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July 7, 2016

2017 Unified Government Proposed Budget
County Administrator's Budget Message

Mayor Mark Holland and Unified Government Commissioners:

I am honored to present the 2017 Proposed Budget for the Unified Government. The 2017 Proposed Budget is much more than a financial document detailing revenues and expenses. It is a roadmap for accomplishing the goals of the Unified Government Commission and the needs of our citizens. The 2017 Proposed Budget calls for the Unified Government to provide core services as efficiently as possible and for the public to realize a direct benefit from the investment of tax dollars by receiving services they need and desire.

Positive improvements in the overall economy and the diligent efforts of Unified Government employees to find efficiencies and control spending make it possible for the Proposed 2017 Budget to accomplish goals which simply have not been possible in recent years.

The Unified Government and our citizens will also reap the benefits of STAR Bond financed developments in Village West. The bonds are paying off five years early and the Unified Government expects to see more than \$12-million in new sales tax revenue annually as the result. Those funds will allow the Unified Government to provide new services and enhance existing services identified by citizen engagement efforts such as the Community Survey and the Mayor's Listening Tour. Services which otherwise would not have been possible.

Quality of Life and Economic Performance

Wyandotte County and Kansas City, Kansas have experienced encouraging economic news over this past year that has had a positive effect on the quality of life of our residents. Through the efforts of the Unified Government, Wyandotte Economic Development Council and other partners, Wyandotte County is on course to register more than \$800-million in new economic development projects in 2016.

Wyandotte County leads the nation in weekly wage increases. Wyandotte County saw a 10.4% increase in average weekly wages from 2014-2015 according to the Federal Bureau of Labor Statistics. The average weekly wage nationally increased 4.4% over the year, growing to \$1,082. Wyandotte County saw an average weekly gain of \$250, to \$1,037. That increase outpaces every county in the country and leads wage growth in the metro area. Clay County experienced a 9.2% increase in weekly wages, putting its average at \$1,006. The highest average weekly wages in the KC metro are in Johnson County at \$1,097, followed by Jackson County (KCMO), at \$1,091. The average weekly wage in Wichita is \$960 and in Topeka it's \$856. Wyandotte County also experienced a nearly 2% increase in jobs from 2014 to 2015 pushing the total number of jobs in the county to 90,300.

Unemployment in Wyandotte County dropped to the lowest level in almost a decade this year. The Kansas Department of Labor pegs the percentage of unemployed in Wyandotte County this spring at 4.6%. The national unemployment rate for the same period was 4.7% while Kansas had a 3.4% unemployment rate. In 2010, the unemployment for Wyandotte County stood at 10%. In 2015 it was 6.1%.

The number of Wyandotte County residents with health insurance has improved dramatically since implementation of the Affordable Care Act. The U.S. Census Bureau measured the period from 2010-2014. 6.8% of Wyandotte County residents 19 years and younger were without insurance in 2014. In 2013 the uninsured rate was 8.1%, while in 2010, 12.7% of Wyandotte County young people were uninsured. That's a 53% improvement in the number of young people with health insurance. Older residents, those below 65 years of age, also showed improvement. In 2014, 18.9% of those adults were without insurance compared to 21.5% in 2013 and 23.7% in 2010.

After several years of declining or stagnant assessed property valuations, the trend is continuing to turn upward with assessed valuation in KCK increasing 4.0% and Wyandotte County valuation increasing 3.7%. That's on top of more than 4% gains last year.

Budget Highlights

All of these positive developments in the Wyandotte County economy allow the Amended 2016 and Proposed 2017 Unified Government Budget to accomplish a number of initiatives in support of Commission and community goals:

- ❖ Lowering the Unified Government City property tax rate.
- ❖ Increases investment in streets and neighborhood improvements.
- ❖ Enhances spending on Parks and Recreation.
- ❖ Continues rebuilding fund balances.
- ❖ Allows repayment of money borrowed or deferred in past years from special revenue funds.
- ❖ Provides funding to give all Unified Government employees a two percent pay raise.
- ❖ Increases investment in capital equipment and buildings.
- ❖ Launches new coordinated efforts to deal with blight.
- ❖ Implements recommendations of the Public Safety studies.
- ❖ Increases social service funding to offset losses caused by the State of Kansas.

Prudent Financial Management

The core theme of the 2017 Proposed Budget is using the new revenues from STAR Bonds in a prudent, responsible way. Just like our citizens would do with their own household budgets, we need to get our own financial house in order. The Unified Government, like the rest of our nation, faces uncertain financial times. With political turmoil in Europe and pending Presidential and State legislative elections this fall, the Unified Government needs to be cautious about how we budget new revenues. While the promise of new revenues is encouraging, we need to make sure we actually collect that revenue before spending it.

For several years, the Unified Government has for several years deferred purchase of capital equipment and making needed repairs on public infrastructure. We have borrowed from ourselves to cover pressing bills and have delayed employee pay issues.

The STAR Bond revenues give us the opportunity to address those needs in an incremental, prudent way, while still laying the foundation for solid growth, community improvement and tax relief in the coming years.

STAR Bonds: Responsible Use of New Revenue

Wyandotte County is well known in the region for innovative and progressive approaches to growing the community, creating jobs and bolstering the economy through new development. There is no better example than the innovative use of STAR Bonds to create the successful Village West area. With the STAR Bonds paying off much earlier than anticipated, it is time for citizens to reap the reward.

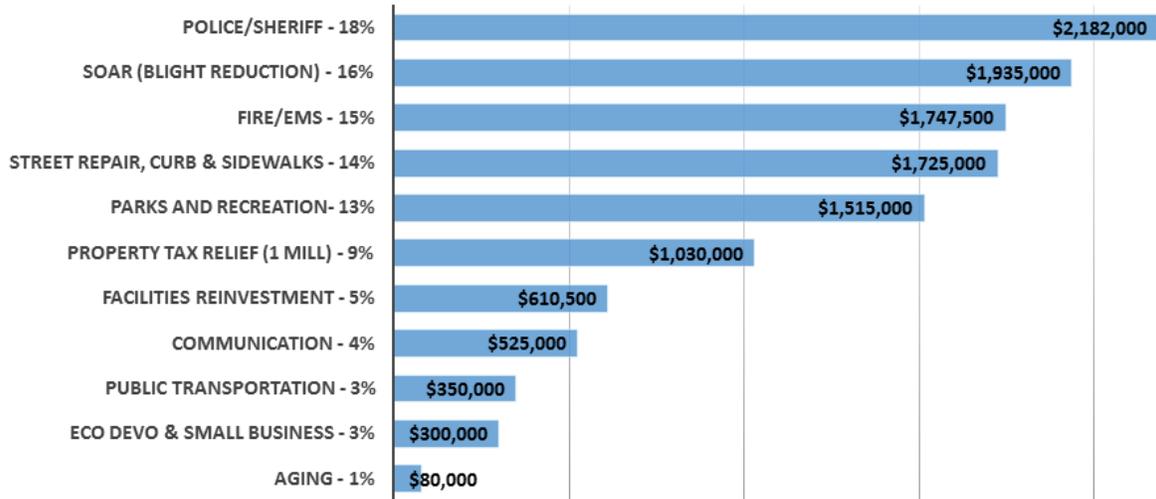
Using these additional resources in a responsible way through a mix of one-time and on-going investments is key in the Unified Government Budget. It is playing an important role in helping the Unified Government continue its goal of bringing structural balance--expenses equal revenues—to future budgets.

The 2017 Proposed Budget calls for using those new revenues in the following ways:

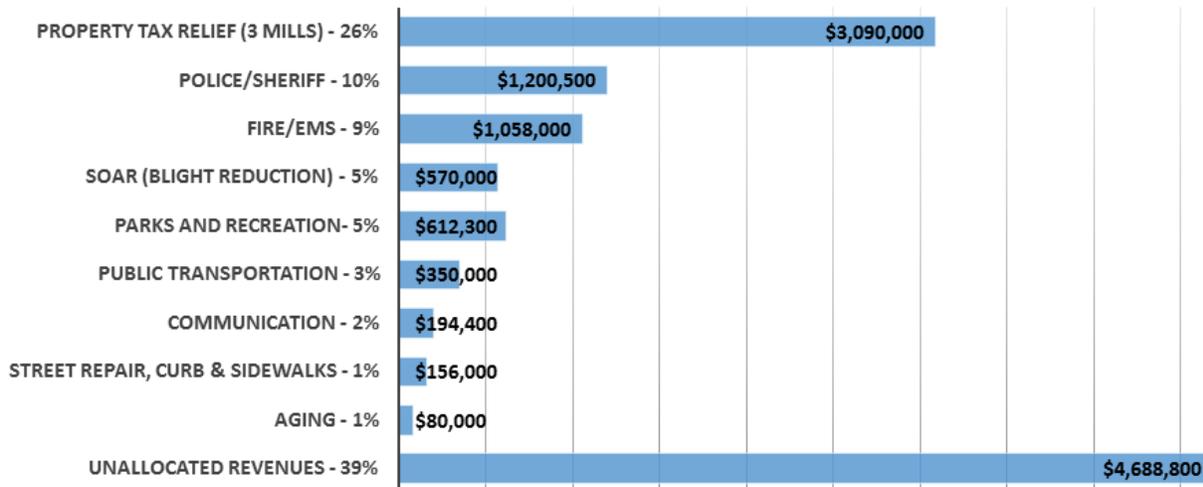
- ★ Property Tax Relief
- ★ Streets and Neighborhood Infrastructure
- ★ Fighting Blight through the *Stabilization, Occupation and Revitalization* Program
- ★ Planning/Economic Development
- ★ Public Safety
- ★ Community Services
- ★ Parks & Recreation
- ★ Communications
- ★ Capital Equipment
- ★ Capital Projects
- ★ Repayment of Special Funds
- ★ Rebuilding General Fund Balance

★ STAR REVENUE INITIATIVES

PROPOSED 2017 OPERATING BUDGET & CASH-FUNDED CAPITAL PROJECTS - \$12 MILLION



PROJECTED 2018 STAR REVENUE INITIATIVES - \$12 MILLION



For several years since the Great Recession, the Unified Government made transfers or borrowed money from the Water Pollution Control Fund and the Environmental Trust Fund. Annual payments to the Health Benefits Trust Fund and Workers' Compensation Fund were deferred in order to present a balanced budget and meet our basic needs to operate. That action stopped in the 2015 budget and efforts continue to repay the money the Unified Government borrowed from itself.

The Amended 2016 and 2017 Proposed Budget calls for continuing repayment of those special funds and providing resources for much needed capital equipment. Here's how the budget plan expends the one time revenue:

- ❖ \$2.4-million: Employee Health Fund.
- ❖ \$2.2-million: Worker's Compensation Fund.
- ❖ \$1.0-million: Water Pollution Control Fund
- ❖ \$1.5-million: Capital Equipment purchases
- ❖ \$600,000: Expanded street repaving and improvements

This is an important change from recent years when the only way to present a balanced budget was to borrow money from other Unified Government accounts and trust funds. This is a notable step in repairing the structural imbalance which started during the Great Recession of 2008. Accomplishing this major move toward financial stability and structural balance in the budget is a challenge which affects the entire Unified Government organization.

Dedicated Sales Tax

An important piece of the new revenues from the pay-off of the Village West STAR Bonds is the Public Safety and Infrastructure Sales Tax and the Emergency Medical Service Sales Tax. The 1/4-cent EMS Sales Tax was approved by voters in 2004 and the 3/8-cent Public Safety and the Neighborhood Infrastructure Sales Tax was approved by voters in 2010. That 3/8-cent sales tax expires in 2020 unless voters reapprove it. The Public Safety and Neighborhood Infrastructure Sales Tax generates \$9.3-million annually, of which \$2-million is produced by visitor spending in the Village West area. This important revenue source is 17% of the \$12-million in new STAR Bond revenues the Unified Government is collecting in 2017.

Transient Guest Tax

The retirement of the Village West STAR Bonds will also produce more than \$2-million in additional guest tax paid by visitors who stay in Village West hotels. These dollars must be used for promoting tourism. The 2017 Proposed Budget calls for directing more than \$250,000 in additional funds to the Kansas City, Kansas Convention and Visitors Bureau (CVB), raising the annual Unified Government contribution to the CVB to \$1-million.

The balance of the new revenue will be placed in a special fund according to state statute which governs, or restricts the use of these collections to fund tourism, conventions and marketing of tourism activities. This fund will include deposits from the sale of the downtown Hilton Garden Inn. \$2-million dollars from the sale of the hotel is being expended on improvements to the Reardon Convention

Center and another \$2-million from this sale will be held in reserve in this account to service future debt payments. This reserve will serve two purposes, the first being that some of the outstanding debt for the hotel could not be paid off as it was issued as part of a large general obligation bond that is not callable until 2023. This funding can be used to service this annual debt payment. Second, the fund provides a buffer to consider for use against other debt service payments which will be coming due in 2018, which are likely to require additional funding or a tax increase to make these payments.

Revenue Trends

As previously mentioned, assessed property valuations are on the rise, which is a positive trend for the Unified Government and citizens alike as the value of homes and businesses continue to recover from losses experienced during the Great Recession.

Sales tax revenues are projected to increase 2.5% over last year, reflecting a moderate consumer economy, new retail development in KCK and the continued success of the Village West and Legends tourism and shopping area.

The Unified Government is also reaping benefits of our successful economic development efforts and business friendly policies by new companies moving to our community and existing companies expanding. The Unified Government has also received revenues from selling the Legends 14 movie theatre, the Hilton Garden Inn downtown and continues to collect an estimated \$1.5-million from the Hollywood Casino as the penalty for delaying construction of a new hotel.

These positive revenue trends are offset by some negative developments. The ongoing impact of the 2006 repeal of the property tax on commercial and industrial machinery and equipment by the Kansas Legislature will cost the Unified Government \$200,000 in lost revenue in 2017. The Unified Government is losing \$11-million a year in revenue because of this action. Since 2006, Wyandotte County has lost \$139-million in assessed value from machinery and equipment. The decision to eliminate the machinery and equipment tax, while positive for business, continues to take a devastating toll on Unified Government revenues. Also, repeal of the Mortgage Registration Fee by the Kansas Legislature will cost an additional \$200,000 in 2017, eventually totally several million dollars a year when completely implemented.

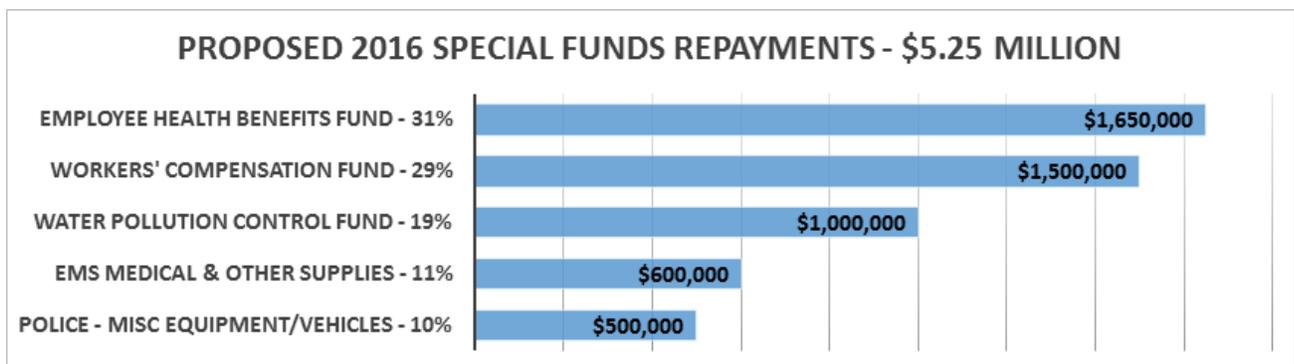
Decisions made by the Kansas Legislature and mandates from the Federal Government continue to burden local taxpayers with added expenses and erode or eliminate traditional, once reliable sources of revenue.

Amended 2016 Budget

Amendments to the 2016 Budget are proposed to utilize unanticipated revenues expected to be received this year and to address unplanned operational needs. Unified Government revenues for 2016 are projected to total \$323.6-million, an increase of \$17.8-million over revenue estimates in the 2016 Budget adopted in July 2015. This \$17.8-million increase is due to anticipated additional sales tax revenues of \$5.25-million and \$300,000 in transient guest tax revenues both due to the pay-off of STAR bonds at the end of the calendar 2016; \$8.8-million in additional revenues to the Special Assets Fund the majority of which is due to the sale of the Hilton Garden Inn downtown; \$800,000 in revised estimates water pollution enterprise service charge revenues and various other revenue estimates increases based on a more favorable economic environment.

Total expenditures of the Unified Government are proposed to be amended for 2016 by \$9.7-million, for a total of \$333.6-million. The \$9.7-million in increased expenditures is proposed for repayment of special funds of \$2.2-million to Worker's Compensation Fund, \$1.6-million to the Employee Health Benefit Fund and \$1-million to Water Pollution Control Fund, a majority of which is funded from the early pay-off of STAR Bonds and an additional \$700,000 in additional Hollywood Casino penalty payments resulting from delays in constructing a hotel. Additional expenses are proposed in the Emergency Medical Service Fund which are also funded with STAR revenues. The Special Asset Fund expenses increase by \$2-million to fund Reardon Conference Center capital improvements.

★ STAR REVENUE INITIATIVES



By following the Unified Government's fiscal management policies, revenues from the anticipated STAR Bond early pay-off at the end of the calendar year are proposed to be dedicated to one-time initiatives that get our fiscal house in order. In addition, these items will not be spent until the Government has the funds in hand and available.

2017 Proposed Budget Basics

The 2017 Proposed Budget reduces the Unified Government property tax rate from 82.6 mills to 81.6. The total Unified Government budget is \$345,751,474. The City General Fund is budgeted at \$152,835,713. The County General Fund is proposed at \$59,179,524. Other smaller government funds and the Sewer System (Water Pollution Control) Enterprise Fund make up the balance of the budget, which are detailed in this document.

The Unified Government depends on a number of revenue sources other than property taxes.

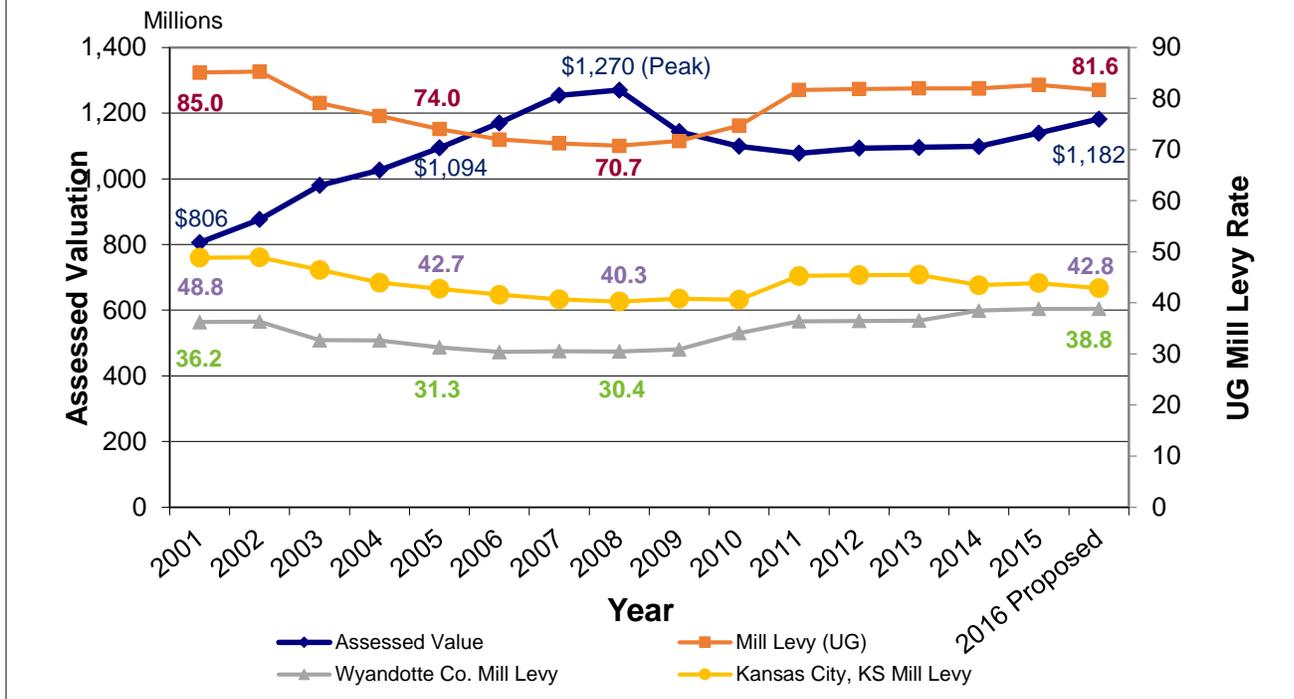
- ❖ Property tax revenues represent 25% of Unified Government revenues.
- ❖ Sales tax revenues make-up 19% of the Unified Government budget.
- ❖ Charges for service represent 16% of Unified Government revenue.
- ❖ Franchise fees account for 12% of Unified Government revenues.
- ❖ Revenue from gasoline tax, fines/fees, grants and other sources make-up the rest.

The largest share of the General Fund budget is spent on Public Safety— Fire, Police and Sheriff. The second largest category is Public Works--- streets, sewers and infrastructure.

❖ Public Safety:	\$136,954,006	40%
❖ Public Works:	\$73,686,931	21%
❖ Community Services:	\$40,840,615	12%
❖ Bond & Interest:	\$35,888,886	10%
❖ Administration:	\$23,626,290	7%
❖ Judicial Services	\$10,065,578	3%
❖ Other Programs	\$24,689,168	7%

Since the announcement of the Village West development in 2001, Wyandotte County and Kansas City, Kansas have experienced phenomenal growth. The success of the Village West development is reflected in the positive impact on community growth and lower tax rates illustrated in the following graphic.

WYANDOTTE CO. ASSESSED VALUATION AND UNIFIED GOVT. MILL LEVY RATES , 2001-2016



The Unified Government receives 48% of the total property tax bill paid by a resident in the KCK School District. Public schools, Kansas City Kansas Community College, KCK Public Library and State of Kansas make up the remaining 52%. The current property rate is still much lower than before the Unified Government was created. In 1997 it was 97 mills. Under the proposed 2017 Budget it will be 81.6 mills. That's nearly 16% less than two decades ago.

The Proposed 2017 Budget places more focus on streets than in past years, adding \$600,000 in cash to our grind and overlay program while continuing to advance other big projects in our community such as the reconstruction of Leavenworth Road from 38th Street to 63rd Street. The Complete Streets Program, which is coordinated with the Board of Public Utilities and our Water Pollution Control Department, will provide sidewalks, underground power lines, new curbs and turn lanes at intersections.

Parks and Recreation will continue to see more money invested in mowing and the implementation of a weed control program exceeding anything we have done for years. Additionally, as we complete the Parks Master Plan in 2016, we will identify the right location in our community for a new Americans with Disabilities Act (ADA) accessible playground, which will be a signature new project in 2017.

Public Safety experienced the advancement of very detailed studies in Fire Department operations; and detention facility and operations; and, we are currently starting a study on Police and Sheriff operations. The Fire study, which was a joint effort between labor and management, was done with expertise from, FACETS, our outside consultant. It is currently in the implementation mode, producing short and long term changes within the department. A major budget initiative from this work will be the identification of locations for new and remodeled fire stations. This budget allows for savings to be identified in operations through the consolidation of fire companies and transfer these dollars within the department to capital project funding for new fire stations. This initiative, if approved, will allow the Unified Government to provide more comprehensive fire protection coverage for the entire community and provide up-to-date facilities for firefighters.

Our detention study plan provided a framework which allows for double bunking in pods that are not currently double bunked, allowing for prisoners currently farmed out to other detention facilities to be brought back to Wyandotte County. This move will provide substantial savings, which will be utilized to help finance a much needed new juvenile facility. This initiative will be planned and designed in 2017, with construction targeted to start in 2018. It is being accomplished within the current County budget. This is a major feat considering most new facilities of this type are funded through special bond issues.

Related to our work in public safety are the efforts of Wyandotte Mental Health to provide services and treatment to individuals who have challenging mental health issues. Through the leadership of Mayor Holland and implementation by Sheriff Don Ash and Police Chief Terry Zeigler, our police officers and sheriff deputies are now trained to recognize individuals who need mental health services rather than a night in jail. Placing people with mental health issues in jail often results in additional extended incarceration and potential trips to State penitentiaries. Our law enforcement efforts, now coordinated with Wyandotte Mental Health, result in mentally challenged individuals being taken to a Wyandotte Mental Health facility. Unfortunately, State of Kansas cuts to programs such as this will make it difficult for such centers to stay open, therefore this budget allocates an additional \$250,000 to the program. I believe those dollars will be saved several times over by using the alternative mental health facility and treatment program, rather than jail.

Employee Compensation

Unified Government employees are dedicated public servants. They work hard every day to provide needed services to our citizens and to make our community safe and a better place to live. They have sacrificed a lot in the past several years, from no pay raises to furloughs. It is past time to establish consistent cost of living adjustments. This budget plan proposes raises for both union and non-union

employees. Funding is provided to allow for a 1.5% increase for all employees in 2016 and a 2% increase in January 2017. This in addition to a 1.5% adjustment given in 2015. That's a total of greater than 5% in pay raises over a one and a half year time frame for all employees.

Conclusion

The Proposed 2017 Unified Government Budget takes advantage of the positive growth and progress occurring in Wyandotte County and Kansas City, Kansas. It uses new revenue to invest in the continued success of our community by addressing goals set forth by the Unified Government Commission. The Proposed 2017 Budget funds initiatives which will benefit our citizens--- better streets; less blight and trash; improved and more cost effective Public Safety; robust efforts to bring new development which will create job opportunities for our residents.

It also rewards Unified Government employees who have sacrificed to serve their community with long overdue pay raises. The 2017 Budget plan addresses the need for increased capital investment in equipment and infrastructure and recognizes how technology can make the Unified Government more responsive and efficient in serving our citizens.

I want to thank the Finance Department, Budget Department and other staff members for their hard work and expertise in the planning and preparation of the Proposed 2017 Unified Government Budget.

Sincerely,

A handwritten signature in black ink, appearing to read "Doug A RA". The signature is written in a cursive, somewhat stylized font.

County Administrator