STATE OF KANSAS)
WYANDOTTE COUNTY)) SS **SPECIAL SESSION, THURSDAY, OCTOBER 11, 2018**
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Thursday, October 11, 2018, with eight members present: Bynum, Commissioner At-Large First District; Burroughs, Commissioner At-Large Second District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District; arrived at 5:02 p.m.); Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Walters, Commissioner Seventh District; and Alvey, Mayor/CEO presiding. Townsend, Commissioner First District; Markley, Commissioner Sixth District; and Philbrook, Commissioner Eighth District; were absent. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Bridgette Cobbins, Unified Government Clerk; Joe Connor, Melissa Sieben, Gordon Criswell, Assistant County Administrators; Kathleen VonAchen, Chief Financial Officer; Debbie Jonscher, Deputy Chief Financial Officer; Reginald Lindsey, Budget Director; Jeff Fisher; Executive Director of Public Works; Emerick Cross, Commission Liaison; and Officer Doleshal, Sergeant-at-Arms.

MAYOR ALVEY called the meeting to order.

ROLL CALL: Bynum, Burroughs, McKiernan, Johnson, Kane, Walters, Alvey.

NOTICE OF SPECIAL SESSION of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, October 11, 2018, at 5:00 p.m. in the 5th floor conference room for a presentation on the Long-Range Financial Plan. Immediately following, the Commission will reconvene to the 9th floor conference room for an executive session regarding labor.

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

Mayor Alvey said tonight we have a presentation on the Long-Range Financial Plan. I will turn it over to Administrator Bach, but I think just a preparatory remark, is to get us a clear idea of kind of what the challenges are, the financial challenges facing us are long-term, so that we can develop some long-term strategies to address what we would expect to be a growing gap between revenues and expenditures. We have to find a long-term solution to that.

Doug Bach, County Administrator, said what you have is a presentation to go through this evening to really step through what the Mayor has stated as we look at really what our economic condition is and then look at what our forecasting is going forward as we kind of sum this up in looking at our priorities. I will note that Ms. VonAchen sent out earlier a much more detailed forecast and then I realized in receiving it earlier—yesterday you probably didn't have time to go through it all in detail. Some of you may have.

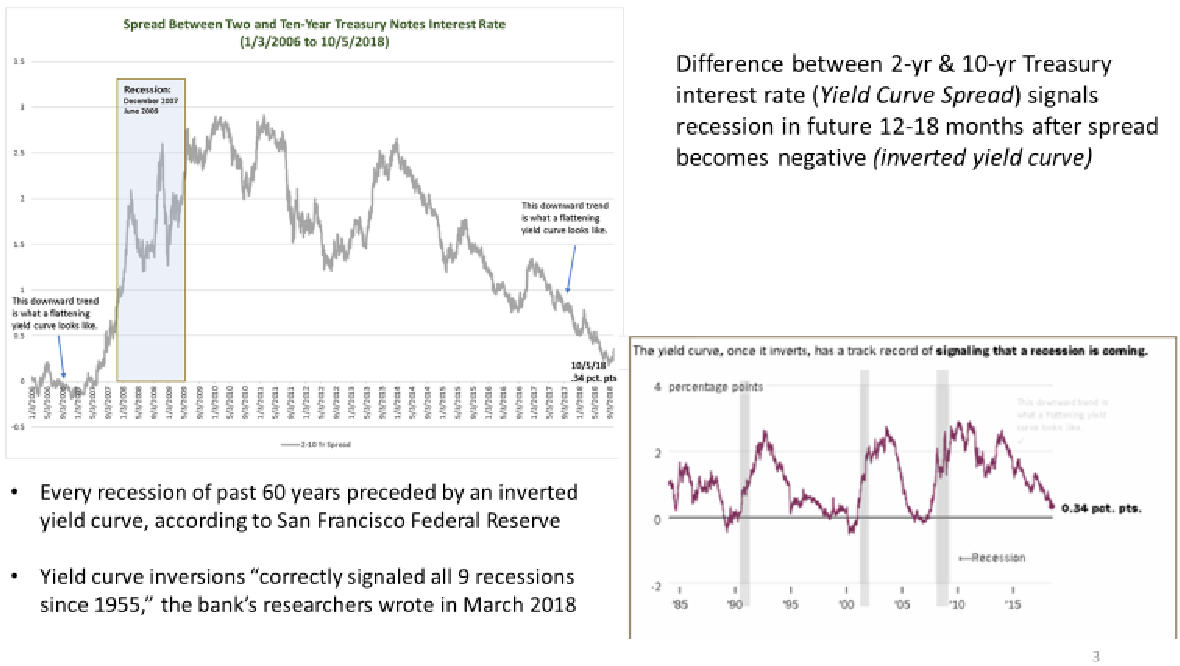
Our objective tonight is really to go through it in more of a summary or shorter-term analysis of what we had, and I've asked Ms. VonAchen to go through it fairly quickly from what she would typically do as going into detail. We will kind of go through it, but if there is anything you want us to go back to or go into in more detail, we will certainly do that. I know the objective is to get the information out there in front of you. You have some stuff to go back and look at and then we have it in advance of when we go into our retreat in November.

Kathleen VonAchen, Chief Financial Officer, said with me is Debbie Jonscher, Deputy CFO; and Reginald Lindsey, the Budget Director. We're here to go through a summary of the Long-Term Financial Forecast

On the first page I just wanted to walk you through—the actual forecast is 70 pages long and will be posted on the website. You will probably see that there tomorrow. It has the following sections here: Economic, a Revenue section, Expenditures, it has a profile our debt. It actually provides a long-term forecast. This is a forecast. It's not a plan. If it were a plan, then it would be balanced so we foresee maybe shortfalls in the future and we have recommended actions in order to address or remedy the shortfall. This is just a forecast to show what we think the economy's effect on our revenues and our expenditures. Also, this forecast only talks about the General Fund. The General Fund is about 60% of the total financial transactions of the Unified Government. It includes the City, the County, and the Parks General Funds. The other 40% is sewer and a lot of different Capital, Dedicated Sales Tax, so there are other areas that are not included in this forecast.

You're probably thinking things are looking pretty good right now in the economy. You probably heard in the headlines that right now the jobless rate is at a 49-year low and the Dow has increased steadily since 2014 although it did drop 800 points yesterday. The Chiefs are bound for the Super Bowl, right, so things are looking up. We're not talking about today, we're talking about

15 to 18 months from now. The Economists are really struggling with what is going to happen next year. It goes back and forth.



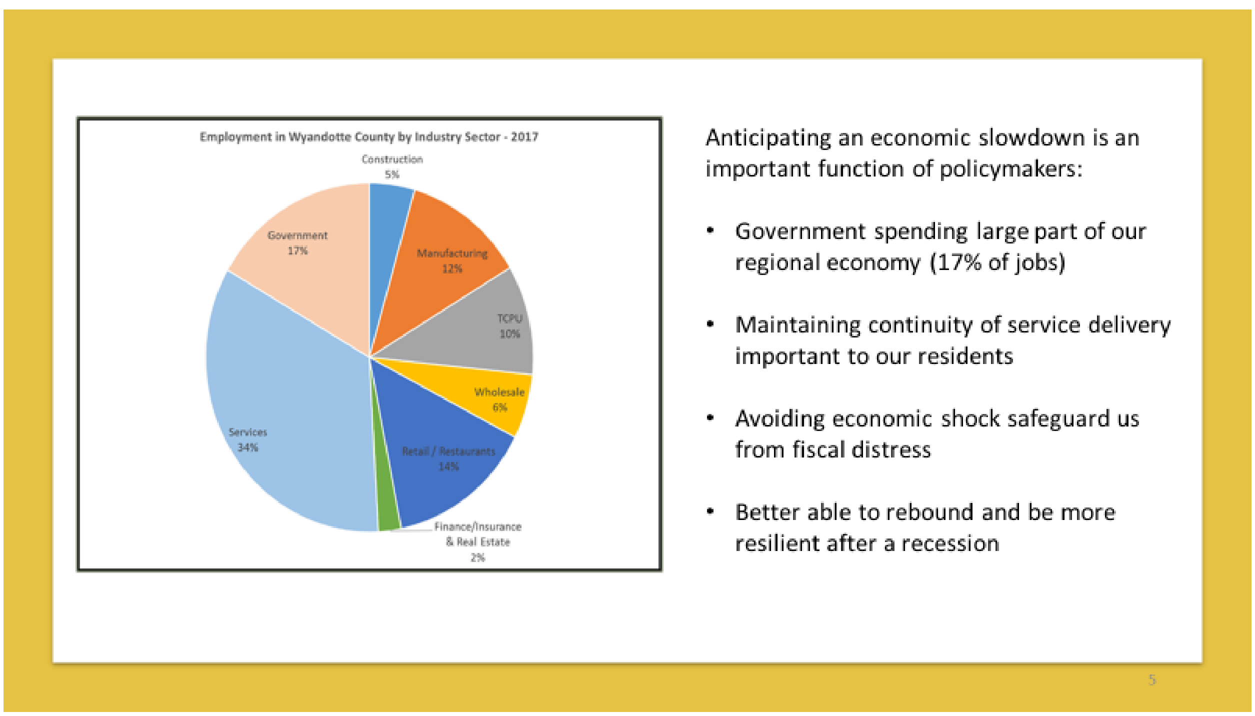
Many of the Finance Directors in the major municipalities are convinced there will be a recession sometime between 2020, 2021, or 2022. The best thing we can do as policymakers is to plan for it in case it does happen.

The reason we're projecting a recession, which by the way, the recession isn't like it was last time. It is predicted to be a slowdown in the growth rate. For the past 60 years there is one indicator that you just can't overlook and it's the difference between the interest rate on 10-year bonds and the interest rate or 2-year Treasury Bonds. That difference, if it reaches a negative position, it's called the negative—inverted yield curve. Once you have an inverted yield curve, then a recession happens between 12 and 18 months afterwards. Right now—this is a chart from 2006 to now. That's where the recession hit last time and that's when that inverted yield curve occurred sometime in 2000—I can't read it, 2007 and then the recession started.

This is what's happened since then and now we're at .34. We're all expecting that yield curve to end up being a negative at some point in the next six months and then we anticipate a recession 12 to 18 months later after that.

By the way, so here's since 1985 in each one of these gray is a recession. There is the inverted yield curve, there's an inverted yield curve, and there's another one. It's time to make some plans. It's also been about 10 years since our recession occurred and with normal business cycle has a recession every 8 to 10 years.

Just a little art to keep things lively here. It's from our murals downtown.



As policymakers, it's important for us to anticipate these sorts of economic slowdowns, as I mentioned, because we need to plan ahead. Why do we plan ahead? We plan ahead mainly because the government actually makes up a significant portion of our regional economy. We want to make sure we're not going to contribute to the slowdown by having to lay off people. The government makes up all of the school districts and the other municipalities in the county makes up 17% of the total jobs in the county. We need to anticipate that slowdown for that reason.

Another reason is maintaining the continuity of our delivery of services is very important to our residents. Also, avoiding economic shock safeguards us from fiscal distress, and that's actually a Finance Director's speak for keeping your reserves appropriate.

Lastly, once we reach the end of that recession, we would be in a better position to rebound out of it if we plan ahead for it.

Forecast Assumptions

Factor / Indicator	2020	2021	2022	2023	2024
Consumer Price Index (CPI) / Inflation (10-yr avg)	1.9%	1.9%	1.4%	1.4%	1.4%
Unemployment Rate (14-yr avg)	5.5%	5.7%	5.6%	5.5%	5.5%
Housing Price Index (10-yr avg)	(1.4%)	(0.5%)	2.7%	2.7%	2.7%
County Jobs (8-yr avg)	(1.2%)	0.5%	1.7%	1.7%	1.7%
County Assessed Valuation growth (2.9% 8-yr avg)	4.0%	2.9%	2.9%	4.0%	2.9%
Property Tax Delinquency (includes possible refunds)	7.8%	7.8%	7.8%	7.8%	6.25%
Motor Vehicle /PP Valuation Growth (6-yr avg)	3.6%	3.6%	3.6%	3.6%	3.6%
BPU Gross Revenue Growth (12-yr avg)	2.3%	2.3%	2.3%	2.3%	2.3%
County Retail Sales Growth (2023/2024 9-yr avg)	1.5%	1.5%	4.0%	3.5%	3.1%

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The whole reason we're planning—the first step is to do a forecast and see where we are. Doug asked me to summarize some of the assumptions that I used for the forecast. Actually, we all worked on this as a team including Mike Grimm who is our Research Manager. What I'm predicting is a—we've got a little bit of a dip starting in 2022 on the CPI. Unemployment is dipping around that time too. You see how it's dipping here, it kind of jumps up a little bit again, and then it stays pretty constant. The Housing Price Index, that's kind of a tough one to call because there is a lag in housing prices. They don't react as quickly as say sales taxes do when you get into a recession. I've got it dropping. Rather than growing, I've have it dropping by 1.4% in 2020 and 0.5% in 2021 and then rebounding back to the average growth rate in the later years.

The same for the most part is true for County jobs. This is an important one, as I mentioned, there is always kind of a lag in housing prices or assessed value and so I have the assessed value growing by 4% in the first year of the forecast and then dropping during the recessionary period and then rebounding to 4 and then an average of 2.9 in the last year. You know, these are all just kind of assumptions and of course any kind of modest change in any of these can make a big difference in the forecast. This just reflects that there is a lag that happens with the housing prices. It's not going to happen in 2020. It's going to wait a year.

The delinquency rate, by the way, it's pretty high you would think; but it includes the fact that we expect to make refunds related to the housing—or related to the refund of Hollywood Casino.

The average growth rate for Personal Property, average growth rate for BPU Revenue Growth, and the Sales Tax we have dropping by—with the growth is only at 1.5% and then at 4% showing a rebound in the third year and then kind of an average rate in the outer years.

Revenue Forecast

REVENUE & OTHER in 000s)	BUDGET 2019	2020	2021	2022	2023	2024
PROPERTY TAX	$61,757	$64,307	$66,190	$68,128	$70,854	$74,155
SALES & USE TAX	54,928	55,612	56,305	58,182	59,890	61,444
FRANCHISE TAX-ELECTRIC/WATER	36,414	37,244	38,093	38,962	39,850	40,758
FRANCHISE TAX-OTHER SERVICES	9,535	9,763	9,977	10,201	10,463	10,700
PERSONAL PROPERTY TAX	7,590	7,861	8,141	8,432	8,732	9,044
OTHER TAXES	6,494	6,617	6,740	6,835	6,932	7,029
DELINQUENT TAXES	3,977	4,077	4,179	4,283	4,390	4,500
OCCUPATIONAL TAX	2,042	2,017	2,028	2,063	2,099	2,136
IRB / TAX ABATEMENT FEES	745	775	798	822	854	880
MORTGAGE REGISTRATION TAX	0	0	0	0	0	0
SUBTOTAL: TAXES	$183,484	$188,273	$192,451	$197,908	$204,065	$210,646
CHARGES FOR SERVICES	13,292	13,862	14,334	14,708	15,097	15,501
FINES, FORFEITS, FEES	6,145	6,065	5,970	6,045	6,120	6,196
INTERGVTAL REVENUES	4,470	4,500	4,522	4,544	4,576	4,600
MISC. & INTEREST	3,952	4,150	4,357	4,575	4,758	4,901
REIMBURSEMENTS	2,721	2,836	2,918	3,003	3,123	3,214
PERMITS AND LICENSES	2,362	2,394	2,423	2,474	2,526	2,580
SUBTOTAL: NON-TAXES	$32,942	$33,806	$34,524	$35,349	$36,200	$36,991
TRANSFERS	2,337	2,337	2,337	2,337	2,337	2,337
TOTAL SOURCE OF FUNDS	$218,763	$224,416	$229,312	$235,594	$242,601	$249,975

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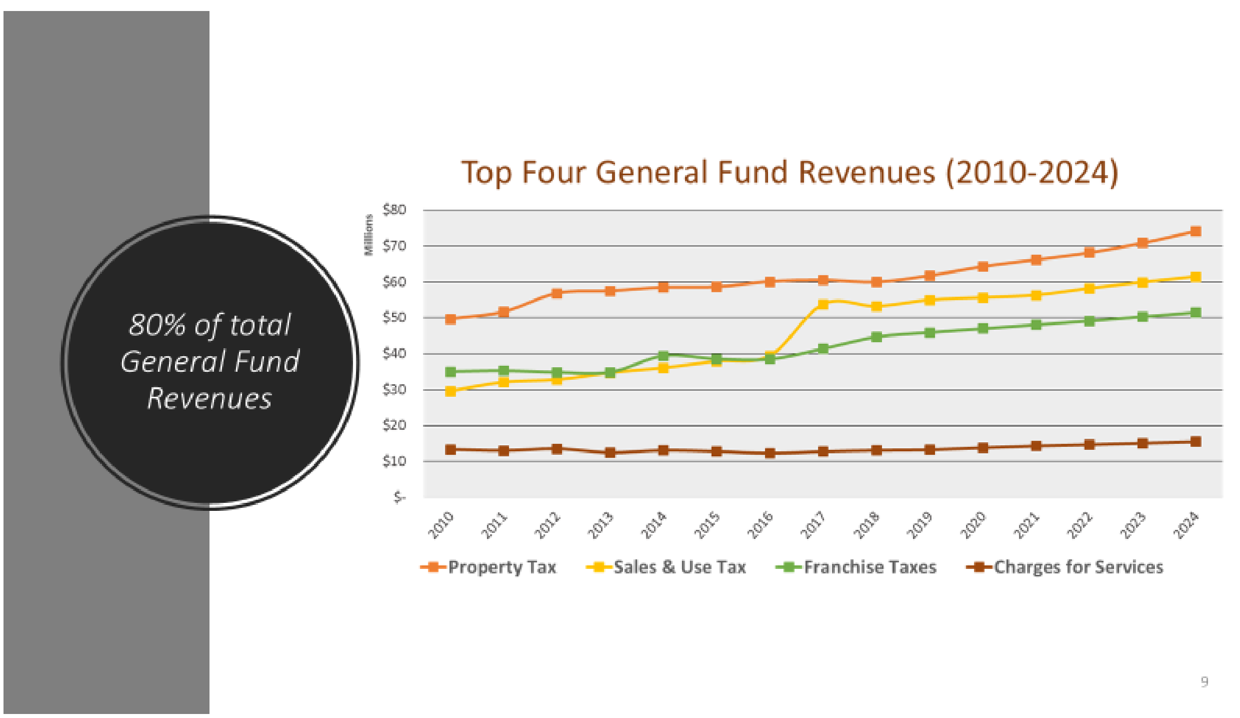
How does that impact our revenues? This forecast is only showing you kind of the difference between the revenues and the expenditures going forward. So, this is the revenues. We're not going to talk about current fund balance. The revenue slides are going to be taken by Debbie Jonscher.

Debbie Jonscher, Deputy Chief Financial Officer, said this is a revenue forecast showing our budget year of 2019. This is as it was approved and then we have the forecast for 2020 through 2024. As Kathleen talked about the anticipated recession, the revenue estimates do reflect modest decreases in the '20 and '21 growth rates impacted by the anticipated recession. You can see that in 2020 we have total revenues at $224M and that's about an increase of 2.6% or $5.6M over the 2019 budget amounts. The 2021-2024, those increases are in the 2 to 3% ranges for each of those years. Property Tax, in 2019 we're at about just under $62M and we jumped to $64M in 2020 which is about a 4% increase and then we have 2.9% increases for the outer years until we get to 2023 and then it jumps back up to about 4%. For Sales Tax we've got for 2020 and 2021 we've estimated about a 1.2% increase and then a 2-3% increase in the outer years. For Franchise Taxes it's about 2.5% for all of the forecasted years and then Charges for Services is about 4.3% in the first year and then 2-3% in the next years.



I just gave the percentages for the top four General Fund revenues. They account for about 80% of total General Fund revenues. Property tax is the orange line and you can see that it represents 28% of General Fund revenues. In 2019 it was at 61.7 and then in 2024 it's up to about $74M. Franchise Tax is the green line. It represents 21% of General Fund revenues and between 2019 and 2024 it goes from $55M—I'm sorry, $45M to about 51. The yellow line is Sales Tax which represents about 25% of General Fund revenues. In 2010 Sales Tax only represented 17% of General Fund revenues, but with the influx of the revenue STAR Bond payoff, that has now increased the Sales Tax revenue to 25%. Charges for Service is 6% of General Fund revenues with just a very modest increase from $13M in 2019 to $15M in 2024.

Expenditure Forecast

EXPENDITURES & OTHER USES ($s in 000s)	BUDGET 2019	2020	2021	2022	2023	2024
SALARY	$115,427	$117,736	$120,091	$122,492	$124,942	$127,441
BENEFITS	41,963	44,494	46,620	49,082	50,781	53,361
LEAVE BENEFIT PAYOUTS	2,049	2,451	2,768	2,550	2,550	1,986
KP&F SPECIAL PAYMENTS	1,140	1,479	1,591	1,663	1,546	1,069
SUBTOTAL: SALARY & BENEFITS	$160,579	$166,161	$171,070	$175,786	$179,818	$183,856
SERVICES	37,302	37,955	38,880	39,679	40,617	41,459
SUPPLIES & MATERIALS	7,745	7,963	8,184	8,413	8,655	8,900
GRANTS & CLAIMS	6,432	6,690	6,886	7,089	7,372	7,589
CAPITAL OUTLAY	6,002	6,637	6,679	6,538	7,337	7,000
DEBT SERVICE	644	639	639	640	639	641
SUBTOTAL: OTHER OPERATING EXPENDITURES	$58,125	$59,884	$61,269	$62,358	$64,619	$65,589
TRANSFERS / OTHER	2,842	2,192	2,192	2,192	2,192	2,192
TOTAL USES OF FUNDS	$221,546	$228,237	$234,531	$240,337	$246,629	$251,638

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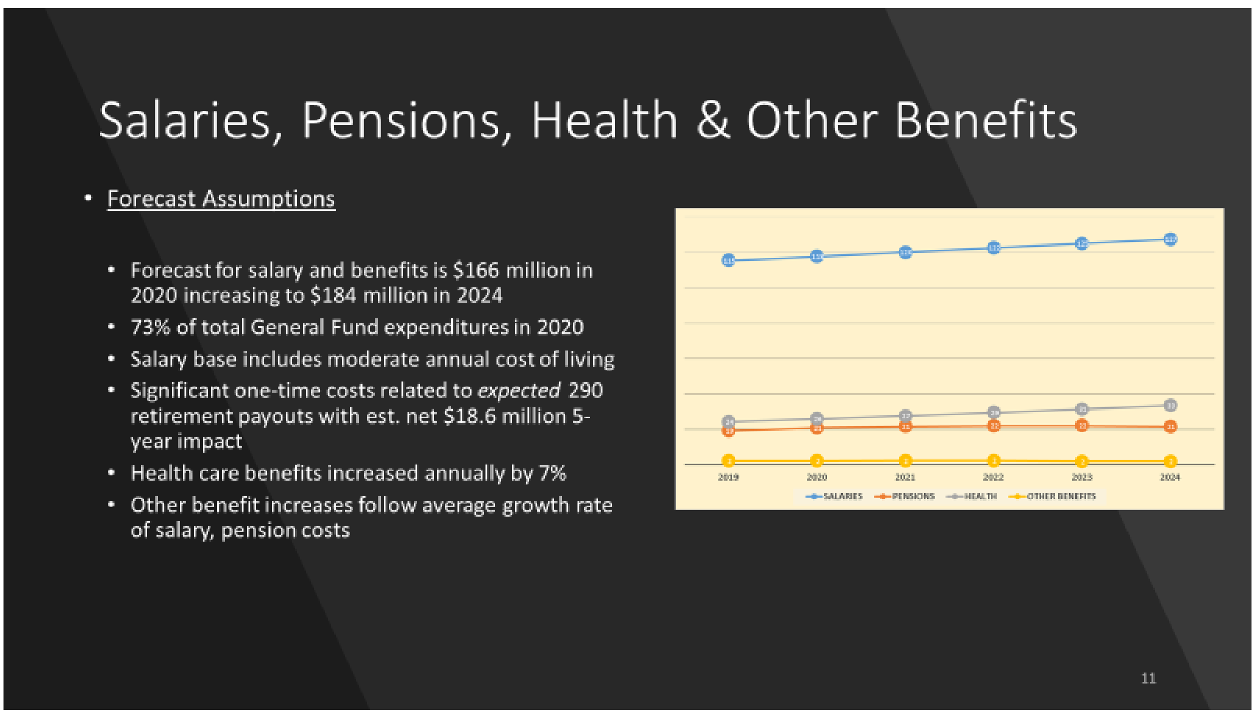
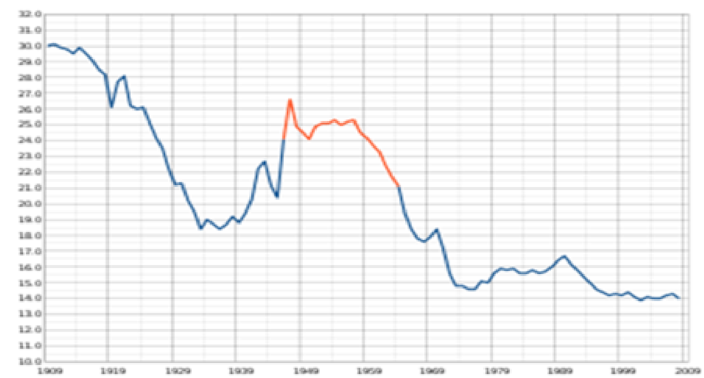
Ms. VonAchen said on the Expenditure side, the largest expenditure is salaries and benefits which begins at $160M in the current year budget and increases to $183M or $184M in 2024. Overall, year over year the expenditures are increased at a modest level. Some of them, depending on what the category is and what category best correlates with what economic indicator, but as I mentioned, the largest increase is in salaries and benefits and that's where all of our focus was on. In the prior forecast we did not include any kind of annual compensation, cost-of-living adjustment, but in this one we have. That increase is a moderate increase that's year over year in order to reflect that cost that we know we need to build into our forecast in order to remain competitive with our neighboring local governments.

The other thing that is also included in here is an annual 7% increase in health care costs, health care claims. We are self-insured and 7% is a moderate increase. It doesn't reflect any huge claims, but it's an average over many years. Another big thing is the increases for pension payments. Our pension estimate includes—it's relative to the increase in salaries. We're not projecting any kind of pension actuarial assumption changes in the forecast. The biggest increase to the cost of salaries and benefits is actually the estimate we have put in place for what they call leave payouts and KP&F special payments which I'm going to get into in a minute. Overtime, and we've done an estimate year over year of the expected number of retirees we anticipate we will need to be making payments out for and those have been included in this estimate.



Again, the top four are salaries and benefits, way up here on the top and salaries and benefits represent 73% of the total expenditures in 2020.



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

Salary & Benefits
The *"Silver Tsunami"*

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The big payouts are that Silver Tsunami that I mentioned a couple years ago and that's the expectation that all those baby boomers are now approaching retirement age or are retiring. Anyone born before 1964 is a baby boomer and part of this Silver Tsunami.

The *"Silver Tsunami" – Today's Projection*

RETIREMENT ELIGIBLE EMPLOYEES BY CATEGORY	2018	2019	2020	2021	2022	2023	2024	2018 to 2024 TOTAL
CIVILIAN	125	35	45	42	34	32	31	344
SHERIFF	55	11	15	9	12	3	15	120
FIRE	34	17	21	13	16	7	9	117
POLICE	17	0	1	2	2	4	8	34
TOTALS:	231	63	82	66	64	46	63	615

EXPECTED UG-WIDE RETIREMENTS BY CATEGORY	2018	2019	2020	2021	2022	2023	2024	2018 to 2024 Total
CIVILIAN	47	25	19	27	28	30	28	205
SHERIFF	3	2	1	1	0	1	0	8
FIRE	9	11	14	15	17	17	11	95
POLICE	12	13	18	20	17	13	11	104
TOTALS:	71	51	52	64	62	61	51	412

- UG Baby Boomer Retirees (2018-2024)
  - **Eligible – 615 retirees**
  - **Expected – 412 retirees, or 17% of UG workforce**
- Timing of retirement based on union, age of retirement, years of service

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At today's projection—a couple year ago, back in February of '17, we did some projections so for fun we're going to compare with how our projections from 1.5 years ago with what actually happened. This slide actually is what we project to happen in the future. The thing is, we have quite a few that are eligible to retire but we anticipate far fewer are going to retire for various reasons. The eligible number between 2018, this year, and 2024 is 615, but we actually expect only 412 to retire in that six-year period which represents 17% of our workforce.

Here they are year over year. Year's the eligible and then here's the expected and part of that is—especially in this civilian category, many of those retirees will hit their eligibility prior to turning 65, but they elect to stay on and work until they're 65 and qualified for Medicare. That's part of the big difference. You can see that, 344 compared to what we expect which is 205. The Sheriff Department-- yes, that's a big reason there. The Fire Department, we expect that they will gradually retire once they hit their retirement eligibility but the Police, based on our observation, will likely retire within a year or two of hitting their eligibility. This is just based on observing of what has happened in the past with retirees.

The *"Silver Tsunami"* – February 2017 Projection

RETIREMENT ELIGIBLE EMPLOYEES BY CATEGORY

	2017	2018	2019	2020	2021	2022	Total
CIVILIAN	129	57	52	21	23	45	327
SHERIFF	7	5	3	2	0	0	17
FIRE	44	27	8	3	3	3	88
POLICE	27	11	19	27	35	14	133
TOTALS:	208	100	82	53	61	62	566

EXPECTED UG-WIDE RETIREMENTS BY CATEGORY

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

- **UG Baby Boomer Retirees (2017-2023)**
  - **Eligible – 566; 308 in years 1&2**
  - **Expected – 566; 106 in years 1&2**
- **Actuals:**
  - **2017 – 42 retiree payouts (50 predicted)**
  - **2018 YTD – 53 retiree payouts (56 predicted)**
  - **2017-2018 YTD Total – 92 (106 predicted)**

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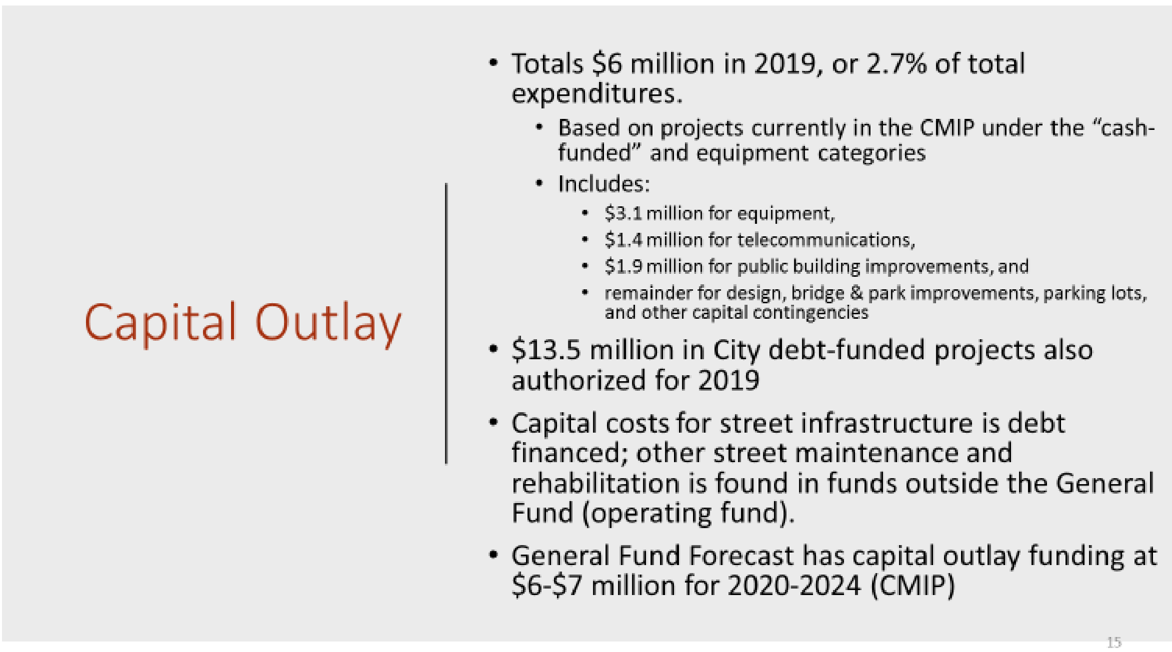
In February 2017 we projected that there would be 566 eligible and I actually included—some of these years are a little different. The eligible was between '17 and '22, but the expected is between

'17 and 2023. I expected that 308 would be eligible within the first one to two years, but then I later expected that to be only 106 for the same similar reasons that I mentioned previously.

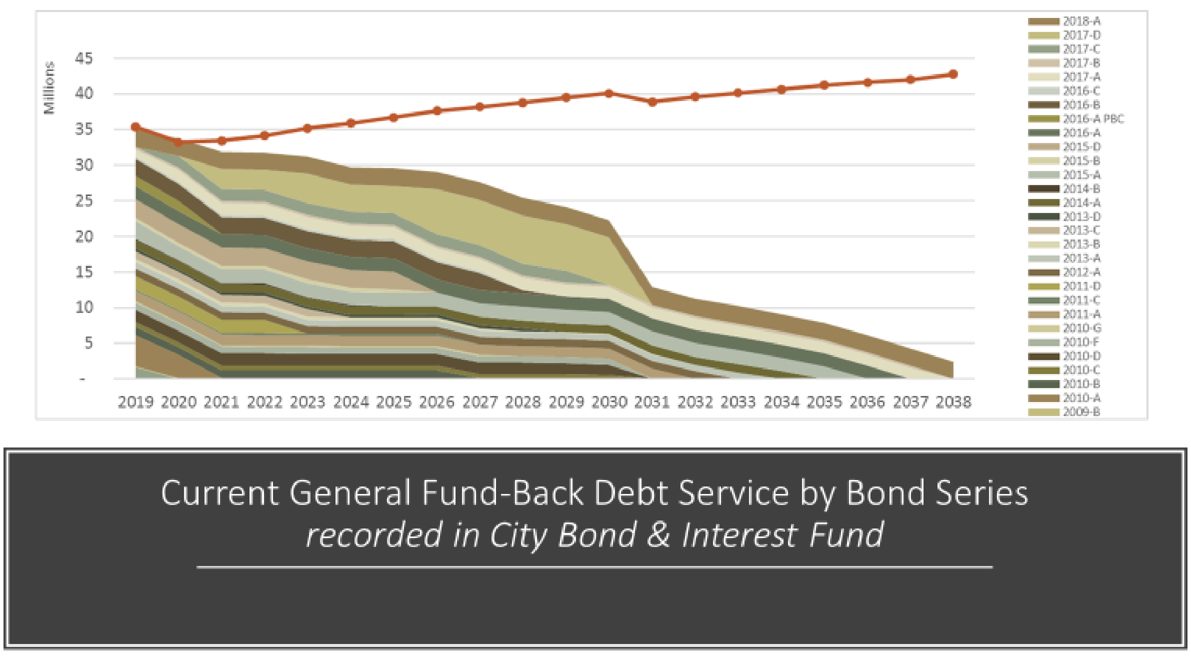
What actually happened was, for example, in '17 we had 42 retirees paid out where I had predicted 50 and so far, year-to-date we've had 53 where I predicted 56 for a total of that two-year period of 92 instead of 106. We're pretty close on our predictions and we just wanted to point this out that these payments are happening, and we are legally required to make them. They contribute a significant portion, again, of this total number right here, $2M, $1.1M and then depending on the timing, they go up.



Now we're going to jump into the Capital Outlay section and then we're also going to talk about debt. Debbie is going to talk about debt. Just want to remind you, of the total expenditures we do pay out in cash roughly this Capital Outlay amount. It includes projects, cash-funded projects, and equipment. Roughly about $6.6-$7M a year. These are all based on the current approved CMIP and then the out-years are just an estimate because we haven't done that year yet.

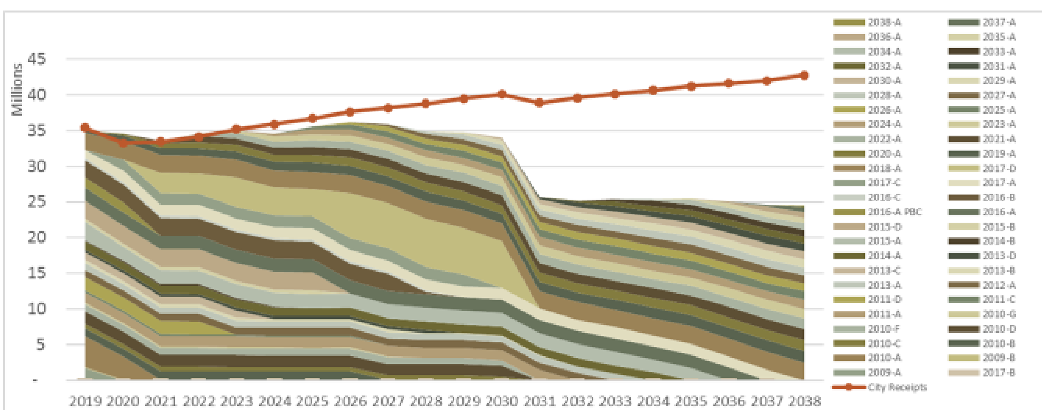
In this current '19 year which begins in January, we have $3.1M in equipment budgeted, $1.4M in telecommunications, $1.9M in public building improvements, with the remainder going for bridge and park improvements, parking lots, and other Capital contingencies.

We've also included, not in this General Fund, but over in our City Bond & Interest Fund, we've included \$13.5M in city debt-funded projects for '19. Generally speaking, Capital costs pays for street infrastructure which is typically debt financed and then other maintenance and rehab is found in other outside parts of the General Fund, so just dedicated streets. Dedicated Sales Tax for the Special Highway Fund, etc.



Ms. Jonscher said this first graph we're going to look at is the City Debt Service. It shows the current bond issues that we have outstanding. We talked a little bit about this. We went over the debt section during, I think, both the CMIP meetings that we had back in June as well as during the budget and these issues are the same as what we presented there. However, we have adjusted our revenue totals a little bit for our new estimates that we've included for the recession. The red line that's going across is the revenue estimates that we have. In 2019 we had about a 4.2% increase built in for the revenues, but then you see here that number drops whereas the graph we showed you back during the budget the graph did not drop, but we've lowered those estimates a little bit due to the recession estimates that we built in, so that does drop there.

The outer years, we have 2.9% growth built in to the revenue. This graph just shows the current issues that are outstanding. I will note that the forecast that we're showing estimates that current resources are sufficient to support all the Capital infrastructure that we have in the plan.



Future General Fund-Back Debt Service by Bond Series
recorded in City Bond & Interest Fund

Schedule of permanent finance determined by current temp notes + CMIP + $15 M annual new money in outyears

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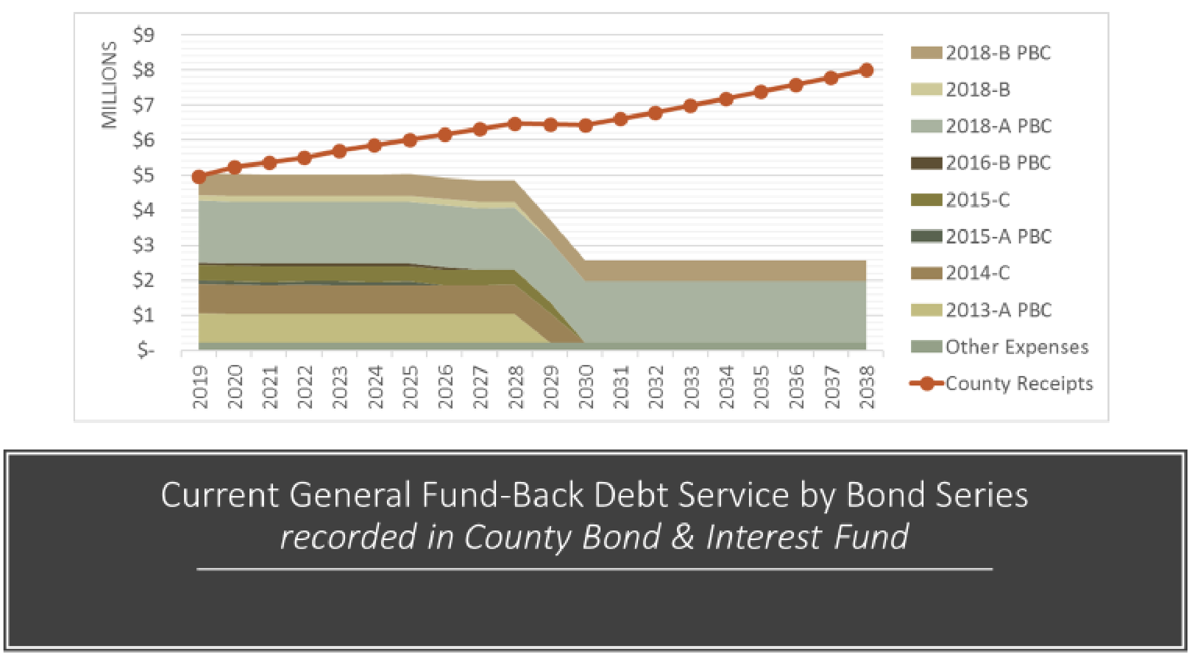
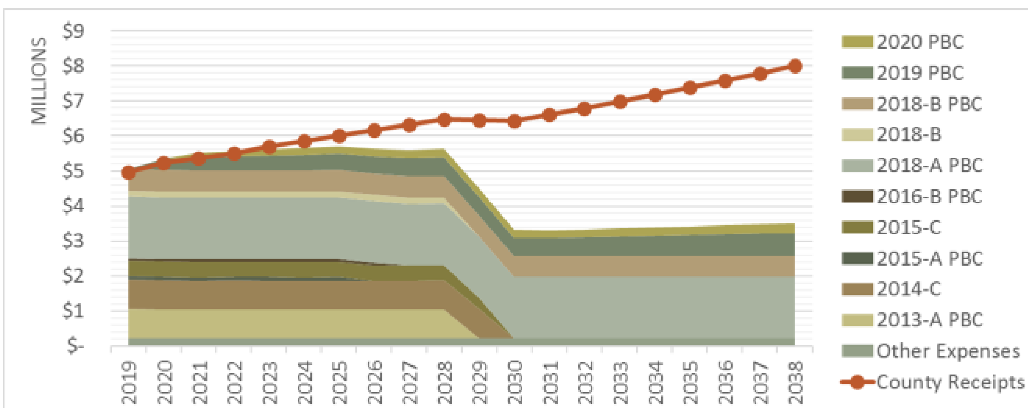
This graph shows the current debt plus we have built in additional debt into the outer years. We're estimating that—we built in $15M per year. You will notice that in 2020 expenses do exceed revenues by a small amount. I think it's about $1.3 to $1.5M here, but we do believe that we have reserves that can cover that or if our revenue estimates are more conservative and come in a little bit higher, it would be able to cover that. I will note that this is showing total debt for the City which includes the Enterprise Fund debt, so we have the Enterprise Fund revenue also built in to these totals.

Mayor Alvey said, Debbie, I want to be clear. When it says plus $15M annual new money in out-years, currently we are putting $15M in Capital funding. **Ms**. **Jonscher** said that's correct. **Mayor Alvey** said so you've added that in and based upon this projection, even with those additional infrastructure outlays moving out to the future, there is sufficient revenues generated to cover. **Ms**. **Jonscher** said right. **Mayor Alvey** asked does that include, for instance, the stormwater project, the—**Ms. Jonscher** said I think in the future I don't think we built—the $15M is just for the tax-supported debt in the future. The total graph here includes the sewer debt that we've already issued, but the future projections only look at the tax-supported debt.

Ms. VonAchen said on the stormwater we wanted to point out that stormwater is typically an enterprise so if we're hoping to fund the Capital Infrastructure Improvement Plan for our stormwater needs, it's typical to support that with either 100% or a portion from stormwater fees. **Mayor Alvey** said so the fees would cover that. **Ms. VonAchen** said yes.



Ms. Jonscher said this next graph is the County Debt Service Fund. This is the County bond issues that are already outstanding and the revenue projections that we have also built in at 2.9%. I will note, you don't see the dip in 2020 here that you saw on the City side and the reason for that is when we went through the budget we talked about the importance of having the savings transfer from the County General Fund to fund the Debt Service for the Juvenile Center. We have that built in for 2019 at $1M per year. In the outer-years we have built in $1.3M as an estimate, so that is built into this revenue number at $1.3M going out into the future. I will note that the County mill levy is 2.195 which gives us about $2.8M in tax revenue, but there are also other revenues, the PBC revenue as well as some reimbursements on some of the other debt that also go into this fund to account for the revenues.



Future General Fund-Back Debt Service by Bond Series
recorded in County Bond & Interest Fund

Schedule of permanent finance determined by current CMIP – no additional new money assumed in outyears

20

This graph shows we added in—there's about $10M in additional debt in 2019 and 2020 that was approved as part of the CMIP, so this has added in that debt into the projections. We also have the same issue here in about—2021 we are creeping up a little bit over the revenue estimate, but once again, we believe that we have reserves within the fund that will cover that and if our projections are conservative, then we wouldn't expect to see that gap. With both funds, if you see that with the projected additional debt, you don't start seeing the gap between the revenue and expenses until you get to about 2024. This includes no additional debt built in beyond the $10M that's built in for 2019 and 2020.

Commissioner McKiernan said we're estimating adding additional debt every year, but we don't ever show that projection later on. We show the projected income to pay for that, but we never show the projected additional expense necessary. The last thing you have on this is 2020. **Ms. VonAchen** said actually the County one is not a good one to look at. **Commissioner McKiernan** said pick any one of them, they all do the same. You show a gap. **Ms. VonAchen** said we do have the out-year. **Ms. Jonscher** said this one has an additional $15M in new projects built in each year all the way out. **Ms. VonAchen** said you can see 2038, there's another $15M. **Commissioner McKiernan** said so City does, but County doesn't. **Ms. VonAchen** said well no, because we don't typically borrow a set amount every—**Commissioner McKiernan** said that's it. Thank you—**Ms. VonAchen** said for County. We just put in what's already programmed in, nothing additional for the County.

Mayor Alvey said to get to, I think, Commissioner McKiernan's point—**Ms. VonAchen** said there's some capacity in other words. **Mayor Alvey** said that's it. We have, in other words, currently we're borrowing $15M a year, putting that on, that's shown in the graph. That shows some room for additional Capital expenditures bonded. **Ms. VonAchen** said at some point in 2024 you could probably borrow more than 15 a year because you see how there's room and you could definitely borrow more than 15 a year beginning in 2030.

Commissioner McKiernan said I will just go on record again as saying I would prefer that we do not do that. That we do not suck-up any available gap with additional debt. I don't think we should do that. I think we should be retiring debt and not adding just because there is capacity to add.

Commissioner Burroughs said I would concur with that and my concern is if we have issues that arise, we were trying to build our reserves, we're trying to meet our reserves projection. We've looked at the 25% or the three months and we're looking at just under 17 two months so that is actually a non-funded reserve, that area, that capacity on the top. If we needed to, under emergency circumstances, we would have that money available. **Ms. VonAchen** said we could divert a portion of the mill rate that is currently dedicated to this fund, to the General Fund, and build the reserves, yes, that's true. We can't do it—**Mayor Alvey** said and/or excelerate paying down the debt. The only point I would make, Commissioner, is if there were an opportunity—so for instance, if there was some Capital expenditure, a redevelopment, an area that we would say if we were to invest in this way, in this place, it would act as a catalyst for further development. Then I think we would make the case at that point that we might want to do this, but the inclination would be to continue to pay down the debt. **Commissioner McKiernan** said agreed.

Ms. VonAchen said now we're going to kind of show you how those revenues and expenditures compare with each other.

General Fund Long Term Financial Forecast *[2020 – 2024]*

($s in 000s)	2019[a]	2020	2021	2022	2023	2024
Total Revenue	$218,763	$224,416	$229,312	$235,594	$242,601	$249,975
Total Expenditures	$221,546	$228,237	$234,531	$240,337	$246,629	$251,638
Net Annual Surplus / (Shortfall)	**($2,783)**	**($3,822)**	**($5,219)**	**($4,743)**	**($4,028)**	**($1,664)**
Net Operating Margin (Cummulative)	**$0**	**($3,822)**	**($9,041)**	**($13,784)**	**($17,812)**	**($19,476)**

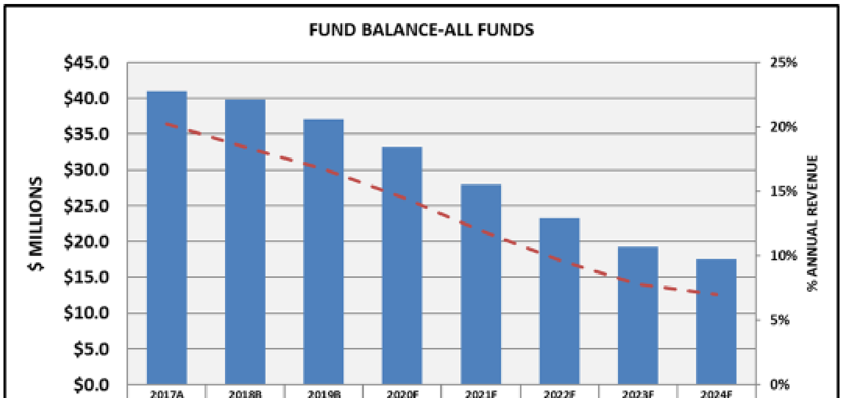
(a) For the Forecast, the Net Operating Margin (Cummulative) approach is used which assumes that no beginning fund balance is available prior to the forecast period.

(b) Assuming the estimated available fund balance of $37 million at the end of 2019, the recommended reserve of 2-mos of operating expenditrures (17%) is maintained in 2024.

22

This is the long-term financial forecast. Let's just assume that we're ending '19 without any fund balance. Right now, we're projecting that at the end of 2019 that we're going to have exactly 16.7% which is two months of operating expenditures. It's starting from ground zero, how is this going to look going forward? We have our revenues here and then our expenditures on the second line which if you take revenues minus expenditures, you end up with these negative numbers here on an annual basis. So, remember that these expenditures include those costs for the Silver Tsunami for our retiree payments. Those retiree payments over this five-year period total $18.6M. As you can see, these negatives all add up to $19.5M. It's pretty close, the amount we have to payout in retiree payments of 18.6 with the amount that we're short over the five-year period of 19.5. It is having a tremendous impact on us. Luckily, you know, in the out-years following 2024, those payments are really going to go down quite a bit. Right now, we're just looking at the first four years.

CONSOLIDATED GENERAL FUND FINANCIAL POSITION FORECAST

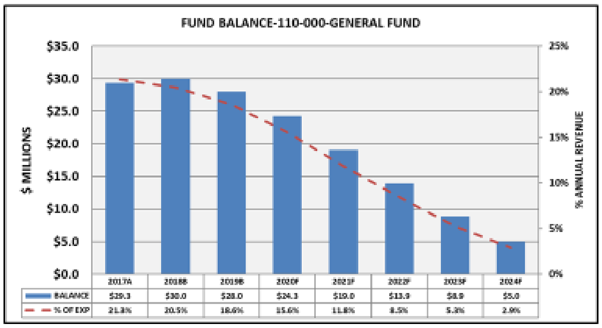


	2017A	2018B	2019B	2020F	2021F	2022F	2023F	2024F
BALANCE	$41.0	$39.8	$37.0	$33.2	$28.0	$23.2	$19.2	$17.6
% OF EXP	20.2%	18.4%	16.7%	14.6%	11.9%	9.7%	7.8%	7.0%

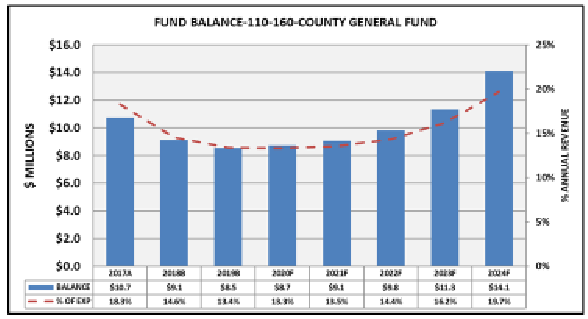
23

Graphically speaking, this is how our fund balance would look if all my assumptions are correct, which no assumptions are naturally. You always have to keep in mind that every forecast is wrong about five minutes after you present it. For the most part—the whole point is to try and plan ahead. We want to keep our fund balance at that $40M roughly level or at least within the 16.7% level. There's the 16.7 level right there in 2019. We would like to keep our fund balance right where that 2019 number is, but unfortunately, we're projecting it's going to be diving down. That's the Consolidated General Fund.

City General Fund Position (2017-2024)



County General Fund Position (2017-2024)



24

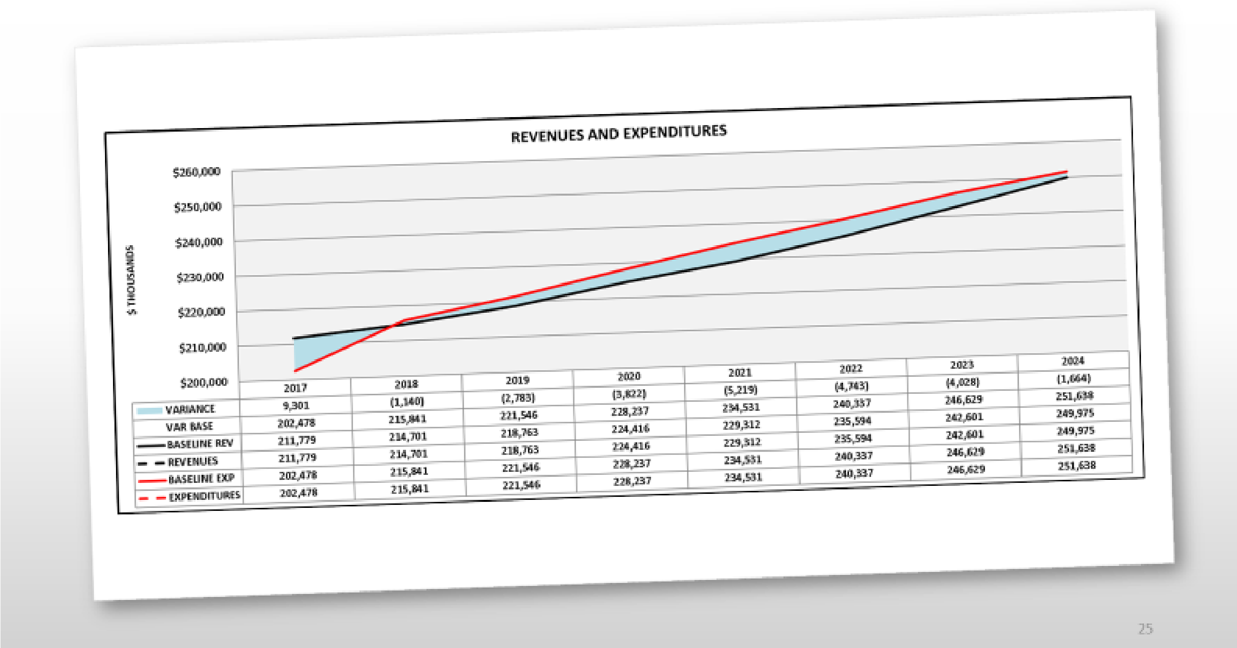
We broke this up by City and County and the impact of the Silver Tsunami impacts the City much greater than it does the County, so the County actually is coming out of this okay at the end of the forecast period, but the City is hitting down in the 2.5% level.

Mayor Alvey said the red line is—**Ms. VonAchen** said the red line is sort of a trend line and that's the percentage. Over here is the percentage and then over here are dollars. There's two axes here. **Mayor Alvey** said what this basically is showing is we're going to be depleting our Reserve Fund to cover the expenditures for the Silver Tsunami. **Ms. VonAchen** said if we take no other action. **Mayor Alvey** said if we take no other action, but we will be able to cover even if we take no further action. **Ms. VonAchen** said true, that is true, yes. **Mayor Alvey** said except that we will deplete the Reserve Fund. **Ms. VonAchen** said part of having a Reserve Fund—**Mayor Alvey** said is so you can do that. **Ms. VonAchen** said so you can handle one-time things, but also so you can weather recession, but it would probably be better if we maybe did some actions on the frontend to plan to build our Reserves so it doesn't get down to this level since we have 18 months to plan for it.

Mayor Alvey said any additional expenditures or outlays that we would have to make due to a recession, is that programmed into this as well? **Ms. VonAchen** said we've anticipated increases say in fuel and those areas, but we haven't—you know any kind of impact as a result of say additional homelessness or those sorts of social impacts, would probably be reflected in areas outside of these funds. We're not projecting increase costs as relates to additional crime or—no, maybe marginally we're reflecting additional costs.

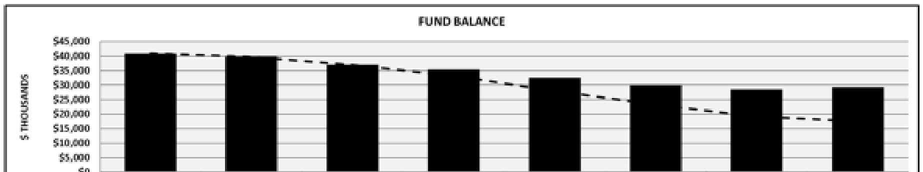
Mayor Alvey said we're also aren't accounting for reduction in revenues from sales tax. **Ms. VonAchen** said we are. Yes, that's reflected.

Commissioner Burroughs said any increase in savings from higher interest rates or monies that we have in Reserves and in CD's and what I would call short and long-term investments? **Ms. VonAchen** said I did increase our investment yield. We earn about $1.2M in the General Fund for any investment earnings. That's going up by about 5%. That's the quandary with—the Finance Director's all say that during bad times our revenues are cut, but our expenses even get higher.



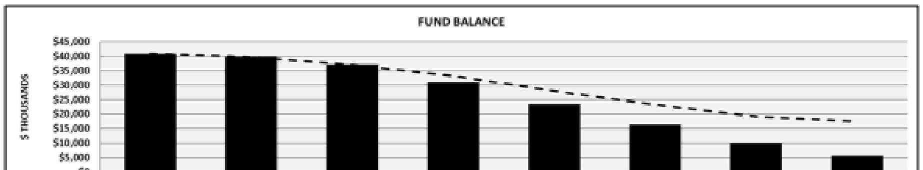
	2017	2018	2019	2020	2021	2022	2023	2024
VARIANCE	9,301	(1,140)	(2,783)	(3,822)	(5,219)	(4,743)	(4,028)	(1,664)
VAR BASE	202,478	215,841	221,546	228,237	234,531	240,357	246,629	251,638
BASELINE REV	211,779	214,701	218,763	224,416	229,312	235,594	242,601	249,975
REVENUES	211,779	214,701	218,763	224,416	229,312	235,594	242,601	249,975
BASELINE EXP	202,478	215,841	221,546	228,237	234,531	240,337	246,629	251,638
EXPENDITURES	202,478	215,841	221,546	228,237	234,531	240,337	246,629	251,638

They asked me to put this chart here. You kind of like to see how the revenues and the expenditures correspond with each other. This kind of light blue line is the variance, the red is the baseline expenditure, and then the black is the revenue, so you can see how our revenues are higher than our expenditures, so there's a gap there. The gap narrows in 2024 and, as I mentioned, that's because our retiree payouts are improving.



	2017	2018	2019	2020	2021	2022	2023	2024
NEGATIVE	-	-	-	-	-	-	-	-
POSITIVE	40,957	39,816	37,033	35,456	32,530	30,142	28,540	29,376
FB BASE	40,957	39,816	37,033	33,212	27,992	23,249	19,221	17,557

1% above the
revenue baseline
forecast
(FB reserve of 11%)



	2017	2018	2019	2020	2021	2022	2023	2024
NEGATIVE	-	-	-	-	-	-	-	-
POSITIVE	40,957	39,816	37,033	30,968	23,455	16,356	9,902	5,738
FB BASE	40,957	39,816	37,033	33,212	27,992	23,249	19,221	17,557

1% below the
revenue baseline
forecast
(FB reserve of 2%)

26

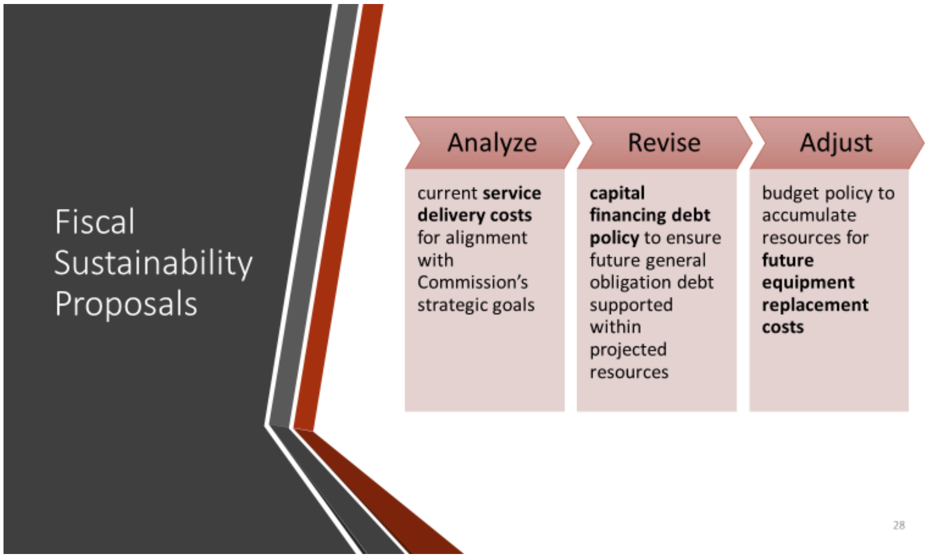
I could have done a 10-year forecast and maybe it would have been a little more positive because things do look better in the next five years. Of course, as I mentioned, the forecast can vary so I provided here—this is how the forecast looks if my revenue estimates are 1% higher than what I projected. This dotted line is what I projected and then the bars show what the fund balance is if my revenue estimates are 1% off. **Mayor Alvey** said if your estimates are 1% more than actually show up or 1% less. **Ms. VonAchen** said my estimate is less. That's why this dotted line is below the bars and then if my revenue estimates are overly—my estimates are overly optimistic, then it goes down even further. This is fund balance right here. There is some variation. I'm not claiming, of course, to try to perfectly time the recession or to know exactly what number we're going to achieve 18 months from now, but to just give you a range.

As I mentioned, there's some potential risks with the forecast. Namely, there's geo-political and other economic risks such as changes in trade policy or that may potentially impact industry's in our area and job growth. The economy really impacts certain revenues that are very sensitive like sales tax. Also, right now our labor negotiations, one is expiring at the end of this year and then the other 12 are expiring at the end of next year and so that labor negotiation process is going to be beginning in earnest and we have projected a modest cost-of-living increase which is probably not as much as what the labor groups would like to see.

Naturally, these retiree payouts, I'm using an assumption of when I think they're going to retire, but they may elect to do something else depending on whatever timing or issues.

The litigation costs, we have $853,000 budgeted in the current General Fund for these sorts of settlements, but those could come in higher than that.

The last thing that we always want to keep in mind, and we always mention, is that the Unified Government still has an outstanding liability of $173M in pensions and $82M in retiree health unfunded liabilities which is a difficult challenge. I actually have a couple of ideas which we discussed in the report.



Generally speaking, in the report I talk about a couple of proposals. One of them has to do with our current review of service delivery costs which we're hoping to analyze using our new tool, priority-based budgeting and you're going to hear a lot more about that in the future. We do plan to bring forward to the Economic Development Committee a revision to the debt policy for your comments and feedback. We are working closely with our financial advisor on revising the debt policy. That will be a long process and we want to get feedback from everyone. There's no hurry, but we want to make sure it reflects the strategies and comments and thoughts of the Commission. The last thing is, you know, we really have in place an idea to begin building a fund so that we can start little by little to accumulating resources to replace our equipment costs in the future.

I think there is one more slide, but these are what the administration believes are for the most part the Strategic Funding Priorities of the Commission. These are areas of funding that do not have a revenue source, but we know how important they are to you as a Commission.

The first one we've listed here, they're not in any priority order, and the estimates are very preliminary. The Parks Master Plan, we received the report from the consultant in 2017 and I put together a preliminary proforma of how we could pay for that master plan within a potential revenue source. But, we expect a lot of future discussion on this proposal. Overall it costs about $5M a year in operating expenses to augment our current parks and recreation operations. Then about $42M in additional Capital needs and this includes bringing up to standard our current facilities, but also adding facilities to address the future growth.

We also have a Downtown YMCA that we're looking at. We have been talking about it for a couple of years. The commitment from the Unified Government to build that YMCA would be roughly $650K in Operating costs annually and a $6M General Obligation Bond commitment.

The third thing follows that data-driven Street Preservation that the Public Works Department gave several weeks ago and in order to bring our Pavement Management Index up to, I think, it's 65. It would cost us an additional $20M per year. Right now, we spend $4M a year. We would need another $20M a year, so 20 x 10 is $200M.

Deferred Maintenance, we would need $15M per year in order to bring our existing facilities back up over the next 10 years.

We asked the Public Works Department to give us the cost of any new facilities that would meet growing service demands. At this point, we can only really think about the Animal Shelter. We have hired a consultant to do an assessment of our facilities and so that number is likely to be larger than $10M.

As the Mayor mentioned, there are stormwater infrastructure needs. The current Stormwater Plan has $46M of both Operating and Capital needs over the next 10 years.

This last point I just want to point out, in the long-range forecast, I don't know, maybe page 40ish or so, there's a graph that shows our total FTE, full-time equivalency. Over the past four or five years we have not increased our FTE very much at all and this is a UG wide discussion here, not just the General Fund. It stayed in the range of 3.9 to 4 full-time equivalent for every 1,000 residents, you know, every 1,000 residents in Wyandotte County. In order for it to—if we did not increase any FTE, which this forecast assumes, there is no additional FTE, we're actually saving money every year and becoming more efficient by not adding more FTE. That per resident ratio would continue to decline. If the goal were to remain at 14 FTE across the entire UG, we would have to add about 20 FTE every year in order to keep up with the growth or demand for resident. I just wanted you to know that. Even though we're not filling positions and by not doing that—we're not adding new positions to the current base and by doing that we're becoming more and more efficient every year we don't add positions. If we did, this accounts for about 19 FTE every year for the next 10 years.

Mayor Alvey said I have a question on the Deferred Maintenance on Existing Facilities. Does that include expenditures for rehabilitating our fire stations and does the new facilities for growing service demands, does that cover building new fire stations? **Ms. VonAchen** said our current CMIP includes the cost of the new fire station as well as the rehab of a significant portion of our fire stations. **Mayor Alvey** said so, the current CMIP does do that, so that's already built in. **Ms. VonAchen** said yes. I'm not sure if it includes absolutely 100% of everything the Fire Department would like to see, but it has a significant portion of fire investment, Capital investment.

Commissioner Burroughs said, Kathleen, I do have one question in reference to your Deferred Maintenance on Existing Facilities. I may ought to ask staff to correct me, but somewhere along the line I thought we were working on getting a handle on all of the assets that we own as a community. Has that been accomplished at this time? Do we now have a total inventory of all of our assets that we can look at not only the value of those assets, but the ongoing long-term maintenance and/or financial obligation we have on those facilities? **Ms. VonAchen** said I'm going to have Jeff Fisher answer that, but I did want you to know that it's very much in our work plan as Finance and Public Works to work towards that end and we're excited about that project.

Jeff Fisher, Executive Director of Public Works, said we do have the partner onboard now to go through that assessment. It will take us maybe a year to really get a full assessment of the facilities. By this time next year, we should have a really good understanding of that. **Commissioner Burroughs** said this gets to my $150M question. Are we being conservative with that number or are we being optimistic with that number of $150M? If we really don't have a handle on our assets, I mean are we just throwing darts here as to what our long-term maintenance or are we just plugging in a number to give us? **Ms. VonAchen** said okay, throwing darts, I would say a little bit of dart throwing, yes, but generally I'll say we've identified some roof and building envelope, water vapor and resistance materials, the structural issues, mechanical, kind of HVAC and suppression, electric, plumbing, elevators, parking structures, lighting; you know, all of those kinds of areas were included in this $15M.

Commissioner Burroughs said I can understand that we would have the existing facilities that we know we have as assets. My concern is the facilities that we don't have on record or that we're missing that we haven't included in our asset management. Maybe I have a different opinion as to what we should have as far as knowledge when it comes to our facilities for the Unified Government. It's not any different than we have on the State side. We don't know what we own until we take an inventory and at times those inventories haven't been accurately maintained or they're not a priority. It doesn't take but a handful of years before that inventory is not accurate. If we find a handful of facilities that belong to us and we're obligated to remedy those that we don't have in our asset portfolio, I'm just curious. **Mr. Fisher** said I believe we have good confidence in the inventory of the assets. The condition is the question. I think John Kelly has a pretty good feel for, you know, this number is probably pretty solid but slightly conservative I would say. **Commissioner Burroughs** said I appreciate that statement. I think we did have a difference of opinion as to what we were talking about asset side. What you just clearly stated is not what we own. It's the question of the condition of those facilities that we own. I appreciate that clarification.

Ms. VonAchen said the last slide is a question for all of you. How do we grow the tax base and accumulate resources to support strategic priorities? That's what we all want to talk about at the retreat that we're having on November 1st among other things.

Mayor Alvey said this question came about of just the situation we're in. We can see what it is we would like to do, what we need to do. Commissioner Walters had raised the question, you know, generally what are we doing, for instance, with the Master Plan, let's say K-32, K-7, are we activating those plans? Are those things we're using to actually look at this and say well we have—if we're going to invest someplace, we need to do capital infrastructure, let's say we're investing along K-32, what kind of gains would we realize? Those are the kinds of questions we want to look at during the retreat and brainstorm and we want to take a long-term view of this, so we can provide some guidance to ourselves as we move forward.

Mr. Bach said thank you. I think noting as we went through and Kathleen said tonight, this is not a plan, it's a forecast. Everything we threw up there were estimates of where we were, the strategies of different things we may want to fund. None of those are in the budget. Those are all just additional items we may want to build in the future like the Parks Master Plan or that's there has been emphasis or been interest in those. It just sets out ideas of things like that. Of course, as she said, it's a forecast as to how the revenues and expenses go. Our plans would be one where we would always try to balance the budget each year as we move forward.

Commissioner Murguia said very good presentation by your team Kathleen. It was really a good job. I have a question and I think I know the answer, but I just want to ask it out loud. All these areas like the Mayor had mentioned K-32 and some other areas and you, I and Doug have talked about the Rosedale/KU Med area as it grows like crazy. We have some areas of our community that are great right now opportunities for development. Do we have the staff that we need to look at these areas and really actively go out and market them for development? **Mayor Alvey** said I think that's a great question that we need to bring up in our strategic planning. If we can identify strategies and ways to move forward, then we start saying alright now how do we implement that and what resources do we need to bring to bear perhaps include more staffing or whatever it might be, maybe more research, maybe more consulting to be able to identify really where is the best bang for our buck. I think that's a perfect question.

Commissioner Murguia asked do we have that Mayor? Does our staff know, does anyone know what areas of Wyandotte County the fair market is particularly interested in? I know in my district, because I'm Commissioner and I'm in the weeds all the time, but does somebody on staff know areas of greatest opportunity in Wyandotte County for development? Do we know that? **Mayor Alvey** said I think that's a great question for us for our retreat. **Commissioner Murguia** said if we could have the answer to that for our retreat so we could discuss those locations that show the greatest amount of opportunity for—I agree with you, Mayor, when you say you look at that amount of debt that we can borrow as opportunity. I think that's what you were saying, and I agree with that if it's invested right. It can be a great opportunity to grow our community. We have to make sure that we're using it for that and not to pay our bills because that's not going to help us in the long run.

I always speak about my district because as long as I have been here I have never heard a presentation other than from other commissioners highlighting areas that may have potential in our community. I've never seen a presentation that shows those areas that fair market developers might be interested in coming into and developing. I think we need that to be strategic.

Mayor Alvey asked do we have a motion to move into executive session for discussion of matters related to labor? (Motion was made at 6:01 p.m.)

Commissioner McKiernan made a motion, seconded by Commissioner Bynum, to go into Executive Session until 7:00 p.m. to discuss confidential matters regarding the status and future direction of labor negotiations all as justified under the Employer/Employee negotiations exception and the Kansas Open Meetings Act; and that staff designated by the County Administrator be present to participate in the discussions and that we reconvene in open session at 7:00 p.m. in the Commission Chambers located on the first floor. Motion carried.

Present for the Executive Session: Bynum, Commissioner At-Large First District; Burroughs, Commissioner At-Large Second District; Townsend, Commissioner First District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District; Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Walters, Commissioner Seventh District; and Mayor Alvey, Mayor/CEO presiding. **Staff present:** Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Kathleen VonAchen, Chief Financial Officer; Joe Connor, Assistant County Administrator; Mike Callahan, Fire Chief; Jack Andrade, First Deputy Fire Chief; Shakeva Christian, Human Resources; Maureen Mahoney, Chief of Staff in Mayor's Office; and Ryan Denk, Outside Counsel for labor negotiations.

MAYOR ALVEY ADJOURNED
THE MEETING AT 6:57 p.m.

Bridgette D. Cobbins
Unified Government Clerk

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