Economic Development and Finance Committee

Standing Committee Meeting Agenda

Monday, January 14, 2019

Immediately upon adjournment of earlier committee, or 5:00 p.m. if no earlier committee meeting.

Location:

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

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

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

II. **Revisions to January 14, 2019 Agenda**

III. **Approval of standing committee minutes from October 29, 2018.**

IV. **Committee Agenda**

Item No. 1 - RESOLUTION: REDEVELOPMENT PROJECT PLAN FOR PROJECT AREA 1 DOWNTOWN GROCERY REDEVELOPMENT DISTRICT

Synopsis: Resolution providing notice of a public hearing to consider the adoption of a Redevelopment Project Plan for Project Area 1 (Downtown Grocery Redevelopment District), submitted by Patrick Waters, Senior Attorney.

On October 11, 2018 the Commission approved Ordinance O-41-18 establishing the Downtown Grocery Redevelopment District.

Tracking #: 18597

Item No. 2 - PRESENTATION: DEBT POLICY REVISION

Synopsis: A presentation on proposed revisions to the debt related financial policies, submitted by Kathleen VonAchen, Chief Financial Officer.

For information only.

Tracking #: 183

Item No. 3 -REPORT: 2018 SMALL BUSINESS GRANT PROGRAM

Synopsis: A presentation on the 2018 Small Business Grant Program and the plans for Kansas City, KS small businesses in 2019, Shaya Lockett, Small Business Liaison.

For information only.

Tracking #: 184

V. **Public Agenda**

VI. **Adjourn**

ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, October 29, 2018

The meeting of the Neighborhood and Community Development Standing Committee was held on Monday, October 29, 2018 at 5:25 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner Burroughs, Chairman; Commissioners Walters, Murguia, Townsend, McKiernan and BPU Board Member Bryant. The following officials were also in attendance: Doug Bach, County Administrator; Gordon Criswell and Melissa Sieben, Assistant County Administrators; Patrick Waters; Senior Attorney; Katherine Carttar, Interim Director of Economic Development; Jeff Fisher, Executive Director of Public Works; Brandon Grover, Assistant Coordinator Manager for Public Works; Debbie Jonscher, Deputy Chief Financial Officer; Kathleen VonAchen, Chief Financial Officer; Rick Mikesic, Director of Revenue/County Treasurer; Andrea Parra, Deputy Director of Revenue; and Jay Doleshal, Sergeant-At-Arms.

Chairman Burroughs called the meeting to order. Roll call was taken and all members were present as shown above.

Commissioner Burroughs said at this particular point in the agenda, before we get started, I've been asked by Commissioner Townsend for just a few moments.

Commissioner Townsend said thank you Mr. Chairman and for your indulgence. This was not on the agenda, but neither was the tragic murder of 11 innocent people in a Living Tree Synagogue in Pittsburgh, Pennsylvania over this past week. As so many people from across the country supported our local in the recent loss of two sheriff deputies, and even years before when we lost police officers, I'm asking just for 11 seconds of silence in memory and recognition of those people, those victims, their family, friends, and the Pittsburgh community. It's just a terrible reminder that whatever differences we have should be settled by ballets and not by bullets. That's my request. **Chairman Burroughs** said we'll take those 11 seconds. There was 11 seconds of silence. **Chairman Burroughs** said, Commissioner Townsend, thank you.

Approval of standing committee minutes from September 10, 2018. **On motion of Commissioner McKiernan, seconded by BPU Board Member Bryant, the minutes were approved.** Motion carried unanimously.

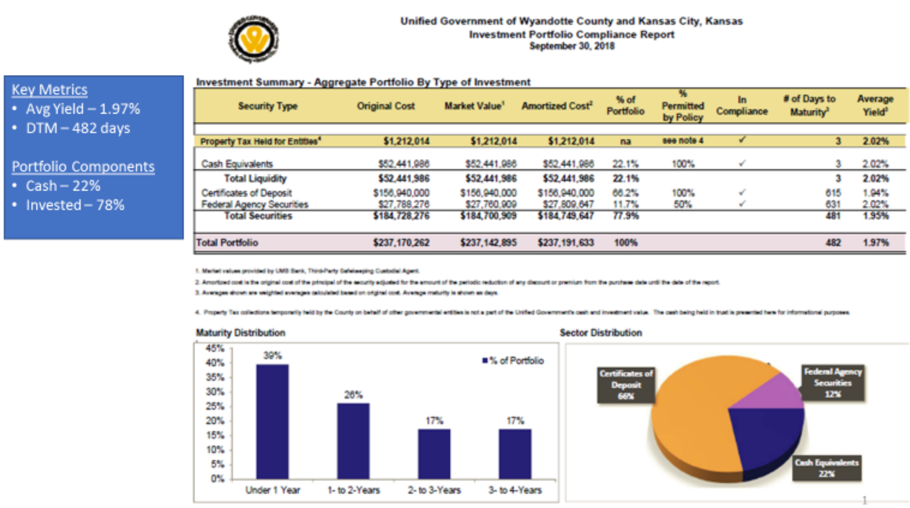
Committee Agenda:

ITEM NO. 1 – 18470…REPORT: THIRD QUARTER INVESTMENT

Synopsis: Third Quarter Investment Report, submitted by Andrea Parra, Deputy Director of Revenue, Treasury Department.

Kathleen VonAchen, Chief Financial Officer, said I'd like to introduce Rick Mikesic and Andrea Parra. Rick is our County Treasurer/Director of Revenue; and Andrea Parra is our Deputy Director. We did a reorg and I'd like to announce Andrea to her new position as the Deputy Director.

Andrea Parra, Deputy County Treasurer/Director of Revenue, said I'm here to present the Quarter 3 Investment Report. A few changes you might notice. We made it to kind of make it more presentable to look good. We worked on this this week.


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

Key Metrics
- Avg Yield – 1.97%
- DTM – 482 days

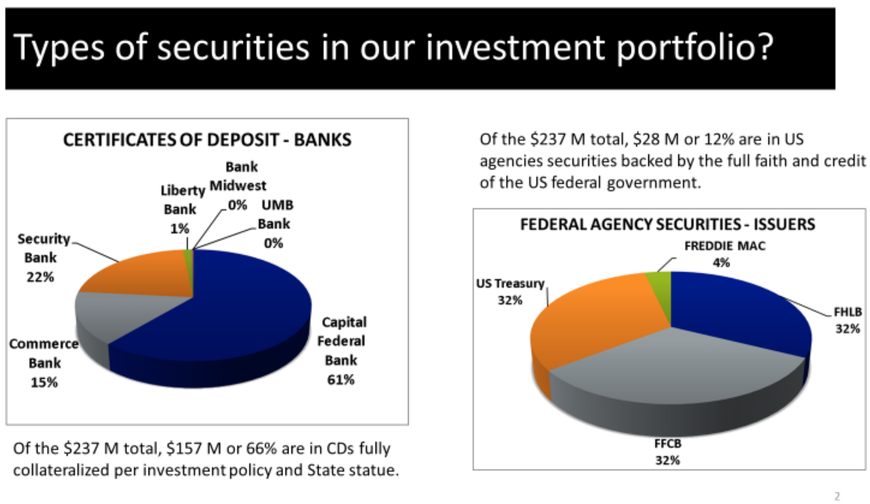
Portfolio Components
- Cash – 22%
- Invested – 78%

Investment Summary - Aggregate Portfolio By Type of Investment

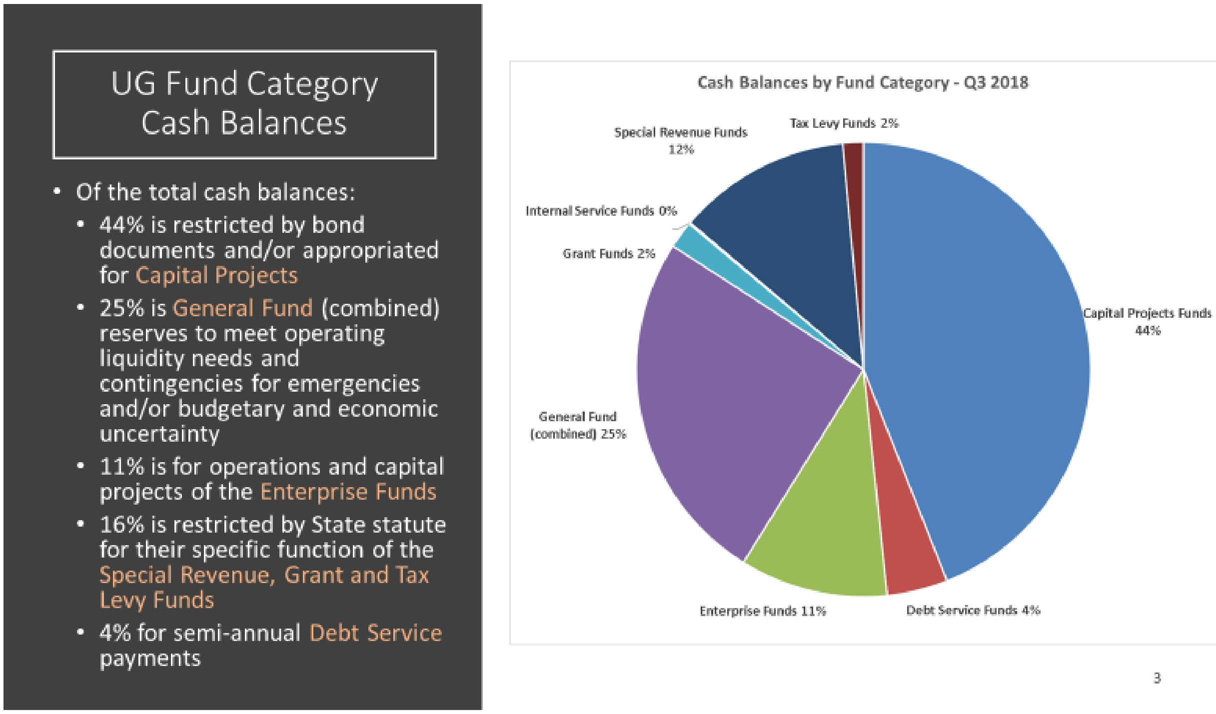
Security Type	Original Cost	Market Value[1]	Amortized Cost[2]	% of Portfolio	% Permitted by Policy	In Compliance	# of Days to Maturity[3]	Average Yield[3]
Property Tax Held for Entities[4]	$1,212,014	$1,212,014	$1,212,014	na	see note 4	✓	3	2.02%
Cash Equivalents	$52,441,986	$52,441,986	$52,441,986	22.1%	100%	✓	3	2.02%
Total Liquidity	$52,441,986	$52,441,986	$52,441,986	22.1%			3	2.02%
Certificates of Deposit	$156,940,000	$156,940,000	$156,940,000	66.2%	100%	✓	615	1.94%
Federal Agency Securities	$27,788,276	$27,760,909	$27,809,647	11.7%	50%	✓	631	2.02%
Total Securities	$184,728,276	$184,700,909	$184,749,647	77.9%			481	1.95%
Total Portfolio	$237,170,262	$237,142,895	$237,191,633	100%			482	1.97%

1. Market values provided by UMB Bank, Third-Party Safekeeping Custodial Agent.
2. Amortized cost is the original cost of the principal of the security adjusted for the amount of the periodic reduction of any discount or premium from the purchase date until the date of the report.
3. Averages shown are weighted averages calculated based on original cost. Average maturity is shown as days.
4. Property Tax collections temporarily held by the County on behalf of other governmental entities is not a part of the Unified Government's cash and investment value. The cash being held in trust is presented here for informational purposes.

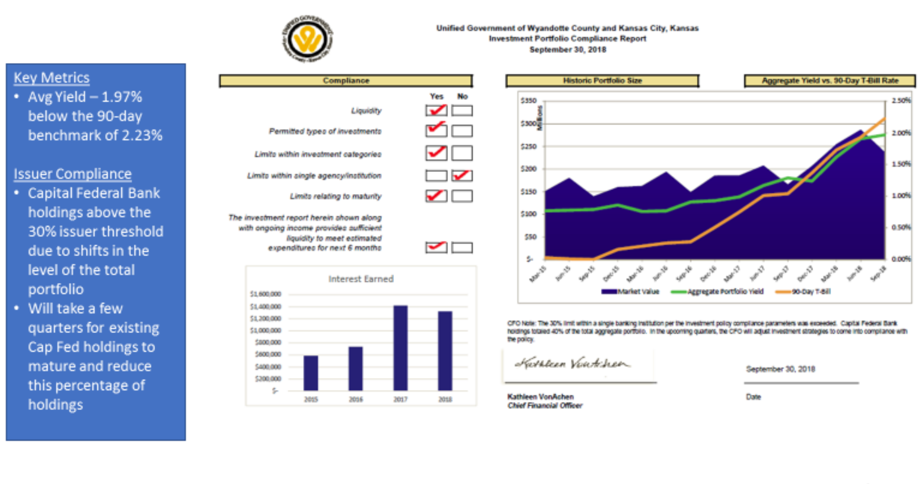
Our first item you'll see is the investment summary showing an average yield of 1.97% Average due to majority will be 182 days. The components for this portfolio are 22% in cash and the 78% would be the amount invested.



The next slide is going to be some graphs showing the investment portfolio, the breakdown per investment type, based on the agency totaling about 100% of the $237M we have in our portfolio, 66% or $157M are in CDs. As it states fully collateralized per our investment policy in the state statute. The addition is $28M or 12% in US agencies securities as you see on the right side.



The next slide is going to be the UG Fund Category Cash Balances. Briefly, I'll go over. We have 44% in restricted by bond documents for Capital Projects, 25% in the General Fund combined for reserves to meet liquidity needs and contingencies for emergencies, 11% is for operations for the Enterprise Funds, 16% is Special Revenue, Grant and Tax Levy Funds. Finally, 4% in Debt Service payments.



The next slide is going to be an overall compliance slide. One thing to note, the only item we have is the limit within a single agency, which is going to be due to Capital Federal holdings, are still exceeding the 30%.

Issue for threshold for one level of our portfolio. We are going to have to take a few quarters to lower that holding, but we do have a plan in place to make sure that it does go back down in compliance within the next two or three quarters.

What transactions occurred in Q3?

Quarterly Transactions Detail - Aggregate Portfolio

Settlement Date	CUSIP	Issuer	Coupon	Maturity Date	Par	Original Cost
Thru Q3	NA	UMB, Wyandotte Operating	2.024%	10/1/2018	(70,814,631)	(70,814,631)
Thru Q3	NA	UMB, Wyandotte Health Reserve	2.024%	10/1/2018	(922,000)	(922,000)
Cash Equivalents					**(71,736,631)**	**(71,736,631)**
9/17/2018	9128282G4	US Treasury	2.569%	9/15/2019	9,000,000	8,851,241
9/17/2018	313370US5	FHLB	2.810%	9/11/2020	8,975,000	8,986,129
9/17/2018	3133EJYF0	FFCB	2.890%	8/27/2021	9,000,000	8,951,940
9/17/2018	115002409	Security Bank of Kansas City	2.900%	9/17/2022	9,000,000	9,000,000
Purchases					**35,975,000**	**35,789,310**
7/28/2017	1150008660	Security Bank of KC	1.234%	7/28/2018	(235,000)	(235,000)
1/8/2015	32805	Liberty Bank	1.300%	8/13/2018	(1,000,000)	(1,000,000)
1/8/2015	343007274	Commerce	1.250%	8/13/2018	(7,000,000)	(7,000,000)
8/18/2017	66000543	Commerce	1.222%	8/17/2018	(1,000,000)	(1,000,000)
9/25/2014	313375K48	FHLB	2.000%	9/14/2018	(5,000,000)	(5,086,631)
Calls/Maturities					**(14,235,000)**	**(14,321,631)**
Total					**(49,996,631)**	**(50,268,951)**

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Final slide is going to be the transaction detail slide which dictates everything that happened this last quarter. We made a few investments, also a few investments did mature. Total change of right under $50M. That would be all. Does anyone have any questions for Rick or I?

Commissioner Walters asked, 44% in Capital Project Funds, would that be funds—or that would be Capital Projects budgeted in calendar year 2018. **Ms. Parra** said yes, that would be correct.

Action: For information only.

ITEM NO. 2 – 18473…RESOLUTION: 2019 CMIP FINANCING AUTHORIZATION

Synopsis: A resolution amending the 2018-2023 CMIP; authorizing various public improvements; authorizing the issuance of general obligation bonds and/or temporary notes to finance all of a portion of the costs of certain improvements; requesting the Public Building Commission of the Unified Government of Wyandotte County/Kansas City, Kansas to issue its leasehold revenue bonds for the purpose of financing all or a portion of the costs of certain improvements; and authorizing one or more lease purchase agreements to financing the acquisition and installation of certain equipment, submitted by Debbie Jonscher, Deputy Chief Financial Officer.

And

ITEM NO. 3 – 18474…RESOLUTION: SALE OF MUNICIPAL TEMPORARY NOTES AND GENERAL OBLIGATION IMPROVEMENT BONDS

Synopsis: A resolution authorizing the offering for sale of municipal temporary notes and general obligation bonds of the Unified Government of Wyandotte County/Kansas City, Kansas; requesting the Public Building Commission of the Unified Government of Wyandotte County/Kansas City, Kansas to issue its leasehold revenue bonds, submitted by Debbie Jonscher, Deputy Chief Financial Officer.

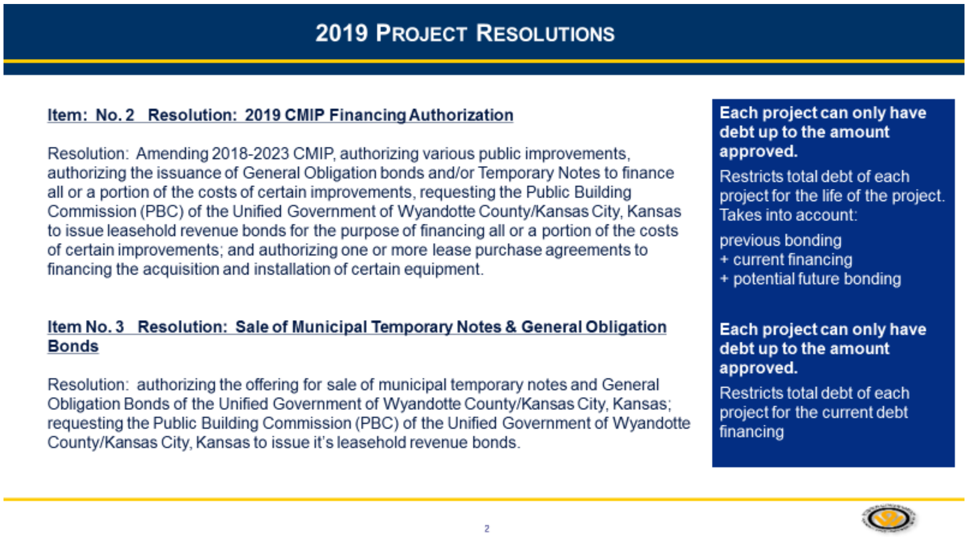
UNIFIED GOVERNMENT • Wyandotte County • Kansas City, Kansas

2019 BONDS & TEMPORARY NOTES
Project Authorizations

Unified Government of Wyandotte County & Kansas City, Kansas

ED/F Standing Committee
October 29, 2019

1



Debbie Jonscher, Deputy Chief Financial Officer, said the next two items, items 2 and 3 on the agenda are both related to the project authorizations and sale of temporary notes and bonds. We prepared a short presentation just to go over some of the information to help explain the information you received in your two packets for that information. We'll just start with the items that we are requesting approval for tonight.

Item No. 2 is a resolution for the CMIP financing authorization. The resolution is asking to amend the 2018-2023 CMIP authorizing various public improvements, authorizing the issuance of general obligation bonds and temporary notes to finance those improvements.

Requesting the Public Building Commission of the Unified Government to issue leasehold revenue bonds for the cost of certain improvements and also authorizing one or more lease purchase agreements for financing the acquisition and installation of equipment. I will just note that the lease information is recorded on the last two pages of your project authorization packet. Those are all the lease agreements, the leased equipment that's identified in the CMIP for 2019. I will note that each project can only have debt up to the amount approved. It restricts total debt of the project for the life of the project. It takes into account any previous bondings that we may have done, current financings, and potential future bondings. It also restricts total debt of each project for the current debt financing.

2019-2023 APPROVED CMIP BUDGET

Amendments to 2018 total an overall increase = $3,498,000
Gave authority of new money/spending for 2019 = $91,932,000
All Debt Projects + Special Revenue Projects

UNIFIED GOVERNMENT
2019 - 2023 Proposed Capital Maintenance Improvement Program (CMIP)
DEBT FINANCED PROJECTS 7/12/18 (Final)

Project Type	New	MSF	CMIP	2018 Original	2018 Amended	2019	2020	2021	2022	2023	FY18-23
			City Debt Projects	16,245,000	16,055,000	13,535,000	19,950,000	18,728,000	17,650,000	14,250,000	100,168,000
			Enterprise/PBC Debt	49,287,000	52,975,000	66,857,000	66,950,000	20,100,000	3,100,000	4,100,000	214,082,000
			All Debt Projects Total	65,532,000	69,030,000	80,392,000	86,900,000	38,828,000	20,750,000	18,350,000	314,250,000
			Special Revenue Projects Total	6,500,000	6,500,000	11,000,000	-	-	2,500,000	-	20,000,000
			TOTAL:	72,032,000	75,530,000	91,392,000	86,900,000	38,828,000	23,250,000	18,350,000	334,250,000

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This graph shows what is in the current CMIP. The next couple of slides all relate to Item No. 2 in the agenda.

PROJECT AUTHORITY

The amounts requested in Item #2 (2019 Financing Authorization) are based off of the totals from the CMIP

- Annuals are requested on a year by year basis.

Sample of: **UNIFIED GOVERNMENT**
2019 - 2023 Proposed Capital Maintenance Improvement Program (CMIP)
DEBT FINANCED PROJECTS 7/12/18 (Final)

Project Type	New	MSF	CMIP	2018 Original	2018 Amended	2019	2020	2021	2022	2023	FY18-23
Bridges											
			2141 - Holiday Drive Bridge Replacements	400,000	400,000	400,000	500,000	-	-	-	1,300,000
			2142 - North 34th Street Box Culvert	300,000	300,000	-	-	-	-	-	300,000
			2167 - 11th St Bridge ovr JerseyCreek	410,000	410,000	-	-	-	-	-	410,000
			2301 - Annual Emergency Bridge Repair	300,000	300,000	300,000	300,000	300,000	300,000	300,000	1,800,000
	☒		AUTO - 2035 - Bridge #210 (18th St.) over Turkey Creek	-	-	-	-	150,000	-	-	150,000
	☒		AUTO - 2036 - Bridge #223 (36th and Ohio Ave.) Replacement	-	-	-	-	700,000	-	-	700,000
			Bridges Total	1,410,000	1,410,000	700,000	800,000	1,150,000	300,000	300,000	4,660,000

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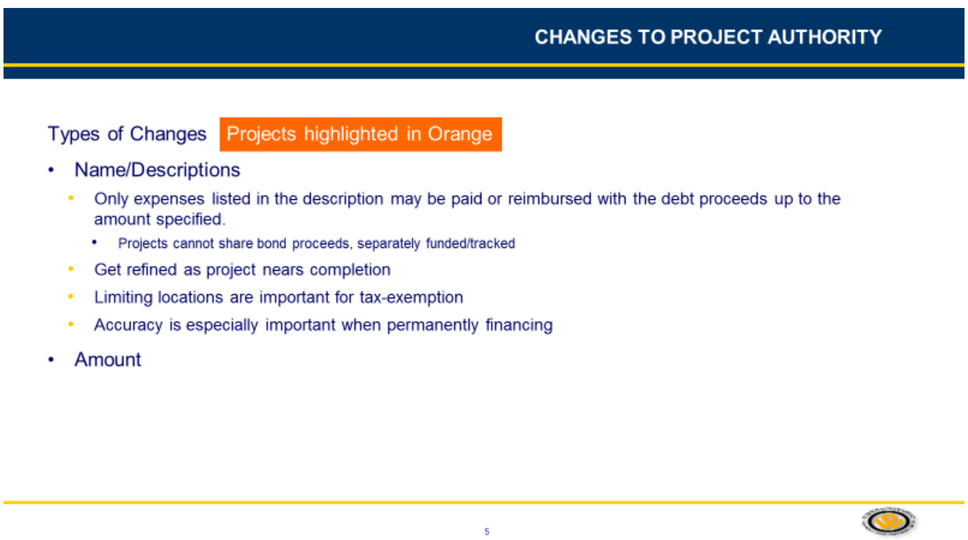
This one shows for 2018 we amended the CMIP budget by $3.4M and we've broken it out down here at the bottom to show the different classes. In 2016, we had City Debt Projects of a little over $16M. Enterprise and PBC Debt of almost $53M and that totals along with Special Revenue Projects of $6.5M totals $75.5M for 2018.

For 2019, we have the breakdown here for each one of those projects. The City Debt was $13.5M. Enterprise and PBC at $66M and Special Revenue Projects of $11M for a total of $91.3M.

This just helps to show the items—the project amounts that are listed in your packet in each one of these items has an amount, so we wanted to show how we come up with those amounts. For individual projects, the total authorization would be—if it's a project that started in 2018, the total authorization should be the total of the CMIP. If the project started prior to 2018, the authorization could be larger because we might have approved amounts in previous years. For annual projects we only approve the current year because annual projects—the type of project can change each year or the location so we only approve the annuals for each individual year.



I wanted to just note, in your packet the projects are all highlighted in multiple colors. There's pink, blue, and orange. Just wanted to talk about that a little bit. The projects that are highlighted in blue, there's a key on the first page of the project authorizations. The projects highlighted in blue are all projects that were previously authorized and there's no change to the description or the amount.

Any project highlighted in pink indicates a new project that's being financed for the first time, that there was no previous financing.

Projects that are highlighted in orange indicate that there was a change from the previous authorization which could either be the name or the description may have changed, or the amount may have changed.

I did just want to note,we put some information here, only expenses that are listed in the description may be paid or reimbursed with debt proceeds up to this specific amount. If there is an excess amount on a particular project, you cannot just take the proceeds and apply it to another project without amending the description and reauthorizing those funds for the new project.

As the project nears completion, we do sometimes refine the description. We may have listed—we had a whole list of potential locations. Maybe the funding only covered a portion of those, so then we would go back at the end when we get the permanent financing and refine the description to include the locations that the money was spent on.

CHANGES TO PROJECT AUTHORITY

Project Name	Original Authorization	Change in Authorization	Final Authorization	Change in description
Courthouse Improvements	5,375,000	4,450,000	9,825,000	Include the fire alarm system upgrades for 2020
Emergency Bridge Repair	300,000	-	300,000	2018 Reimbursement Resolution - project description added for 2019.
Facility Parking Maintenance 2017	350,000	-	350,000	update description
Facility Parking Maintenance 2018	550,000	-	550,000	update description
Fairfax Industrial Area Improvements 2018	100,000	-	100,000	2018 Reimbursement Resolution - project description added for 2019.
Fire Station	4,000,000	-	4,000,000	Amend description to include location address
Industrial District Rehab 2016	250,000	-	250,000	update description
Industrial District Rehab 2017	500,000	-	500,000	update description
Industrial District Rehab 2018	600,000	-	600,000	2018 Reimbursement Resolution - project description added for 2019.
Juvenile Facility	24,800,000	3,700,000	28,500,000	no change
Maintenance Facility	1,000,000	1,100,000	2,100,000	updated project name and description
Plant 20 & 3 Equipment and Structural Rehab	3,000,000	-	3,000,000	updated project name and description
Pump Station 18, 5,4 Upgrades	2,450,000	1,000,000	3,450,000	no change
Railroad Crossing Improvements 2018	150,000	-	150,000	2018 Reimbursement Resolution - project description added for 2019.
Relocation of Sewer Facilities	5,000,000	6,000,000	11,000,000	no change
Wolcott Expansion/Conner Creek	27,219,000	26,723,000	53,942,000	update project name and description

This is a list of all the projects in your packet that were highlighted in orange. What I went through and did was just list the original authorization, if there was a change in the authorization and then what that final authorization would be. As you can see, some of them didn't have a change in the authorization, they were just a change in the description or the project name.

I did want to note, the Facility Parking Maintenance 2017 and 2018, these two projects here, the description was updated, but we discovered that there were potential locations that were left off. They were on the description previously and somehow they were omitted when we updated the description. We would like to go ahead and add those descriptions back to those particular projects. Those project authorizations are listed on page 8 and 9 of your packet.

I also did want to note Railroad Crossing Improvements down here. We also discovered that this project was highlighted in blue when it should have been orange. It was a reimbursement resolution for 2018 so it did not have a previous description. We just forgot to change the color.

2018 TEMPORARY NOTE RECONCILIATION

2017 Sale Resolution	114,197,461
2018 - Temporary Notes	65,020,000
2018 - Bonds	35,475,000
Total note/bonds:	100,495,000
Projects authorized but not issued	13,702,461

2018 - Temporary Notes	65,020,000
Interest on Temporary Notes	980,722
Add: 2018 Amended CMIP	1,300,994
Add: 2018 Reimbursement Resolutions (Slide #8)	1,150,000
Add: 2019 Approved CMIP	91,392,000
Add: 2019 Amendments to the CMIP (Slide #9)	4,810,000
Subtract: 2019 PBC Projects	(7,075,000)
Subtract: 2019 Reimbursement Resolutions (Slide #8)	(2,500,000)
Total 2019 Sale Resolution	**155,078,716**

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The next couple of slides relate to Item No. 3 which is the sale resolution which lists all of the projects that could potentially be financed in 2019. I went through and just started with 2017 and reconciled the amounts. Last year at this time we were approving the resolutions for 2018 bond issue. We approved a sale resolution of about $114M. In 2018, we financed temporary notes of $65M and we bonded $35.4M. The projects that were authorized, but not issued, totaled $13.7M. Those projects were in the budget. It could be that either the project didn't move forward or they realized they didn't need the financing in that particular year. Maybe there was a delay with the project, so they may have just opted not to issue the funds at that time.

In the second table here what I've done here is reconciled the 2018 temp notes to the amount that's in your 2019 sale resolution. We start with $65M in temp notes. Those projects, we've had the temporary note issued for a year so there is additional interest on the temp note and then we added in projects that were included in the CMIP for 2018 that were not financed last year. This a net number, this $1.3M. We had additional projects that were added and we also had some projects that were taken off. This amount here is a net number.

The 2018 reimbursement resolutions, which I'm going to go over here in the next couple of slides, are projects where we issued a reimbursement resolution last year. We didn't finance them because we didn't either have the scope of the work identified or the locations, so we couldn't issue the financing. We issued a reimburseemt resolution which allows them to once they identify the project, they can go out for bid, they can issue contracts. Having that authority in the current year allows them to be able to do that. Once they identify the project and get it set up we can go ahead and issue the funding in the next year.

We have the 2019 CMIP. This amount reconciles back to the slide that I showed a few slides ago that have the total for the 2019 CMIP. We also have a couple of amendments for 2019, which I'll go over in a later slide, projects that were not included in the CMIP when we approved the budget in August, so we'll talk about those. Since this total is for the temporay notes, not the PBC projects, I subtracted out the PBC total. It wasn't included in this $91M and then I also subtracted out the 2019 reimbursement resolutions of 2.5M. I'll talk about those also.

Chairman Burroughs said you've subtracted that $9.5M off of the total and that's reflective in the total of the $155M that's being requested. **Ms. Jonscher** said that's correct. On your sales resolution there's a separate table for the PBC projects so I didn't include them in this total.

Chairman Burroughs asked are there any questions at this time during the presentation one may have. **Commissioner Townsend** said maybe about, within the last couple of months, the Board of Commissioners approved funding to facilitate new roadway improvements in relation to a new school that's going to be built off of Parallel. Is that amount anywhere in here and if so, where? **Ms. Jonscher** said yes, that's included in this amendment to the CMIP which I'm going to go over. There's several projects that are included in that $4.8M, so I will talk about those shortly.

REIMBURSEMENT RESOLUTIONS

- Reimbursement resolutions are issued for projects where locations are unable to be determined ahead of time. No money is financed. Usually for emergency type projects.
- Once work is identified, the description is amended and the debt financing reimburses for costs incurred.

2018 Reimbursement Resolutions now being Amended and Financed	
Emergency Bridge Repair, 2018	$300,000
Fairfax Industrial Area Improvements, 2018	$100,000
Industrial District Rehab, 2018	$600,000
Railroad Crossing Improvement, 2018	$150,000

2019 Reimbursement Resolutions Authorized – not financed	
ADA Modifications, 2019	$100,000
Elevator Upgrades, 2019	$200,000
Emergency Bridge Repair, 2019	$300,000
Fairfax Industrial Area Improvements, 2019	$100,000
Industrial District Rehab, 2019	$300,000
Sewer Main Extension	$1,500,000

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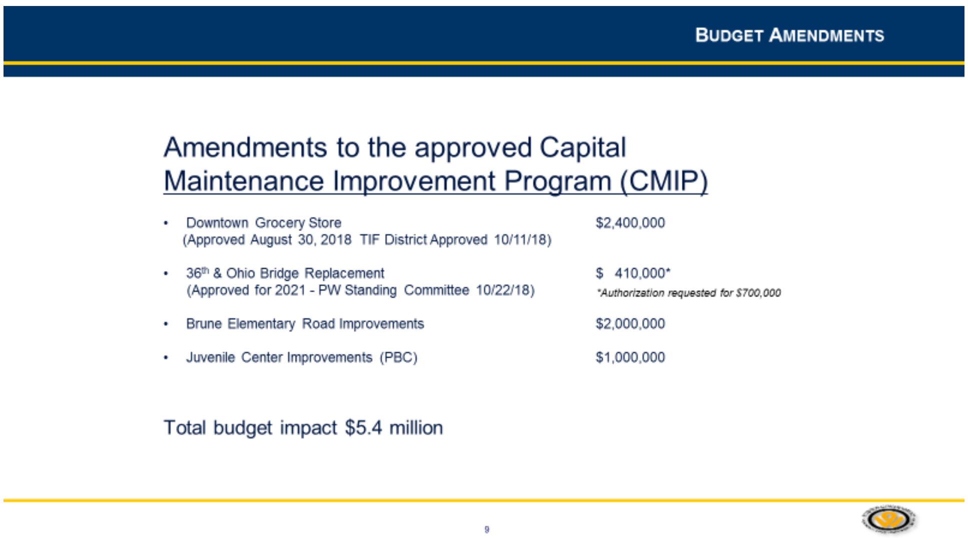
This next slide just shows the reimbursement resolutions. As we said, reimbursement resolutions are issued when projects or locations are unable to be determined ahead of time so we don't finance them, but approving them allows us once the project is identified to bid the project and enter into contracts. These are the four projects that were in 2018. The total $1.15M, they've identified the projects now. None of the money has been spent yet, but this allows them to move forward and we will finance it with the 2019 issue.

For 2019, the six projects are identified—they don't have project desciptions now so we're issuing reimbursement resolutions in the event that during 2019 they identify projects that they plan to move forward. They could amend their desciptions next year and issue in 2020 if they have a project to move forward. If a project doesn't develop, if it's an annual project, we would just let it go and they would issue their next year's allotment.



This shows the amendments to the CMIP. None of these prjoects were included in the CMIP that was approved in August. We have the Downtown Grocery and I've listed some of the meetings where we presented the Downtown Grocery.

36th & Ohio Bridge Replacement, this one was approved in the budget in 2021. It was stated, I believe, at the Public Works Standing Committee that this project needed to be moved forward so what they want to do is replace—there was a project in there, the 11th Street Bridge over Jersey Creek, they want to replace that project with the 36th & Ohio Bridge Replacement and so this would be budget neutral. The 11th Street Bridge was authorized and we issued $410,000 for that project, so that's why we have $410,000 here. I will note that in the project authorization, we are asking for $700,000 in authorization in the event that the project costs more than $410,000 they would have the ability to use other funds or reimburse themselves in the future with debt proceeds if the costs exceeds the $410,000. Here is the $2M for the school district road improvements. Then there was an additional $1M that has been put in for the Juvenile Center improvements. So the total impact to the budget is $5.4M because I did not include the $410,000 because it's being replaced by another project. It's replacing another prjoect.

Chairman Burroughs said I do have a question for point of clarification. The $410,000, you're requesting $700,000. That doesn't add up to the $5.4M. **Ms. Jonscher** said right. For that project we are requesting authority for $700,000, but we're only going to issue—we only want to issue $410,000 becaue that's the amount that was issued for the 11th Street Bridge Project. The reason we're asking for $700,000, if in the event that this project goes up toward the—it costs up towards the $700,000, I think Public Works believes that they may be able to fund this with Emergency Bridge Repair. If we authorize it at the $700,000, they would have the ability to reimburse themselves with future debt proceeds if they didn't have additional funds. **Chariman Burroughs** siad I want to be sure I'm able to give the committee and the community the answers to that question that when they're seeing a request for $700,000, but they only see $410,000 that's not requested in the total budget, I just want to assure that we're able to clearly communicate as to what the request is and the total amount will be for bonding authority for 2019 CMIP Plan.

Doug Bach, County Administrator, said I think the totals you're looking at, the other projects add up to the $5.4M. The $410,000 nor $700,000 are included as a budget impact because adding this bridge project, but we're removing a different project and substituing this one in place of it, so there's no true budget impact. It's an addition you have to make this project, but no financial change.

Kathleen VonAchen, Chief Financial Officer, said I just would like to also add that the Downtown Grocery Store, $2.4M, is going to be recovered from our proforma. It states that the repayment will be covered by future sales tax from the project itself, it won't be dependent on our mill levy for city projects. **Chairman Burroughs** asked and what length of time will that payback occur**.** **Ms. VonAchen** said 20 years.

AGING TEMPORARY NOTES

Temporary notes have a statutory limit of 4 years

2 projects have reached that limit

- Relocation of Sewer Maintenance Facility #6039
  - $5M was authorized and issued (2014-2016)
  - $2.7M is subject to limit
  - Paying down full amount outstanding
- Pump Station Elimination #6124
  - $5.75M was authorized, of which $4.75M has been issued (2015-2018)
  - $750K is subject to limit
  - Project is complete, bonding amount spent $1.75M and paying down remaining $3M

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Ms. Jonscher said this slide shows temporary notes have a statutory limit of four years. We issue temporary notes for a one-year term and then at the end of that year we determine whether the project is going to be bonded or if we're going to reissue another temp note.

Commissioner Burroughs, you had asked what were the oldest projects that we had outstanding and currently the relocation of Sewer Maintenance Facility and Pump Station Elimination are the two that we currently have outstanding. Relocation of Sewer Maintenance, $5M was authorized and issued between the years of 2014 through 2016. After talking with Public Works,. we determined that we are going to paydown the full outstanding amount on this $500,000 available on that project for design and consultant for them to continue to work on the project, but we're going to paydown the remaining amount.

On Pump Station Elimination, $5.75M was authorized of which $4.75M has been issued. The project is complete now and they're going to bond the total amount spent which was $1.75M and paydown the remaining $3M.

Chairman Burroughs asked do we know what the savings would be by doing it this way or is it just going to expedite the project for paying down the bonds. **Ms. Jonscher** said we're paying them down because we're not going to spend anymore—at least on the Pump Station Elimimation the project is complete with the $1.75M so—we've already got $3M sitting in our account because we've issued a temporary note on it, so we're going to pay that temporary note back and we won't issue another one. **Chairman Burroughs** asked will it be saving the interest off the temporary note moving forward. **Ms. Jonscher** said that's correct.

Tentative Calendar

Action Items	Tentative Dates
UG Commission considers approval of resolution authorizing projects/ the issuance of bonds	Nov.8th
Publication of November 16th project authorizations	Nov. 15 & 22
Finalize Obligation structure and provide information for Notices of Bond and Note sales	Dec. 27
First draft of Preliminary Official Statement sent out to UG Staff and Gilmore & Bell for review	Dec. 27
Comments to Springsted on first Preliminary Official Statement draft (by noon)	Jan 4
Second draft of Preliminary Official Statement sent out to UG Staff and Gilmore & Bell for review	Jan 9
Draft of Awarding Resolutions provided to Springsted (to be included in the information sent to the rating agencies)	Jan 11
Final comments to Springsted on Preliminary Official Statement (by noon); Posting of Preliminary Official Statement and application for rating forwarded to credit rating agencies	Jan 11
Credit rating conferences	Week of Jan 21
Protest period for private-purpose taxable projects expires.	Late Jan
Form of Award Resolutions from G&B; Receive ratings	Week of Feb 4
Sale of obligations; Commission considers award of obligations	Week of Feb 11
Distribution of Final OS and draft closing documents	Week of Feb 25
Closing, settlement and receipt of funds	Feb 28

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Ms. Jonscher said we put together a tentative calendar for our 2019 financing. I will just note we've got several dates for information that we need to provide to our financial advisor and bond counsel. Currently, we've got the sale of notes and bonds scheduled for the week of February 11. I believe at that time, earlier I presented the information on how much we actually authorized, but we didn't spend. At that time, I think we could probably when we do the sale, we could also give you a breakdown of—we started out authorizing $155M exactly how much of that went to temproary notes, how much we bonded and how much we didn't issue. **Chairman Burroughs** said thank you for that. I think that it's very important the committee understands the cost of doing business for these projects. If we can avoid bonding additional dollars, it saves us interest, which in turn allows us to address projects that may not demand the bonding that may have been utilized in the past. I appreciate the time you've given us in putting your testimony together.

I do have one question if I may, then I'll ask questions of the committee. You gave, I'm going back to page 7, the $91,392,000 was the $91M, that was the 2019 CMIP approved. What was 2018? Did I miss it somewhere? **Ms. Jonscher** said we have the total in here that was approved in the Amended Budget. The $75.5M was in 2018. **Chairman Burroughs** said that's what was bonded, that's not what the total CMIP request was, was it? **Ms. Jonscher** said this is the total CMIP request right here and the same as the 91 through 92. This is the amount—these are all the projects that were approved in the CMIP. **Chairman Burroughs** said I noticed in the outyears across the top of the city debt projects, that it's reducing itself starting with 2020. It begins to reduce itself on into 2023, that debt reduction unless we take on additonal CMIP projects and bond additonal dollars. Would that be a correct statement? **Ms. Jonscher** said yes.

Commissioner Walters said based on this revised CMIP and the funding, I'm recalling our auditor when they give us their annual audit report always cautions us about the amount of debt we have. What will their reaction be to our action tonight if we approve this? Will it be a positive or will they again express concern about the amount of debt we're incurring? **Ms. VonAchen** said I'm not sure the auditor actually mentions the level of debt, it's the outside agency that mentioned that. **Commissioner Walters** said I've never heard a report from the rating agency so what I was hearing was from the auditor. **Ms. VonAchen** said there is a table at the end of our CAFR that outlines the level of debt we have. It's that graph that I've shown in the past. The credit rating agencies are concerned about our level of debt. I did want to point out that when we're talking about the level of debt of the Unified Government with respect to the credit rating agencies and the CAFR, they're only really talking about the top line there. The second line is the Enterprise and the PBC debt, mainly the Enterprise debt. That's sewer related and those sewer—a good portion of that is sewer related and that sewer related debt are investments that are being made in order to bring our infrastructure up to the standard based on the Consent Decree order and it's paid for, repaid back from the charges that we are collecting for sewer revenues.

The one project that actually we're undertaking in '19 and in '20, which you can see it's a significant increase here, is that one project that's roughly $70M between those two years and that's the Biosolids Project which actually is an investment that's going to actually pay for itself and we presented information on that in the past. It wouldn't require an additional increase in the sewer rate so that's the investment that we're doing in order to address the biosolids treatment in that facility.

Commissioner Walters said back to my question, whether it's the rating agency or the auditor, will somebody say good job, you guys are really listening and addressing this issue or will they say, gee, we're still concerned or perhaps even more concerned about the level of debt. Which way are we going you think? **Ms. VonAchen** said the $13.5M is actually a reduction from the previous amount. **Commissioner Walters** said do you think they'll say good job?

Mr. Bach said I don't know if we can get a that-a-boy out of them, but I would say it would not be something they'd come back and put us in the other direction to say, at least it would show that we are holding the line on what we're doing with debt expenditures. Typically, they don't seem to comment a whole lot on it until we start to feel a trend over a number of years.

Commissioner Walters said I really like all the information that you have presented tonight. I think it makes it far more clear than it has in the past. I do have one request. If you could put PBC debt on a line of it's own, I would really like that. You can klump all the other Enterprise funds together, but I tend to kind of look at that PBC debt as an indivdual line item itself.

I see that there is a request to increase the Juvenile Facility. This might be a question for Doug. The last time we had a conversation about this, there were some cost savings initiatives underway to try to get back to the original budget. Can you update us on where we are with that or maybe expand on the need to go another $3.7M, on that project? **Mr. Bach** said I believe the request for the additional money is only $1M over what you've already—the $3.7M, we brought that to you last summer and we authorized up the $2.5M additional. We needed another $1.2M to get it done completely. We went through, did the bidding with it. I think it was a little more than that actually, but what we ended up to finish the courtrooms on the 3rd floor and all the access points to it, we were $1.2M short. I'm sorry, $1.6M short. That's the amount that we don't have in the budget today as part of that.

What we're bringing forward is, we have gone though it, looked at some ways to try to find other revenues. I'm still hoping maybe there's still some projects in this year that are related over into the jail areas and such that we could move some of that money into this project to finish it. That's where my $1.2M was. We have $1.2M in contingency funding in that project, though I'm reluctant to allocate that to this until we get a little further than we are because as you know by seeing it, we're drilling in the ground, we're drilling in the ground today and typically that's where you find a lot of things that might come up and cause you some overruns on the budget they weren't anticipaitng.

I think in sitting down with Mr. Fisher and John Kelly from Facilities, we still have a high confidence that we can find the funding somewhere else, and we should be able to have that identified by the time we get to the bond issue, to be able to tell you that one way or the other. I would like to include that additional million, as what you're including today over where we were authorized from last summer. Include that additional million in the event we don't get that identified, then I can tell you I'd like to go ahead and issue that additional temp note money for it and then we can finish the project as we go through it. It is one that we've met with judicial members. They're very adamant about seeing us get this done and trying to sit down with them and work through where we're at and explain to them the commitment that you all have that we want to finish the project, but we are trying to find it within all savings. I'm kind of putting this $1M in there as a back up. We will know before we cut the bonds on February 28th or at least that's the plan.

Commissioner Walters said as proposed we've gone away from not finishing some of the courtrooms, we're now going to finish those courtrooms. **Mr. Bach** said yes. If we're authorized with this, we'll be able to get it all done. **Commissioner Walters** said I think that's good because it will only be more expensive to come back at a later date and finish those courtrooms, but anything we can do to get closer to our original budget would certainly be appreciated I'm sure by all the Commission. **Ms. Jonscher** said, Commissioner, I can send you a revised breakout for the PBC, where the 2019 PBC total was $7,075,000 and $3,150,000 for 2020.

Commissioner Townsend asked, Ms. Jonscher, do you recall what year the 11th Street Jersey Creek Project, the CMIP money for that will be moved to since the Ohio Bridge that was approved in 2021 is coming forward, how is that going to impact the Jersey Creek. What year should we look for that? **Brandon Grover, Assistant Coordinator Manager for Public Works,** said I will go ahead and answer that. At this point Public Works isn't recommending putting it back in the budget just yet. We're waiting until the Northeast Master Plan works itself out and we figure out what the ultimate plan is for Jersey Creek. What we were hoping to do is figure out if Jersey Creek is going to go back to an open channel or some other design. That way we can put a bridge that fits with the elements that's going to be there. We don't want to go back there and put a box that's going to last for 100 years and make it not fit with what we're really trying to do with the Northeast. That's why we decided that this funding would be the appropriate one to move. Once the Northeast Master Plan flushes itself out a little more, we'll have a better idea of that and we can probably put it back in somewhere close to 2023. The bridge is in structurally sound shape, so no worries there. This is just the last—the oldest one left on Jersey Creek. That's why it was next to replace, but it doesn't really need it at this time, and we don't want to put something out that's not going to fit with what we're really trying to do as a whole organization to the Northeast.

Commissioner Townsend said I follow that logic, I'm wondering about the money if you decide that there's some improvement that would fit within the plan, where would that leave us? Will we have to then allocate additional money? In other words, there's no placeholders with what I'm hearing you say. **Mr. Grover** said that is correct. It would be just like anything else we do in an outyear. As most everybody is kind of aware, our current CMIP is really solid for the next two to three years. Those fourth years are kind of out there a little bit still, so we've got some play room. If you want to flip back to the little graph at the bottom of the page, you can see how like in the city debt projects it does trend to go down out towards 2023. I know we've been trying to stay under that $15M line for city debt projects so trend is a little room there. Also, what we could do at that time is reallocate annual bridge repair money or other funding sources, some street repair money since it will have a street or something on top it to make up for those funds so it won't just be a new whole increase. We'll do the best we can to keep it as minimal as possible.

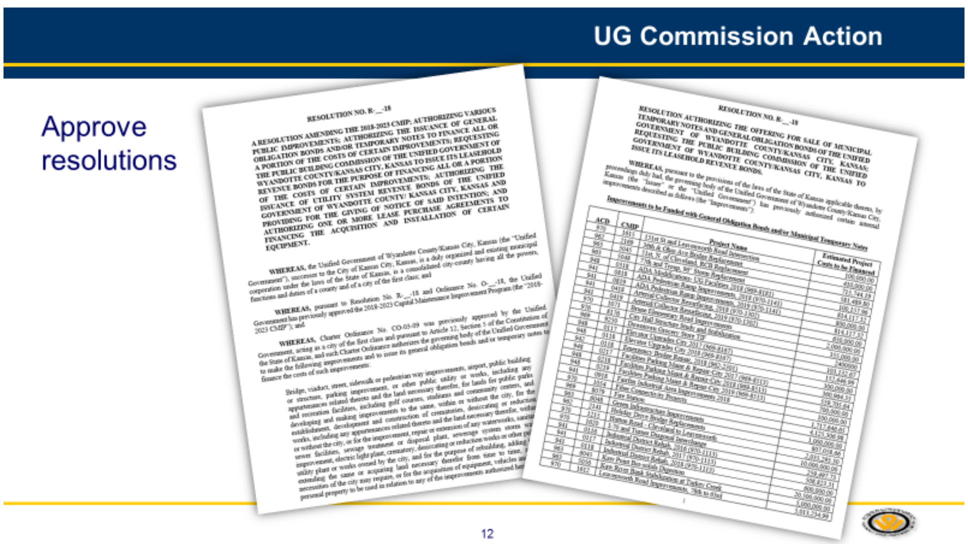
Chairman Burroughs said I noticed the $91,392, how much of that is associated to the Sewer and Biosolids Plant? **Ms. Jonscher** said it's $20M. **Chairman Burroughs** said that's for 2019 alone? **Ms. Jonscher** said yes. **Chairman Burroughs** said that's why the big bump between '18, '19, '20 and by '21 it should be—**Ms. Jonscher** said for that project alone 2019 is $20M, 2020 is $40M, and then another $10M in 2021. **Chairman Burroughs** asked can you give us an accurate number over a three-year period, the costs of that project. **Ms. Jonscher** said the total is $70.5M.

Chairman Burroughs said it was mentioned earlier about a contingency reserve Mr. Bach. In reference to this CMIP, do we have what we refer to as a contingency reserve set-aside for CMIP? **Mr. Bach** said we do contingency reserves on a per project basis. Depending on the type of project, what we build into it as we have our budget estimate to what we believe the cost of the project will be and then we'll do a percentage-based of contingency with each one. When you go through all the projects through the course of the year, and Mr. Fisher can probably speak to this better, but some of them we eat it all up, some of them we don't spend it and that's kind of the variable that works within those projects. **Chairman Burroughs** asked are those contingency reserves bonded money? **Mr. Bach** said typically they're in the temp note, right?

Ms. Jonscher said right. The project is usually done as a temp note and then if they don't get into the contingency, then we would pay that amount down at the end of the project.

Mr. Bach said the exception to that, if it's Public Building Commission, those are bonds all the time because we cannot do temp notes on those. So, in the case of the Juvenile Center that's Public Building Commission so that will be a bond, but for most of the projects you see them as temp notes and then we can clean it up before we ever go to bonding.

Chairman Burroughs asked for any questions from the committee or any questions from the public. Let the record show no one approached to speak.

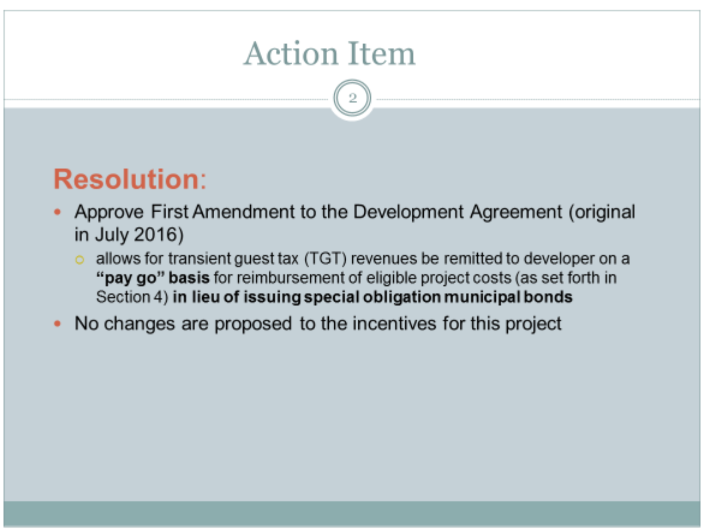


Action: **Commissioner McKiernan made a motion, seconded by Commissioner Walters, to approve the resolution amending the 2018 – 2023 CMIP**. Roll call was taken and there were six "Ayes," Bryant, Walters, Murguia, Townsend, McKiernan, Burroughs.

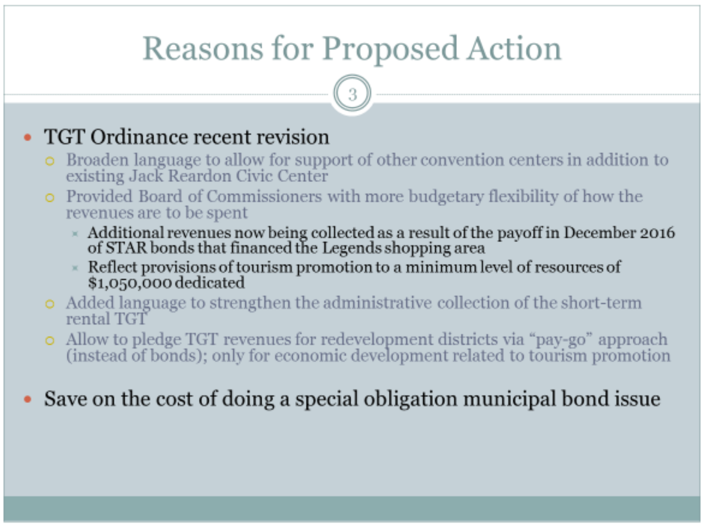
Action: **Commissioner McKiernan made a motion, seconded by Commissioner Walters, to approve the resolution authorizing the offering for sale of Municipal Temporary Notes and General Obligation Bonds.** Roll call was taken and there were six "Ayes,' Bryant, Walters, Murguia, Townsend, McKiernan, Burroughs.

ITEM NO. 4 – 18471…RESOLUTION: AMENDMENT TO RAINBOW VILLAGE DEVELOPMENT AGREEMENT

Synopsis: A resolution approving a first amendment to development agreement with Rainbow Legacy Investors II, LLC relating to the Rainbow Village development, NW corner of 34th & Rainbow Blvd., submitted by Kathleen VonAchen, Chief Financial Officer.



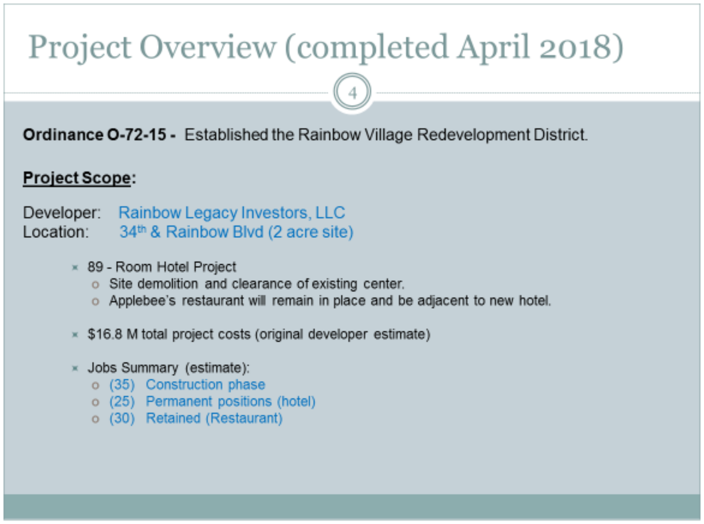
Kathleen VonAchen, Chief Financial Officer, said a little update on the Rainbow Village. The reason we're meeting to discuss this project, even though the project is completed, is because we'd like to amend the development agreement. We ask for your support on that. The resolution before you is to approve the amendment to the agreement and the only change to the development agreement is to allow for Transient Guest Tax revenues to be remitted to the developer as a "paygo" basis for reimbursement of eligible project costs. This would be done instead of issuing Special Obligation Municipal Bonds. There is no change at all to the proposed incentives of this project. It's merely just a change in the means of payment to the developer.



Just a reminder, about a month ago the Commission approved revisions to the Transient Guest Tax ordinance. It broaden the language to allow for support of other potential convention centers in our area. It also provided the Board of Commissioners with more budgetary flexibility and that speaks to the fact that we are now collecting more revenues—Transient Guest Tax revenues in the Transient and Convention Center fund as a result of the payoff of the STAR Bonds that took place in December 2016, now we have a little bit more money coming in, quite a bit more money, and that reflects that we have more funds to dedicate for tourism promotion. The ordinance does establish, at a minimal level, $1,050,000 for promotion of tourism, but of course, you can through the annual budget process approve more than that.

Also, it added language to strengthen the collection of short-term rentals or Airbnbs so that we can collect Transient Guest Tax as a project that Finance will be looking at developing in the future.

The very last thing that was of most importance and relevant to this agenda tonight, is that it allowed us to reimburse developers of hotels, those that promote tourism, to be paid on "paygo" basis rather than being forced to issue bonds and incur the cost of bond counsel and investments and interest on bonds. We'd rather just collect that money from the state on a quarterly basis and then remit it back to the developer up to the cap as prescribed in the development agreement that you all approved.



Just to give you a recap, this project was completed in April 2018. The developer is Rainbow Legacy Investors. It is on 34th & Rainbow Blvd. It comprises of an 89-room hotel and it also did some refurbishment to the Applebee's restaurant which is next to it. The total project was $16.8M. That's what the developer paid. They estimated that it would have 25 jobs permanent in the hotel and retain the 30 jobs that existed in the restaurant itself.

There is the location of the project.

Project Calendar

Date	Committee	Action
12/17/15	Full Commission	➤ Public Hearing ➤ O-72-15 Established redevelopment district.
4/4/16	ED&F Standing Committee	Presentation of TIF project plan and development agreement terms
4/11/16	Planning Commission	TIF Project Plan and land use conformance
4/14/16	Full Commission	Resolution setting public hearings ➤ TIF Project Plan, CID Petition
6/9/16	Full Commission	Conducted Public Hearings ➤ TIF Project Plan, D.A., CID ➤ Ordinances (Master Plan, TIF Project Plan & CID)
4/10/2018		Grand opening of Home2Suites and Applebee's at "University Village" in Kansas City, Kansas

Over the past few years, here's the various actions taken by the Commission and with the final which began in late 2015. The project itself was opened. The Home2Suites and the Applebee's at the University Village in Kansas City, Kansas was opened in April of this year, 2018.

Completed Project Photos

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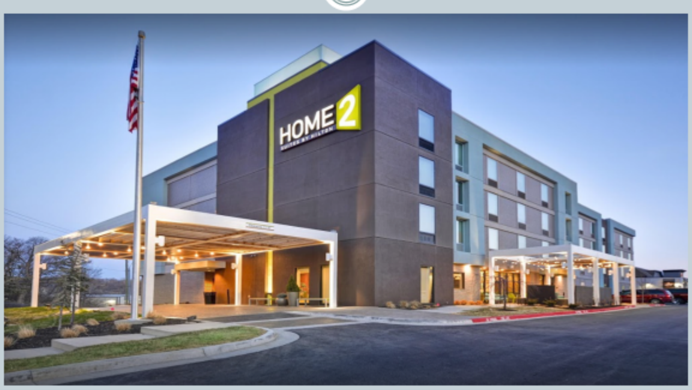
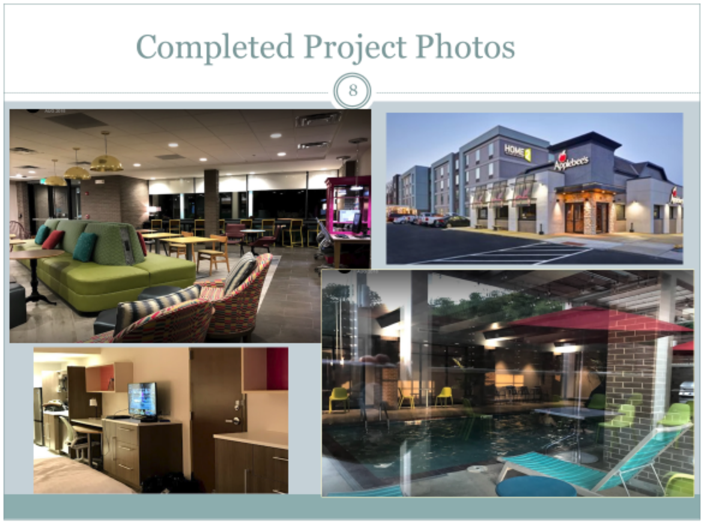
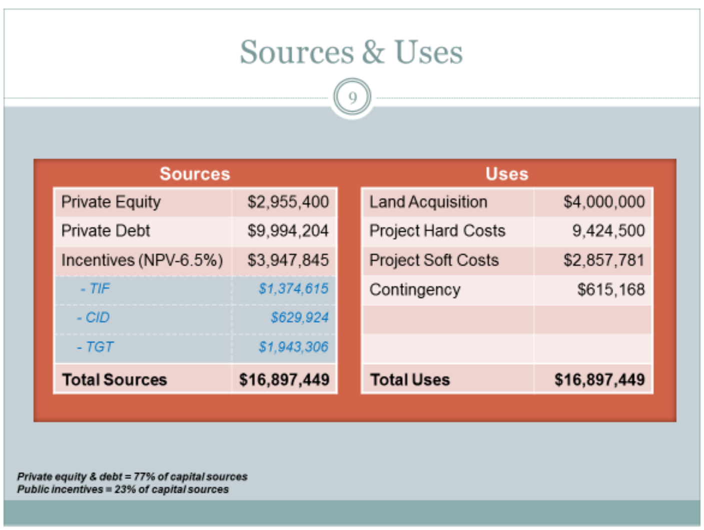




Here's some beautiful pictures of the facility that's in operation now. You can see the interior of the hotel itself, the pool, the rooms, the lobby area, and then, of course, the Applebee's as well, it's doing really well.


Sources & Uses

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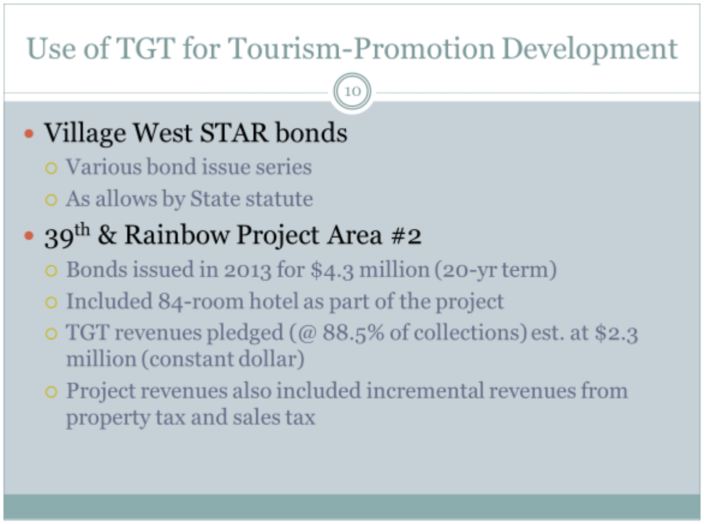
Sources		Uses	
Private Equity	$2,955,400	Land Acquisition	$4,000,000
Private Debt	$9,994,204	Project Hard Costs	9,424,500
Incentives (NPV-6.5%)	$3,947,845	Project Soft Costs	$2,857,781
- TIF	$1,374,615	Contingency	$615,168
- CID	$629,924		
- TGT	$1,943,306		
Total Sources	**$16,897,449**	**Total Uses**	**$16,897,449**

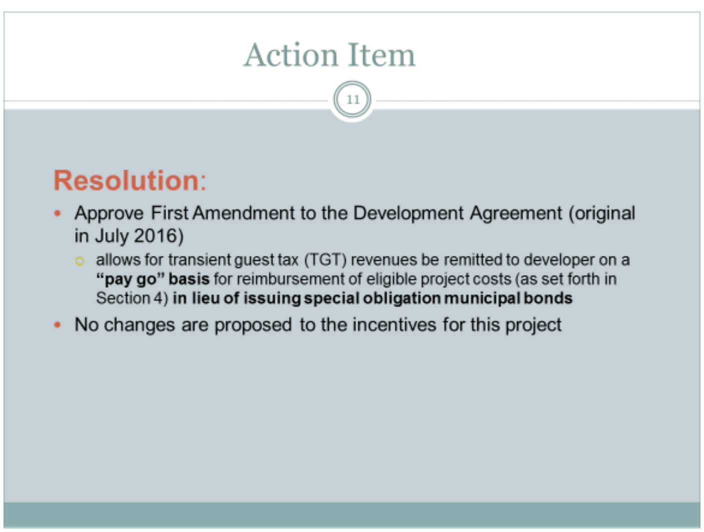
Private equity & debt = 77% of capital sources
Public incentives = 23% of capital sources

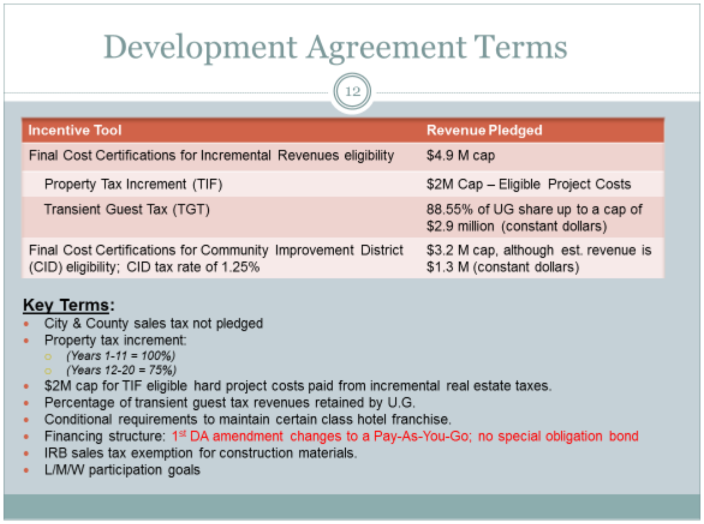
Overall, the project sources and uses—the $16M included $3M in private equity, $10M in private debt, and then incentives of roughly $4M over the course of the 20 to 22-year period. I have more details on each of these incentives, but for the most part nothing has changed in this development agreement. The only thing that's changed is the means that we're going to be reimbursing the developer, which by the way, the developer is here tonight. Ken Lee from Polsinelli is representing as the developer. If you have any questions, he'd be happy to answer them for you.



There was a question about whether we've used tourism promotion or TGT revenues for tourism promotion in the past. I just wanted to point out here that first off Village West STAR bonds, you know various STAR bonds have Transient Guest Tax as a component of their revenue pledge and that is allowed by state statute. Some of those bonds have already been paid off. We didn't want to go into each and every one. All those STAR bonds in Village West have those.

The last 39th & Rainbow Project Area 2, we issued bonds in 2015 for $4.3M for 20 years. That was an 84-room hotel as part of the project and some $2.3M in Transient Guest Tax revenues were pledged for that. This project also included property tax and sales tax increment.





Development Agreement Terms

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Incentive Tool	Revenue Pledged
Final Cost Certifications for Incremental Revenues eligibility	$4.9 M cap
Property Tax Increment (TIF)	$2M Cap – Eligible Project Costs
Transient Guest Tax (TGT)	88.55% of UG share up to a cap of $2.9 million (constant dollars)
Final Cost Certifications for Community Improvement District (CID) eligibility; CID tax rate of 1.25%	$3.2 M cap, although est. revenue is $1.3 M (constant dollars)

Key Terms:

- City & County sales tax not pledged
- Property tax increment:
  - *(Years 1-11 = 100%)*
  - *(Years 12-20 = 75%)*
- $2M cap for TIF eligible hard project costs paid from incremental real estate taxes.
- Percentage of transient guest tax revenues retained by U.G.
- Conditional requirements to maintain certain class hotel franchise.
- Financing structure: 1st DA amendment changes to a Pay-As-You-Go; no special obligation bond
- IRB sales tax exemption for construction materials.
- L/M/W participation goals

We ask for your approval of the amendment to the development agreement which only allows for us to in lieu of issuing bonds to reimburse the developer on a "paygo" basis.

Commissioner Walters said I guess this might be for Mr. Bach. Is this going to be a trend that we're going to start funding hotel financing through this kind of a mechanism? I assume this was our idea. **Mr. Bach** said this is what was—as we worked through the development agreement with the developer, this was one of the proposed solutions to do it, was to use a Transient Guest Tax funding for it. I think one of the maybe positive side of it is, they're just using—it's just projected revenue that they're newly creating within their project area so we're not using our other money. Looking at it just from what's new dollars coming into the market because of the hotel, it's kind of like looking at it from a TIF perspective. You say this is sales tax dollars that wouldn't otherwise create it, so when they came in they did it. Really, going to it from the tool that Kathleen has put forward, I like a lot better, because then we don't have to worry about the whole bonding. This is the structure of how that deal was done before when we put the deal together. This just allows us to do the "paygo" versus the bonds, which we hadn't got to issue yet. It works out well.

Commissioner Walters said I'm glad you clarified that it's only for this project. I had the impression that we we're asking other hotels to collect tax so that they could build competing hotels which didn't seem like a good idea, but it is interesting that other hotels will be contributing money to tourism funds that this hotel will not be because it will be only using that money to finance its own project. Would that be fair? **Mr. Bach** said that would be accurate. Of course, and as Kathleen pointed out, that was the philosophy we used as we went through the Village West area and now our Tourism Fund is much more robust than it ever has been so we're able to go through, pay off and use that tool to help create new development and now all the new hotels as they come on line and all the existing ones are paying into that fund. Like the new Home2Suites that just opened immediately, starts to pay in.

Chairman Burroughs said I know the language says a minimum level of resources of $1,050,000. Do we have a ceiling or period or a timeframe in which we can only allocate dollars? Is there a ceiling of dollars that can be allocated over a period of time? **Mr. Bach** said no sir. It's only ceiling is based on the actual revenue that comes in. **Chairman Burroughs** said I think it's an innovative way to, I guess close the gap. I just hate to see our future revenue go to pay for projects that wouldn't be here if it wasn't for that. I'd like to see that revenue come to other additional issues.

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

ITEM NO. 5 - 18475…RESOLUTIONS/ORDINANCE: METROPOLITAN AVENUE REDEVELOPMENT PROJECT

Synopsis: Request the following actions in coaction with the Metropolitan Avenue Redevelopment District, submitted by Katherine Carttar, Interim Economic Development Director.

- Adopt a resolution approving the redevelopment agreement.
- Adopt a resolution setting a public hearing date of January 10, 2019, to consider creating the CID
- Adopt a resolution setting a public hearing date of January 10, 2019, to consider the project plan (TIF).
- Approve an ordinance authorizing the use of Home Rule powers for local sales tax.

Metropolitan Avenue Fast Food Project

ED&F MEETING

OCTOBER 29, 2018

What we're here for tonight

2

- Metropolitan Avenue Fast Food Project

Proposed Site

3

Chairman Burroughs said that brings us to our last item this evening and it consists of several actions for the Metropolitan Avenue Redevelopment Project. This evening we have Katherine Carttar, our Interim Economic Development Director, who will be making the presentation.

Doug Bach, County Administrator, said, Commissioner, I think I probably need to jump in here. We've had some changes to this project that we need to discuss. Katherine, I'd ask that you go ahead and put the map of the project area up. As commissioners are aware, this is some information that really some changes have come to our attention here in the last, well, a lot of it today. The property where the star is, is the project area site. This is Kansas Department of Transportation property. We had an agreement that we entered into them with several years ago stating we would be able to market this property and come back with a development agreement. That agreement had expired during the time we were going through this. We were working through this with the developer that we would get it renewed with the state. In fact, the agreement that's in our packet tonight has a provision within it that contemplates that it is subject to getting that renewed with the state of Kansas. I think both our sides thought that this was just what would be more of a routine move, that the state was very willing to continue to have this property in the project to be redeveloped. However, as we hit the end of the week, I asked Mr. Waters, our attorney, to just contact them and make sure that everything was good to get that done. We've hit a couple of snags in that regard. One being, what we did in this process is through our procurement process, is we get unsolicited proposals come in. That means our procurement. Their statement was, you would need to have formal RFP's done; however, that wasn't the biggest clause because that's one I think we can work through other than the fact that we would need to do that in advance of approving it.

The bigger thing that came to us now was as they're working in the 18th St. corridor area, and I think you're all aware, that 18th St. has been down. They started a study review process on October 26 and they identified the area from I-70 all the way down to Steele Rd. which includes this. They stated until we complete our review, our study review, we're not going to renew this or open this option up for you to put anything on that property because they may need to come into this site and expand the highway in a way like they never thought they would before. So, with that, they said we don't have an option on that property until it happens, and we'll be studying it through August of next year. While Patrick had had some conversation regarding the RFP, I called up directly to talk to the staff members today to push for that issue and make sure that's where they were and received this back from them in writing at about 2:30 this afternoon, so fairly late breaking from that perspective. I will say it was a mistake on our part by not going to the state earlier and say, okay, we want to make sure we have this renewal in place and then we could have brought that discussion to a head to see where we were at. We notified the developer this afternoon as soon as we found out this was going to be a problem. We started that conversation earlier today. With that, the item we have in front of you right now, I no longer have the authority to put this ground in play. I don't have that option from KDOT to do this. Until we get any different ruling from them or clarification of that agreement, I don't think we can take action to give away property that's not ours.

Chairman Burroughs asked do we have options available if this ground is not available. Do we have options available? Maybe that would be something I would ask of not only you, but of staff possibly, what our options might be. **Katherine Carttar, Interim Economic Development Director,** said there are a couple of options in terms of pad sites that are nearby. There is one right in front of the Save-A-Lot there and also in front of the Walmart which is obviously now in place. I think not the most ideal as the developer obviously wanted to have it directly right off the highway, but there are some other development sites, pad sites, ready to go in the general vicinity. **Chairman Burroughs** said if I understood correctly, should the Kansas Department of Transportation choose to modify 18th St. Expressway, there's no guarantee that that's where an exit will be anyway moving forward if I understood Mr. Bach correctly, with the news from KDOT in reference to long-term plans for 18th St. **Mr. Bach** said they could make modifications around here. I mean I know most of the bridge work that the focus is on the area that heads across all the railroad areas and such like that, but it does come back in and connect directly over Metropolitan as you can see. That could have some impact on the interchange is what they come up with in the end. We won't know that until they get done with their study.

Jeff Sharp, representing Ferguson Properties, said I am acting as the developer hired by ABC for this project. I've been in communications with the retailer, Wendy's/Pizza Hut, in the past three years working here. We have tried and tried and tried to push them originally to the site next to the Save-A-Lot which would be the easiest deal for all of us to do and it's the retailer's direction to pick the site off of 18th St. that we are talking about right now. We've been told time and time again that it's either that site or no site, no deal for them, just because of the easy on access points from 18th St. and the visibility. **Chairman Burroughs** said so, an alternative is not viable is what I'm hearing. **Mr. Sharp** said we have a letter of intent agreement with them on the site right there and there's been no alternative site that they would support.

Commissioner Murguia said I just have a couple of comments to make. For those of you that didn't necessarily understand what Mr. Bach said, I think I might be able to break it down a little easier for people. So, in my role as the Executive Director of the Argentine Neighborhood Development Association I worked with Governor Brownback directly to acquire this ground where the star is located. An agreement was drafted and that land was given to the Unified Government to hold until the development could move forward. We're all aware—what I will always believe to be a lot of political delays in this development and a lot of political shenanigan's in regard to moving this forward over the last 2.5 years. Now, I find it very interesting that we were just here a month ago, October 1st, and we were told by the County Administrator, Doug Bach, and our staff that there were three issues that needed to be resolved. However, they were such minor issues that all we needed to do was to get them included in the development agreement. They were pretty sure that it would be ready for a vote on the 29th.

Since October 1st, I have received a draft copy of the development agreement that had new issues on it, something involving a reversionary clause that was never mentioned in the October 1st meeting. There were additional concerns. In addition to the original three items that were not supposed to be any big issue and it was supposed to come for a vote on the 29th, tonight, we have all these other issues. Interestingly enough, as of today, somebody decided to do their job and call the state and find out whether or not there's anything that needed to be done on this ground where it's now apparently held up again. I just find it interesting that we can move through at lightening speed $6M grocery stores and multi-million-dollar projects in western Wyandotte County and for 2.5 years we can't move through two fast food restaurants. I just don't understand that.

The other thing that I am extremely concerned about is that for those of you that follow politics at all, or follow the news media. *The Kansas City Star* has repeatedly written nasty, negative articles about myself as Commissioner and my role as Executive Director of ANDA. I've ignored those for a lot of years; however, this latest article that was written today I'm not going to ignore.

One of the comments that was made in here is it's supposedly a quote according to Steve Vockrodt, the writer in the Star, that he quoted our Mayor as saying again, no private money in this development deal. That is not true, there is private development money in the deal. It still requires ABC to go out and get a bank loan to construct this building all of which will not be paid back with just government incentives. There will be tenants, the tenants Wendy's and Pizza Hut, will pay rent which will be used to buydown that debt as well. Wendy's and Pizza Hut are absolutely private entities with private cash. That is flat out inaccurate and I would hope that our government would ask for a retraction of that completely inaccurate statement, not to mention that Mr. Vockrodt writes that this property is jointly owned by the Kansas Department of Revenue and the Unified Government. Obviously, it is not jointly owned or we would not need to get permission from anybody at the state level for this property and the Kansas Department of Revenue is not the Kansas Department of Transportation, which is who the ground is owned by. Again, Mr. Vockrodt is inaccurate, as he routinely is, in the articles that he writes about myself and Wyandotte County and the development in Argentine. I think it's very bad journalism.

I think it's bad, rotten politics, and I thought we were past all of that and I'm incredibly disappointed because we're about to see projects from Village West come back in front of us that are complete failures, that are going to require hundreds of thousands of dollars' worth of annual subsidy which is just shocking to me. Yet, I will bet you, it will not take 2.5 years to make sure that those deals are taken care of. It's very disappointing to me that this continues to go on. This one small area has gone above and beyond to raise money and to make things happen for their neighborhood. This community has worked very hard to make these things happen in their community.

The Walmart, the market did not drive the Walmart, the market did not drive the Save-A-Lot, it was a community, a small group of committed citizens than came together and actually went to retailers and knocked on doors, that knocked on doors and asked retailers to come here and be a grocery store here. There was no Unified Government that stepped up and wrote a check and said here is $6M, please come and build a grocery store and locate in Argentine. There wasn't even anybody in Wyandotte County, in the Unified Government, that went and called anybody about bringing a grocery store to Argentine. That had to be done by me and people within our community in the Argentine neighborhood.

Again, I go back to what I said on the October 1st meeting. All we're asking for in District 3 is fairness and decency and as we move forward with this project, I'll contact the

Governor again, and we'll see how the project moves forward. I will be looking at every economic development deal in the future that moves forward much more closely in regard to the amount of subsidy that it takes because in District 3 they pay taxes also, just like everybody else does so their entitled to that. There are a number of people that came here this evening. I'm sure there are some people that are here that are in favor of this project, I'm sure there are some that are not, but given that they took their time to come out, I'd like to give the people that are here the opportunity to tell you what their opinion is. I think there are some, like I said, that are in favor and some that are not in favor.

Chairman Burroughs said, Mr. Bach, in reference to the late news today, will we have a legal document stating such from the Kansas Department of Transportation in reference to the land and the RFP proposal being denied.

Mr. Bach said I have a letter that came out from KDOT today. They'll go back through and verify with their head engineer and verify where they're at with the study and that this will be part of it. If they pull it from it, and say even though it is within the corridor, the study area, there's the last map that was put on there where they showed us—they sent this to me this afternoon. They showed me this. They said here's the study area, as you can see, it extends down from up there by PQ Corporation, it crosses the Kansas River and goes all the way to Steele Rd. They said this is all within the study area and with that they are going to restrict it. If they go through that and their chief engineer determines that this property does not need to be held as part of it, and they can release it, they would let us know of that, but as of today it is held within that area,

Chairman Burroughs said in reference to Commissioner Murguia's request about public comment, before we move to that I would like to ask staff a question or Legal possibly. In light of the information, and in response to the developer stating that there is no other alternative, Mr. Bach, you say you can't advance this to us tonight and that this has impacted the project being discussed in advance this evening to this committee. **Mr. Bach** said, yes sir. I mean for the property that we have in play. We have a provision that says subject to this being done; but now I've been told affirmatively by KDOT it's not going to have a renewal right now and we need to go through—wait through the study period process and then look to do an RFP process after that. There is kind of a double hit that we'll be working through as we go into the next phases of this. I would continue to try to work with Mr. Sharp and see if there is a way for us to know whether there is an alternative and I understand what they've told him. I think probably until we know affirmatively from KDOT if they were to come back and say this property is absolutely out of play and see what they're going to do with that interchange, it might change that perspective.

Chairman Burroughs said so the question before us is do we—if we're can't take action on this project this evening, would we be remiss to not allow the public to comment on the issue before us? **Patrick Waters, Senior Counsel,** said, Mr. Chairman, you've opened the discussion, so I think your fine to have a hearing. **Commissioner Murguia** said I'm just requesting that people be allowed to speak. It's just a public hearing. **Chairman Burroughs** said it was not my intent not to allow that to happen. I just want to ensure that we're not sending a false message that this may advance this evening. I'd never want to stifle public comment, so with that we'll open the floor to public comment.

The following appeared:

John Altevogt said I live in Edwardsville. I'm a member of the Edwardsville City Council or Planning Commission out there. I'm also on your Landmark Commission. I was originally excited about this project because I have many clients in this area as a realtor. I'm a realtor with Reece Nichols Roberts. I'm an Associate Broker there. I have many clients in this area. This type of project enhances the value of that for the citizens who want to move there, and it enhances the value of the property, which is good for you folks because it creates more revenue for you as the property values raise in that area.

The thing that I'm concerned with now is sitting on the Edwardsville Planning Commission we just dealt with, and you may be familiar with the project we have coming, which is the Hard Rock Hotel and the associated development around there. The same developer has a project just down the street on the Bonner side. It's a huge project there and he just bought some more land down 110th St. That's three projects that are massive that are going to contribute to our community. Those folks, they're out of Minneapolis, first came down here and they first came to Kansas City, Kansas to do business and they were jerked around so much that they just said the hell with it, we'll go over to Edwardsville and see how it works there, and obviously it worked out well for them. That's not because we rolled over and just gave them everything they wanted, but what we did do was we worked with them efficiently. It didn't take them 2.5 years for us to wake up and say here's your project. With that in mind I would encourage you to do the best that you can to get this moving and other development like this, so that your city does not get a reputation for being hostile to development.

Therese Gardner, 5141 Sterns, Shawnee, KS, said I work for ANDA and in 2013 we got the grant to build the Save-A-Lot. That was a great thing. We were able to get the store built and running and it's still running, then Walmart came.

In 2014, we got the grant to build Goodcents. That became Pizza Hut/Wendy's when Goodcents couldn't operate the restaurant. We went forward trying to get this developed.

In 2015, we got the grant to build the Dunkin' Donuts, all in that same strip of land that was given to us long ago. These properties should have already been developed. We should not be here tonight talking about not being able to develop. They should have already been built. It's dirty politics. It's a bad mark against KCK. I'm very disappointed in all of you. I think Argentine is. They've lost jobs, the services, and the businesses that would have come because of these developments. I hope that you can straighten it out.

Mario Escobar, 1438 S. 25th St., said I'm the president of SANA via Argentine Homeowner's Association. We've had meetings on this several times for this project. We were looking forward to this. It's a shame that this doesn't go through. Like the Commissioner said, we've been dealing with this for four years now and it should have been done a long time ago. We just hope that these people that want to do business in our community will still be with us, if we ever come down to this. It's a boost for our community which will also eventually down the road will bring more development to our community. I hope that when it comes up again, that you don't delay this anymore.

Henry Sandate said I spoke with you last month. I am the Chairman of the Board of the Argentine Neighborhood Development Association. I live in Shawnee, KS. I've been on this board for 12 years since it's inception. I don't live in Wyandotte County. I am a resident of Shawnee, as I mentioned, but I have a real sincere concern for the community, specifically the large Hispanic community, Mexican-Americans community, who reside there, and also the other minorities and I would say the lower-income Caucasian population that live there as well. These folks have been ignored. This community has been written off. I'm not sure what they did, but it's very obvious that Wyandotte County does not care about the residents of Argentine. I'm not sure if it's racial, but the implications are such that it seems to be that way because the majority of people leading this community are Caucasian, to be honest with you. The majority of the population happens to be Hispanic, Mexican/American. It just seems like the services that exist for this community are not underwritten, provided for, the stewardship is not there, the concern, leadership is not there for this part of your city. It just seems like there's a lot being exploited. I would say exploited because, obviously, with a poverty community there's grants and there's welfare and there's CHIP. There's all sorts of federal programs that you folks receive money for.

I didn't want to think that, but I spoke with another developer who spoke with the previous Mayor and he said when I spoke to him about the vacancy situations, I approached him, and said I would be glad to purchase every one of those properties and develop those that developer said to me, I never got a phone call, I never got any emails. He said I emailed him three times, I called him three times and never got a response. He said to me, you know what that says to me Mr. Sandate, this developer from Johnson County says to me, I said no sir, what does that say. He said there's a lot of money in poverty and they really need those Hispanics to be poor.

This is your city. I'm going to try to help those people as much as I can. Give them myself in a community where I do not reside because I feel for those people. These are American citizens, these are Wyandotte County citizens who deserve an opportunity to climb out of poverty and this project would have definitely given them an opportunity. Gentlemen, congratulations. You've done very well keeping them poor and running the federal programs.

Mario Madrigal, 1528 S. 42nd St., said I just turned 60 years old a couple of weeks ago. I lived 57 of those 60 years in Wyandotte County. I spent the first 18 in District 3 before moving to our current address. I can say this, I thought the day of three-headed monster in Wyandotte County, back when had just the Mayor and the Finance Director, were over. I thought our former Mayor, Mark Holland, was behind delaying this project for the last three years and now I think I know where that's coming from, and that's from you Mr. City Administrator. You've let us down in Wyandotte County and I think you should look in the mirror tonight when you go home because all you have done is lied to the people of the Third District for the last three to four years.

Faith Rivera, 908 Hagemann St., said I'm a third generation Rosedalion. I'm not only a resident, I've also taken the opportunity within this last year to become a precinct leader, so I have also too been elected in my area. I have come today because I was concerned for my community. I've not only, do I knock door-to-door in my community, but I also do it not only in Kansas, but in Missouri. So, I wanted to let you know that when I walk in Kansas City, Kansas, that's Turner, that's Argentine, and that's Rosedale, Northeast; we're all concerned currently about where our taxes are going to and this is why I came today. I don't want my taxes to go to a franchise for fastfood. I don't want that. I have two children that are also living and residing in Rosedale. They will have to pay for this. That's why I came today.

Nicholas Murguia, 1430 S. 25th St., said I'm a multi-generational Argentine resident. My grandparents started living there many, many years ago. When I decided to make my residence there in Argentine, I got many questions like why don't you go to the west end, you have enough money to go over there. They have everything that you can need, retail, fastfood, whatever. My family grew up in that area and I feel it's very difficult, but it was not a difficult decision to live in a community in which I love. Over the past 10 years we have been making progress in that area, which I hadn't seen as a child. For our government to stand in the way of further development is very appalling. It makes me very angry that for such a small commitment and other projects that they have undergone in that area, it has been very prosperous to the surrounding area. It just seems like a slap in the face. If I did my job the way that some people have done their jobs here, people would die. I'm a Firefighter EMT. If this gross negligence that has occurred tonight would have happened on my watch, people would die. People lives can be dependent on the money for funding these jobs and for future development in this area. Take that with a grain of salt.

Chairman Burroughs closed the public hearing.

Chairman Burroughs said in light of new information, I don't know if there is any action we can take on this issue tonight. I would ask that we acknowledge those that came out this evening. Thank you for your community input. It's very important that we have an opportunity to hear your concerns and your comments, but the fact we cannot take any action this evening, it would be for informational purposes only.

Action: Information only.

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

tk

Staff Request for Commission Action

Tracking No. 18597

Full Commission Meeting Date: January 31, 2019

Committee: Economic Development & Finance

Date of Standing Committee Action: January 14, 2019
(If none, please explain):

Publication Required: Yes 03/14/2019

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
12/31/2018	Katherine Carttar	x5176	kcarttar@wycokck.org	Economic Development

Item Description:
Resolution providing notice of a public hearing to consider the adoption of a Redevelopment Project Plan for Project Area 1 (Downtown Grocery Redevelopment District). Exhibits C and D are forthcoming.

Action Requested:
Approve and advance to January 31, 2019 Full Commission.

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

Attachments List:
Downtown Grocery - Resolution setting public hearing for Project Plan, Project Area 1, Exhibit A - Legal Description, Exhibit B - Depiction of Project Areas

(Published in ***The Wyandotte Echo on* ________________, 2019**)

RESOLUTION NO. R-____-19

A RESOLUTION CALLING AND PROVIDING FOR NOTICE OF A PUBLIC HEARING CONCERNING THE CONSIDERATION OF ADOPTING A REDEVELOPMENT PROJECT PLAN FOR A REDEVELOPMENT PROJECT AREA IN A REDEVELOPMENT DISTRICT (DOWNTOWN GROCERY REDEVELOPMENT DISTRICT – PROJECT AREA 1)

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

WHEREAS, the Board of Commissioners of the Unified Government of Wyandotte County/Kansas City, Kansas (the "Unified Government") previously adopted Ordinance O-41-18 (the "TIF District Ordinance"), establishing the Downtown Grocery Redevelopment District and approved the district plan set forth in the TIF District Ordinance (the "District Plan"), in accordance with the Act on October 11, 2018; and

WHEREAS, the TIF redevelopment project plan (the "Project Plan") has been proposed for redevelopment of the first of the four redevelopment project areas ("Project Area 1") within the Redevelopment District; and

WHEREAS, the establishment of the proposed Project Plan for Project Area 1 is necessary to promote the general economic welfare of the Unified Government pursuant to the Act; and

WHEREAS, the Redevelopment District consists of an area legally described on the attached **Exhibit A** and generally delineated on the map attached as **Exhibit B**, and Project Area 1 is legally described on **Exhibit C** and generally depicted in **Exhibit D**, all of which are incorporated herein by reference and made a part of this Resolution; and

WHEREAS, a comprehensive feasibility study has been completed which indicates that the benefits, tax increment revenue and other available revenues under K.S.A. 12-1774(a)(1) expected to be derived from the redevelopment project described in the Project Plan are expected to exceed or be sufficient to pay for the redevelopment project costs approved by the Unified Government pursuant to the District Plan and the TIF Act; and

WHEREAS, a copy of the Project Plan for Project Area 1 has been delivered to the Board of Commissioners of Wyandotte County, Kansas, and to the Board of Education of Unified School District 500, Kansas City, Kansas, all in accordance with the TIF Act; and

WHEREAS, the Planning Commission of the Unified Government reviewed the Project Plan for Project Area 1 on January 14, 2019 and found and determined that the Project Plan is consistent with the intent of the comprehensive plan for development of the Unified Government.

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

Section 1. Public Hearing. The Unified Government is considering the adoption of the Project Plan for Project Area 1 pursuant to the Act. It is hereby authorized, ordered, and directed that the Board of Commissioners shall hold a public hearing on **March 28, 2019, at 7:00 PM** or as soon thereafter as the matter can be heard in the Commission Chambers, lobby level of the Municipal Office Building located at 701 North 7th Street, Kansas City, Kansas to hear comments and consider the adoption of the Project Plan for Project Area 1 pursuant to the Act.

Section 2. Redevelopment District. The Board of Commissioners of the Unified Government previously adopted Ordinance O-41-18 establishing the Downtown Grocery Redevelopment District and approved the District Plan set forth in the TIF District Ordinance on October 11, 2018, in accordance with the Act. The Redevelopment District consists of an area legally described on the attached **Exhibit A** and generally delineated on the map attached as **Exhibit B**,

Section 3. Project Area 1. Project Area 1 of the Redevelopment District is legally described on **Exhibit C** and generally depicted on **Exhibit D** attached hereto and incorporated by reference herein.

Section 4. Project Plan. The Project Plan for Project Area 1, including a summary of the feasibility study, relocation assistance plan, financial guarantees of the prospective developer and a description and map of the area to be redeveloped or developed is available for public inspection during regular office hours in the office of the Unified Government Clerk, Municipal Office Building, 701 N. 7th Street, Kansas City, Kansas.

Section 5. Findings. The Unified Government will consider findings necessary for the approval of the Project Plan for Project Area 1 pursuant to the Act.

Section 6. Bonds. The Unified Government may, in the discretion of the Unified Government, issue full faith and credit tax increment bonds to assist with the financing of the Project Plan for Project Area 1.

Section 7. Notices. The Unified Government Clerk is hereby authorized and directed to publish this Resolution once in the official city newspaper not less than one (1) week or more than two (2) weeks preceding **March 28, 2019**, the date set for the public hearing. The Clerk or any other employee or officer of the Unified Government are authorized and directed to mail a copy of this Resolution via certified mail, return receipt requested to the Unified Government Board of Commissioners; the Kansas City, Kansas Unified School District #500 Board of Education as the school district levying taxes on property within Project Area 1; and to each owner and occupant of land within Project Area 1 not more than ten (10) days following the date of the adoption of this Resolution.

Section 8. **Further Action**. The Mayor/CEO, County Administrator, and other officers, agents, and employees of the Unified Government are hereby further authorized and directed to take such further action as may be appropriate or desirable to accomplish the purpose of this Resolution.

Section 9. **Effective Date**. This Resolution shall be effective upon its adoption by the Unified Government Board of Commissioners.

ADOPTED BY THE UNIFIED GOVERNMENT BOARD OF COMMISSIONERS THIS 31st DAY OF JANUARY, 2019.

____

Mayor/CEO

Attest:

____

Unified Government Clerk

(Seal)

EXHIBIT A

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

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

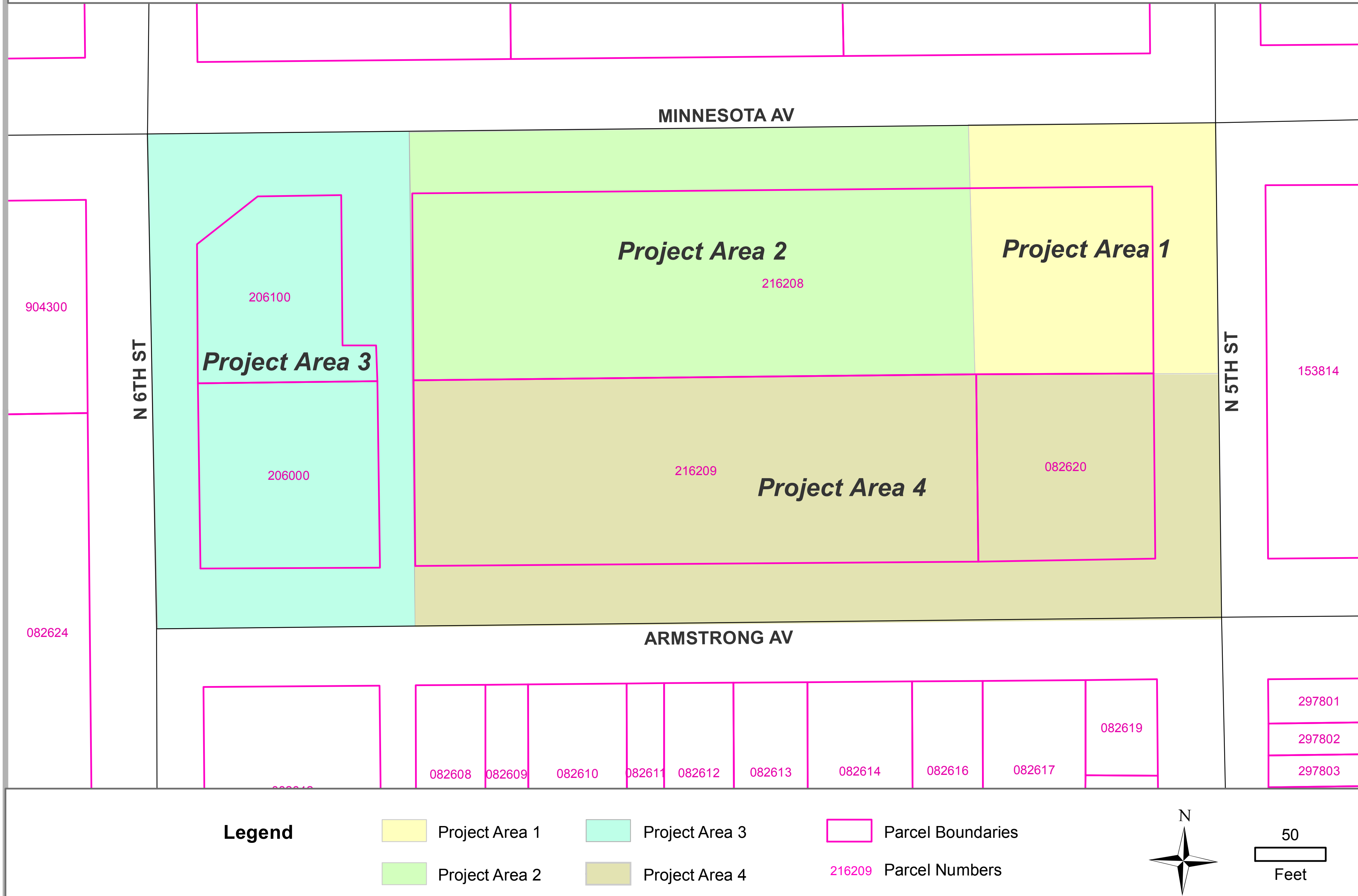
Thence north along the centerline of said 6th street being 40 feet distant and parallel to the west line of said subdivision and the east right of way line of said 6th street, to the point of intersection with the east-west centerline of Minnesota Ave, as said road now exists, said point being 40 feet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

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

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

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

Exhibit B
Downtown Grocery Redevelopment District - Depiction of Project Areas



Note: This map and its contents are for general informational purposes only.

Staff Request for Commission Action

Tracking No. 183

Full Commission Meeting Date:

Committee: Economic Development & Finance

Date of Standing Committee Action: 01/14/2019 (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
01/02/2019	Kathleen VonAchen, Alyse Villarreal, Debbie Jonscher	x5186, x5273, x5847	kvonachen@wycokck.org, avillarreal@wycokck.org, djonscher@wycokck.org	Finance

Item Description:
A presentation on proposed revisions to the debt related financial policies submitted by Kathleen VonAchen, Chief Financial Officer.

Action Requested:
Review for action at the next Committee meeting

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

Attachments List:
Debt Policy-Revision-Jan2019

Unified Government of Wyandotte County and Kansas City, Kansas

Debt Policy

Commission Resolution:
R-35-18
Adopted: 07/26/2018
Update: xx/xx/xxxx

I. Authority and Introduction:

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

The Unified Government, through the County Administrator and Chief Financial Officer, executes debt instruments, administers debt proceeds, manages ongoing disclosure and debt compliance, and makes debt service payments, acting with prudence and diligence and with attention to prevailing economic conditions. The UG believes that debt is an equitable means of financing projects and represents an important means of meeting fiscal responsibilities.

The debt policy primarily addresses debt instruments/securities issued by the UG in public or private bond markets. This is consistent with examples of debt policies of other comparable municipalities, Government Finance Officers Association (GFOA) guidelines, and rating agency guidelines. The debt policies pertain to debt that is typically incurred when capital is raised in the public or private markets, including borrowings from sophisticated qualified institutional buyers, to meet the UG's funding needs (the purpose and need for financings is discussed as in Section 1). Such debt constitutes obligations whereby a third-party has provided funds, which is evidenced by the formal execution of a bond or certificate (or a similar instrument) and is held by the third-party until it is repaid.

The policy does not cover other obligations like contracts payable, notes payable, loans payable (e.g., HUD section 108 loans), arbitrage liability, and net pension obligation (NPO) and/or pension Unfunded Actuarial Liability (UAL) and Other Post-Employment Benefits (OPEB). The UG's Comprehensive Annual Financial Reports (CAFRs) provide a complete list of the outstanding long term liabilities. The sections in the CAFR listing the long term liabilities are: Governmental Activities Long-Term Liabilities and Business Type Activities Long-Term Liabilities. Consistent with Governmental Accounting Standards Board (GASB) standards, the net pension obligation (NPO) and OPEB obligation is reflected in the Governmental Activities Note to the Financial Statements of the CAFR as a long term liability.

The policy documents the UG's procedures and goals for the use of debt to finance UG needs. A regularly updated debt policy, in conjunction with the Five-Year Capital and Maintenance Improvement Program (CMIP), UG's Capital Improvements Plan, the Five-Year Long Term Financial Plan, the Cash and Investment Policy, and the Reserve Policies, serves as an important tool that supports the use of the UG's resources to meet its financial commitments and to maintain sound financial management practices. This policy is enacted in an effort to standardize and plan the issuance and management of debt by the UG. While the Debt Policy serves as a guideline for general use, it allows for exceptions in extraordinary conditions.

II. Purpose of the Debt Policy:

The primary objectives of this debt policy are to establish guidelines for the use of various categories of debt; create procedures and policies that minimize the UG's debt service and issuance costs; retain the highest practical credit ratings; and to provide full and complete financial disclosure and reporting. ~~The UG Debt Policy sets forth comprehensive guidelines for the issuance and repayment of long-term debt. Debt financing serves as a tool to finance large capital investments that cannot be funded on a pay-as-you-go basis.~~

The UG's Debt Policy is also designed to:

- Establish parameters for issuing and managing debt;
- Provide guidance to decision makers related to debt affordability standards;
- Document the pre- and post-issuance objectives to be achieved by staff;
- Promote objectivity in the debt approval decision making process; and
- Facilitate the actual financing process by establishing important policy decisions in advance.

~~1) the policy establishes criteria for the issuance of debt obligations so that acceptable levels of indebtedness are maintained;~~
~~2) debt policies transmit the message to investors and rating agencies that the jurisdiction is committed to sound financial management; and~~
~~3) debt policies can provide consistency and continuity to public policy development when appointed officials work from guidelines that govern the planning and execution of transactions and projects.~~

A biennial review of the Debt Policy will be performed and any changes to the Debt Policy will be brought forward for UG Commission consideration and approval. Further, in the event there are any deviations or exceptions from the Debt Policy when a certain bond issue is structured, those exceptions will be discussed in the staff reports when the bond issue is docketed for Commission consideration. ~~The debt financing policy statement sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that (1) the Unified Government obtain financing only when necessary; (2) the process for identifying the timing and amount of debt or other financing be as efficient as possible; (3) the most favorable interest rate and other related costs be obtained, and (4) when appropriate, future financial flexibility be maintained.~~

III. Applicability and Scope:

This policy shall apply to all Funds under the budgetary and fiscal control of the Mayor and the Board of Commissioners. Further, the Unified Government issues debt on behalf of the Board of Public Utilities (BPU), which is an administrative agency of the UG, and as a result this Policy is applicable to the BPU.

IV. Policy:

Section 1 – Purpose and Need for Financing

1.1 Purpose of Financing

The UG borrows money primarily to fund long-term capital improvement projects, essential equipment and vehicle needs, and to refinance existing debt. The issuance of debt to fund operating deficits is not permitted. Debt will be used to finance eligible projects only if it is the most cost-effective means available to the UG.

While the "pay-go" means of using current revenues to pay for capital projects is often considered the preferred means of financing because it avoids interest payments, it may not be entirely equitable. The "pay- go" funding option requires current citizens to pay taxes over long periods of time in order to accumulate reserves sufficient to pay for capital projects. The UG would be able to undertake capital projects under this method only if sufficient cash accumulates. Prudent use of debt financing rather than pay-go funding of capital projects can facilitate better allocation of resources and increased financial flexibility.

The four primary borrowing purposes for which bond proceeds may be used are summarized below:

A. Long-Term Capital Improvements: The UG prepares a multi-year Capital and Maintenance Improvements Program (CMIP) budget working with asset managing departments in accordance with Commission approved Capital Asset and Equipment Investment and Management Policy. The CMIP budget includes projections for upcoming fiscal years and is updated during each Annual Budget process or if there are significant changes to the scope and/or cost of projects. In accordance with the Capital Asset Policy, future operations and maintenance costs associated with capital improvement projects are developed and identified prior to submission of the project for approval. The Financial Department works with the Public Works Department to ensure that accurate and complete budgeting of the CMIP is prepared as part of the Annual Budget process.

   Since the aggregate cost of desired capital projects generally exceeds available funds, the capital planning process prioritizes projects and identifies the funding needs. The UG will initially rely on internally-generated funds and/or grants and contributions from other governments to finance its capital needs. Debt is issued for a capital project only when it is an appropriate means to achieve a fair allocation of costs between current and future beneficiaries and if a secure revenue source is identified to repay the debt.

   The Finance Department, working with UG departments within the context of the Capital and Maintenance Improvements Program and the UG's Five-Year Long Term Financial Plan, oversees and coordinates the timing, processing, and marketing of the

UG's borrowing and capital funding activities. Close coordination of capital planning and debt planning ensures that the maximum benefit is achieved with the limited capital funds. The debt management process determines the availability of funds which can be raised through debt based upon the debt capacity/affordability analysis.

B. Essential Vehicle and Equipment Needs: In addition to capital projects, the UG regularly finances certain essential equipment and vehicles. These assets range from public safety vehicles to information technology systems. The underlying asset must have a minimum useful life of three years. Short-term financings, including loans and capital lease purchase agreements, are executed to meet such needs.

C. Economic Development Needs: The UG regularly finances certain infrastructure improvements related to economic development projects.

D. Refinancings/Refunding of Existing Debt: The Chief Financial Officer working with the Municipal Advisor periodically evaluates the UG's existing debt and executes refinancings when economically beneficial. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other obligations, such as pension obligations.

1.2 Financing Priorities

All borrowing requests or debt refunding proposals shall be reviewed by the Chief Financial Officer. The Finance Department shall be responsible for analyzing the proposal to determine if it is beneficial to the UG and complies with the UG's long-term financial planning objectives. Borrowing requests include any debt or refunding proposals made to the UG involving a pledge or other extension of the UG's credit through the sale of securities, execution of loans or leases, or making of guarantees or otherwise involving directly or indirectly the lending or pledging of the UG's credit.

For each financing proposal related to a new capital improvement project, the Finance Department will work with the department or other client department to assess the feasibility and the impact of debt to fund the project based on the following assessments:

A. Nature of Project and Use of Funds: Each proposal is evaluated by comparing the nature of the project and use of funds with competing proposals on the basis of the benefits derived and how it furthers the UG's policy objectives as laid out in the UG's Annual Budget, Five-Year Long Term Financial Forecast, Capital and Maintenance Improvement Program.
    a. The benefits of a proposed project must be defined and, where appropriate, quantified in monetary terms. The funding sources are identified and estimated. Where revenues are part of the benefits, all assumptions made in deriving the revenues are documented. The validity of the assumptions and the risk associated with the revenue streams are assessed.
    b. The costs of the project are estimated, with the basis documented and the risk associated with the estimates assessed. The uses of funds are identified and estimated.

   c. Identify whether the project will increase or reduce ongoing operation and maintenance expenses.

B. Cost-Benefit Analysis of Project: A cost-benefit analysis is required for each project:
C. Expenditure Plan: A detailed plan for the expenditure of funds is developed for each project. The underlying assumptions of the project cost expenditure plan are documented and the risk associated with these projections are analyzed.
D. Revenue for Debt Service Payment: A detailed plan for the debt repayment is developed for each project. The underlying assumptions of revenue cash flow estimates are documented and the risk associated with these revenue streams is analyzed. Where general fund or bond and Interest funds' revenues are proposed to service debt, the impact upon budgets is assessed.

All requests are prioritized based upon this evaluation. If the Chief Financial Officer recommends the financing proposal and the County Administrator is in concurrence, the Debt Management Division will prepare the financing proposal for the Commission's authorization.

1.3 Asset Life

Consistent with its philosophy of keeping its capital facilities and infrastructure systems in good condition and to maximize a capital asset's useful life, the UG makes every effort to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal. Generally, no debt will be issued for periods exceeding the useful life or average useful lives of projects to be financed.

The UG will consider short or long-term financing for the acquisition, maintenance, replacement, or expansion of capital assets, including land. For short-term financing, the capital asset must have a minimum useful life of three years; for long-term financing, the physical asset must have a minimum useful life of ten years.

Section 2 – Credit Ratings

2.1 Credit Ratings

The UG seeks to maintain the highest possible credit ratings that can be achieved for debt instruments without compromising the UG's policy objectives. Ratings are a reflection of the general fiscal soundness of the UG, the local economy and other regional economic factors, and the capabilities of UG management. By maintaining the highest possible credit ratings, the UG can issue its debt at a lower interest cost. To enhance creditworthiness, the UG is committed to prudent financial management, systematic capital planning, interdepartmental cooperation and coordination, and long-term financial planning.

Rating agencies consider various factors in issuing a credit rating; these typically include:

- UG's fiscal status
- UG's financial and general management capabilities
- Economic conditions that may impact the stability and reliability of debt repayment sources
- UG's general reserve levels
- UG's debt history and current debt structure

- The capital improvement project that is being funded
- Covenants and conditions in the governing legal documents

The UG recognizes that external economic, natural, or other events may from time to time affect the creditworthiness of its debt. Each proposal for additional debt will be analyzed for its impact upon the UG's debt rating on outstanding debt. There are no predetermined credit rating formulas available from the rating agencies, although recent updates to rating methodologies from certain rating agencies have added transparency to their credit evaluation processes. This information provides a better understanding of how key quantitative and qualitative factors and risk factors are likely to affect rating outcomes. The UG Finance Department will monitor rating agency guidelines and methodologies regularly to stay informed of changes to the rating metrics and processes.

The Chief Financial Officer is responsible for managing the rating reviews associated with the UG's various debt obligations. This effort includes providing periodic updates, both formal and informal, on the UG's general financial condition and coordinating meetings and presentations in conjunction with a new debt issuance when determined necessary.

The Chief Financial Officer, working with the Debt Management Division and, if applicable, a Municipal Advisor, shall be responsible for determining whether a rating shall be requested on a particular financing, and which of the major rating agencies shall be asked to provide such a rating.

Section 3 – Types of Financing Instruments

There are many different types of financing instruments available to the UG; long term financing debt obligations like General Obligation Bonds, Lease Revenue Bonds and Revenue Bonds would typically constitute direct debt of the UG. The UG issues various types of debt for economic development projects. The UG issues conduit financings to benefit third parties where public benefit can be achieved. The following are brief summaries of different types of long- and short-term financing instruments that the UG may consider.

<u>Direct Debt Obligations</u>

3.1 General Obligation Bonds

General Obligation (GO) Bonds are secured either by a pledge of full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. GO Bonds usually achieve lower rates of interest than other financing instruments since they are considered to be a lower risk.

3.2 Certificates of Participation/ Lease Revenue Bonds

Certificates of Participation (COPs) and Lease Revenue Bonds (LRBs) are lease obligations secured by an installment sale or by a lease-back arrangement between the UG and another public entity (such as the Public Building Commission), where the general operating revenues of the UG are used to make lease payments, which are, in turn, used to pay debt service on the bonds or Certificates of Participation.

Payments to be made under valid leases are payable only in the year in which use, and occupancy of the leased property is available, and lease payments may not be accelerated. Lease financing requires the annual fair market rental value of the leased property to be equal to or greater than the lease payment. The governmental lessee is obligated to place in its Annual Budget the payments that are due and payable during each fiscal year that the lessee has use of the leased property.

3.3 Revenue Bonds

Revenue Bonds are obligations payable from revenues generated by an enterprise, such as water, wastewater and stormwater utilities, electric utility, public golf courses or parking facilities. Because the debt service is directly paid by the facility, such debt is considered self-liquidating and generally does not constitute a debt of the issuer.

The UG's utility Revenue Bonds are payable solely from the UG's and BPU's Utility Enterprise Funds and are not secured by any pledge of ad valorem taxes or general fund revenues of the UG. In accordance with the agreed upon bond covenants, the revenues generated by these Enterprise Funds must be sufficient to maintain required coverage levels, or the rates of the enterprise have to be raised to maintain the revenue coverages.

3.4 Temporary Notes and Draw Bonds

Temporary Notes and Draw Bonds are short-term interest-bearing bonds issued in the anticipation of long-term future bond issuances. The UG may choose to issue temp notes or draw bonds as a source of interim financing when it is considered by the Chief Financial Officer to be prudent and advantageous to the UG.

3.5 Lines of Credit

A Line of Credit is a contract between the issuer and a bank that provides a source of borrowed monies to the issuer in the event that monies available to pay debt service or to purchase a demand bond are insufficient for that purpose.

In the event that a Line of Credit is under consideration as an interim financing mechanism for a long-term capital need, before entering into any such agreements, takeout financing for such lines of credit must be planned for and determined to be feasible by the Chief Financial Officer.

When it is considered by the Chief Financial Officer to be prudent and advantageous to the UG, the CUG may enter into agreements with commercial banks or other financial entities for purposes of acquiring a Line of Credit.

3.6 Lease Purchase Financings

The UG's Equipment and Vehicle Financing Program provides a mechanism for the short-term financing of essential equipment through a lease-purchase mechanism. The lease purchase terms are typically three to ten years. Under this program, the UG enters into a master lease agreement with a lessor to finance the lease purchase of essential equipment up to a certain amount. Equipment is funded on an as needed basis under this master lease agreement. The UG may enter into other standalone operating leases and lease purchase agreements on an as-needed basis.

3.7 State and Federal Loans
State and federal loan proceeds are an important source of funds for capital projects in addition to the bond proceeds. State Revolving Funds (SRFs) and the Water Infrastructure Finance and Innovation Act (WIFIA) program make low cost loans available to local agencies to fund certain public infrastructure projects. Through these programs, various state and federal agencies offer local agencies loans to fund qualifying public infrastructure projects. Benefiting departments within the UG will evaluate such programs in conjunction with Debt Management on a case by case basis. Commission approval is required to apply for these loans.

3.8 HUD Section 108 Loan Guarantee Program
The U. S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program allows municipalities to use their annual Community Development Block Grant (CDBG) entitlement grants to apply for federally guaranteed loans large enough to finance major community development and economic development projects. In order to utilize the Program, the UG must include the use of Section 108 Loans in its Consolidated Plan for HUD Programs.

The Finance Department currently oversees the fiduciary and reporting requirements of the City's current HUD Section 108 loans.

<u>Economic Development Debt Obligations</u>

3.9 Special Districts Financing
The UG's special districts primarily consist of Community Improvement Districts (CID), Transportation Development Districts (TDD) and Sales Tax and Revenue Districts (STAR). Special Districts are typically developer initiated, whereby a developer seeks a public financing mechanism to fund public infrastructure required by the UG in connection with development permits or agreements, and/or tentative subdivision maps. Special District formation may also be initiated by an established community. Subject to approvals dictated by State statute, once a district is formed special taxes or assessments may be levied upon properties within the district to pay for facilities and services directly, or to repay bonds issued to finance public improvements.

The UG will consider requests for Special District formation and debt issuance when such requests address a public need or provide a public benefit. Each application will be considered on a case by case basis, and the Chief Financial Officer may not recommend a financing if it is determined that the financing could be detrimental to the debt position or the best interests of the UG.

<u>Conduit Debt</u>

3.10 Industrial Revenue Bonds
Industrial Revenue Bonds (IRBs) are tax-exempt private activity bonds that provide manufacturing and processing companies financing for capital expenditures. Industrial Revenue Bonds are not an obligation of the UG and are considered conduit debt. While the authorization to issue IRBs is provided by a state statute, the tax-exempt status of these bonds is derived from federal law (Internal Revenue Code Section 103(b) (2)). Under state

law, IRBs are issued by a local government agency, which can be a city, county, economic development authority, or a joint powers authority. Since IRBs are tax-exempt municipal bonds, interest rates are substantially lower than commercial financing rates. The bonds also allow long-term amortization periods up to 30 years (depending on the useful life of the assets financed), so a growing company will also devote less cash-flow to service loan principal repayment. The UG typically issues IRBs in order to exempt industries from paying property taxes or sales and use tax on building materials.

Section 4 – Debt Ratio Guidelines

Given the significant restrictions on local agency revenue sources, the UG is aware of the need to gauge the effect of ongoing debt service and other fixed obligations on its budgets and fiscal priorities over time. To provide a debt affordability plan and keep debt levels within acceptable ranges, the UG will consider generally accepted debt affordability standards in evaluating when, why, and how much debt should be incurred. Debt ratio guidelines discussed in sections 4.1 and 4.2 below pertain only to the City's long-term general fund debt supported by tax levy or General Funds, and coverage ratios in section 4.3 pertain to revenue bonds such as those issued by the UG's and BPU's Electric, Water, Wastewater and Stormwater utilities.

4.1 General Obligation Bonds

As discussed in Section 3.1, General Obligation Bonds are secured either by a pledge of full faith and credit of an issuer or by a promise to levy taxes in an unlimited amount as necessary to pay debt service, or both. Generally accepted measures of assessing the impact of general obligation bonds include:

- Debt per capita: This is the outstanding principal as a percentage of population.
- Debt as a percent of assessed valuation: This is the outstanding principal as a percentage of assessed valuation.

This measure excludes general obligation bonds issued for wastewater and stormwater enterprise funds capital projects. The UG shall monitor and strive to achieve and/or maintain these debt statistics at a low to moderate classification, as generally viewed by the municipal bond market.

4.2 General Fund-Supported Debt

An important ratio used in analyzing the UG's debt position with respect to General Fund supported debt securities (including lease revenue obligations, certifications of participation and annual appropriation clauses for certain economic development financings) is the required annual debt service/lease payment as a percentage of total available general fund expenditures ("Debt Ratio"). This analysis includes the annual debt service/lease payment for all long- term fixed obligations of the UG backed by the UG General Fund. The UG shall strive to maintain this Debt Ratio below 10% of total General Fund expenditures.

It is a strong financial management practice and an important planning tool to also evaluate the effects of other significant long-term fixed costs, such as pension and retiree health care (OPEB) costs, on the UG's General Fund. Pension and OPEB costs and the UG's annual contributions to meet these obligations are not controlled by this Debt Policy. However, these contributions need to be taken into account in calculating the UG's overall debt burden. To that end, the ratio of the Actuarially Determined Contribution (ADC) to the pension system and retiree health care (OPEB) annual contributions as a percentage of available general revenues or expenditures ("Pension/OPEB Ratio") shall also be taken into consideration for sound financial planning. Taken together, the UG will strive to maintain the combined Debt Ratio and Pension/OPEB Ratio below 25%.

Capacity analysis as determined by these measures will be undertaken when new General Fund- supported debt is issued or new Pension/OPEB benefits are examined. Further, the availability of sufficient suitable UG properties to serve as lease properties if required for a lease revenue bond measure will also be evaluated (see Section 3.2 for annual fair rental value requirement). Whenever authorization is sought for a lease revenue bond, the UG Commission will be provided with an estimate of the amount of unpledged and suitable UG properties that are expected to be available to support additional lease revenue borrowings.

4.3 Overlapping Debt
In addition to the UG's direct debt (General Obligation bonds and other General Fund Supported debt), debt levels of underlying and overlapping entities such as school districts, and special districts add to a UG's overall debt burden. The UG's proportional share of the debt of other local governmental units which either overlap it or underlie it is called overlapping debt. Overlapping debt is generally apportioned based upon relative assessed value. While the UG does not control debt issuance by other entities, it recognizes that its taxpayers share the overall debt burden. The UG shall include a statement of overlapping debt in its initial and continuing disclosure.

4.4 Coverage Ratios for Revenue Bonds and Economic Development Financings
Long-term obligations payable solely from specific pledged sources are not subject to a debt limitation. Examples of such long-term obligations include those which achieve the financing or refinancing of projects provided by the issuance of debt instruments that are payable from restricted revenues or user fees (enterprise funds) and revenues generated from a project. Also see Section 3.3, Revenue Bonds.

The coverage ratio, which is the ratio of available annual revenues to annual debt service, is one of the primary indicators of the ability of an enterprise to meet its annual operating expenses and debt service payments. Generally, legal covenants requiring a minimum coverage ratio are set forth in the revenue bond documents and are based on the level of security provided to the bondholders (of the senior or subordinate debt obligations). General obligation bonds issued by the UG on behalf of its wastewater and stormwater utilities also are required to meet establish minimum debt coverage ratios. Rate covenants for the bonds and loans will require a rate increase if coverage ratios are expected to fall below the legal coverage levels.

State and Federal loans may also have certain coverage ratio requirements for enterprise funds which are pledged as revenue sources for repayment of the loan. These coverage ratio requirements are set forth in the financing agreements which are executed between the UG and state or federal agency for each project.

The UG will also evaluate appropriate affordable target coverage levels (i.e., financial coverage ratios), for the outstanding bonds and new debt issue planning when conducting cost of service studies, which are undertaken periodically for the enterprises.

Section 5 – Structure and Term of UG Indebtedness

5.1 Term of Debt

Debt will be structured for the shortest period possible, consistent with a fair allocation of costs to current and future beneficiaries or users. Borrowings by the UG should be of a duration that does not exceed the useful life of the improvement that it finances and where feasible, should be shorter than the projected economic life. The standard term of long-term borrowing is typically 15-30 years.

5.2 Rapidity of Debt Repayment

In structuring a bond issuance, the Finance Department will manage the amortization of debt, and to the extent possible, match its cash flow to the anticipated debt service payments.

The UG will seek to structure debt with aggregate level principal and interest payments over the life of the borrowing. "Backloading" of debt service will be considered only when one or more of the following occur:

- Natural disasters or extraordinary or unanticipated external factors make payments on the debt in early years prohibitive;
- The benefits derived from the debt issuance can clearly be demonstrated to be greater in the future than in the present;
- Such structuring is beneficial to the UG's aggregate overall debt payment schedule
- Such structuring will allow debt service to more closely match project revenues during the early years of the project's operation

5.3 Serial Bonds, Term Bonds, and Capital Appreciation Bonds

Serial bonds are bonds maturing annually (or serially) in specified amounts comprising all or a portion of a bond issue.

Term bonds are those where all bonds, or a portion of the issue equal to that which would mature over a period of two or more years in a bond issuance, mature at a single time. Term bonds can be structured so that a portion of term maturity is mandated to be called or retired each year (called "sinking funds") to mirror a serial bond structure. The funds paid into the sinking fund each year may be used at that time to retire a portion of the term bonds ahead of their scheduled redemption. Sinking funds are preferred by investors since these funds provide the security of knowing that the issuer appropriately budgets and accounts for its expected future payments. The sinking fund also ensures that the payment of funds at maturity does not overtax the issuer's resources at that time. The decision to use term or serial bonds is typically driven by market conditions when bonds are issued.

Capital Appreciation Bonds (CABs), also known as Zero Coupon Bonds, do not pay periodic interest payments but are issued as deep discounted bonds that pay investors the principal amount invested plus the interest, compounded semi-annually at the original interest rate, of the bond at maturity. CABs can be utilized in certain cases to better match a project's cash flow to the bond's debt service but typically carry significantly higher interest rates than bonds that pay semi-annual or periodic interest payments.

For each issuance, the UG Finance Department will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, CABs may be used.

5.4 Interest Rates

The UG currently issues securities on a fixed interest rate basis only. Fixed rate securities ensure budget certainty through the life of the securities and can be advantageous in a low interest rate environment. Variable interest rate structures may be if such a structure for a given project is recommended by the Finance Department.

5.5 Debt Instrument Rating

The Chief Financial Officer, with a Municipal Advisor if appropriate, will assess whether a credit rating should be obtained for an issuance and make a recommendation to the County Administrator. If it is determined that a credit rating is desirable, the probable rating of the proposed debt issuance is assessed before its issuance, and necessary steps are taken in structuring the debt issuance to ensure that the best possible rating is achieved.

5.6 Credit Enhancements

Credit enhancement may be used to improve or establish a credit rating on a UG debt obligation. Types of credit enhancement include Letters of Credit, bond insurance or surety policies. The Chief Financial Officer will recommend the use of credit enhancement if it reduces the overall cost of the proposed financing or if, in the opinion of the Chief Financial Officer, the use of such credit enhancement furthers the UG's overall financial objectives.

A Letter of Credit is an arrangement with a bank that provides supplemental security, or in some cases, direct security that money will be available to pay debt service on an issue in the event insufficient funds are available to meet a debt service obligation. Bond Insurance is an unconditional pledge by an insurance company to make principal and interest payments on the UG's debt in the event insufficient funds are available to meet a debt service obligation. Bond insurance may be obtained from an insurance company and is a potential means of enhancing the debt's rating.

5.7 Debt Service Reserve / Surety Policy

Debt service reserve funds, if established for a bond series, are held by and are available to the bond Trustees to make principal and interest payments to bondholders in the event that pledged revenues are insufficient to do so.

The Chief Financial Officer will make a determination whether one will be included and, if so, the size of the debt service reserve fund on a case-by-case basis at the time of a new bond issuance. Factors that are taken into consideration are cost of setting a debt service reserve fund over the life of the bond issue compared to interest earnings, bond pricing or credit rating impacts, conditions in the bond documents, if applicable, and other market conditions.

The maximum size of the reserve fund is governed by tax law, which permits the lesser of: 1) 10% of par; 2) 125% of average annual debt service; and 3) 100% of maximum annual debt service. The UG may issue bonds with a debt service reserve fund that is sized at a lower level or without a reserve fund.

The reserve fund requirement may also be satisfied by a surety policy, a form of insurance provided by a bond insurer to satisfy a reserve fund requirement for a bond issuance. Under this arrangement, instead of depositing cash in a reserve fund, the issuer buys a surety policy by paying a one-time premium equal to a percentage of the face amount of the policy. The UG may use a surety policy instead of a debt service reserve fund when economically feasible.

The UG will not rely on any uncollateralized credit instruments for any reserve requirement unless justified by significant financial advantage. If a surety policy is used in lieu of a debt service reserve fund, a provider distinct from the bond insurer shall be used.

5.8 Capitalized Interest

Generally, interest shall be capitalized for the construction period of a revenue producing project so that debt service expense does not begin until the project is expected to be operational and producing revenues. In addition, for lease back arrangements, such as those used for lease revenue bond transactions; interest may be capitalized for the construction period, until the asset is operational. When warranted, interest may be capitalized for a period longer than the construction period.

5.9 Call Options/Redemption Provisions

The Chief Financial Officer, upon the advice of the Municipal Advisor, will recommend the use of a call option, if any, and call protection period for each issuance. A call option, or optional redemption provision, gives the UG the right to prepay or retire debt prior to its stated maturity. This option may permit the UG to achieve interest savings in the future through refunding of the bonds with lower interest rates. Often the UG must pay a higher interest rate as compensation to the buyer for the risk of having the bond called in the future. In addition, if a bond is called, the holder may be entitled to a premium payment ("call premium"). Because the cost of call options can vary widely, depending largely on market conditions, an evaluation of factors such as the following will be conducted in connection with each issuance:

- Interest rate premium for adding call provision
- The call premium paid to the bond holder
- Level of rates relative to historical standards
- The time until the bonds may be called at a premium or at par
- Interest rate volatility

Generally, 20-year or 30-year tax-exempt municipal borrowings are structured with a 10-year call at no premium. From time to time, market conditions may facilitate shorter call options (6-9 years) with no premium.

Section 6 – Method of Issuance and Sale

Under the direction of the Chief Financial Officer, Debt Management will coordinate the issuance of all debt, including issuance size, debt structure, cash flow analysis, and method of sale. The selection of the financing team and the role of the various consultants are discussed in Section 7.

6.1 Method of Sale

Debt issuances are sold by a single underwriter or to an underwriting syndicate through either a public offering or a private offering. The selected method of sale will be that which is the most advantageous to the UG in the judgment of the Chief Financial Officer, in terms of lowest net interest rate, most favorable terms in the financial structure used, and market conditions.

Public Offerings – Public offerings can be executed through either a competitive sale or a negotiated sale. Method of sale for each bond offering is based on the recommendation of the Chief Financial Officer with advice from the UG's Municipal Advisor.

Competitive Sale – In a competitive sale, bids will be awarded on a true interest cost basis (TIC), providing other bidding requirements are satisfied. In such instances where the UG deems the bids received unsatisfactory, it may, at the discretion of the Chief Financial Officer, enter into negotiation for sale of the securities or reject all bids. In general, the Competitive Sale method is recommended for "plain vanilla" financings with a strong underlying credit rating, such as general obligation bond issuances, if the bond is not expected to be treated as a "story bond" by the investors and generally stable and strong market conditions exist. In a Competitive Sale, the bidder's role is limited to its review of the offering circular released by the UG, making a credit assessment based on the facts presented in the offering circular, and offering its bid per the bidding parameters established by the UG.

Negotiated Sale –The negotiated sale process provides the UG control over the financing structure and the issuance timing and provides flexibility of distribution. Negotiated sales may be executed when competitive sales are not suitable or not a viable option. Examples of such circumstances include unusual financing terms, market volatility, and weaker credit quality. Special District bonds, which are often non-rated, are typically issued through a negotiated sale process. In a Negotiated Sale, the underwriter or the underwriting syndicate for the bonds is identified upfront through a competitive selection process along with other professionals for the transaction. The underwriter will actively assist the UG in structuring the financing and marketing the bonds including providing assistance in preparing the bond offering circular.

Private Offerings – When determined appropriate by the Chief Financial Officer, the UG will negotiate financing terms with banks and financial institutions for specific borrowings on a private offering basis. These issuances are also referred to a "private placements". Typically, private offerings are carried out by the UG when extraneous circumstances preclude public offerings, as an interim financing, or to avoid the costs of a public offering for smaller issuances.

6.2 Bidding Parameters

In a Competitive Sale, the Notice Inviting Bids will be carefully constructed so as to ensure the best possible bid for the UG, in light of existing market conditions and other prevailing factors. Parameters to be examined include:

- Limits between lowest and highest coupons
- Discount or premium coupons
- Use of bond insurance
- Call provisions

The Chief Financial Officer will publish the Notice Inviting Bids among prospective bidders for the proposed bond issuance.

6.3 Initial Disclosure Requirements
Debt Management, together with the Chief Legal Counsel, Municipal Advisor and Disclosure Counsel, coordinates all the necessary documents for disclosure, with input from various other City departments (as applicable for a particular bond issuance) and outside consultants. Each publicly offered debt issuance will meet the disclosure requirements of the Securities and Exchange Commission (SEC) and other government agencies before and after the bond sale takes place. The disclosure documents, particularly the Official Statement, will provide the potential investor with full and accurate information necessary to make prudent investment decisions.

All primary disclosure documents, which are a part of the bond offering documents (e.g., Official Statement), will be approved by the State Attorney's Office before being taken to the Commission for approval (see Section 6.4). The UG will also provide ongoing disclosure, in accordance with the Continuing Disclosure Agreements executed when the financing is authorized, as required by SEC Rule 15c2-12. Ongoing disclosure will also be approved by the Chief Financial Officer before it is disseminated to the markets.

6.4 Approval Process
In coordinating the bond issuance process, Chief Financial Officer will work with the Chief Legal Counsel, other responsible City departments, and outside consultants to compile all bond related documents (see Chapter VII for the role of various outside consultants). The Chief Legal Counsel will assess any legal issues that may arise with respect to the issuance of the bonds. In circumstances where there may be legal uncertainty about some aspect of a proposed bond transaction, the UG may pursue an active validation action to obtain judicial approval before the bonds are issued. If a bond transaction is controversial and gives rise to a reverse validation action, the UG may find itself a party to that litigation. All proposed debt financings shall be authorized by the UG Commission.

Section 7 – Financing Team Roles and Selection Process
The Chief Financial Officer, working with the Chief Legal Counsel and the UG's Purchasing Department, shall be responsible for establishing a solicitation and selection process for securing professional services that are required to develop and implement a debt issuance. Goals of the solicitation and selection process shall include encouraging participation from qualified service providers, both local and national, and securing services at competitive prices.

Section 7.1 Selection and Compensation

The identification of financial advisors, trustees, and paying agents is accomplished through a selection process conducted by Debt Management and may also be based upon recommendations from advisors that are specifically skilled in the type of bond issuance being proposed.

Selection of consultants will be made from either an as-needed pool, which is assembled via a Request for Qualifications (RFQ) process, or a separate RFP issued for a specific bond issuance. Once the selection of a Municipal Advisor has occurred, the Municipal Advisor will assist the UG in the selection of other service providers, including broker-dealers/ underwriters, trustees, escrow agents, credit enhancers, verification agents, title and insurance companies, and printers.

Compensation for Bond Counsel, Disclosure Counsel, Municipal Advisors, and other consultants will be as low as possible, given desired qualification levels, and consistent with industry standards.

The UG may encumber and advance the fees associated with municipal advisory services, which are later reimbursed from the bond proceeds, or may enter into contracts on a contingent basis.

Compensation for the other service providers listed above is typically included in the cost of issuance and paid from the bond proceeds. The ongoing trustee fee, semiannually or annually, for a bond issuance is budgeted under administration costs and appropriated in respective bond payment accounts.

The Chief Legal Counsel will take the lead in selecting the Bond Counsel and the Disclosure Counsel. Generally, Bond and Disclosure Counsel compensation is contingent on the issuance of bonds and is either paid or reimbursed from bond proceeds. This practice is generally consistent with industry standards.

Eligible UG staff costs related to issuance of long-term bonds may also be reimbursed from bond proceeds.

7.2 Financing Team: Outside Consultants

Contracts with Municipal Advisors, Bond Counsel, and Disclosure Counsel will be processed in accordance with UG administrative procedures.

A. Municipal Advisors

As needed, the Chief Financial Officer will identify an independent Municipal Advisor. The primary responsibilities of the Municipal Advisor are to advise and assist on bond document negotiations, transaction structuring including advising on pricing and call provision options and timing of issuance, running debt service cash flow numbers, obtaining ratings on the proposed issuance, and generally acting as an independent financial consultant and economic and bond market expert.

The Municipal Advisor will also serve the UG as a Municipal Advisor, as defined by and in accordance with the Dodd-Frank Wall Street Reform and Consumer Protection Act. The

Municipal Advisor has a fiduciary duty to the UG. Fiduciary duty is generally understood to encompass a duty of loyalty and a duty of care to the public agency.

B. Bond Counsel

The UG will retain external Bond Counsel for all debt issuances. As part of its responsibility in the debt issuance process, the UG's Chief Legal Counsel will coordinate the selection of Bond Counsel. Bond Counsel will prepare the necessary authorizing resolutions, ordinances, agreements, and other legal documents necessary to execute the financing. All debt issued by the UG will include a customary approving legal opinion of Bond Counsel.

C. Disclosure Counsel

The UG may retain Disclosure Counsel for public issuances that entail UG disclosure, in which such services may be provided by the Municipal Advisory firm, underwriter's counsel and Bond Counsel. Disclosure Counsel shall be required to deliver a customary 10(b)-5 opinion on UG offering documents. The UG's Chief Legal Counsel and the Chief Financial Officer shall oversee the selection of Disclosure Counsel. The Disclosure Counsel will work with UG staff to draft all disclosure documents for a bond financing.

The UG's Chief Legal Counsel may engage separate firms in the capacity of Bond and Disclosure Counsel or one single firm to perform bond and disclosure counsel functions.

The UG also retains services contracts with bond counsel and the municipal advisory firm to review the UG materials that are to reach investors or the securities markets.

D. Broker-Dealer/ Underwriters

For a competitive sale, the criteria used to select a broker-dealer/underwriter shall be the bid providing the lowest true interest cost to the UG.

For a negotiated sale debt issuance, the Chief Financial Officer, working with the Municipal Advisor, will identify broker-dealers/underwriters. The Chief Financial Officer will recommend to the County Administrator the selected broker-dealer/underwriter or a syndicate of underwriters. Broker-dealers/Underwriters will be required to demonstrate sufficient capitalization and experience related to the debt issuance being proposed, among other criteria determined for each issuance. The Chief Financial Officer will consider the following criteria in selecting a broker- dealer/underwriter and/or a syndicate:

- Experience with the particular type of financing, and size of the financing
- Overall experience
- Familiarity with UG issues
- Marketing expertise
- Distribution capability
- Previous experience as managing or co-managing broker-dealer/underwriter
- Financial strength, as evidenced by the firm's current financial statements
- Experience of the public finance team assigned to the financing
- Resources to complete the financing
- Compensation

- Community Reinvestment

E. Trustee / Paying or Fiscal Agent

A Trustee or Paying/Fiscal Agent is the institution – usually a commercial bank or trust company – appointed in the indenture or bond resolution to act as the agent of the issuer to pay principal and interest from monies provided by or on behalf of the issuer.

Paying or Fiscal Agent duties are typically limited to receiving money from the issuer and paying principal and interest to bondholders on behalf of the issuer. A Trustee, in addition to performing the duties of a Paying Agent, is responsible for establishing and holding the funds and accounts relating to the bond issuance, including accounts for bond proceeds and revenues, determining that the conditions for disbursement of proceeds and revenues have been met, and, in some cases, collecting revenues, and executing investments.

The Trustee/ Paying Agent solicitation and selection is typically coordinated by the Municipal Advisor in consultation with the Chief Financial Officer for a new bond issuance. The Debt Management Division will monitor the ongoing performance of a Trustee/Paying Agent. The Chief Financial Officer may periodically solicit for trustees or paying agent services from qualified commercial and trustee banks.

F. Other Service Providers

Other professionals may be selected, at the discretion of the Chief Financial Officer, on an as-needed basis. These include the services of revenue or market feasibility study, credit rating agencies, escrow agents, bond insurance providers, credit and liquidity banks, verification agents, title insurance companies, and services related to printing.

Section 8 – Refunding of City Indebtedness

The UG will consider refunding its existing debt when benefits of the refunding outweigh the costs and risks.

8.1 Types of Refunding

A. Current Refunding

A current refunding is one in which the refunding bonds are issued less than 90 days before the date upon which the refunded bonds will be redeemed.

B. Advance Refunding

An advance refunding is one in which the refunding bonds are issued more than 90 days prior to the date upon which the refunded bonds will be redeemed. Advance refundings are used to refinance outstanding debt before the date the outstanding debt becomes due or callable. Proceeds of the advance refunding bonds are placed into an escrow account with a fiduciary and used to pay interest and principal on the refunded bonds and then used to redeem the refunded bonds at their maturity or call date. Internal Revenue Code §149(d)(3) provides that governmental bonds issued after 1985 may only be advanced refunded once over the life of a bond issuance. Due to the 2017 new tax law, advanced refundings are no longer allowed for municipalities.

8.2 Refunding Considerations

Refundings may be undertaken to:

- Take advantage of lower interest rates and achieve debt service cost savings
- Eliminate restrictive or burdensome bond covenants
- Restructure debt to either shorten/lengthen the duration of debt or free up reserve funds
- Refund outstanding indebtedness when existing financial structures impinge on prudent and sound financial management

Generally, the UG will consider a refunding only when there is a net economic benefit; i.e., when there is an aggregate net present value savings, expressed as a percentage of the par amount of the refunded bonds, at 3% and above for a current refunding. In addition, in the case of an advance refunding which is not allowed under current tax law, consideration is to be given to the impact of inefficient investment yields in the refunding escrow account (i.e., yield on the escrow investment is less than the yield on the refunding bonds. This inefficiency is also known as negative arbitrage.) Aggregate net present value savings should be greater than the aggregate amount of negative arbitrage to achieve an economic benefit. These savings requirements for a refunding may be waived by the Chief Financial Officer upon a finding that such a restructuring is in the UG's overall best financial interest.

8.3 Refunding Escrow Investment

The UG will seek to purchase State and Local Government Securities (SLGS) to fund its refunding escrows. However, at the discretion of the Chief Financial Officer, the UG may choose to fund an escrow through purchase of treasury securities on the open market when market conditions make such an option financially preferred or necessary.

Section 9 – Post Issuance Compliance and Administration

The following discuss administrative functions related to debt not discussed in the Tax-Exempt Financing Compliance Policy and Procedure or the Securities and Continuing Disclosure Matters Compliance Procedure.

9.1 Investment of Bond Proceeds

The proceeds of the bond sales will be invested until used for the intended project in order to maximize utilization of the public funds. The investments will be made to obtain the highest level of safety. The Ug Cash and Investment Policy and the bond indentures govern objectives and criteria for investment of bond proceeds. The Chief Financial Officer, or the bond trustees under the direction of the Chief Financial Officer, will invest the bond proceeds in a manner to avoid, if possible, and minimize any potential negative arbitrage over the life of the bond issuance, while complying with arbitrage and tax provisions.

9.2 Arbitrage Compliance

The Chief Financial Officer shall establish and maintain a system of record keeping and reporting to meet the arbitrage rebate compliance requirements as required by the federal tax code. This effort shall include tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebate earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the UG's outstanding debt issuances.

Additionally, general financial reporting and other tax certification requirements embodied in bond covenants shall be monitored to ensure that all covenants are in compliance. The ongoing compliance verification function will be coordinated by the Debt Management Division.

9.3 Ongoing Disclosure

The UG will meet secondary disclosure requirements in a timely and comprehensive manner, as stipulated by the SEC Rule 15c2-12. The Chief Financial Officer (CFO) shall be responsible for providing ongoing disclosure information to the Municipal Securities Rulemaking Board's (MSRB's) Electronic Municipal Market Access (EMMA) system, the central depository designated by the SEC for ongoing disclosures by municipal issuers. The CFO is responsible for maintaining compliance with disclosure standards promulgated by state and national regulatory bodies, including the Government Accounting Standards Board (GASB), the National Federation of Municipal Analysts, the Securities and Exchange Commission (SEC), and Generally Accepted Accounting Principles (GAAP). The UG may also employ the services of firms that improve the availability of or supplement the UG's EMMA filings.

The UG will provide full and complete financial disclosure to rating agencies, institutional and individual investors, other levels of government, and the general public to share clear, comprehensible, and accurate financial information using the appropriate channels/policies/procedures.

9.4 Compliance with Other Bond Covenants

In addition to financial disclosure and arbitrage compliance, once the bonds are issued, the UG is responsible for verifying compliance with all undertakings, covenants, and agreements of each bond issuance on an ongoing basis. This typically includes ensuring:

- Annual appropriation of revenues to meet debt service payments
- Taxes/fees are levied and collected where applicable
- Timely transfer of debt service/rental payments to the trustee or paying agent
- Compliance with insurance requirements
- Compliance with rate covenants where applicable
- Recordkeeping and continued public use of financed asset
- Compliance with tax covenants including the timely spend-down of project fund proceeds
- Compliance with all other bond covenants

The Debt Management Division will coordinate verification of covenant compliance and will work with the Chief Legal Counsel and all other responsible departments to monitor compliance with the aforementioned compliance requirements.

9.5 Compliance with State and Federal Reporting Requirements

The UG will meet required State and Federal reporting requirements related to bond and loan obligations.

~~The UG should not issue long-term debt to finance current operations. The UG is committed to systematic capital planning and intergovernmental cooperation and coordination. Debt issuance should be consistent with the government's financial plan.~~

~~Debt financing may include general obligation, special assessment, and revenue bonds; temporary notes; lease/purchase agreements, and other permitted obligations. Debt will be issued in accordance with all applicable federal and state laws. Additionally, the Unified Government will maintain full and complete financial disclosure and reporting.~~

~~**Financial Limitations** established by the UG include:~~

- ~~Annual debt service payments, excluding Enterprise Funds, are targeted at 10% - 12% of total budget authority of tax levied funds.~~
- ~~The Unified Government will follow Kansas Statutes setting financial debt limitations. The amount of outstanding debt cannot exceed 30% of the County's assessed valuation.~~
- ~~The Unified Government will examine and consider other indicators, such as per capita and net direct debt as measures of the community's ability to support debt.~~

~~**Debt Issuance** factors the UG will consider are:~~

- ~~The target for general obligation support for new debt is established during the budget process. Historically the level of support has been $10-$20 million.~~
- ~~The Unified Government recognizes the importance of maintaining strong credit ratings.~~
- ~~Financing terms should not exceed the asset's useful life.~~
- ~~Enterprise Funds, including Sewer, Stormwater, Emergency Medical Services, Golf Course and the Public Levee should support debt issued for projects related to these activities.~~
- ~~General obligation backing should be used for essential government services or projects with an asset life of 5-years or greater.~~
- ~~Economic development and Tax Increment Financing (TIF) should be supported by project revenues, unless otherwise approved by the Commission.~~
- ~~The Unified Government will determine if the debt should be issued on city/county basis.~~

~~**Debt Restrictions** for long-term financing include:~~
- ~~The Unified Government should not issue debt to finance current operations.~~
- ~~Debt should not be used for annual capital expenditures unless deemed a high priority by the Unified Government Commission.~~
- ~~The Unified Government will use temporary note financing to complete projects prior to permanent financing, unless final project costs and timelines have been determined.~~

~~**Pay-As-You-Go versus Long Term Debt Financing**~~
~~The Unified Government will use the following criteria to evaluate pay-as-you-go versus long-term debt financing.~~

~~*Factors favoring pay-as-you-go financing* for projects include:~~
- ~~The project can be funded using available revenues within the project timeline.~~

- ~~Government debt levels are negatively impacting the credit rating.~~
- ~~Unstable market conditions exist.~~

~~*Factors supporting long-term debt financing* for projects include:~~

- ~~Interest rates and debt financing demand are favorable for the UG.~~
- ~~Sufficient funding is not available for mandated federal and state projects or emergencies.~~
- ~~Project life is 5-years or longer.~~

~~**Debt Structuring** will consider various factors, including the financial forecast, property tax requirements and the objective to retire principal in a timely manner. Specifically:~~

- ~~Debt schedules will in most instances be structured for a 20-year term or less.~~
- ~~General obligation bonds will typically be amortized with level principal/interest payments.~~
- ~~Revenue bonds will be structured to align with available or projected pledged revenues.~~
- ~~Enterprise funds will budget a transfer payment to the debt service fund to cover the scheduled debt payments for their specific projects financed under general obligation bond authority.~~
- ~~The UG may include call options in the financing structure to achieve future interest savings by the early refunding of the debt obligation.~~
- ~~Credit enhancements may be used to reduce borrowing costs, if the project has clear public benefit.~~
- ~~Capitalization of interest is acceptable to allow interim financing for a project or development that is projected to generate revenue in future years.~~

~~**Debt issuance Process** will comply with all federal and state requirements. The Unified Government's Board of Commissioners must authorize the debt issuance. Guidelines include the following:~~

- ~~The UG shall seek to issue its general or revenue bond obligations in a competitive sale, unless the government's Chief Financial Officer and/or financial advisor recommend an alternative approach.~~
- ~~If competitive bids are evaluated to be unsatisfactory, alternative approaches may be considered.~~
- ~~When a negotiated sale process is determined to be the most efficient financing alternative, the UG will use a competitive process for selection of the investment banking team. Considerations for a negotiated sale include: interest rates, special obligation financing and the project time schedule.~~

~~The Unified Government will use professionals to assist in authorizing and structuring the financing sale. The outside professionals may include the government's financial advisor, bond counsel, underwriter, bank trustee, or paying agent. Selection of professional services will be done in accordance with the government's procurement process.~~

~~Debt issued by the Unified Government will be managed and monitored by the Chief Financial Officer.~~

~~The investment of bond proceeds will adhere to the Government's bond indenture documents and Kansas State statute. Also, the Government has adopted and implemented a tax-exempt compliance policy, applicable after debt issuance.~~

~~**Bond Refunding** - The Unified Government will consider refunding to achieve interest cost savings, targeted at a minimum of 3% net present value savings; to restructure debt to align with the Government's financial forecast; or to modify the credit backing of a debt obligation.~~

~~**Market and Investor Relations** – An official statement will be completed for competitive financing and the UG will comply with ongoing disclosure requirements. The Unified Government's Comprehensive Annual Financial Report and information about the socio-economic trends will be reported to credit agencies on an annual basis.~~

~~**Credit Rating Goal** – The Unified Government's goal for its general obligation bond financing is to achieve the highest rating from all credit rating agencies. If a specific financing does not have government backing or credit enhancement, then the debt may be issued without a credit rating.~~

~~**Credit Risk** - The Unified Government recognizes the importance of limiting interest, credit or budget risk. The Unified Government will not consider the issuance of derivatives. Variable rate debt will not be used in the issuance of General Obligation debt but may be considered for development projects backed by project revenue.~~

V. Quality Control and Quality Assurance:

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

These policies will be reviewed bi-~~at least~~ annually and updated on an as-needed basis. In the event there are proposed exceptions from the Debt Policy when a certain bond issue is structured, those exceptions will be discussed in the applicable staff reports when the bond issue is docketed for UG Commission consideration. Any exception will also be stated in the financing resolution or ordinance to be approved by Commission for the corresponding bond offering.

VI. Metrics:

To be developed and managed accordingly.

VII. Definitions and Acronyms:

Arbitrage - With respect to municipal bonds, arbitrage is the profit made from investing the proceeds of tax- exempt bonds in higher-yielding securities.
Backloading - Debt repayment is scheduled towards the back-end.

Broker-Dealer/ Underwriter - An investment banking firm which, singly or as a member of an underwriting group or syndicate, agrees to purchase a new issue of bonds from an issuer for resale and distribution to investors. The broker-dealer/underwriter acquires the bonds either by negotiation with the issuer or by award on the basis of competitive sale.

Conduit Financing - A financing in which the proceeds of the issue are loaned to a nongovernmental borrower who then applies the proceeds for a project financing or, if permitted by federal tax law for a qualified 501(c)(3) bond, for working capital purposes.

Continuing Disclosure - The ongoing disclosure provided by an issuer or obligated person pursuant to an undertaking entered into to allow the broker-dealer/underwriter to comply with SEC Rule 15c2-12.

Debt Service - The total interest, principal and mandatory sinking fund payments due at any one time.

Debt Service Reserve Fund - An account from which monies may be drawn to pay debt service on an issue of bonds if pledged revenues and other amounts available to pay debt service are insufficient. The size of the debt service reserve fund and investment of monies in the fund/account are subject to restrictions contained in Federal Tax law for tax-exempt bonds.

Electronic Municipal Market Access (EMMA) System - The EMMA system created by the MSRB is a comprehensive, centralized online source for market transparency data, educational material about the municipal securities market, and free access to municipal disclosures. Effective July 1, 2009, EMMA became the single, official repository for continuing disclosure documents as a result of changes mandated by the SEC in December 2008.

Escrow Agent - With respect to an advance refunding, the commercial bank or trust company retained to hold the investments purchased with the proceeds of the refunding and, customarily, to use the amounts received as payments on such investments to pay debt service on the refunded bonds.

Generally Accepted Accounting Principles (GAAP) - A widely accepted set of rules, conventions, standards and procedures for reporting financial information, as established by the Financial Accounting Standards Board.

Government Accounting Standards Board (GASB) - A standard-setting body, associated with the Financial Accounting Foundation, which prescribes standard accounting practices for governmental units.

Municipal Standards Rulemaking Board (MSRB) - An independent self-regulatory organization established by the Securities Acts Amendments of 1975, which is charged with primary rulemaking authority over dealers, dealer banks, and brokers in municipal securities.

Nationally Recognized Municipal Securities Information Repository (NRMSIR) - NRMSIR is an acronym for Nationally Recognized Municipal Securities Information Repository. NRMSIRs are the repositories for all annual reports and event notices filed under SEC Rule 15c2-12.

SEC Rule 15c2-12 - A rule promulgated by the SEC under the Securities Exchange Act of 1934 concerning disclosure and continuing disclosure requirements for municipal securities.

Securities and Exchange Commission (SEC) - A federal agency which oversees and regulates stock, bond, and other financial markets.

Special Tax - A financial charge that is calculated via some type of special tax formula (or Rate and Method of Apportionment, in the case of a Community Facilities District), and is levied annually on property for a defined period of years.

State and Local Government Series (SLGS) - SLGS is an acronym (pronounced "slugs") for a type of U.S. Treasury obligation, the complete name of which is United States Treasury Securities – State and Local Government Series. SLGS are special United States Government securities sold by the Treasury to states, municipalities and other local government bodies through individual subscription agreements. The interest rates and maturities of SLGS are arranged to comply with arbitrage restrictions imposed under Section 103 of the Internal Revenue Code. SLGS are most commonly used for deposit in escrow in connection with the issuance of refunding bonds.

True Interest Cost (TIC) - A method of calculating bids for new issues of municipal securities that takes into consideration certain costs of issuance and the time value of money.

Underwriter Syndicate - A group of underwriters formed to purchase (underwrite) a new issue of municipal securities from the issuer and offer it for resale to the general public. The syndicate is organized for the purpose of sharing the risks of underwriting the issue, obtaining sufficient capital to purchase an issue and for broader distribution of the issue to the investing public. One of the underwriting firms will be designated as the syndicate manager or lead manager to administer the operations of the syndicate.

Verification Agent - A certified public accountant who verifies that sufficient funds are deposited into an escrow to implement the objectives of the refunding or financing plan.

VIII. Related Documents and References:

A. Tax-Exempt Financing Compliance Policy and Procedure
B. Securities and Continuing Disclosure Matters Compliance Procedure
C. Capital Asset and Equipment Investment and Management Policy

Staff Request for Commission Action

Tracking No. 184

Full Commission Meeting Date:

Committee: Economic Development & Finance

Date of Standing Committee Action: (If none, please explain):

Publication Required: No

Date:	Contact Name:	Contact Phone:	Contact Email:	Department/Division:
01/03/2019	Shaya Lockett			Economic Development

Item Description: A presentation on the 2018 Small Business Grant Program and the plans for Kansas City, KS small businesses in 2019.
Action Requested:
Budget Impact: (if applicable) Amount: Source: Included In Budget: Other (explain):
Attachments List: