



Economic Development and Finance
Committee
Standing Committee Meeting Agenda
Monday, March 4, 2019
Immediately upon adjournment of earlier committee

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 March 4, 2019 Agenda**

III. **Approval of standing committee minutes from January 14, 2019**

IV. **Committee Agenda**

Item No. 1 - RESOLUTION: AMEND MASTER EQUIPMENT LEASE PURCHASE AGREEMENT WITH BANC OF AMERICA

Synopsis: A resolution amending the Master Equipment Lease Purchase Agreement, dated October 17, 2013, with Banc of America Public Capital Corp., submitted by Debbie Jonscher, Deputy Chief Financial Officer. The proceeds will be used to pay the costs of acquiring and installing certain equipment. The maximum amount is not to exceed \$11.5M.

Tracking #: 19581

Item No. 2 - RESOLUTION: DEBT POLICY REVISIONS

Synopsis: A resolution adopting Debt Policy revisions, submitted by Kathleen VonAchen, Chief Financial Officer.

*On February 4, 2019, the **Economic Development and Finance Standing Committee**, chaired by Commissioner Burroughs, recommended action be held over to the March 4, 2019 meeting.*

Tracking #: 19592

Item No. 3 - RESOLUTION: SET PUBLIC HEARING DATE FOR DOWNTOWN GROCERY REDEVELOPMENT DISTRICT - PROJECT AREA 1

Synopsis: A resolution setting a public hearing date of April 11, 2019, to consider adoption of a redevelopment project plan for Project Area 1 in the Downtown Grocery Redevelopment District, submitted by Katherine Carttar, Director of Economic Development.

It is requested that this item be fast tracked to the March 7, 2019 full commission meeting.

*On January 14 and February 4, 2019, this item was presented to the **Economic Development and Finance Standing Committee**, chaired by Commissioner Burroughs. Both times it was requested that action be held over.*

Tracking #: 19594

Item No. 4 - ORDINANCE: MIDTOWN TIF REFINANCING

Synopsis: Adopt Home Rule Ordinance authorizing general obligation economic development bonds to fund land acquisition and demolition of Indian Springs site, and authorizing refunding a portion and/or all of prior Series 2010-B, 2011-C and 2013-B bonds for interest savings. Submitted by Kathleen VonAchen, Chief Financial Officer and Debbie Jonscher, Deputy Chief Financial Officer.

It is requested that this item be fast tracked to the March 7, 2019 full commission meeting.

Tracking #: 19613

**Item No. 5 - RESOLUTION: KAW RIVER BANK TURKEY CREEK
STABILIZATION (STORM WATER) GO TEMPORARY NOTES SERIES 2019-II**

Synopsis: A resolution authorizing the sale of Series 2019-II General Obligation Temporary Notes to fund \$7.5 million of project costs for the Kaw River Bank Turkey Creek Stabilization Storm Water Project, submitted by Debbie Jonscher, Deputy Chief Financial Officer. Prior GO Series 2019-I Temporary Notes authorized \$2.5 million towards this project. Proposed resolution increases temporary notes proceeds to \$10 million for this project to address total project costs.

It is requested that this item be fast tracked to the March 7, 2019 full commission meeting.

Tracking #: 19622

V. Public Agenda

VI. Adjourn

**ECONOMIC DEVELOPMENT AND FINANCE
STANDING COMMITTEE MINUTES
Monday, January 14, 2019**

The meeting of the Economic Development and Finance Standing Committee was held on Monday, January 14, 2019, at 5:32 p.m., in the 5th Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairman; Commissioners Townsend (via telephone), Walters, Bynum and Jeff Bryant, BPU Board Member. Commissioners Burroughs and Murguia, were absent. The following officials were also in attendance: Gordon Criswell and Melissa Sieben, Assistant County Administrators; Patrick Waters, Senior Attorney; Daniel Kuhn, Assistant Counsel; Kathleen VonAchen, Chief Financial Officer; Katherine Carttar, Interim Director of Economic Development; Shaya Lockett, Small Business Liaison; and Jay Doleshal, Sergeant-At-Arms.

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

Approval of standing committee minutes from October 29, 2018. **On motion of Commissioner BPU Board Member Bryant, seconded by Commissioner Walters, the minutes were approved.** Motion carried unanimously.

Committee Agenda:

Item No. 1 – 18597...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.*

Katherine Carttar, Interim Director of Economic Development, said I'm actually going to ask for a hold on this item until next month. We have an update of a market study that is scheduled to

be completed by the end of this month and we figured if we're going to present to you, we might as well have the absolute most up-to-date numbers. I figured we will wait until the first week of February if that is okay with you all.

Chairman McKiernan said so I'll turn to Legal and ask can they simply withdraw that or do we have to actually take action to hold it over until our next meeting. **Patrick Waters, Senior Attorney**, said I think the committee just votes to hold it over. That'll be the case.

Chairman McKiernan said in that case we would need a motion to hold this time over until next month's meeting.

Action: **Commissioner Walters made a motion, seconded by BPU Board Member Bryant, to hold Item #1 over until the next meeting.** Roll call was taken and there were five "Ayes," Bynum, Bryant, Walters, Townsend, McKiernan.

Item No. 2 – 183...PRESENTATION: DEBT POLICY REVISION

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



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.

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Kathleen VonAchen, Chief Financial Officer, said tonight we're going to talk about the Debt Policy. Just as a reminder, we have about 15 or so different financial and budgetary policies all of which are on our website under the Finance Department page. We recently updated about 10 of these policies and tonight we're looking at one, it's the Debt Policy. It involves all of the debt issued by the Unified Government including the Board of Public Utilities.

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Debt Policy

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 United 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:

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Now, the reason we're revising this policy, is if you remember back about 10 years ago during the financial crisis, there were many municipalities at that time who found themselves to be in a little bit of trouble managing their debt portfolios. Not only that, but municipal bond investor, they were really asking for additional transparency because there just wasn't a lot of information that they could get. As a result, Congress reacted by passing the Dodd-Frank Bill and there was a different congressional direction to improve the transparency of the municipal bond market and how municipalities manage their debt.

In the spirit of that, I've reviewed the existing debt policy which is about four pages and it is very concise and provides a lot of direction and good, but what I've done is pretty much rewritten the entire policy so that it has—it basically documents all of our current practices and it's much more comprehensive and provides the reader with more information on some of the jargon and more technical terms, etc. That's what we're going to talk about tonight.

Now I'm going to just tonight talk about—just kind of walk you through the 20-page policy. I'm not going to go into detail. There's a lot of information here, but just to give you a general overview of what's in there and then what I recommend. This is an information only

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presentation and what I recommend, if all of you committee members are willing or think it's a good idea, for us perhaps to meet with you individually to talk about what kind of debt limits you see and just kind of get some general input from you individually so we can bring all that back forward to you and present it to the public at a future—at the February meeting.

Briefly, I just wanted to walk through this a little bit. The first page is just an introductory page that talks about what the policy is, what the purpose of the policy is, the fact that it follows Government Finance Officers Association standards and then also kind of outlines where all our debt is detailed in the Comprehensive Annual Financial Report.

The debt policy itself, there's four purposes for having a debt policy. What we've set here is that it sets the parameters for issuing and managing our debt. It provides guidance to decision makers related to debt affordability. It documents our pre and post issuance. It provides some objectivity on how to approve debt decision-making and then facilitates the actual financing process, right.

	<i>Debt Policy</i>
	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 Finance 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

Just to give you a little bit—as I mentioned, we're including the Board of Public Utilities debt in this because the Board of Public Utilities is an administrative agency of the Unified Government

by charter so, in fact, we issue the BPU's debt; my office does. Of course, we work very closely with Lori Austin, the CFO at BPU, and all of the board members and other senior managers over there. Lori Austin has reviewed this policy and bought off. She's good with this. I've also gained input from our Bond Council and from our municipal advisors at Springsted & Associates.

Debt Policy

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.

There are four borrowing purposes. Four purposes for borrowing and I've talked about each of these mainly the most important one that we often think of is long-term capital improvements. The second one is for essential vehicle and equipment needs. We typically borrow for larger equipment using a lease financing mechanism which we've brought forward to you before and the previous policy didn't really talk about that a lot. The third purpose is for economic development needs and the last is to refinance the existing debt when we're able to.

Generally speaking, we have criteria for determining the feasibility of issuing debt and how that impacts. The first is the nature of the product and the use of the funds. One thing we're going to be correcting, because there's a little bit of an edit here, is that these three points a, b and c are actually the criteria for analyzing the cost benefit analysis of the project. I'm going to do a little cut and paste of these three items and put them right here under b just so you know.

The third item is cost benefit analysis. What we do, and we do this currently, is we determine the benefit of the project. That has to be defined and we quantify how much in terms of monetarily how much that benefit is and we validate the assumptions and the risks. We also determine the costs of the project. We make sure that the basis of the estimate is accurate and then we finally you know marry or compare those two to determine whether there is a benefit, but then also what kind of operating impacts are resulting from that project if we—so for example, right now we're building the new juvenile center. What's going to costs to operate that facility? Is it greater than the amount that we're currently spending? That kind of thing.

The third item that we look at is an expenditure plan. What we're looking at is you know how long is this capital project going to take us to build and how much within the next future years are we going to spend down those bond proceeds? We're looking at that too.

Then the last item is just making sure that revenue, if there's any revenue generated from the project such as economic development projects, that we make sure we match that revenue with the debt repayment plan.

Debt Policy

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 maintain 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

Debt Policy

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 UG may enter into agreements with commercial banks or other financial entities for purposes of acquiring a Line of Credit.

3.6 Lease Purchase Financing

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.

We also look at the asset life. Generally speaking we closely match the repayment period with the economic life of the asset. Most of our bond issues get a credit rating and those that we feel will not have a favorable rating typically unproven revenues and economic development projects warrant not getting a credit rating and in those instances we don't pursue that. This policy kind of talks about credit ratings and how we go about making that decisions and what kind of items are

often looked at by the credit rating agencies in them determining our rating. The credit rating process, we would like to think that it is very, very objective but in reality, the credit rating analyst look at a whole myriad of metrics and then they also introduce some subjectivity having background and knowledge of our communities.

	Debt Policy
Debt Policy • 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 UG 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.

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The credit rating process is, you know pretty involved. Generally, we issue quite a few different types of financing instruments.

This policy provides an opportunity for you to read and find out what each one of those are. We are clearly defining those, of course, general obligation bonds. We have leased revenue bonds, revenue bonds, temp notes, lines of credit or bank loans, leased purchase financing, often for equipment, and then we also enter into obligations with our state and federal government partners through various loans. The economic development obligations—there's what I'm calling special district financings and those include the community improvement districts, the transportation development districts, sales tax and revenue districts for STAR as well as TIF. I'm going to add TIF in there, quite a few different mechanisms for financing economic development.

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Debt Policy

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. Benefitting 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.

Economic Development Debt Obligations**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.

Conduit Debt**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

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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

Then the last category is Conduit Debt. That's debt that is not an obligation of the Unified Government, but we issue the debt on the behalf of the developer. That type is Industrial Revenue Bonds so we issue those as well. There's a detailed explanation of those. I think most of those— A lot of interest has been focused on how much debt or should the Unified Government undertake and debt affordability questions. Those sorts of questions are answered in this Section 4 which is the Debt Ratio Guidelines. What I've provided here, generally is a basis for an introductory discussion on what we want to set as a policy as a Commission, as a governing body, for the types of limits we want to place on the organization. Bearing in mind that issuing debt is a means of investing in our community by replacing aging infrastructure with new improvements.

The debt ratios need to be broken up by the type of debt instruments that we're using. In this instance we have proposed potential metrics for general obligation debt, for general fund supported debt, and then for revenue or economic development financing debt. In this policy the general obligation debt, what we're recommending is that we monitor our debt affordability by looking at debt per capita which is the amount of debt per resident in population. What we're really focusing on here is only general obligation bonds that are backed by the full faith and credit of the general fund. We are not including general obligation bonds which are issued on behalf of the issuer or other enterprises. We've specifically isolated that so that we're only looking at those general obligation bonds that pay for capital improvements related to our general government.

That's street and many other kind of public infrastructure improvements that are not generating revenue like the sewer and the storm.

The second metric we're using is debt as a percentage of assessed value. Because these general obligation bonds, their primary repayment source is property tax mill rate, it seems appropriate to balance that affordability or look at the affordability of that of this type of debt with the assessed value of our community.

The second one is General Fund Supported Debt. Now as you know, there are a number of economic development project which have what they call an Annual Debt Appropriation Clause. That's because in prior years those revenues that were expected from the economic development project being undertaken had not been proven. It became difficult to convince investors that we actually felt these revenues were going to be realized and they felt they needed to have some other additional pledge with the general fund backing. We have a number of bond issues outstanding where there is a general fund backing. In the future we would like to limit that amount because it places an obligation on the Unified Government's operations. As a result, we have included two debt ratios in this category. The first is a General Debt Ratio where it looks at the annual debt service or leased payments as a percentage of the total general fund expenditures. We're recommending that be held at 10%. That's that line here, but in addition, the Unified Government also has outstanding like long-term liabilities in its pension and other post-employment. In order to really get a full understanding of our ability to pay, our debt affordability, we have a second ratio that folds in the calculation of the first ratio where we have all our debt payments plus the annual contribution that we make towards our—in the general fund for our pension and other post-employment and then we divide that by the debt outstanding, actually by the total general fund expenditures. We're setting that percentage at 25%.

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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 established 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.

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The credit rating agencies increasingly are looking at whether our funding status with our pensions in OPEB. Having this in our policy is going to be very beneficial. As we meet individually, we will be looking at figures to demonstrate where we are sitting with—once we do these calculations and then we'll present some of that information to the full committee next month.

The last one is—of course we want it—I just want to point out that we just have a quick sentence in here about Overlapping Debt. There is a requirement in all our bond documents that we also show the amount of debt that jurisdictions or entities within our boundaries are also issuing, from the school districts, the community college and so forth. All of that debt from those other jurisdictions are also an obligation that are paid for from revenues from our taxpayers. That's also looked at.

Now revenue bonds which are those sewer, others and economic development. Those typically have very known and established ratios and what they do is, they look at all the operating income minus operating expenses which is what they call net income and they match that against how much in debt service they're paying. They call that a net coverage ratio. Typically, the coverage ratio is if your income is 1.5% or 1.3% of your debt service, then you're doing pretty

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good. These coverage ratios are very standard and we often include them in our bond documents. We're not really recommending ratios specifically, but they're kind of driven by the market and the marketability of the bond. Investors require these certain standards be established. That's part of the bond approval process.

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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

The remaining portion of this policy is just documenting our current processes. For example, the Terms of the Debt. By statute general obligation bonds can only be 20 years, but lease revenue bonds and revenue bonds can go out 30 years. We've just provided a range here.

Rapidity of the Debt Payment. How quickly do we pay the payment? Do we make it an annual amount that's fixed every year or do we pay just a little at the beginning and then lump it at the end? That's what's called backloading. What we're recommending is that we're not necessarily saying that we don't want to do or banning backloading, but we do want to do backloading only under specific criteria which are listed here, because backloading increases the total interest costs of the bonds.

You know when we issue bonds, we have a lot of different decisions to make that deal with the Serial Bond, Term Bonds and Capital Appreciation Bonds. Those are all decisions that are made by the financial advisor—municipal advisor and myself in order to improve the marketability of the bond. That's all kind of detailed and discussed here.

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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 US Finance Department will select serial bonds or term bonds, or both. On the occasions where circumstances warrant, CABS may be used.	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 US may issue bonds with a debt service reserve fund that is sized at a lower level or without a reserve fund.
5.4 Interest Rates The US 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 such a structure for a given project is recommended by the Finance Department.	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 US may use a surety policy instead of a debt service reserve fund when economically feasible.
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.	The US 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.
5.6 Credit Enhancements Credit enhancement may be used to improve or establish a credit rating on a US 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 US's overall financial objectives.	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.
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 US'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.	5.9 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 US the right to prepay or retire debt prior to its stated maturity. This option may permit the US to achieve interest savings in the future through refunding of the bonds with lower interest rates. Often the US 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:
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.	• 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
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.	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

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Typically, our portfolio doesn't have any variable or interest rates. Right now, it's all fixed but if there is a project where the use of variable rates makes sense, then this policy would allow that. We have that in there. Right now we have an issuer rating. When we talk about the UG rating, it's the issuer rating. It's the ability of the entire organization to meet its obligation but sometimes we can also get credit ratings for individual debt instruments. When we in the future go out for sewer revenue bonds, we're going to get a sewer revenue bond or a sewer enterprise rating and that's what's talked about here is getting different ratings. In the past if there's an Economic Development project where we can get a rating, we're going to get a rating just on that project.

Credit Enhancements is something that has been done in the past. It's not as common anymore, but it basically allows the government to enter into an insurance policy with the bond insurer and that bond insurer basically is guaranteeing or promising that the debt service will be paid and they're promising that to investors. As a result, it increases the rating from some lower rating to that AAA and as a result, reduces the interest cost. That's an insurance tool that is really not widely used anymore because the markets fallen out since the financial meltdown of 2009, but we left it in here because there may be a change in that market in the future.

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General obligation bonds don't have debt reserves, but revenue bonds do and, of course, we're trying to facilitate a debt policy for all types of bond issuances including the BPU. A lot of revenue bonds require debt reserve and surety policies. This basically allows—you borrow enough to set aside one year basically, let's say one year's worth of debt service in a fund where it earns interest and if the bond issue runs into trouble, then you can tap that reserve for repayment.

Another thing that often happens is that we build a project. It takes three or four years to build it but we have to issue the money because we need the money to pay for the construction. What we do is we add in the interest costs for those first two or three years or one through three years where we're building the project. We add that interest to the amount we're borrowing so that in the future we can—and then in the future, at year four, let's say, then the interest includes all the project interest as well as the amount that we expected to pay in years one through three for example. There's just a policy on that.

Another area that we don't often talk about is Call Options and Redemption. Typically, GO Bonds, as I mentioned here, are issued for between 20-30 years and all those bond issues have typically call options at year 10 with no premium. This improves the marketability of the bonds. I know that there's a lot of conversation about paying off debt early. Oh, let's pay off debt early, but because of these call provisions we're not really able to pay off debt early until we reach that year 10 which is typically the call option date. Now the reason these are put on bond issues is because investors don't want to have that risk of having to reinvest their—they don't want to have the risk of having to find another instrument to reinvest their money when it gets called. That's what they're looking for is that assurance that they'll be able to buy that and keep it in their portfolio for the full 10 years.

The other items, you know Method of Sale, I did want to point out that typically we decide between a competitive sale or pursuing and negotiated sale. With any bond issue we decide is this bond issue going to be difficult to sale? If it is, if there's a lot of additional information we're going to have to provide to investors, then we may decide to pursue a negotiated sale. If it's just straight forward a general obligation bond, then we do a competitive sale. That just outlines that.

In addition, I talk briefly about doing private placements where there aren't any underwriters or there's only one underwriter per bond issue instead of a whole myriad of underwriters or investors.

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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), provided 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 as "private placements". Typically, private offerings are carried out by the UG when extenuating 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:

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- 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

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The rest of the policy talks about different disclosures that we are required to make as well as the approval process.

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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 composition 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 Advisor, 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, naming 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

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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

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The approval process involves a whole myriad of people including myself, the Chief Legal Counsel, our Bond Counsel, our Municipal Advisor, and then we get to the State of Kansas also reviews all of our bond issues. Of course, the Unified Government's Commission and Mayor approves all of the bond issues. Everyone is looking at all these documents and it includes a lot of people.

	Debt Policy
• Community Reinvestment L. 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 §140(f)(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 (SUGS) 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.

Then I just wanted to point out, we didn't really have this written out anywhere, but how we select the financing team and how they're compensated is all detailed in here as well.

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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 15c-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.

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Debt financing may include general obligation, special assessment, and revenue bond temporary leasing/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, including Enterprise Funds, are targeted at 30%–32% 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 debt 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 this 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 Commissioners.
- The Unified Government will determine if the debt should be issued on a 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 debt 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.

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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 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.

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- 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 municipal 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 benefits.
- 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 the 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.

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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.

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Nationally Recognized Municipal Securities Information Repository (NRMISIR) - NRMISIR is an acronym for Nationally Recognized Municipal Securities Information Repository. NRMISIRs 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 Rule 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 "slag") 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

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The last thing is for some of that jargon that we have or maybe if there's some information—if there's any words that you're not sure what they mean or what the definitions are, we have added a section at the very end that has a glossary with lots of terminology that's been defined here.

That's all I have for tonight. I just wanted to give you opportunity to ask any questions. I would encourage that we set up separate meetings so we can talk in more detail about some of these items. I enjoy your feedback.

Chairman McKiernan asked if there were any questions or comments from the committee.

Commissioner Walters said I have just a couple of brief questions. Did I see anything in our policy about temp notes? **Ms. VonAchen** said I'm happy to add temp notes to—there is a definition on temp notes. It talks about what they are. Yes, here it is right here. **Commissioner Walters** said so it says—well we can talk about this at our one-on-ones, but it sounds like the UG may or may not issue temp notes for projects. Is that what that says? You may choose to issue temps. **Ms. VonAchen** said yes, that's right. **Commissioner Walters** said it's our option. My second comment is just as we talk about transparency, I would really like to figure out a way to get on a single sheet of paper all of the debt values that you talk about in this policy and one I hadn't really thought about until you mentioned it and that's all the unfunded benefit and go forward debt. I guess you would call it debt. It's certainly an obligation. Anyway, it would be

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really nice to be able to summarize that on one single sheet so that we, as commissioners, could sort of monitor that from year-to-year and you could advise us more clearly on where we stand on some of these ratios, coverages and things like that. That's all I had. **Ms. VonAchen** said I'd be happy to do that. I did want to—page 59 of the CAFR has all of the Unified Government's long-term liabilities. What it presents is the outstanding balance on the first day of the fiscal year, any additions, deletions and then the outstanding balance on the last day of the fiscal year. It includes the BPU, the pension, the retiree health, all of our economic development, all the general funded backed debt, the general obligation, the sewer everything and—**Commissioner Walters** said not the temp notes. **Ms. VonAchen** said not the temp notes because the temp notes are not a long-term liability. Yes, that's right.

Commissioner Townsend said as I review this again and listening to what you've said this evening, the strikeouts remove what is no longer our policy. Is that it? **Ms. VonAchen** said that's right. **Commissioner Townsend** said what you presented here for further comment is a review of what our current policy is correct, minus the strikeouts. **Ms. VonAchen** said yes. I mean a lot of—for the most part. See the strikeouts are the current policy. All of the blue area is new policy but I have to qualify that much of the policy that is new in blue that I wrote in there documents our existing practices. I would say that the actual only difference or change in our current practices is found in Section 4 which talks about the Debt Guidelines. Yes. Do you understand? **Commissioner Townsend** said okay. Thank you. **Ms. VonAchen** said the debt ratio guidelines.

Chairman McKiernan said that was going to be my one comment is that with this policy as with many others, I think you've done a nice job of documenting, putting into a document what has been and still is our standard practice, our operating procedure. It's nice to have it so documented. Thank you.

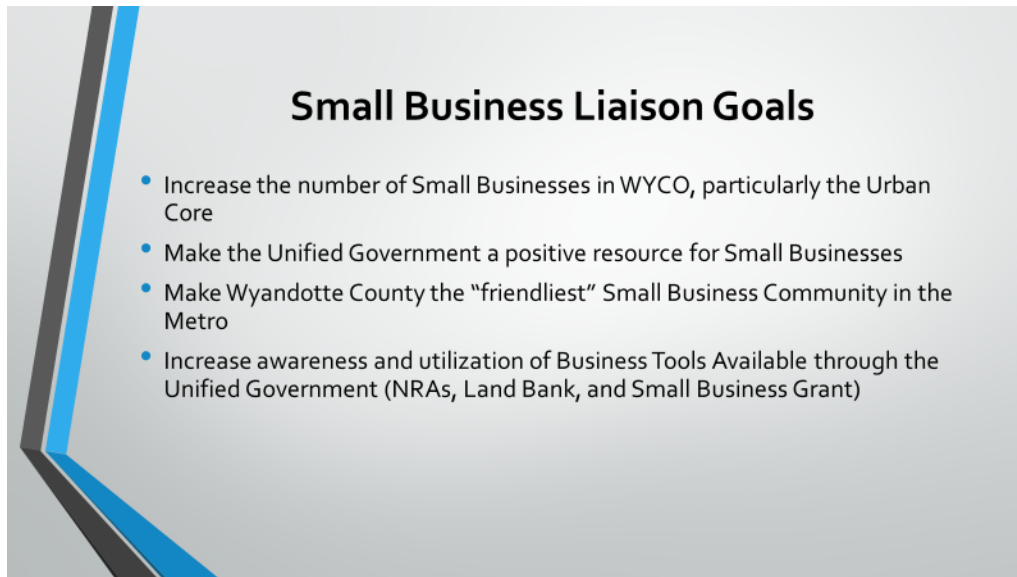
Chairman McKiernan said it looks like there are no other questions. We will consider this and we'll have the opportunity for individual meetings and then you'll bring this back next month for consideration by this committee. **Ms. VonAchen** said right.

Action: For information only.

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Item No. 3 – 184... 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.



Shaya Lockett, Small Business Liaison, said as the Commissioner stated this is an update on our Small Business Grant that we house in the Economic Development Department and before we get into the grant, I wanted to update you all on some of the goals that we've set for the Small Business Liaison. As you're aware, the Small Business Liaison is a newly created position in the 2018 Fiscal Year and the goals for that position, which is my position, is to increase the number of small

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businesses in Wyandotte County, particularly the urban core. To make the Unified Government a positive resource for small business. To make Wyandotte County the friendliest small business community in the metro. To increase the awareness and utilization of business tools available through the Unified Government which include our NRA, Land Bank and Small Business Grant. These goals were set by our department after meeting with several small businesses and hearing some of their concerns and some of needs so we set these as our target goals for the Small Business Liaison.



The Small Business Grant in line with the Small Business Liaison, the goal is to assist the existing small businesses with 100 or fewer employees that are prime for expansion or moving to the next level in business growth and to target areas. The target areas include our downtown corridor and our older urban areas of KCK. It's specifically for businesses that are looking to grow within specific areas of Kansas City, KS.

Grant Types

1. Commercial lease rate subsidy (up to six months)
2. Cost related to expansion, purchase or lease



2018 Grant Recipient
KCK Dental Professionals – Business Expansion

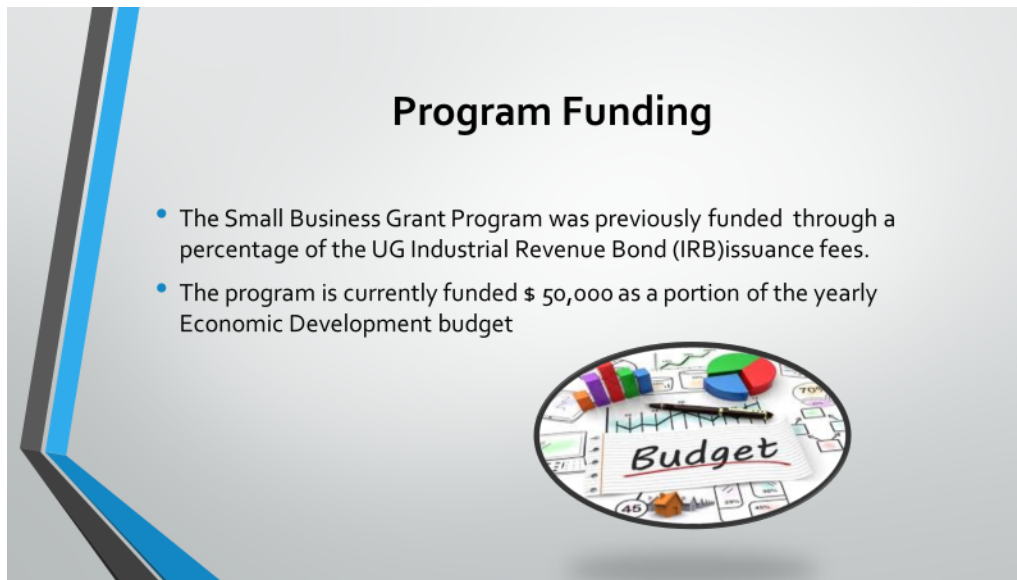
- Purchased new building
- Grant assisted in paying for roof repairs

We have two grant types which are Commercial Lease Rate Subsidy and that lease rate subsidy can be for up to six months and it can be no more than \$10,000 and then the cost related to expansion, purchase or lease which is what most of our grants are falling under which are small businesses that are either moving into new buildings that expand and they need new equipment and things like that. This is just a picture of one of our 2018 grant recipients, KCK Dental Professionals. They're currently on Minnesota but they also purchased a new building located at 731 Minnesota Avenue and they are going to be expanding their business, keep their current location, and then they'll do some specialty services out of this building.

Ineligible Grant Uses

- Home based businesses
- Liquor Stores
- Bars and establishments that sell alcohol with less than 50% in food sales
- Seed Capital
- New businesses
- No job creation

We thought it was important that we point out the ineligible grant uses. Home based businesses, liquor stores, bars and establishments that sell alcohol with less than 50% in food sales, seed capital, new businesses and those that do not create any jobs are not eligible for the Small Business Grant. The purpose of the grant is to increase the number of jobs is to increase the number of jobs we have in our community and to help those that are already growing—those businesses grow.

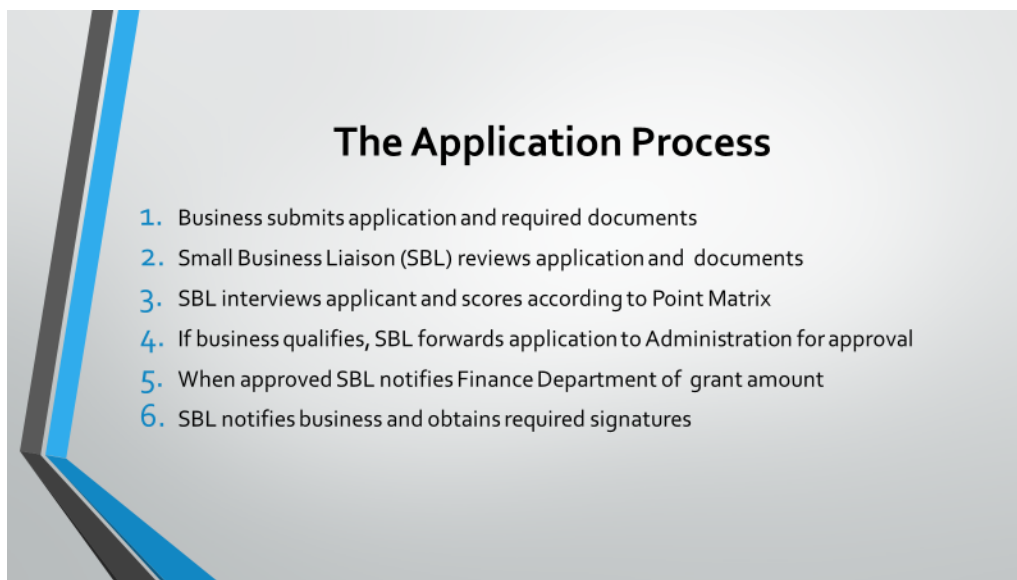


Our program funding initially was through the UG Industrial Revenue Bonds (IRB) issuance fees but recently the program was funded through our annual budget and it is \$50,000 budgeted annually. **Chairman McKiernan** said going back to that then, why the switch? Is there variation or fluctuation in the IRB issuance fees and was this attempt to just make it a more solid and dependable amount of money? **Ms. Lockett** said from my understanding, the purpose was to make it a solid reliable amount that we knew we had from year-to-year. **Chairman McKiernan** asked does the IRB issuance fees then defray a portion of this from the Economic Development budget? Are they still coming in as one source of funding for this program? If not, what's happening to them now? **Ms. Lockett** said that would be—**Chairman McKiernan** asked are we not issuing IRBs as much anymore or—**Ms. VonAchen** said I'm sorry, can you repeat your question? **Chairman McKiernan** said so it says that previously, and when we first brought this up, it was funded through IRB issuance fees. **Ms. VonAchen** said yes, that's right. **Chairman McKiernan** said we came back in and we thought this was a great way to invest those fees back into developing small businesses. Now it says that's not the case or it's funded by a portion of the yearly Economic

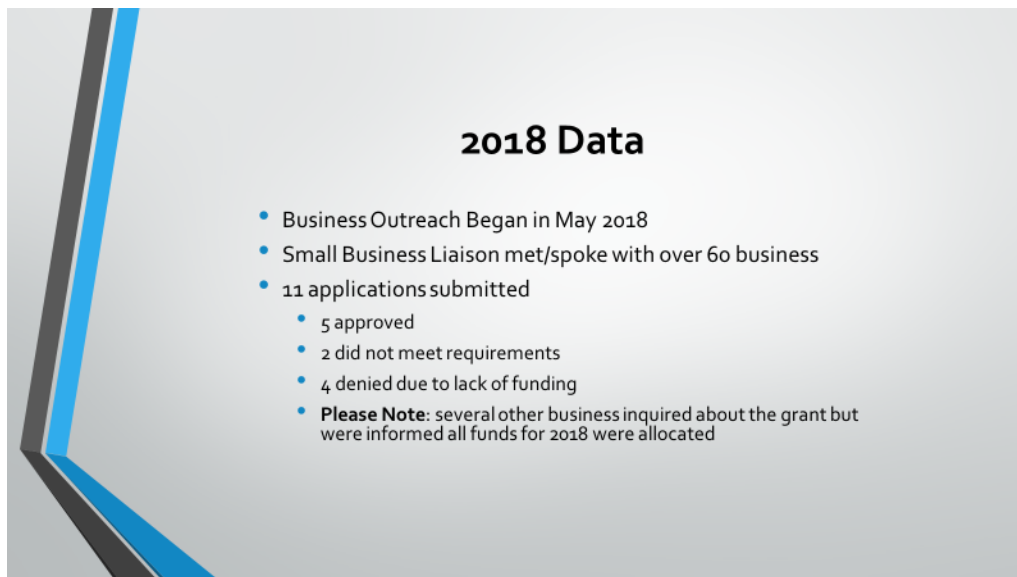
Development budget, so my question is, what's happening to the IRB issuance fees? Are we not issuing as many IRBs and, therefore, not getting as many fees? Are those fees going somewhere else in our cashflow in our budget? I'm just curious why the change.

Katherine Carttar, Interim Director of Economic Development, said I can grab this. It is in a roundabout sort of way you could probably say that it is still being supported by the IRBs, but in reality, the IRB issuance fee is going into the general fund and this is just being taken directly from the general fund. I think there was a concern of tying those two together due to the fluctuation. **Chairman McKiernan** said so this smooths out the fluctuations. **Ms. Carttar** said yes. **Chairman McKiernan** said perfect, thank you. That's all I needed.

Ms. VonAchen asked can I add to that for a moment. Actually, in our debt policy I was just presenting, there's also language to allow us to charge developers for the cost of staff time for what it took to issue special obligation debt. We're actually going to be augmenting the revenue collection related to not only industrial revenue bonds, but also bonds that we issue on behalf of—to recover our cost we have that we issue for economic development projects. For example, the Legends Apartment Complex. That was a project that staff worked on for about two years and we weren't able to recover all of our time for that. That's one thing that we're going to do.



Ms. Lockett said this is just a quick overview of the application process. When a business is interested in a small business grant, they'll submit their application and the required documents which include a year of their previous year's tax statements, a certified copy of what it is that the grant funds will be going to. If it's equipment, it will be an invoice for the equipment cost and things of that nature as well as their W-9s for repayment. They submit all those documents to our office. We'll review the application and documents. At that time, we'll set up an interview with the applicant. Based on the interview we score them on a point matrix which is set up in the grant application and if the business qualifies then we forward a memo to Administration for approval. Based on approval, then we notify our Finance Department of their grant amount and then we notify the business and obtained the required signatures for them to receive the grant.



Just some information on 2018. I think it's important to note that the Business Outreach began in May of 2018. It was not the entire year, but I was able to meet and speak with over 60 businesses. We had 11 applications submitted. Five were approved. Two did not meet the requirements and four were denied due to lack of funding and I think that it's important to note that even after those four were denied, there were several other businesses who inquired about applying for the grant but they were notified that all the funds for the year had been allocated to other businesses. Those businesses were encouraged to reapply in 2019 if they were still interested.

2018 Grant Recipients

Business Name	Address	Amount	Purpose
Delores Home Training Center, Inc.	7735 Washington Ave, Suite E & F	\$10,000	Costs related to renovation and Equipment
Miguel's Catering	1702 State Ave.	\$10,000	Costs related to renovation, equipment and marketing
KCK Dental Professionals	731 Minnesota Ave.	\$10,000	Costs related to renovations
Union Press	626 Kansas Ave	\$10,000	Costs related to new equipment
Big Grill and More	501 N. 6 th Street	\$10,000	Costs related to marketing and equipment

These are our 2018 grant recipients. Delores Home Training Center, Miguel's Catering, KCK Dental Profession also, Union Press and Big Grill and More. It list out the amount they were given and what the grant is used for.

Chairman McKiernan said this is funded basically a first come, first meet the criteria basis, right?

Ms. Lockett said currently, yes. **Chairman McKiernan** said I really appreciate the fact that you have stepped up your efforts to make sure that as many small businesses as possible are aware of the existence of this and have the opportunity to get in early because one of the concerns I think has always been that we make sure this is broadly available and broadly communicated across the entire community so that everyone has a fair opportunity to get in. I appreciate that you've really stepped that up this year. **Ms. Lockett** said thank you.



Ms. Lockett said I wanted to update you all on some of our 2019 initiatives that we're really excited about. We recently signed a contract with Sourcelink Pro which is a customer relations management system for us to be able to track our data and interactions with our business owners. For most of 2018 we were keeping records but it wasn't to the degree that Sourcelink Pro can. It's a database that allows us to communicate with the business owners to be able to send out mass emails, to be able to directly refer them to resources and we have our signed contract. Hopefully, we'll be getting trained on it and up and running in February.

The next thing is our new marketing campaign, to the point that we want all of our businesses to know about our small business initiatives and know that the Unified Government supports local businesses. We are starting a WYCO Loves Local campaign and we will be working with a local graphic designer to design our marketing materials and this will be an opportunity for us to highlight various small businesses throughout Wyandotte County. We'll work with our NBRs and governing bodies to get the information out to differences businesses as well as staff.

We're also looking to modify our Small Business Grant Requirements. As you can see, there is a great demand for the grant and as we get more small businesses that are moving to Wyandotte County and Kansas City, KS, we want to make sure that our guidelines and our parameters are set up so that all businesses have an equal opportunity to receive grant funding. We are looking to make revisions to our grant process. That is all that I have.

BPU Board Member Bryant said it looks like every applicant applied for the max and received. **Ms. Lockett** said yes. **BPU Board Member Bryant** asked did you have any applicants that came along later that requested less than \$10,000. **Ms. Lockett** said every applicant has requested \$10,000 and pretty much most of them qualified based on the point matrix for \$10,000, which is one of the things we would like to look at possibly changing.

Commissioner Townsend said I think the presentation zeroes in what a difference it makes to have a person dedicated in the department to moving forward with this type of service to the community targeting small businesses. That leads me to the question about definition. Since one of the goals is to increase small business, how are we defining a small business for the purposes of this program? Because we won't know if we've increased any over what we've had until we know how we're defining small business. That's the first question. **Ms. Lockett** said at current, small businesses are currently defined as a business with 100 or fewer employees and that is also one of the things that we would look to possibly change in our near future because that encompasses the majority of our businesses in Wyandotte County.

Commissioner Townsend asked where are we getting that 100 from? Is that some designation by the Small Business Administration? Somehow, I had a number a lot less than that in mind, but that's why I'm asking the question so that we all are reading off the same page. **Ms. Carttar** said, Commissioner Townsend, yes, we completely agree. The 100 or fewer has been attached to the grant program, I believe, since its inception. One of the things that we've been talking about and indeed what Ms. Lockett has been kind of focused on in terms of her outreach has actually been more in line with the SBA number which is 20 or fewer employees. We think that revision or potentially having a couple of different tiers might help actually get the grant funding to the people who are most in need of trying to expand their businesses. **Commissioner Townsend** said I think that's important because like I said, 100 was not the number I had in mind and I think that would not be. I think it was Commissioner McKiernan that used the term fairness and what we're really talking about here and who we're trying to target to help. I'd like to see us hone in a little bit more specifically on what we're defining or who we're defining as small businesses.

The second thing, is there any limitation in our current procedure, I can't remember that we put one in, on the number of times a company could come to us for a grant. Is it one and done

or once every five years or have we talked about that at all? **Ms. Lockett** said the grant currently reads it's a one-time only grant. **Commissioner Townsend** said okay, alright. Well, thank you again. Those were the questions that came to mind as I heard the presentation and again congratulations to you and the department for moving in a direction targeting this segment of the business population, our community specifically.

Chairman McKiernan said I have spoken with, I think three, of the grant recipients not only from this year but from previous years, all who have substantially fewer than 20 employees and definitely meet that criteria. All have said to me that the availability of this grant made a substantially positive impact in their ability in one case to establish the business and in two other cases to expand the business and the number of people employed by the business. It would seem that we are beginning to achieve those goals that we set out at the very beginning. Thank you for your work.

Action: For information only.

Chairman McKiernan asked are there any other comments or questions. Seeing none. That is the last item of business on our agenda this evening.

Adjourn

Chairman McKiernan adjourned the meeting at 6:24 p.m.

tpl



Staff Request for Commission Action

Tracking No. 19581

Full Commission Meeting Date: 3/28/19

Committee: Economic Development & Finance

Date of Standing Committee Action: 3/4/19

(If none, please explain):

Publication Required: No

<u>Date:</u> 02/08/2019	<u>Contact Name:</u> Debbie Jonscher	<u>Contact Phone:</u> x5847	<u>Contact Email:</u> djonscher@wycokck.org	<u>Department/Division:</u> Finance
<u>Item Description:</u> A resolution authorizing the Unified Government of Wyandotte County/ Kansas City, Kansas to amend its Master Equipment Lease Purchase Agreement dated October 17th, 2013, with Banc of America Public Capital Corp. the proceeds of which will be used to pay the costs of acquiring and installing certain equipment. The maximum amount is not to exceed \$11,500,000.00.				
<u>Action Requested:</u> Please Approve				
<u>Budget Impact: (if applicable)</u> Amount: Source: Included In Budget: Other (explain):				
<u>Attachments List:</u> Resolution R 19 Master Lease, 2019 Amendment #6 Template, 2019 Lease Finance Detail				

RESOLUTION NO. R-__-19

**RESOLUTION AUTHORIZING THE UNIFIED GOVERNMENT OF
WYANDOTTE COUNTY/KANSAS CITY, KANSAS, TO AMEND ITS
MASTER EQUIPMENT LEASE PURCHASE AGREEMENT WITH BANC OF
AMERICA PUBLIC CAPITAL CORP, THE PROCEEDS OF WHICH WILL
BE USED TO PAY THE COSTS OF ACQUIRING AND INSTALLING
CERTAIN EQUIPMENT.**

WHEREAS, the Unified Government of Wyandotte County/Kansas City, Kansas (the “Unified Government”) desires to obtain funds to pay the costs of acquiring and installing some or all of the equipment identified on *Annex I* attached hereto (the “Equipment”); and

WHEREAS, in order to facilitate the foregoing and to pay the cost thereof, it is necessary and desirable for the Unified Government, to amend its annually renewable Master Equipment Lease Purchase Agreement (the “Lease”) with Banc of America Public Capital Corp (the “Lessor”), dated as of October 17, 2013, to extend the Origination Period (as defined in the Lease).

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

Section 1. Authorization of Lease Amendment. The Chief Financial Officer of the Unified Government of Wyandotte County/Kansas City, Kansas is hereby authorized to execute Amendment Number 6 to the Lease (the “Amendment”), attached hereto as *Exhibit A*, and take all other necessary action to amend the Lease.

Section 2. Authorization of Lease Transaction. The Unified Government states its intent to lease pursuant to the Lease and pursuant to separate Schedules of Equipment (the “Schedules”) some or all of the Equipment in a maximum principal amount of \$11,500,000. The Equipment to be leased and the related Schedule will be approved by subsequent resolution(s) of the Board of Commissioners.

Section 3. Authorization and Approval of Unified Government Documents. The Amendment is hereby approved in substantially the form submitted to and reviewed by the Board of Commissioners on the date hereof, with such changes therein as are approved by the County Administrator, the County Administrator’s execution of the Amendment being conclusive evidence of such approval.

The obligation of the Unified Government to pay Rental Payments (as defined in the Lease) under the Lease and any Schedules is subject to annual appropriation and will constitute a current expense of the Unified Government and will not in any way be construed to be an indebtedness or liability of the Unified Government in contravention of any applicable constitutional, charter or statutory limitation or requirement concerning the creation of indebtedness or liability by the Unified Government, nor **will** anything contained in the Lease or any Schedule constitute a pledge of the general tax revenues, funds or moneys of the Unified Government, and all provisions of the Lease and any Schedule will be construed so as to give effect to such intent.

The County Administrator is hereby authorized and directed to execute and deliver any Schedules on behalf of and as the act and deed of the Unified Government.

Section 4. Further Authority. The Unified Government will, and the officials and agents of the Unified Government are hereby authorized and directed to, take such actions, expend such funds and execute such other documents, certificates and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution and to carry out, comply with and perform the duties of the Unified Government with respect to the Lease, any Schedules and the Equipment.

Section 5. Effective Date. This Resolution will take effect and be in full force from and after its passage by the Board of Commissioners.

ADOPTED by the Board of Commissioners of the Unified Government of Wyandotte County, Kansas City, Kansas, this March 28, 2019.

David Alvey, Mayor/ CEO

ATTEST:

Unified Government Clerk

APPROVED AS TO FORM:

Chief Counsel

Exhibit A

Bank of America

Amendment Number 6
to Master Equipment Lease Purchase Agreement
dated as of October 17, 2013

This Amendment Number 6 made this 28th day of March, 2019 to the Master Equipment Lease Purchase Agreement dated October 17, 2013 ("Agreement") between Banc of America Public Capital Corp ("Lessor") and the Unified Government of Wyandotte County/Kansas City, Kansas ("Lessee")

WITNESSETH:

WHEREAS, Lessor and Lessee are parties to the Agreement; and

WHEREAS, Lessor and Lessee desire to amend certain provisions of the Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual obligations hereinafter contained, and for other good and valuable consideration, the receipt whereof is hereby acknowledged, the parties hereto agree as follows:

1. Section 1.01 "Origination Period": is amended by deleting the reference to December 31, 2018, and replacing it with December 31, 2019.
2. Except as amended hereby, the Agreement shall remain in full force and effect and is in all respects hereby ratified and affirmed. Capitalized terms not otherwise defined herein shall have the meanings ascribed them in the Agreement.

IN WITNESS WHEREOF, the parties hereunto have caused this instrument to be executed by their duly authorized officers as of the day and year first above written.

Banc of America Public Capital Corp (Lessor)

Unified Government of Wyandotte County/Kansas City, Kansas (Lessee)

By: _____

By: _____

Printed Name: _____

Printed Name: _____

Title: _____

Title: _____

Annex 1 - 2018-2019 Unified Government Lease Financed Equipment Projects

CMIP Project #	Item/Project	Term (yrs)	Rate*	Principal**	Interest***	Annual Pmt****	Service, Maintenance
2016 equipment (not financed)							
NRC	Computer Database upgrade	3		264,000	-	88,000	0
2017 equipment (not financed)							
Fire	Fire Truck Aerial	10		950,000	26,163	121,163	0
	Fire Truck Quint	10		900,000	24,786	114,786	0
2018 Equipment (not financed)							
Fire	X-Series Monitor Upgrade Repl Program (2018-2021 LF)	5		400,000	10,528	90,528	0
	2013 Pumpers-Quints 2 LF (2018-2027)	10		1,520,000	41,861	193,861	0
2019 Equipment (not financed)							
Emergency Management-City	Radio Encryption (2019-2021 LF)	3		288,000	7,580	96,000	0
Fire Department	Aerial/Quint (2019-2029 LF)	10		900,000	24,786	90,000	0
	Pumper (2019-2028 LF)	10		790,000	21,757	79,000	0
Police Department	Patrol Vehicles (30) 2019 (2019-2021 LF)	3		1,200,000	31,584	400,000	0
Public Works	Fleet Vehicles (2019-2021 LF)	3		105,000	2,764	35,000	0
Transit	Light Duty Cutaway Buses-1 (2019-2023 LF)	5		103,795	2,727	20,759	0
Emergency Management-County	Radio Encryption (2019-2021 LF)	3		195,000	5,132	65,000	0
County-Aging Transit	Ford Transit Van-1 (2019-2023 LF)	5		72,000	1,891	14,400	0
Special Street & Highway-City Public Works	Skid Steer and Trailer (2019-2023 LF)	5		100,000	2,627	20,000	0
Fire Department	Pumper (2019-2028 LF)	10		790,000	21,757	79,000	0
	2013 Pumpers-Quints 2 (2019-2028 LF)	10		1,580,000	43,513	158,000	0
Parks & Rec	2018 Greens Mower (2019-2023 LF)	5		40,000	1,051	8,000	0
	2018 Fairway Mower (2019-2023 LF)	5		75,000	1,970	15,000	0
Contingency	Other			1,227,205			
TOTAL				\$ 11,500,000			

* Interest is estimated, based on a formula in the master lease. Estimated rates as of February 4, 2019:

3 year: 2.632 %

5 year: 2.627 %

7 year: 2.671 %

10 year: 2.754 %

** Principal column is the estimated total purchase price without interest if paid for by cash.

*** Interest column is the annual interest amount using estimated rates.

**** Estimated



Staff Request for Commission Action

Tracking No. 19592

Full Commission Meeting Date: 3/28/19

Committee: Economic Development & Finance

Date of Standing Committee Action: 3/4/19

(If none, please explain):

Publication Required: Yes 04/04/2019

<u>Date:</u> 02/14/2019	<u>Contact Name:</u> Kathleen VonAchen	<u>Contact Phone:</u> x5186	<u>Contact Email:</u> kvonachen@wycokck.org	<u>Department/Division:</u> Finance
<u>Item Description:</u> Staff recommendation of the revised Debt Policy for Committee consideration and adoption. Memo summarizing the Committee members recommended revisions and revised redlined version included for Committee review and consideration. Resolution and clean version included for Committee adoption. Submitted by Kathleen VonAchen, Chief Financial Officer.				
<u>Action Requested:</u> Adopt resolution				
<u>Budget Impact: (if applicable)</u> Amount: Source: Included In Budget: Other (explain):				
<u>Attachments List:</u> Debt Policy-Revision-3.04.2019-Reso-CleanPolicy, Debt Policy-Revision-3.04.2019-ED-F Packet				

RESOLUTION NO. R-_____

WHEREAS, budgetary and financial policies contain high-level principles and requirements that an organization must follow, as formally agreed upon by management and a governing body, in order to direct the strategic vision of an organization;

WHEREAS, budgetary and financial policies inform organizational processes by providing insight into standard functions and key risk and control points needing monitoring and take into consideration risk assessments, mitigations and audit efforts to achieve operational efficiencies; And, that policies help to shape strategic direction, so an organization can move to a mindset that recognizes cost/risk avoidance as a critical public policy discipline.

WHEREAS, formal adoption of budgetary and financial policies by a governmental organization is a recommended practice of the International City Management Association (ICMA) and the Government Finance Officers Association (GFOA).

WHEREAS, the Unified Government 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.

WHEREAS, the primary objectives of a 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.

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

Section 1. That the Unified Government Board of Commissioners hereby adopts the debt policy included in Exhibit A:

Section 2. That the County Administrator is hereby authorized to execute in the name of the Unified Government of Wyandotte County/Kansas City, Kansas, any and all documents and instruments as may be necessary or desirable to carry out and comply with the intent of this Resolution. And that all other Unified Government staff is further authorized to take such actions as are necessary and proper to effectuate the purposes and intent of this Resolution.

ADOPTED BY THE BOARD OF COMMISSIONERS OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, THIS 28th DAY OF MARCH 2019.

Unified Government Clerk

EXHIBIT A:

PROPOSED REVISED DEBT POLICY



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 Forecast, 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's Debt Policy is also designed to:

- Establish parameters for issuing and managing debt;
- Provide guidance to decision makers related to debt affordability standards;
- Provides information to the public on the use of debt and to industry participants on the standards of the UG;
- 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.

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.

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. [Refer to the Capital Asset and Equipment Investment and Management Policy for criteria for “pay-go” funding.]

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 Forecast, 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 Unified Government strives to foster an environment in which small and large businesses thrive, jobs are created, redevelopment continues, tourism grows, and businesses locate in the community. To achieve these objectives, The UG regularly finances certain land acquisition, site preparation and infrastructure improvements related to economic development projects as a means of incentivizing private sector firms to invest in the community.
- 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 to achieve one or more of three objectives: reduce future interest costs, restructure debt to reflect changing debt service revenues, and to redefine bond-related legal requirements. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other 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 parties 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.
- B. **Cost-Benefit Analysis of Project:** A cost-benefit analysis is required for each project:
 - 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. Identify whether the project will increase or reduce ongoing operation and maintenance expenses.
- 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. For all bonds an impact analysis on the repayment sources over time will be completed.

- E. Compliance with statutory provisions and bond covenants. Each issue will be evaluated for its impact on statutory debt limits, and in the case of revenue-only secured obligations existing bond covenants.

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 and/or rolling stock 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, hence lowering the demands on repayment revenue sources such as the property taxes and user fees. 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
- Socio-economic and demographic profile of the revenue base
- 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(s) 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.

The UG recognizes the need to maintain ongoing communications with the rating agencies in order to provide information and demonstrate management engagement in the debt management system.

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.

Direct Debt Obligations

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. Such bonds are issued pursuant to K.S.A. 10-101 et seq., K.S.A. 10-620 et seq., and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, for the purpose of paying a portion of the cost of certain street, sewer, public utility, and other public improvement projects. Adoption of a bond resolution by the UG commission is required for the issuance of general obligation bonds.

While typically general obligation bond debt repayment is reliant on property tax revenues, the UG also relies on charges for services deriving from the wastewater and stormwater enterprise utilities as the revenue source for repayment for such projects financed with general obligation bonds. As a result, these business-type activities general obligation debt outstanding is separately reporting in the UG's financial statements and reports.

3.2 Lease Revenue Bonds

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 (PBC)), 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. Lease Revenue Bonds of the PBC are authorized by the Constitution and statutes of the State of Kansas, including K.S.A. 12-1757 et seq.

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

A. Revenue Bonds are obligations payable from revenues generated by an enterprise, such as water, wastewater and stormwater utilities, electric utility, public golf courses, levee 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 obligation of the issuer under the State of Kansas' debt limit criteria.

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. Revenue Bonds are issued under the authority and pursuant to the Constitution and laws of the State of Kansas, including the provisions of K.S.A. 10-1201 et seq., Article 12, Section 5 of the Constitution.

B. Revenue Bonds issued to provide incentives for economic development and repaid by revenues generated by the development project or from the adjacent area. Typically, these bonds are less secure as the repayment is linked to the performance of a private development over time. The UG will exercise significant diligence in determining the need and amount of the public financial participation, the probability of the forecasted revenues to actually occur, and include provisions in the bond structuring and security to minimize the risk of default.

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 temporary 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. Such bonds are issued pursuant to K.S.A. 10-101 et seq., K.S.A. 10-620 et seq., and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, for the purpose of paying a portion of the cost of certain street, sewer, public utility, and other public improvement projects. Adoption of a bond resolution by the UG commission is required for the issuance of temporary notes and draw bonds. While the UG practice is to renew temporary notes on an annual basis, State statute limits the interim financing period for individual capital projects financed with the note proceeds to four years.

3.5 Lines of Credit/ Direct Bank Loan

A Line of Credit / Direct Bank Loan 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. Direct Bank loans are an important tool in a government's financing toolkit. The term bank loans include fixed-rate loans with defined maturities and loans or lines of credit that have variable interest rates and flexible payment provisions.

In entering into a direct bank loan, the UG in consultation with the Municipal Advisor will become knowledgeable as to how the bank loan is characterized for legal and accounting purposes, including how they are treated in the financial statements, and what types of disclosures should be made about these loans. State and local laws should be reviewed to ensure these financings are within legal limits and the financing is characterized appropriately. 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 UG may enter into agreements with commercial banks or other financial entities for purposes of acquiring a Line of Credit or Direct Bank Loan.

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 UG's current HUD Section 108 loans.

Economic Development Debt Obligations

3.9 Special Districts Financing

The UG's special districts primarily consist of Community Improvement Districts (CID), Transportation Development Districts (TDD), Tax Increment Financing (TIF) 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.

Conduit Debt

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 K.S.A. 12-1740 et seq, 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. IRB's require a governmental

entity (the Unified Government) to act as the "Issuer" of the bonds, who will hold an ownership interest in the property for as long as the IRBs are outstanding.

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, as well as levee and golf course enterprises.

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 Kansas City, Kansas population.
- Debt as a percent of assessed valuation: This is the outstanding principal as a percentage of Kansas City, Kansas assessed valuation (excluding motor vehicle valuation).

This measure excludes general obligation bonds issued for wastewater, stormwater, levee or golf course enterprise funds capital projects. Included in the "debt" classification will be the estimated portion of temporary notes. 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 and annual appropriation clauses for certain economic development financings) is the required annual debt service/lease payment as a percentage of total 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 General Fund 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% of total General Fund expenditures.

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 communities' 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 will continue to work with other jurisdictions in coordinating capital projects to lessen the overall debt burden. The UG shall include a statement of overlapping debt in its initial and continuing disclosure and/or annual financial statements.

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, charges for services or user fees (enterprise funds) and revenues generated from a project. Also see Section 3.3, Revenue Bonds, and Section 3.9, Special District Financings.

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, especially for economic development financed project and enterprise revenue bonds.

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 or Turbo 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, although it is not precluded to enter into a variable rate structure if the Chief Financial Officer under the advice of the municipal Advisor deems the structure would have an economic advantage to the UG. 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 undertaken if such a structure for a given revenue-generating project or capital asset or facility is recommended by the Chief Financial Officer.

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/bank 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 Municipal Advisor.

Competitive Sale – In a competitive sale multiple underwriters or banks bid on the issue, with the purchaser selected offering the most favorable interest rate at the time of 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 – 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 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. Due to their financial complexity, revenue bonds for enterprise utilities are also typically issued through a negotiated sale process. The underwriter will actively assist the UG, in consultation with the Municipal Advisor, 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 as “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, Bond Counsel and Disclosure Counsel, coordinates all the necessary documents for disclosure, with input from various other UG 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 of Kansas 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, Bond Counsel, other responsible UG departments, and outside consultants to compile all bond related documents (see Section 7 for the role of various outside consultants). The Chief Legal Counsel, working with Bond 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 municipal 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. As the UG often dedicates substantial time for special revenue bonds for economic development, the UG will seek either up-front payments from developers to cover such internal and external costs for events wherein the transaction does not proceed to conclusions; and/or recover from bond proceeds the internal and external costs incurred for the issuance. In the event of an up-front developer payment for a project that does proceed to financing, the developer will 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, arbitrage rebate calculation consultant and services related to printing.

Section 8 – Refunding of UG 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

The Federal Tax Act of 2017 eliminated an issuer's ability to advance refund a tax-exempt issue with tax-exempt bonds. An entity can issue taxable bonds to advance refund tax-exempt bonds, which would normally lead to interest cost increases. The municipal bond

industry has come up with a short selection of bond products, synthetic refundings, forwards, etc., to advance refund issues. If a condition exists wherein the UG needs to advance refund an issue it will conduct an extensive analysis to the overall costs and benefits of the proposed transaction before proceeding.

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.

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-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.

Community Improvement District (CID) - Under Kansas Statute KSA 12-6a29 cities may create districts that help to fund community improvement. The Unified Government has done so through Community Improvement Districts (CID). A CID is an area within which businesses pay an additional sales tax (typically 1% or less) or a special assessment that fund improvements within that district.

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.

Public Building Commission (PBC) - The PBC is a municipal corporation duly created in accordance with the Act. The PBC is organized and operated under the Act for the benefit of the Unified Government and its residents, including the planning, development, construction, furnishing and equipping of public buildings for the benefit and use of governmental agencies. The PBC is governed by a five-member board, consisting of the Mayor/CEO of the Unified Government, the Unified Government Commissioner who serves a chairperson of the Economic Development and Finance Standing Committee, the County Administrator, the Chief Financial Officer of the Unified Government and the Chief Counsel of the Unified Government.

Sales Tax and Revenue Bonds (STAR Bonds) - Sales Tax Revenue (STAR) Bonds allow the Unified Government to issue bonds to finance certain authorized expenditures (primarily land acquisition and infrastructure) for the development of major commercial,

entertainment and tourism areas and use the sales and transient guest tax revenues generated by the development towards debt service. The issuance of STAR Bonds requires approval by the Kansas Department of Commerce and represents a partnership with the State, as both local and state revenues may be pledged for the development project.

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) 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.

Tax Increment Financing (TIF) - A Tax Increment Financing (TIF) District allows the Unified Government to work with private developers to authorize redevelopment projects in blighted areas in accordance with State statutory requirements as set forth in K.S.A 12-1770a. TIF financing allows for a development project to access the incremental property and/or sales tax revenues generated by the project. TIF Districts may exist for up to twenty (20) years per project. In accordance with Kansas Laws, these funds may only be used for TIF-eligible expenses, which include but are not limited to: Land Acquisition & Relocation (of families), Public Improvements (curb, sidewalks, streets, lighting), Site Preparation (demolition), Utilities, and Sanitary and Storm Sewers.

Transportation Development District (TDD) - A Transportation Development District (TDD) is a special taxing district whereby a petitioner of 100% of the landowners in an area request either the levy of special assessments or the imposition of a sales tax of up to 1% on goods and services sold within a given area. Upon creation of a TDD by a municipality, the revenue generated by TDD special assessments or sales tax under Kansas law may pay the costs of transportation infrastructure improvements in and around the new development.

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
- D. Local Economic Development Policy
- E. Tax Abatement Policy
- F. Long-Term Financial Planning Policy
- G. County Administrator policies as applicable



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February 21, 2019

The Finance Department presented various versions of a revised debt policy to the Economic Development and Finance Standing Committee at their meetings on December 3, 2018, January 14, 2019 and February 4, 2019. Staff presentations of the revised debt policy included summary statements and an overview of the major proposed revisions. Proposed revisions have been reviewed by the Board of Public Utilities and the UG's Municipal Advisor, Springsted Inc. Over the past three months, staff has received Committee member feedback on the proposed policies.

Committee approval of the proposed policies, with inclusion of the revisions suggested by Committee members, is requested by the Committee at its March 4, 2019 meeting.

The Debt Policy, in addition to the UG's other financial and budgetary policies, is published in the annual budget document and on the UG's Finance Department, Fiscal Accountability Policies website at:
<https://www.wycokck.org/Finance/FAPolicies.aspx>.

Provided below is a brief summary of the proposed revisions. As you review the redlined version of the policy document you will notice a color coding, as follows:

- **Black text** – Existing policy language as published in the Adopted 2019 Budget.
- **Blue text** – Proposed new language/revisions that **does not propose any changes** of the Government's current practices. The revised language is added to **more fully document current practices**.
- **Red text** – **Changes to existing debt policy language.**
- **Maroon bold text** – **Revision language that departs from current practices.**

The following page reference the attached redlined version.

Pages 2, 22-25: Existing debt policy published in the 2019 Adopted Budget are deleted.

Six Purposes of Debt Policy (page 2):

- 1) Establish parameters for issuing and managing debt
- 2) Provide guidance to decision makers related to debt affordability standards
- 3) Provides information to the public on the use of debt and to industry participants on the standards of the UG
- 4) Document the pre- and post-issuance objectives to be achieved by staff

- 5) Promote objectivity in the debt approval decision making process
- 6) Facilitate the actual financing process by establishing important policy decisions in advance

Four Borrowing Purposes (pages 3-4):

- A. Long-Term Capital Improvements
- B. Essential Vehicle and Equipment Needs
- C. Economic Development Needs
- D. Refinancings/Refunding of Existing Debt

Criteria for Determining the Feasibility & Impact of Debt Financing a Project (pages 4-5):

- A. Nature of project and use of funds
- B. Cost-Benefit Analysis of project
- C. Expenditure Plan
- D. Revenue for debt service payment
- E. Compliance with statutory provisions and bond covenants

Asset Life (page 5): Closely match the repayment period with economic life of asset

Credit ratings (page 5): Maintain the highest rating possible; enhance creditworthiness.

Types of Financing Instruments (page 6-10):

- 1) General Obligation bonds
- 2) Lease Revenue bonds
- 3) Revenue Bonds
- 4) Temporary Notes / Draw bonds
- 5) Lines of Credit / Direct Bank Loans
- 6) Lease Purchase Financing (Equipment)
- 7) State & Federal Loans
- 8) HUD Section 108 Housing Guaranteed Loan Program
- 9) Special Districts Financing
- 10) Industrial Revenue Bonds

Debt Ratio Guidelines (pages 10-12):

- **General Obligation Bonds**
 - o Debt per capita (City of Kansas City, Kansas)
 - o Debt as a percent of assessed valuation (City of Kansas City, Kansas)
- **GF-Supported Debt**
 - o Debt Ratio - Annual debt service/lease payments as a % of total GF expenditures; target of 10% of General Fund expenditures
 - o Debt/Pension/OPEB Ratio – Annual debt service/lease payments AND annual pension and OPEB contributions from the General Fund as a % of General Fund expenditures; target at 25% of General Fund expenditures
- **Overlapping Debt** – Work with other jurisdictions in coordinating capital projects to lessen overall debt burden

- **Coverage Ratios for Revenue Bonds & Economic Development Financings** – typically 1.3 to 1.5 times net operating revenues; Coverage ratio calculations to also be calculated for UG utility enterprises whose debt are issued as general obligation bonds

Debt Terms (page 12): Typically, 15-30 years depending on type of issuance

Rapidity (page 12): Match repayment with projected cash flows; limited backloading

Interest Rate (page 13): Rely on fixed rate, but not precluded to have variable rate if appropriate for project

Debt Instrument Rating (page 13): Separate from “issuer rating”, if benefits the bond issuance pricing

Credit Enhancement (page 13): Bond insurance if benefits the UG

Debt Reserve Fund / Surety Policy (page 14): Depending on bond issue

Capitalized Interest (page 14): Borrow the interest during the construction period with start repayment when project revenues begin to be realized

Call Options and Redemption Provisions (page 14): Tailored to investor appetite; typically, 20-30 year municipal bonds have 10 year call provision with no premium

Method of sale (page 15): GO are competitive sold and all other able to do on a competitive basis; also, able to do “private placements”

Bidding Parameters for Competitive Sales (page 16): Documenting current practice

Bond Approval Process (page 16): Involves approval of:

- CFO, CAO
- Chief Legal counsel and Bond Counsel
- State of Kansas
- UG Commission and Mayor

Other provisions of policy as recommended by GFOA (pages 17-22):

- Financing Team Roles, Selection Process and Compensation
- Refunding of UG Indebtedness
- Investment of Bond Proceeds
- Arbitrage Compliance
- Ongoing Disclosure
- Compliance with Other Bond Covenants
- Compliance with State and Federal Reporting Requirements

Comprehensive Glossary of Terms (pages 25-27)

Related Documents and References (page 28)

ATTACHMENT #1:

PROPOSED REVISED DEBT POLICY (REDLINED VERSION)



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 Forecast, 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.

III. 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;
 - Provides information to the public on the use of debt and to industry participants on the standards of the UG;
 - 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.
- ~~—the policy establishes criteria for the issuance of debt obligations so that acceptable levels of indebtedness are maintained;~~
- ~~1) debt policies transmit the message to investors and rating agencies that the jurisdiction is committed to sound financial management; and~~
- ~~1) 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.~~

IV-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.

V-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. [Refer to the Capital Asset and Equipment Investment and Management Policy for criteria for “pay-go” funding.]

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 Forecast, 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 Unified Government strives to foster an environment in which small and large businesses thrive, jobs are created, redevelopment continues, tourism grows, and businesses locate in the community. To achieve these objectives, The UG regularly finances certain land acquisition, site preparation and infrastructure improvements related to economic development projects as a means of incentivizing private sector firms to invest in the community.
- 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 to achieve one or more of three objectives: reduce future interest costs, restructure debt to reflect changing debt service revenues, and to redefine bond-related legal requirements. A refinancing may include the issuance of bonds to refund existing bonds or the issuance of bonds in order to refund other 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 parties 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.
- B. **Cost-Benefit Analysis of Project:** A cost-benefit analysis is required for each project:

- 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.
Identify whether the project will increase or reduce ongoing operation and maintenance expenses.
- 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. For all bonds an impact analysis on the repayment sources over time will be completed.
- E. Compliance with statutory provisions and bond covenants. Each issue will be evaluated for its impact on statutory debt limits, and in the case of revenue-only secured obligations existing bond covenants.

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 and/or rolling stock 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, hence lowering the demands on repayment

revenue sources such as the property taxes and user fees. 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
- Socio-economic and demographic profile of the revenue base
- 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(s) 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.

The UG recognizes the need to maintain ongoing communications with the rating agencies in order to provide information and demonstrate management engagement in the debt management system.

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.

Direct Debt Obligations

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. Such bonds are issued pursuant to K.S.A. 10-101 et seq., K.S.A. 10-620 et seq., and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, for the purpose of paying a portion of the cost of certain street, sewer, public utility, and other public improvement projects. Adoption of a bond resolution by the UG commission is required for the issuance of general obligation bonds.

While typically general obligation bond debt repayment is reliant on property tax revenues, the UG also relies on charges for services deriving from the wastewater and stormwater enterprise utilities as the revenue source for repayment for such projects financed with general obligation bonds. As a result, these business-type activities general obligation debt outstanding is separately reporting in the UG's financial statements and reports.

3.2 Lease Revenue Bonds

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 (PBC)), 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. Lease Revenue Bonds of the PBC are authorized by the Constitution and statutes of the State of Kansas, including K.S.A. 12-1757 et seq.

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

A. Revenue Bonds are obligations payable from revenues generated by an enterprise, such as water, wastewater and stormwater utilities, electric utility, public golf courses, levee 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 obligation of the issuer under the State of Kansas' debt limit criteria.

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. Revenue Bonds are

issued under the authority and pursuant to the Constitution and laws of the State of Kansas, including the provisions of K.S.A. 10-1201 et seq., Article 12, Section 5 of the Constitution.

B. Revenue Bonds issued to provide incentives for economic development and repaid by revenues generated by the development project or from the adjacent area. Typically, these bonds are less secure as the repayment is linked to the performance of a private development over time. The UG will exercise significant diligence in determining the need and amount of the public financial participation, the probability of the forecasted revenues to actually occur, and include provisions in the bond structuring and security to minimize the risk of default.

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 temporary 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. Such bonds are issued pursuant to K.S.A. 10-101 et seq., K.S.A. 10-620 et seq., and Article 12, Section 5 of the Constitution of the State of Kansas, all as amended and supplemented, for the purpose of paying a portion of the cost of certain street, sewer, public utility, and other public improvement projects. Adoption of a bond resolution by the UG commission is required for the issuance of temporary notes and draw bonds. While the UG practice is to renew temporary notes on an annual basis, State statute limits the interim financing period for individual capital projects financed with the note proceeds to four years.

3.5 Lines of Credit/ Direct Bank Loan

A Line of Credit / Direct Bank Loan 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. Direct Bank loans are an important tool in a government's financing toolkit. The term bank loans include fixed-rate loans with defined maturities and loans or lines of credit that have variable interest rates and flexible payment provisions.

In entering into a direct bank loan, the UG in consultation with the Municipal Advisor will become knowledgeable as to how the bank loan is characterized for legal and accounting purposes, including how they are treated in the financial statements, and what types of disclosures should be made about these loans. State and local laws should be reviewed to ensure these financings are within legal limits and the financing is characterized appropriately. 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 UG may enter into agreements with commercial banks or other financial entities for purposes of acquiring a Line of Credit or Direct Bank Loan.

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 UG's current HUD Section 108 loans.

Economic Development Debt Obligations

3.9 Special Districts Financing

The UG's special districts primarily consist of Community Improvement Districts (CID), Transportation Development Districts (TDD), Tax Increment Financing (TIF) 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.

Conduit Debt

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 K.S.A. 12-1740 et seq, 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. IRB's require a governmental entity (the Unified Government) to act as the "Issuer" of the bonds, who will hold an ownership interest in the property for as long as the IRBs are outstanding.

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, as well as levee and golf course enterprises.

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 Kansas City, Kansas population.
- **Debt as a percent of assessed valuation:** This is the outstanding principal as a percentage of Kansas City, Kansas assessed valuation (excluding motor vehicle valuation).

This measure excludes general obligation bonds issued for wastewater, stormwater, levee or golf course enterprise funds capital projects. Included in the "debt" classification will be the estimated portion of temporary notes. 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 and annual appropriation

clauses for certain economic development financings) is the required annual debt service/lease payment as a percentage of total 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 General Fund 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% of total General Fund expenditures.

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 communities’ 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 will continue to work with other jurisdictions in coordinating capital projects to lessen the overall debt burden. The UG shall include a statement of overlapping debt in its initial and continuing disclosure and/or annual financial statements.

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, charges for services or user fees (enterprise funds) and revenues generated from a project. Also see Section 3.3, Revenue Bonds, and Section 3.9, Special District Financings.

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, especially for economic development financed project and enterprise revenue bonds.

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 or Turbo 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, although it is not precluded to enter into a variable rate structure if the Chief Financial Officer under the advice of the municipal Advisor deems the structure would have an economic advantage to the UG. 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 undertaken if such a structure for a given revenue-generating project or capital asset or facility is recommended by the Chief Financial Officer.

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/bank 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 Municipal Advisor.

Competitive Sale – In a competitive sale multiple underwriters or banks bid on the issue, with the purchaser selected offering the most favorable interest rate at the time of 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 – 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 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. Due to their financial complexity, revenue bonds for enterprise utilities are also typically issued through a negotiated sale process. The underwriter will actively assist the UG, in consultation with the Municipal Advisor, 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, Bond Counsel and Disclosure Counsel, coordinates all the necessary documents for disclosure, with input from various other UG 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 of Kansas 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, Bond Counsel, other responsible UG departments, and outside consultants to compile all bond related documents (see Section 7 for the role of various outside

consultants). The Chief Legal Counsel, working with Bond 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 municipal 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. As the UG often dedicates substantial time for special revenue bonds for economic development, the UG will seek either up-front payments from developers to cover such internal and external costs for events wherein the transaction does not proceed to conclusions; and/or recover from bond proceeds the internal and external costs incurred for the issuance. In the event of an up-front developer payment for a project that does proceed to financing, the developer will 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, arbitrage rebate calculation consultant and services related to printing.

Section 8 – Refunding of UG 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

The Federal Tax Act of 2017 eliminated an issuer's ability to advance refund a tax-exempt issue with tax-exempt bonds. An entity can issue taxable bonds to advance refund tax-exempt bonds, which would normally lead to interest cost increases. The municipal bond industry has come up with a short selection of bond products, synthetic refundings, forwards, etc., to advance refund issues. If a condition exists wherein the UG needs to advance refund an issue it will conduct an extensive analysis to the overall costs and benefits of the proposed transaction before proceeding.

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.

VI.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-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.

VII.VI. Metrics:

To be developed and managed accordingly.

VIII.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.

Community Improvement District (CID) - Under Kansas Statute KSA 12-6a29 cities may create districts that help to fund community improvement. The Unified Government has done so through Community Improvement Districts (CID). A CID is an area within which businesses pay an additional sales tax (typically 1% or less) or a special assessment that fund improvements within that district.

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.

Public Building Commission (PBC) - The PBC is a municipal corporation duly created in accordance with the Act. The PBC is organized and operated under the Act for the benefit of the Unified Government and its residents, including the planning, development, construction, furnishing and equipping of public buildings for the benefit and use of governmental agencies. The PBC is governed by a five-member board, consisting of the Mayor/CEO of the Unified Government, the Unified Government Commissioner who serves a chairperson of the Economic Development and Finance Standing Committee, the County Administrator, the Chief Financial Officer of the Unified Government and the Chief Counsel of the Unified Government.

Sales Tax and Revenue Bonds (STAR Bonds) - Sales Tax Revenue (STAR) Bonds allow the Unified Government to issue bonds to finance certain authorized expenditures (primarily land acquisition and infrastructure) for the development of major commercial, entertainment and tourism areas and use the sales and transient guest tax revenues generated by the development towards debt service. The issuance of STAR Bonds requires approval by the Kansas Department of Commerce and represents a partnership with the State, as both local and state revenues may be pledged for the development project.

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) 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.

Tax Increment Financing (TIF) - A Tax Increment Financing (TIF) District allows the Unified Government to work with private developers to authorize redevelopment projects in blighted areas in accordance with State statutory requirements as set forth in K.S.A 12-1770a. TIF financing allows for a development project to access the incremental property and/or sales tax revenues generated by the project. TIF Districts may exist for up to twenty (20) years per project. In accordance with Kansas Laws, these funds may only be used for TIF-eligible expenses, which include but are not limited to: Land Acquisition & Relocation (of families), Public Improvements (curb, sidewalks, streets, lighting), Site Preparation (demolition), Utilities, and Sanitary and Storm Sewers.

Transportation Development District (TDD) - A Transportation Development District (TDD) is a special taxing district whereby a petitioner of 100% of the landowners in an area request either the levy of special assessments or the imposition of a sales tax of up to 1% on goods and services sold within a given area. Upon creation of a TDD by a municipality, the revenue generated by TDD special assessments or sales tax under Kansas law may pay the costs of transportation infrastructure improvements in and around the new development.

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.

IX.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
- D. Local Economic Development Policy
- E. Tax Abatement Policy
- F. Long-Term Financial Planning Policy
- G. County Administrator policies as applicable



Staff Request for Commission Action

Tracking No. 19594

Full Commission Meeting Date: 3/7/19

Committee: Economic Development & Finance

Date of Standing Committee Action: 3/4/19

(If none, please explain):

Publication Required: Yes 03/28/2019

<u>Date:</u>	<u>Contact Name:</u>	<u>Contact Phone:</u>	<u>Contact Email:</u>	<u>Department/Division:</u>
02/19/2019	Katherine Carttar	x5176	kcarttar@wycokck.org	Economic Development

Item Description:

A Resolution Calling and Providing for Notice of a Public Hearing Concerning the Consideration of Adopting a Redevelopment Project Plan for Project Area 1 in the Downtown Grocery Redevelopment District.

Action Requested:

Approve and fast-track to March 7, 2019 Full Commission meeting.

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 - 3-4-19 ED&F, Exhibit A - Legal Description, Exhibit B, Exhibit C

(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 PROJECT AREA 1 IN THE DOWNTOWN GROCERY REDEVELOPMENT DISTRICT

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 Unified Government is considering the adoption of a redevelopment project plan entitled Redevelopment Project Plan – Project Area 1 and dated February 8, 2019 (the “Project Plan”) which provides for the redevelopment of Project Area 1 within the Redevelopment District; 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 February 11, 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 **April 11, 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** attached hereto and incorporated by reference herein.

Section 3. Project Area 1. Project Area 1 of the Redevelopment District is legally described on **Exhibit C** and generally depicted on **Exhibit B** 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 and a description and map of the Redevelopment District and Project Area 1 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. Bonds. The Unified Government may issue its full faith and credit tax increment bonds to finance the costs of implementing the proposed Project Plan, unless within 60 days following the date of the public hearing on the Project Plan a protest petition signed by 3% of the qualified voters of the Unified Government is filed with the Unified Government Clerk in accordance with the provisions of K.S.A. 25-3601 *et seq.*, and amendments thereto. If a sufficient petition is filed, no full faith and credit tax increment bonds shall be issued until the issuance of the bonds is approved by a majority of the voters voting at an election thereon. Such election shall be called and held in the manner provided by the general bond law. The failure of the voters to approve the issuance of full faith and credit tax increment bonds shall not prevent the Unified Government from issuing special obligation bonds in accordance with the Act.

Section 6. Notices. The Unified Government Clerk is hereby authorized and directed to publish this Resolution once in the official city newspaper not less than one (1) week or more than two (2) weeks preceding **April 11, 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 7. Further Action. The Mayor/CEO, County Administrator, and other officers, agents, and employees of the Unified Government are hereby further authorized and directed to take such further action as may be appropriate or desirable to accomplish the purpose of this Resolution.

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

**ADOPTED BY THE UNIFIED GOVERNMENT BOARD OF
COMMISSIONERS THIS 7th DAY OF MARCH , 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.

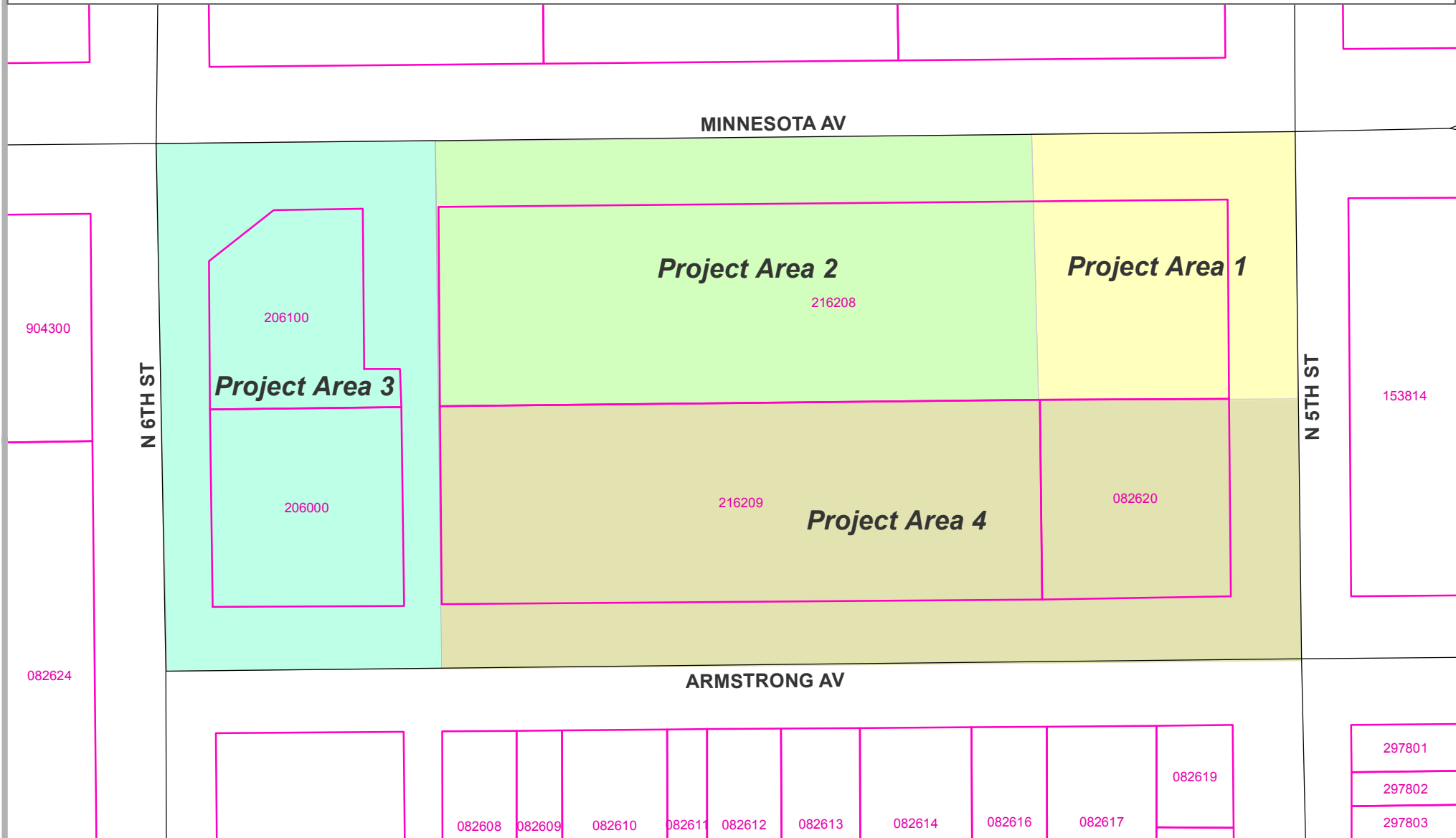
Thence east along said east-west centerline 50 feet distant and parallel to the south right of way line of Minnesota Ave said line also being the north line of Voss subdivision and Lot 2, Center City, a partial replat of blocks 95, 96, 97, 109, 110, 115 and 131 of Wyandotte City, a subdivision of land 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



Legend

- Project Area 1
- Project Area 2
- Project Area 3
- Project Area 4
- Parcel Boundaries
- 216209 Parcel Numbers



50
Feet

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

EXHIBIT C

PROJECT AREA 1

BOUNDARY DESCRIPTION

A Tract of land being a part of Lot 2, CENTER CITY, a subdivision of land recorded May 26, 1978 in Plat Book 33 at Page 56 in Kansas City, Wyandotte County, Kansas, and a portion of the adjacent street Right-of-Way's for 5th Street and Minnesota Avenue, said Tract being more particularly described by Steven C. Shafer, PLS 852 of BHC RHODES, CLS 175, by metes and bounds as follows:

(Note: For Course Orientation the bearings in this description are based on the platted bearings for the plat of CENTER CITY.)

BEGINNING at the Southeast corner of said Lot 2;

Thence South 87° 49' 09" West, 335.22 feet, on the South line of said Lot 2;

Thence North 2° 10' 51" West, 132.02 feet, to a point on the North line of said Lot 2 and the South Right-of-Way line of Minnesota Avenue as now established;

Thence North 2° 10' 51" West, 18.00 feet, to a point;

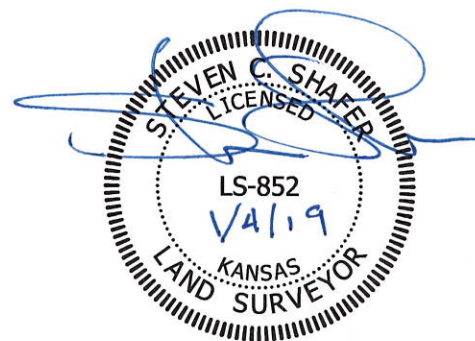
Thence North 87° 48' 09" East, 305.18 feet, on a line 18.00 feet North of and parallel with the North line of said Lot 2;

Thence North 2° 11' 51" West, 8.00 feet, to a point;

Thence North 87° 48' 09" East, 46.04 feet, on a line 26.00 feet North of and parallel with the North line of said Lot 2;

Thence South 2° 10' 50" East, 158.12 feet, on a line 16.00 feet East of and parallel with the East line of said Lot 2 and the West right of way line of 5th Street;

Thence South 87° 49' 09" West, 16.00 feet, to the POINT OF BEGINNING of the Tract herein described, said Tract containing 53,075 square feet or 1.2184 acres more or less.



Sheet:

2
OF
2

Drawn By: BAS

Project No: 026900

Field Date: 2018/11/30

Issue Date: 2019/01/04

Project:

EXHIBIT C
PROJECT AREA 1

Client:

UNIFIED GOVERNMENT OF WYCO
AND KANSAS CITY, KANSAS
701 N. 7TH STREET, SUITE 712
KANSAS CITY, KANSAS 66101

BHC RHODES
Civil Engineering • Surveying • Utilities
712 State Avenue Kansas City, KS 66101
p. (913) 371-5300 f. (913) 371-2677
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Staff Request for Commission Action

Tracking No. 19613

Full Commission Meeting Date: 3/7/19

Committee: Economic Development & Finance

Date of Standing Committee Action: 3/4/19

(If none, please explain):

Publication Required: Yes 03/14/2019

<u>Date:</u> 02/21/2019	<u>Contact Name:</u> Kathleen VonAchen, Debbie Jonscher, Alyse Villarreal	<u>Contact Phone:</u> x5186, x5847, x5273	<u>Contact Email:</u> kvonachen@wycokck.org, djonscher@wycokck.org, avillarreal@wycokck.org	<u>Department/Division:</u> Finance
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Item Description:

Adopt Home Rule Ordinance authorizing general obligation economic development bonds to fund land acquisition and demolition of Indian Springs site, and authorizing refunding a portion and/or all of prior Series 2010-B, 2011-C and 2013-B bonds for interest savings. Submitted by Kathleen VonAchen, Chief Financial Officer and Debbie Jonscher, Deputy Chief Financial Officer.

Action Requested:

Please Approve

Budget Impact: (if applicable)

Amount:

Source:

Included In Budget:

Other (explain):

Attachments List:

Ordinance (Home Rule) Authorizing Indian Springs Project and Sale of 2019-B Bonds

(Published in the *Wyandotte Echo* on _____, 2019)

ORDINANCE NO. O-__-19

A HOME RULE ORDINANCE OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AUTHORIZING THE ISSUANCE OF GENERAL OBLIGATION BONDS OF THE UNIFIED GOVERNMENT TO PROVIDE FUNDS FOR AN ECONOMIC DEVELOPMENT PROJECT.

WHEREAS, the governing body of Unified Government of Wyandotte County/Kansas City, Kansas (the “Issuer” or the “Unified Government”) has considered the needs of the Unified Government for the acquisition of property, relocation of businesses, demolition of buildings, site preparation, public infrastructure improvements, the redevelopment of the former site of the Indian Springs Mall (the “Project”), which property is currently owned by the Unified Government, all for the stimulation and fostering of economic development in the Unified Government and its environs in order to enhance and provide for the general and economic development and welfare of the Unified Government and its citizens; and; and

WHEREAS, K.S.A. 12-1617h authorizes the Unified Government to levy a tax and expend public funds for economic development purposes, but by its terms, the Act is not the exclusive means of providing such funds and recognizes and acknowledges that the Unified Government may, in its discretion, exercise any other lawful authority to provide funds for such purposes; and

WHEREAS, Article 12, § 5 of the Constitution of the State of Kansas (the “Home Rule Amendment”) empowers cities to determine their local affairs and government and provides that such power and authority granted thereby to cities shall be liberally construed for the purpose of giving to cities the largest measure of self-government; and

WHEREAS, the Unified Government is a duly organized and existing municipal corporation under the laws of the State of Kansas, is a consolidated city-county having all the powers, functions and duties of a county and of a city of the first class, and is a city within the meaning of the Home Rule Amendment; and

WHEREAS, there is no enactment of the Kansas legislature which prohibits a city from issuing general obligation bonds to provide funds for acquiring property, relocating businesses, demolishing existing buildings, or site preparation for economic development purposes; and

WHEREAS, the governing body of the Unified Government hereby further finds and determines that it is necessary and advisable and in the interest of the public health, safety and welfare, including economic development, of the Unified Government, to authorize by home rule ordinance the issuance of general obligation bonds of the Unified Government to provide funds for the Project; and

WHEREAS, the Issuer has previously issued and has outstanding general obligation bonds; and

WHEREAS, due to the current interest rate environment, the Issuer has the opportunity to issue its general obligation refunding bonds in order to achieve an interest cost savings on all or a portion of the debt represented by such general obligation bonds described as follows (collectively, the “Refunded Bonds”):

<u>Description</u>	<u>Series</u>	<u>Dated Date</u>	<u>Years</u>	<u>Amount</u>
Taxable General Obligation Improvement Bonds	2010-B	February 26, 2010	2019 to 2026	\$7,320,000
Taxable General Obligation Improvement Bonds	2011-C	February 24, 2011	2019 to 2026	\$1,690,000
Taxable General Obligation Improvement Bonds	2013-B	February 27, 2013	2019 to 2027	\$2,080,000

; and

WHEREAS, the Issuer hereby selects the firm of Springsted Incorporated, Saint Paul, Minnesota (“Municipal Advisor”), as Municipal Advisor for a series of general obligation refunding bonds of the Issuer to be issued in order to provide funds to refund all or a portion of the Refunded Bonds; and

WHEREAS, the Issuer desires to authorize the Municipal Advisor, in conjunction with the Clerk, Chief Financial Officer, and other officers and representatives of the Issuer to proceed with the offering for sale of said general obligation refunding bonds, and related activities; and

WHEREAS, one of the duties and responsibilities of the Issuer is to prepare and distribute a preliminary official statement relating to said general refunding obligation bonds; and

WHEREAS, the Issuer desires to authorize the Municipal Advisor, in conjunction with the Clerk, and other officers and representatives of the Issuer to proceed with the preparation and distribution of a preliminary official statement and notice of bond sale and to authorize the distribution thereof and all other preliminary action necessary to sell said general obligation refunding bonds.

THEREFORE, BE IT ORDAINED BY THE GOVERNING BODY OF THE UNIFIED GOVERNMENT OF WYANDOTTE COUNTY/KANSAS CITY, KANSAS, AS FOLLOWS:

Section 1. Economic Development. The governing body of the Unified Government hereby finds and determines that the Project will stimulate and foster economic development in the Unified Government and its environs in order to enhance and provide for the general and economic development and welfare of the Unified Government and its citizens. The costs of the Project may be paid, in whole or in part, from the proceeds of general obligation bonds of the Unified Government which are hereby authorized to be issued for such purposes pursuant to the authority of the Act and the Home Rule Amendment in the amount of \$12,000,000, plus associated costs of issuance and any temporary financing.

Section 2. Financing Authorized. The Issuer is hereby authorized to offer at competitive public sale general obligation refunding bonds to refund the Refunded Bonds (the “Bonds”) as described in the Notice of Sale to be prepared by officials and representatives of the Issuer, as authorized below.

Section 3. Preliminary Official Statement. The Chief Financial Officer is hereby authorized to cause to be prepared a Preliminary Official Statement, and such officials and other representatives of the Issuer are hereby authorized to use such document in connection with the public sale of the Bonds.

Section 4. Notice of Bond Sale. The Chief Financial Officer, in conjunction with the Municipal Advisor and Gilmore & Bell, P.C., Kansas City, Missouri (“Bond Counsel”), is hereby authorized and directed to give notice of said bond sale by distributing copies of the Notice of Sale and Preliminary Official Statement relating to the Bonds to prospective purchasers of the Bonds. Bids for the purchase of the Bonds shall be submitted upon the terms and conditions set forth in said Notice of Sale, and shall be delivered to the governing body at its meeting to be held on the date of such sale, at which meeting the governing body shall review such bids and shall award the sale of the Bonds or reject all bids for a particular series of the Bonds.

Section 5. Compliance with Federal Securities Laws. For the purpose of enabling the purchaser(s) of the Bonds (collectively, the “Purchasers”) to comply with the requirements of Rule 15c2-12 of the Securities Exchange Commission (the “Rule”), the appropriate officers of the Issuer are hereby authorized: (a) to approve the form of said Preliminary Official Statement; (b) covenant to provide continuous secondary market disclosure by annually transmitting certain financial information and operating data and other information necessary to comply with the Rule to certain national repositories and the Municipal Securities Rulemaking Board, as applicable; and (c) take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary; to enable the Purchasers to comply with the requirement of the Rule.

The Issuer agrees to provide to the Purchasers within seven business days of the date of the sale of Bonds or within sufficient time to accompany any confirmation that requests payment from any customer of the Purchasers, whichever is earlier, sufficient copies of the final Official Statement to enable the Purchasers to comply with the requirements of Rule 15c2-12(3) and (4) of the Securities and Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

Section 6. Further Authority. The Mayor/Chief Executive, Chief Financial Officer, Clerk and the other officers and representatives of the Issuer, Bond Counsel and the Municipal Advisor are hereby authorized and directed to take such other action as may be necessary to carry out the public sale of the Bonds.

Section 7. Effective Date. This Home Rule Ordinance shall be effective from and after final passage by the governing body, approval and signature by the Mayor/CEO and publication (or a summary thereof) once in the official Unified Government newspaper.

PASSED by the governing body of the Unified Government of Wyandotte County/Kansas City, Kansas, on March ___, 2019 and **APPROVED AND SIGNED** by the Mayor/CEO.

(SEAL)

ATTEST:

Mayor/Chief Executive Officer

Clerk



Staff Request for Commission Action

Tracking No. 19622

Full Commission Meeting Date: 3/7/19

Committee: Economic Development & Finance

Date of Standing Committee Action: 3/4/19

(If none, please explain):

Publication Required: No

<u>Date:</u>	<u>Contact Name:</u>	<u>Contact Phone:</u>	<u>Contact Email:</u>	<u>Department/Division:</u>
02/21/2019	Kathleen VonAchen, Debbie Jonscher, Alyse Villarreal	x5186, x5847, x5273	kvonachen@wycokck.org, djonscher@wycokck.org, avillarreal@wycokck.org	Finance

Item Description:

Adopt resolution authorizing sale of Series 2019-II General Obligation Temporary Notes to fund \$7.5 million of project costs for the Kaw River Bank Turkey Creek Stabilization Storm Water Project. Prior GO Series 2019-I Temporary Notes authorized \$2.5 million towards this project. Proposed resolution increases temporary notes proceeds to \$10 million for this project to address total project costs. Submitted by Debbie Jonscher, Deputy Chief Financial Officer.

Action Requested:

please approve

Budget Impact: (if applicable)

Amount:

Source:

Included In Budget:

Other (explain):

Attachments List:

Sale Resolution (2019-II Notes)

RESOLUTION NO. R-__-19

**RESOLUTION AUTHORIZING THE OFFERING FOR SALE OF MUNICIPAL
TEMPORARY NOTES OF THE UNIFIED GOVERNMENT OF WYANDOTTE
COUNTY/KANSAS CITY, KANSAS.**

WHEREAS, pursuant to the provisions of the laws of the State of Kansas applicable thereto, by proceedings duly had, the governing body of the Unified Government of Wyandotte County/Kansas City, Kansas (the “Issuer” or the “Unified Government”) has previously authorized certain internal improvements described as follows (the “Improvements”):

ACD	CMIP	Project Name	Total Project Costs
963	5056	Kaw River Bank Stabilization at Turkey Creek	\$10,000,000

WHEREAS, the Issuer is authorized by law to issue general obligation bonds to pay the costs of the Improvements; and

WHEREAS, it is necessary for the Issuer to provide cash funds (from time to time) to meet its obligations incurred in constructing the Improvements prior to the completion thereof and the issuance of the Issuer’s general obligation bonds, and it is desirable and in the interest of the Issuer that such funds be raised by the issuance of a series of temporary notes of the Issuer; and

WHEREAS, the Issuer proposes to issue its temporary notes to pay a portion of the costs of the Improvements; and

WHEREAS, the Issuer hereby selects the firm of Springsted Incorporated, Saint Paul, Minnesota (“Municipal Advisor”), as Municipal Advisor for a series of municipal temporary notes of the Issuer, to be issued in order to provide funds to pay the costs of the Improvements; and

WHEREAS, the Issuer desires to authorize the Municipal Advisor, in conjunction with the Clerk, Chief Financial Officer, and other officers and representatives of the Issuer to proceed with the offering for sale of said municipal temporary notes, and related activities; and

WHEREAS, one of the duties and responsibilities of the Issuer is to prepare and distribute a preliminary official statement relating to said municipal temporary notes; and

WHEREAS, the Issuer desires to authorize the Municipal Advisor, in conjunction with the Clerk, and other officers and representatives of the Issuer to proceed with the preparation and distribution of a preliminary official statement and notice of sale and to authorize the distribution thereof and all other preliminary action necessary to sell said municipal temporary notes.

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

Section 1. General Obligation Financing Authorized. The Issuer is hereby authorized to offer at competitive public sale a series of municipal temporary notes to fund the Improvements in the amount of approximately \$7,500,000.00 plus interest and costs of issuance (the “Notes”) as described in the Notice of Sale to be prepared by officials and representatives of the Issuer, as authorized below.

Section 2. Preliminary Official Statement. The Chief Financial Officer is hereby authorized to cause to be prepared a Preliminary Official Statement, and such officials and other representatives of the Issuer are hereby authorized to use such document in connection with the public sale of the Notes.

Section 3. Notice of Sale. The Chief Financial Officer, in conjunction with the Municipal Advisor and Gilmore & Bell, P.C., Kansas City, Missouri (“Bond Counsel”), is hereby authorized and directed to give notice of said sale by distributing copies of the Notice of Sale and Preliminary Official Statement relating to the Notes to prospective purchasers of the Notes. Bids for the purchase of the Notes shall be submitted upon the terms and conditions set forth in said Notice of Sale, and shall be delivered to the governing body at its meeting to be held on the date of such sale, at which meeting the governing body shall review such bids and shall award the sale of the Notes or reject all bids for the Notes.

Section 4. Compliance with Federal Securities Laws. For the purpose of enabling the purchaser of the Notes (the “Purchaser”) to comply with the requirements of Rule 15c2-12 of the Securities Exchange Commission (the “Rule”), the appropriate officers of the Issuer are hereby authorized: (a) to approve the form of said Preliminary Official Statement; (b) covenant to provide continuous secondary market disclosure by annually transmitting certain financial information and operating data and other information necessary to comply with the Rule to certain national repositories and the Municipal Securities Rulemaking Board, as applicable; and (c) take such other actions or execute such other documents as such officers in their reasonable judgment deem necessary; to enable the Purchaser to comply with the requirement of the Rule.

The Issuer agrees to provide to the Purchaser within seven business days of the date of the sale of Notes or within sufficient time to accompany any confirmation that requests payment from any customer of the Purchaser, whichever is earlier, sufficient copies of the final Official Statement to enable the Purchaser to comply with the requirements of Rule 15c2-12(3) and (4) of the Securities and Exchange Commission and with the requirements of Rule G-32 of the Municipal Securities Rulemaking Board.

Section 5. Further Authority. The Mayor/Chief Executive, Chief Financial Officer, Clerk and the other officers and representatives of the Issuer, Bond Counsel and the Municipal Advisor are hereby authorized and directed to take such other action as may be necessary to carry out the public sale of the Notes.

Section 6. Effective Date. This Resolution shall be in full force and effect from and after its adoption.

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ADOPTED by the governing body on _____, 2019.

(SEAL)

Mayor/Chief Executive Officer

ATTEST:

Clerk