REVISED
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, Acting 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.

Acting 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.

Acting 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.

Acting 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.

1

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 polices 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.

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 Unified Government obtain financing only when necessary; (2) the process for identifying the timing and amount of debt or other financing be as efficient as possible; (3) the most favorable interest rate and other related costs be obtained, and (4) when appropriate, future financial flexibility be maintained.~~

III. Applicability and Scope:

2

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 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.

Debt Policy

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

IV. Policy:

Section 1 – Purpose and Need for Financing

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

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

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

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

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

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

3

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.

4

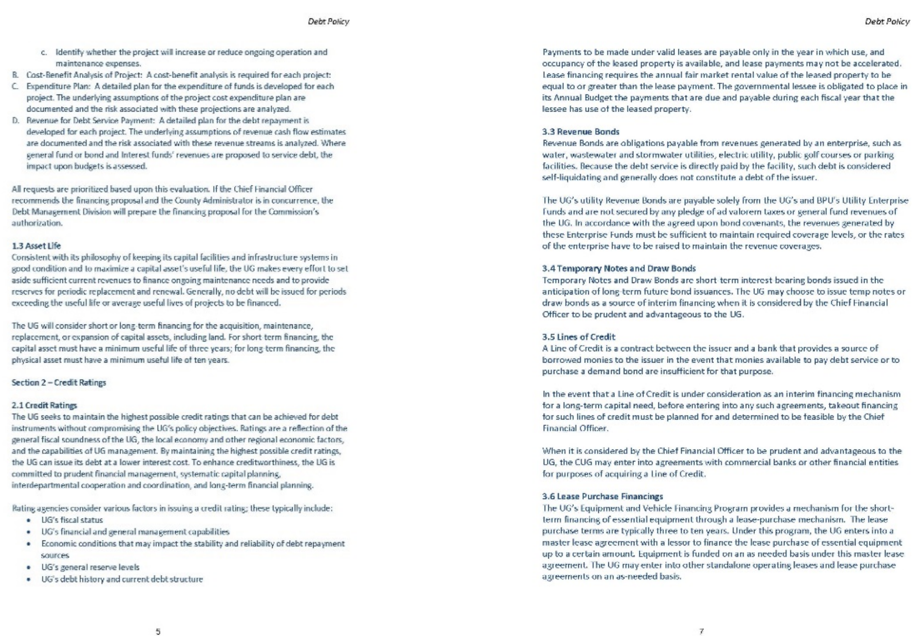
There are four borrowing purposes. Four purposes for borrowing and I've talked about each of these mainly the most important one that we often think of is long-term capital improvements. The second one is for essential vehicle and equipment needs. We typically borrow for larger equipment using a lease 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 maximize a capital asset's useful life, the UG makes every effort to set aside sufficient current revenues to finance ongoing maintenance needs and to provide reserves for periodic replacement and renewal. Generally, no debt will be issued for periods exceeding the useful life or average useful lives of projects to be financed.

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

Section 2 – Credit Ratings

2.1 Credit Ratings

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

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

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

5

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

3.6 Lease Purchase Financings

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

7

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

- 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.

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.

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.

6

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.

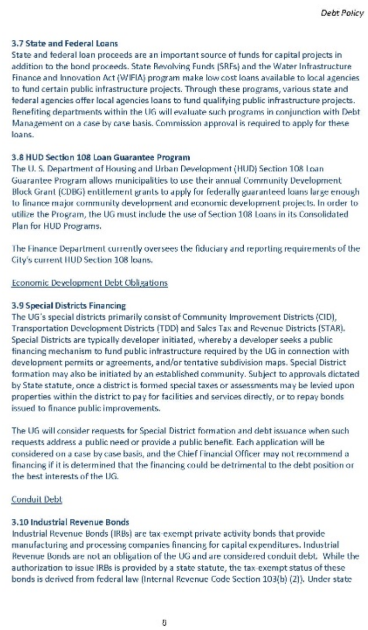
When it is considered by the Chief Financial Officer to be prudent and advantageous to the UG, the CUG may enter into agreements with commercial banks or other financial entities for purposes of acquiring a Line of Credit.

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

7

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.



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. Benefiting departments within the UG will evaluate such programs in conjunction with Debt Management on a case by case basis. Commission approval is required to apply for these loans.

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

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

Economic Development Debt Obligations

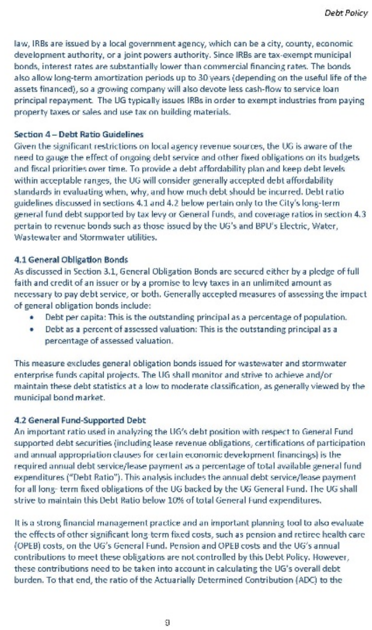
3.9 Special Districts Financing
The UG's special districts primarily consist of Community Improvement Districts (CID), Transportation Development Districts (TDD) and Sales Tax and Revenue Districts (STAR). Special Districts are typically developer initiated, whereby a developer seeks a public financing 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

8



Debt Policy

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

9

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 it's 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%.

Debt Policy

pension system and retiree health care (OPEB) annual contributions as a percentage of available general revenues or expenditures ("Pension/OPEB Ratio") shall also be taken into consideration for sound financial planning. Taken together, the UG will strive to maintain the combined Debt Ratio and Pension/OPEB Ratio below 25%.

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

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

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

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

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

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

10

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 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.

Debt Policy

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

11

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.

cash flow to the bond's debt service but typically carry significantly higher interest rates than bonds that pay semi-annual or periodic interest payments.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Section 6 – Method of Issuance and Sale
Under the direction of the Chief Financial Officer, Debt Management will coordinate the issuance of all debt, including issuance size, debt structure, cash flow analysis, and method

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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.

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.

Debt Policy

of sale. The selection of the financing team and the role of the various consultants are discussed in Section 7.

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

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

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

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

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

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

14

Debt Policy

- 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

15

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

Debt Policy

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

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

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

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

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

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

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

7.2 Financing Team: Outside Consultants
Contracts with Municipal Advisors, Bond Counsel, and Disclosure Counsel will be processed in accordance with UG administrative procedures.

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

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

16

Debt Policy

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

17

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

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

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

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

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

Section 8 – Refunding of City Indebtedness
The UG will consider refunding its existing debt when benefits of the refunding outweigh the costs and risks.

8.1 Types of Refunding

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

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

8.2 Refunding Considerations

18

Debt Policy

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.

19

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.

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

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

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

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

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

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

9.5 Compliance with State and Federal Reporting Requirements
The UG will meet required State and Federal reporting requirements related to bond and loan obligations.
~~The UG should not issue long-term debt to finance current operations. The UG is committed to systematic capital planning and intergovernmental cooperation and coordination. Debt issuance should be consistent with the government's financial plan.~~

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

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

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

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

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

~~**Debt Restrictions** for long term financing include:~~

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

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

~~*Factors favoring pay-as-you-go financing* for projects include:~~

- ~~The project can be funded using available revenues within the project timeline.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

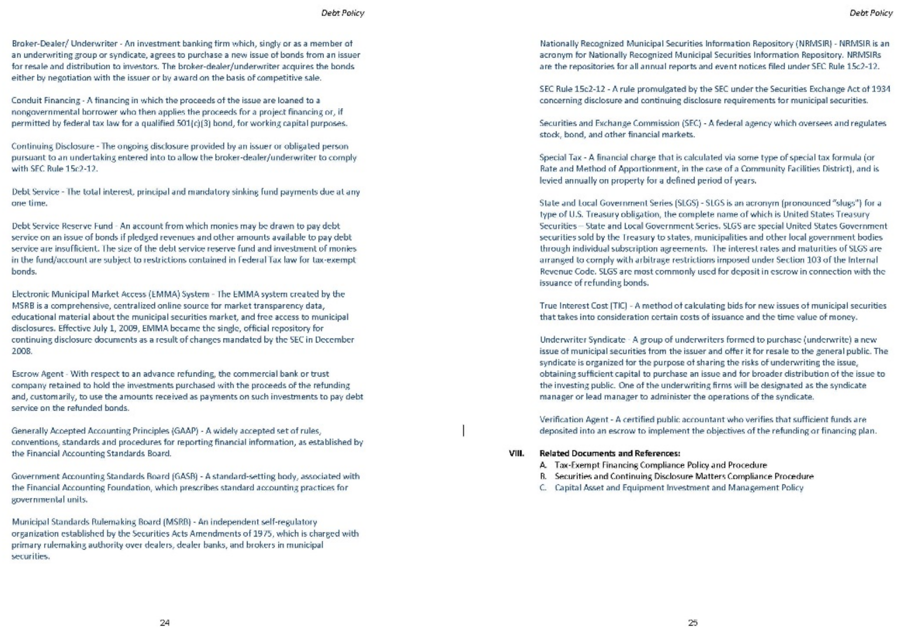
~~**Credit Risk** - The Unified Government recognizes the importance of limiting interest, credit or budget risk. The Unified Government will not consider the issuance of derivatives. Variable rate debt will not be used in the issuance of General Obligation debt but may be considered for development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

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

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

VI. Metrics:
To be developed and managed accordingly.

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



Debt Policy

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.

24

Debt Policy

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

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

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

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

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

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

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

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

VIII. Related Documents and References:

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

25

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.

Acting 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 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.

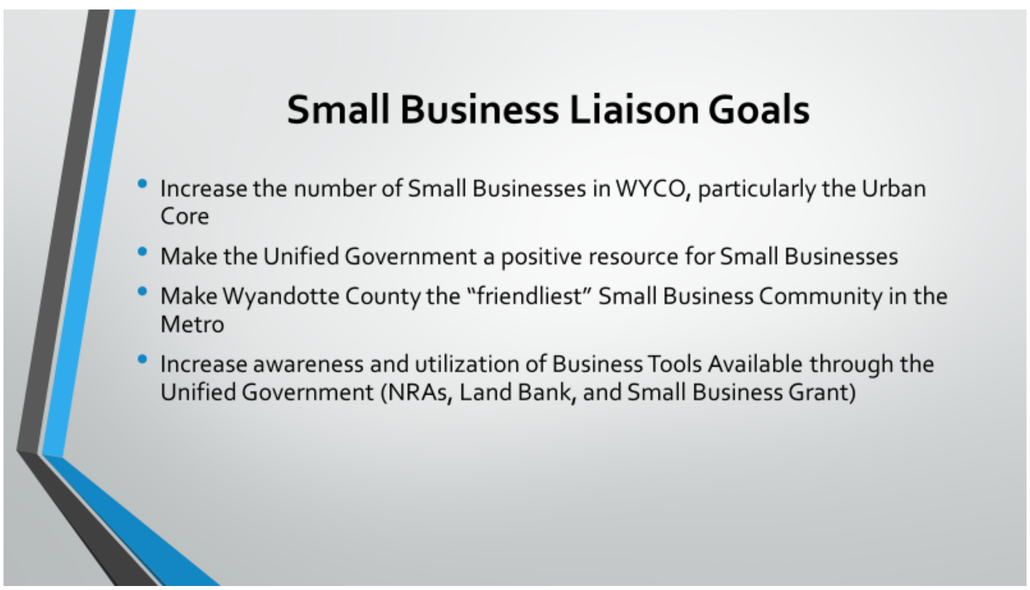
Acting Chairman McKiernan said that was going to be my one comment is that with this policy as with many others, I think you've done a nice job of documenting, putting into a document what has been and still is our standard practice, our operating procedure. It's nice to have it so documented. Thank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

Acting 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.

Item No. 3 – 184… REPORT: 2018 SMALL BUSINESS GRANT PROGRAM

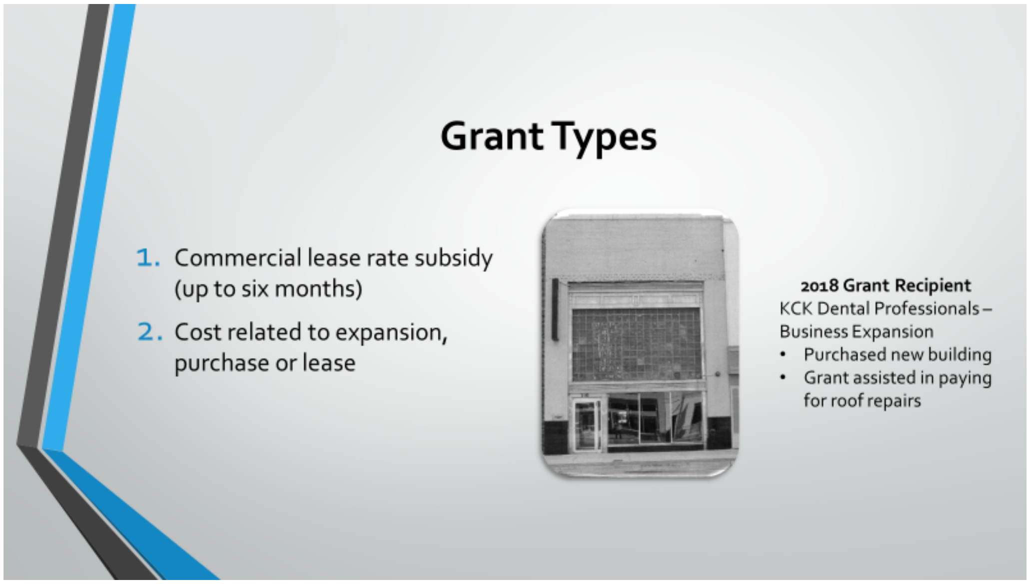
Synopsis: A presentation on the 2018 Small Business Grant Program and the plans for Kansas City, KS small businesses in 2019, Shaya Lockett, Small Business Liaison.



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

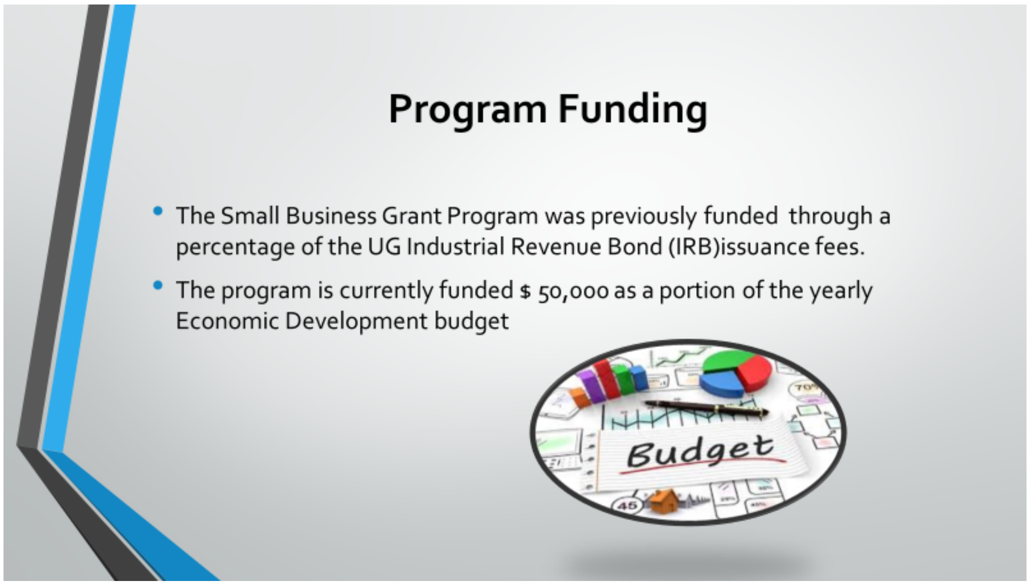
Fiscal Year and the goals for that position, which is my position, is to increase the number of small businesses in Wyandotte County, particularly the urban core. To make the Unified Government a positive resource for small business. To make Wyandotte County the friendliest small business community in 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.



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.

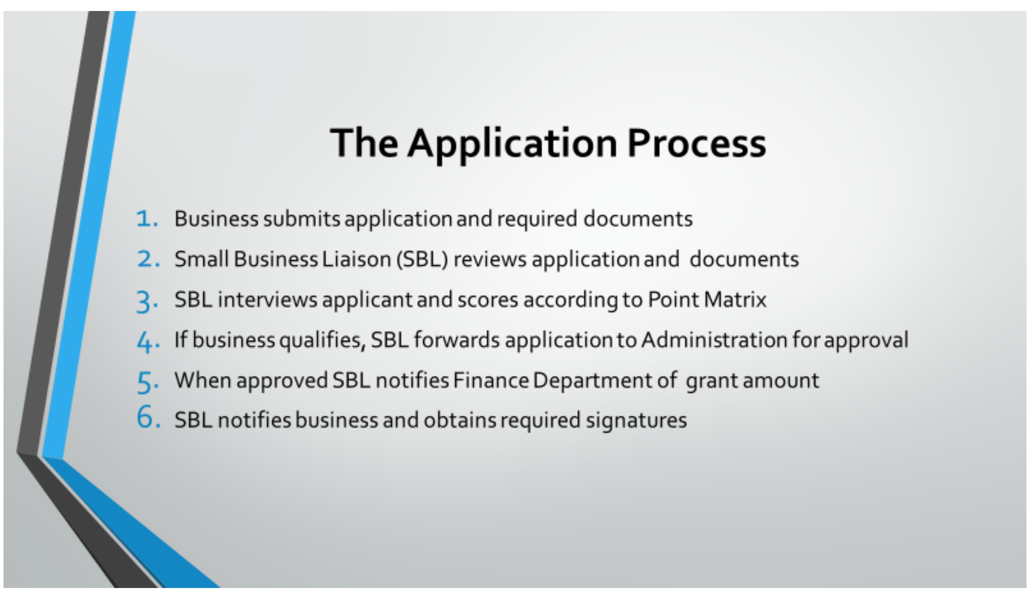
We thought it was important that we point out the ineligible grant uses. Home based businesses, liquor stores, bars and establishments that sell alcohol with less than 50% in food sales, seed capital, new businesses and those that do not create any jobs are not eligible for the Small Business Grant. 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.



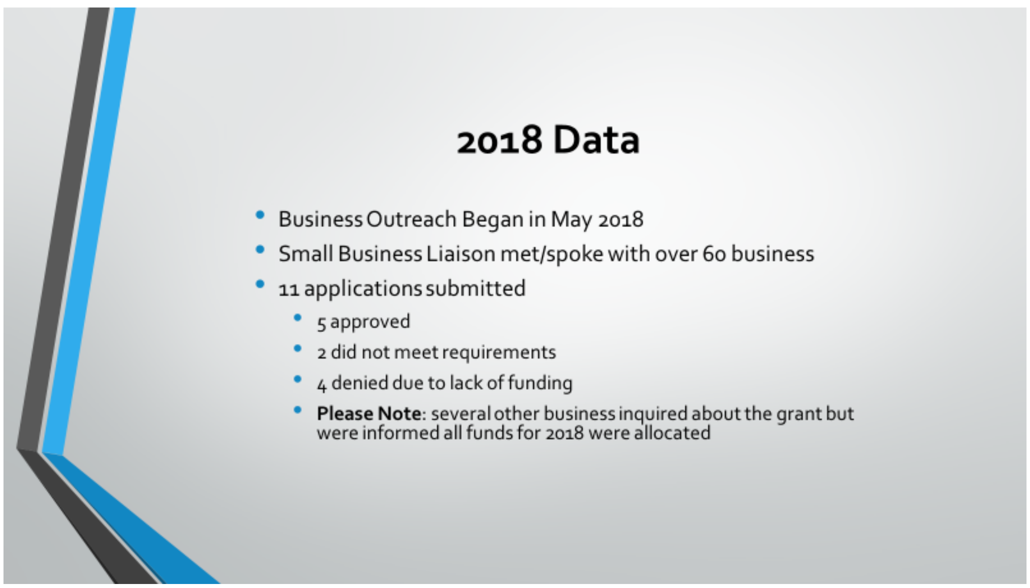
Our program funding initially was through the UG Industrial Revenue Bonds (IRB) issuance fees but recently the program was funded through our annual budget and it is $50,000 budgeted annually. **Acting Chairman McKiernan** said going back to that then, why the switch? Is there variation or fluctuation 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. **Acting 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—**Acting Chairman McKiernan** asked are we not issuing IRBs as much anymore or—**Ms. VonAchen** said I'm sorry, can you repeat your question? **Acting 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. **Acting 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. **Acting Chairman McKiernan** said so this smooths out the fluctuations. **Ms. Carttar** said yes. **Acting Chairman McKiernan** said perfect, thank you. That's all I needed.

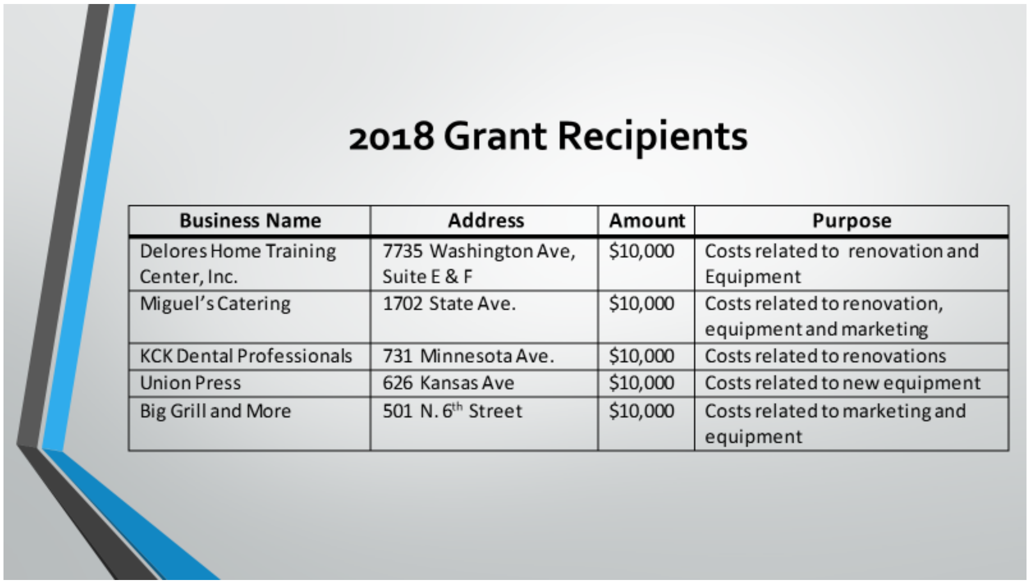
Ms. VonAchen asked can I add to that for a moment. Actually, in our debt policy I was just presenting, there's also language to allow us to charge developers for the cost of staff time for what it took to issue special obligation debt. We're actually going to be augmenting the revenue collection related 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. 6th 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.

Acting Chairman McKiernan said this is funded basically a first come, first meet the criteria basis, right? **Ms. Lockett** said currently, yes. **Acting 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 employers 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.

Acting 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.

Acting 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

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

tpl