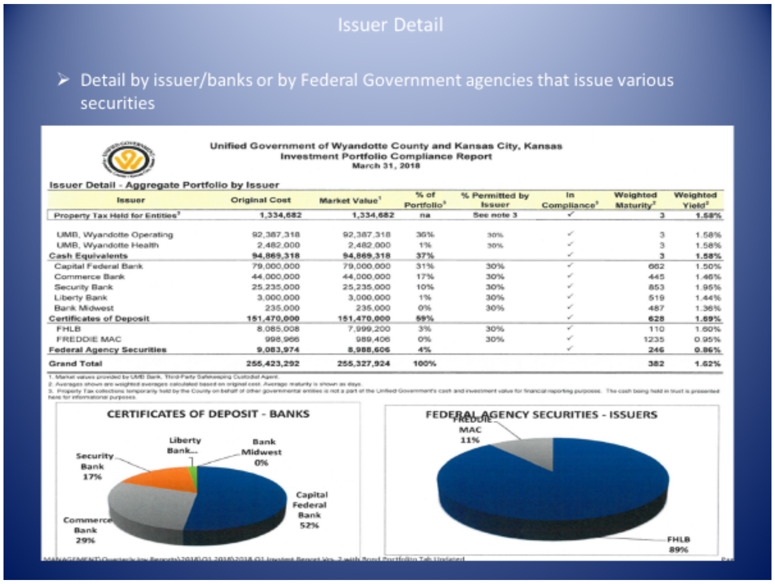


The next page of our investment portfolio kind of details how we've been doing over time and whether we're in compliance with our Investment Policy, which is annually adopted and reviewed in the fall.

As you can see here, the size of the portfolio has been growing since 2015. It's slightly larger. As you can see, each December is kind of a peak and then it drops down. We're peaking here.

One interesting item is that the T-Bill rate has been steadily increasing. That's that orange bar. As you can see, the orange bar is higher than our portfolio, which is the green bar. That is due to the rate increases that the feds have been putting in place.

We are out of compliance very slightly in one area and that's the limit on a single-issuer at the moment. At the moment it's Capital Federal Bank. They're holding 31% and the Investment Policy says 30%. Part of that has to do with a little bit of the timing. At the time we purchased CDs or do investment trades, that bank was below the margin. We collected more or spent some, so the margin went up a little. It's a little bit of a moving target. We're still trying to keep it down below the threshold.

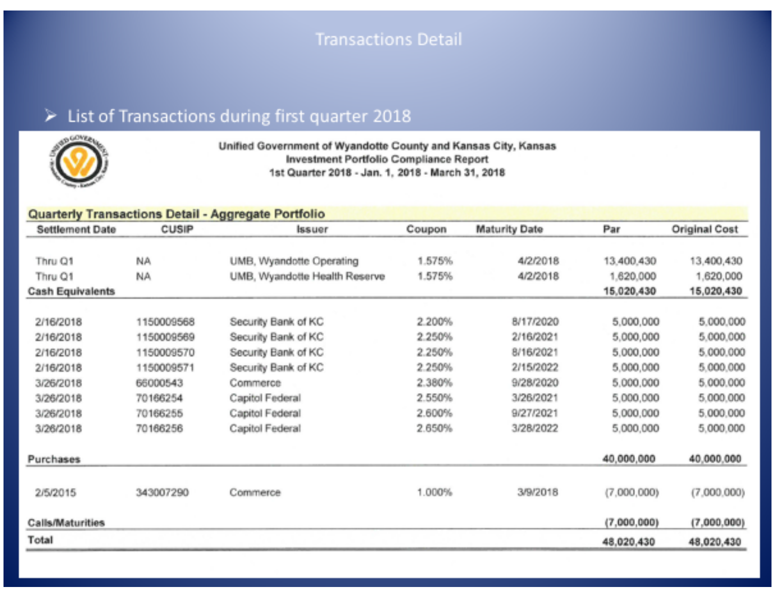


Issuer	Original Cost	Market Value[1]	% of Portfolio[3]	% Permitted by Issuer	In Compliance[3]	Weighted Maturity[2]	Weighted Yield[2]
Property Tax Held for Entities[3]	1,334,682	1,334,682	na	See note 3	✓	3	1.58%
UMB, Wyandotte Operating	92,387,318	92,387,318	36%	30%	✓	3	1.58%
UMB, Wyandotte Health	2,482,000	2,482,000	1%	30%	✓	3	1.58%
Cash Equivalents	**94,869,318**	**94,869,318**	**37%**		✓	**3**	**1.58%**
Capital Federal Bank	79,000,000	79,000,000	31%	30%	✓	662	1.50%
Commerce Bank	44,000,000	44,000,000	17%	30%	✓	445	1.46%
Security Bank	25,235,000	25,235,000	10%	30%	✓	853	1.95%
Liberty Bank	3,000,000	3,000,000	1%	30%	✓	519	1.44%
Bank Midwest	235,000	235,000	0%	30%	✓	487	1.36%
Certificates of Deposit	**151,470,000**	**151,470,000**	**59%**		✓	**628**	**1.69%**
FHLB	8,085,008	7,999,200	3%	30%	✓	110	1.60%
FREDDIE MAC	998,966	989,406	0%	30%	✓	1235	0.95%
Federal Agency Securities	**9,083,974**	**8,988,606**	**4%**		✓	**246**	**0.86%**
Grand Total	**255,423,292**	**255,327,924**	**100%**			**382**	**1.62%**

1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent.
2. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.
3. Property Tax collections temporarily held by the County on behalf of other governmental entities is not a part of the Unified Government's cash and investment value for financial reporting purposes. The cash being held in trust is presented here for informational purposes.

The third page here is a listing of the banks from which we have purchased our CDs and also the securities. As you can see the percentages here, here's the limits and then this is the percentage of the investments that we hold with these banks. Then we also have a couple of federal instrumentalities, Freddie Mac, Federal Home Loan Bank.

Here's the distribution of the CDs amongst the various banks. We are trying to diversify our CD portfolio amongst the various banks. Little by little we're working on that.



Settlement Date	CUSIP	Issuer	Coupon	Maturity Date	Par	Original Cost
Thru Q1	NA	UMB, Wyandotte Operating	1.575%	4/2/2018	13,400,430	13,400,430
Thru Q1	NA	UMB, Wyandotte Health Reserve	1.575%	4/2/2018	1,620,000	1,620,000
Cash Equivalents					**15,020,430**	**15,020,430**
2/16/2018	1150009568	Security Bank of KC	2.200%	8/17/2020	5,000,000	5,000,000
2/16/2018	1150009569	Security Bank of KC	2.250%	2/16/2021	5,000,000	5,000,000
2/16/2018	1150009570	Security Bank of KC	2.250%	8/16/2021	5,000,000	5,000,000
2/16/2018	1150009571	Security Bank of KC	2.250%	2/15/2022	5,000,000	5,000,000
3/26/2018	66000543	Commerce	2.380%	9/28/2020	5,000,000	5,000,000
3/26/2018	70166254	Capitol Federal	2.550%	3/26/2021	5,000,000	5,000,000
3/26/2018	70166255	Capitol Federal	2.600%	9/27/2021	5,000,000	5,000,000
3/26/2018	70166256	Capitol Federal	2.650%	3/28/2022	5,000,000	5,000,000
Purchases					**40,000,000**	**40,000,000**
2/5/2015	343007290	Commerce	1.000%	3/9/2018	(7,000,000)	(7,000,000)
Calls/Maturities					**(7,000,000)**	**(7,000,000)**
Total					**48,020,430**	**48,020,430**

This last slide, or the last page of the Investment Portfolio Report, shows a listing of all of the transactions that occurred that we did during the quarter. As you know, here's the change in our cash position. We collected $15M more in cash. We made purchases of $40M, then $7M in prior investments matured.

Commissioner Townsend said looking at the previous slide, I'm looking at say Liberty Bank for an example. How do we go to these banks and inquire about the amount of participation they may want? Do they tell us? Do we solicit them? How does that work?

Ms. VonAchen said it's governed by federal statute or state statue, but also the same statutes are embedded in our Investment Policy. For example, when these $40M were purchased we sent out to all the participating banks in the local areas, or the banks that are actually qualified on our list, which Liberty is one. We said here we've got these investments that we'd like to have you bid on. We're looking for this rate. The rate has to match what the T-Bill rate for that maturity that we're looking for, the standard rate, the market rate. Then they have a few days to come back and give us their bids. Whichever bank has the highest interest rate wins the bid.

Of course, we have to disqualify those banks that, for example, are hitting their 30% limit. Previously, the threshold was around 60% and we dropped it to 30 in order to allow for these other smaller banks to have a shot.

It's difficult for those smaller banks to provide, to meet those interest rate thresholds because of their own internal policies. We're doing what we can to increase the participation of these smaller banks.

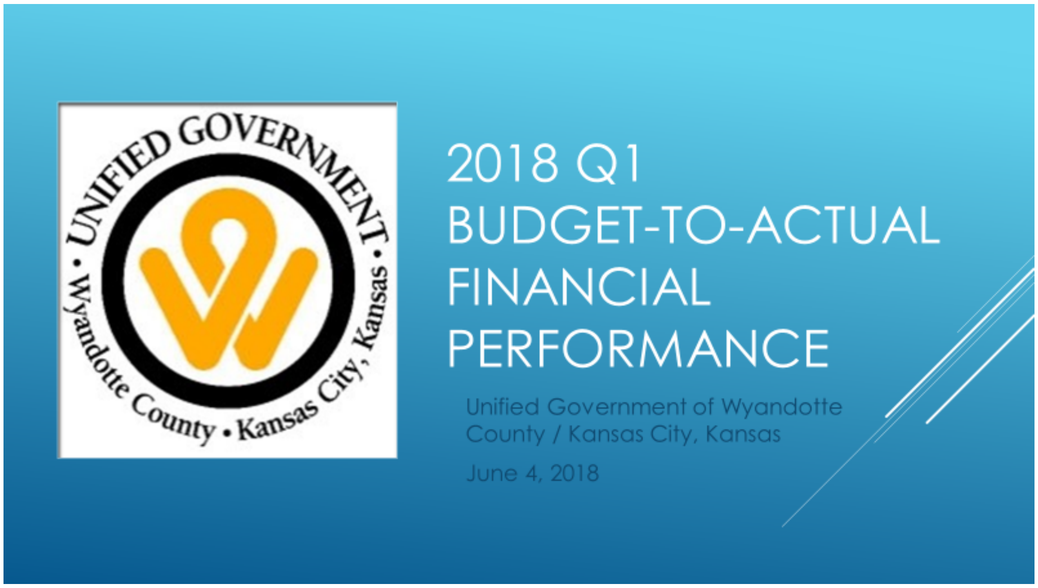
Chairman Burroughs said, Kathleen, I have one question just for verification. It's my understanding we have $255,327,924 in savings, in CDs and in cash. **Ms. Vonachen** said that's right.

Action: For Information Only.

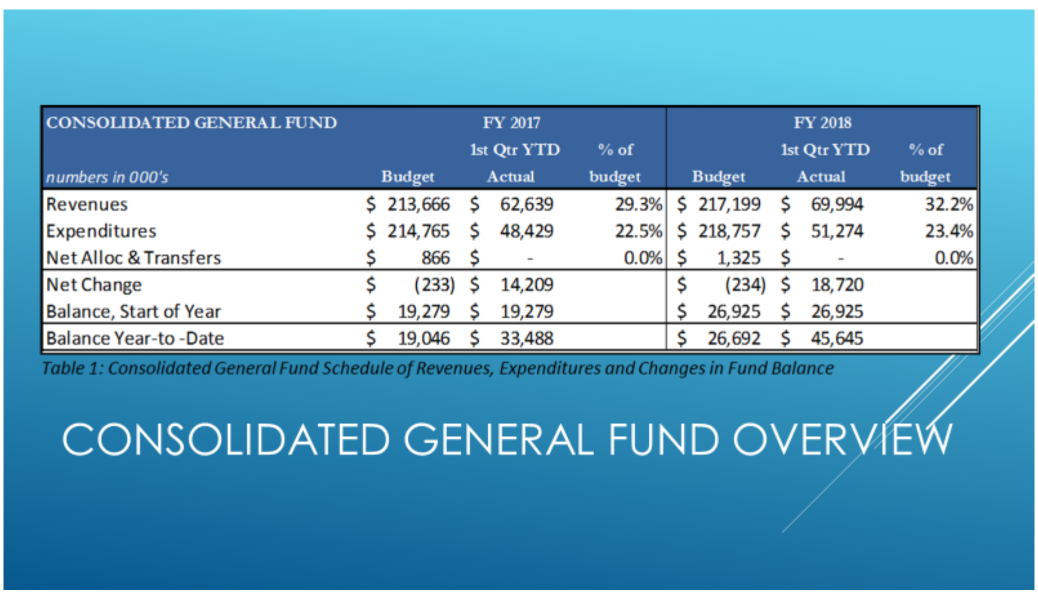
Item No. 2 – 18284…REPORT: FIRST QUARTER 2018 BUDGET TO ACTUALS

Synopsis: First Quarter 2018 Budget to Actuals Report, submitted by Kathleen VonAchen, Chief Financial Officer.

Debbie Jonscher, Deputy Chief Financial Officer, said I'm going to start the First Quarter Budget-To-Actual Financial Report.



I'm going to cover the revenues and then I'm going to turn it over to Reginald Lindsey, our Budget Director. He's going to cover the expenditures.



CONSOLIDATED GENERAL FUND	FY 2017			FY 2018		
numbers in 000's	Budget	1st Qtr YTD Actual	% of budget	Budget	1st Qtr YTD Actual	% of budget
Revenues	$ 213,666	$ 62,639	29.3%	$ 217,199	$ 69,994	32.2%
Expenditures	$ 214,765	$ 48,429	22.5%	$ 218,757	$ 51,274	23.4%
Net Alloc & Transfers	$ 866	$ -	0.0%	$ 1,325	$ -	0.0%
Net Change	$ (233)	$ 14,209		$ (234)	$ 18,720	
Balance, Start of Year	$ 19,279	$ 19,279		$ 26,925	$ 26,925	
Balance Year-to -Date	$ 19,046	$ 33,488		$ 26,692	$ 45,645	

Table 1: Consolidated General Fund Schedule of Revenues, Expenditures and Changes in Fund Balance

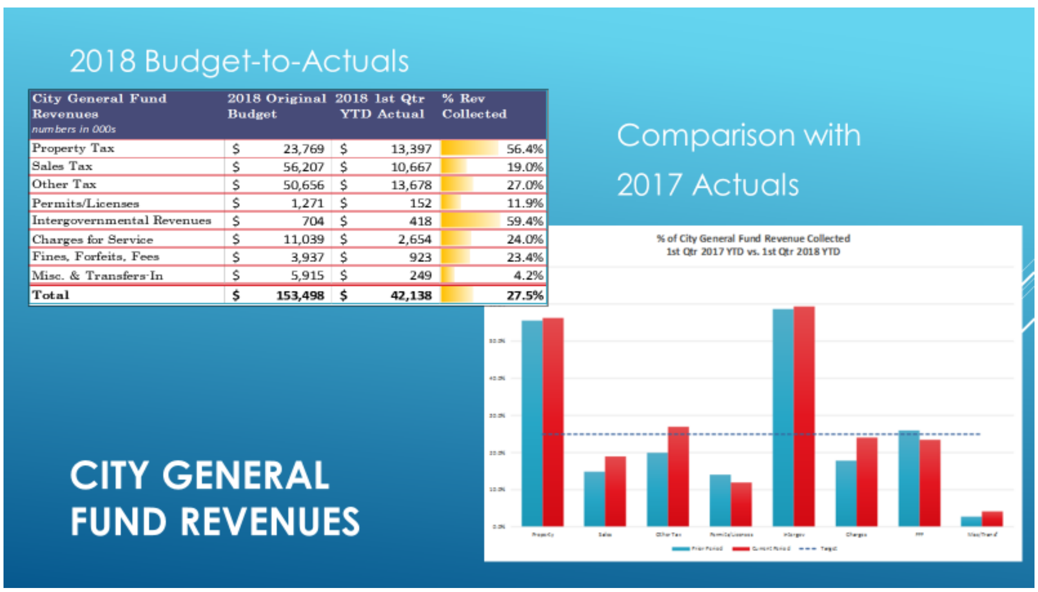
I will say that all the tables that we have in the slides are included in your First Quarter Report. This first one is a report on the Consolidated General Fund. I just want to remind you that that includes the three funds: the City General Fund, the County General Fund, as well as the Parks &

Rec Fund. However, the next couple of slides we're mainly going to concentrate on the revenues and expenses for the City and County General Fund. This fund does include all.

This is just a comparison of first quarter 2018 compared with fiscal year 2017. As you can see on the revenue side, in 2017 for the first quarter, we had taken in approximately $62M. For fiscal year 2018 we're at almost $70M. Most of that increase has occurred in the Tax Revenue category.

On the expenditure side for 2018, we're a little bit higher than we were in 2017. We're at $51M, whereas in 2017 we were at about $48M. Reginald will have additional information on the expenditures.

For fiscal year 2018, our ending fund balance for the first quarter is currently at $45.6M.



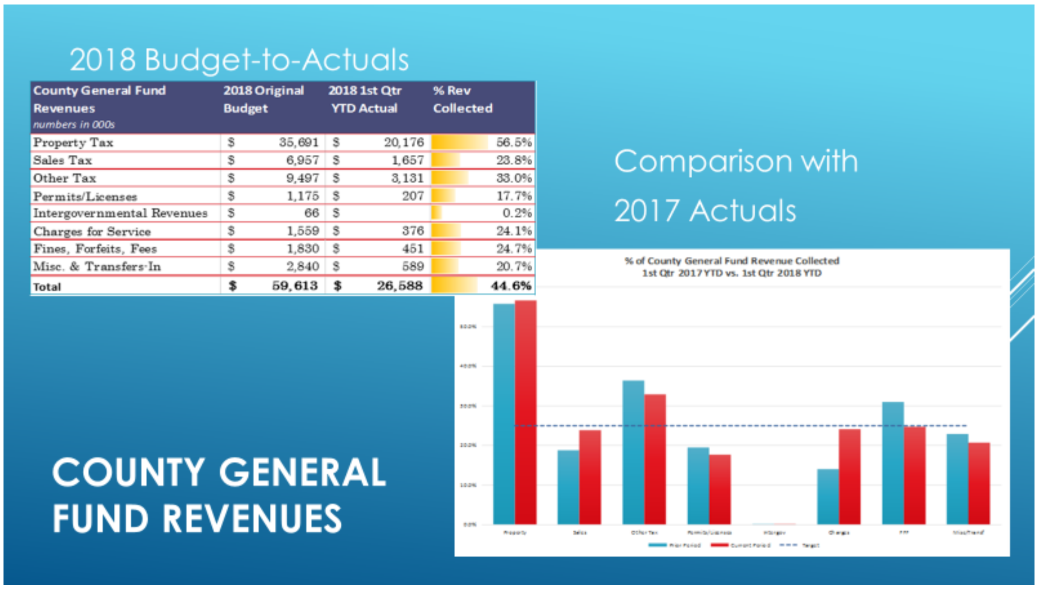
City General Fund Revenues *numbers in 000s*	2018 Original Budget		2018 1st Qtr YTD Actual		% Rev Collected
Property Tax	$	23,769	$	13,397	56.4%
Sales Tax	$	56,207	$	10,667	19.0%
Other Tax	$	50,656	$	13,678	27.0%
Permits/Licenses	$	1,271	$	152	11.9%
Intergovernmental Revenues	$	704	$	418	59.4%
Charges for Service	$	11,039	$	2,654	24.0%
Fines, Forfeits, Fees	$	3,937	$	923	23.4%
Misc. & Transfers-In	$	5,915	$	249	4.2%
Total	**$**	**153,498**	**$**	**42,138**	**27.5%**

This next slide, up here in the left-hand corner, shows the budget-to-actual revenues for the City General Fund. As you can see, Property Tax is at 56.4% of the total budget for the year. As Kathleen had said, we received the first half of the Property Tax payments. That was distributed in January and that accounts for a large portion of the Property Tax. The next largest distribution will be the distribution in June for the second half property taxes. You'll see that amount come in in the Second Quarter Report.

Sales Tax is at 19%, Other taxes are at 27%. I will just note that the Other Tax category includes the BPU PILOT, motor vehicle taxes, casino tax revenue, franchise taxes, as well as delinquent taxes.

Overall, the City General Fund for the first quarter is at 27.5%. We've received 27.5% of our total budget for the year.

This graph here just shows the same information. Comparison from 2017 to 2018 by category. The dotted line here represents where we would be at 25%. If everything was on an equal term, we would be at 25%.



The next slide shows the same information for the County General Fund. As you can see again, Property Tax is at about 56, 56.5%. Sales Tax is at 23.8%. Other Tax is at 33%. On the County General Fund side, the Other Tax revenue includes the casino tax, motor vehicle revenues, as well as delinquent taxes.

In total, the County General Fund is currently at 44.6% of it's total budget for revenues.

Once again, this graph down here just shows all the revenues by category, comparing them from first quarter 2018 to first quarter 2017.

Chairman Burroughs asked how do these percentages compare to last year in reference to the percentage of the budget. We've seen an increase in property valuations. I'm sure we've seen an increase in the motor vehicle purchases. I'm just curious, are we seeing positive increases in these percentages and reductions where we need to have them. Are they pushing each other around a little bit? They're not as stable as they have been in the past are they?

Ms. Jonscher said I don't have the percentages for 2017 at this time, but I do know, I can say that for the Sales Tax and Other Tax category both of those were up for the first quarter of 2018 as compared with 2017. The majority of that increase from 2017 to 2018 is in those two categories. Property Tax was down a little bit for 2018. We did have a two mill decrease; however, that was offset somewhat with the valuation increase. The overall total was down. There is a graph that shows the comparison for each one of those categories from 2017 to 2018, but it doesn't give the percentages.

Chairman Burroughs said that's what I was looking at. Maybe this is a question that I, maybe it's one that I can put on pause until I have a chance to really talk to Kathleen about it in reference to those dollars that are setting aside in increased valuations. I'd like to know if the increase in valuations, the percentages that continue to go up on the 2018 property tax, what is the industry standard for a city of the first class and about of our population in reference to property tax versus sales tax in operating budgets. Maybe that would be something we could put together and work on to see how we can find a way to put a stable, accurate number that doesn't fluctuate by large percentages over the next two to three years.

Kathleen VonAchen, Chief Financial Officer, said yeah, we can come up with that. What I understand you're asking is, relatively speaking, do we fund the General Fund with 30% sales tax and 30% property tax or what is that mix or ratio in order to keep diversified. Is that what you're kind of saying? **Chairman Burroughs** said property tax is always one of those taxes that people are concerned about and raise a little bit of concern.

The question I have are we funding government more on property tax? Should we be funding government more on our sales tax? That drives economic growth. It gives the Commission a chance to really set direction on what we need to do as far as how we grow our revenue.

What I'd like to find out is, if our population size is growing, so our housing stock must be increasing. My concern, or my question would be, if we have a city of the first class, pretty reflective of Wyandotte County whether it be in Iowa or Minneapolis, or wherever it may be, if we can find out what are they using as far as funding their budget. Is it all on property tax? Is it all on sales tax? What other revenue streams do they have that we may want to look at in being more efficient with how we set our budget. **Ms. VonAchen** said absolutely, we can do that.

Ms. Jonscher said if there's no other questions on the revenue, I'm going to go ahead and turn it over to Reginald Lindsey.

BPU Board Member Bryant said not so much a question as a comment. I brought it up when we were talking about the end-of-year. I'll remind you guys again.

In 2017 you saw the bump in Other because of the 4% rate increase from the BPU which went to the bottom line of the PILOT. Actually, there was a two-year rate increase plan, so there was an additional 4% on electric that went into effect January 1, 2018. Now there's been an 8% increase in the funding of the PILOT fee. Once again, I will ask that you take that into consideration when you're setting the PILOT rate for your next budget, to maybe bring it down so that the revenue stays equivalent from what you had in the past, but the rate, itself, will actually diminish a little bit.

CITY GENERAL FUND EXPENDITURES

2018 Budget-to-Actuals

City General Fund Expenditures *numbers in 000s*	2018 Original Budget	2018 1st Qtr YTD Actual	% of Estimate
Personnel	$ 107,038	$ 26,005	24.3%
Services	$ 21,417	$ 5,000	23.3%
Supplies	$ 4,242	$ 821	19.4%
Grants, Claims	$ 5,418	$ 401	7.4%
Misc. & Transfers-Out	$ 11,838	$ -	0.0%
Capital Outlay	$ 4,053	$ 530	13.1%
Total	**$ 154,006**	**$ 32,756**	**21.3%**

Comparison with 2017 Actuals

City General Fund Expenditures *numbers in 000s*	2017 1st Qtr YTD Actual	2018 1st Qtr YTD Actual	Increase/ Decrease
Personnel	$ 25,979	$ 26,005	$ 26
Services	$ 5,527	$ 5,000	$ (528)
Supplies	$ 926	$ 821	$ (106)
Grants, Claims	$ 259	$ 401	$ 142
Misc. & Transfers-Out	$ -	$ -	$ -
Capital Outlay	$ 792	$ 530	$ (262)
Total	**$ 33,483**	**$ 32,756**	**$ (727)**

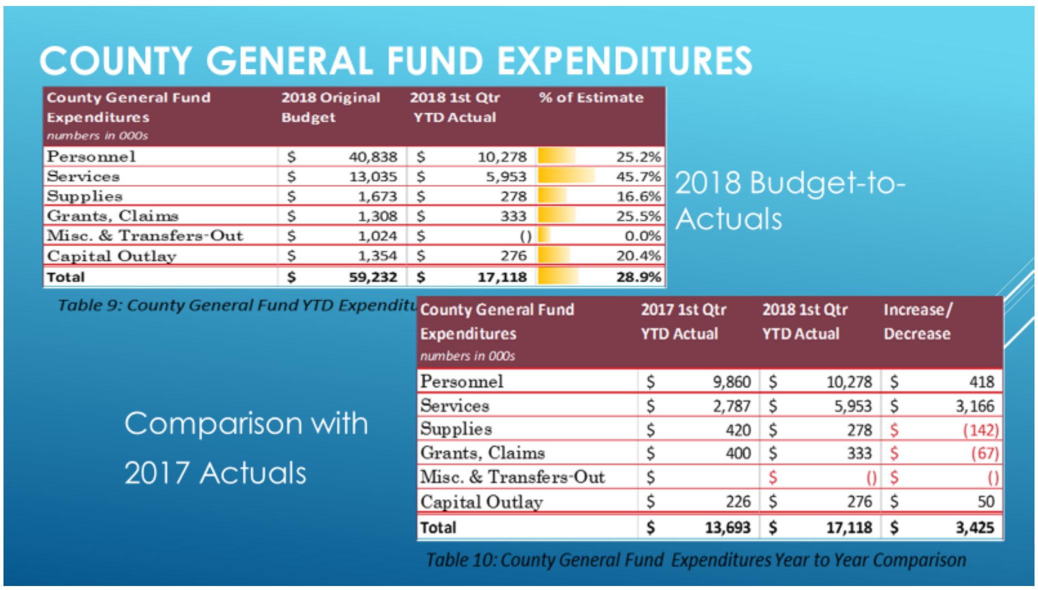
Table 5: City General Fund Expenditures Year to Year Comparison

Reginald Lindsey, Budget Manager, said the current slide illustrates the City General Fund expenditures. We have two different views. One view shows the budget-to-actual for 2018. The view at the bottom shows actuals over each year, comparing 2017 to 2018.

We can see in the first chart there at the top, Personnel is trending around 24%. We should be around 25% just like we were with the revenues. We're pretty close here at 24%. Services were at 23%, Supplies at 19%, and Grants and Claims at 7.4%.

So what we have that goes on in Services is that a lot of departments encumber their budgets because they know they have contracts and they know that they're going to be purchasing for, so they encumber the funds. The funds are already spoken for. They haven't spent it, but it makes it more efficient for them to do their purchasing.

In supplies where we have 19%, this is where our commodities is paid from. We have natural gas that is paid from here, also fuel. Also, the jail expense that the Police pay to the County. In Supplies, the fuel has been up this year. Also, we had a longer winter for natural gas so that's why we're a little bit over the 25% there.



County General Fund Expenditures (numbers in 000s)	2018 Original Budget	2018 1st Qtr YTD Actual	% of Estimate
Personnel	$ 40,838	$ 10,278	25.2%
Services	$ 13,035	$ 5,953	45.7%
Supplies	$ 1,673	$ 278	16.6%
Grants, Claims	$ 1,308	$ 333	25.5%
Misc. & Transfers-Out	$ 1,024	$ ()	0.0%
Capital Outlay	$ 1,354	$ 276	20.4%
Total	**$ 59,232**	**$ 17,118**	**28.9%**

Table 9: County General Fund YTD Expenditu

County General Fund Expenditures (numbers in 000s)	2017 1st Qtr YTD Actual	2018 1st Qtr YTD Actual	Increase/ Decrease
Personnel	$ 9,860	$ 10,278	$ 418
Services	$ 2,787	$ 5,953	$ 3,166
Supplies	$ 420	$ 278	$ (142)
Grants, Claims	$ 400	$ 333	$ (67)
Misc. & Transfers-Out	$	$ ()	$ ()
Capital Outlay	$ 226	$ 276	$ 50
Total	**$ 13,693**	**$ 17,118**	**$ 3,425**

Table 10: County General Fund Expenditures Year to Year Comparison

On the next slide on the County General Fund, we have the same view here where we can see the budget compared to 2018 and how it compares to the actuals. The bottom chart compares year-to-year actuals from 2017 to 2018. Again, we're comparing the different categories. The Personnel category, the Service category, the Supplies category.

The Personnel category we include things like salaries, also worker's comp, also benefits are included in there. We can see here that the Personnel is at 25%. We can see our Services are at 45%. It looks like departments hadn't encumbered a lot of money here yet.

Some things paid on the County side includes the inmate housing, also inmate medical contracts are paid from here. Also, from Supplies we still have things like fuel, natural gas we're paying from here. We have also inmate food that's also paid from here.

The County General Fund is trending above the 25% that it should be at. Actually, in 2018 we spent a little bit more money, about $5M more dollars year-to-date.

Any questions on either the City or the County General Fund expenditures?

BPU Board Member Bryant asked can you explain why the Services are double from last year, the 2018 Actual to the 2017 Actual. **Mr. Lindsey** said it could be the timing of the expenditures as far when the departments did their encumbrances.

Right here for the Services, inmate housing is done out of here with the Sheriff's Department, and also inmate medical. It's probably a good chance that the funding had been encumbered at this point in time last year.

Chairman Burroughs asked any other questions by Committee?

	REVENUES *numbers in 000's*			EXPENDITURES *numbers in 000's*		
Tax Levy Funds	2018 Original Budget	2018 YTD Actual	% of Budget	2018 Original Budget	2018 YTD Actual	% of Budget
City General Fund	$ 153,498	$ 42,138	27.5%	$ 154,006	$ 32,756	21.3%
City Bond & Interest	$ 31,843	$ 11,729	36.8%	$ 33,216	$ 6,154	18.5%
County General Fund	$ 59,613	$ 26,588	44.6%	$ 59,232	$ 17,118	28.9%
Cons. Parks General Fund	$ 6,343	$ 1,268	20.0%	$ 6,450	$ 1,400	21.7%
County Bond & Interest	$ 3,454	$ 1,597	46.2%	$ 4,157	$ 339	8.2%
CIFI	$ -	$		$ -	$ -	
Aging	$ 1,773	$ 754	42.5%	$ 1,884	$ 451	23.9%
Developmental Disabilities	$ 467	$ 259	55.6%	$ 598	$ 51	8.5%
Elections	$ 1,185	$ 636	53.7%	$ 1,478	$ 302	20.4%
Health	$ 3,138	$ 1,253	39.9%	$ 3,394	$ 714	21.0%
Mental Health	$ 572	$ 309	54.1%	$ 580	$ 135	23.3%
Total UG Tax Levy Funds	**$ 261,886**	**$ 86,533**	**33.0%**	**$ 264,994**	**$ 59,419**	**22.4%**

ALL UNIFIED GOVERNMENT TAX LEVY FUNDS

Mr. Lindsey said the next slides are illustrations of revenues and expenditures side-by-side for the Tax Levy Funds. You can kind of see a summary of all the funds and how their comparisons are percentage-wise.

The view that Debbie and I talked about, we talked about the City General Fund and the County General Fund. This gives a view of other smaller funds like Aging, Developmental Disabilities, Elections, the Health Department, and Mental Health. On one side we have the revenues and on the other side we have the expenditures.

Other Funds	2018 Original Budget	2018 YTD Actual	% of Budget	2018 Original Budget	2018 YTD Actual	% of Budget
Wyandotte County 911	$ 800	$ 210	26.3%	$ 860	$ 485	56.4%
Alcohol	$ 548	$ 124	22.7%	$ 784	$ 61	7.8%
Court Trustee	$ 420	$ 111	26.4%	$ 583	$ 89	15.3%
Dedicated Sales Tax	$ 10,364	$ 2,342	22.6%	$ 11,078	$ 2,552	23.0%
Emergency Medical Services	$ 11,547	$ 2,746	23.8%	$ 11,803	$ 2,292	19.4%
Environmental Trust	$ 1,067	$ 281	26.4%	$ 1,130	$ 131	11.6%
Jail Commissary	$ 25	$ 11	43.5%	$ 60	$	0.4%
Parks & Recreation	$ 548	$ 124	22.7%	$ 583	$ 185	31.7%
Public Levee	$ 330	$ 100	30.3%	$ 457	$ 16	3.4%
Register of Deeds Technology	$ 155	$ 36	23.3%	$ 170	$ -	0.0%
Clerk Technology	$ 42	$ 9	21.5%	$ 58	$ 3	5.0%
Treasury Technology	$ 42	$ 9	21.5%	$ 31	$ 4	14.2%
Sewer System	$ 39,803	$ 6,146	15.4%	$ 43,918	$ 7,975	18.2%
Stormwater	$ 3,415	$ 846	24.8%	$ 4,067	$ 180	4.4%
Street & Highway	$ 7,030	$ 1,751	24.9%	$ 7,565	$ 2,049	27.1%
Sunflower Hills Golf Course	$ 780	$ 36	4.6%	$ 787	$ 302	38.4%
Travel & Tourism	$ 3,437	$ 830	24.2%	$ 4,098	$ 1,109	27.1%
Stadium	$ 314	$ 30	9.7%	$ 661	$ 184	27.9%
Special Assets	$ -	$ -		$ 4,250	$ -	0.0%
Total Other Funds	**$ 80,667**	**$ 15,744**	**19.5%**	**$ 92,942**	**$ 17,618**	**19.0%**
Total Funds	**$ 342,553**	**$ 102,277**	**29.9%**	**$ 357,936**	**$ 77,038**	**21.5%**

ALL OTHER AND TOTAL UNIFIED GOVERNMENT FUNDS

The next slide talks about all the other funds that aren't tax levy ones. We have some of the Enterprise funds in here. We also have some Special Tax Revenue funds. We have the Dedicated Sales Tax here. The Court Trustee's fund, the Alcohol funds, some of our Enterprise funds, Sewer System, Stormwater and our Sunflower Hills Golf Course. Again, we're comparing here. Revenues are on this side and then we have expenditures here. Any questions on any of these funds?

We have these funds here. They're a combination of the City and the County mixed together. Some of them are County only funds. Some of them are only City funds. How we have it broken out here, we have all the tax levy funds for the City and the County. Here we have just other funds are either Special Tax funds or Enterprise funds that are here. They can either have a County or a City function.

Chairman Burroughs said if I was to read this correctly, it looks like we're ten basis points ahead of expenditures by revenues. **Mr. Lindsey** said yes. Looking at this one right here, we're at 29%.

Chairman Burroughs asked any other questions, comments or concerns. Does anyone from the public want to address anything on this item?

Action: For Information Only.

Item No. 3 – 1893…PRESENTATION: PROPOSED BUDGETARY AND FINANCIAL POLICIES

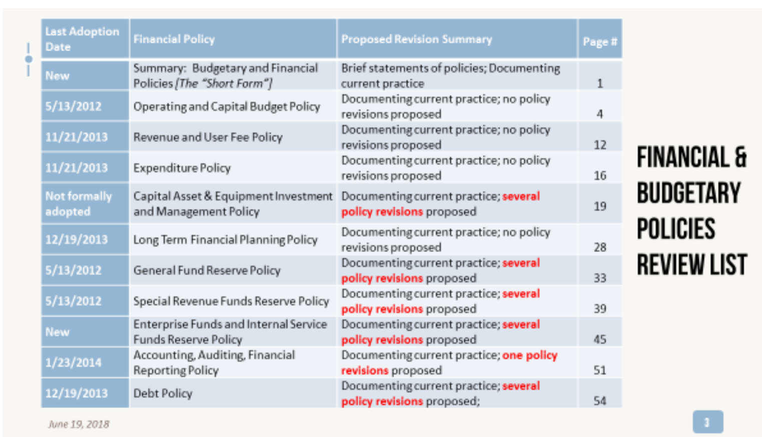
Synopsis: Presentation on proposed revisions to the Unified Government's budgetary and financial policies, submitted by Kathleen VonAchen, Chief Financial Officer.

Kathleen VonAchen, Chief Financial Officer, said the last item we're going to talk about is Financial Policies.

It's a follow-up from the February meeting where we initially introduced this topic. I do have a presentation. It has about 20 slides, but mainly I provided that so that you can refer to them, but I'm not necessarily going to talk about every slide because many of those slides were presented at the February meeting.

One special thing is that the slides have been updated to reflect the 2017 CAFR information, so there are some slight changes. I thought, maybe, some of the information may be helpful. I did want to apologize because I think that the printouts that you have, the font got a little screwy. We're going to send you a new one so that you have that. You can still read it, it's just a little screwy. Not everyone has the special font, so I apologize.

Again, why do we have policies and procedures? It sets the directional tone of the organization. It informs our business processes. It shows that we're a mature organization and that we're able to react to situations, to assess our risk, and to also identify areas where we can make improvements, and then process improvements. That's part of the reason why we have these policies. It also informs us on long-term financial strategic planning.



Last Adoption Date	Financial Policy	Proposed Revision Summary	Page #
New	Summary: Budgetary and Financial Policies *(The "Short Form")*	Brief statements of policies; Documenting current practice	1
5/13/2012	Operating and Capital Budget Policy	Documenting current practice; no policy revisions proposed	4
11/21/2013	Revenue and User Fee Policy	Documenting current practice; no policy revisions proposed	12
11/21/2013	Expenditure Policy	Documenting current practice; no policy revisions proposed	16
Not formally adopted	Capital Asset & Equipment Investment and Management Policy	Documenting current practice; several policy revisions proposed	19
12/19/2013	Long Term Financial Planning Policy	Documenting current practice; no policy revisions proposed	28
5/13/2012	General Fund Reserve Policy	Documenting current practice; several policy revisions proposed	33
5/13/2012	Special Revenue Funds Reserve Policy	Documenting current practice; several policy revisions proposed	39
New	Enterprise Funds and Internal Service Funds Reserve Policy	Documenting current practice; several policy revisions proposed	45
1/23/2014	Accounting, Auditing, Financial Reporting Policy	Documenting current practice; one policy revisions proposed	51
12/19/2013	Debt Policy	Documenting current practice; several policy revisions proposed;	54

The Unified Government has a whole slew of policies. They're all published in our budget document every year. They're in the back of that 400-page document. You probably haven't read those in a long time and we appreciate that. The whole effort here is that the policies are, they're really basic policies. What we're doing here is actually memorializing a lot of our current practices in the policy so that they're more robust.

What I've provided in this packet here that was attached for the presentation is our revised policies. As I mention in the memo, the blue text is basically just affirming what our current practices are. It's not a change, necessarily, from our current practices. It's just making our current financial policies even better and more informative. It's a way of communicating to our public that we're really on top of our financial management. This is how we do it.

The blue is just memorializing or documenting our current practices. The red areas are where we're proposing to you for your consideration some possible changes. This presentation is going to focus on those red areas.

We have a whole slew of policies. I've outlined them here. On top of it, to start off the top, I have added a new one which is the Budgetary and Financial Policy Summary. We're going to call it the short form. This is a quick three-pager that just tells you really quick in all these various areas the overriding direction of our organization and the Commission in terms of financial policy.

It's followed by the Operating and Capital Policy, our Revenue and User Fee Policy, the Expenditure Policy, our Capital Asset, how we manage our assets, Long Term Financial Planning and then there's three reserve policies. One for the General Fund, one for all those other Special Revenue and Levy Funds, and the last one for the Enterprise Fund. The Enterprise Fund Policy, we don't have that right now. That's a brand-new policy. Then we're going to make a few tiny tweaks to our Accounting, Auditing and Financial Reporting Policy and to the Debt Policy.

Just to get started, you notice here these top three we make no changes. We're just documenting our current practices. As a result, I'm going to jump right to the Capital Policy.

The only change we're making in our Capital Policy, which the Capital Policy's really going to help our staff to give them really clear direction on how we manage our assets, how we evaluate and assess, how the assets are providing services, what assets need to be improved before others.

The prioritization of those assets. That policy is going to really set that. We worked real closely with the Public Works Department on writing this policy.

The only change that we're making is that number one, we're asking departments to submit their fleet and their vehicle and information budget requests through the respective divisions that manage those assets before they go forward to the County Administrator for his review and discussion. There's kind of an extra step that's added there before these, the Fleet, the Vehicle, and Information Technology. They were just proposed straight up into the CMIP requests and brought forth to the CAO without that kind of a mid-step where there's an internal review. That's one thing we're adding.

Then, the other item that we're adding is we're providing a clear definition of what a capital project is. We talked about this during the CMIP workshops that we had a couple of weeks ago. They had all these lists of items that cost less than $50,000. What we decided is that what we need to do is take that out of the CMIP and put that over in the Operating side of the budget because the amount is too small. That's what we're doing.

Also, we're making sure that projects that are being proposed are ones in which they're going to have a useful life of greater than five years. This is a common definition for capital projects. It gives clear direction to everybody that that's what we need to do. Now, it doesn't mean that departments can't ask for things below $50,000. It just means that that's part of the Operating budget process, not the Capital budget process. Any questions on that?

Chairman Burroughs said I have one question. I've been throughout most of the policy revisions you're recommending here. The CMIP, one of the things I notice in here is you have maintenance down. Would you explain what you mean by maintenance. I perceive it as if we're going to invest in the capital investment, build a new building, part of our ongoing budget should be the maintenance portion of what it's going to keep to maintain that building through it's useful life. Is that different than the maintenance that we're considering in here? **Ms. VonAchen** said no, that's exactly what that is. There should be a definition for maintenance in here. If there isn't, we'll add it.

I'm used to other municipalities having what they call a CIP, without the M. Our organization has that M in there because it's including various road projects that are done on an annual basis. That's the common practice that's been taking place over the past. At this point, I just wanted to really document our current practices and not make a lot of big changes. That's why we have that maintenance M in there is my guess. Maybe in the future we'll make some realignment in that area.

The next one is one that I think a lot of people are interested in. It's the General Fund Reserve Policy. Based on your feedback from the February meeting, I did make just a slight tweak, but I'm still proposing, and the County Administrator as well, all of us management, are proposing that we increase the General Fund Reserve from the current 10% of operating expenditures and transfers to what is equivalent of two months of operating expenditures and transfers, which equates to roughly 17%, that that be a target.

That's one that actually we've already met that target several years ago. We want to make sure that we maintain that level. In addition, we aspire to achieve an additional month in order to cover us for emergencies or economic contingency. We aspire to achieve that extra one month, which is the equivalent of 8%, over say the next five years. It doesn't hold you to it, it's an aspirational policy direction that you hope to achieve.

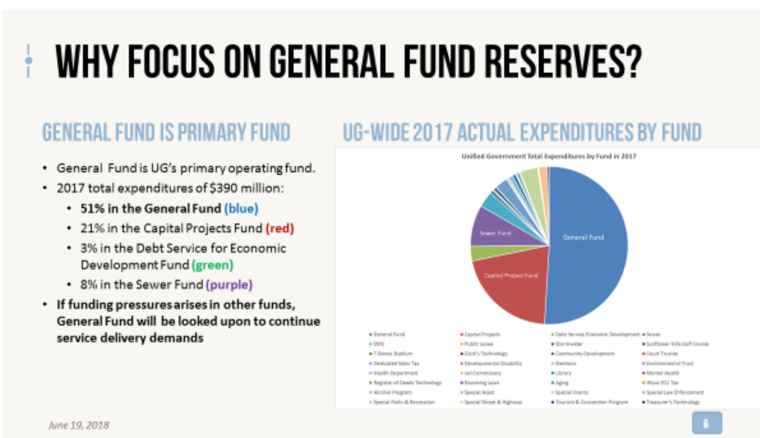
The policy also varies from the current practice where the current practice, or the current policy, does not really specify how the Unified Government can use the reserves. For example, we have an operating reserve, but during economic crisis the whole point of having a reserve is to cover us when we enter into an unexpected economic crisis or if there's some disaster, for example. Yet, there's no guidance in the current existing policy that talks to when is it appropriate to tap into that reserve. That's what that page 35 talks about is establishing that criteria.

The next change directs staff on once we do dip into the reserve because we met those criteria, what's the plan for replenishing so that we bring that reserve back up. The plan is that we review it. Staff presents the information on the fund balance status. Then, together we provide you a long-term financial plan. You review that and over the course of future years, you all work toward replenishing that reserve back to that level.

It's not necessarily, it's something that we all just work together to achieve. We all, through consensus, agree that it's a policy direction. When we're talking about achieving reserves to the levels that we want, we're not talking about appropriating money to a reserve account. It's basically how much money we have in the checking account and how much falls below after we've brought in money and then spent it, what's left.

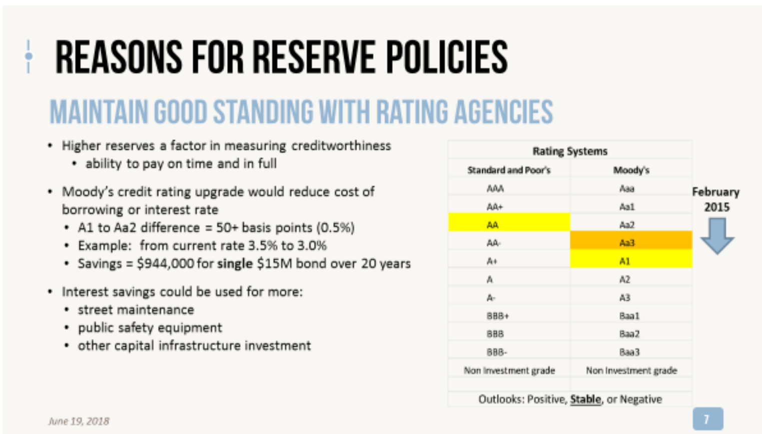
There isn't any kind of, I know there had been a question a little bit about whether the state statutes and the Kansas Cash Basis Law impact this discussion. In my mind it doesn't because the Cash Basis Law really is in reference to the authority to appropriate money, to spend it. Whereas, here we're just talking about funds which fall to the bottom at the end after the revenues come in and the expense goes out.

I do have a few slides, so let me walk you through this a little bit.



Why do we always talk about the General Fund? Just to remind you, I went through and tallied up all the expenditures in our 2017 CAFR which we're going to present to you in a couple of weeks. You can see here that 51% of all the expenditures, including the Sewer Fund, everyone, is the General Fund. Our total expenditures during 2017 were $390M. 51% of them are the General Fund; 21% were the Capital Projects Fund; 3% were the Debt Service for Economic Development Fund, which is a whole variety of funds combined together; and 8% were for Sewer.

Naturally, if there's funding pressure in these other areas, except for Sewer because Sewer's an Enterprise fund, but if there's funding pressure in these other areas, they're going to look to the General Fund for help.

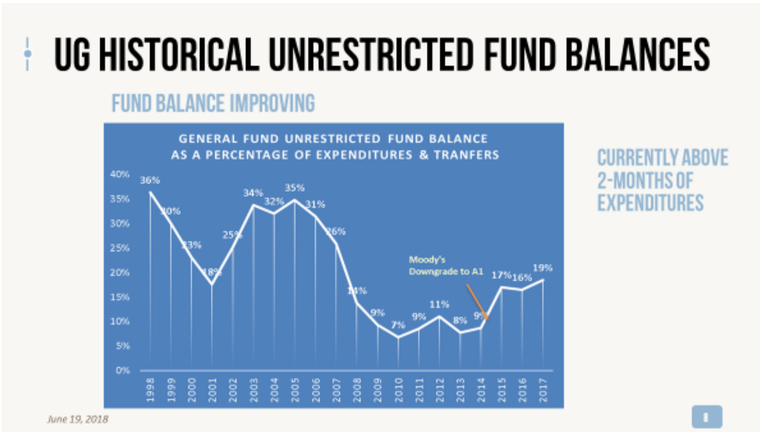


Another reason, of course I don't have to remind you, we have to report to the S&P and to Moody's. They often will tell us that if we improved our fund balance, we would increase the likelihood that we would get upgraded. I don't know, it's hard to know because that's kind of a moving target. We also have a high debt load just to give a little caveat. I did want you to know that that's one of the goals that are expressed by our—that's one of the things that the credit rating agencies often remind of us.

What would happen if we got a rate increase, because right now, we're split. We've got S&P at AA. This is what they call a split rating. S&P at AA and Moody's, they have us at A1. That happened in February of 2015.

If we were to bring our Moody's rating up two notches to AA, we would probably experience a 50-basis point decrease in our interest rate that we pay on our GO bonds. If we did that, our GO bond rating, for example, would decrease from 3.5% to 3. How much does that equate to.

If we issued a $15M bond, over 20 years we'd save $944,000 in interest. That's the difference between the two ratings. Now, I'm not saying if we, honestly, I'm not saying if we increase our reserves to three months of operating expenditures that Moody's is going to upgrade us. Moody's has lately been emphasizing a great deal in municipalities investing a greater portion of their resources toward reducing the pension and OPEB liabilities. That is a huge hurdle, a very big challenge, but just to let you know that this is one of the things that they recommend that they do. Of course, this $900,000 in savings that we could occur could be spent on other areas.

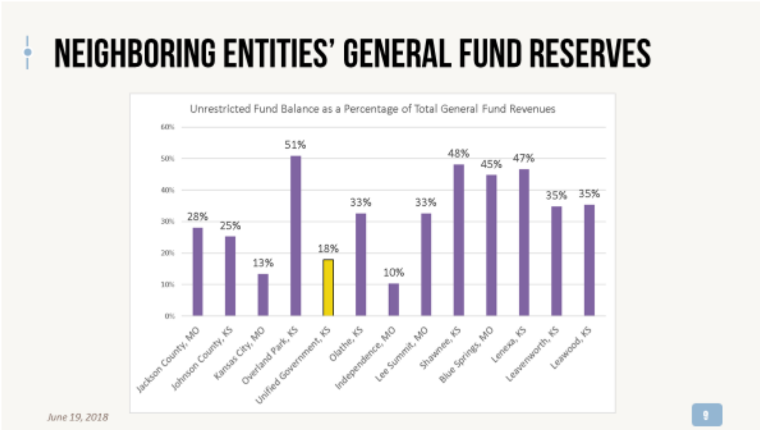


Just to give you a little historical context, I have updated this graph that you saw previously. Since we consolidated, this is the fund balance of our General Fund. I'm talking the City, County and the Parks General Fund combined. It started at 36%. It dropped down to 18% by 2001, which by the way 2001 there was an economic crisis, well the 911 and other things. Then it ratcheted back up to 34%. Stayed up there for a while. Then as the economic crisis most recently that happened in 2009, it started dropping all the way down to 7. We brought it back up just a tad. My guess is Moody's didn't downgrade us at this point because they were hoping that we were going to continue to go back up, but instead we went down again. That's when they downgraded us.

More recently, it's increased to 17% in 2015. Then it was around 16.5 or so last year. Now, with the CAFR that we're going to present, it's at 19%. It's actually 18.5%. This is unassigned fund balance.

This is on a modified accrual basis. It's not on a cash basis so when we do the budget, we're talking cash basis. These percentages will look a little different and we'll take care of that. We'll explain that when we get to that point.

Currently we're at our two months of expenditures because we're at two percentage points above it.



How does this look with our other neighbors? Here's the Unified Government at this yellow. Here's all our neighbors and where they are. This is as a percentage of revenues, but revenues and expenditures are very similar. Moody's actually does their metrics based on revenues, not expenditures.

I should tell you that some of these cities are quite a bit smaller than us. The percentage that they're holding appears greater in total because their expenditures or their revenues are lower. Just keep that in mind.

Kansas City, Missouri's at 13%; Johnson County's at 25.

DATA TABLE – POPULATION, REVENUES, AND UNRESTRICTED FUND BALANCE

Entity	2016 Population	Total General Fund Revenues	Total General Fund Revenues Per Capita	Unrestricted Fund Balance (General Fund)	Unrestricted Fund Balance as a Percentage of Total General Fund Revenues
Jackson County, MO	691,800	$ 86,161,161	$ 125	$ 24,148,222	28%
Johnson County, KS	584,400	$ 306,477,492	$ 524	$ 77,369,039	25%
Kansas City, MO	481,400	$ 556,433,000	$ 1,156	$ 74,118,000	13%
Overland Park, KS	189,000	$ 148,773,778	$ 787	$ 75,780,838	51%
Unified Government, KS	163,800	$ 205,315,038	$ 1,253	$ 36,791,489	18%
Olathe, KS	135,500	$ 85,794,566	$ 633	$ 27,956,759	33%
Independence, MO	117,000	$ 76,141,734	$ 651	$ 7,893,449	10%
Lee Summit, MO	100,200	$ 66,159,807	$ 660	$ 21,591,323	33%
Shawnee, KS	66,000	$ 44,498,475	$ 674	$ 21,426,305	48%
Blue Springs, MO	54,400	$ 25,913,765	$ 476	$ 11,600,874	45%
Lenexa, KS	53,000	$ 69,181,882	$ 1,305	$ 32,214,035	47%
Leavenworth, KS	36,200	$ 17,309,719	$ 478	$ 6,022,461	35%
Leawood, KS	34,600	$ 41,712,134	$ 1,206	$ 14,752,188	35%

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There's the data that matches that chart in case you wanted to refer to it. I'm not going to go over that, just providing that.

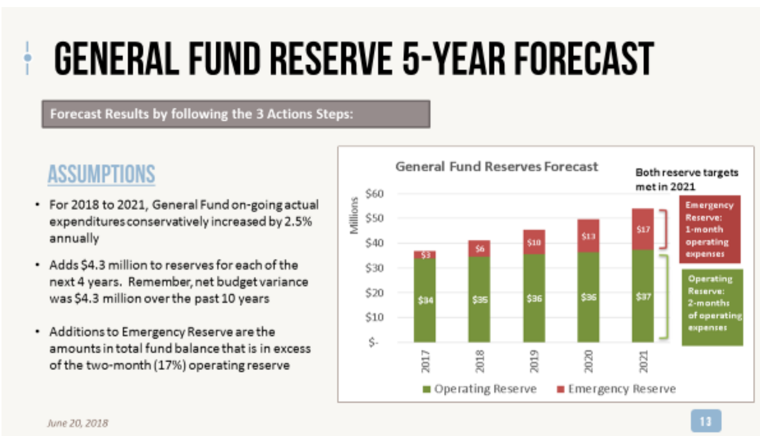
Oftentimes you have brought up the question, very good question, a lot of times finance directors will underestimate revenues and then overestimate expenditures in order to stash away cash to let fall to the balance.

Over time, I'm just going to show you the trend. As you can see, this is the revenue chart, the first chart. The red is how much was budgeted that we thought we were going to collect in revenues since 2008 to current. The green bar is how much we actually collected. You can see for the most part we have consistently budgeted—I think I might have messed up on this graph. I'm really sorry. I'm just now noticing it was picking up the wrong information. I do know the information in this text box is correct. I apologize for that.

Over time, over the last ten years, I've figured out the average amount on an annual basis of how much more in revenue we collected than what we expected to collect. That average is about $900,000 a year. Whereas, on the expenditure side we actually budgeted more than we spent by about $3.4M. The two combined, the more money collected and less money than we expected to spend, equates to a net addition of $4.3M that if we hadn't spent it in the subsequent year, it would fall to fund balance.

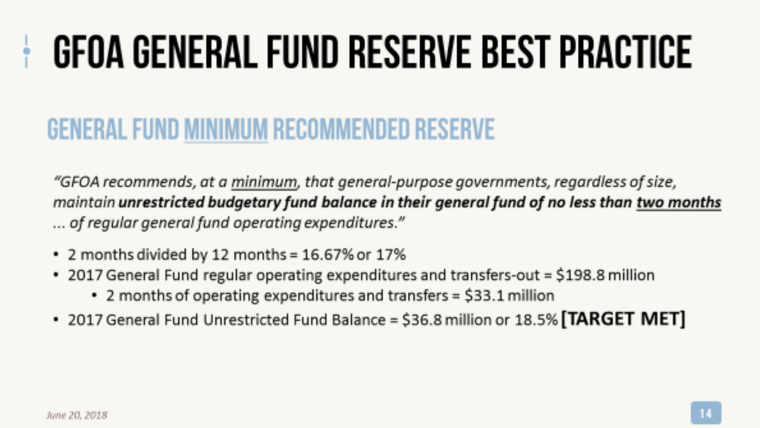
That's what we call kind of a natural amount that would fall to reserves if we pass a balanced budget every year. A balanced meaning revenues equals expenditures without hitting fund balance. Just take a look at that.

Like I said, you adopt a balanced budget. Then, you keep your expenditures conservatively low. Then, when you do your budget, you don't dip into fund balance. That's how you'll get to that reserve if that's the goal.

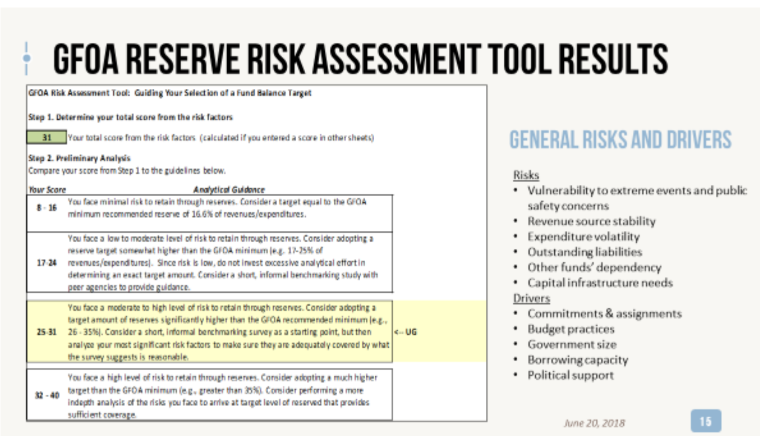


As I mentioned, we've already hit our two-month reserve. We're already on the path to achieving this emergency reserve amount. Based on these assumptions, I estimate that we'll reach that by 2021, if that's your policy direction. I'm providing this information so that you can see that it's achievable. This is just natural applying the 4.3% natural difference.

Chairman Burroughs said I want to make sure I understood that correct. You said 4.3%, but I see $4.3M. Does that go back? **Ms. VonAchen** said million, I meant million. Sorry. **Chairman Burroughs** asked that goes back to your $4.3M if your history demonstrates that we don't spend the additional $3M and take in the additional revenue, and we're wanting to bank that to build our reserve. **Ms. VonAchen** said yes, that's correct. Thank you. I meant to say million.

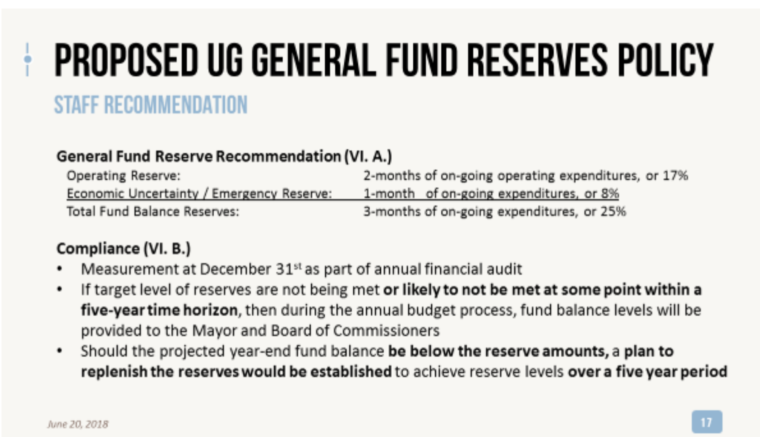


Here's just, again, just what we're saying. Minimum recommendation, GFOA recommends a minimum of two months operating expenditures. That equates to, out of the '17 expenditure level of $198.8M in the General Fund, two months equates to $33.1M. The amount that we ended up '17 with, which you'll find out in the CAFR here in a few weeks was $36.8. We're at 18.5.

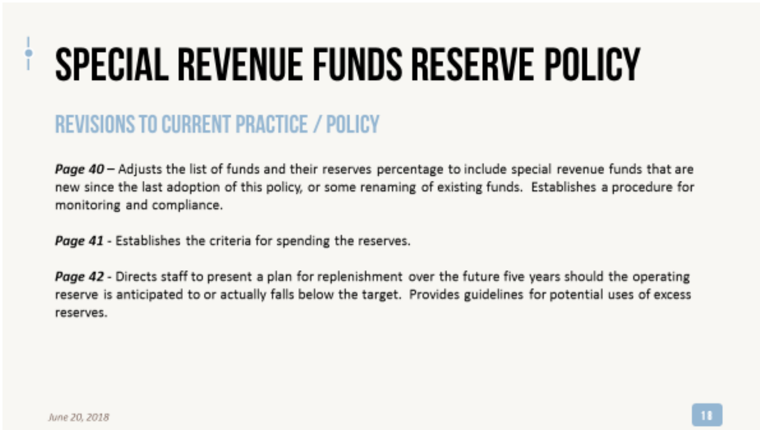


I told you that I did a risk assessment. Based on my own assessment, I figured out that given these risk areas, we probably should be in the 25 – 31% reserve target area; whereas, right now, we're up here.

As a result, if we were to pursue in the future emergency reserve, then that additional month would cost another $16.6M. That all goes back to this chart which is all reflected here. You see how there's $17M roughly. Now, this number grows a little bit because our expenditures grow. The percentage, relatively speaking, increases.



That's all I have. This is a summary of that. As staff, if we notice that we're falling below the target, then we'd come back and show you that and show a five-year time horizon and collaborating with you on a plan for achieving that reserve back to the level, the operating reserve. Any questions? This is the meat of the presentation.



SPECIAL REVENUE FUNDS RESERVE POLICY

REVISIONS TO CURRENT PRACTICE / POLICY

Page 40 – Adjusts the list of funds and their reserves percentage to include special revenue funds that are new since the last adoption of this policy, or some renaming of existing funds. Establishes a procedure for monitoring and compliance.

Page 41 - Establishes the criteria for spending the reserves.

Page 42 - Directs staff to present a plan for replenishment over the future five years should the operating reserve is anticipated to or actually falls below the target. Provides guidelines for potential uses of excess reserves.

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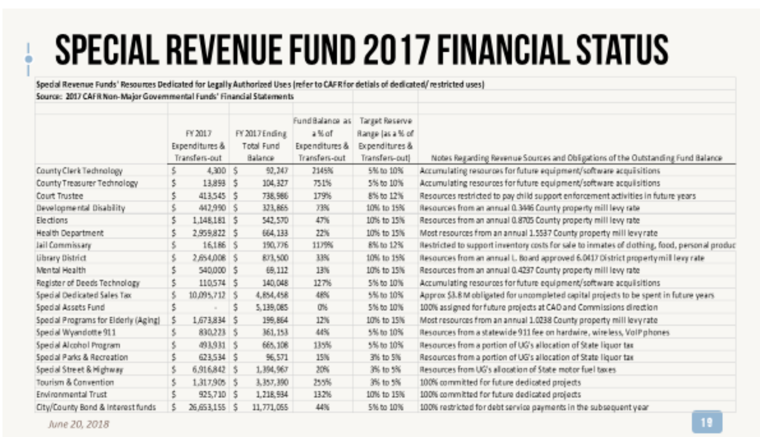
Now, Special Revenue Funds are all those county tax levy funds. They're all these other smaller funds that are dependent on dedicated resources, etc. The current policy has established reserve percentages for all of those funds. The only changes we're making is that we are making some modifications to the name of some of those funds so that they match what they're actually called right now. This policy hasn't been revised since 2013.



SPECIAL REVENUE FUND 2017 FINANCIAL STATUS

Special Revenue Funds' Resources Dedicated for Legally Authorized Uses (refer to CAFR for detials of dedicated/ restricted uses)
Source: 2017 CAFR Non-Major Governmental Funds' Financial Statements

	FY 2017 Expenditures & Transfers-out	FY 2017 Ending Total Fund Balance	Fund Balance as a % of Expenditures & Transfers-out	Target Reserve Range (as a % of Expenditures & Transfers-out)	Notes Regarding Revenue Sources and Obligations of the Outstanding Fund Balance
County Clerk Technology	$ 4,300	$ 92,247	2145%	5% to 10%	Accumulating resources for future equipment/software acquisitions
County Treasurer Technology	$ 13,893	$ 104,327	751%	5% to 10%	Accumulating resources for future equipment/software acquisitions
Court Trustee	$ 413,545	$ 738,986	179%	8% to 12%	Resources restricted to pay child support enforcement activities in future years
Developmental Disability	$ 442,990	$ 323,865	73%	10% to 15%	Resources from an annual 0.3446 County property mill levy rate
Elections	$ 1,148,181	$ 542,570	47%	10% to 15%	Resources from an annual 0.8705 County property mill levy rate
Health Department	$ 2,959,822	$ 664,133	22%	10% to 15%	Most resources from an annual 1.5537 County property mill levy rate
Jail Commissary	$ 16,186	$ 190,776	1179%	8% to 12%	Restricted to support inventory costs for sale to inmates of clothing, food, personal produc
Library District	$ 2,654,008	$ 873,500	33%	10% to 15%	Resources from an annual L. Board approved 6.0417 District property mill levy rate
Mental Health	$ 540,000	$ 69,112	13%	10% to 15%	Resources from an annual 0.4237 County property mill levy rate
Register of Deeds Technology	$ 110,574	$ 140,048	127%	5% to 10%	Accumulating resources for future equipment/software acquisitions
Special Dedicated Sales Tax	$ 10,095,712	$ 4,854,458	48%	5% to 10%	Approx $3.8 M obligated for uncompleted capital projects to be spent in future years
Special Assets Fund	$ -	$ 5,139,085	0%	5% to 10%	100% assigned for future projects at CAO and Commissions direction
Special Programs for Elderly (Aging)	$ 1,673,834	$ 199,864	12%	10% to 15%	Most resources from an annual 1.0238 County property mill levy rate
Special Wyandotte 911	$ 830,223	$ 361,153	44%	5% to 10%	Resources from a statewide 911 fee on hardwire, wireless, VoIP phones
Special Alcohol Program	$ 493,931	$ 665,108	135%	5% to 10%	Resources from a portion of UG's allocation of State liquor tax
Special Parks & Recreation	$ 623,534	$ 96,571	15%	3% to 5%	Resources from a portion of UG's allocation of State liquor tax
Special Street & Highway	$ 6,916,842	$ 1,394,967	20%	3% to 5%	Resources from UG's allocation of State motor fuel taxes
Tourism & Convention	$ 1,317,905	$ 3,357,390	255%	3% to 5%	100% committed for future dedicated projects
Environmental Trust	$ 925,710	$ 1,218,934	132%	10% to 15%	100% committed for future dedicated projects
City/County Bond & Interest funds	$ 26,653,155	$ 11,771,065	44%	5% to 10%	100% restricted for debt service payments in the subsequent year

June 20, 2018

19

Also, there's a couple of new funds that we added that we didn't have. I think it was Special Asset Fund and maybe a couple of others. That's the only change being made here.

Chairman Burroughs said one of the things I would ask with those new established funds, those reserves, could you share with us the amount, the total dollar value, with your percentages that you're proposing so I'll have a better understanding of the dollar amount that we're talking about in reference to the budget. **Ms. VonAchen** said sure.

Chairman Burroughs said 5% to 10% is a five-point variance, five basis points. It could be the difference between $100,000 or $150,000, $200,000. If you could give me a dollar figure on the ones that you're proposing, the new ones, the ones in red that you have on page 40, I'd like to see what those percentages are, what additional dollars we're putting into reserve. **Ms. VonAchen** said sounds good. Actually, well, we'll do that. No problem.

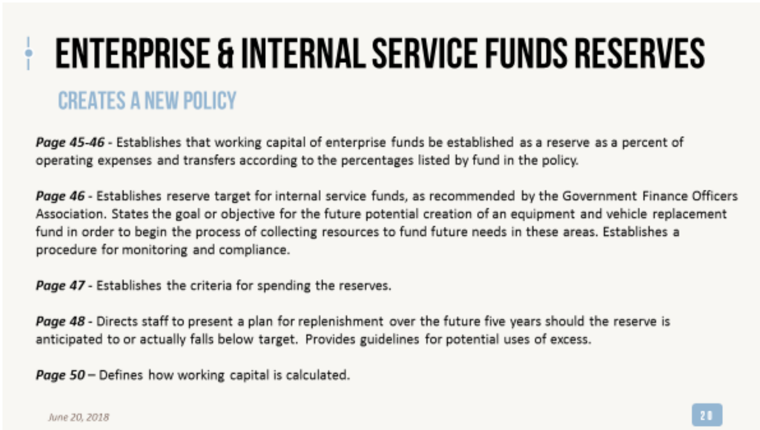
I think that if you refer to the Q1 report that you have with you as well, on that back page there's a listing of all these funds and their budgets. You'll be able to see how much we're talking about here. This is a percentage of expenditures.

This report that looks like this, the back page has a list of all the funds. **Chairman Burroughs** said I'll find it, Kathleen, and we'll visit on that. **Ms. VonAchen** said okay. **Chairman Burroughs** said I may be able to extrapolate the information.

Ms. VonAchen said I can tell you real quick, for example, the new fund — we've only added one fund. It's the Special Asset Fund. All the other, well the County Clerk Technology and the County Treasurer Technology. Those funds roughly spend between $30,000 and $50,000 a year. We're not talking about a lot of money here.

Chairman Burroughs said well, those were new funds. I just want to ensure that if we're going to be putting reserves aside that we have a rolling number as to the percentages. We may want to reduce those to two percentage basis points, differentiating the two versus the five percentage points. Sometimes our budgets get quite constrained and I just want to be prudent in how I look at the reserves and what we may need to do when times get tough. If we're going to build reserves and we don't need to have them, then it becomes a cash cow for something, then we need to cut back on the reserves. I'd just like to know the dollar value. I'd appreciate that, thank you.

Ms. VonAchen said you can see these funds all have target reserves that are relatively low, between 5% and 15%, roughly. Fifteen's the highest one.



The next one has to do with our Enterprise Fund and our Internal Service Funds. This is a new policy. What I've highlighted here are the key differences from our current practices.

Right now, we don't have a reserve policy for our Enterprise Fund, but we, in practice, watch that. In fact, through our current practices, implemented sort of the same kind of policies that are articulated.

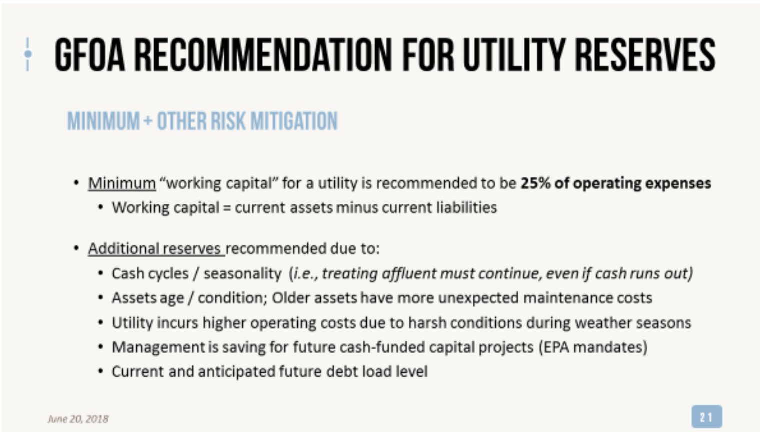
One of the variations from the current practice that I have outlined in our proposed policy is that when we look at the Enterprise Fund, because it's an Enterprise Fund we're not really looking at fund balance. What we need to do is look at what they call working capital.

Working capital is actually defined in the policy. It's basically—go over to the Balance Sheet. You don't look at the Income Statement, you're looking at the Balance Sheet. You take current assets minus current liabilities is basically working capital. This is a very common way of evaluating the liquidity of an Enterprise Fund. That's what we're proposing here.

Then we're looking at that working capital and matching it with the percentage that that represents of the total expenses of the Sewer Fund. We're talking really about the Sewer Fund here, but also the Stormwater.

The next area that we're also creating kind of an aspirational target toward reaching a certain level of appropriate funding for our Workers' Comp and Health Benefits Fund. Right now, the state, which issues our Workers' Comp permit, has been kind of directing that level. We want it so that our policy is matching what is the industry standard and what's recommended by GFOA. We just want that documented in our policies. That will help our auditors to, by the way, because they've asked about that too.

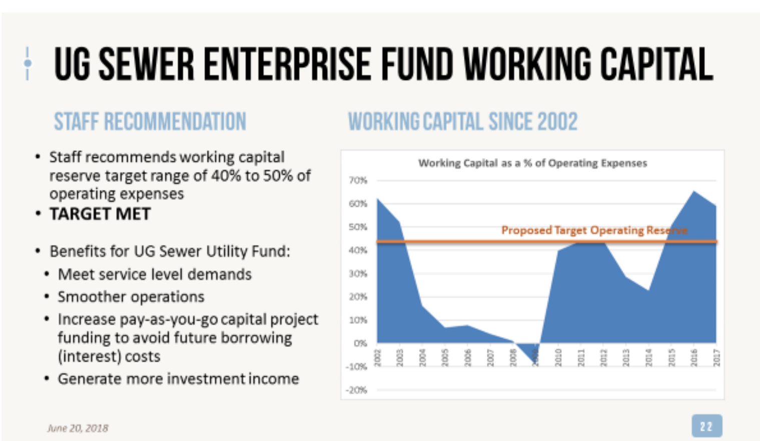
Again, same criteria for spending similar to the other reserves, economic crisis or to invest in capital assets. The Enterprise Fund's a little different. Same plan for replenishing the reserves once you dip into them. A plan over the future five years and then, again, how working capital is defined.



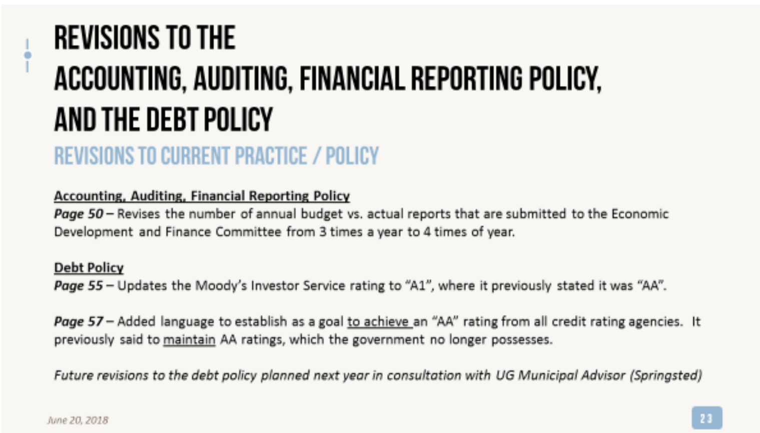
Generally, GFOA recommends for Enterprise Funds that at a minimum you have 25% reserves. If you also have these risky activities, then they recommend you add additional reserves.

For example, if there's a lot of seasonality with your Enterprise, a lot of times water, utilities have a lot of seasonality because there's a lot of watering of lawns during the summer time. The inflow of revenues really vary over the year. I don't know, Sewer probably not so much.

How old your assets are and the condition of them really affects how much reserves you ought to have. Whether we incur higher operating costs as a result of harsh winter conditions. Are we saving money for future mandated capital improvements such from the EPA, for example? What's the anticipated future debt load? Those are things that you should consider.



What we're recommending is that the Enterprise Fund have between a 40% and 50% of operating expenditures reserved. We've met that target. Here's a historical view of the working capital of the Sewer Fund since 2002. There's the target, roughly. We're above that. Having a reserve helps smooth out the operations and increases your ability to pay for capital with cash rather than debt, and so diminish your interest costs. That's all I've got on the Enterprise Fund.



We're almost there, home stretch.

The last item, very minor. What we're going to do, this Accounting, Auditing, Financial Reporting Policy, we're making very few changes except that I noticed that in the current policy it says that we're going to provide you our budget-to-actual report that we just presented to you only three times a year. I'm changing it to four. Reggie probably wishes I'd left this at three, but you know.

The last item is, I did want to mention that — so the Debt Policy we really want to take a deep dive into our Debt Policy and review that in more depth. This year, and we want to work with our financial advisor on that effort, but this year we're just going to make a few very minor tweaks. That's basically, the policy was written before we got downgraded. It refers that we want to maintain our AA rating. That's true, but what we actually want to do is upgrade our Moody's from the current lower status that it is now at.

The last thing is, yeah, exactly, that's all. Just some wording changes to that effect dealing with that issue.

That's all. I'm happy to answer any questions you may have.

BPU Board Member Bryant said mine is more of a statement on the last point. You want to change the words to "achieve and maintain?" **Ms. VonAchen** said said sure, we can do that. **BPU Board Member Bryant** said that way you don't have to fix it in the future. **Ms. VonAchen** said yeah.

Commissioner Walters said I have a couple of comments. I won't be lengthy. I get it that you are very interested in reserves after seeing 15 or 20 slides about reserves. I'm interested in debt, and we didn't see any slides about debt. I think we could put the bar chart up there showing how much debt we have compared to all those other cities and we'd get a disappointing result. We are the most indebted city in Kansas by a long shot, but we're not doing anything about it.

As I read the Debt Policy, it doesn't say anything. Whereas, your revised Reserve Policy gives us some fairly clear benchmarks and goals, the Debt Policy you can't tell whether we want to increase debt or reduce debt. Based on our experiences, we're committed to increasing our debt. Every year we want more debt; otherwise, we wouldn't be doing it.

I'll just advise all of my fellow commissioners, I will not be voting for any 2019 budget if it increases our debt. There's absolutely no reason in my mind that we should do that. Focusing on putting more money in the bank while we borrow more and more money doesn't seem to make sense to me.

I have a lot of other comments. I guess my question now is how would you like us to express our comments to you between now and when we see this next? **Ms. VonAchen** said I would greatly value if you would email me your comments. We probably should go through Emerick, and then we'll get back to you at the next meeting or before.

Chairman Burroughs said, Kathleen, if I may, I just want to say thank you for the diligence and preparation that went into this information. This was very well formalized. I was able to get through it, made plenty of notes. I would encourage all Commission members to read this policy revision and have any suggestions/comments. We need to do our due diligence, too, to help you with your charge here.

Very well presented this evening. I sincerely appreciate the preparation that went into educating us about the changes within the policy instead of us trying to read through it and catch up with you. By pulling it out and setting it up the way you did, it's much more absorbable having a discussion.

Next month, it's my understanding that we will be either approving the proposed policies. By that time, we should have any changes, any suggestions, any comments or concerns, to bring them to you through Emerick. I just want to make sure that I heard that correctly for the Commission, that we either email them to you directly or through Emerick. **Ms. VonAchen** said yes, that would work fine.

Chairman Burroughs asked do you have any questions of us. **Ms. VonAchen** said no, I don't have any questions, no. As you know, we're going to have a whole series of budget workshops beginning in July. These topics are very relevant to those discussions.

Chairman Burroughs said, again, I want to compliment you on your preparation for the meeting this evening. If there are any members of the public who would wish to speak on this item? Make note, we see none.

Action: For Information Only.

Adjourn

Chairman Burroughs adjourned the meeting at 7:00 p.m.

mls

Staff Request for Commission Action

Tracking No. 18356

Full Commission Meeting Date:
Committee: Economic Development & Finance

Date of Standing Committee Action: 8/20/18 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
08/09/2018	Kathleen VonAchen	x5186	Kathleen	Finance

Item Description: Summary of investments for the 2nd Quarter 2018, submitted by Kathleen VonAchen, Chief Financial Officer, and Andrea Parra, Deputy Treasurer Motor Vehicle Department
Action Requested: For Information Only
Budget Impact: (if applicable) Amount: Source: Included In Budget: Other (explain):
Attachments List: 2018 Q2 Invstmt Report

Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
June 30, 2018

Investment Summary - Aggregate Portfolio By Type of Investment

Security Type	Original Cost	Market Value[1]	Amortized Cost[2]	% of Portfolio	% Permitted by Policy	In Compliance	# of Days to Maturity[3]	Average Yield[3]
Property Tax Held for Entities[4]	**$790,383**	**$790,383**	**$790,383**	**na**	**see note 4**	✓	**3**	**2.03%**
Cash Equivalents	$124,178,617	$124,178,617	$124,178,617	43.2%	100%	✓	3	2.03%
Total Liquidity	**$124,178,617**	**$124,178,617**	**$124,178,617**	**43.2%**			**3**	**2.03%**
Certificates of Deposit	$157,175,000	$157,175,000	$157,175,000	54.7%	100%	✓	620	1.85%
Federal Agency Securities	$6,085,597	$5,994,106	$6,001,566	2.1%	50%	✓	251	0.98%
Total Securities	**$163,260,597**	**$163,169,106**	**$163,176,566**	**56.8%**			**345**	**1.81%**
Total Portfolio	**$287,439,213**	**$287,347,723**	**$287,355,183**	**100%**			**346**	**1.91%**

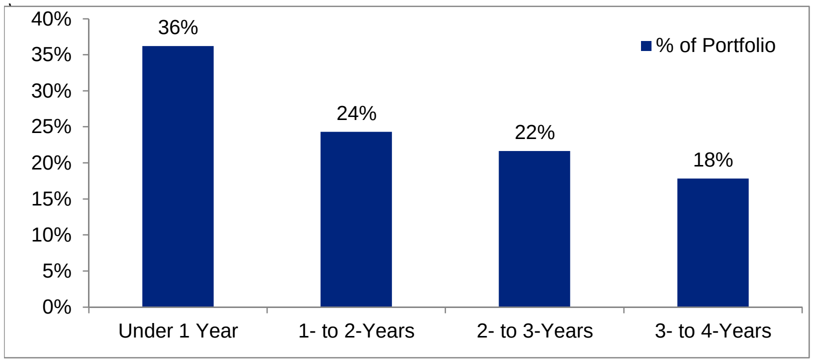
1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent.

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

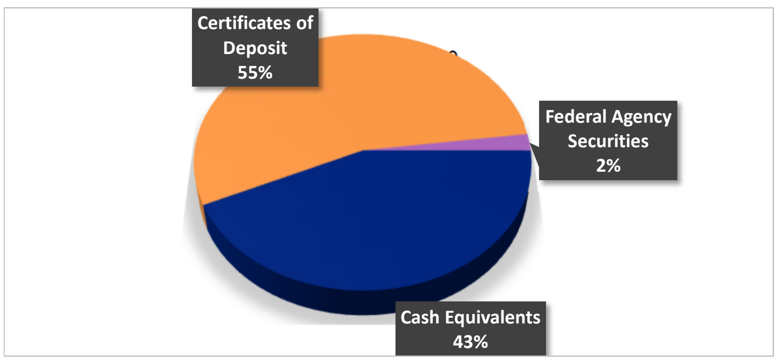
3. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.

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

Maturity Distribution



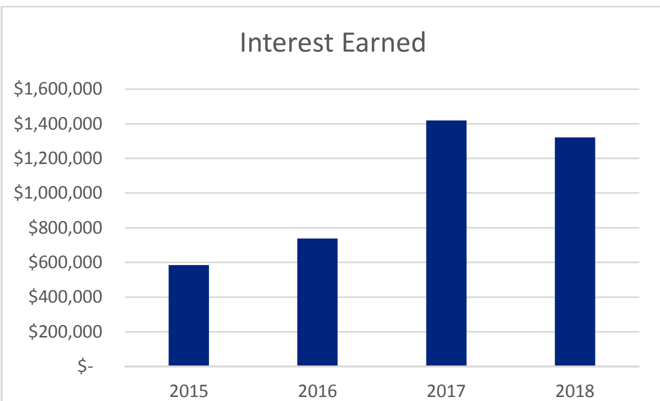
Sector Distribution



Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
June 30, 2018

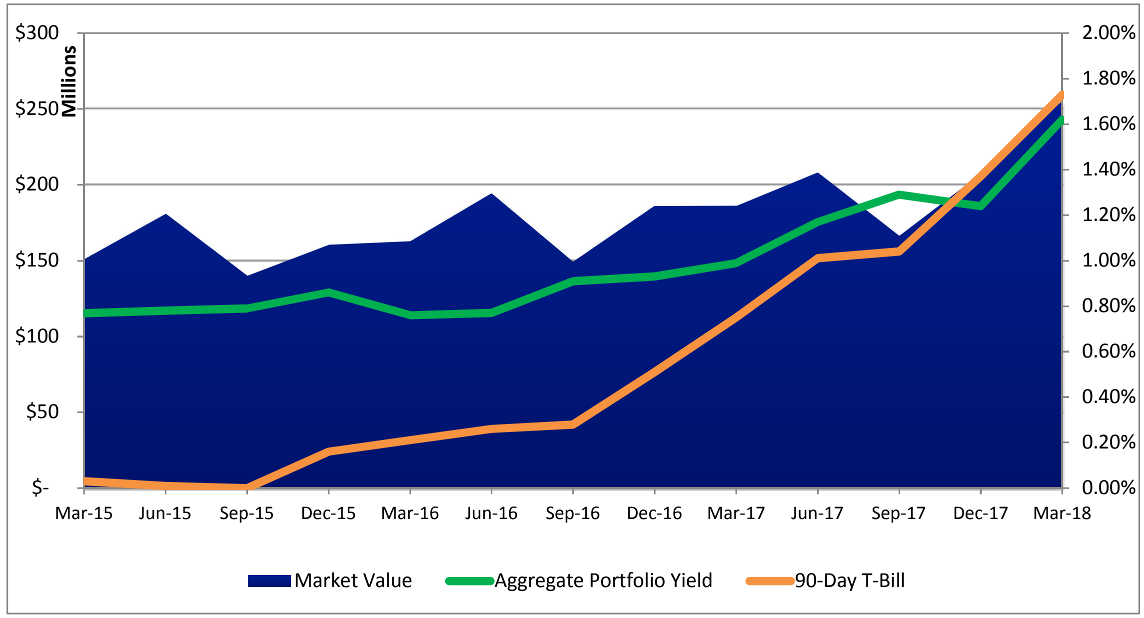
Compliance

	Yes	No
Liquidity	✓	
Permitted types of investments	✓	
Limits within investment categories	✓	
Limits within single agency/institution		✓
Limits relating to maturity	✓	
The investment report herein shown along with ongoing income provides sufficient liquidity to meet estimated expenditures for next 6 months	✓	



Historic Portfolio Size

Aggregate Yield vs. 90-Day T-Bill Rate



CFO Note: The 30% limit within a single banking institution per the investment policy compliance parameters was exceeded. Capital Federal Bank holdings totaled 33% of the total aggregate portfolio. In the upcoming quarters, the CFO will adjust investment strategies to come into compliance with the policy.

-8E+06

Kathleen VonAchen

Kathleen VonAchen
Chief Financial Officer

June 30, 2018

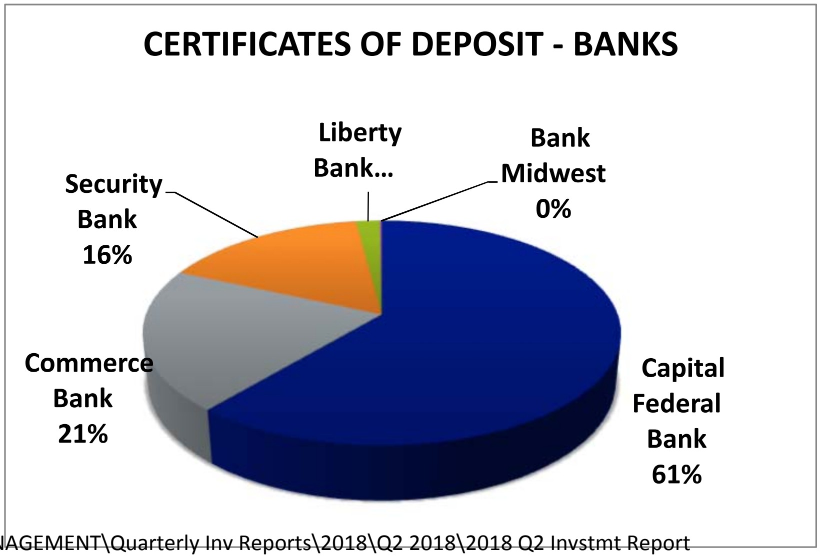
Date

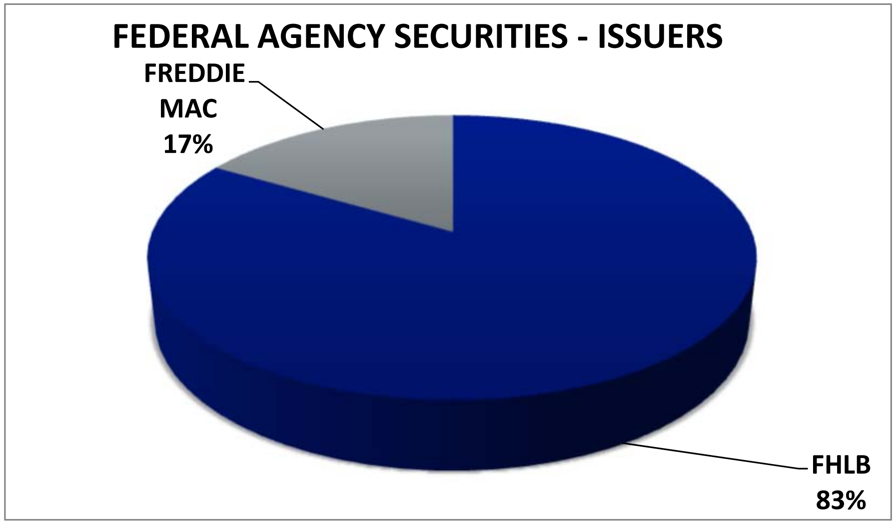
Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
June 30, 2018

Issuer Detail - Aggregate Portfolio by Issuer

Issuer	Original Cost	Market Value[1]	% of Portfolio[3]	% Permitted by Issuer	In Compliance[3]	Weighted Maturity[2]	Weighted Yield[2]
Property Tax Held for Entities[3]	**790,383**	**790,383**	**na**	**See note 3**	✓	**3**	**1.58%**
UMB, Wyandotte Operating	120,928,617	120,928,617	42%	30%	✓	3	2.03%
UMB, Wyandotte Health	3,250,000	3,250,000	1%	30%	✓	3	2.03%
Cash Equivalents	**124,178,617**	**124,178,617**	**43%**		✓	**3**	**2.03%**
Bank Midwest	235,000	235,000	0%	30%	✓	396	1.36%
Capital Federal Bank	96,000,000	96,000,000	33%	30%	✓	572	1.45%
Commerce Bank	32,235,000	32,235,000	11%	30%	✓	596	1.64%
Liberty Bank	3,000,000	3,000,000	1%	30%	✓	428	1.44%
Security Bank	25,470,000	25,470,000	9%	30%	✓	762	1.95%
UMB Bank	235,000	235,000	0%	30%	✓	415	1.37%
Certificates of Deposit	**157,175,000**	**157,175,000**	**55%**		✓	**620**	**1.85%**
FHLB	5,086,631	5,004,700	2%	30%	✓	19	1.60%
FREDDIE MAC	998,966	989,406	0%	30%	✓	1144	0.95%
Federal Agency Securities	**6,085,597**	**5,994,106**	**2%**		✓	**251**	**0.98%**
Grand Total	**287,439,213**	**287,347,723**	**100%**			**346**	**1.91%**

1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent.
2. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.
3. Property Tax collections temporarily held by the County on behalf of other governmental entities is not a part of the Unified Government's cash and investment value for financial reporting purposes. The cash being held in trust is presented here for informational purposes.





Unified Government of Wyandotte County and Kansas City, Kansas
Investment Portfolio Compliance Report
2nd Quarter 2018 - April 1, 2018 - June 30, 2018

Quarterly Transactions Detail - Aggregate Portfolio

Settlement Date	CUSIP	Issuer	Coupon	Maturity Date	Par	Original Cost
Thru Q2	NA	UMB, Wyandotte Operating	1.575%	7/5/2018	25,871,935	25,871,935
Thru Q2	NA	UMB, Wyandotte Health Reserve	1.575%	7/5/2018	768,000	768,000
Cash Equivalents					**26,639,935**	**26,639,935**
5/7/2018	22564282060	UMB	2.000%	5/7/2019	235,000	235,000
5/8/2018	343009163	Commerce Bank	1.850%	5/8/2019	235,000	235,000
5/8/2018	1150011398	Security Bank	2.170%	5/8/2019	235,000	235,000
5/11/2018	70167423	Capitol Federal	2.060%	11/13/2018	5,000,000	5,000,000
5/11/2018	700167422	Capitol Federal	2.310%	5/13/2019	5,000,000	5,000,000
5/11/2018	70167421	Capitol Federal	2.550%	11/12/2019	5,000,000	5,000,000
5/11/2018	70167420	Capitol Federal	2.800%	11/11/2021	4,000,000	4,000,000
5/11/2018	343009166	Commerce Bank	2.520%	5/11/2022	4,000,000	4,000,000
Purchases					**23,705,000**	**23,705,000**
5/9/2014	343007029	Commerce Bank	1.300%	5/4/2018	(8,000,000)	(8,000,000)
6/10/2015	343007453	Commerce Bank	1.285%	6/11/2018	(8,000,000)	(8,000,000)
5/17/2017	3130ABGN0	FHLB (thru UMB)	1.125%	5/22/2018	(3,000,000)	(2,998,377)
5/25/2017	70155740	Capitol Federal	1.320%	5/29/2018	(2,000,000)	(2,000,000)
6/11/2018	343007453	Commerce Bank	1.285%	6/11/2018	(8,000,000)	(8,000,000)
Calls/Maturities					**(29,000,000)**	**(28,998,377)**
Total					**21,344,935**	**21,346,558**

Staff Request for Commission Action

Tracking No. 18351

Full Commission Meeting Date: 8/30/18

Committee: Economic Development & Finance

Date of Standing Committee Action: 8/20/18 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
08/08/2018	Jon Stephens	x5749	jstephens@wycokck.org	Economic Development

Item Description:
Resolution authorizing the execution of a Management Agreement with the Merc for a downtown grocery store.

Action Requested:
Approve and advance to August 30th full commission.

Budget Impact: (if applicable)
Amount:
Source:
Included In Budget:
Other (explain):

Attachments List:
Downtown Grocery - Resolution authorizing approval of Management Agreement, UG - Grocery Store Management Agreement Final Version 8.6.18 (SIGNED)

RESOLUTION NO. ______________________

A RESOLUTION AUTHORIZING THE MAYOR/CEO TO ENTER INTO A GROCERY STORE MANAGEMENT AGREEMENT WITH THE COMMUNITY MERCANTILE, INC.

WHEREAS, the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government") intends to construct a 12,000 to 14,000 square foot full-service grocery store located at 5th and Minnesota Avenue, in Kansas City, Kansas on land owned by the Unified Government (the "Grocery Store"); and

WHEREAS, the Unified Government desires to select a manager who will manage and operate the Grocery Store upon mutually agreeable terms; and

WHEREAS, the Unified Government and the Community Mercantile, Inc. ("The Merc") have agreed to terms in which The Merc will manage the Grocery Store, as set forth in the Grocery Store Management Agreement (the "Agreement") attached hereto as Exhibit A; and

WHEREAS, a public hearing was held on August 30, 2018, with respect to the proposed Agreement; and

WHEREAS, the Unified Government hereby approves the Agreement in substantially the form presented in the attached Exhibit A.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

Section 1. Authorization. The Unified Government Mayor/CEO is hereby authorized and directed to enter into and execute in the name of the Unified Government of Wyandotte County/ Kansas City, Kansas the above referenced Agreement.

Section 2. Further authority. The Mayor, the County Administrator, and the Unified Government's other officers, agents, and employees are hereby authorized and directed to take such further action, and execute such other documents, certificates, and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

Section 3. Effective Date. This Resolution shall be effective upon its adoption by the Unified Government Board of Commissioners.

ADOPTED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS THIS 30th DAY OF AUGUST, 2018.

UNIFIED GOVERNMENT CLERK

GROCERY STORE MANAGEMENT AGREEMENT

by and between

THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS,

and

THE COMMUNITY MERCANTILE, INC., a Kansas corporation

With Respect to Grocery Store to be Constructed at:

[Generally 5th and Minnesota Avenue, Kansas City, Kansas]

______________, 2018

GROCERY STORE MANAGEMENT AGREEMENT

THIS GROCERY STORE MANAGEMENT AGREEMENT (the "**Agreement**") is made as of the ____ day of ______________, 2018 (the "**Effective Date**"), between the THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS (the "**UG**") and THE COMMUNITY MERCANTILE, INC., a Kansas corporation ("**Manager**").

RECITALS:

A. The UG has acquired or intends to acquire certain real property situated in Wyandotte County, Kansas, and more particularly described on Exhibit 1 attached hereto (the "**Project Site**").

B. The UG contemplates a development on the Project Site of approximately 12,000 to 14,000 square foot full-service downtown grocery store serving the downtown Kansas City, Kansas community, along with certain other associated private and public improvements.

C. The UG proposes to construct and develop a 12,000 to 14,000 square foot first class grocery store on a portion of Project Site described on Exhibit 2 attached hereto and made a part hereof (the "**Grocery Store Site**").

D. Manager proposes to operate and manage the Grocery Store pursuant to the terms and conditions of this Agreement.

E. The Grocery Store is to be developed pursuant to a plan (the "**Development Plan**"), which Development Plan is described more fully in Section 3.1 hereof.

F. The parties hereto do now desire to make and enter into this Agreement.

AGREEMENT

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the UG and Manager hereby agree as follows:

ARTICLE 1
DEFINITIONS; INTERPRETATION

1.1 Interpretation. In this Agreement, unless a clear contrary intention appears:

(a) the singular number includes the plural number and vice versa;

(b) reference to any Person includes such Person's successors and assigns but, if applicable, only if such successors and assigns are permitted by this Agreement and reference to a Person in a particular capacity excludes such Person in any other capacity or individually;

(c) reference to any gender includes each other gender;

(d) reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with the terms thereof;

(e) reference in this Agreement to any article, section, appendix, annex, schedule or exhibit means such article or section thereof or appendix, annex, schedule or exhibit thereto;

(f) each of the items or agreements identified on the attached Index of Exhibits is deemed part of this Agreement to the same extent as if set forth herein;

(g) "hereunder", "hereof", "hereto" and words of similar import shall be deemed references to this Agreement as a whole and not to any particular article, section or other provision thereof;

(h) "including" (and with correlative meaning "include") means including without limiting the generality of any description preceding such term; and

(i) relative to the determination of any period of time, "from" means "from and including" and "to" means "to but excluding."

1.2 Accounting Terms. Unless expressly otherwise provided, accounting terms shall be construed and interpreted, and accounting determination and computations shall be made, generally in accordance with GAAP.

1.3 Legal Representation of the Parties. This Agreement was negotiated by the parties hereto with the benefit of legal representation and any rules of construction or interpretation otherwise requiring this Agreement to be construed or interpreted against any party shall not apply to any construction or interpretation hereof or thereof.

1.4 Definitions. All capitalized terms used in this Agreement shall have the meanings ascribed to them in Annex 1 attached hereto and made a part hereof, or as otherwise provided herein.

ARTICLE 2
APPOINTMENT OF MANAGER; EMPLOYEES; OPERATING COVENANT; PERMITTED USE

2.1 **Undertaking of Manager**. Manager hereby agrees, subject to the terms and conditions hereinafter provided, to manage and operate the Grocery Store for the Term. Manager hereby accepts such engagement on the terms and conditions hereinafter set forth. Manager shall have no right or authority, express or implied, to commit or otherwise obligate the UG or to encumber the Grocery Store Site in any manner whatsoever. Manager acknowledges that it is an independent contractor and not an employee of the UG. In all respects, Manager shall act as the UG's fiduciary with respect to funds of the UG handled by Manager under this Agreement.

2.2 **Employees**. Manager shall at all times have in its employ or contract for sufficient personnel to enable it to properly, adequately, and safely manage, operate, maintain and account for the Grocery Store, as reasonably determined by Manager from time to time. All matters pertaining to the selection, direction, employment, supervision, compensation, promotion and discharge of such personnel are the sole responsibility of Manager, which shall be in all respects the employer of such personnel. Notwithstanding the foregoing, Manager agrees that: (i) all employees of Manager shall receive a minimum starting hourly wage sufficient to provide the necessities and comforts essential to an acceptable standard of living; and (ii) Manager will actively use its best efforts to recruit, hire and retain as employees the residents of Kansas City, Kansas (especially those in close proximity and in adjacent neighborhoods). Manager shall have total responsibility for and shall fully comply with all applicable laws and regulations having to do with worker's compensation, social security, unemployment insurance, hours of labor, wages, working conditions, and other employer-employee related subjects. Furthermore, Manager represents and warrants that it and its employees (and, if applicable, subcontractors and their respective employees) will hold all licenses and permits legally required for it to perform its obligations under this Agreement, and Manager hereby covenants and agrees to maintain all such licenses and permits during the term of this Agreement. As it relates to Manager's personnel arrangements, this Agreement is not one of agency by Manager for the UG but one with Manager engaged independently in the business of employing individuals on its own behalf as an independent contractor, and the UG shall have no liability with respect thereto. The UG and Manager hereby agree that Manager shall be strictly a manager of the Grocery Store and shall have no leasehold or any other property interest in the Grocery Store Improvements or Grocery Store Site whatsoever.

2.3 **Operating Covenant; Trade Name; Permitted Use**. Manager shall cause the Grocery Store to be continuously and exclusively operated during the customary hours for a first-class Grocery Store in the Kansas City, Kansas metropolitan area, and at minimum the hours of 8:00 AM through 8:00 PM each day, subject to closure for remodeling, casualty, condemnation and events of Force Majeure as a first-class retail grocery store, serving a full range of meats, fresh fruit and vegetable produce, and for other related uses incidental and common to a first-class retail grocery store, and for no other use whatsoever without the prior written consent of the UG. Manager's operation shall be substantially the same as its other first-class grocery store operation in Lawrence, Kansas ("**Manager's Other Grocery Store**"). Incidental to the above, Manager shall: (i) operate a small café and coffee shop for on-premises consumption (size and menu offerings similar to grocers in the metropolitan area operating similar cafes such as Whole Foods, Hy-Vee and Cosentino's Price Chopper) (the "**Café**"), which Café shall include without limitation a seating area for on-premises consumption (as opposed to mere operation of a coffee kiosk), and which Café shall sell coffee by the cup, espresso/coffee/tea-based drinks, blended beverages typically served in a café of its type, and an array of assorted food items typically offered in a Café of its type (including but not limited to baked goods, desserts, frozen desserts, salads, sandwiches, juices, and smoothies); and (ii) shall offer regular community-based cooking classes which shall utilize an adequately equipped demonstration area. Manager shall conduct Manager's business at the Grocery Store only under the trade name of "The Merc Co+op" or similar trade name(s).

2.4 **Restrictions on Project Site**.

2.4.1 From and after the date of this Agreement, and throughout the Term (and any extensions and renewals thereof), and for so long as no default by Manager under this Agreement is in existence, the UG covenants and agrees that, without the prior written consent of the Manager, it will not operate, allow or lease any other retail space in the Project Site which shall: (i) have a bakery as its primary use; or (ii) be operated by a retailer whose primary business is the sale of one or more of the following: produce, meat, poultry, seafood, dairy, cheese, cereals, grains, fruits and vegetables, frozen foods, grocery products, bulk foods, gourmet foods, or bakery goods. Notwithstanding anything to the contrary contained in this Section 2.4, the provisions in this Section 2.4 shall not apply to the sale of grocery items where the sale of such items is incidental to and does not constitute a substantial part of the main business of the seller.

2.4.2 So long as Operator has from the Opening Date continuously operated the Café, the UG covenants and agrees that, without the prior written consent of the Manager, it will not operate, allow or lease any other retail space in the Project Site a coffee store or coffee bar, or any business whose primary operation is the sale of fresh fruit drinks, smoothies or juices.

2.4.3 Manager acknowledges and agrees that the UG shall be permitted to license, lease or operate on the Project Site a retail farmer's marketplace intended to sell foods directly by farmers to local consumers (a "**Farmer's Market**"). Such Farmer's Market may be outdoors, situated in parking areas, and may consist of booths, tables or stands where farmers sell fruits, vegetables, meats, cheeses, and certain prepared foods and beverages. Any such Farmer's Market shall be restricted so as to ensure that vendors only sell local produce grown by such vendors (as opposed to the resale of produce which was grown by unaffiliated third parties).

2.4.4 So long as Operator has from the Opening Date continuously as part of its operation sells vitamins, body care products, cosmetics, over-the-counter health care items, medicinal herbs, homeopathic remedies, and over-the-counter nutritional supplements (collectively, "**Wellness Products**"), then the UG covenants and agrees that, without the prior written consent of the Manager, it will not operate, allow or lease any other retail space in the Project Site whose primary business is the sale of Wellness Products. Notwithstanding the foregoing, the UG shall be permitted to operate, allow or lease retail space in the Project Site for a pharmacy whose primary business is filling prescription medications.

ARTICLE 3
CONSTRUCTION & DEVELOPMENT PLAN

3.1 **Development Plan**. Reference is hereby made to the Development Plan attached hereto as Exhibit 3. The UG covenants and agrees that the Grocery Store Improvements shall be developed, constructed, and completed in substantial accordance and compliance with the Development Plan.

3.2 **Amendment of Development Plan**. The Development Plan may only be amended or modified with the reasonable and timely approval of the UG and Manager, subject to full compliance with all Applicable Laws and Requirements. Notwithstanding the foregoing, the Development Plan shall be amended to the extent necessary to keep the cost of the Grocery Store Improvements within the constraints of the Project Costs Budget.

ARTICLE 4
CONDITIONS

4.1 **Conditions**. Manager or the UG (as applicable for each condition) shall have the right to cancel and terminate this Agreement unless each and all of the following conditions have been satisfied on or before that day which is [_TBD________ (___) days after the Effective Date] (the "**Condition Date**"), unless otherwise specified for a particular condition set forth below:

4.1.1 Financing Plan. Both Manager and the UG, each acting in its own respective sole discretion, shall have the right to terminate this Agreement on or before the Condition Date, unless Manager and the UG have, on or before the Condition Date, each respectively approved of the sources of, and all terms and provisions respecting, financing for the Grocery Store (collectively, the "**Financing Plan**"), including, without limitation, (a) the sources and uses for financing the construction of the Grocery Store Improvements, (b) the amount of the Total Project Costs, and (c) all other financial aspects of the Grocery Store, including but not limited to the timely approval by the UG of a pro forma statement of profits and losses for the Grocery Store prepared by Manager.

4.1.2 Manager's Due Diligence Date Conditions. Manager, acting in its own sole discretion, shall have the right to cancel and terminate this Agreement unless, on or before the Condition Date, Manager has satisfied itself as to the nature, quality or condition of the Grocery Store Site. Notwithstanding the foregoing, Manager recognizes, stipulates and agrees that it is relying, and shall rely, solely on its own investigation of the Grocery Store Site and not on any information provided or to be provided by the UG, its officers, employees, agents or contractors, and that if Manager does not exercise its right to cancel and terminate under this Section, then Manager shall be deemed and considered to be fully and completely satisfied with the Grocery Store Site and all parts and aspects thereof.

4.1.3 Approval by UG Commission The UG's Commission shall have approved resolutions authorizing the execution of this Agreement and shall have approved the Financing Plan.

4.2 **Termination; Effect of Termination**. Either the UG or Manager may exercise its termination rights under the conditions set forth in Section 4.1, by written notice to the other by 5:00 p.m., Kansas City time on the Condition Date. Upon any termination hereof pursuant to Section 4.1 hereof, this Agreement shall terminate, and, except as specifically set forth herein, the parties hereto shall have no further duty or obligation hereunder and without limiting the generality of the foregoing: (a) Manager shall be liable and responsible for all costs and expenses incurred by it with respect to this Agreement and the transactions contemplated hereby, and the UG shall have no duty or responsibility of any type or nature to reimburse or otherwise pay any such costs or expenses; and (b) the UG shall be liable and responsible for all costs and expenses incurred by it with respect to this Agreement and the transactions contemplated hereby, and Manager shall have no duty or responsibility of any type or nature to reimburse or otherwise pay any such costs or expenses.

4.3 **Waiver of Conditions**. If either Manager or the UG shall fail to exercise a particular right to terminate as provided for in Section 4.1, then said party shall be deemed to be satisfied as to that particular condition and shall be deemed to have waived said termination right as of the final time permitted by Section 4.1 to exercise such termination right.

ARTICLE 5
TERM; GRAND OPENING; OPERATING EXPENSES; STABILIZATION FUND; UG FEES; BOOKS AND RECORDS; FINANCIAL REPORTING

5.1 **Term**. The Term of this Agreement (the "**Term**") shall, subject to the terms hereof, commence on the Effective Date and shall expire three (3) years from the date the Grocery Store is opened for business (the "**Opening Date**") unless sooner terminated in accordance with any of the other provisions of this Agreement. The Term shall automatically renew each year following expiration of the initial Term for a period of one (1) year; provided that at any time following the initial Term either Manager or the UG may terminate this Agreement upon the giving of six (6) months advance written notice to the other party. At any time following the initial Term, either party may request that the parties document a future renewal term through a long term lease structure as opposed to an extension of this Agreement. In such case, both parties agree a meeting will be held promptly between the parties, attended by individuals with decision-making authority regarding the matter, and thereafter the parties shall attempt in good faith to negotiate the terms of a long term lease agreement. Notwithstanding the foregoing, it is agreed that either party may cease such negotiations at any point, and the UG and Manager have no affirmative obligations to enter into a long term lease agreement until the parties reach mutually agreeable terms reduced to writing and signed by the parties.

5.2 **Grand Opening**. It is understood and agreed that, prior to the Opening Date, it will be necessary and in the best interests of the UG and Manager to have Manager initiate a program for employing and training Grocery Store personnel; advertising, promoting, and marketing the Grocery Store; and initiating and carrying out all such other and further activities reasonably deemed necessary or appropriate by Manager for the operation of the Grocery Store from and after such opening (such opening, the "**Grand Opening**"). Such Grand Opening program shall commence at least sixty (60) days prior to the estimated opening and shall continue to and include such opening. Manager agrees that all costs related to (i) such opening program, (ii) initial inventory, and (iii) other start-up costs for the Grocery Store shall be advanced by Manager; and Manager understands that the UG shall have no obligation to advance any Grand Opening expenses except as hereinafter provided. Notwithstanding the foregoing, the UG hereby agrees that it shall reimburse Manager for an amount up to One Hundred Fifty Thousand Dollars ($150,000) in connection with expenses incurred during the period commencing sixty (60) days prior to the estimated Grand Opening and the first two (2) Quarterly Accounting Periods with respect to such Grand Opening (the "**Grand Opening Fund**").

5.3 **Payment of Operating Expenses**. Manager shall be responsible for payment of all expenses incurred in the operation and maintenance of the Grocery Store pursuant hereto (the "**Operating Expenses**"), including without limitation, the following: (i) purchases of grocery inventory; (ii) purchases and rentals of trade equipment and fixtures, and maintenance charges incurred with respect thereto; (iii) media advertising and other business promotion, with newspaper and other print medium advertising charges; (iv) cleaning services and supplies; (v) uniforms and laundry; (vi) legal and accounting services specific to the operation of the Grocery Store; (vii) office supplies and expenses; (viii) trade association dues; (ix) inspections; (x) utilities necessary to operate and manage the Grocery Store, including electricity, gas, water, sewage, trash, and telephone; (xi) personnel employed at or in connection with the Grocery Store by Manager, including the direct cost of all salaries and wages, payroll taxes, unemployment compensation contributions, or other fringe benefits to which such personnel may be entitled as employees of Manager; (xii) ordinary maintenance and repairs of the Grocery Store Improvements pursuant to this Agreement; (xiii) insurance secured and maintained by Manager pursuant to this Agreement; (xiv) all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Grocery Store Site or Grocery Store Improvements; and (xv) any and all other direct costs and expenses reasonably necessary to the operation and management of the Grocery Store.

5.4 **Stabilization Fund Reserve Account**. Upon the Grand Opening, the UG shall establish a "**Stabilization Fund Reserve Account**", in the amount of Five Hundred Forty Thousand Dollars ($540,000.00) in a bank designated by the UG from time to time. The UG shall be the only party authorized to draw upon the Stabilization Fund Reserve Account, unless otherwise agreed upon by the parties. The Stabilization Fund Reserve Account may be drawn on and made available for reimbursement to Manager during the Term only if the applicable Quarterly Sales Stabilization Benchmark has not been achieved during the first three (3) years of the Term (the "**Stabilization Period**") as hereinafter provided. At the end of any Quarterly Accounting Period during the Stabilization Period in which the Gross Revenues for such Quarterly Accounting Period fail to exceed the applicable Quarterly Sales Stabilization Benchmark (a "**Quarterly Gross Revenue Shortfall**") as set forth on the matrix attached hereto as Exhibit 4 (the "**Stabilization Fund Matrix**"), Manager shall be entitled to withdraw from the Stabilization Fund Reserve Account a percentage of such Quarterly Gross Revenue Shortfall in the amounts set forth in the Stabilization Fund Matrix. Notwithstanding the foregoing, in the event that Manager meets or exceeds the Quarterly Sales Stabilization Benchmarks for four (4) consecutive Quarterly Accounting Periods during the Stabilization Period, all funds in Stabilization Fund Reserve Account will immediately vest in the UG, the UG shall have the sole right to access and use the funds remaining funds in the Stabilization Fund Reserve Account, and Manager shall have no further right to access the Stabilization Fund Reserve Account. During the Stabilization Period, any and all UG Fee (hereinafter defined) received by the UG shall be used if necessary to replenish the Stabilization Fund Reserve Account. Any unused funds in the Stabilization Reserve Account at the expiration of the Stabilization Period shall become the sole and exclusive property of the UG, and Manager shall thereafter have no further right to the Stabilization Fund Reserve Account.

5.5 **UG Fee**. During the Term, Manager shall pay, within thirty (30) days after the end of each Quarterly Accounting Period, a fee to the UG (the "**UG Fee**"), in the amount, if any, equal to three and one half percent (3.5%) of Gross Revenues for the preceding Quarterly Accounting Period exceeding the applicable Quarterly Sales Stabilization Benchmark as set forth on the Stabilization Fund Matrix.

5.6 **Books and Records**. Manager shall maintain at its principal office adequate and separate books and records in connection with its management and operation of the Grocery Store. Such books and records shall be kept in accordance with GAAP generally applied. The UG shall have the right and privilege of examining and auditing such books and records at any and all reasonable times.

5.7 **Financial Reports**. Within thirty (30) days after the end of each Quarterly Accounting Period, Manager shall render to the UG a preliminary statement of income and expenses, including the Gross Revenues and Operating Expenses, showing the results of operation of the Grocery Store for such period and year-to-date. Such preliminary statements shall be in the form that Manager reports income and expenses to its home office and in the form used by Manager with respect to Manager's Other Grocery Store. Within forty-five (45) days after the end of each Quarterly Accounting Period, Manager shall render to the UG a narrative report on operations of and at the Grocery Store accompanied by a statement of income and expenses and a balance sheet in a form mutually and reasonably agreed upon between Manager and UG. Within one hundred eighty (180) days after the end of each Fiscal Year, Manager will provide to the UG a financial statement for the just ended Fiscal Year and copies of sales tax returns within thirty (30) days of filing the same for the Grocery Store. Within ninety (90) days after the expiration or earlier termination of this Agreement, Manager shall provide to the UG a final financial statement. At any time during the Term, the UG shall have the right to audit the Operating Expenses and the financial records described herein, and Manager agrees to fully cooperate with any such audit. In the event that any such audit reveals an error not otherwise subject to reasonable discretion or interpretation, Manager shall correct the error and pay any amounts required to compensate for any deficiency; and in addition to paying any such deficiency, if such a deficiency is an error larger than five percent (5%) in any of the following: (a) Gross Revenues, or (b) UG Fee, Manager shall pay the reasonable costs of such audit, including the costs of the reasonable accounting fees associated therewith.

5.8 **Budgets and Reports**. Manager shall submit to the UG for its consideration and comment, at least ninety (90) days prior to the anticipated beginning of operations of the Grocery Store, and at least ninety (90) days prior to the beginning of each Fiscal Year thereafter, a proposed Operating Budget ("**Operating Budget**") for the Grocery Store for each Fiscal Year, which Operating Budget shall set forth in reasonable detail Manager's best estimate of Gross Revenues and Operating Expenses. The UG agrees to review and comment on such proposed Operating Budget to Manager in writing on or before the sixtieth (60th) day after receipt thereof from Manager. The UG's consideration of the Operating Budget and comments thereto shall be based upon factors concerning management and ownership of the Grocery Store consistent with this Agreement. Manager shall implement such Operating Budget and shall be authorized, subject to the limitations set forth in this Agreement, without the need for approval by UG, to make the expenditures and incur the obligations reasonably anticipated by the relevant Operating Budget, and Manager may not exceed any item in the Operating Budget by more than fifteen (15%) in any Quarterly Accounting Period without the prior consent of the UG. Manager acknowledges and agrees that its rights with respect to accessing funds in the Stabilization Fund Reserve are conditioned upon Manager's performance of its obligations pursuant to this Section 5.8.

ARTICLE 6
OPERATION OF GROCERY STORE

6.1 General Responsibilities of Manager. Manager is hereby charged with the sole and exclusive management of the Grocery Store, and shall provide the UG with the services customarily provided for in such instances, and shall do and perform any and all things reasonably necessary for the pleasure, comfort, service and convenience of the customers and users of the Grocery Store consistent with profitable utilization and sound business practices, and as provided by Manager in the operation of Manager's Other Grocery Store and with other first class grocery stores in the Kansas City, Kansas metropolitan area. It shall be the duty of Manager, at all times during the Term, to operate and maintain the Grocery Store according to high standards for similar facilities. The UG agrees that Manager may contract for goods and services necessary for the operation of the Grocery Store, in Manager's good faith discretion, consistent with the standards and sound business practices described herein.

6.2 Utilities and Contracts. Subject to the terms of this Agreement, Manager shall operate, maintain, repair and otherwise manage the Grocery Store and provide for the furnishing of water, electricity, gas, telephone, vermin extermination, trash removal and other services necessary or advisable for the operation of the Grocery Store, and shall either perform such service or hire and supervise contractors in maintenance, repair or replacement, to be performed in accordance with the Operating Budget. Manager is authorized to make and enter into all such contracts, equipment leases, and agreements as are required in the ordinary course of business (consistent with Manager's Other Grocery Store) for the operation, maintenance, and service of the Grocery Store and to pay the same when due and otherwise fully perform thereunder; however, Manager shall be required to obtain the consent of the UG before entering into any Material Contract not provided for in the Operating Budget, unless the Material Contract is a case of immediate need or emergency. Without limiting Manager's indemnity set forth in Section 6.12 hereof, Manager hereby agrees to pay and indemnify and save the UG and its governing body members, directors, officers, employees and agents harmless of, from and against, all costs, reasonable counsel fees, expenses and liabilities incurred by them or by Manager in any action or proceeding brought by reason of any claim, demand, expense, penalty or fine under the contracts described in this Section, but excluding therefrom any such expenses and liabilities arising from the negligent or willful conduct of the UG or its governing body members, directors, officers, employees or agents.

6.3 Term of Contracts. Any contract, equipment lease, or agreement entered into by Manager with respect to the Grocery Store shall not exceed the Term of this Agreement, or any renewal thereof, unless terminable without penalty on thirty (30) days' notice or less, without the prior written and timely approval of the UG.

6.4 Employment of Personnel. Manager shall hire, train, supervise, direct the work of, and discharge all personnel of the Grocery Store in a manner consistent with Manager's Other Grocery Store. Manager will not discriminate against any employee or applicant for employment because of race, creed, color, sex, age, national origin, religion, ancestry, handicapped status, marital status, Vietnam era veteran status, familial status, or special disabled veteran status. Such personnel shall in every instance be deemed employees of Manager and not of the UG. The UG shall have no right to supervise or direct such employees. Notwithstanding any other provision of this Agreement, Manager agrees to indemnify and hold the UG, its governing body members, directors, officers, employees and agents harmless from any loss, cost, or expense, including attorneys' fees, incurred by them, or any of them, with respect to a breach by Manager of this subsection. Salaries, wages, and other compensation of Manager's employees, including social security, taxes, worker's compensation insurance, and the like, shall be an Operating Expense. Manager shall execute and file punctually when due all forms, reports, and returns required by law relating to the employment of personnel.

6.5 **Taxes**. Manager shall pay or cause to be paid, as they become due and payable all taxes, assessments (which, for purposes of this Section shall be deemed to include any Benefit District assessments and any transportation development district assessments existing on the Effective Date of this Agreement) and other governmental charges lawfully levied or assessed or imposed upon the Grocery Store Site or Grocery Store Improvements or any part thereof or upon any income therefrom, including, but not limited to, any taxes, assessments or other governmental charges levied, assessed or imposed on the Grocery Store Improvements, or with respect to the assessed value of the Grocery Store Improvements; provided however, that Manager shall not be required to pay or cause to paid such taxes or assessments or other charges to the extent that the amount, applicability or validity thereof shall be contested in good faith by appropriate proceedings and the Manager shall have established and shall maintain adequate reserves on its books for the payment of the same if required by GAAP. Manager agrees that it is the intent of this Agreement that, notwithstanding any ownership of the Grocery Store Site by the UG, the Grocery Store Site, the Grocery Store Improvements, and all parts thereof, shall be subject to the taxes, assessments and other governmental charges that would be applicable if it were not owned by the UG, but, instead, was and is owned by a tax-paying Person, and Manager agrees that Manager shall not make any filing or application, or take any action seeking any exemption for the Grocery Store Site or Grocery Store Improvements or which has as its purpose the causing of the same to be tax-exempt. In the event that the Grocery Store Site or Grocery Store Improvements shall be deemed exempt from normal real and/or personal property taxes and assessments or other governmental charges for any reason whatsoever, there shall be paid to the UG, from Gross Revenues, as an Operating Expense, a payment in lieu of taxes ("PILOT"); the amount, from time to time, of such PILOT, and the time for payment of the same shall be as similar as practicable to what the normal real and/or personal property taxes, assessments and other governmental charges respecting the Grocery Store Site, the Grocery Store Improvements, and all parts thereof, would be at any particular time if the same were not exempt, and if the UG and Manager cannot agree as to the same, the matter will be submitted to a binding private arbitration proceeding, the rules, procedures and standards for which shall be substantially similar to those in a proceeding in which Manager would have otherwise contested the amount of normal real and/or personal property taxes and assessments or other governmental charges, had the same been levied or assessed, and the costs of any such arbitration shall be paid one-half (½) by Manager and one-half (½) by the UG.

6.6 **Insurance**. During the Term, Manager shall, as an Operating Expense, maintain or cause to be maintained insurance with respect to the Grocery Store Site, the Grocery Store Improvements and the Grocery Store covering such risks that are of an insurable nature and of the character customarily insured against by organizations operating and/or managing similar properties (including but not limited to Manager's Other Grocery Store) and engaged in similar operations (including but not limited to property and casualty, worker's compensation, general liability and employee dishonesty) and in such amounts as, in its judgment, are adequate to protect the UG, the Grocery Store Site, the Grocery Store Improvements, and the Grocery Store, but in no event in an amount less than that required by the Insurance Specifications attached hereto as Exhibit 5, and made a part hereof. Each policy or other contract for such insurance shall (a) name the UG and Manager as an insured, and (b) contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least thirty (30) days after written notice of cancellation to the UG, Manager and each other insured, additional insured, loss payee and mortgage payee named therein.

6.7 Repairs, Maintenance and Alterations. During the Term, Manager shall cause the Grocery Store Improvements, and all parts thereof, the Grocery Store Site and all other of its property used or useful in the conduct of its business and operations, to be maintained, preserved and kept in good repair and working order and in a safe condition, reasonable wear and tear excepted, consistent at all times with other comparably situated first class Grocery Store and Manager's Other Grocery Store, and will make all repairs, renewals, replacements and improvements necessary for the safe, efficient, and advantageous conduct of its business and operations. Manager may make non-structural additions, alterations and changes to the Grocery Store Improvements so long as such non-structural additions, alterations and changes are made in compliance with all Applicable Laws and Requirements and as long as the same do not materially adversely affect the value of the Grocery Store or Manager's ability to perform its obligations under this Agreement. All other changes and additions to the Grocery Store shall be subject to the reasonable and timely approval of the UG. Notwithstanding the foregoing or anything in this Agreement to the contrary, the UG shall retain, at its sole cost and expense, responsibility for the following: (i) roof, foundation, exterior walls, landscaping, drainage systems, utility systems and all structural repairs or replacements to the Grocery Store Improvements, (ii) capital repairs or replacements of the Grocery Store Improvements, together with the adjacent parking lots, driveways, curbs, islands, exterior lighting and related facilities serving the Grocery Store if and to the extent that the same are capital repairs or replacements, and (iii) capital repairs or replacements of the refrigeration and compressor units included among the Grocery Store Improvements.

6.8 Compliance. Manager shall conduct its affairs and carry on its business and operations in, on or about the Grocery Store Site in such a manner as to comply with any and all Applicable Laws and Requirements, procure and maintain all licenses and permits and observe and conform to all valid orders, regulations or requirements (including, but not limited to, those relating to safety and health) of any Governmental Authorities applicable to Grocery Store Site and the Grocery Store Improvements; provided, however, that nothing contained in this Agreement shall require the Manager to comply with, observe and conform to any such law, order, regulation or requirement of any Governmental Authorities so long as the validity thereof shall be contested by the Manager in good faith by appropriate proceedings, and provided Manager has secured adequate bonding with respect to such contest and such contest shall not materially impair the ability of the Manager to pay the Operating Expenses as they come due. Manager agrees to promptly pay any and all fees and expenses associated with any safety, health or other inspections required under this Agreement or imposed by Applicable Law and Requirements, which amounts shall be considered Operating Expenses hereunder.

6.9 **Payment of Obligations**. During the Term, the Manager shall promptly pay or otherwise satisfy and discharge all of Manager's personal obligations (as opposed to obligations incurred in Manager's capacity as manager of the Grocery Store) and all demands and claims against it as and when the same become due and payable, unless the validity, amount or collectability thereof is being contested in good faith or unless the failure to comply would not materially impair its ability to perform its obligations under this Agreement nor subject any part of the Grocery Store Site or the Grocery Store Improvements to loss or forfeiture.

6.10 **Liens and Encumbrances**. During the Term, the Manager shall promptly cause to be discharged or terminated all mortgages, liens, security interests, charges and encumbrances created or permitted with respect to the Grocery Store Site or Grocery Store Improvements by Manager that are not Permitted Encumbrances.

6.11 **Damage, Destruction or Condemnation**.

6.11.1 Casualty Escrow. In the event of damage to or destruction of any portion of the Grocery Store Site and/or the Grocery Store Improvements resulting from fire or other casualty during the Term, or in the event any portion of the Grocery Store Site and/or the Grocery Store Improvements are condemned or taken for any public or quasi-public use or title thereto is found to be deficient during the Term, (a) the net proceeds of any insurance relating to such damage or destruction, (b) the net proceeds of such condemnation or taking or (c) the net proceeds of any realization on title insurance, shall be paid into, and used in accordance with a casualty escrow agreement satisfactory to the UG ("**Casualty Escrow**").

6.11.2 Casualty. The parties hereby agree that if, at any time during the Term, the Grocery Store Site or the Grocery Store Improvements or any part thereof shall be damaged or destroyed by a Casualty (the "**Damaged Facilities**"), in whole or in part, the UG may, in its sole discretion, either (a) commence and thereafter proceed as promptly as possible to repair, restore and replace the Damaged Facilities as nearly as possible to their condition immediately prior to the Casualty with and to the extent of insurance proceeds payable with respect to the Casualty and the UG shall be entitled to draw upon the Casualty Escrow for payment of said costs, or (b) terminate this Agreement and retain the proceeds of the Casualty Escrow as its sole and exclusive property. The UG shall, within ninety (90) days of such Casualty, provide written notice to Manager of its intention to either rebuild the Grocery Store Improvements or terminate this Agreement as set forth above.

6.11.3 Condemnation. The parties agree as follows:

(a) if at any time during the Term, title to a material portion or all of the Grocery Store Site shall be taken in condemnation proceedings or by right of eminent domain, this Agreement shall hereby terminate as of the date of such taking and the UG shall be entitled to all of the Casualty Escrow attributable to the award for the Grocery Store Site and Grocery Store Improvements.

(b) if at any time during the Term, a less than material portion of the Grocery Store Site shall be taken in condemnation proceedings or by right of eminent domain, the UG, at its sole cost and expense, shall commence and thereafter proceed as promptly as possible to repair, restore and replace the remaining part of the Grocery Store Site and Grocery Store Improvements as nearly as possible to its former condition and shall be entitled to draw upon that part of the Casualty Escrow attributable to the award for the Grocery Store Site and Grocery Store Improvements for payment of said costs.

(c) For purposes of this Section 6.11.3, references herein to a taking of a "material portion" of the Grocery Store Site or Grocery Store Improvements shall mean a taking that is so substantial that it renders the same unusable for their particular purpose.

(d) Notwithstanding anything herein to the contrary, Manager hereby agrees that Manager shall have no rights or claims in connection with a condemnation award hereunder for the Grocery Store Site and Grocery Store Improvements, but shall have the right to pursue and retain any condemnation award attributable to Manager's inventory, trade equipment, fixtures, machinery and/or any other property, if any.

6.12 Indemnity. Manager shall pay and indemnify and save the UG and its governing body members, directors, officers, and employees and agents (collectively, the "**Indemnitees**") harmless from and against all loss, liability, damage or expense arising out of (a) damage or injury, actual or claimed, of whatsoever kind or character, to third parties or the property of third parties occurring or allegedly occurring in, on or about the Grocery Store Site and/or Grocery Store Improvements to the extent caused by the negligence or conduct of Manager or its employees and agents, and (b) any breach, default or failure to perform by Manager under this Agreement, but excluding therefrom any such loss, liability, damage or expense arising from the negligent or willful conduct of the UG or its governing body members, directors, officers, employees or agents. Manager shall also pay and indemnify and save the Indemnitees harmless of, from and against, all reasonable costs, reasonable counsel fees, expenses and liabilities incurred by them or by Manager in any action or proceeding brought by reason of any of the above-described claims, demands, expenses, penalties or fines. If any action or proceeding is brought against the Indemnities by reason of any such claim or demand, Manager, upon notice from the UG, covenants to resist and defend such action or proceeding on demand of the Indemnitees. The foregoing notwithstanding, Manager's duty and obligation hereunder to indemnify any Indemnitees is expressly conditioned upon such Indemnitee's agreement to waive any and all rights of recovery against Manager on account of any loss, liability, damage or expense which is insured against under any policy of insurance maintained pursuant to the terms hereof or which is otherwise maintained by Manager or such Indemnitee.

6.13 Prohibition on Sales, Etc. Manager will not, without the prior written consent of the UG, (a) assign, sell, lease, mortgage or otherwise transfer this Agreement, any of its rights or responsibilities hereunder, or any other of its rights, titles or interest hereunder or by virtue hereof or (b) merge with or into another Person or sell or transfer to another Person substantially all of its assets, rights or interests. The UG shall have the right to grant or withhold its consent to any of the aforesaid in its sole discretion.

6.14 Utilities. During the Term, all utility and utility services used in, on or about the Grocery Store Site and/or Grocery Store Improvements shall be paid for by Manager as Operating Expenses and shall be contracted for by Manager in Manager's own name, and Manager shall procure any and all permits, licenses or authorizations necessary in connection therewith. Manager understands and agrees with the UG that the Grocery Store Improvements shall be constructed so that the same utilize only electric utility service. As to all utilities in, on or about the Grocery Store Site and/or Grocery Store Improvements, Manager hereby agrees to contract with the UG Board of Public Utilities ("**BPU**") for any such utilities.

6.15 **Access**. During the Term, Manager hereby recognizes, acknowledges and agrees that the UG and its duly authorized representatives and agents, shall have the right to enter the Grocery Store Site and/or the Grocery Store Improvements at reasonable times and upon reasonable notice, to substantiate compliance with this Agreement or to cure any defaults under this Agreement. In exercising its rights hereunder, the UG shall use reasonable efforts to avoid unreasonable interference with the operation of the Grocery Store in the Grocery Store Improvements. Nothing contained in this Section 6.15 shall restrict or impede the right of the UG to enter the Grocery Store Site and/or Grocery Store Improvements pursuant to any Applicable Laws and Requirements.

6.16 **Environmental Matters**.

The Manager shall not itself and shall not knowingly permit any other party to store, locate, generate, produce, process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Grocery Store Site in violation of any Environmental Regulation, shall not cause any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in violation of any Environmental Regulations, shall, cause all Hazardous Substances brought to the Grocery Store Site or permitted by Manager to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations, shall not install or permit to be installed any underground storage tank therein or thereunder in material violation of any Environmental Regulation, and shall comply with all other Environmental Regulations. Manager shall indemnify the UG against, shall hold the UG harmless from, and shall reimburse the UG for, any and all actual and direct claims, demands, judgments, penalties, fines, liabilities, costs, damages and expenses, including court costs and reasonable attorneys' fees directly incurred by the UG (including, but not limited to, prior to trial, at trial and on appeal) in any action against or involving the UG, resulting from any breach of the foregoing covenants. The foregoing covenants contained in this Section shall be deemed continuing covenants, representations and warranties for the benefit of the UG and any successors and assigns of the UG, and shall survive the termination of this Agreement. Any amounts covered by the foregoing indemnification shall bear interest from the date incurred at the Prime Rate plus 2%, or, if less, the maximum rate permitted by law, and shall be payable on demand.

The UG, on behalf of itself and its employees, agents and contractors, shall not knowingly permit any party to store, locate, generate, produce, process, treat, transport, incorporate, discharge, emit, release, deposit or dispose of any Hazardous Substance in, upon, under, over or from the Grocery Store Site in violation of any Environmental Regulation, shall not cause any Hazardous Substance to be stored, located, generated, produced, processed, treated, transported, incorporated, discharged, emitted, released, deposited, disposed of or to escape therein, thereupon, thereunder, thereover or therefrom in violation of any Environmental Regulations, shall, cause all Hazardous Substances brought to the Grocery Store Site or permitted by the UG to be properly removed therefrom and properly disposed of in accordance with all applicable Environmental Regulations, shall not install or permit to be installed any underground storage tank therein or thereunder in material violation of any Environmental Regulation, and shall comply with all other Environmental Regulations. The foregoing covenants contained in this Section shall be deemed continuing covenants, representations and warranties for the benefit of the Manager and any successors and assigns of the Manager, and shall survive the termination of this Agreement.

6.17 **Surrender**. At the expiration of the Term or earlier termination of this Agreement, pursuant to the terms and conditions hereof, Manager shall surrender and vacate the Grocery Store Site and Grocery Store Improvements, and the UG may re-enter and take possession of the same. Manager hereby covenants to peaceably and quietly surrender the Grocery Store Site and Grocery Store Improvements to the UG, in good condition and repair, normal wear and tear excepted, and to execute and deliver to the UG such instruments as shall be required by the UG to properly evidence termination of Manager's rights hereunder.

6.18 **Power of the UG**. Notwithstanding anything set forth herein to the contrary, no provision contained herein shall in any manner diminish or usurp the inherent rights and powers of the UG to act in its capacity as a public body. Further, nothing herein shall relieve Manager from complying with all Applicable Laws and Requirements.

ARTICLE 7
SPECIAL PROVISIONS

7.1 **Special Agreements of Manager**.

7.1.1 Manager agrees that it will actively market, advertise and promote the Grocery Store in the Kansas City Metropolitan area and regionally through television, radio, newspaper or other media, or through other non-media promotions or events. In addition to the foregoing, the UG and Manager hereby agree that any press releases regarding the Grocery Store or the Grocery Store Site during the Term of this Agreement shall be mutually released by the UG and the Manager.

7.1.2 Manager hereby agrees that it shall use its reasonable commercial efforts to require its agents, employees and representatives who travel to Kansas City on overnight business related to the Grocery Store to stay in hotels in Wyandotte County, Kansas.

7.2 **LBE/MBE/WBE Employment Opportunity Goals**. Manager agrees to use its reasonable efforts to comply with the goals set forth on Exhibit 6, attached hereto and made a part hereof, in order to identify and provide employment opportunities for local businesses and contractors, women and local minority owned businesses.

7.3 **Sales Tax Information**. Manager shall not take any actions or adopt any practices or procedures which are designed to, or which may or will have the effect of, eliminating, reducing or diverting in any way any sales taxes, use taxes and/or transient guest taxes payable to the UG or the State in connection with sales made or services from, in or on and about the Grocery Store Site. In connection therewith, Manager recognizes, stipulates and agrees that such sales shall include electronic, internet or telephone ticket sales. Manager agrees that it will itself provide, and that it will, by appropriate agreement, require all parties holding or operating by, through or under it, or otherwise operating on or from the Grocery Store Site, to provide to the UG true and correct copies of all sales tax, use tax and transient guest tax returns filed with the State with respect to sales in, on or from the Grocery Store Site, the same to be provided simultaneously with or within ten (10) days after such filing. Manager shall, to the extent allowed by Applicable Laws and Requirements, provide to the Kansas Department of Revenue the names of all vendors operating in, on or from the Grocery Store Site, their Kansas sales tax identification number and their dates of operation.

ARTICLE 8
DEFAULT AND REMEDIES

8.1 Default Provisions. Manager shall be in default under this Agreement if:

8.1.1 Manager fails to make any of the payments of money when due as required by the terms of this Agreement; or

8.1.2 Manager fails in a material manner to keep or perform any covenant or obligation herein contained on Manager's part to be kept or performed, and Manager fails to remedy the same within thirty (30) days after Manager's receipt of written notice specifying such failure and that the UG considers such failure to be material and requesting that it be remedied; provided, however, that if any event of default shall be such that it cannot reasonably be corrected within such period, it shall not constitute an event of default if corrective action is instituted by Manager within such period and diligently pursued until the default is corrected; or

8.1.3 Manager or any Affiliates of Manager shall file a voluntary petition under any bankruptcy law or an involuntary petition under any bankruptcy law is filed against any such party in a court having jurisdiction and said petition is not dismissed within sixty (60) days; or Manager generally is not paying its debts as such debts become due; or Manager or any Affiliates of Manager make an assignment for the benefit of its creditors; or a custodian, trustee or receiver is appointed or retained to take charge of and manage any substantial part of the assets of Manager or any Affiliates of Manager and such appointment is not dismissed within sixty (60) days; or any execution or attachment shall issue against Manager whereupon the Grocery Store Site, the Grocery Store Improvements, or any part thereof, or any interest therein of Manager under this Agreement shall be taken and the same is not released prior to judicial sale thereunder (each of the events described in this subparagraph being deemed a default under the provisions of this Agreement); or

8.1.4 Manager breaches its representations and warranties set forth in this Agreement and Manager fails to remedy the same within thirty (30) days after Manager's receipt of written notice from the UG specifying such failure and requesting that it be remedied; provided, however, that if any event of default shall be such that it cannot reasonably be corrected within such period, it shall not constitute an event of default if corrective action is instituted by Manager within such period and diligently pursued until the default is corrected.

In the event of such default, the UG may take such actions, or pursue such remedies, as exist hereunder, or at law or in equity, and Manager covenants to pay and to indemnify the UG against all reasonable costs and charges, including reasonable attorneys' fees, lawfully and reasonably incurred by or on behalf of the UG in connection with the enforcement of such actions or remedies. Without limiting the generality of the foregoing, and in addition to and not to the exclusion of any other rights or remedies of the UG hereunder, in the event of such default which is not cured within the applicable cure period, the UG may terminate this Agreement.

8.2 **Rights and Remedies**. The rights and remedies reserved by the UG hereunder and those provided by law or in equity shall be construed as cumulative and continuing rights, no one of which shall be exhausted by the exercise of any one or more of such rights or remedies on any one or more occasions. If a default by Manager occurs under this Agreement and is continuing and is not cured within the applicable cure period, the UG may take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance by Manager of any provision of this Agreement. The UG shall be entitled to specific performance and injunctive or other equitable relief for any breach or threatened breach of any of the provisions of this Agreement, notwithstanding the availability of an adequate remedy at law, and each party hereby waives the right to raise such defense in any proceeding in equity. Failure of the UG to enforce any such rights shall not be deemed a waiver thereof.

8.3 **Default by the UG**. The UG shall be in default under this Agreement if the UG fails to keep or perform any covenant or obligation herein contained on the UG's part to be kept or performed, and the UG fails to remedy the same within thirty (30) days after Manager has given the UG written notice specifying such failure and requesting that it be remedied; provided, however, that if any event of default shall be such that it cannot be corrected within such period, it shall not constitute an event of default if corrective action is instituted by the UG within such period and diligently pursued until the default is corrected. If a default by the UG occurs under this Agreement and is continuing, Manager may take whatever action at law or in equity as may appear necessary or desirable to enforce performance and observance by the UG of any provision of this Agreement, however, the UG's liability for monetary amounts shall be limited to the actual amount, if any, in question plus the reasonable costs or charges, including reasonable attorneys' fees, lawfully and reasonably incurred by or on behalf of Manager in connection with the enforcement of any such actions or remedies, and under no circumstances shall the UG be liable for any remote or consequential damages.

ARTICLE 9
MISCELLANEOUS

9.1 **Cash Basis Law**. This Agreement is subject to the Kansas Cash Basis Law, K.S.A. 10-1101 et seq. and amendments thereto. This Agreement shall be construed and interpreted so as to ensure that the UG shall at all times stay in conformity with such laws and, as a condition of this Agreement, the UG reserves the right to unilaterally terminate this Agreement if the Agreement is deemed to violate the terms of such law. UG is obligated only to make payments under the Agreement as may lawfully be made from: (a) funds budgeted and appropriated for that purpose during the UG's current budget year; or (b) funds made available from any lawfully operated revenue producing source.

9.2 **Waiver of Breach**. No waiver of any breach of any covenant or agreement herein contained shall operate as a waiver of any subsequent breach of the same covenant or agreement or as a waiver of any breach of any other covenant or agreement, and in case of a breach by either party of any covenant, agreement or undertaking, the non-defaulting party may nevertheless accept from the other any payment or payments or performance hereunder without in any way waiving its right to exercise any of its rights and remedies provided for herein or otherwise with respect to any such default or defaults which were in existence at the time such payment or payments or performance were accepted by it.

9.3 **Force Majeure**. In the event either party hereto shall be delayed or hindered in or prevented from the performance of any act required under this Agreement by reason of acts of God, strikes, lockouts, labor troubles, inability to procure materials, failure of power, restrictive governmental law or regulations, court or other judicial order, riots, insurrection, war or other reason of a like nature not the fault of the party delayed in performing work or doing acts required under the terms of this Agreement ("Force Majeure"), then performance of such act shall be excused for the period of the delay, and the period for the performance of any such act shall be extended for a period equivalent to the period of such delay. The provisions of this Section shall not be applicable to delays resulting from the inability of a party to obtain financing or to proceed with its obligations under this Agreement because of a lack of funds.

9.4 **Representations and Warranties**.

9.4.1 Representations and Warranties of Manager. Manager represents and warrants to the UG as follows:

(a) Organization. Manager is a corporation duly formed and validly existing under the laws of the State of Kansas. Manager is duly authorized to conduct business in each other jurisdiction in which the nature of its properties or its activities requires such authorization. Manager shall (1) preserve and keep in full force and effect its corporate or other separate legal existence and (2) remain qualified to do business and conduct its affairs in the State and each jurisdiction where ownership of its property or the conduct of its business or affairs requires such qualification.

(b) Authority. The execution, delivery and performance by Manager of this Agreement are within such party's powers and have been duly authorized by all necessary action of such party.

(c) No Conflicts. Neither the execution and delivery of this Agreement, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or thereof, will contravene the organizational documents of Manager or any provision of law, statute, rule or regulation to which Manager is subject, or to any judgment, decree, license, order or permit applicable to the UG, or will conflict or be inconsistent with, or will result in any breach of any of the terms of the covenants, conditions or provisions of any indenture, mortgage, deed of trust, agreement or other instrument to which the UG is a party, by which the UG or any of its assets is bound, or to which the UG or any of its assets is subject.

(d) No Consents. No consent, authorization, approval, order or other action by, and no notice to or filing with, any court or Government Authority or regulatory body or third party is required for the due execution and delivery by Manager of this Agreement.

(e) Valid and Binding Obligation. This Agreement is the legal, valid and binding obligation of Manager enforceable against Manager in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, receivership, fraudulent transfer, fraudulent conveyance, moratorium or other similar laws relating to or affecting creditors' rights generally and the enforcement thereof, and subject to general principles of law and equity and the availability of specific legal and equitable remedies, including but not limited to the remedy of specific performance or similar relief, and the discretion of the court (regardless of whether enforcement is sought in equity or at law), and subject to standards of commercial reasonableness.

9.4.2 Representations and Warranties of the UG.

(a) Authority. The execution, delivery and performance by the UG of this Agreement are within its powers and have been duly authorized by all necessary action.

(b) No Conflicts. Neither the execution and delivery of this Agreement, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or thereof, will contravene the ordinances, rules, regulations of the UG or the laws of the State, or to any judgment, decree, license, order, or permit applicable to Manager, or will conflict or be inconsistent with, or will result in any breach of any of the terms of this covenants, conditions or provisions of any indenture, mortgage, deed of trust, agreement or other instrument to which the UG is a party, by which the UG or any of its assets is bound, or to which Manager or any of its costs is subject.

(c) No Consents. No consent, authorization, approval, order or other action by, and no notice to or filing with, any court or Governmental Authority or regulatory body or third party is required for the due execution and delivery by the UG of this Agreement. No consent, authorization, approval, order or other action by, and no notice to or filing with, any court or Government Authority or regulatory body or third party is required for the performance by the UG of this Agreement or the consummation of the transactions contemplated hereby.

(d) Valid and Binding Obligation. This Agreement is the legal, valid and binding obligation of the UG enforceable against the UG in accordance with its terms, except as may be limited by bankruptcy, reorganization, insolvency, receivership, fraudulent transfer, fraudulent conveyance, moratorium or other similar laws relating to or affecting creditors' rights generally and the enforcement thereof, and subject to general principles of law and equity and the availability of specific legal and equitable remedies, including but not limited to the remedy of specific performance or similar relief, and the discretion of the court (regardless of whether enforcement is sought in equity or at law), and subject to standards of commercial reasonableness.

9.5 Amendments. This Agreement may be amended, changed or modified only by a written agreement duly executed by the UG and Manager.

9.6 Construction and Enforcement. This Agreement shall be construed and enforced in accordance with the laws of the State.

9.7 **Invalidity of Any Provisions**. If for any reason any provision hereof shall be determined to be invalid or unenforceable, the validity and effect of the other provisions hereof shall not be affected thereby.

9.8 **Headings**. The Article and Section headings shall not be treated as a part of this Agreement or as affecting the true meaning of the provisions hereof.

9.9 **Execution of Counterparts**. This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

9.10 **Time**. Time is of the essence in this Agreement.

9.11 **Consents and Approvals**. Wherever in this Agreement it is provided that the UG or Manager shall, may or must give its approval or consent, the UG or Manager shall not, unless specifically herein provided otherwise, unreasonably withhold, condition, delay or refuse to give such approvals or consents. It is agreed, however, that the sole right and remedy for Manager or the UG in any action concerning the other's reasonableness will be action for declaratory judgment and/or specific performance, and in no event shall either such party be entitled to claim damages of any type or nature in any such action.

9.12 **Notices**. All notices required or desired to be given hereunder shall be in writing and all such notices and other written documents required or desired to be given hereunder shall be deemed duly served and delivered if delivered by certified mail, return receipt requested, or by any nationally recognized overnight delivery service, in each case if addressed to the parties set forth below:

To the UG:

The Unified Government Clerk
The Unified Government of Wyandotte County/Kansas City, Kansas
701 N. 7th Street, Suite 323
Kansas City, Kansas 66101
Telephone: 913-573-5260
Facsimile: 913-573-5299

With a copy to:

Chief Counsel
The Unified Government of Wyandotte County/Kansas City, Kansas
701 N. 7th Street, Suite 961
Kansas City, Kansas 66101
Telephone: 913-573-5060
Facsimile: 913-573-5243

And a copy to:

Douglas G. Bach
County Administrator
The Unified Government of Wyandotte County/Kansas City, Kansas
701 N. 7th Street, 9th Floor
Kansas City, Kansas 66101
Telephone: 913-573-5030
Facsimile: 913-573-5540

And a copy to:

Todd A. LaSala, Esq.
Stinson Leonard Street LLP
1201 Walnut Street, Suite 2800
Kansas City, Missouri 64106
Telephone: 816-842-8600
Facsimile: 816-691-3495

And to Manager at:

The Community Mercantile, Inc.
901 Iowa Street
Lawrence, KS 66044
Attn: Rita York Hennecke, General Manager
Telephone No.: 785-843-8544

All notices given by fax or personal delivery, followed up by regular United States mail, shall be deemed duly given one business day after they are so delivered.

9.13 **Entire Agreement**. Together with the Exhibits hereto, this Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof and supersedes and replaces all prior oral or written agreements concerning the subject matter hereof.

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IN WITNESS WHEREOF, the parties hereto have executed these presents as of the day and year first above written.

"UG"

THE UNIFIED GOVERNMENT OF
WYANDOTTE COUNTY/KANSAS CITY, KANSAS

By:__________________________________ Clerk: ________________________________

David Alvey ________________________________

Mayor/CEO

Approved as to Term and Legality by:

Kenneth J. Moore, Chief Counsel

By:__________________________________

"Manager"

THE COMMUNITY MERCANTILE, INC.,
a Kansas corporation

By: ______________________________

Rita York Hennecke, General Manager

INDEX OF EXHIBITS

EXHIBIT 1

PROJECT SITE

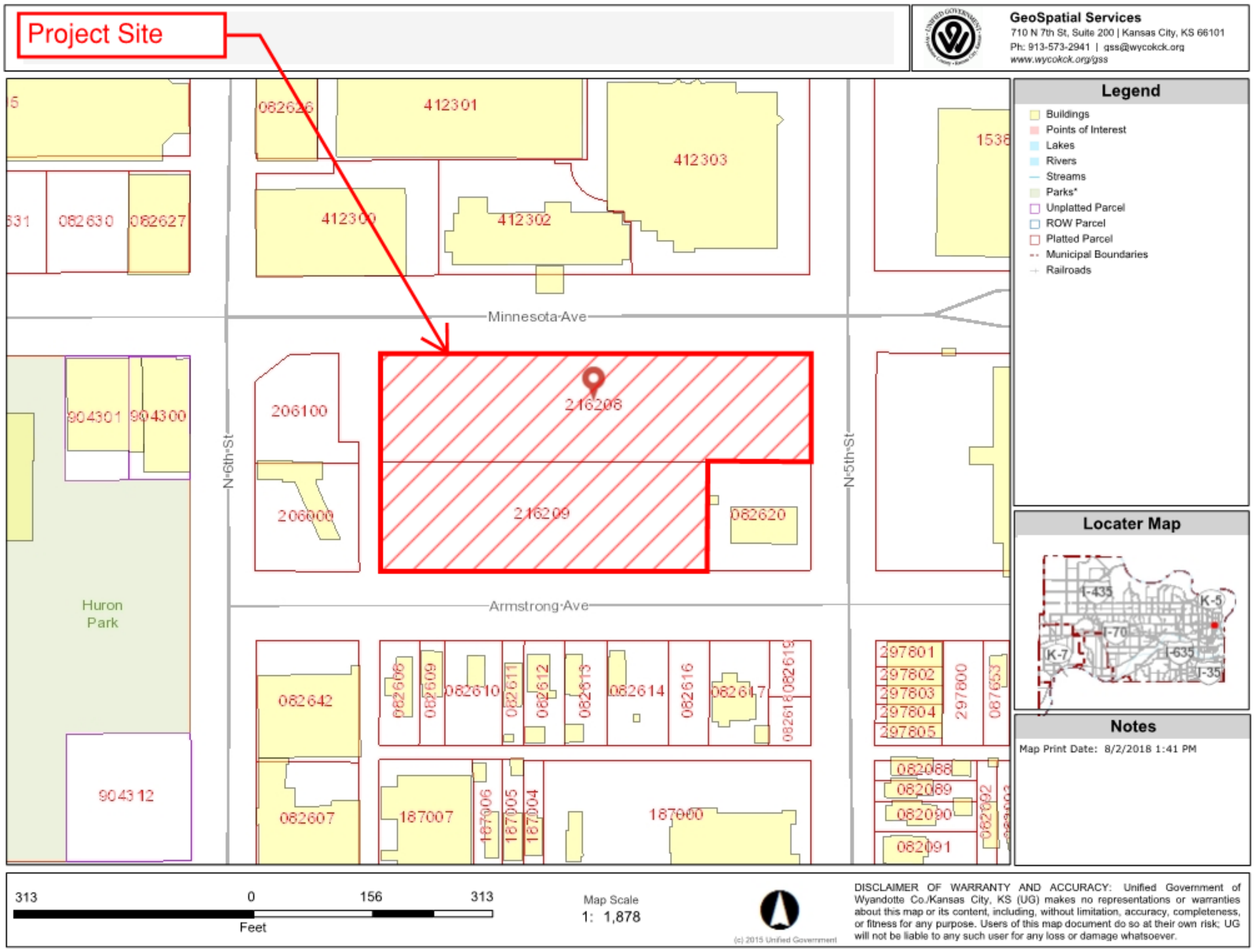

EXHIBIT 2

GROCERY STORE SITE

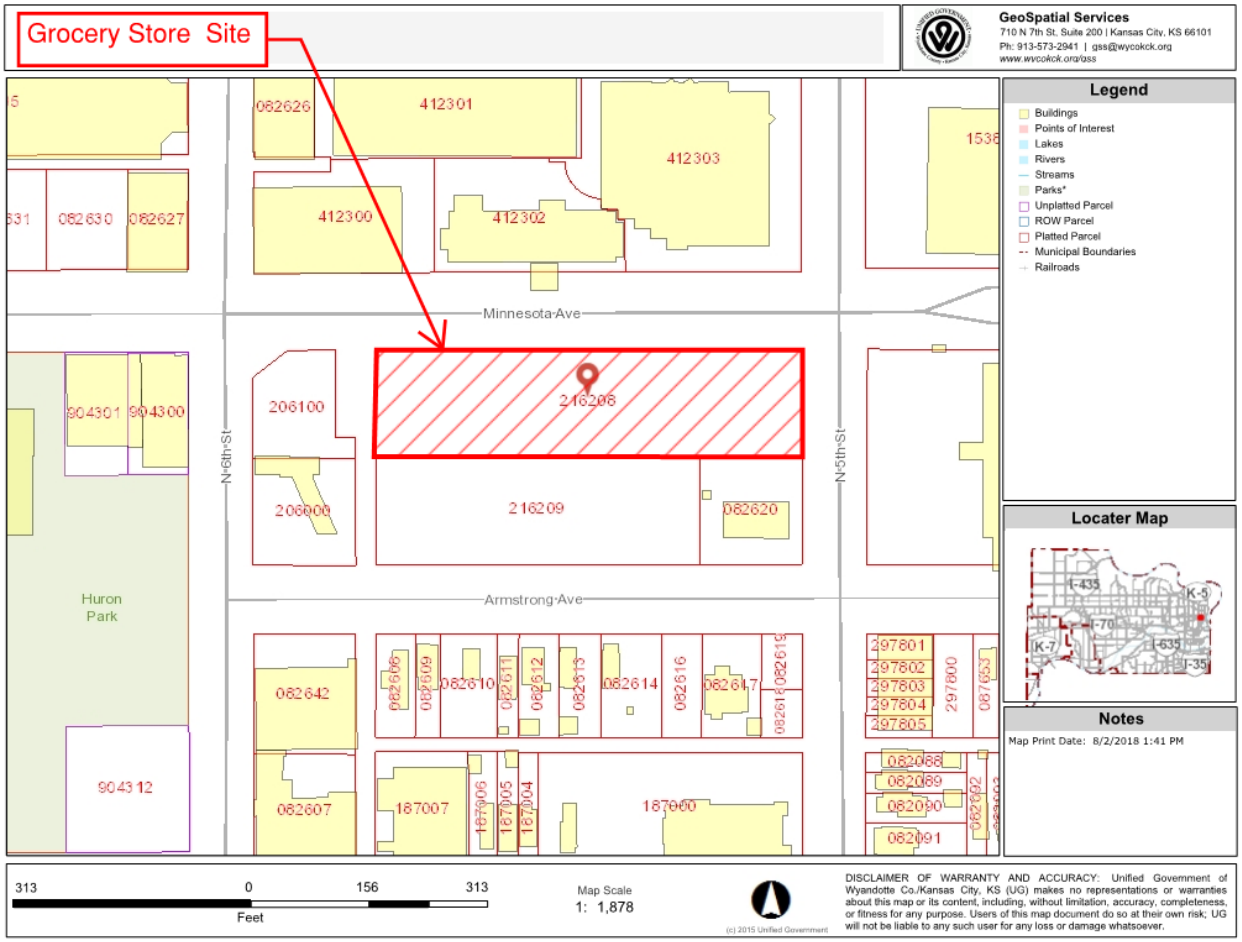

EXHIBIT 3

DEVELOPMENT PLAN

1. Conflicts; Terms. If there is any conflict or inconsistency between the provisions of the Agreement and those of this Development Plan, the provisions of this Development Plan will control. Except for those terms expressly defined in this Development Plan, all initially capitalized terms will have the meanings stated for such terms in the Agreement. The following terms, which are not defined in the Agreement, have the meanings indicated:

(a) "Construction Documents" means complete construction plans and specifications for the Grocery Store Improvements and Infrastructure.

(b) "Manager's Representative" means Rita York Hennecke.

(c) "Outside Completion Date" means ______________________.

(d) "Preliminary Plans" means space plans and general specifications for the Project, including the Grocery Store Improvements and Infrastructure.

(e) "Submission Date" means ____.

(f) "Total Cost" means the total cost of preparing the Preliminary Plans and Construction Documents, obtaining all necessary permits, completing the Project, and constructing and installing the Grocery Store Improvements and Infrastructure.

(g) "UG's Representative" means Jon D. Stephens, Director of Economic Development.

2. Cooperation on Design; Preliminary Plans.

2.1 From the Effective Date until Substantial Completion of the Grocery Store Improvements, Manager hereby agrees to meet with the UG and/or such other parties as the UG shall reasonably designate at such intervals as Manager and the UG shall mutually agree or reasonably request, and not less frequently than once per month, to review and discuss the design, development and construction of the Project. The Construction Documents described herein shall contemplate: (x) the design, development, construction, equipping and completion of the Project in accordance with the Plans and Specifications, the Development Plan, and all Applicable Laws and Requirements, (y) a guaranteed maximum price with respect to the Total Cost, and (z) a guaranteed Substantial Completion not later than the Completion Date.

2.2 On or before the Submission Date, Manager will cooperate with the UG and submit all information necessary for preparation of the Preliminary Plans ("Design Information"). Each day after the Submission Date until Manager has provided all Design Information will be a day of

Manager's delay. Promptly after receipt of all Design Information, the UG will cause its architect to prepare the Preliminary Plans based on the submitted Design Information. Within ten (10) business days after receipt of the proposed Preliminary Plans, Manager will either approve the same in writing or notify the UG in writing of how the proposed Preliminary Plans are inconsistent with the Design Information and how the Preliminary Plans must be changed in order to overcome Manager's objections. Each day following the fifth business day after the proposed Preliminary Plans are submitted to Manager until Manager either approves them or delivers such notice of objections will be a day of Manager's delay. Upon receipt of Manager's notice of objections, the UG will cause its architect to prepare revised Preliminary Plans according to such notice and submit the revised Preliminary Plans to Manager. Upon submittal to Manager of the revised Preliminary Plans, and upon submittal of any further revisions, the procedures described above will be repeated. If the revised Preliminary Plans, or any further revisions, are consistent with the Design Information and all requirements identified in Manager's prior notice(s) of objections, then each day following the UG's receipt of Manager's notice of any additional objections until the day on which the UG receives Manager's written approval of the Preliminary Plans will be a day of Manager's delay.

3. Initial Cost Estimate. At such time as Preliminary Plans that have been approved in writing by both the UG and Manager have been prepared, the UG will prepare an estimate of the Total Cost based on the approved Preliminary Plans ("Initial Cost Estimate"). If the Initial Cost Estimate is less than or equal to the original Project Costs Budget, then Manager and the UG will be deemed to have approved the Initial Cost Estimate. If the Initial Cost Estimate is greater than Project Costs Budget, then the UG, at the UG's option, may (i) approve the Initial Cost Estimate in writing; or (ii) elect to value engineer portions of the Project, or eliminate or revise one or more items shown on the Preliminary Plans so as to reduce the Initial Cost Estimate to be within the Project Costs Budget; or (iii) elect to terminate the Agreement. Upon any termination hereof pursuant to this Section, the Agreement shall terminate, and, except as specifically set forth herein, the parties hereto shall have no further duty or obligation hereunder and without limiting the generality of the foregoing: (a) Manager shall be liable and responsible for all costs and expenses incurred by it with respect to the Agreement and the transactions contemplated hereby, and the UG shall have no duty or responsibility of any type or nature to reimburse or otherwise pay any such costs or expenses; and (b) the UG shall be liable and responsible for all costs and expenses incurred by it with respect to the Agreement and the transactions contemplated hereby, and Manager shall have no duty or responsibility of any type or nature to reimburse or otherwise pay any such costs or expenses.

4. Construction Documents; Cost Proposal. At such time as the Initial Cost Estimate has been approved, the UG will cause its architect and engineer to prepare the Construction Documents based on the Preliminary Plans. The Construction Documents will be subject to the UG's approval and Manager will be given an opportunity to review the Construction Documents to confirm that they conform to the Preliminary Plans. At such time as the Construction Documents have been so approved, reviewed and confirmed, the UG will obtain bids for the construction or installation of the Project according to the Construction Documents and will notify Manager of the proposed Total Cost based on such bids ("Cost Proposal"). If the Cost Proposal is less than or equal to the Initial Cost Estimate approved by Manager, then Manager will be deemed to have approved the Cost Proposal.

If the Cost Proposal is greater than Initial Costs Estimate, then the UG, at the UG's option, may (i) approve the Cost Proposal in writing; or (ii) elect to value engineer portions of the Project, or eliminate or revise one or more items shown on the Construction Documents so as to reduce the Cost Proposal to be within the Project Costs Budget; or (iii) elect to terminate the Agreement. Upon any termination hereof pursuant to this Section, the Agreement shall terminate, and, except as specifically set forth herein, the parties hereto shall have no further duty or obligation hereunder and without limiting the generality of the foregoing: (a) Manager shall be liable and responsible for all costs and expenses incurred by it with respect to the Agreement and the transactions contemplated hereby, and the UG shall have no duty or responsibility of any type or nature to reimburse or otherwise pay any such costs or expenses; and (b) the UG shall be liable and responsible for all costs and expenses incurred by it with respect to the Agreement and the transactions contemplated hereby, and Manager shall have no duty or responsibility of any type or nature to reimburse or otherwise pay any such costs or expenses.

5. Construction of Project. At such time as Manager has approved (or is deemed to have approved) the Cost Proposal, the UG will cause the Project to be constructed in a good and workmanlike manner and according to the Construction Documents and all Applicable Laws and Requirements. The UG will proceed to use reasonable efforts to complete the Project according to this Development Plan and tender possession of the Grocery Store to Manager Substantially Complete on or before the Outside Completion Date. Manager will accept the Grocery Store when the UG tenders possession, provided that the Project is Substantially Complete. The UG and Manager agree that all alterations, improvements and additions made to the Project Site according to this Development Plan, will, without compensation to Manager, remain the UG's property upon installation and will remain the UG's property at the expiration or earlier termination of the Term.

6. Early Occupancy. Manager has no right to enter the Grocery Store until the UG tenders possession, unless Manager's entry is for purposes relating to construction work in the Grocery Store according to the terms of this Development Plan.

7. Delayed Occupancy. If the UG does not tender possession of the Grocery Store to Manager according to Paragraph 2 above on or before the Outside Completion Date (plus any period of delay caused by Manager's delays as described in Paragraph 12 below or due to Force Majeure), the UG will not be in default or liable in damages to Manager, nor will the obligations of Manager be affected.

8. Punch List. Manager's taking possession of any portion of the Grocery Store Improvements will be conclusive evidence that such portion of the Grocery Store was in good order and satisfactory condition when Manager took possession, except as to any patent defects identified on a punch list prepared and signed by the UG's Representative and Manager's Representative after an inspection of the Grocery Store by both such parties when Manager takes possession. The UG will not be responsible for any items of damage caused by Manager, its agents, independent contractors or suppliers. No promises to alter, remodel or improve the Grocery Store Improvements and no representations concerning the condition of the Grocery Store Improvements have been made by the UG to Manager other than as may be expressly stated in the Agreement (including this Development Plan).

9. Representatives. The UG appoints the UG's Representative to act for the UG in all matters covered by this Development Plan. Manager appoints Manager's Representative to act for Manager in all matters covered by this Development Plan. All inquiries, requests, instructions, authorizations and other communications with respect to the matters covered by this Development Plan will be made to the UG's Representative or Manager's Representative, as the case may be. Manager will not make any inquiries of or requests to, and will not give any instructions or authorizations to, any other employee or agent of the UG, including the UG's architect, engineers and contractors or any of their agents or employees, with regard to matters covered by this Development Plan. Either party may change its Representative under this Development Plan at any time by 3 days' prior written notice to the other party.

10. Change Orders. Manager's Representative may authorize changes in the work during construction only by written instructions to the UG's Representative on a form approved by the UG. All such changes will be subject to the UG's prior written approval according to Paragraph 12 below. Prior to commencing any change, the UG will prepare and deliver to Manager, for Manager's approval, a change order ("Change Order") identifying the total cost of such change, which will include associated architectural, engineering and construction contractor's fees, and an amount sufficient to reimburse the UG for overhead and related expenses incurred in connection with the Change Order. If Manager fails to approve and pay for such Change Order within 10 business days after delivery by the UG, Manager will be deemed to have withdrawn the proposed change and the UG will not proceed to perform the change. Upon the UG's receipt of Manager's approval and payment, the UG will proceed to perform the change.

11. UG's Approval. All Preliminary Plans, Construction Documents and Change Orders are expressly subject to the UG's prior written approval. The UG may withhold its approval of any such items that require work which:

(a) Exceeds the Project Costs Budget;

(b) violates any agreement which affects the Project Site or binds the UG;

(c) the UG reasonably believes will increase the cost of operating or maintaining the Project;

(d) the UG reasonably believes will reduce the market value of the Project at the end of the Term; or

(e) does not conform to applicable building code or is not approved by any Governmental Authority.

12. Delays. If the UG is delayed in substantially completing the Project as a result of:

(a) any Manager delays described herein;

(b) any Change Orders or changes in any drawings, plans or specifications requested by Manager;

(c) Manager's failure to review or approve in a timely manner any item requiring Manager's review or approval;

(d) any other act or omission of Manager or Manager's architects, engineers, contractors or subcontractors (all of which will be deemed to be delays caused by Manager); or

(e) an event of Force Majeure,

then the Outside Completion Date will be extended one day for each day of delay.

13. General. No approval by the UG or the UG's architect or engineer of any drawings, plans or specifications which are prepared in connection with construction of improvements in the Grocery Store will constitute a representation or warranty by the UG as to the adequacy or sufficiency of such drawings, plans or specifications, or the improvements to which they relate, for any use, purpose or condition, but such approval will merely be the consent of the UG to the construction or installation of improvements in the Grocery Store according to such drawings, plans or specifications. Failure by Manager to pay any amounts due under this Development Plan will have the same effect as failure to pay the UG Fee under the Agreement, and such failure or Manager's failure to perform any of its other obligations under this Development Plan will constitute a Default under the Agreement, entitling the UG to all of its remedies under the Agreement as well as all remedies otherwise available to the UG.

EXHIBIT 4

STABILIZATION FUND MATRIX

Schedule of Quarterly Sales Stabilization Benchmarks			Contribution %	Quarterly Cap
1st Year	Q1	Grand Opening Fund of $150,000 (see Section 5.2)		
	Q2			
	Q3	$700,000	50%	$100,000
	Q4	$728,000	50%	$100,000
2nd Year	Q1	$764,000	25%	$50,000
	Q2	$803,000	25%	$50,000
	Q3	$771,000	25%	$50,000
	Q4	$802,000	25%	$50,000
3rd Year	Q1	$837,000	15%	$35,000
	Q2	$875,000	15%	$35,000
	Q3	$845,000	15%	$35,000
	Q4	$875,000	15%	$35,000

EXHIBIT 5

INSURANCE SPECIFICATIONS

1. Worker's Compensation. Manager may self-insure, to the extent allowed by applicable law. The self-insured retention shall be that which is standard in the industry. Manager will then purchase excess Worker's Compensation Insurance with statutory limits over the self-insured retention. If self-insurance is not available under applicable state law, coverage will be purchased in accordance with the statutory requirements.

2. Comprehensive General Liability. Manager will purchase and maintain with primary limits of $1,000,000.

3. Automobile Liability. Manager will purchase and maintain with primary limits of $1,000,000.

4. Excess Liability. Manager will purchase and maintain excess liability insurance in an amount not less than $5,000,000.

5. Special Perils Form Property Insurance. Manager will purchase on a replacement cost basis. Deductibles and limits will be standard to those in the industry, and the policy shall include an "Agreed Amount" endorsement. Earthquake and flood insurance, will be included if required and if available at a reasonable cost, fired vessel, boiler and machinery, and underground collapse may be required by the UG as additional perils.

EXHIBIT 6

LBE/MBE/WBE PROVISIONS

EXHIBIT 7

PROJECT COSTS BUDGET

ANNEX 1

DEFINITIONS

"Affiliate" means any person, entity or group of persons or entities which controls the Manager, which the Manager controls or which is under common control with the Manager. As used herein, the term "control" shall mean the possession, directly or indirectly, of the power to direct or cause the direction of management and policies, whether through the ownership of voting securities, by contract or otherwise.

"Agreement" means this Management Agreement by and between the UG and the Manager.

"Applicable Laws and Requirements" shall mean any applicable constitution, treaty, statute, rule, regulation, ordinance, order, directive, code, interpretation, judgment, decree, injunction, writ, determination, award, permit, license, authorization, directive, requirement or decision of or agreement with or by Governmental Authorities, and all requirements of any insurers. Applicable Law and Requirements shall include, without limitation, the Development Plan, the Kansas Cash Basis Law (K.S.A. § 10-1100, et. seq.) and Budget Law (K.S.A. § 75-2§529, et. seq.).

"Benefit District" means any special benefit district that includes the Grocery Store Site created pursuant to Applicable Laws and Requirements.

"BPU" means the UG Board of Public Utilities as referenced in Section 6.14 hereof.

"Budget(s)" means the proposed Operating Budget as described in Section 5.8.

"Capital Expenditures" means expenditures required for the benefit of the Grocery Store which are outside the scope of the Operating Expenses.

"Casualty" means any fire, storm, earthquake, tornado, flood or natural disaster or other sudden, unexpected or unusual cause of damage or destruction as referenced in Section 6.11.2 hereof.

"Casualty Escrow" means the escrow described in Section 6.11.1

"Condition Date" means that date set forth as such in Section 4.1 hereof.

"Consumer Price Index" means the "U.S. City Average, All Items" Consumer Price Index for All Urban Consumers (CPI-U; Base: 1982-84=100) (not seasonally adjusted) as published for a calendar month by the United States Department of Labor, Bureau of Labor Statistics. In the event that the CPI-U ceases to incorporate a significant number of items, or if a substantial change is made in the method of establishing such CPI-U, then the CPI-U shall be adjusted in a fair and reasonably manner to the figure that would have resulted had no substantial change occurred in the manner of computing such CPI-U. In the event that such CPI-U (or a successor or substitute index) is not available, such governmental or other service or publication as shall evaluate the information in substantially the same manner as the aforesaid CPI-U shall be used in lieu thereof.

"Damaged Facilities" means that part of the Grocery Store Site or Grocery Store Improvements damaged by a Casualty as described in Section 6.11.2 hereof.

"Development Plan" means the plan agreed to by the Manager and the UG as more fully described in Section 3.1 and Exhibit 3 of this Agreement.

"Effective Date" means the date of this Agreement first above written.

"Environmental Regulation" means any and all present and future laws, statutes, ordinances, rules, regulations and orders of any governmental authority having jurisdiction over the parties hereto or any portion of the Grocery Store Site or the Project Site and pertaining to the protection of human health, hazardous substances, pollution, or the environment, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986, and as the same may be further amended from time to time (hereinafter collectively called "CERCLA").

"Fiscal Year" means the Manager's customary fiscal year.

"GAAP" means generally accepted accounting principles.

"Government Authorities" shall mean any and all jurisdictions, entities, courts, boards, agencies, commissions, offices, divisions, subdivisions, departments, bodies or authorities of any nature whatsoever of any governmental unit (federal, state, county, district, municipality, city or otherwise), whether now or hereafter in existence.

"Grocery Store" means that certain venture to be constructed, developed, completed and operated as described in this Agreement.

"Grocery Store Improvements" means those improvements necessary for the construction and operation of the Grocery Store pursuant to the Plans and Specifications as contemplated by the Development Plan.

"Grocery Store Site" means that part of the Project Site which is described on Exhibit 2.

"Gross Revenues" means all cash and receipts generated by and in the Grocery Store, and the total amount of sales of goods made by the Manager, in, at or from the Grocery Store, at wholesale or retail, or delivered from the Grocery Store. Without limiting the generality of the forgoing, Gross Revenues shall include: (i) the entire amount of the price charged, whether wholly or partially in cash or on credit, or otherwise, for all goods, wares, merchandise and chattels of any kind sold, leased, licensed or delivered; and (ii) all gross income of Manager and any other party from any operations in, at, upon or from the Grocery Store which are neither included in nor excluded from Gross Revenues by other provisions of this Agreement, but without duplication. Notwithstanding the foregoing or anything contained in the other provisions of this Agreement to the contrary, Gross Revenues shall exclude, or there shall be deducted from Gross Revenues if previously included therein, the following: (a) the sales price of merchandise sold to Manager's employees; (b) proceeds from any vending machines used primarily by Manager's employees; (c) any exchange of merchandise between stores of Manager where such exchange is made solely for the convenient operation of Manager's business and not for the purpose of consummating a sale made in, at or from the Grocery Store; (d) returns to vendors, shippers or manufacturers; (e) cash or credit refunds to customers on transactions theretofore included in Gross Revenues; (f) proceeds of sales of fixtures, machinery, equipment and any other property after use thereof in the conduct of Manager's business; (g) amounts collected by Manager and paid to any government or governmental authority as sales or excise taxes on sales; (h) any insurance or condemnation proceeds received by Manager as a result of damage to or condemnation of the Grocery Store inventory, fixtures, machinery, equipment and/or any other property used by Manager in the conduct of its business; (i) any and all finance charges, service charges, credit card charges and fees paid by Manager to any credit card company; and (j) the cash value of any gift certificate at the time such certificate is purchased, provided however that the purchase price of any merchandise purchased at the Grocery Store with a gift certificate shall be included in Gross Revenues at the time of such purchase.

"Hazardous Substance" means any substance that is defined or listed as a hazardous or toxic substance and which is regulated as such or may form the basis of liability under any present or future Environmental Regulation, or that is otherwise prohibited or subject to investigation or remediation under any present or future Environmental Regulation because of its hazardous, toxic, or dangerous properties, including, without limitation, (a) any substance that is a "hazardous substance" under CERCLA, and (b) petroleum, natural gas, natural gas liquids, liquefied natural gas, and synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas), only to the extent that the constituents of such synthetic gas are released or threatened to be released into the environment.

"Index of Exhibits" means the index attached to this Agreement.

"Infrastructure" means the site utilities to benefit the Project and necessary improvements to the Project Site for sufficient non-exclusive parking to service the Grocery Store in accordance with the REA.

"Insurance Specifications" means the insurance requirements on the Manager in connection with the Grocery Store as generally described in Section 6.6 and more fully set forth in Exhibit 5 hereof.

"LBE/MBE/WBE Employment Opportunity Goals" means the goals set forth on Exhibit 6 attached hereto.

"Manager" shall have the meaning given in the preamble Section of this Agreement.

"Manager's Other Grocery Store" shall have the meaning given in Section 2.3.

"Material Changes" means any substantial change to any agreement, plan or other document referred to herein, and without limiting the generality of the foregoing, the parties hereby agree that any changes to agreements, plans or other documents which alter the price, timing, parties or physical boundaries set forth therein shall be deemed substantial enough to constitute Material Changes.

"Material Contract" shall mean any contract, lease or agreement which exceeds the sum of $5,000 and is not related to Operator's acquisition or procurement of inventory or produce in the ordinary course of Operator's business.

"Opening Date" means the date the Grocery Store is opened for business required herein.

"Operating Budget" means the Manager's detailed budget setting forth all Operating Expenses and other expenses to be incurred by the Grocery Store and a projection of revenues.

"Permitted Encumbrances" means (a) utility, access or other easements and rights of way of record, and (b) laws regulating the use or enjoyment of the Project Site. Notwithstanding anything herein to the contrary, on or before to the Condition Date of this Agreement, the UG shall, at the UG's expense, deliver to the Manager a current ALTA title commitment on or before the date which is twenty (20) days following the Effective Date, together with legible copies of all title exception documents referenced therein.

"Person" shall mean any natural person, firm, partnership, association, corporation, limited liability company, trust, entity, public body or government or other entity.

"PILOT" means payment in lieu of taxes as described in Section 6.5 hereof.

"Plans and Specifications" means those plans and specifications generally described in Section 7.2 hereof.

"**Plans and Specifications**" shall mean the final plans and specifications developed pursuant to the Development Plan.

"Prime Rate" means the rate of interest announced from time to time by Security Bank of Kansas City, Kansas, or any successor to it, as its prime rate. If such bank, or any successor to it, ceases to announce a prime rate, the UG shall designate a reasonably comparable financial institution for purposes of determining the Prime Rate.

"Principal Office" means the office of the Manager presently located at the address set forth in Section 9.12 or such other office designated by the Manager in writing from time to time where the Manager's principal executive officers are located and where the Manager keeps its primary financial and operating records.

"Project Costs Budget" means the budget detailing the Total Project Costs, as set forth in Exhibit 7 attached hereto.

"Project Site REA" means that certain REA to which the Grocery Store Site will be subject as set forth in Section 4.1.3. The Parcel 216208 (501 and 525 Minnesota Avenue, Kansas City, KS 66101) and Parcel 216209 (530 Armstrong Avenue, Kansas City, KS 66101).

"Project Site" means certain real property generally described in Recital A of this Agreement and more fully described in Exhibit 1 attached hereto. Notwithstanding the foregoing, the Project Site shall not include, for the purposes of this Agreement, any property currently owned by UMB Bank, N.A.

"Project" means the development project on the Project Site described in Recital B of the Agreement and more fully described in Exhibit 1 attached hereto. Without limiting the generality of the foregoing, the Project shall include the following to be undertaken by the UG in accordance with the Development Plan and this Agreement: (i) acquiring the Project Site; (ii) with assistance and input from the Manager, designing the Project utilizing the services of outside consultants;

(iii) working with the Manager regarding any entitlements issues tied to the foregoing; (iv) reviewing, securing and properly structuring all public incentives available; (v) renovating an existing or demolishing structures, grading, installing site and utility Infrastructure, and placing the Project in a "pad ready" condition all in accordance to approved Plans and Specifications; (vi) constructing the Grocery Store; and (vii) facilitate introduction with local business community, workforce development and training agencies, and Wyandotte Economic Development Council to assist in development of a pipeline of local employees and community partners for the Manager.

"Quarterly Accounting Period" means each calendar quarter during the Term.

"**Quarterly Sales Stabilization Benchmark**" shall mean the applicable Quarterly Sales Stabilization Benchmark set forth on the Stabilization Fund Matrix.

"**Stabilization Fund Matrix**" shall mean the Stabilization Fund Matrix attached hereto as Exhibit 4.

"State" means the State of Kansas.

"Substantial Completion" means the stage in the progress of the construction of the Infrastructure and Grocery Store Improvements, or as to any particular portion thereof, when said construction is sufficiently complete so that the Grocery Store Improvements or such particular portion can be occupied or utilized for its intended use.

"Term" means the term of this Agreement as set forth in Section 5.1 hereof**.**

"Total Project Costs" means the costs of developing and construction the Project.

"UG" means the Unified Government of Wyandotte County/ Kansas City, Kansas.

Staff Request for Commission Action

Tracking No. 18352

Full Commission Meeting Date: 8/30/18

Committee: Economic Development & Finance

Date of Standing Committee Action: 8/20/18
(If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
08/08/2018	Jon Stephens	x5749	jstephens@wycokck.org	Economic Development

Item Description:
Resolution authorizing the planning, design, construction and stabilization fund for a downtown grocery store.

Action Requested:
Approve and advance to August 30th full commission

Budget Impact: (if applicable)
Amount:
Source:
Included In Budget:
Other (explain):

Attachments List:
Downtown Grocery - Resolution authorizing planning, design, construction and stabilization fund, EXHIBIT A to Resolution to Plan, Design, Construct

RESOLUTION NO. R-______________

A RESOLUTION AUTHORIZING THE UNIFIED GOVERNMENT COUNTY ADMINISTRATOR TO ENTER INTO CONTRACTS FOR THE PLANNING, DESIGN, CONSTRUCTION AND STABILIZATION RESERVE FUND OF A DOWNTOWN GROCERY STORE, IN AN AMOUNT UP TO $6.0 MILLION DOLLARS.

WHEREAS, the Unified Government of Wyandotte County/Kansas City, Kansas ("Unified Government") believes that its residents, regardless of income or location, deserve and require access to fresh and healthy foods; and

WHEREAS, Unified Government staff, in conjunction with its development team, has identified property which is suitable for a new downtown grocery store at 5th and Minnesota Avenue (the "Project") as shown in Exhibit A attached hereto; and

WHEREAS, the County Administrator, pursuant to Sec. 2-103 of the Unified Government Code of Ordinances, has authority to execute the policies of the Unified Government Board of Commissioners and has authority to sign all contracts, deeds and other documents other than those authorized or required to be signed by the Mayor; and

WHEREAS, the Unified Government Board of Commissioners desires to provide the County Administrator with authority to enter into contracts to pay for the costs of planning, design, construction and a stabilization reserve fund associated with the Project.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

Section 1. Authorization. That the County Administrator is hereby authorized to spend up to and including Six Million Dollars and NO/100 ($6,000,000.00) for the planning, design and construction of the Project, including all associated infrastructure and street-scape improvements, as well as the establishment of a stabilization reserve fund for the Project, and is hereby authorized to negotiate the terms and execute in the name of the Unified Government all such contracts, documents, certificates, and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution.

Section 2. Further Action. The Mayor/CEO, County Administrator, and other officers, agents, and employees of the Unified Government are hereby further authorized and directed to take such further action as may be appropriate or desirable to accomplish the purpose of this Resolution.

Section 3. Effective Date. This Resolution shall take effect and be in full force immediately after its adoption by the Governing Body of the Unified Government.

ADOPTED BY THE BOARD OF COMMISSIONERS OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, THIS 30th DAY OF AUGUST, 2018.

____

UNIFIED GOVERNMENT CLERK

EXHIBIT A

Downtown Grocery Location

Staff Request for Commission Action

Tracking No. 18353

Full Commission Meeting Date: 8/30/18

Committee: Economic Development & Finance

Date of Standing Committee Action: 8/20/18
(If none, please explain):

Publication Required: Yes 09/27/2018

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
08/08/2018	Jon Stephens	x5749	jstephens@wycokck.org	Economic Development

Item Description:
Resolution setting a public hearing for Downtown Grocery redevelopment district.

Action Requested:
Approve and advance to August 30th full commission meeting.

Budget Impact: (if applicable)

Amount:

Source:

Included In Budget:

Other (explain):

Attachments List:
Downtown Grocery - TIF District Resolution, Exhibit A - Legal Description, Exhibit B - District Map, Exhibit C - Redevleopment District Plan

(Published in ***The Wyandotte Echo on* ________________, 2018**)

RESOLUTION NO. R-____-18

A RESOLUTION CALLING AND PROVIDING FOR NOTICE OF A PUBLIC HEARING ON THE ADVISABILITY OF CREATING THE DOWNTOWN GROCERY REDEVELOPMENT DISTRICT IN THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS PURSUANT TO K.S.A. 12-1770 ET SEQ.

WHEREAS, K.S.A. 12-1770 *et seq.,* as amended (the "Act") provides for the creation of redevelopment districts and the approval of redevelopment plans, and permits the issuance of tax increment financing bonds in accordance with the terms of the Act; and

WHEREAS, the Board of Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas (the "Unified Government") intends to set a date for a public hearing for the purpose of considering the establishment of the Downtown Grocery Redevelopment District (the "Redevelopment District") in accordance with the Act; and

WHEREAS, the establishment of the proposed Redevelopment District is necessary to promote the general economic welfare of the Unified Government pursuant to the Act; and

WHEREAS, the Redevelopment District consists of an area described on the attached **Exhibit A** and generally delineated on the map attached as **Exhibit B**, both of which are incorporated herein by reference and made a part of this Resolution, and which is generally described as an area located between 5th Street and 6th Street, and between Minnesota Avenue and Armstrong Avenue, in Kansas City, Wyandotte County, Kansas.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS:

Section 1. Public Hearing. It is hereby authorized, ordered, and directed that the Board of Commissioners shall hold a public hearing on **October 11, 2018, at 7:00 PM** or as soon thereafter as the matter can be heard in the Commission Chambers, lobby level of the Municipal Office Building located at 701 North 7th Street, Kansas City, Kansas to hear comments and consider findings necessary to establish the Redevelopment District pursuant to the Act.

Section 2. Description and Map. A description and map of the proposed Redevelopment District is available for public inspection in the Unified Government Clerk's office located in Suite 323 on the third floor of the Municipal Office Building from 8:00 am to 5:00 pm, Monday through Friday.

Section 3. Redevelopment District Plan. The Redevelopment District Plan may be described in a general manner as consisting of some or all of the following uses, without limitation: commercial uses, including a grocery store, mixed use commercial retail, restaurant uses, and any other commercial structure or use (including but not limited to, office, non-profit, governmental, or community use), residential uses including apartment uses, and including such associated site work, infrastructure, utilities, storm water control, access, street improvements, landscaping, lighting, parking facilities (including parking garages), other associated and appurtenant structures and facilities, and any other items allowable under the Act.

A copy of the Redevelopment District Plan is attached hereto as **Exhibit C**.

Section 4. Findings. The Unified Government will consider findings necessary for the establishment of a redevelopment district pursuant to the Act.

Section 5. Bonds. The Unified Government may, in the discretion of the Unified Government, issue full faith and credit tax increment bonds to assist with the financing of the redevelopment project as described by Redevelopment District Plan.

Section 6. Notices. The Unified Government Clerk is hereby authorized and directed to publish this Resolution once in the official city newspaper not less than one (1) week or more than two (2) weeks preceding **October 11, 2018**, the date set for the public hearing. The Clerk or any other employee or officer of the Unified Government are authorized and directed to mail a copy of this Resolution via certified mail, return receipt requested to the Unified Government Board of Commissioners; the Kansas City, Kansas Unified School District #500 Board of Education as the school district levying taxes on property within the proposed Redevelopment District; and to each owner and occupant of land within the project areas of the proposed Redevelopment District not more than ten (10) days following the date of the adoption of this Resolution.

Section 7. Further Action. The Mayor/CEO, County Administrator, and other officers, agents, and employees of the Unified Government are hereby further authorized and directed to take such further action as may be appropriate or desirable to accomplish the purpose of this Resolution.

Section 8. Effective Date. This Resolution shall be effective upon its adoption by the Unified Government Board of Commissioners.

ADOPTED BY THE UNIFIED GOVERNMENT BOARD OF COMMISSIONERS THIS 30th DAY OF AUGUST, 2018.

____
UNIFIED GOVERNMENT CLERK

EXHIBIT A

All the original block 131 of Wyandotte City and the north vacated 4 feet of right of way along Armstrong Avenue from 5^{th} to 6^{th} street, along with half of the dedicated right of way adjacent to 5^{th} street, 6^{th} street, Minnesota Avenue and Armstrong Avenue, in the City of Kansas City, Wyandotte County, Kansas, being described as follows.

Beginning at a point that is 40 feet west and 40 feet south of the original southwest corner of Voss Subdivision, a resurvey of the original Lots 25, 26, 27, Block 131 of Wyandotte City, a subdivision of land in Kansas City, Wyandotte County, Kansas, also being 36 feet south of the north 4 feet of vacated right of way along Armstrong Avenue, said point being at the intersection of 6^{th} street and Armstrong Avenue centerlines as said roads now exists.

Thence north along the centerline of said 6^{th} street being 40 feet distant and parallel to the west line of said subdivision and the east right of way line of said 6^{th} street, to the point of intersection with the east-west centerline of Minnesota Ave, as said road now exists, said point being 40 feet west and 50 north of the northwest corner of said Voss subdivision.

Thence east along said east-west centerline 50 feet distant and parallel to the south right of way line of Minnesota Ave said line also being the north line of Voss subdivision and Lot 2, Center City, a partial replat of blocks 95, 96, 97, 109, 110, 115 and 131 of Wyandotte City, a subdivision of land in Kansas City, Wyandotte County, Kansas, to a point of intersection with the north-south centerline of 5^{th} street as said road now exists, said point being 50 feet north and 40 feet east of the northeast corner of said Lot 2, Center City.

Thence south along the north-south centerline 40 feet distant and parallel to the west right of way line of 5^{th} street said line also being the east line of Lot 2 Center City and Lot 48, Block 131 of Wyandotte City, to the point of intersection with the east-west centerline of Armstrong Avenue, said point being 40 feet east and 40 feet south of the original southeast corner of Lot 48 Block 131, Wyandotte City, also being 36 feet south of the north 4 feet of vacated right-of-way along Armstrong Avenue.

Thence west along said east-west centerline 36 feet distant and parallel to the north right of way line of Armstrong Avenue, said line being 4 feet south of the original south line of Block 131, Wyandotte City, to the Point of Beginning of the herein described tract of land.

EXHIBIT B

Downtown Grocery Redevelopment District

TIF Exhibit

<u>EXHIBIT C</u>

Redevelopment District Plan

The Redevelopment District Plan may be described in a general manner as follows:

> The Redevelopment District shall consist of one or more redevelopment project areas, the names and boundaries of which will be determined at the time of the Project Plan. The buildings, facilities, and improvements to be constructed or improved within the Redevelopment District may be described in a general manner as consisting of some or all of the following uses, without limitation: commercial uses, including a grocery store, mixed use commercial retail, restaurant uses, and any other commercial structure or use (including but not limited to, office, non-profit, governmental, or community use), residential uses including apartment uses, and including such associated site work, infrastructure, utilities, storm water control, access, street improvements, landscaping, lighting, parking facilities (including parking garages), other associated and appurtenant structures and facilities, and any other items allowable under the Act.

18355

Unified Government Clerk's Office

Bridgette D. Cobbins
Unified Government Clerk

701 North 7th Street, Suite 323
Kansas City, Kansas 66101-3070

Phone: 913-573-5260
Fax: 913-573-5299
E-mail: bcobbins@wycokck.org
http://www.wycokck.org

FILED B DC
JUN 19 2018
UNIFIED GOVERNMENT CLERK

REQUEST TO APPEAR FORM

Requestor will be given 5 minutes to speak to committee

Standing Committee: ____________________

Name: Myra (First) Atkinson (Last)

Address: **3146 Greeley St.** (Street)

Kansas City (City) KS (State) 66104 (Zip)

Phone Number: **(913) 233-6946**

E-mail address: **myraatkinson@att.net**

Brief description of topic to be discussed:

To discuss the Property at 3840 Lloyd Avenue Parcel #132627on behalf of Mount Carmel Missionary Baptist Church to exempt the interest on the above property.

Myra Atkinson
Signature

Unified Government Clerk's Office

Bridgette D. Cobbins
Unified Government Clerk

701 North 7th Street, Suite 323
Kansas City, Kansas 66101-3070

Phone: 913-573-5260
Fax: 913-573-5299
http://www.wycokck.org

August 9, 2018

Myra Atkinson
3146 Greeley St.
Kansas City, KS 66104
Email: myraatkinson@att.net

Ms. Atkinson:

This is to confirm that your request to appear before a standing committee, on behalf of Mount Carmel Missionary Baptist Church, to request exemption of interest owed on a demolition lien levied against 3840 Lloyd Avenue, has been approved for the following standing committee:

COMMITTEE: Economic Development and Finance Standing Committee
DATE: Monday, August 20, 2018
TIME: 5:15 p.m.
LOCATION: Municipal Office Building
701 North 7th Street, 5th floor conference room (Suite 515)
Kansas City, KS 66101

You, or a spokesperson for your group, will be given up to five minutes to make your comments. All comments must pertain to the subject matter.

If you have any questions, do not hesitate to contact me at 573-5263.

Sincerely,

Carol Godsil

Carol Godsil
Deputy UG Clerk

c: Ken Moore, Chief Legal Counsel