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.

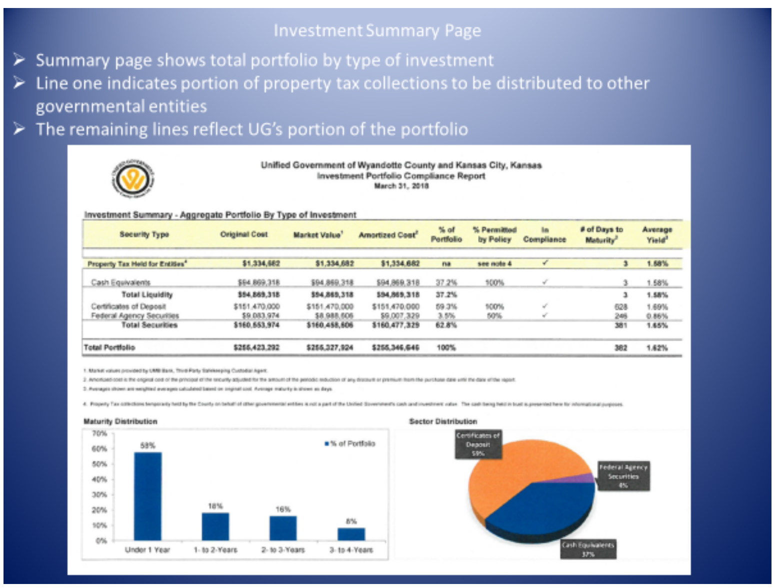
Committee Agenda:

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%	✓	528	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%

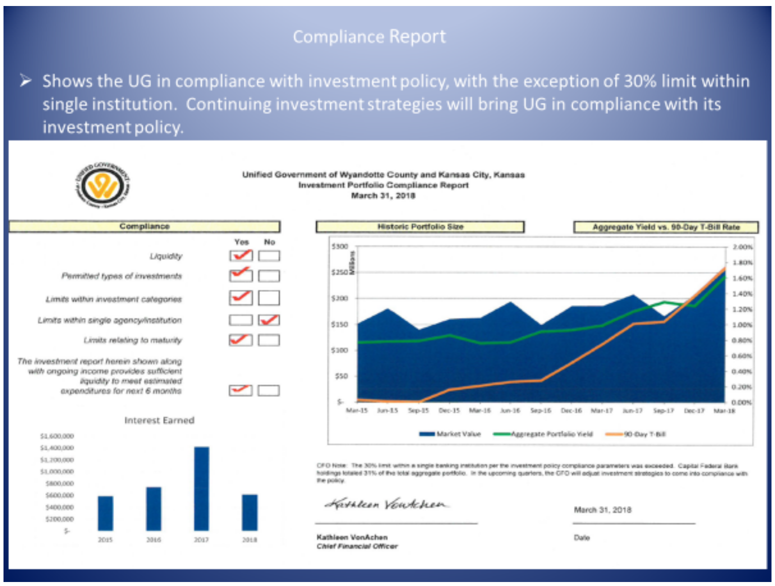
As you know, our portfolio typically grows in the first part of the year because half of the property taxes are collected at the beginning of the year. As of March 31, our portfolio totals $255M. We are earning roughly 1.62% on a weighted average basis. That's slightly up from the prior quarter. That 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.

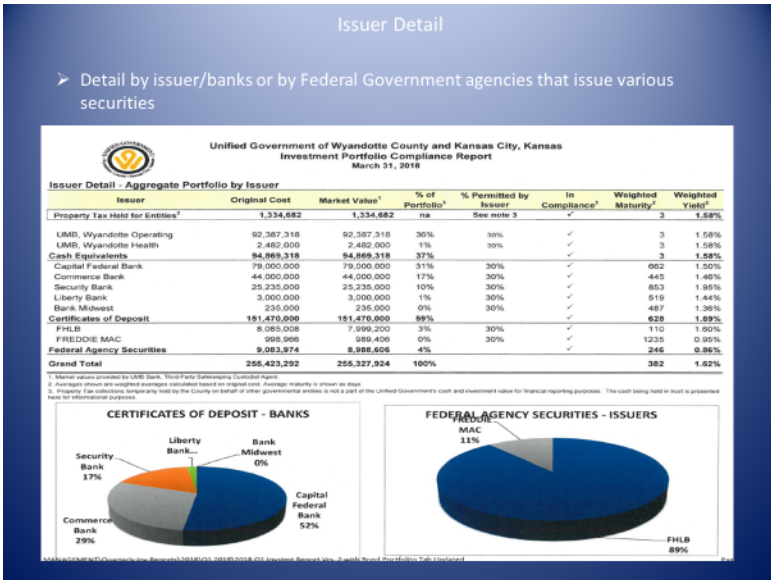


The next page of our investment portfolio kind of details how we've been doing over time and whether we're in compliance with our Investment Policy, which is annually adopted and reviewed in the fall.

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.

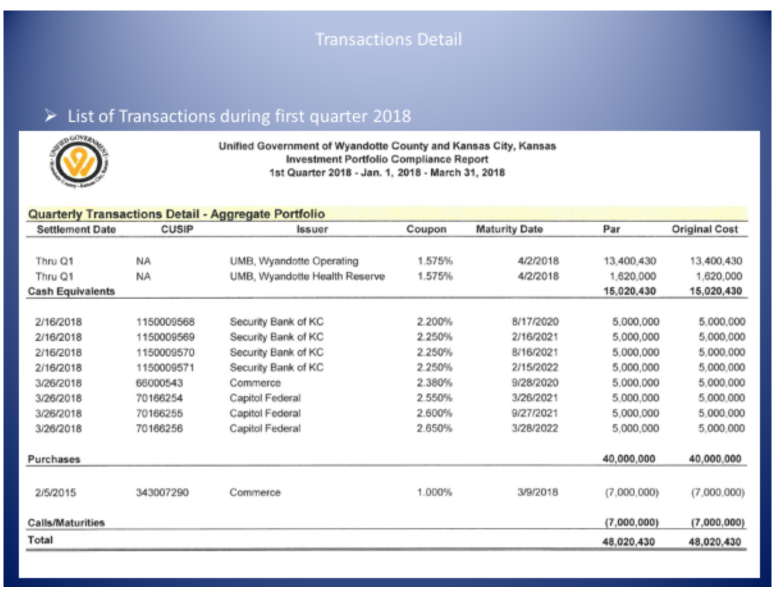
We are out of compliance very slightly in one area and that's the limit on a single-issuer at the moment. At the moment it's Capital Federal Bank. They're holding 31% and the Investment Policy says 30%. Part of that has to do with a little bit of the timing. At the time we purchased CDs or do investment 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%**

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.

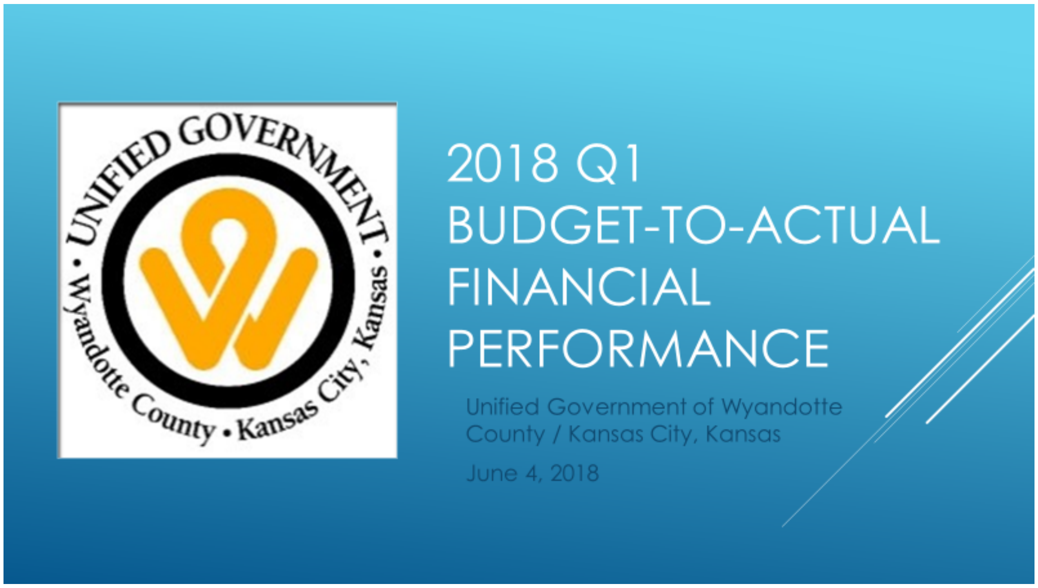
Chairman Burroughs said, Kathleen, I have one question just for verification. It's my understanding we have $255,327,924 in savings, in CDs and in cash. **Ms. Vonachen** said that's right.

Action: For Information Only.

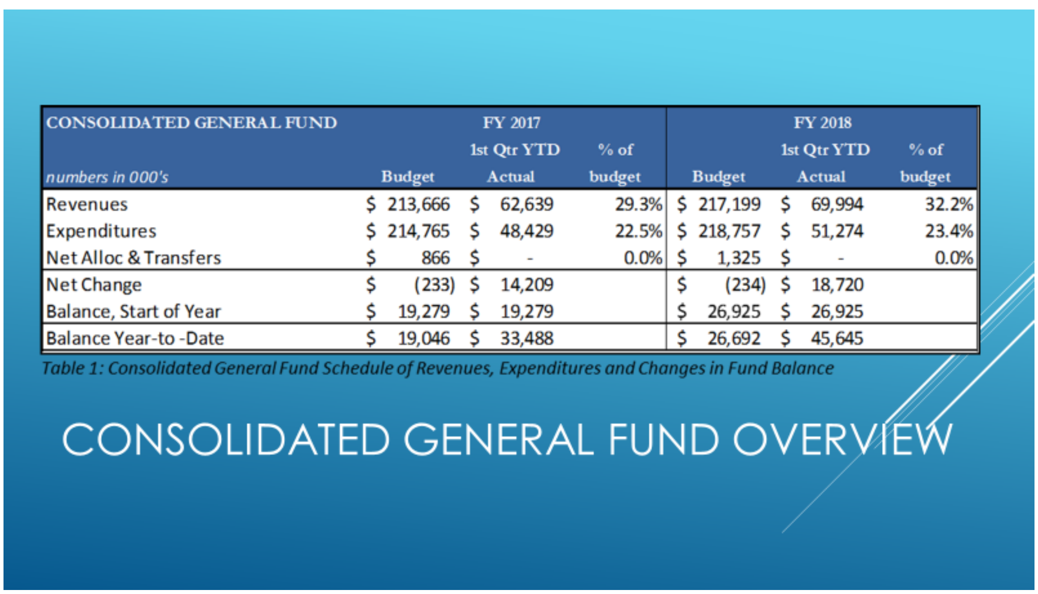
Item No. 2 – 18284…REPORT: FIRST QUARTER 2018 BUDGET TO ACTUALS

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

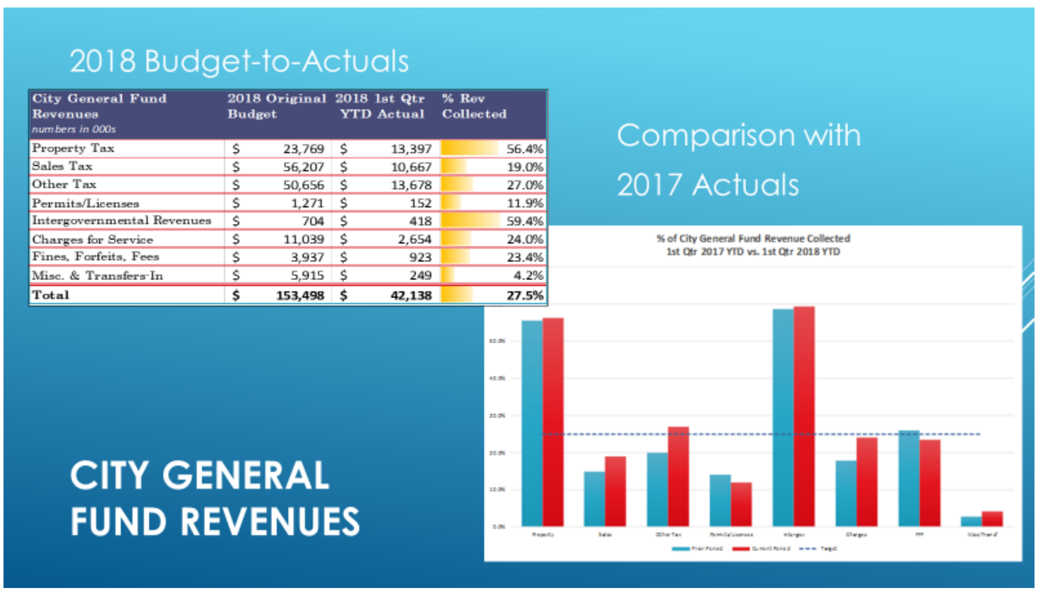
I will say that all the tables that we have in the slides are included in your First Quarter Report. This first one is a report on the Consolidated General Fund. I just want to remind you that that includes the three funds: the City General Fund, the County General Fund, as well as the Parks &

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.

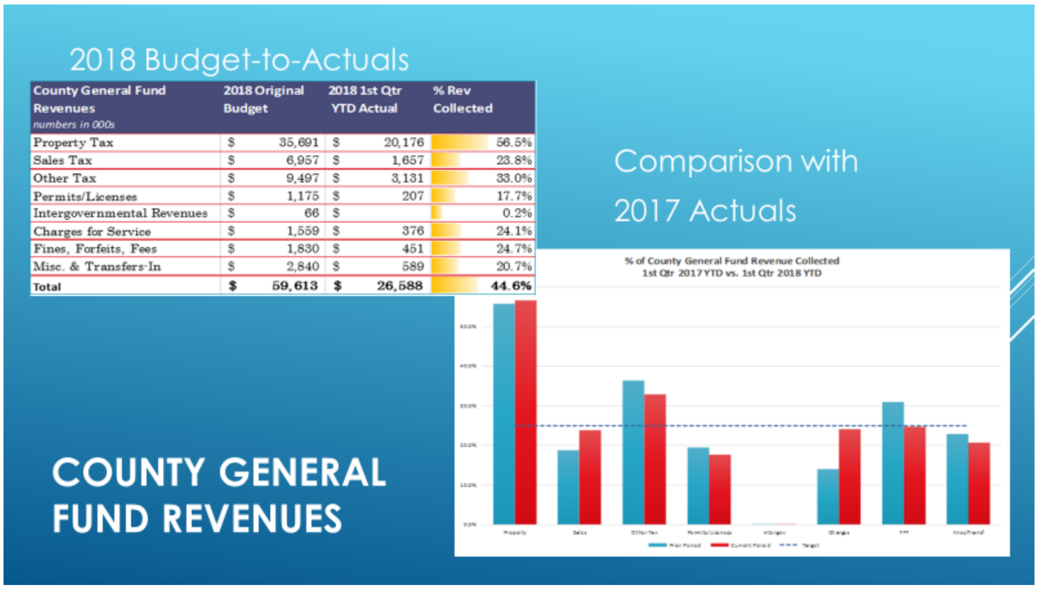


This next slide, up here in the left-hand corner, shows the budget-to-actual revenues for the City General Fund. As you can see, Property Tax is at 56.4% of the total budget for the year. As Kathleen had said, we received the first half of the Property Tax payments. That was distributed in January and 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.

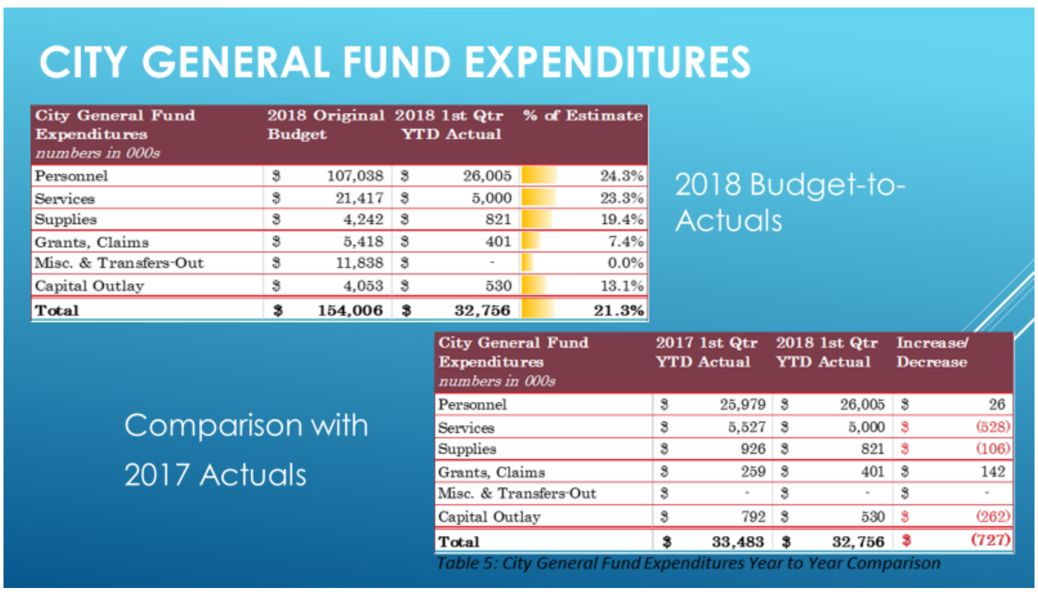
The question I have are we funding government more on property tax? Should we be funding government more on our sales tax? That drives economic growth. It gives the Commission a chance to really set direction on what we need to do as far as how we grow our revenue.

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 *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%**

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)**

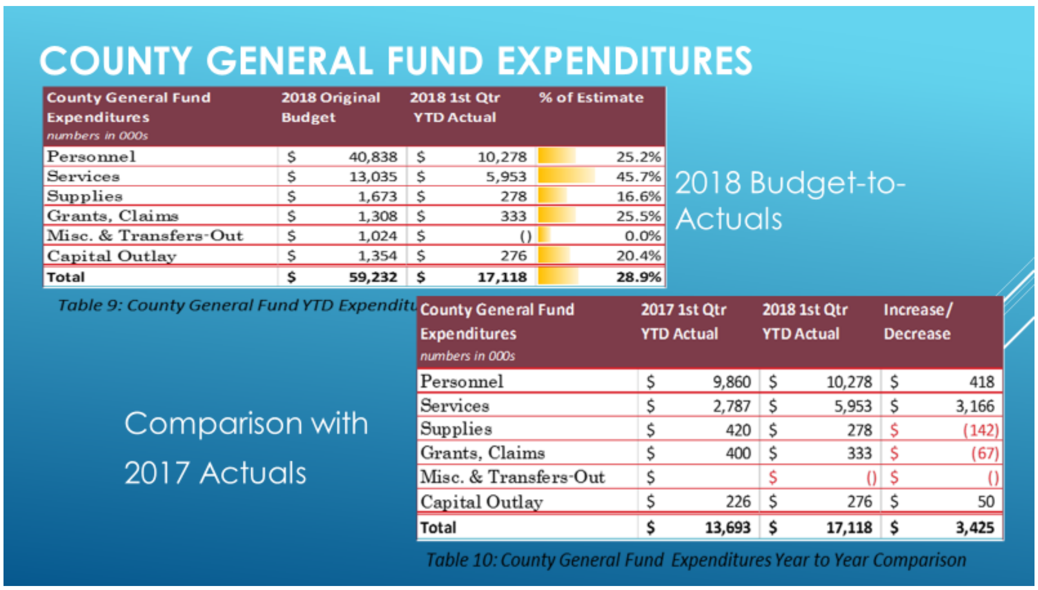
Table 5: City General Fund Expenditures Year to Year Comparison

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.

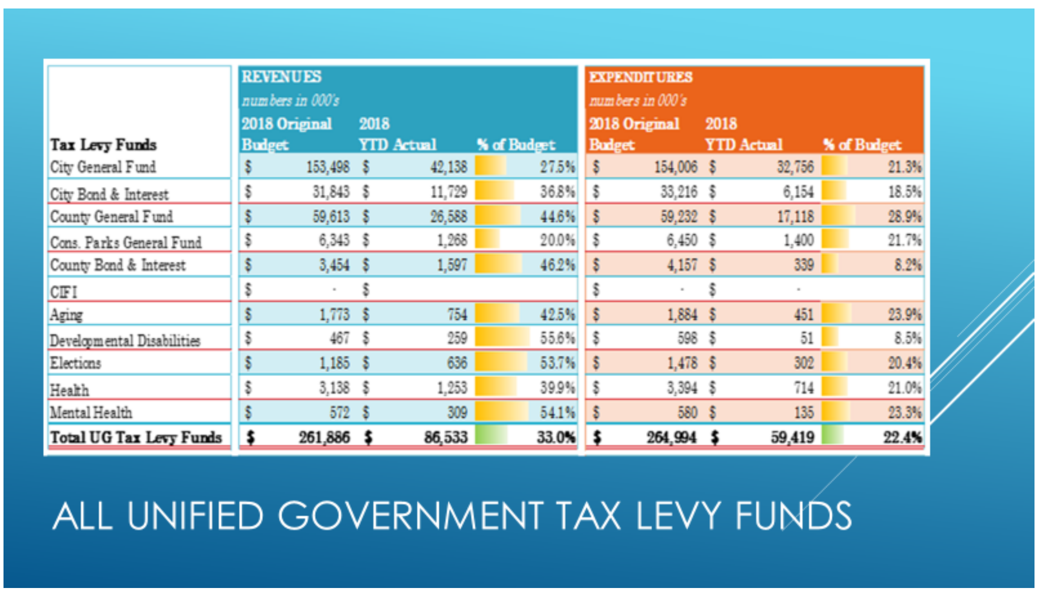
The County General Fund is trending above the 25% that it should be at. Actually, in 2018 we spent a little bit more money, about $5M more dollars year-to-date.

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.

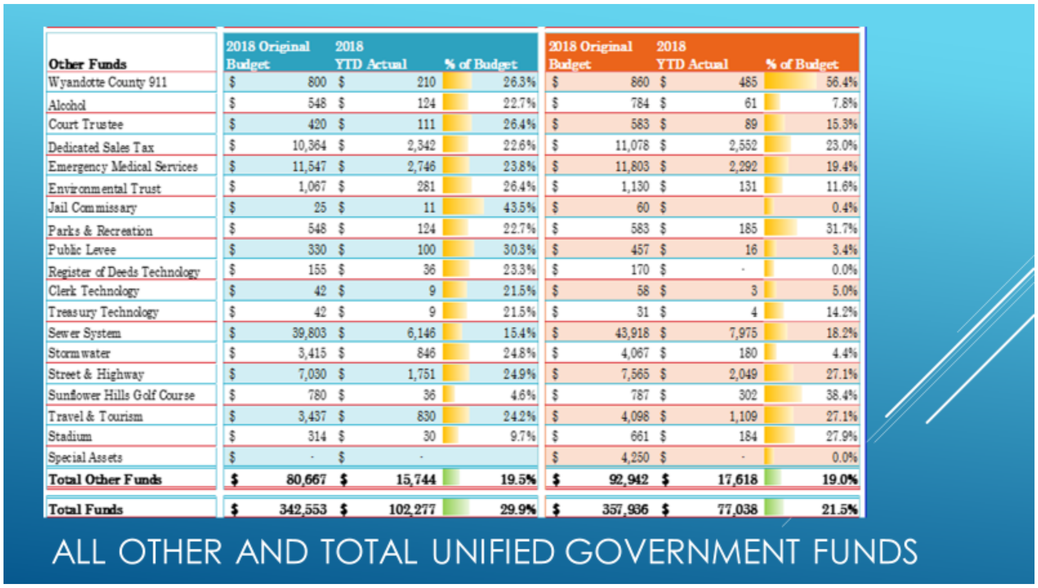
Chairman Burroughs asked any other questions by Committee?



Tax Levy Funds	REVENUES numbers in 000's 2018 Original Budget	2018 YTD Actual	% of Budget	EXPENDITURES numbers in 000's 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%**

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%**

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

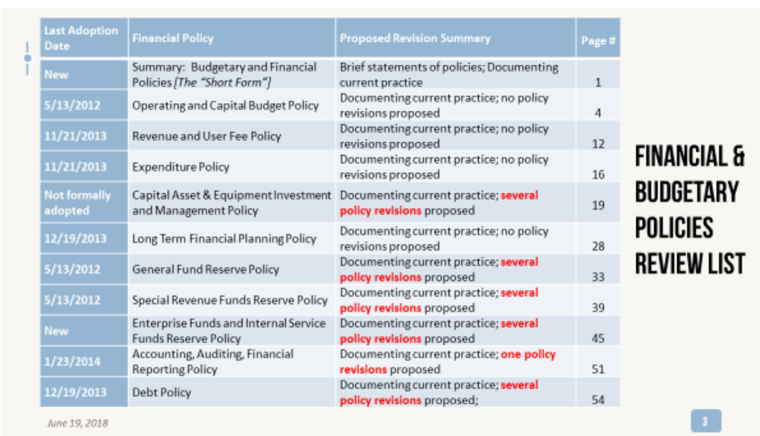
Synopsis: Presentation on proposed revisions to the Unified Government's budgetary and financial policies, submitted by Kathleen VonAchen, Chief Financial Officer.

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.

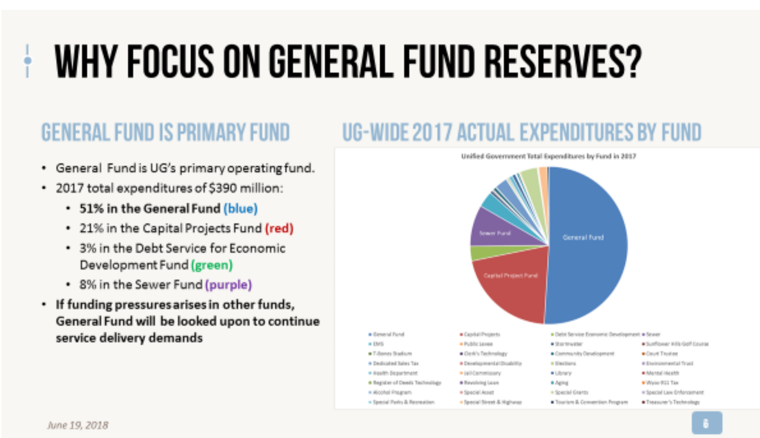
The policy also varies from the current practice where the current practice, or the current policy, does not really specify how the Unified Government can use the reserves. For example, we have an operating reserve, but during economic crisis the whole point of having a reserve is to cover us when we 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.

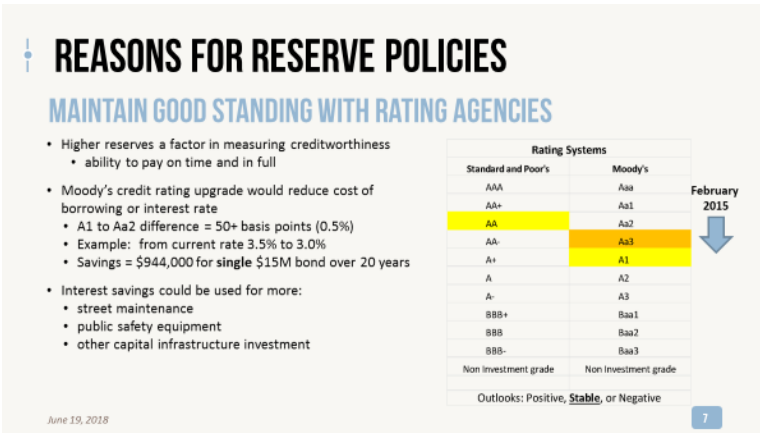
There isn't any kind of, I know there had been a question a little bit about whether the state statutes and the Kansas Cash Basis Law impact this discussion. In my mind it doesn't because the Cash Basis Law really is in reference to the authority to appropriate money, to spend it. Whereas, here we're 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.

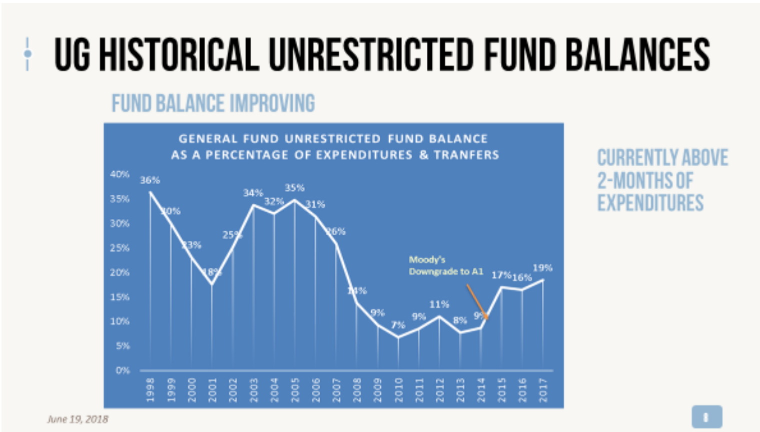


Another reason, of course I don't have to remind you, we have to report to the S&P and to Moody's. They often will tell us that if we improved our fund balance, we would increase the likelihood that we would get upgraded. I don't know, it's hard to know because that's kind of a moving target. We also 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.

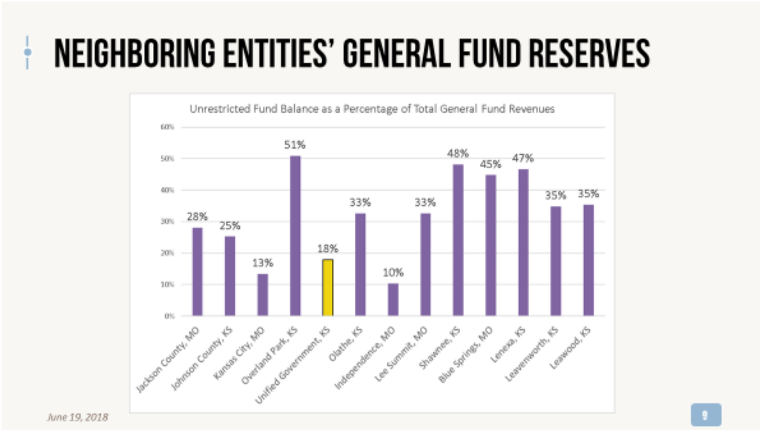


Just to give you a little historical context, I have updated this graph that you saw previously. Since we consolidated, this is the fund balance of our General Fund. I'm talking the City, County and the Parks General Fund combined. It started at 36%. It dropped down to 18% by 2001, which by the way 2001 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.

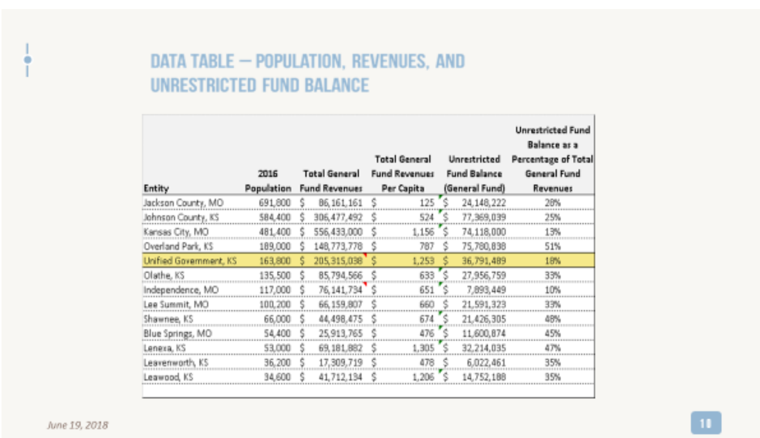
Currently we're at our two months of expenditures because we're at two percentage points above it.



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%

June 19, 2018

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.

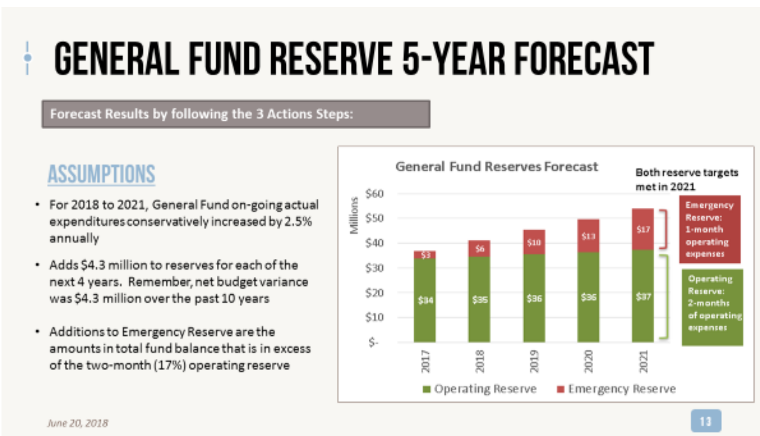
Oftentimes you have brought up the question, very good question, a lot of times finance directors will underestimate revenues and then overestimate expenditures in order to stash away cash to let fall to the balance.

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.

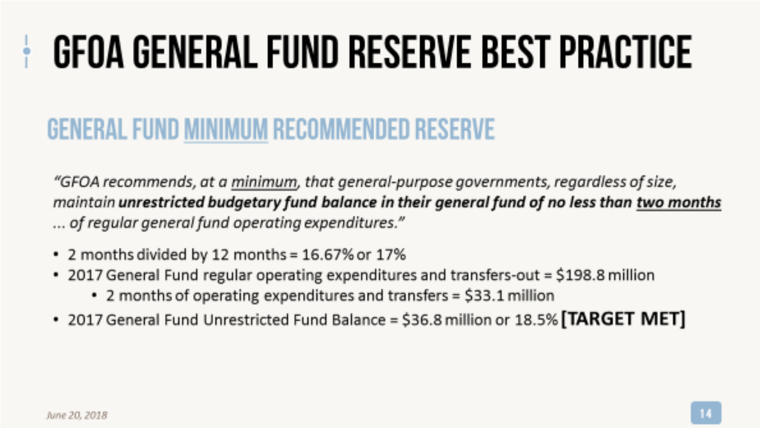
That's what we call kind of a natural amount that would fall to reserves if we pass a balanced budget every year. A balanced meaning revenues equals expenditures without hitting fund balance. Just take a look at that.

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.

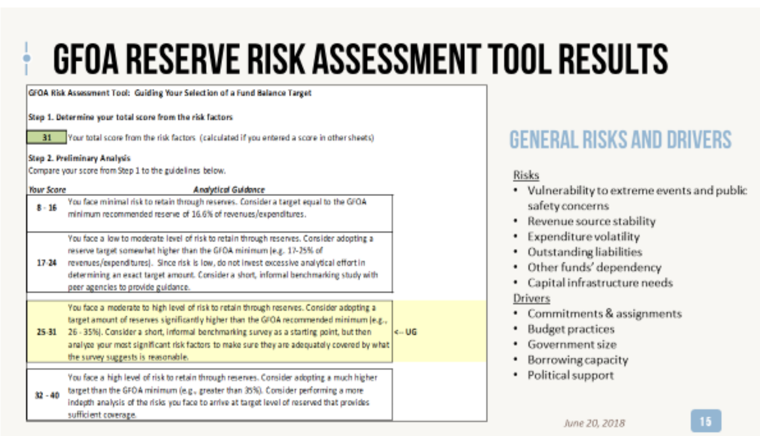


As I mentioned, we've already hit our two-month reserve. We're already on the path to achieving this emergency reserve amount. Based on these assumptions, I estimate that we'll reach that by 2021, if that's your policy direction. I'm providing this information so that you can see that it's achievable.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

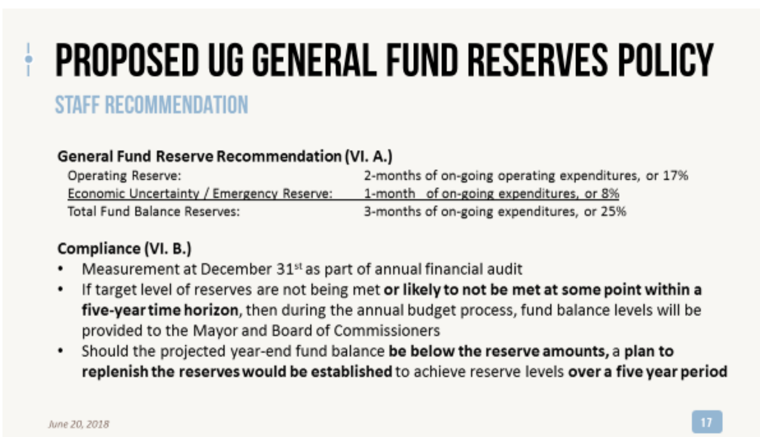


Here's just, again, just what we're saying. Minimum recommendation, GFOA recommends a minimum of two months operating expenditures. That equates to, out of the '17 expenditure level of $198.8M in the General Fund, two months equates to $33.1M. The amount that we ended up '17 with, which you'll find out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

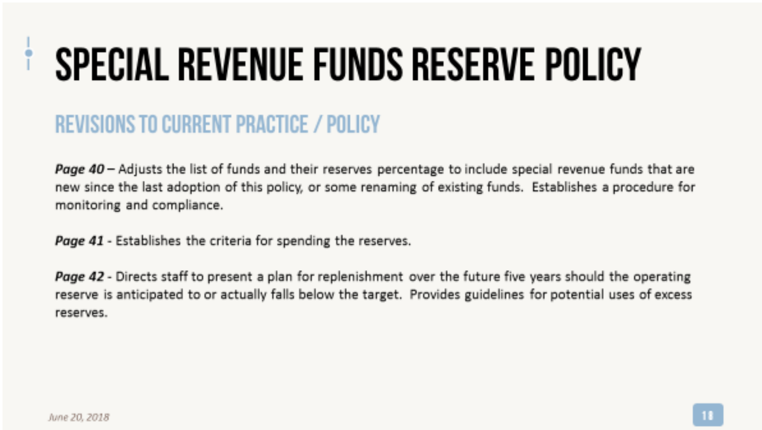


I told you that I did a risk assessment. Based on my own assessment, I figured out that given these risk areas, we probably should be in the 25 – 31% reserve target area; whereas, right now, we're up here.

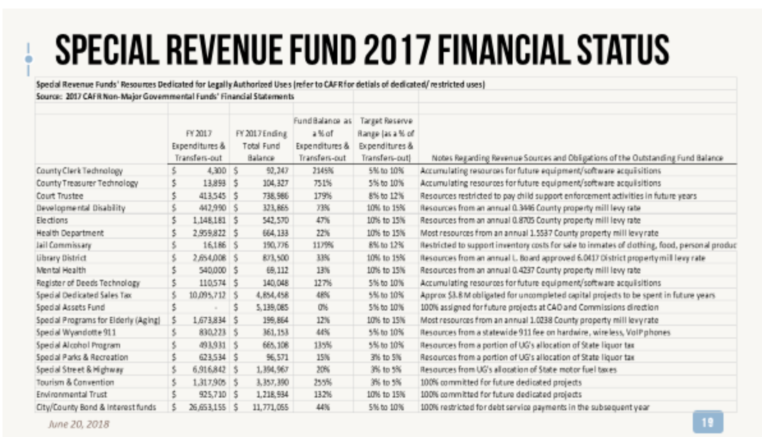
As a result, if we were to pursue in the future emergency reserve, then that additional month would cost another $16.6M. That all goes back to this chart which is all reflected here. You see how there's $17M roughly. Now, this number grows a little bit because our expenditures grow. The percentage, relatively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



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	$ 11,771,055	44%	5% to 10%	100% restricted for debt service payments in the subsequent year

June 20, 2018
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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.

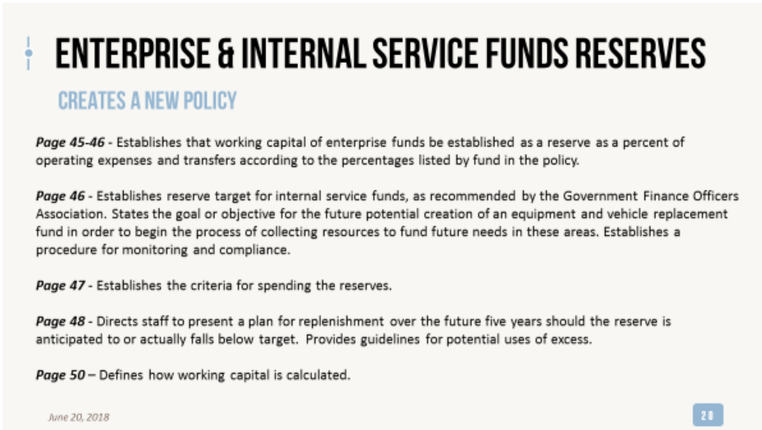
I think that if you refer to the Q1 report that you have with you as well, on that back page there's a listing of all these funds and their budgets. You'll be able to see how much we're talking about here. This is a percentage of expenditures.

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.

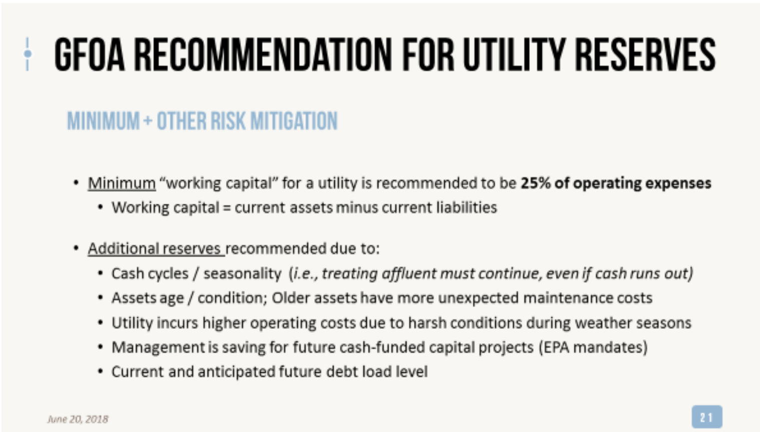
One of the variations from the current practice that I have outlined in our proposed policy is that when we look at the Enterprise Fund, because it's an Enterprise Fund we're not really looking at fund balance. What we need to do is look at what they call working capital.

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.

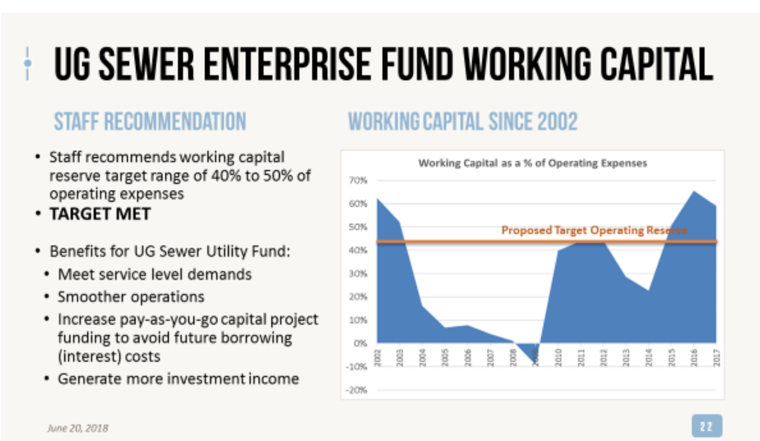
Again, same criteria for spending similar to the other reserves, economic crisis or to invest in capital assets. The Enterprise Fund's a little different. Same plan for replenishing the reserves once you dip into them. A plan over the future five years and then, again, how working capital is defined.



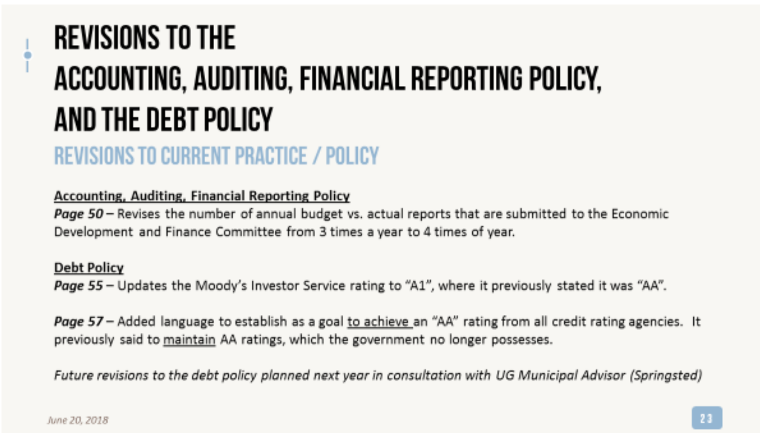
Generally, GFOA recommends for Enterprise Funds that at a minimum you have 25% reserves. If you also have these risky activities, then they recommend you add additional reserves.

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