

**ECONOMIC DEVELOPMENT AND FINANCE  
STANDING COMMITTEE MINUTES  
Monday, September 12, 2016**

The meeting of the Economic Development and Finance Standing Committee was held on Monday, September 12, 2016, at 6:15 p.m., in the 5<sup>th</sup> Floor Conference Room of the Municipal Office Building. The following members were present: Commissioner McKiernan, Chairman; Commissioners Walker, Townsend (via phone), Murguia, Walters; and BPU Board Member Alvey. The following officials were also in attendance: Joe Connor, Gordon Criswell, and Melissa Mundt, Assistant County Administrators; Kathleen VonAchen, Chief Financial Officer; Debbie Jonscher, Asst. Finance Director; Debbie Pack; County Treasurer; Misty Brown, Senior Attorney; Reginald Lindsey, Budget Director; and Officer Chris Blake, Sergeant-At-Arms.

**Chairman McKiernan** called the meeting to order.

Roll call was taken and members were present as shown above.

**Chairman McKiernan** said once again, just as we had with Neighborhood and Community Development, there is a blue sheet that we'll get to in a moment.

Approval of standing committee minutes from July 11, 2016. **On motion of Commissioner Walker, seconded by Commissioner Walters, the minutes were approved.** Motion carried unanimously.

Measurable Goals:

**Item No. 1 – 16780...DISCUSSION: REVIEW OF DEPARTMENT GOALS**

**Synopsis:** List of measurable goals, submitted by County Administrator's Office. (Information forthcoming) For information only.

**Joe Connor, Assistant County Administrator,** said Mr. Alvey, this is more for you. This is the same thing we talked about at the last meeting. What you have in front of you is a compilation

of all the departments that have come before this committee and all the committees, and all of your goals and then all of the standing committees. We've tried to organize them in a way to kind of show what progress has been made on those goals. The ultimate feedback we'd like to have at next month's meeting, next month's standing committee meeting, is the discussion about the direction that we've had and where we want to go as we get into strategic planning in November. One piece that is missing from this, this kind of grid, is the citizen's survey and how that ties into this as well. That's what we'll be bringing back for next month. Again, a lot to digest. We wanted to give you a month to do that and we can come back and talk about it next month.

**Action:** Information only.

Committee Agenda:

**Item No. 1 – 16771...REPORT: SECOND QUARTER REPORTS**

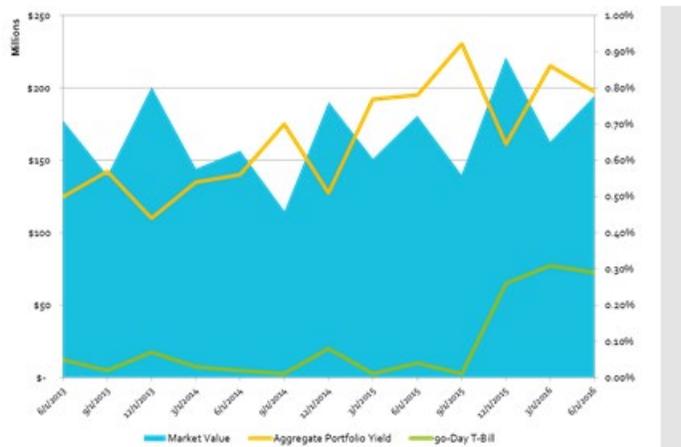
**Synopsis:** Second Quarter Reports: Quarterly Investment Report, Budget Revision, and Budget to Actual Report, submitted by Kathleen VonAchen, Chief Financial Officer.

**Chairman McKiernan** said now these reports we've received for many quarters but they look quite a bit different this time around. I'll turn the floor over to Kathleen VonAchen.

**Kathleen VonAchen, Chief Financial Officer,** said I'd like you all to know that my team is here and we've been working over the past three months on a new format for both our Quarterly Investment Report and our Budget to Actual Report. Tonight we'd like to very briefly present you this information. I'd like to start with the Investment Report. I've worked very hard with Debbie Pack, our County Treasurer, to present you with this information and to provide better summary information of the city portfolio.



Investment Portfolio Size [since June 2013] and Investment Yield [compared with 90-day T-Bill Rate]



Generally speaking the city has idle cash amongst it's over, how many funds do we have. **Reginald Lindsey, Budget Director**, said 41. **Ms. VonAchen** said 41 Governmental Funds. There's cash in each and every one of those funds. There are reserves and we investment those reserves. The total of the investment reserve or portfolio is almost \$200M. You see that blue area, over the past three years, the total amount of the investment portfolio fluctuates throughout the year. You can see the peak and valley's where the blue is. One notable point you can see is

that the Reserves of the Unified Government are improving slightly. If you look at June 2013, compared to June 2015, it's slightly higher.

**Commissioner Walker** said can I ask you, just for the benefit of the audience that ultimately watch it on TV, the last time that we had this Quarterly Report an individual called me quiet irate because it was said that we had \$200M, I don't know what the number was, let's just say that's what the number was, in the bank. This person could not understand why we had to have taxes if we had a \$200M bank account. I tried to explain we don't have \$200M just sitting idle. We use this money and it is replenished through taxes and sales tax. Is that correct? If they're happening to watch tonight, that we don't have really idle money is a misnomer. **Ms. VonAchen** said right. Much of this money here is restricted. For example, in the Sewer Fund, other Enterprise Fund, and other Tax Levy Funds that are restricted by the state and by the fact that they are business type activities. When we're talking about taxes, we're only talking about the General Fund. We have three General Funds and their total cash position is roughly, if I remember offhand, around \$20M. That's sufficient amount to provide the fund with liquidity. In other words, provides you the opportunity to pay your bills throughout the year. If you see throughout the year from one quarter to the next you see how much it changes. You want to make sure you have enough cash available to pay your bills. Sometimes the amount going out for payment of bills doesn't coincide with the amounts coming in each quarter or each month. You need to have enough in order to make sure that we keep our vendors happy. Overall, much of that and what you're talking about is the core portfolio. That's the big blank blue amount at the bottom of the graph there. It's roughly it's about \$100B. I'd say \$20M to \$30M of it in any given time is due to the General Fund or cash or Governmental Funds. The rest of it is Restricted Funds that are restricted for specific purposes required by the state, by the federal government, or because it's a business type activity. Does that help you? **Commissioner Walker** said I certainly hope if that individual is listening tonight, it helps him. **Ms. VonAchen** said I'd be happy to talk with him and follow-up. **Commissioner Walker** said the next time that he calls I will give him your number.

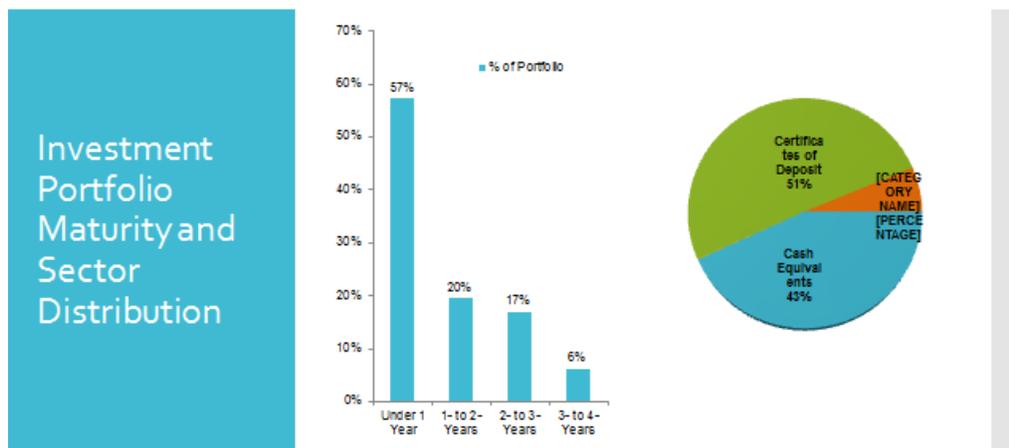
**Ms. VonAchen** said the yellow lines are—basically it's an illustration of the financial performance or the yield, right. The Unified Government monies are very conservatively

invested based on our investment portfolio which also is in compliance with the state of Kansas, in terms of their guidelines to municipalities and to counties on how to invest. Our target is very low.

We hope to achieve a benchmark of the same as the 90 Bill T-bill Rate, so it's very liquid, very safe, and that the lower line right here. You can see in September 2015, it jumps up because the feds increased the prime rate on its interest rate. For the most part our investments are investments yields is between, and that's the scale over here on the right-hand side, over the past two years it's been between half a percentage point and .8%. At the moment we're around .8%. That's the amount we're earning on our investments. That doesn't seem like a very high percentage, but that's because we have to keep our money rather liquid and we have to stay within the very conservative guidelines that the state requires of us. We hope to increase the yield in the coming months. We can only invest monies between one day and four years. So four years is the longest you can go and we can only buy Governmental Bonds and Commercial Deposits or CDs. I'm going to ask Debbie Pack to offer any further suggestions or any comments.

Debbie Pack and her crew assists me in investing the city portfolio and for the most part what we do, the primary activities we do is to determine what our liquidity needs are. Make sure we have enough money in the bank to pay our vendors and then secondly, to go out to bid and to decide and look for investments that meet our criteria and we basically reinvest funds as they mature. At the moment, 57% of our money is in between the one-day and 365-day period and then 20% is in two years, 17% is in two and three years, and only 6% in three and four. This is a common distribution of maturities when a portfolio, when we're kind of waiting for the feds to decide what they're going to do with interest. We've been waiting for this for about three or four years so it's time to just go ahead and put some of this 3% or 4% and improve our investment yield. That's something that we're looking at and we're researching with Debbie's crew.

**September 12, 2016**



The other pie chart is that 51% of our holdings are Certificates of Deposit. The rest is cash and then we some federal agencies and securities.

**Debbie Pack, County Treasurer**, said the one thing that I will add is as you see that number with Certificates of Deposit is very high and the reason is that because our policies and procedures dictate that we go to our local financial institution, ask them to meet that goal that Kathleen showed on the very front, that 90-day T-bill rate. If they can meet or exceed that, we go with them, because that is one of our goals is to stay with local institutions. That's why a lot of those local institutions are offering us CDs so you'll see a big chunk in there. If they can't meet that rate for whatever reason, they don't have the deposits available to take our funding, there's a lot of reasons banks either don't bid or the bids or too low. Then we reach out to our broker dealers and they'll come back with usually the agencies which will provide us with a better interest rate. That's why you'll see that discrepancy in the amount of money we're holding in different places.

**Ms. VonAchen** said the federal agency securities are bonds for Fannie Mae or the Federal Home Loan Bank, those sorts of bonds that are issued, they're very safe and backed by the federal government.

Financial  
Performance  
of UG  
Consolidated  
General Funds  
thru 6/30/2016

CONSOLIDATED GENERAL FUND <i>numbers in 000's</i>	FY 2015			FY 2016		
	Budget	2nd Qtr YTD Actual	% of budget	Budget	2nd Qtr YTD Actual	% of budget
Revenues	\$ 190,482	\$ 125,184	65.7%	\$ 205,264	\$ 114,464	55.8%
Expenditures	\$ 193,728	\$ 86,616	44.7%	\$ 215,593	\$ 96,768	44.9%
Net Alloc & Transfers	\$ 2,256	\$ -	0.0%	\$ 2,256	\$ 1,128	50.0%
Net Change	\$ (989)	\$ 38,568		\$ (8,072)	\$ 18,823	
Balance, Start of Year	\$ 7,335	\$ 7,335		\$ 21,129	\$ 21,129	
Balance Year-to-Date	\$ 6,345	\$ 45,903		\$ 13,057	\$ 39,952	

On the Budget to Actual what I'm calling the Financial Performance Report, as you know, we are reporting on the first three quarters of fiscal year 2016 which goes from January to December of the current calendar year. Right now we're only talking about activities that have occurred from January 1<sup>st</sup> to June 30<sup>th</sup>. This report basically only talks about the General Fund or the three General Funds which we call the Consolidated General Funds.

## UG General Fund Revenues

City General Fund Revenues	2016 Amended Budget	2016 2nd Qtr YTD Actual	% Rev Collected
<i>numbers in 000s</i>			
Tax Revenue	\$ 111,217	\$ 61,712	55.5%
STAR Bond/TDD Rev	\$ 12,824	\$ -	0.0%
Permits & Licenses	\$ 1,147	\$ 817	71.2%
Intergovernmental Revenues	\$ 678	\$ 445	65.6%
Charges for Service	\$ 10,160	\$ 4,453	44.1%
Fines, Forfeits, Fees	\$ 3,085	\$ 2,489	48.9%
Misc & Transfers-In	\$ 5,723	\$ 1,667	29.1%
<b>Total</b>	<b>\$ 146,834</b>	<b>\$ 71,611</b>	<b>48.8%</b>

County General Fund Revenues	2016 Amended	2016 2nd Qtr YTD Actual	% Rev Collected
<i>numbers in 000s</i>			
Tax Revenue	\$ 47,468	\$ 38,579	81.9%
Permits & Licenses	\$ 945	\$ 553	58.5%
Intergovernmental Revenues	\$ 66	\$ 29	45.0%
Charges for Service	\$ 1,995	\$ 631	31.7%
Fines, Forfeits, Fees	\$ 1,910	\$ 1,172	61.4%
Misc & Transfers-In	\$ 2,661	\$ 735	27.6%
<b>Total</b>	<b>\$ 55,044</b>	<b>\$ 42,001</b>	<b>76.3%</b>

Parks General Fund Revenues	2016 Amended	2016 2nd Qtr YTD Actual	% Rev Collected
<i>numbers in 000s</i>			
Tax Revenue	\$ 1,732	\$ 1,545	89.2%
Permits & Licenses	\$ -	\$ -	0.0%
Intergovernmental Revenues	\$ 3,200	\$ -	0.0%
Charges for Service	\$ 610	\$ 335	54.9%
Fines, Forfeits & Fees	\$ -	\$ -	0.0%
Misc & Transfers-In	\$ 101	\$ 100	99.2%
<b>Total</b>	<b>\$ 5,643</b>	<b>\$ 1,980</b>	<b>35.1%</b>

The very last page of the report we provide is a listing of the financial status of all the other funds.

By the way, this Budget to Actual Report will be posted on the city's website. We will be posting those every quarter for you so that the public can monitor our performance.

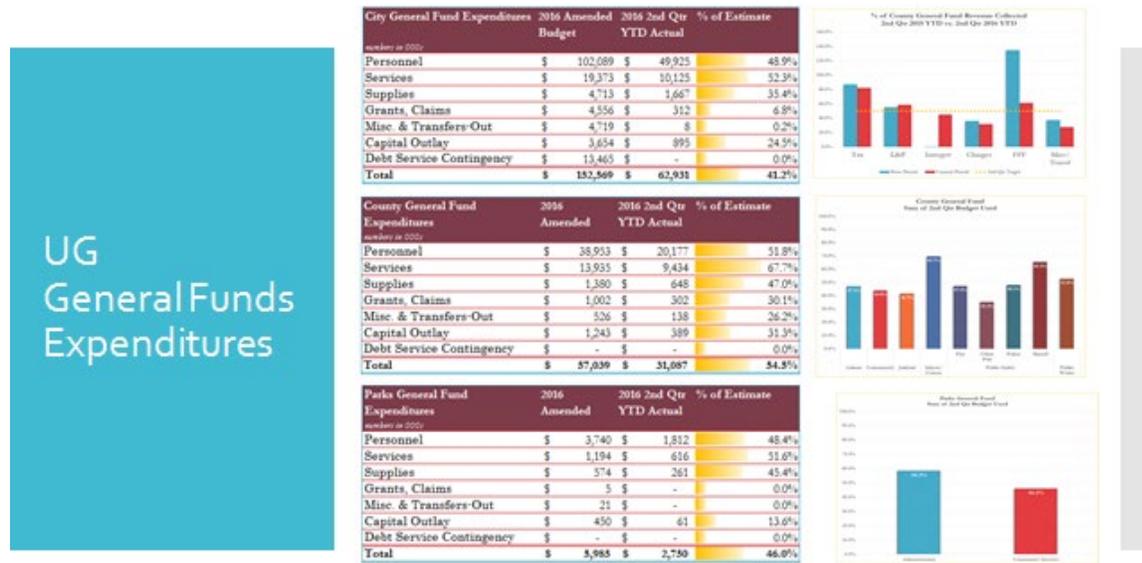
There are two ways you can analyze the financial performance. You can compare the current year activity with the same period the year before or you can compare the current year activity with what you budgeted. If you're through the second quarter, you generally can assume that you're basically spending half of the money that you were budgeted and that you've collected half of it. Well, that's a general assumption. Sometimes it's not such a great assumption because some activities are very seasonal. For example, the Parks and Rec, they have a lot of activities in the summer time so you need to keep that in mind.

In addition, revenues don't always get collected in the same frequency throughout the year especially tax revenues for which has specific payment dates and statutes. That is very true for property tax. Overall, it's interesting to take a look at the prior year as a benchmark.

Over the course for fiscal '16 this shows the entire General Fund. We've collected \$114M in revenue in 2016, which is 55% of what we expected to spend this calendar year and that is compared with the prior year, which last year at this time we were at 65%. My guess is that, we did a little research; we figured out the reason that was higher was because there was a

land acquisition that took place at the beginning of the year which kind of bumped up the revenue number last year. So it's not exactly comparable, but going back to the current year, you can see that we are about 5% higher than we expected this year. You need to keep in mind though that property tax is most significantly collected in the first six months. This cost is roughly 90% of the entire property tax amount is collected in the first six months of the Unified Government fiscal year.

Another thing to keep in mind with revenues is that with sales tax there's always a one to two month delay from the transaction date to when we actually get the money. In effect, at the end of the year the last six months, the last quarter has about seven or eight months' worth of sales tax, where at the front end we only have about three or four showing or four or five months of sales tax showing. It's a little difficult to monitor revenues, but for the most part it gives you a good idea. Then expenditures, as you can see are at 45% so they're below the 50% benchmark.



So here are all of the three General Funds and their revenue streams by category. As you can see we got the tax revenue category so each one is a different fund. Each of the three graphs are a different fund. We have the City General Fund, the County General Fund, and the Parks General Fund. They each share exactly the same category. You can look and see how things are doing.

The tax revenue line, which is the top one in each of those graphs, includes property tax, sales tax, and a number of other taxes. It includes all of those. For the most part we looked at sales tax. I think there was a question as to how the sales tax is performing and we compared it with the prior year at the same time and for the most part it's staying flat, consistent, with the prior year. It is a little bit down from what we expected or budgeted so we're keeping an eye on it.

Then on the expenditure side, you can see the same three graphs for the city, county, parks. Over here are the column chart that demonstrates the different, you can't see them because they're not very big, but they're in the report. It's the expenditures by various departments per se to see whether any other departments are above their 50% or not, but for the most part they're staying within their limit. I'm happy to answer any questions.

**Commissioner Walker** said I like the format.

**Chairman McKiernan** said I really appreciate the way that this is laid out. In some ways, with a little bit more detail than historically we've got in the report, but in other ways a little bit more consolidated and easier to read. I especially like the investment report, the way that it's laid out.

**Ms. VonAchen** asked is there any other information that we're missing that you might like to see added.

**Commissioner Walters** said I wouldn't mind seeing tax revenue broken down between sales tax and property tax rather than just consolidating it all into one line. **Ms. VonAchen** said we can do that.

**BPU Board Member Alvey** said I would like to see the PILOT as part of the tax revenue as well. Will the PILOT on the BPU show that. **Ms. VonAchen** said yes, it is. The BPU PILOT, we get that payment. Actually, this data reflects BPU PILOT payments for only three months. There's just been a delay in the payments. It's a little delayed. **BPU Board Member Alvey** said those guys. **Ms. VonAchen** said it's going to be coming. It's probably an invoicing issue.

**Chairman McKiernan** said well we do appreciate the new format. We appreciate the fact that you're publishing this out the website so that it's available for anyone who wants to look at it routinely.

**Ms. VonAchen** said if you're interested, we made copies of the same report in the previous format if you want to compare, if you're interested. **Chairman McKiernan** said we'll see if anybody takes you up on that.

**Action:** Information only.

Adjourn

**Chairman McKiernan** adjourned the meeting at 6:35 p.m.

**tk**