STATE OF KANSAS)
WYANDOTTE COUNTY)) SS SPECIAL SESSION, THURSDAY, OCTOBER 17, 2019
CITY OF KANSAS CITY, KS)

The Unified Government Commission of Wyandotte County/Kansas City, Kansas, met in Special Session, Thursday, October 17, 2019, with ten members present: Bynum, Commissioner At-Large First District; Burroughs, Commissioner At-Large Second District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District; Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Markley, Commissioner Sixth District; Walters, Commissioner Seventh District; Philbrook, Commissioner Eighth District; and Alvey, Mayor/CEO; presiding. Townsend, Commissioner First District; was absent. The following officials were also in attendance: Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Bridgette Cobbins, Unified Government Clerk; Alan Howze, Assistant County Administrator; Kathleen VonAchen, Chief Financial Officer; Debbie Jonscher, Deputy Chief Financial Officer; and Officer Jay Doleshal, Sergeant-at-Arms.

MAYOR ALVEY called the meeting to order.

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

NOTICE OF SPECIAL SESSION of the Unified Government of Wyandotte County/Kansas City, Kansas, to be held Thursday, October 17, 2019, at 5:00 p.m. in the 5th floor conference room of the Municipal Office Building for a Long Range Financial Plan presentation. Immediately following, the Commission will reconvene to the 9th floor conference room for an executive session regarding labor.

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

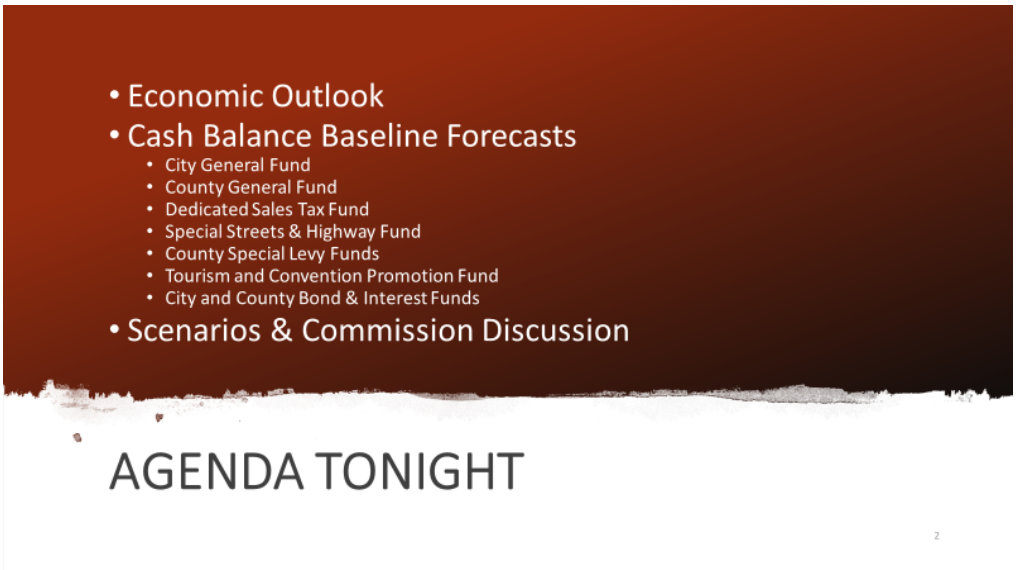
Mayor Alvey said tonight we have a presentation regarding the Long Range Financial Plan. I'll turn it over to Mr. Bach to introduce staff.

Doug Bach, County Administrator, said we're working on a Long Range Financial Forecast. You will see as you go through this, it's not our plan for different things because there are some things where the revenues come up in very good shape and there are others where we forecast the revenues are dropping off and we will change our Financial Plan as we go along so that we never have deficits in any area. Ms. VonAchen and Ms. Jonscher have gone through and with their staff studied out many different areas to project several years in the future and show us how we're looking. With that, I'm going to turn it over to Kathleen and let her move through this.

Kathleen VonAchen, Chief Financial Officer, said we are going to talk about the Long Range Plan. This year it's a little different than it was last year. I presented our second Long Range Financial Forecast last year in October so pretty much 12 months ago. This year there are two things that are different about it. First off, it isn't just the General Fund. It also includes all the other governmental funds. That would include the Dedicated Sales Tax, the Tourism Tax, all of the Special County Levy funds, and both the City and County Debt Service Funds, so quite a bit in there, all of them, basically, all the certified funds you see during the budget process only excluding the Stormwater, the T-Bones Stadium, the Sewer Fund, the Golf Fund, and the EMS

Fund. Those are all funds that are Enterprise Funds and they're not governmental, so they're not included in this.

The other difference is that we also decided to use data from a cash basis because that's how we do our budgeting. Basically, it's kind of cash-in, cash-out and I've often talked about the difference between CAFR and Modified Accrual and the cash basis and I just wanted you to know it's a little different. This is all cash basis.



I have with me my Deputy, Debbie Jonscher, who is going to be talking about the specific funds, but first off, I want to start off by just giving you a little bit of an agenda. First, we're going to take a look, real briefly, on the economic outlook. Then, Debbie is going to walk you through all the cash balance baseline forecasts of the various funds. Here they all are. Baseline means that basically this is what we're predicting is going to happen, but it's the baseline, so we will be looking at different scenarios that would change the baseline up or down and that's the third category, different scenarios and your discussion. It's going to be a little more interactive than in the past.

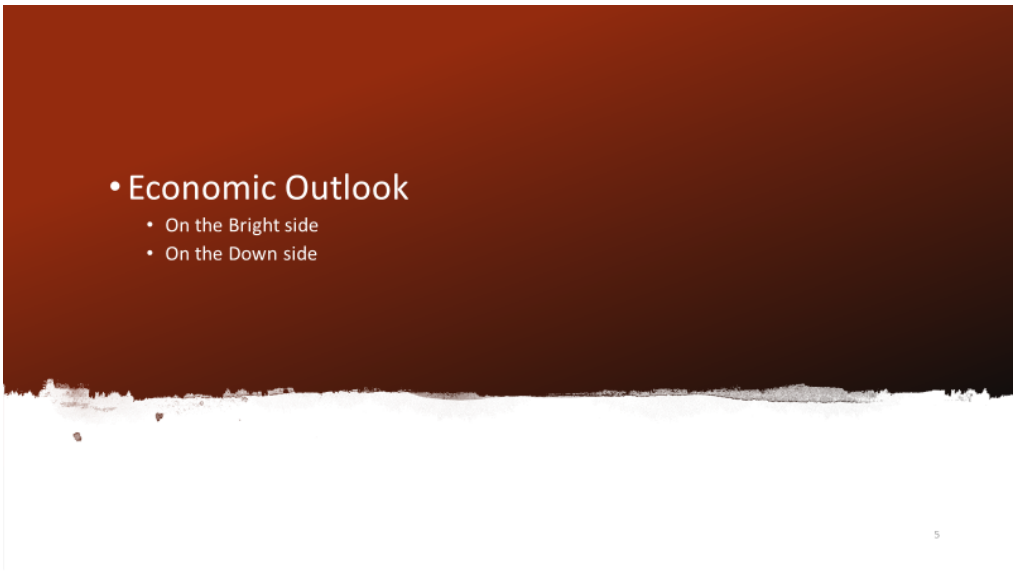
3

This is the first screen where I'm talking about the economic outlook. I just wanted to point out that even though this is a forecast, as the famous John Kenneth Galbraith said, the only function of economic forecasting is to make astrology look respectable.

4

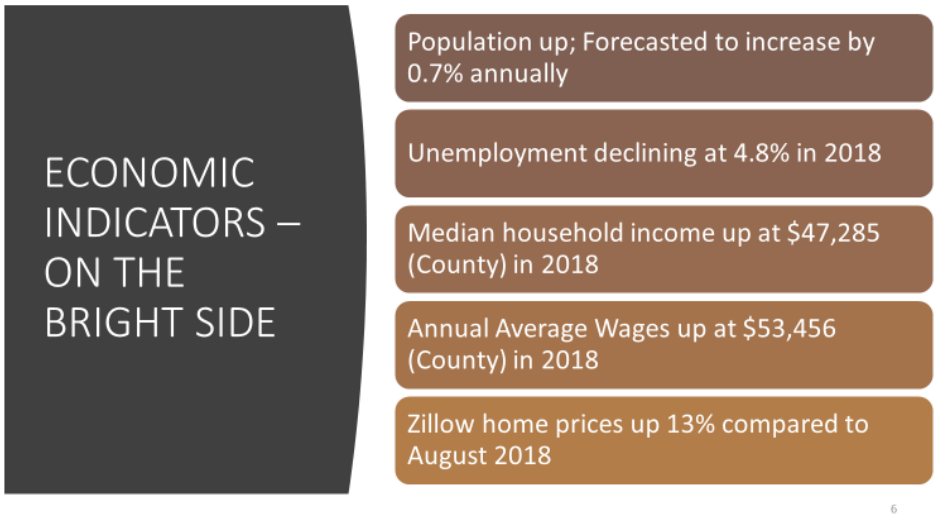
Just keep in mind that the staff is not attempting to predict what happens in the future, but rather to plan for the future given the known facts we have today. We do have some facts that inform us about what might happen in the future.

The second point I wanted to point out before we get into this is that you have to keep in mind revenue diversification is different amongst the various governmental funds. What I mean by that is that there are some funds that are more reliant on sales tax and less so on property tax and yet there are other funds that are the opposite of that. So, if one of the funds has a dramatic turn for the worst, those funds that are reliant on that one, are going to be more negatively impacted than the others. Even though, for example, property tax growth looks pretty modern or strong, but sales tax growth looks weak, you would think maybe those would balance with each other, but that would only be the case if a fund were getting 50/50 of each of those revenue sources. Just keep that in mind as you see the rest coming up.



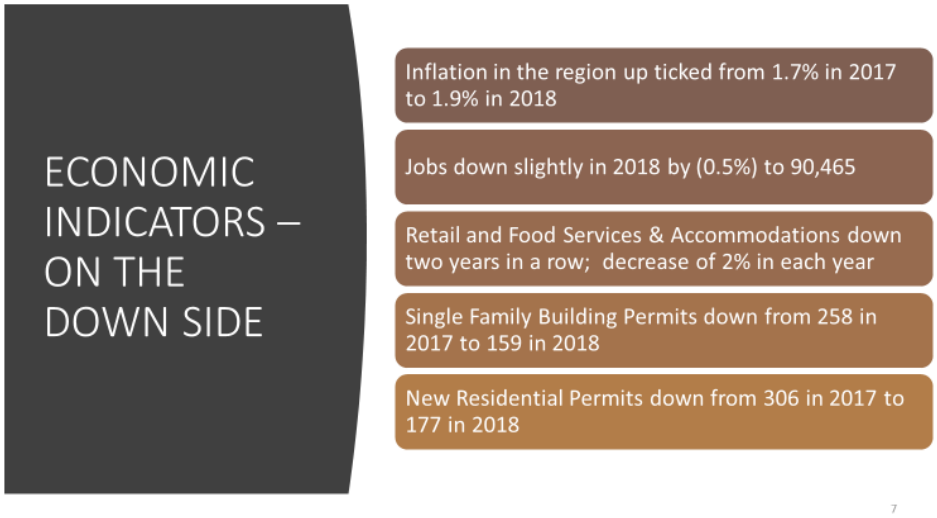
First off, I had two slides to talk about the economy. That's all. In the report that we presented here tonight, it's uploaded on the website, but under the agenda packet. Once we have this presentation, we will adding it to the Finance Department's finance documents or finance reports section so you can have access to it.

The economic outlook has about eight or nine pages of discussion on our recent indicators.



I'm just going to talk about these two slides. What I noticed in reviewing all the economic indicators I noticed that the economy is pretty mixed. There are some good indicators and then there are some indicators that are not so good.

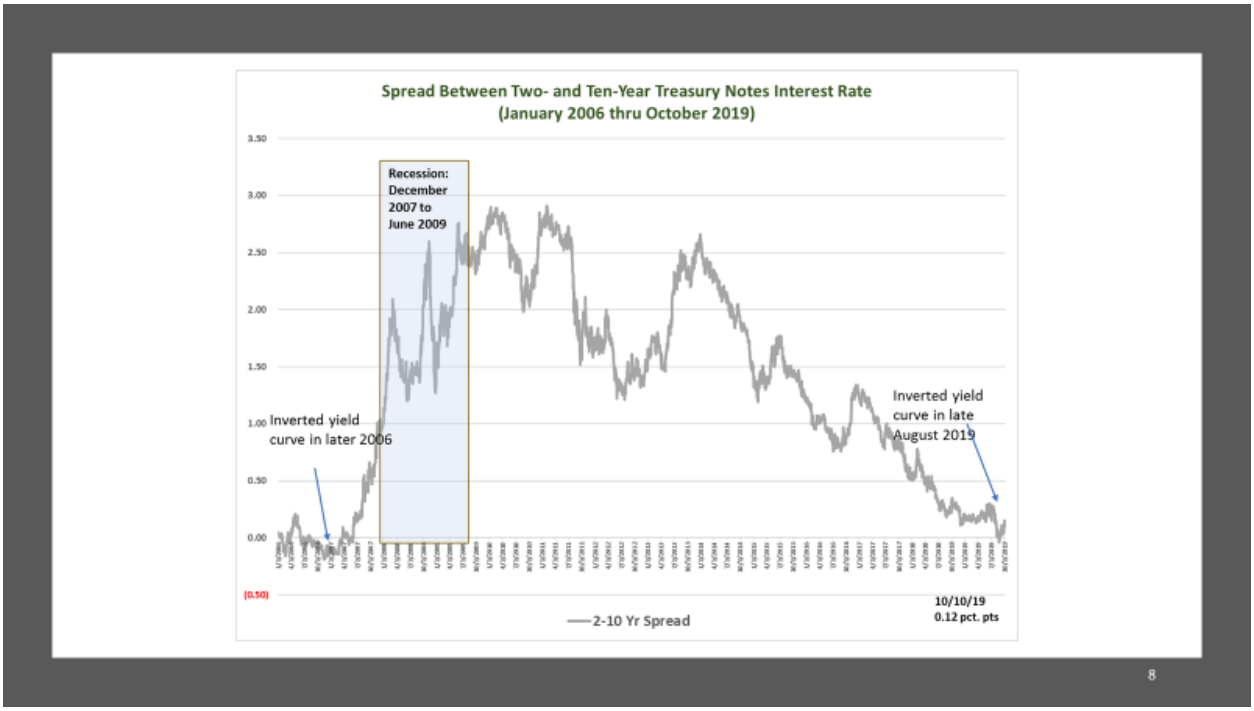
First off, the population is up. We're forecasting that every year it will increase about 0.7%, so less than 1%, but still a good growth. Unemployment has declined. It's at 4.8% in 2018. Median household income has been up. It's now at $47K for the County as of 2018 as well as average wages are also up in 2018 and the Zillow home prices demonstrate the prices of homes have increased by 13% as of August 2018 compared with August 2017.



On the downside, we've noticed that inflation in the region has ticked up by two tenths of a percent in 2018. Jobs went down last year, they didn't go up. They went down ever so slightly, about 400-500 jobs and that equates to 0.5% for a total of 90,465. Retail, food sales, and accommodations or hotel receipts have—those categories have gone down for the last two years, both at 2% a year.

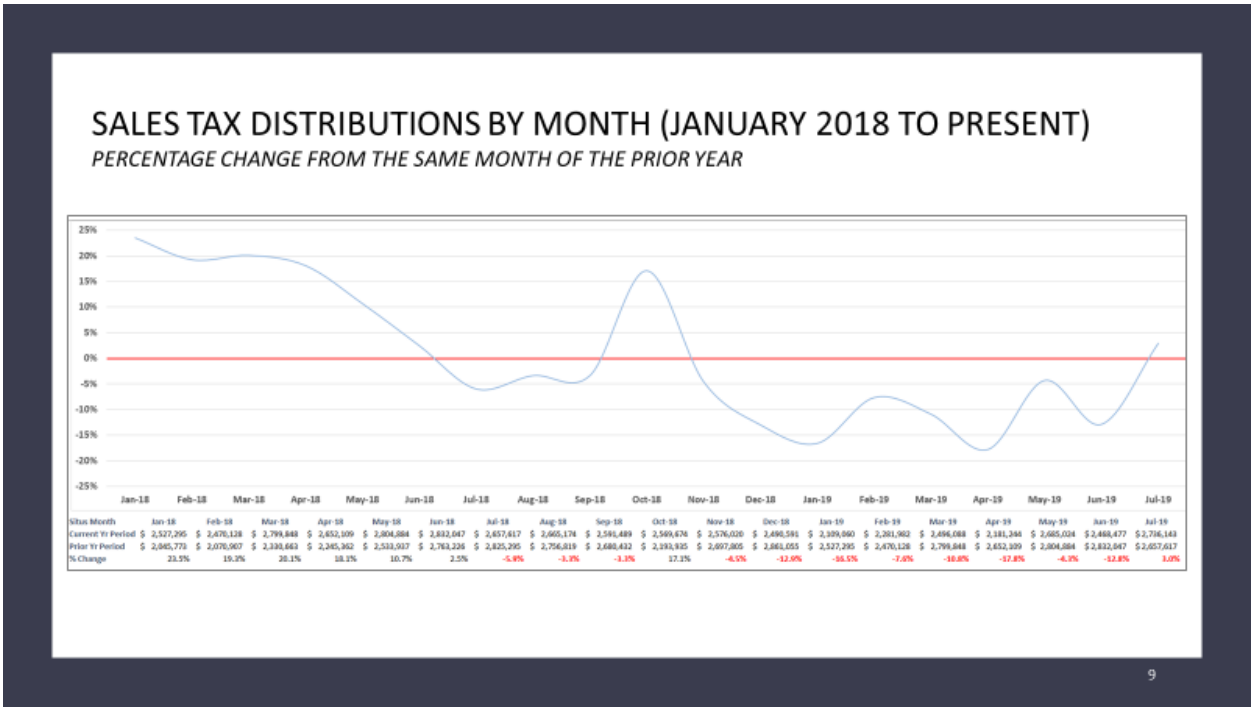
Commissioner Bynum said when you say that, do you mean the sales—**Ms. VonAchen** said yes, the real sales—**Commissioner Bynum** said retail sales and food services and accommodations sales—**Ms. VonAchen** said correct—**Commissioner Bynum** said receipts. **Ms. VonAchen** said yes, that's correct, the several billion that we get in total sales.

Ms. VonAchen said permits for both single-family and not new residential permits have gone down and there's the numbers there. We don't have any more recent information for '19. That's what happened in 2018.



Last year as a reminder, you might remember that I talked about how the yield curve when it inverts, it's a predictor, a pretty good predictor of when a recession may happen 12 to 18 months

into the future. That inversion, you know I was signaling last year about this time that may happen, and in fact I think that was in October, so right there. We were about 30 basis points away from inverting and it took until August but it actually inverted for about four days. Then the feds increased rates and now we're back to 30 basis points above zero. Things are not really getting any better. It's hard to predict when a recession is going to happen, so we're not trying to predict, but there has been a slowdown and we've certainly seen it in our sales revenues.

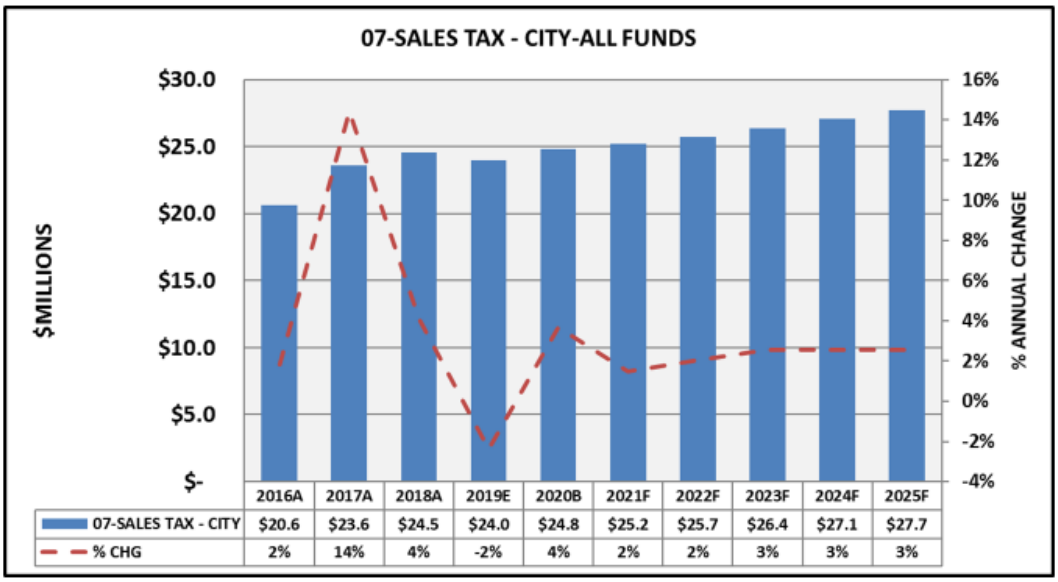


Here's the sales revenue. I showed you this graph and this is updated through the latest information. These are sales tax distributions that we receive from the State. It excludes Legend's money and it's by month since January of last year to present. All these dates actually reflect the time in which the transactions occurred. We don't get this information—this is for a July transaction, but we don't get it until September.

You can see that it was—how the percent above or below, what the amount was in the same month of the prior year. You can see that it was very strong at the beginning of 2018 and then it took a nosedive in July of 2018 and it's been hovering on—performing below the previous years months performance. Just in the last month here, it has picked back up. These are the dollar amounts here. The top line is the current period collection and then the bottom line is the

comparison for the prior year. I can help you, for example, this $2.657M, you can see it over here in July—there it is. That's how that works.

It's not a trend, but it is moving upward this past month and in a couple of weeks I will tell you what happened in August.



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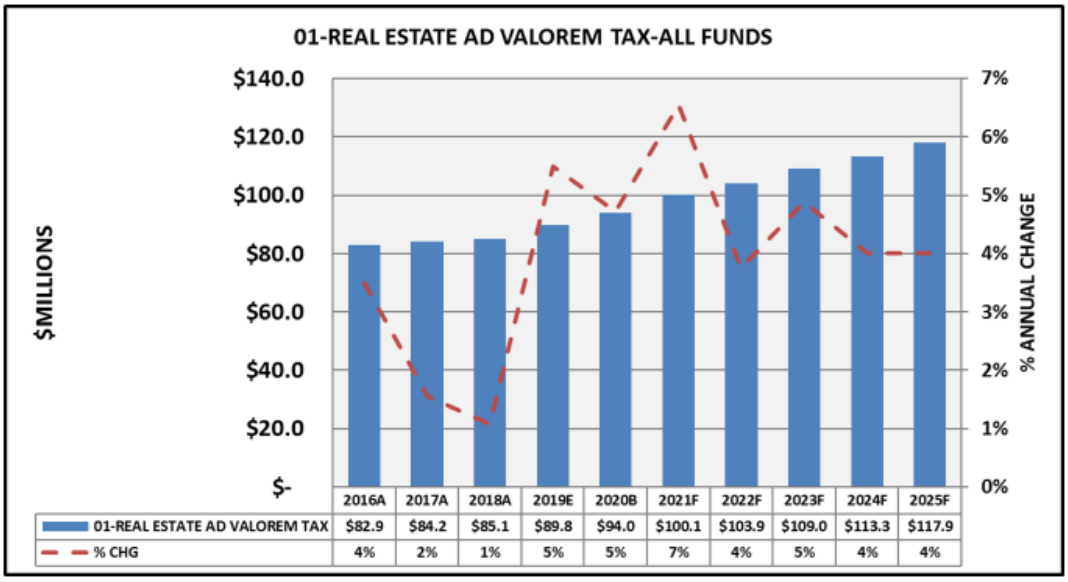
This is a graph of all the City sales tax which is 1% except we give 6% of the 1% to Bonner Springs, no that's the County. This is all just City sales tax. This is the City sales tax recorded in the governmental funds. It doesn't include the EMS portion because EMS, they get a portion too.

In 2019 it's almost $25M, about $24M total. Over here on the right is the percentage change year over year and then here's the total in volume, dollar volume. You notice how it really spiked up in 2017, the percentage, it increased about 14%. That's because the STAR bond money started coming in. For these funds that equates to roughly $10M because it includes not only the General Fund portion but also the portion that's dedicated for Dedicated Sales Tax Fund.

It then leveled out. It went down for a number of reasons, mainly the sales tax performance in the middle of 2018 took a nosedive. Again, I go back to here, remember, see this; and so now we're hoping or we're projecting that it will recover and flatten out a bit.

We're projecting over the course of the forecast period that it will increase on an annual basis by 3%, sales tax. Between '19 and '20 we're thinking it's only going to go up about $800K.

This is very, very conservative because before we were predicting it was going to be around this level, around the 5% or 6% level. That's quite a bit less revenue every year that we were previously anticipating.



11

Here's property tax. Home sales, as you know, have been increasing at a steady pace. In our forecast we're projecting that home values will increase by roughly 4%, home and commercial values combined, the assessed value. By the way, starting from the beginning, these declines are a result—because this is the revenue graph, so these declines here are a result of the mill rate reductions that took place in '16, '17, and '18, so that answers that decline because we're collecting less money because our mill rate was lower. **Commissioner Walters** said but it's really not a decline. **Ms. VonAchen** said you're right. Before it was growing at a 3% rate and then it grew to 2 and then a 1. **Commissioner Walters** said a reduction of an increase. **Ms. VonAchen** said a reduction in the growth rate, yes, you're right, sorry. It's just it was sloping down.

Ms. VonAchen said we left the mill rate flat and it jumped up by roughly 5.5% in '19 and then we're projecting it to be at the same pace roughly in '20. Some of the increases here in '21, in '22 are not entirely due to changes in what we think is going to happen with assessed value. It's also because we know that there are several tax abatement agreements that are expiring and so we have built that into the forecast. As they gradually expire, we add them to our regular sales tax base.

Commissioner Murguia said sorry, that looks pretty significant so what is rolling off tax abatement that is significant? **Ms. VonAchen** said I don't have that on a slide but it is provided in the chapter on revenues. **Mayor Alvey** said I think part of it is General Motors, I believe, is that correct—**Commissioner Murguia** asked what page is that. **Ms. VonAchen** said yes, but actually the bigger portion is that several of our TIFs are getting paid off in 2000 and so in 2001 we will receive roughly half of the property tax from those TIFs into the City General Fund and then the other half goes to the other entities.

Commissioner Murguia said every year I ask for that information to see what's coming off of tax abatement or TIF and what's going into the General Fund and I never get that list. I have never gotten that list. **Ms. VonAchen** said well okay. Actually, I can tell you that TIF, nothing has come off and this coming year will be the first in a very long time. **Commissioner Murguia** said tax abatements and things like that. **Ms. VonAchen** said that one, we can get you. We will be happy to get you that. **Commissioner Murguia** said it would be nice—**Mr. Bach** said we do provide that report to the Finance Standing Committee, the TIF report, we've done that. **Ms. VonAchen** said yes, actually, we did one recently. We did a report on it this year. **Commissioner Murguia** said I just ask that someone give it to me please. Could I please just get that? I would like to know like what entities and what also would be nice is where we're at with projections on abatements and TIFs. I mean are some—not so much abatements, but TIFS, are they paying off early and how early. Again, I've asked for that for a long time and it doesn't need to be complicated. It can be as simple as this store was going to be paid off in 2025 but now it's going to be paid off in 2020 or it was supposed to be paid off in 2025 but it's not going to happen, it looks like there's going to be an issue there. **Ms. VonAchen** said sorry to interrupt. I wanted to tell you that—okay, first off, it's on page 64 of this report but it's very summary. We can resend you the presentation on the—**Commissioner Murguia** said we don't have a page 64. This goes to page 30. **Ms. VonAchen** said page 64 of the actual document that was in the agenda packet. The actual report. **Commissioner Murguia** said okay. **Ms. VonAchen** said I can resend it to you.

The other thing I was going to tell you was we did a presentation, I believe it was in June or July of this year, about the tax abatements and then over a year and a half ago we did a report that was called the TIF Update and I plan to do another one. **Commissioner Murguia** said right, but that's the one I asked for and I remember that and I was looking for that, but I want more detail

on the specific projects. What projects were performing well, what projects were not, I wanted to see that level of detail. **Ms. VonAchen** said okay.

Commissioner Bynum said this slide, can you just start at the beginning of this slide again and backup and tell me everything you've already said over again. I'm struggling to understand, and my struggle began when you made a comment about the mill levy decrease because we didn't decrease in the budget that we passed just a few months ago in '19 for '20. **Ms. VonAchen** said right. **Commissioner Bynum** said we did decrease 2 mills in '18 for budget year '19 and I just need you to start over.

Ms. VonAchen said you got me there, that's true, because I got my years maybe a little messed up. Here's all the property tax that the City collects. It all goes into governmental funds. In '16 we collected a little over $80M and then we collected just a tad bit more in '17. You notice how that—this is the red line is showing the percentage change from one year to next, so that's reflected in this kind of grid over here. You notice this increase is increasing at a much lower pace than it had previously and that's because the mill rate changed. My point is even though we did collect a little bit more in '17, we didn't collect much more than—because the mill rate was dropped. This is all the sales tax—I'm sorry, real estate tax. So, the City mill, the County mill, all the Special Levy mills; all of it. Then, the same mill reduction occurred in '18 so you see it's pretty flat there. We did another mill rate reduction of 2 mills in '19, but the values on homes increased substantially as a result. We did collect roughly, I'm going to guess, I don't have a number in front of me, but probably about $5M or $6M across all the funds in '19. The same thing is happening in '20.

This increase from 2021 is because of two reasons. Not only the growth we expect to see in assessed value, but also there is an expected payoff of a couple of TIFs. Secondly, we expect a couple tax abatement agreements to expire.

Commissioner McKiernan said I apologize if you covered this earlier. What's your assumption for your projections? You're projecting assessed value to grow at some percentage. **Ms. VonAchen** said I'm projecting that in 2021 that assessed value increase in the low 6% range and thereafter 4%. **Commissioner McKiernan** asked are you assuming a static mill rate, stays where it is today? **Ms. VonAchen** said I am assuming a static mill rate, yes. **Commissioner McKiernan**

said those increases are only based on increase of assessed value. **Ms. VonAchen** said plus any kind of additional revenue generated because the tax abatement agreements expire or the TIFs were paid off.

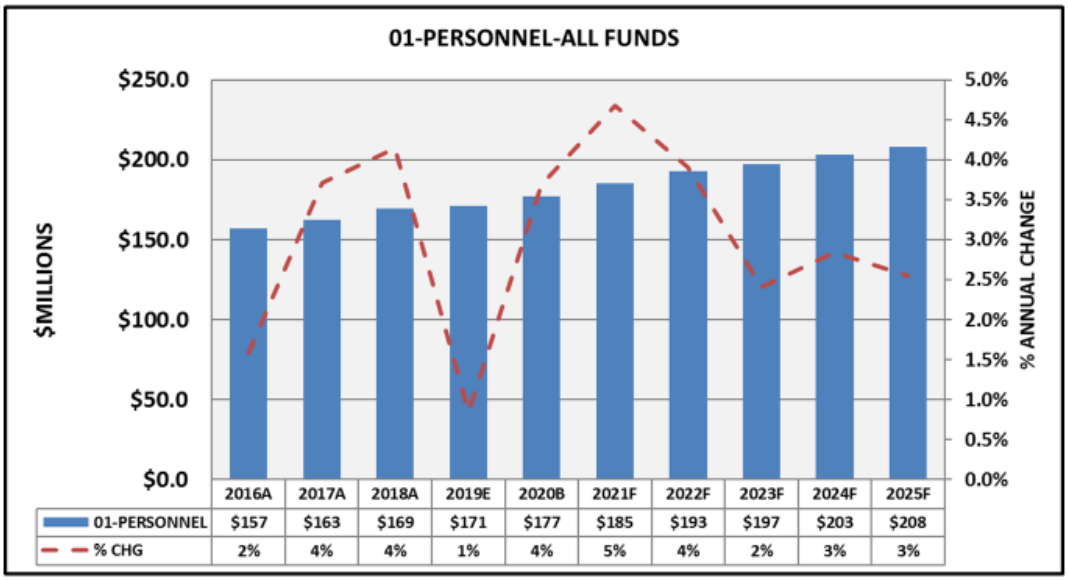
Commissioner Philbrook said going back to the confusing part of it, this is not really the change of the amount of money we're getting. It's the change between what we have gotten and the percentage we're getting now, so it's a percentage change of what we think it should be. Is that what this is, just showing change, because I'm like—Harold and I are sitting here going wait a minute now. Harold understands it, but I'm like going—**Mayor Alvey** said I think this question was asked earlier. The blue bars are the total revenues. **Commissioner Philbrook** said I understand that. **Mayor Alvey** said the red is the percent annual change, so over here on the far left, the 2016A, that's about 3.5%. Over the next year it declined to about 1.5% growth in tax revenues, the next year it was just down to 1% additional revenues over the prior year and then it bumps up to projected 5.5%. **Commissioner Philbrook** said so, this is a relationship to the previous year. **Mayor Alvey** said I believe so—**Ms. VonAchen** said, yes, that's right. A percentage over the prior year.

Commissioner Johnson said it is a difference in the change of the interest rate from year to year, the red line represents that. **Ms. VonAchen** said yes, that's right. It also, by the way, it assumes that we're going to be paying off the casino refund over a four-year period which ends in 2022. It also assumes that our delinquency rate is 5.7% which is, you know, a pretty good estimate.

Commissioner Burroughs said, Kathleen, maybe it would be a benefit if it was explained in a manner that those monies that are coming in from the TIFs and the property tax abatements, that percentage is in addition to what we see here. So, then the additional growth from property value is a static line for us. **Ms. VonAchen** said that is true. **Commissioner Burroughs** said it may be a little easier to understand to see that percentage—**Ms. VonAchen** said just to draw on that point, those expirations in the tax abatement and the TIFs have no impact—are not additional revenue that taxpayers are paying. It's just a shifting from where it's accounted for in one place and now it's accounted for over here. Is that what you're—**Commissioner Burroughs** said yes. I think where some of the confusion might be coming in is that we see the growth in appraised value, and we see the growth of projected revenue coming in from that growth if provided we're staying static

with the mill. The new dollars that are coming in that are coming from the abatement and the projected TIF, when those dollars come in, what percentage of that increase is that amount of money. If it's one-tenth of one percent, it tells us it's $10M of it could be—**Ms. VonAchen** said I could make a note to myself and be happy to get you that, but I don't remember offhand how much that is, but I know exactly how much.

Mayor Alvey said I think as we get further down in the presentation—what we're trying to do is just kind of the show the aggregate movement here, the general situation. So, what we see here in the blue, the clarity is the total revenues coming in from real estate ad valorem including all those which are coming back from TIF and tax abatement. **Ms. VonAchen** said yes.



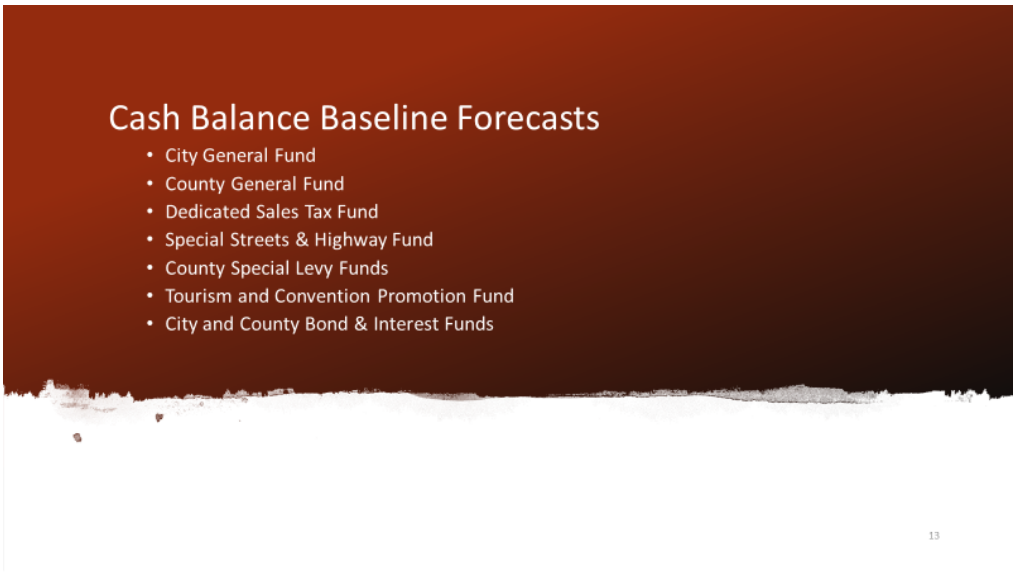
12

Ms. VonAchen said part of my reason for showing these percentages is to give you some context. These are the two largest tax sources of the UG. Sales tax is roughly to come in at 3% growth rate, property tax roughly 4% growth rate and yet the biggest cost center is Personnel and it's expected to grow by roughly 2.5 or 3%. Some of our revenues are not keeping pace with our cost amounts. That was the point of that. There are Personnel costs for all these funds in '20 and amounts to roughly $180M and that includes salaries, benefits, retiree payments for pensions or special retirees for when they retire, we have to make those penalty payments, part of that whole Silver Tsunami discussion which I also included in this book. I've updated the Silver Tsunami projections. We're

expecting about 400 people to retire in the next five or six years. That's one-fourth of our workforce. It includes everything; health insurance, salaries and benefits, and it also has a small adjustment for cost-of-living with a little bit more augmented compensation for our law enforcement personnel.

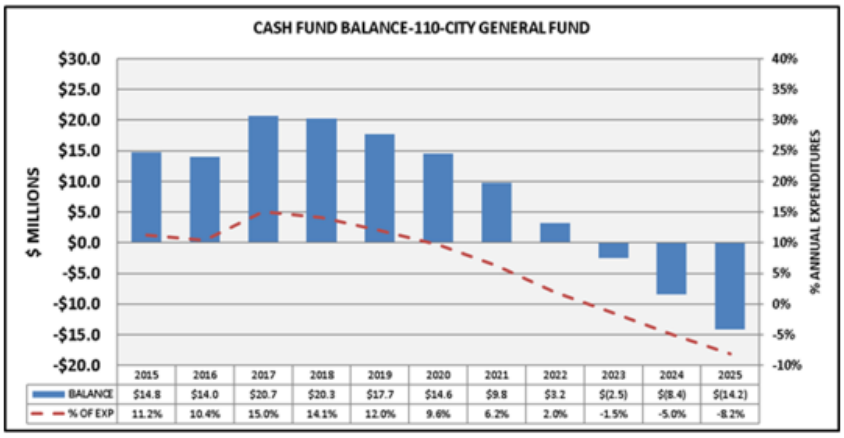
Commissioner Burroughs said, Kathleen, with that Personnel cost, having set all that aside, is there any figure in here that shows the new employees will come in at a most likely lower rate, pension obligations won't be as much. Has that been calculated into this at all? **Ms. VonAchen** said yes, absolutely.

Ms. VonAchen said those are kind of my broader overview points. Now I'm going to pass it on to Debbie Jonscher who is going to talk about the cash forecast for each of these funds. These are all the baseline forecasts, keep in mind, and its cash basis.



Debbie Jonscher, Deputy Chief Financial Officer, said I'm going to go over some of the larger funds that we have and just give some of the individual information. All the information that Kathleen just talked about, the sales tax, the property taxes, are all incorporated into the information that we're going to be showing you here.

CITY GENERAL FUND CASH BALANCE BASELINE FORECAST

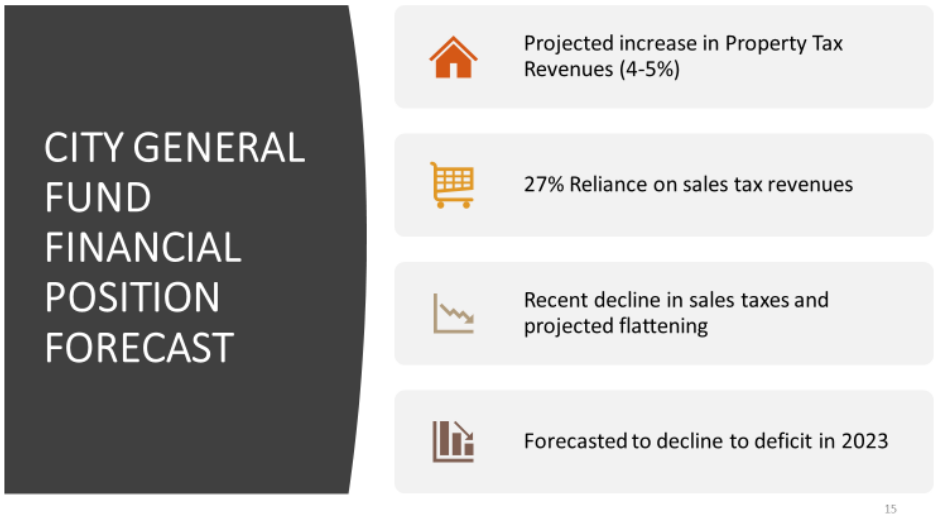


14

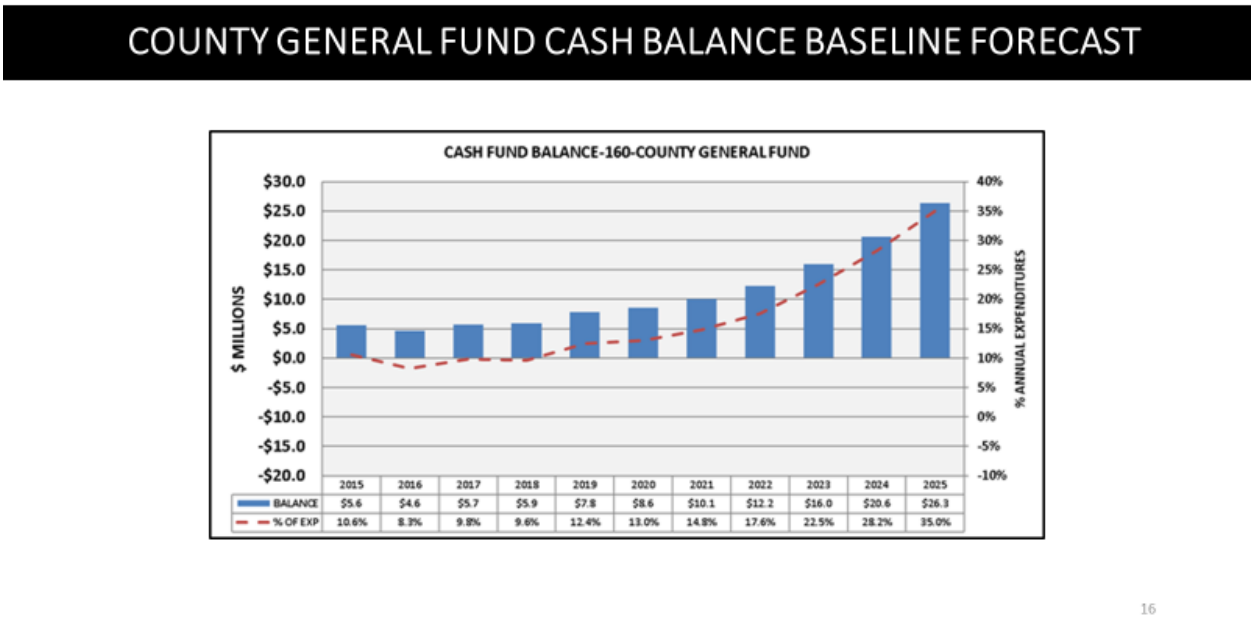
I'm going to start with the City General Fund. I just wanted to point out the blue bars are the cash fund balance and the red dotted line is the fund balance as a percent of expenditures. This will be the same format that we use for all of the funds.

As you can see, based on our forecast, we are showing a 10-year span, this is the City General Fund, and as you can see, with all the information that we put into the forecast that in the future years starting in 2023 you can see that the fund balance is projected to be negative. I did just want to note that this is just a forecast. This is not how we intend to budget. When we get to this point, we will have to make adjustments. We cannot budget a negative fund balance nor can we end the year with a negative fund balance, so those adjustments would be made as we move along.

Commissioner Philbrook said so the worst would be zero. Is that what you're trying to say, if you have to make those adjustments? **Ms. Jonscher** said right, or a little above zero. **Commissioner Burroughs** said that's depleting our reserves too. Would that be depleting our reserves? **Ms. Jonscher** said yes, it would deplete everything. **Ms. VonAchen** said the State budget law doesn't allow you to do that nor would Doug.



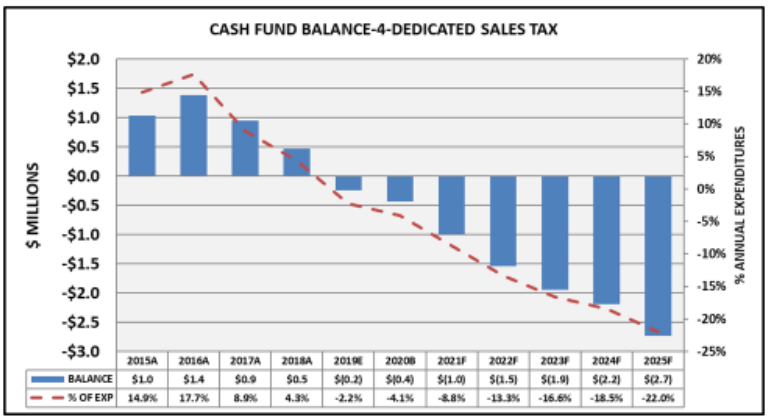
Ms. Jonscher said just some notes for the City General Fund. As Kathleen talked about, we had projected increases in the property tax revenues. We're at about 4-5%. As also stated, the City General Fund has a heavier reliance on sales tax revenues. It's about 27% for the City General Fund. We have projected a recent decline in sales tax revenue in the future at a flatter percentage of growth and as we said, we forecasted it to decline to a deficit in 2023.



The next fund is the County General Fund, the same information. As you will see, the fund balance for this fund is growing out into the forecast period. This fund is more heavily reliant on property tax revenues rather than sales tax revenues so the projection is that by 2025 this fund balance would grow. Right now, we're setting at 2018 a little over $5M and it's projected to be up around $25M in 2025.

As we said, the same assumption for here, the property tax revenues are at about 4-5% increase in the forecast. This fund is only about 10% reliant on sales tax—it's mostly reliant on sales tax revenue, so the fund balance is not affected similar to what happened with the City General Fund. Same sales tax projections that we did for the City with the increases in fund balance.

DEDICATED SALES FUND CASH BALANCE BASELINE FORECAST



18

The next one is the Dedicated Sales Tax Fund. This is the fund that is funded with the 3/8 cents sales tax for Public Safety and Infrastructure. This one is completely reliant or almost completely reliant on sales tax revenue. With the projections we have in the forecast, you can see that the fund balance—here we've adjusted—when we budgeted 2019 and 2020, we did not budget a negative fund balance. Kathleen has adjusted the sales tax revenues based on what we're seeing so far and currently we're looking at a potential negative here, so we're monitoring that fund now to determine if we would have to make any adjustment to that fund since we can't end the year in a negative position.

Commissioner Murguia said the way we're—just relying on all of you to make adjustments to make it balance? **Ms. VonAchen** said we're monitoring it first off. **Commissioner Murguia** said we're monitoring the thinking? **Ms. VonAchen** said secondly, there's often salary savings that occurs throughout the year and this fund does not reflect any salary savings, so the forecast may have a little bit too much expenditures on the salary side in here and then oftentimes Capital Outlay doesn't always get spent to the full budgeted level. We know there are certain things that aren't going to be spent.

Commissioner Murguia said we still see a very negative trend. I'm curious, what are we doing besides monitoring it to reverse the negative trends? **Ms. VonAchen** said I was just going—that's why I was just going to talk about that.

As you can see, the delta, the annual delta, is roughly a half a million dollars. If you look between '20 and '21, if we were to shift fulltime equivalent FTE in this fund equates—there's about 50 FTEs in this fund, fulltime equivalent employees. If we were to shift a half million dollars in FTEs out of this fund and into the City General Fund, I'm thinking about five or six FTEs, it would balance out the fund for all the years. **Commissioner Murguia** said our City fund had the same picture. **Ms. VonAchen** said I know, yes. **Commissioner Murguia** was inaudible.

Mayor Alvey said that's the issue. What we're presenting here is the current fiscal situation and what the projections are for sales tax, property tax revenues, the main revenues coming into the City and County, what do we see as the trends here. They may not play out this way, but what seems to be happening here is we can project a declining amount from the Dedicated Sales Tax, the sales tax in general; you know property taxes should grow but it's because certain funds rely more on property tax than on sales tax, it affects different operations in different ways. What we're trying to do is present where we are, what our fiscal situation is trending into the future and so it brings back the question, what do we do if we don't have the funds to do the things we want to do that we're currently paying for, what kind of changes do we make. I think she will get to that in the last slide. **Ms. VonAchen** said yes. **Commissioner Murguia** said okay, maybe it's just painful on the way there. **Mayor Alvey** said yes, it is. That is true.

Commissioner Murguia said just rip the band aid off and get to that slide. It's clear you have an issue. **Ms. VonAchen** said that's the painful side of being transparent. We're trying to be transparent and inclusive so we're presenting you all of the issues so that we can all talk about them.

Ms. Jonscher said we pretty much covered everything with Dedicated, so we will go on to the Street & Highway Fund.

Someone said if we have a Dedicated Sales Tax (inaudible) why wouldn't we automatically assume (inaudible). **Ms. VonAchen** said we don't necessarily automatically assume, but we are working under the assumption that we don't want to reduce our workforce.

Mayor Alvey said no, I think that that was really not—your question is correct. This is the Dedicated Sales Tax that pays for 25 Police and 25 Fire, so the option would be if we don't make up that balance, then to eliminate positions. That would be another opportunity, but then again, what does that do for public safety. Those are the questions—the policy decisions that face with the fiscal situations we have to make. **Commissioner Murguia** asked how many police officers are we already down? **Ms. VonAchen** said out of this fund 25 are paid out of this fund for police officers and 25 firefighters. **Commissioner Murguia** said my point is, already the whole conversation has been around how many police officers we're already down and now the deal is are we going to eliminate positions.

Mayor Alvey said no. The question is, the way it's presented here is, those 25 positions in Fire and 25 positions in Police plus Infrastructure are through the Dedicated Sales Tax for Public Safety and Infrastructure. If we don't generate the funds we were generating to pay for those 50 positions plus, we then are faced with the decision how do we come up with the funds and that will be—well, you could raise taxes, you can cut expenditures in other places, you can cut positions and so then it raises the question, at what price of public safety. Those are policy discussions, I think, not for Kathleen to decide; that's going to be for us to decide.

Commissioner Murguia said my question, Mayor, though was these are current projections based on what we're doing and knowing that the number of police officers that we're already way down and we've had multiple meetings about how down we are in law enforcement officers. If we're already so many officers down and none of these slides are looking good, what you're saying one option is to eliminate those positions which means how many positions can we actually eliminate. We're saying this is an issue, yet we're desperately out there trying to hire more police officers. I'm a little bit confused by that.

Mayor Alvey said we're not at the place where we're making those policy decisions. This is just the fiscal situation which is presenting to us the options that are going to be in front of us the questions that we're going to have to decide as we come to budget because this is not going away. We would hope that sales tax revenue continues to improve, and property tax revenues continue to improve and if that's the case, then we're all good, well, not all good, but we're better. We're not proposing—Kathleen is not proposing that we eliminate those positions. I'm certainly not proposing that. **Commissioner Murguia** said I'm not saying that Mayor. I think maybe I'm not being very clear. I'm saying we have been down and declining in the number—I'm just going

to use specifically police officers, routinely rapid rates. If this projection takes that into account, if we were to fill those positions, what I would tell you is this slide would look worst.

Ms. VonAchen said I can explain what you're asking. Commissioner, in our projection for Personnel in fiscal '19 and in '20, we have included kind of a natural turnover rate so that's the turnover rate of when positions become open and then it takes awhile to fill them and so there's a time period where salaries and benefits are paid. **Commissioner Murguia** said so you're assuming that job is filled. **Ms. VonAchen** said the budget includes 100% funding as if it's filled all the time minus a natural turnover and so that's what we have in place. We haven't included the extraordinary vacancy that's a result of our difficulty in filling a number of the police positions. **Commissioner Murguia** asked where is all that money that we are saving by having a large loss in police officers. **Ms. VonAchen** said it has not been reflected in the expenditures here. **Commissioner Murguia** said thank you. That helped out.

Mr. Bach said it is in a sense that we have overtime. **Ms. VonAchen** said that is true. **Mr. Bach** said we are expending in a very high rate of overtime now in the Police Department, so that's where the offset is. You're not seeing a lot of savings that's coming from that because the difference is, it's not necessarily the reduction. If you said let's go down 25 positions today, I wouldn't be reducing any bodies. What I would be asking is, what service level are we cutting within law enforcement in order to match that. I don't have to do any people to do that, but the Police Department, even though they're down 60 positions is functioning at the level to fill all that by working more than we would like them to. **Commissioner Murguia** said we're paying more because the shortage which could actually make this look worst if it continues like that.

Mr. Bach said as Kathleen said, your numbers here reflect as filling all of our positions back up and you know it's the offset, the overtime goes down, but we have some vacancies all the time and that's all factored in. **Commissioner Murguia** asked how long has our—just on this particular issue, how long have we been looking at this decline in these vacancies and this increased overtime in Police, for a couple of years? **Mr. Bach** said yes. I think one thing I noted to you this year coming in that we were building a budget on the City General Fund that was at a negative $1.4M and that this is something that we do not have a strategy to offset at this point. It was something we were going to work through as we did this forecasting as we do our PBB work,

that we are not in a sustainable position. This further demonstrates that. This is not sustainable for us on the City side the way it's structured right now, and we will need to make changes.

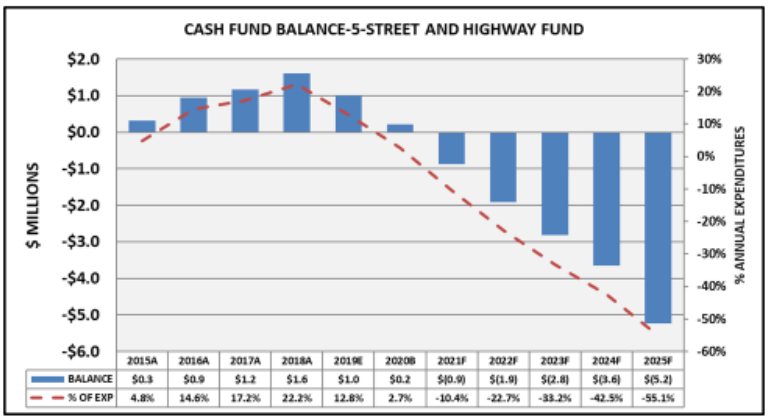
Mayor Alvey said this presentation is to give us the fundamentals of where we are in our financial situation, what we're projected, the policy decisions will have to be made later. **Ms. VonAchen** said assuming we take no action or no changes.

Commissioner Kane said I see absolutely no value in what we've seen so far. It's like you're presenting gloom and doom. I don't know why we're showing this stuff. If you're trying to say we're in trouble in the next budget, I think we all understand that, but this is just a waste of my time. **Mayor Alvey** said I guess I would disagree. I think this is really important. **Commissioner Kane** said maybe my time is more valuable than yours. I see absolutely nothing coming out of this and I don't know why we did it this way. We've never done it this way before, and I think it's absolutely pitiful. **Mayor Alvey** said I would disagree.

Commissioner Murguia said, Mayor, I think the information is valuable. I'm sort of on Mike Kane's side. It just come across as almost for those of us that have not voted for a property tax increase as almost a scare tactic that if we don't do this, it's massive gloom and doom if we don't increase taxes. We all know there are other ways to grow your county. **Mayor Alvey** said that's the policy decisions that have to be made. What this is meant to do is show us where we are financially. If we take this as gloom and doom, that's on us in my opinion. We have to see this is where it is, now how do we move forward. Let's go ahead because we have to get to an executive session.

Ms. VonAchen said I just wanted to point out that as part of the Priority Based Budgeting, we're going to be evaluating all of our programs and services and through the scoring process that we're going to present to you on November 7th, it will provide kind of a look at the programs that are of lowest priority and how much those all costs. That's a way of reducing our expenditures. The other thing is, there are a couple of other slides where there is some positive news. At the very end of this presentation, we're going to be doing some scenarios where it demonstrates additional resources. **Mayor Alvey** said let's keep moving on.

STREET & HIGHWAY FUND CASH BALANCE BASELINE FORECAST



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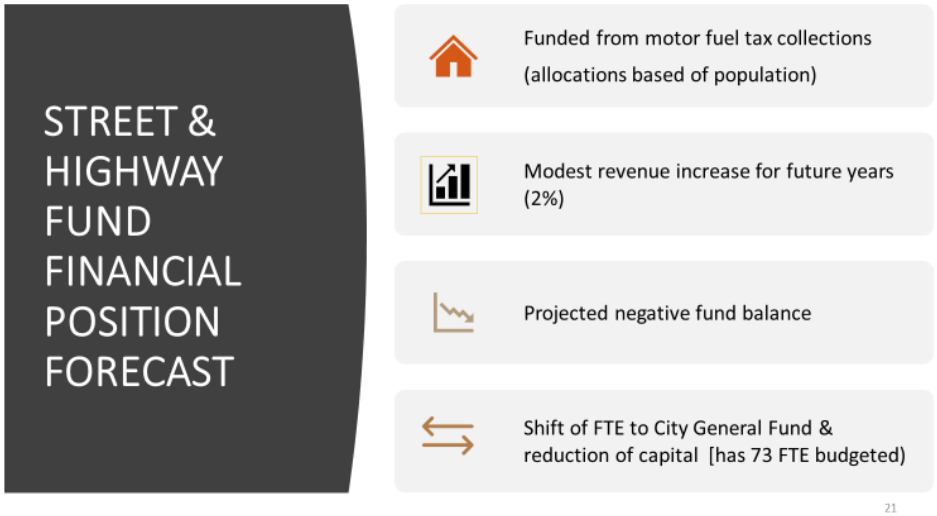
Ms. Jonscher said a quick view of the Street and Highway Fund.



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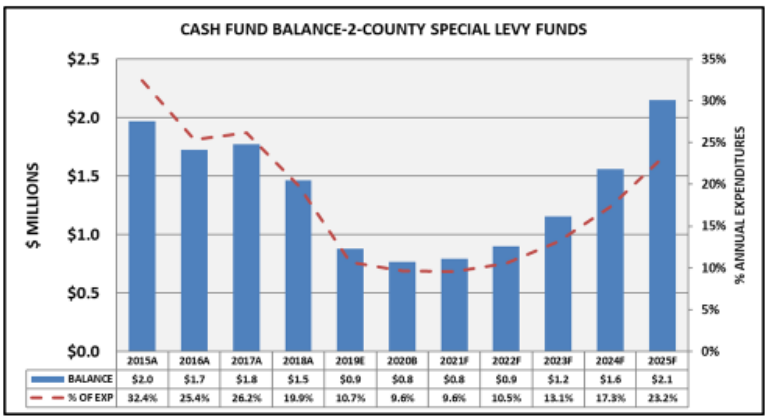
Pretty much the same thing. This is Motor Fuel Tax collections. We've got a 2% increase, same position as some of the other funds, we're projecting negative fund balance and we will have to review that shift of whether there's a reduction of Capital or shift of FTE.

COUNTY SPECIAL LEVY FUNDS CASH BALANCE BASELINE FORECAST



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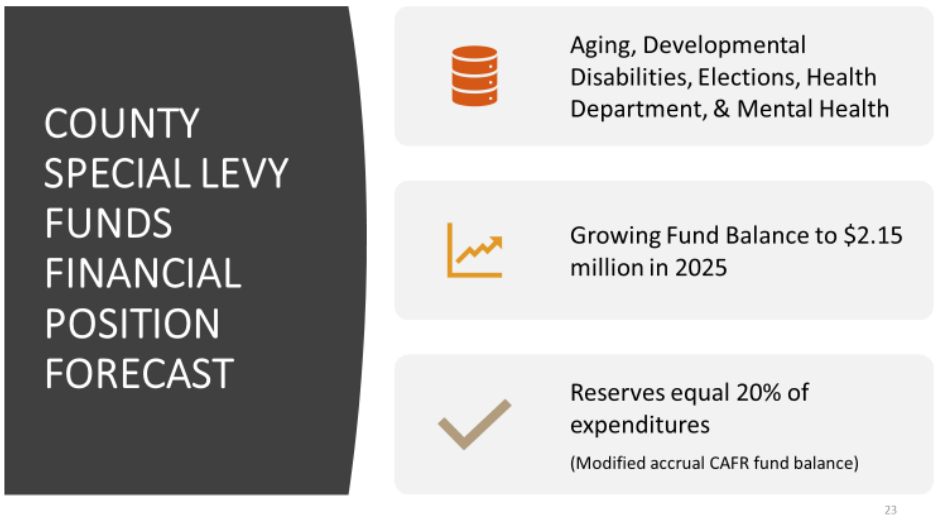
These are all the County Special Levy Funds. As you can see on these the fund balance is growing. These are all receiving property tax revenues.



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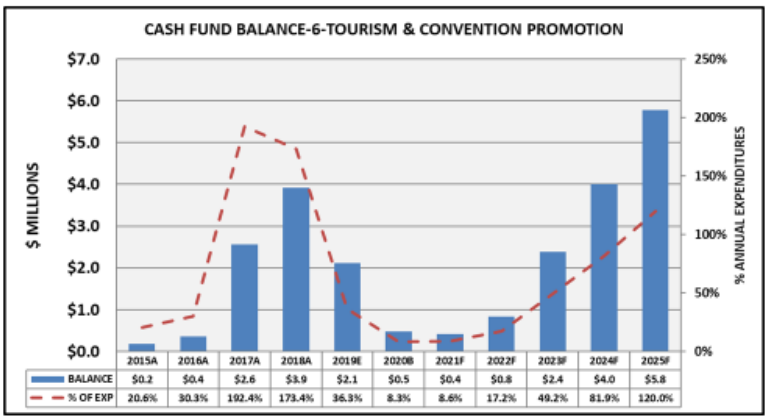
It's the Aging, Developmental Disabilities, Elections, Health and Mental Health. We have the fund balance as growing out to about $2.15M by 2025.

TOURISM FUND CASH BALANCE BASELINE FORECAST



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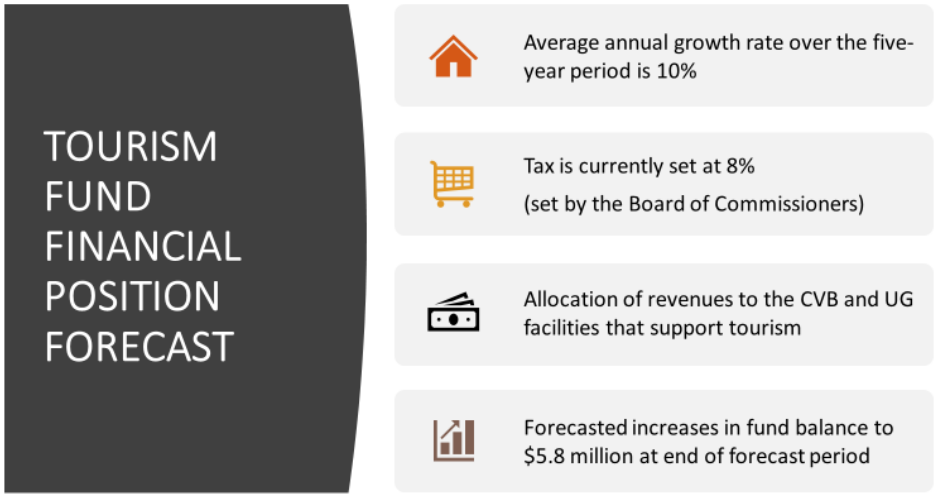
The Tourism Fund; this is one where the fund balance is growing.



25

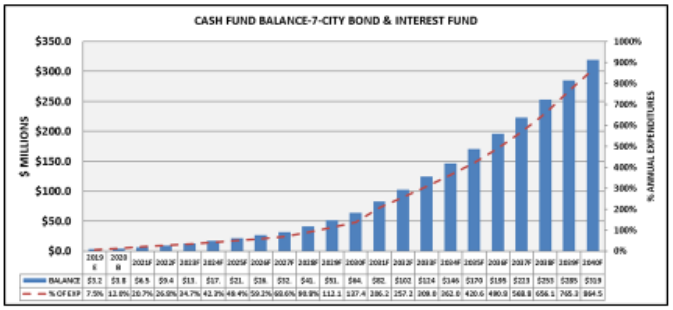
We have average growth. The average growth rate over the five-year period is about 10%. You can see that from where we are currently in 2020, we're projecting the fund balance to grow to about $5.8M by 2025 and that's due to additional hotel development.

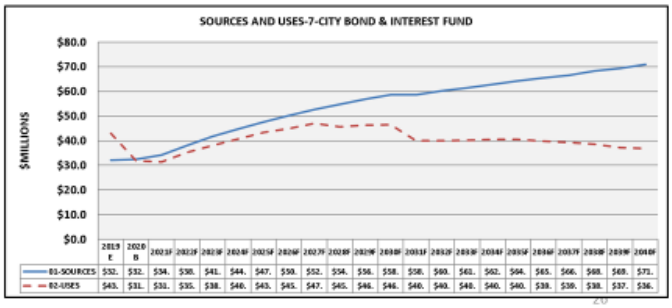
Ms. Jonscher said the last two slides are the City and County Bond & Interest Funds.

Future Debt Affordability and Capacity

City Bond & Interest Fund

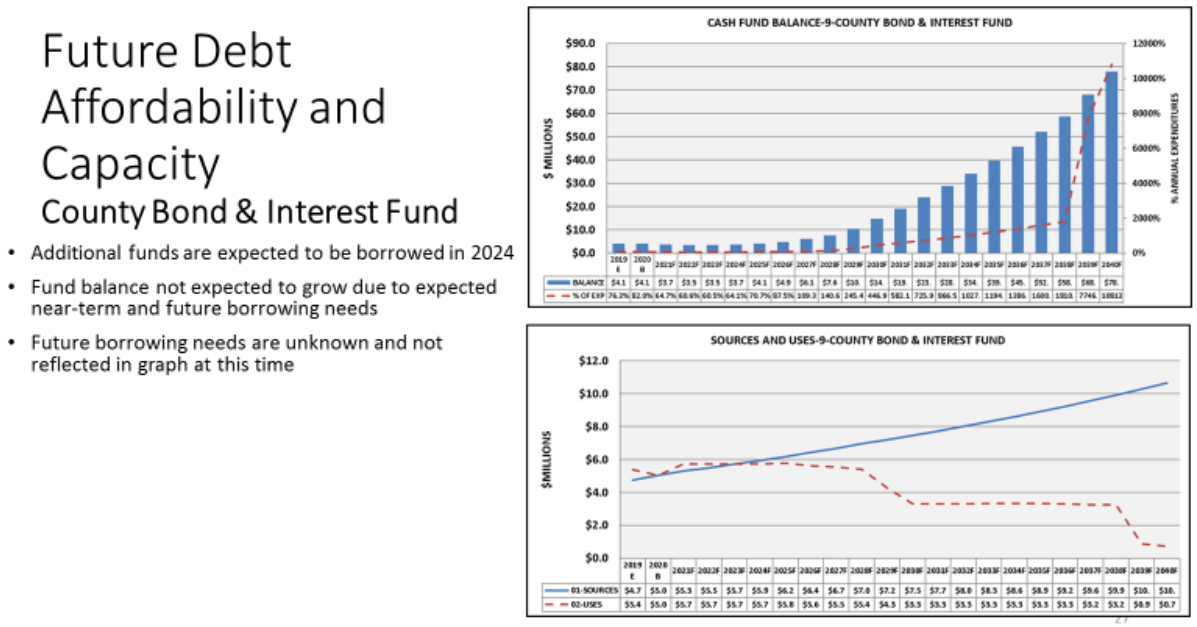
- $15 million in low interest temporary notes for max of 4 years, converted to 20 year bonds
- Excludes TIFs
- Fund balance increasing
- Opportunity to shift mill in 2027





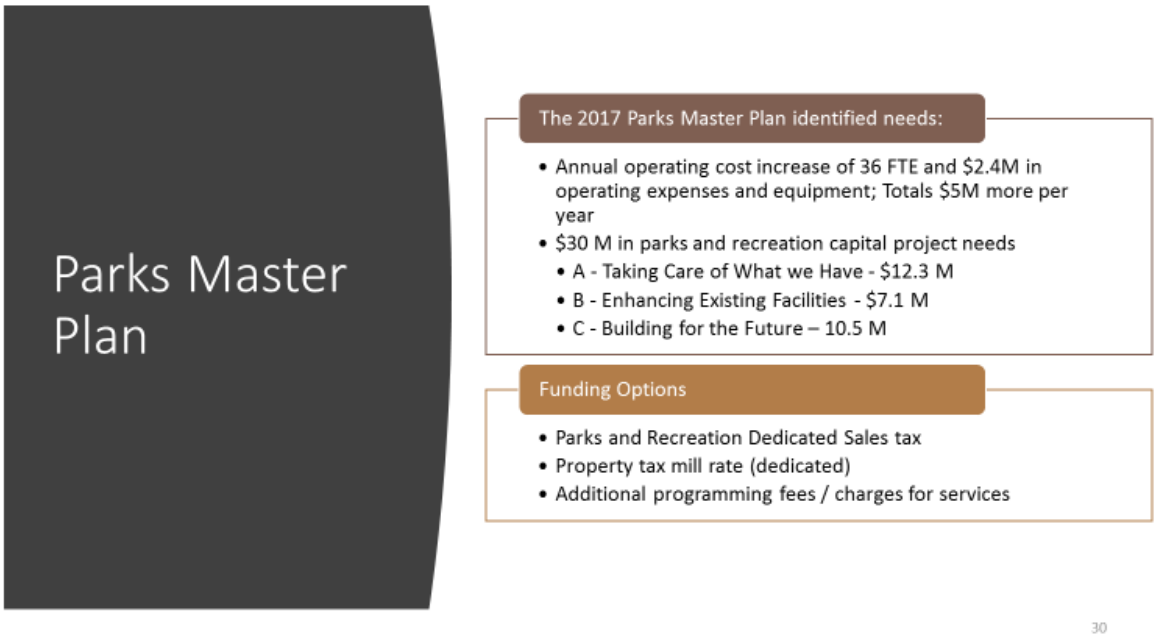
The City Bond & Interest Fund, I will note that the TIF revenue is excluded here. This is strictly the General Obligation Bonds. We are projecting, as we've done in the past, $15M in additional projects each year which will then be converted to a 20-year bond. **Ms. VonAchen** said by the way, actually the entire amount that was approved in the CMIP for the next four years or five years is included for debt financing, so that's true. The $15M per year starts in year 2025, just so you know.

Ms. Jonscher said we've shown this graph here showing the source and uses for the fund and we're projecting that there may be an opportunity to shift a mill from this fund in 2027.



This is the County Bond & Interest Fund. Currently, we have everything built in, as she said, within the CMIP. The fund balance is not expected to grow during the near term. We expect that we—everything that we have currently in the 5-Year CMIP can be—this fund can afford to support that debt. **Ms. VonAchen** said one thing I did want to point out from the previous slide is that during the scenarios we will be able to do an analysis of how much if we were to change or come off of that $15M per year to some other number, we can show the impact of that on the Debt Service Fund.

Ms. VonAchen said now we're going to switch to the MuniCast, but before I do, I just have one more slide I want to share. You've all been given a sheet that looks like that in hard copy and I emailed it to Mr. McKiernan.



On the Parks Master Plan that one of the initiatives on that sheet is Parks Master Plan. As a reminder, it was presented back in 2017. The Parks Master Plan actually has annual operating costs increases of 36 FTE addition to the current FTE level in our Parks & Recreation Department and an additional $2.4M in Operating Expenses & Equipment. Basically, $5M more per year for the Parks & Recreation budget which right now is around $6M. In addition, it's identified $30M in additional Parks & Recreation Capital Projects. They've been categorized in these three categories.

First, it's taking care of what we have which is $12M. Enhancing our existing facilities at $7M and then building for the future at $10M. The funding options for paying for this are potentially a Parks & Recreation Dedicated Sales Tax, a property tax mill rate which would also be dedicated, or additional programming fees or charges.

Ms. VonAchen said now we're going to switch over to the MuniCast. **Mayor Alvey** said just do one please, do one scenario.

Ms. VonAchen said this is the baseline. If the revenues were to improve or come in 1% higher than is projected in the baseline, then this is how the General Fund fund balances would look. I have this set on the General Fund at the moment. If we were to implement the Parks Master Plan without a revenue source—Parks Master Plan without any new revenue source, this would be the

impact to the General Fund. If we were to implement a 1% BPU PILOT reduction, this would be the impact to the fund. So, that's assuming that our revenues are 1% higher than the baseline and we reduced the BPU by—it would look like that. If we were to bring the revenues back to the baseline, then the BPU PILOT reduction would look like that.

If we were to incorporate having our baseline—we incorporated our pension and like if we were going to fully fund our pension and fully fund our retiree health liability, across all the funds, not just the General Fund, then it would look like this.

Mayor Alvey said I think that's going to be sufficient for now. **Ms. VonAchen** said we have a number of other scenarios here; Street Preservation, Facility Maintenance—**Mayor Alvey** said thank you so much. It's been very helpful. Again, this is just to present where we are and based upon the policy decisions we make, where it will take us.

Mayor Alvey said I will entertain a motion to go into Executive Session.

Commissioner Murguia said first of all, Kathleen, very good job. It's a difficult presentation—you and your staff, Debbie.

Executive Session – 5:57 p.m.

Commissioner McKiernan made a motion, seconded by Commissioner Markley, that the Commission go into Executive Session until 6:55 p.m. to consult with our attorneys and to discuss confidential matters regarding the status and future direction of labor negotiations, as permitted under the Kansas Open Meetings Act; and that staff designated by the County Administrator be present to participate in the discussion and that we reconvene in open session at 7:00 p.m. in the Commission Chambers located on the 1st floor. Mayor Alvey asked all in favor to say "Aye." Motion carried.

Present for the Executive Session: Bynum, Commissioner At-Large First District; Burroughs, Commissioner At-Large Second District; McKiernan, Commissioner Second District; Murguia, Commissioner Third District; Johnson, Commissioner Fourth District; Kane, Commissioner Fifth District; Markley, Commissioner Sixth District; Walters, Commissioner Seventh District;

Philbrook, Commissioner Eighth District; and Mayor Alvey, Mayor/CEO; presiding. **Staff present:** Doug Bach, County Administrator; Ken Moore, Chief Legal Counsel; Alan Howze, Assistant County Administrator; Jeff Fisher, Executive Director of Public Works; Renee Ramirez, Director of Human Resources; Shakeva Christian, Manager in Human Resources; and Kathleen VonAchen, Chief Financial Officer.

MAYOR ALVEY ADJOURNED
THE MEETING AT 6:45 p.m.

_____
Bridgette D. Cobbins
Unified Government Clerk

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