LONG TERM FINANCIAL FORECAST

FISCAL YEARS

2023 TO 2027

MISSION: The Mission of the Unified Government is to deliver high quality, efficient services and be a resource to our residents. We are innovative, inspired public servants focused on our community's wants and needs.

unified government

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TABLE OF CONTENTS

I Executive Summary 1

II General Funds Forecast 15

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Unified Government of Wyandotte County / Kansas City, Kansas

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EXECUTIVE SUMMARY

Long-term financial forecasting informs policy makers as they plan for the future. It provides the information needed to make decisions that will maintain sustainable operations and identifies opportunities to further invest in the organization's strategic goals and objectives. This Long-Term Financial Forecast for 2023-2027 provides a five-year outlook for the Unified Government's (UG) major operational funds. This forecast report focuses in its own section on a review of the UG's main operating fund, the General Fund, which combines the operations of the City, County and Consolidated City/County Parks funds. This executive summary provides a brief examination other funds, such as the County Special Levy Funds, Dedicated (Public Safety/ Neighborhood Infrastructure) Sales Tax Fund, Special Street & Highway Fund, Tourism and Convention Promotion Fund, Emergency Medical Services Enterprise Fund, and the City and County Debt Funds.

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The Recent Economy. Although not as significant as preliminarily anticipated, economic indicators show that the local business environment has been negatively impacted by the COVID-19 pandemic. Unemployment in the County grew from an average of 4.3% in 2019, to during the shelter-in-place period 16% in April 2020, then steadily dropped to an average of 7.8% for the 2020 year. Demand for employees have driven unemployment down thru most of 2021, with the October rate for the County at 4.4%.

Aside from the pandemic's impact on the economy, Kansas City, Kansas economic performance has been mixed over the past few years. While Wyandotte County's employment increased by 0.8% between June 2020 and June 2021, Wyandotte County's average weekly wages between the 2nd quarter 2020 and 2nd quarter 2021 decreased by 1.4% with the average weekly wage being $1,084. Additionally, the County's assessed valuation only grew 3.3% in 2020 tax levy year due to the pandemic impact on the commercial real estate market. Conversely, Kansas City home prices have reached the highest level in years and upward pressure is expected to continue into the next year.

Forecasting Uncertainties. Several uncertainties are included in the Forecast that diminish the General Fund reserves during the five-year period. One uncertainty is the timing and length of the economic impact of the pandemic and whether new variants of the virus will appear that are resistant to the vaccination protocols potentially causing another business lockdown. A second uncertainty is the timing of the significant level of retiring employees in the next five years; if these employees retire sooner than expected, the

General Fund financial position would be more negatively impacted and could impair the UG's ability to meet operational demands in subsequent years. The Forecast as presented includes conservative, yet hopeful projections of these uncertainties. Economic vitality and consumer behavior are projected to resume to prior levels in 2022, and level of employee retirements is projected to take place in a steady manner consistent with the recent years' pattern, as opposed to annual sudden spikes of retirements.

To address both short-term and long-term issues, the UG administration will continue reviewing its operations and service delivery options. Towards meeting financial sustainability objectives, the UG has a history of partnering with the private and non-profit sectors for the cost-effective delivery of a variety of services to our residents. While the UG continues exploring alternative service delivery models, the UG is also reviewing cost recovery levels of services and the fees charged for these services.

During the upcoming months, staff will continue to monitor revenue sources as well as update spending plans, as applicable, based on newly available information. This updated information will be reflected in the 2022 Amended/2023 Proposed Budget, which is scheduled to be released to the Commission in June or July of 2022.

Long-Term Obligations and Infrastructure Fiscal Challenges. In addition to maintaining the General Fund reserve, the Government has various other fiscal challenges. One challenge is achieving the Commission's goal to identify resources to invest in our aging public streets, facilities and equipment. Recent analysis from the Public Works Department concludes that to restore our streets and bridges to safe roadway standards and forestall their decline into the "failed street" category, budgets must be re-aligned to identify $20 million a year in new funding for street preservation and $14 million a year in new funding for bridge repair and maintenance. Additionally, a recent condition assessment reports of the UG's over 150 facilities and buildings calculated $250 million in facilities deferred maintenance costs, which is significant given the size of UG organization and geographic service area.

Another challenge is that although statutorily precluded from augmenting employer contribution levels above the legal cap, the UG's portion of the KPERS AND KP&F net pension liability as of the end of 2020 was $215 million, or 66% funding status. Along with this pension liability, the Government has a long-term liability related to retiree health care costs (Other Post-Employment Benefits, or OPEB) of estimated at $132 million as of the end of 2020.

Vision and Strategic Goals. As part of its strategic planning efforts, the UG Commission approved their vision and seven goals.

The vision is: ***Uniquely Wyandotte – a vibrant intersection of diversity, opportunities, and distinctive neighborhoods. An engaged community: healthy, fulfilled and inspired.***

The seven strategic goals are to:

- Reduce Blight
- Increase Safety and Perception of Safety
- Improve Community Health
- Increase Economic Prosperity of the Community and Opportunity for our Residents
- Improve Customer Service and Communication
- Increase Community Cohesion
- Improve Infrastructure

To address both the strategic goals and fiscal challenges, the UG will continue reviewing its operations and service delivery options in a disciplined manner. A policy framework to guide in setting appropriate fees for services based on the values of our community is planned. Establishment of an OPEB Trust will be presented to begin setting aside funds for future retiree health care costs that can yield investment earnings greater than the UG's operating funds. The organization will be continuing the process of implementing Priority-Based Budgeting as a tool for identifying alternative resource allocation options. Finally, the Commission will continue to vigilantly monitor the impacts of the COVID-19 pandemic and ensuring the health needs of the community are met.

Forecast Assumptions and Methodology

In developing the Forecast, various economic indicators and cost drivers were developed based on past trends or average annual rates of change, and statistical correlations. Anticipated future events were also incorporated into the Forecast. The methodology for calculating changes for out-years of the Forecast (2023-2027) are based on historical analysis of increases with adjustments factored in for known items. Forecast assumptions vary per the respective revenue and cost category and, in most cases, are based on statistical correlation with other revenue or cost drivers in which they are statistical correlated. Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. A correlation is a single number that describes the degree of relationship between two variables, with the closer the correlation calculation approaches 1.0 the more correlated are the two variables. Staff also performed a reasonableness test of the results.

This Forecast assumes that a fall-off in economically sensitive revenues occurs once every eight to ten years, and as a result of this assumption and the COVID-19 pandemic event, a recession is included in the Forecast in years 2021 and/or 2022. While it is not staff's intent to predict the exact timing of the recession, its inclusion in the Forecast is to send a signal that a cyclical event, whereby revenues can drop dramatically, will inevitably occur. In 2022 and 2023 a post-recession modest upswing is incorporated.

The following table is a sample of the economic indicators and cost drivers utilized in the Forecast.

Forecast Assumptions	2023	2024	2025	2026	2027
Population annual growth rate	0.5%	0.5%	0.5%	0.5%	0.5%
Inflation rate	2.2%	2.0%	1.4%	1.4%	1.4%
Unemployment Rate	5.5%	5.0%	4.8%	4.8%	4.8%
Assessed Value (KCK) annual growth rate	8.9%	6.0%	5.9%	5.9%	4.9%
Property Tax Delinquency Rate (KCK)	6.5%	6.0%	5.7%	5.7%	5.7%
Property tax Mill Levies	No change from 2022	No change from 2022	No change from 2022	No change from 2022	No change from 2022
BPU Electric PILOT growth rate	1.5%	1.5%	1.5%	1.5%	1.5%
Taxable Retail Sales growth rate (WyCo)	3.3%	3.3%	3.3%	3.3%	3.3%
Salaries and Wages growth rate	3.3%	3.3%	2.3%	2.3%	2.3%
Employee Health Insurance growth rate	5.8%	5.8%	5.8%	5.8%	5.8%
Inmate Medical growth rate	5.8%	5.8%	5.8%	5.8%	5.8%
Residential Trash Services	3.0%	3.0%	3.0%	3.0%	3.0%
Other Professional Services growth rate	2.0%	2.0%	1.4%	1.4%	1.4%

Overview of Forecasts by Fund Group

Each operating area, or fund, is uniquely impacted by the application of the forecast assumptions due to each fund's unique mix of revenue sources and operational costs. For example, some funds are reliant on economically sensitive revenues, such as sales tax. Other funds' costs are concentrated in on-going costs, such as personnel, that are less flexible to change compared with other funds that have their focus on one-time costs, such as cash-funded capital, which can be more easily be adapted to changing economic events. The following is summary of the fiscal overview for each fund group discussed in this report. Refer to each section for more detailed information.

General Fund - Having preliminarily weathered the financial impacts of the COVID-19 pandemic and received federal assistance to cover lost revenue, this baseline five-year Forecast reflects a preservation of the Combined General Fund reserves. Although promising, challenges remain as expenditures outpace revenues for the City General Fund. This City gap is covered by faster growing revenues in the County General compared to its expenditure demands. The General Fund is estimated to end 2022 with $37.9 million in cash balances. Over the Forecast period ending in 2027, $14.0 million are estimated to be drawn down from the General Fund estimated cash reserves if no actions were taken to remedy the imbalance. Although this Forecast projects strong revenue growth, annual resources are insufficient to meet required accrued leave balance payments to the expected increase of retirees while keeping pace with conservative expenditure needs, such as a moderate cost of living adjustment for active employee compensation. It is anticipated that between $7-$11 million in annual operating expenditure efficiencies or additional revenues are needed in 2024 thru 2027 to achieve the reserve target objectives and achieve a more sustainable financial position.

Special County Levy Funds - These funds are reliant on dedicated property tax mill levies, and provide a myriad of social services, health and other community services. The cash fund balance of the Special County Levy Funds expects to end 2022 at $988,000 and grows to a projected $9.4 million by the end of the forecast period, or 101% of 2027 total expenditures. This growth is due to expected increases in the market value of residential and commercial properties having a positive affect on property tax revenues.

Dedicated (Public Safety/ Neighborhood Infrastructure) Sales Tax Fund – This fund's revenues are 100% from sales and use taxes from a 3/8th cent sales tax recently renewed by voters for another 10-years, through 2030. The cash fund balance of the Dedicated Sales Tax Fund expects to end 2022 at $169,000 and projects a negative cash balance during each of the five forecast years ending at a ($3.0) million cash deficit in 2027. Planned CMIP expenditures exceed available resources during the forecast period. The projection requires a reduction of the $5.8 million annual capital expenditures budgeted from 2023-2027.

Special Street and Highway Fund – This fund's revenues are 100% from the gasoline tax distributed to the UG by the State of Kansas. The cash fund balance of the Street and Highway Fund expects to end 2022 at $822,000 and projects a positive cash balance during each of the five forecast years ending at $1.5 million of cash in 2027, or 20% of total expenditures. Planned annual personnel costs of $4 million for street maintenance needs and CMIP annual expenditures of $1.5-$2 million are met with available resources during the forecast period.

Tourism and Convention Promotion Fund – This fund is 100% reliant on the transient guest tax, a tax paid on hotel and motel lodging businesses within the City and is assessed at 8% of sales per Ordinance. The cash fund balance of the Tourism and Convention Promotion Fund expects to end 2022 at $125,000 and grow to a projected $8 million by the end of the forecast period. The 2020 and 2021 revenue estimates were reduced from prior year levels due to the impact of the pandemic on the hotel and accommodations activities, with revenues expected to grow to the same level as 2019 at $3.8 million in 2022. The forecast assumes prior level of tourism activity will resume in 2023 and additional hotels will be added in future years for known developments anticipated to be completed with revenues coming at $4.6 million annually for 2025-2027.

Emergency Medical Services (EMS) Fund – Supporting paramedic and ambulance services, this fund is dependent on a 1/4th cent sales tax passed by City voters in 2004. Additional revenues include charges for services fee collections and medical insurance reimbursement for ambulance services. The cash fund balance of the Emergency Medical Services Fund expects to end 2022 at $204,000 and decline to a projected deficit of $5.3 million by the end of the forecast period. Costs in this fund were reduced during the 2020/2021 budget season due to the anticipated revenue loss resulting from the pandemic. Although sales tax revenue performance exceeded estimates in 2020 and 2021, the charges for services collections have remained lower than prior year levels and flat in the out-years. The slow growth rates of these revenues sources cannot support the annual personnel costs of $8.3-$9.2 million in personnel costs nor the $1.5 million in fire apparatus, vehicle, and ambulance lease obligations. Performance of this fund will be closely monitored.

City and County Debt Funds – These funds are reliant on dedicated property tax mill levies. These funds' forecast shows that the current revenue projections support the issuance of debt at the level approved in the UG's 2022 Adopted Budget/Capital and Maintenance Improvement Program (CMIP). Additional capital investment financing prior to 2026 is not fiscally support for the City Bond & Interest Fund; however opportunities present themselves in the County Bond & Interest Fund in the later years of the 5-year forecast to increase County facilities investments or make a change to the revenue dedication.

Fiscal Sustainability Proposals

The following is a list of fiscal sustainability proposals recommended to be undertaken to meet the UG's fiscal challenges:

- ***Analyze current service delivery costs,*** through the Priority Based Budgeting Process, to ensure their alignment with the Commission's strategic goals;

- Develop a plan to address ***funding the Street Preservation Program, Bridge repairs and public facility deferred maintenance costs*** which would provide a framework for future policy discussions surrounding identifying new resources;

- Continuing the community engagement process in identifying the revenue requirements for dedicated funding of the

Government's ***stormwater*** future operating and capital infrastructure needs;

- Finish implementation of policy to allow for accumulation of ***resources for future equipment replacement costs***; and
- ***Establish an Other Post-Employment Benefits (OPEB) Trust*** to have the legal structure to set aside and accumulate the cost of healthcare of future retirees and to invest these resources in a manner similar to pension funds.

Long-Unfunded Term Liabilities

This Forecast, as outlined in the following sections of this report, does not reflect the following long-term liabilities:

1. Capital Debt Financing Policy: The Forecast assumes any future debt load above current administrative parameters must be supported by additional revenue. The UG Finance staff recommends including in the capital financing debt policy a comprehensive strategy with specific debt capacity parameters that will enable the Government to meet its infrastructure investment needs while remaining fiscally sustainable within an appropriate debt capacity level.

2. Potential Litigation and Settlement Costs: The Unified Government is self-insured for liability claims. All liability claims are reviewed, challenged if appropriate, and processed for payment at the agreed amount by the Chief Legal Counsel. Kansas statutes limit the liability in tort cases to $500,000. Although an estimated $850,000 is annually included in the Forecast to cover such claims, judgments and settlements, unanticipated settlements may significantly exceed this estimated budgeted cost. In addition, although necessary to take advantage of the opportunity to potentially mitigate legal settlement costs, legal defense expenses for litigating such lawsuits often exceed budgeted estimates.

3. Streets Rehabilitation and Replacement Costs: Public Works Department has developed a comprehensive, data-driven street preservation program. The Unified Government's over 2,400 lane miles pavement network has a current Pavement Condition Index (PCI) rating of 53 with 70% of the network rated as in poor, marginal to fair category. Current funding levels for street maintenance are insufficient to maintain even our current low PCI rating in the future. Currently poorly rated streets will become "failing" streets in the future due to their age and condition without more attention. This baseline Forecast sustains the current funding level for street maintenance (approximately $9 million annually) and does not include additional resources of $20 million annually to address this cost-effective street preservation and rehabilitation investment, nor the estimated annual $14 million for the maintenance of bridges. This $20 + $14 million a year is needed for each of the next 18 years in order to increase the UG's PCI from 53 to 74. After the 18 years, continued funding of between $12-$14 million

annually is needed to maintain the 74 PCI level. Street and road maintenance have been consistently rated as the top priority for UG focus on resident community surveys of UG services performance.

4. Parks Master Plan: The Parks Master Plan was presented to the Commission in the late 2017. This baseline Forecast does not include funding for the estimated costs of the Parks Master Plan. A new revenue source will be needed to fund the recommended park and community center improvements, as well as restore the Parks and Recreation Department staffing to levels consistent with other comparative local government.

5. Deferred Facility Maintenance Costs: A recent condition assessment reports of the UG's over 150 facilities and buildings have identified $250 million in deferred maintenance costs are needed, given the size of UG organization and geographic service area. Due to the prolonged slow recovery since the last recession a decade ago, on-going operating funds have been unavailable to address these deferred maintenance needs. In the absence of a property tax mill rate increase or other dedicated resource, utilizing the UG's current general obligation debt capacity to finance this level of facilities investment will be challenging. The adopted five-year CMIP addresses some of these needs, but does not satisfy all of these expected costs.

6. Capital Equipment Replacement Costs: Many UG departments need to replace their aging capital equipment. Due to the prolonged slow recovery since the last recession a decade ago, on-going operating funds have been unavailable to fully address these equipment replacement needs. Additional funding from the early payoff of the STAR bonds in 2017 provided for some replacements. Currently, equipment is replaced using current resources. A dedicated fund to set aside resources for the future replacement of capital equipment is a recommended practice and including some minimal funding would be a good start towards addressing this need. This baseline Forecast does not include additional funding for this purpose.

7. Unfunded Net Pension Liability: Based on the most recent July 2020 KPERS pension actuarial report, the UG-wide net pension liability (including the combined KPERS-Local and KP&F-Local group plans) totals $215 million, which represents a funding status of 66% (plan fiduciary net position as a percentage of the total pension liability).[1] In other words, UG's current proportion of the KPERS pension fund assets are 34% lower than the level of assets sufficient to meet 100% of estimated future retirement obligations of covered UG employees (of which those total obligations are based on actuarial assumptions). The Government Finance Officers Association (GFOA) recommends a policy of fully funding pension plans. Credit rating agencies generally categorize as average or above average pension plans with funding statuses between 80% and 90%, and funding statuses between 60% and 70% as below average or weak.[2]

	KPERS Plan		KP&F Plan		TOTAL COMBINED	
	6/30/2019	**6/30/2020**	6/30/2019	**6/30/2020**	6/30/2019	**6/30/2020**
UG Proportion of collective net pension liability	3.60%	3.62%	12.64%	12.35%		
UG proportionate Share of collective net pension liability	$50,325,974	$62,782,847	$127,903,862	$152,278,224	$178,229,836	**$ 215,061,071**
UG covered-employee payroll	$75,829,932	$76,792,808	$61,157,909	$61,934,482	$136,987,841	**$138,727,290**
UG proportionate share of collective net pension liability as a percentage of UG employee-covered payroll	66%	82%	209%	246%	130%	**155%**
Plan fiduciary net position as a percentage of the total pension liability *(for combined plans)*	69.9%	66.3%	69.9%	66.3%	69.9%	**66.3%**

The UG is annually contributing 100% of its contractually required contributions, or $21.4 million in 2020.[3] Contractually required refers to the amount KPERS requires local governments to pay; it is not the amount that will bring pension assets to the full value of estimated future costs. The UG is not legally required to contribute additional resources to reduce its net pension liability. State places a cap on the level of employer contributions, and the UG is contributing at this capped rate. Without a state law change, this unfunded net pension liability will remain on the UG balance sheet.

As a side note, KPERS assumes that should local governments annually contribute their contractually required contributions, their proportion of pension fund assets will attain the 100% funding status in 30 years. This assumption supports the rationale behind the required KP&F special retirement payments for retiring Police and Fire employees whose final compensation calculations for future pension payment purposes are increased with the inclusion of accrued vacation and sick leave payouts at their separation from UG service.

8. Unfunded Retiree Healthcare Net Liability (Other Post-Employment Benefits, or OPEB): State statute requires the UG to offer healthcare benefits to its retirees up till age 65. Unlike pensions, OPEB costs are based on benefit costs during the years that a retiree (and applicable souse and dependents) are eligible to receive benefits, ending at age 65 per Kansas Statute 12-5040. These retirement benefits (medical, dental, vision) are paid on behalf of retirees and their eligible spouse and

dependents, in addition to pensions. Benefits are not uniform for all retirees, due to differences in negotiated OPEB benefits over time. Most eligible participants must contribute full-blended premiums to maintain coverage. The blended premium is based on average costs amongst all active and retirees in the healthcare plan. The reason there is a net unfunded liability is because the amount retirees contribute through their premiums is lower than respective costs incurred by these retirees. It is referred to as the “implicit subsidy” because health care costs are higher for older, retired participants than younger, active employees.

In addition, the UG currently offers healthcare coverage for retirees beyond when they are Medicare-eligible at age 65. The coverage and premiums paid by these retirees are for supplemental plans to Medicare and they do pay the applicable premium as set by the UG. This coverage offering is more generous than is required by State Statute. As of 1/1/2019, 108 retirees are in this coverage category or 45% of all retirees covered for medical. Because this provision is offered in our plan, the actuary must assume that future retirees will also elect this coverage. At the end of 2020, the Unified Government’s net OPEB liability totaled $132.0 million, which includes the estimated future health care claims of both the retirees and active employees that are projected to be covered with these benefits in the future. If the coverage provisions were revised to no longer offer coverage past Medicare-eligibility age 65 for future retirees (not current retirees), the actuary computed that the UG’s OPEB liability would drop by $69 million or 52%.

	Govtal Activities		Business-Type Activities		TOTAL COMBINED	
	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**	12/31/2019	**12/31/2020**
UG proportionate Share of collective OPEB liability	$91,474,380	$120,952,468	$ 8,214,352	$ 10,861,469	$99,688,732	**$ 131,813,937**
UG covered-employee payroll	$76,445,421	$76,221,953	$61,654,310	$61,474,080	$138,099,731	**$137,696,033**
UG proportionate share of OPEB liability as a percentage of UG employee-covered payroll	120%	159%	13%	18%	72%	**96%**

The UG currently is on a “pay go” basis and is not setting aside funds for these future costs. If a trust were created, the actuary could use a higher discount rate in the actuarial assumptions for calculating the net present value of our OPEB liability. This is because additional contributions to the trust would earn at an investment rate of approximately 6%

compared with the 20-year municipal bond rate required by GASB 75 which in 2020 was only 1.96%. The estimate is that setting up a trust and contributing to it annually would further reduce our OPEB liability by $60-$60 million. In short, changing our medical coverage as it relates to Medicare eligibility for future retirees and establishing an OPEB trust could potentially eliminate the UG's $132 million OPEB liability from its government-wide financial statements. If this were done during 2020, the governmental activities deficit net position of ($2) million could have been an estimate positive of $117 to $127 million. Such a positive net position would be seen favorably by the credit rating agencies.

This baseline Forecast does not include additional OPEB contributions into a trust to bring down the OPEB liability. Finance staff have developed a plan for establishing an OPEB trust that will provide a funding strategy for reducing this liability. OPEB trusts allow local governments to invest additional resources in the long-term investment securities that earn better yields than local governments can earn with fixed income investments. By setting up a trust, in the future the UG could be paying for the healthcare costs of future retirees with investment earnings rather than operating tax-support dollars.

Forecast Potential Risks

This Forecast, as outlined in the following sections of this report, does not reflect the following potential risks in the future five years:

1. Changes in the local, regional and national economy: This Forecast assumes a modest recession in 2021 and/or 2022 caused by the pandemic marked by a moderate slow-down in the growth rate for the local economy, followed by an economic rebound in the subsequent years. Any changes from this assumption may have positive or negative impacts on economically sensitive revenues, such as sales taxes. National government policy changes, such as international trade policy disputes or additional federal assistance to local governments due to COVID, could impact the regional business climate and job growth.

2. Labor Negotiations: The Unified Government has various employee organization (labor) agreements that expired as of December 31, 2019 and one contract that expired December 31, 2018. Although funding for a moderate cost of living adjustment has been included in the 2023-2027 salary and benefits cost lines for potential contract costs resulting from the negotiations of these expiring labor agreements, any agreements reached between the UG's employee organizations, and the UG administration above moderate cost of living funding level have not been included in the Forecast. The fiscal challenge with this assumption relates to the Government's ability to remain competitive with other local governments. Beyond 2022 the Forecast assumes no additional employee positions.

3. Future Retiree Payout Assumptions: One-fourth of the UG-wide labor force is eligible to retire in the next five years. Assumptions have been made to reasonably predict the timing of these retirements, the expected accrued vacation and sick leave balances, and contribution amounts to the pension funds for additions to these retiring employees actuarial pension liability resulting from the additional final compensation calculation incurred from the leave balance payouts at separation. These costs are one-time in nature, but the amounts and timing are subject to change depending on the decisions of retiring employees. Assumptions have also been made for the potential salary savings the UG might experience following the retirements. These required payments are significant, estimated to have a net $14 million impact over the next five years.

Endnotes

1. Unified Government Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2020, Pension Status References in the Notes to the Financial Statements and Required Supplemental Information Sections.
2. National Association of State Retirement Administrators, “The 80-percent threshold: Its source as a healthy or minimum funding level for public pension levels”, January 2012, web link: NASRA Pension Funding Status Threshold White Paper-January 2012
3. Unified Government Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2020, Pension Status References in the Notes to the Financial Statements and Required Supplemental Information Sections.
4. Unified Government Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2020, OPEB (Retiree Health Care) Status References in the Notes to the Financial Statements and Required Supplemental Information Sections.

GENERAL FUND FORECAST

Having preliminarily weathered the financial impacts of the COVID-19 pandemic and received federal assistance to cover lost revenue, this baseline five-year Forecast reflects a preservation of the Combined General Fund reserves. Although promising, challenges remain as expenditures outpace revenues for the City General Fund. This City gap is covered by faster growing revenues in the County General compared to its expenditure demands.

John F. Kennedy, our 35th President, said, *"When written in Chinese, the word 'crisis' is composed of two characters. One represents danger and the other represents opportunity."*

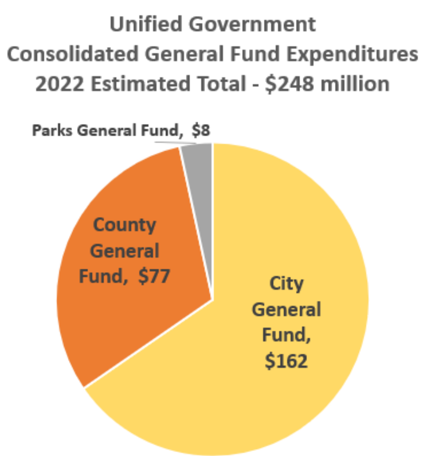
During the midst of the pandemic, public officials were asking a host of questions that depending on the answers could signal danger for municipal budgets. Some of these questions included: Will the pandemic fundamentally change the way shopping is done? Will the higher unemployment rate in our County recover? Will unemployed residents find meaningful, well-paying jobs? Will the recent demand for single family homes continue, or will some residents impacted by job losses be forced to sell their homes, driving down home prices? Will increased remote working and learning change business and education practices?

After nearly two years of this pandemic, many of these questions have been answered. Although brick and mortar retail held its own, the growth in online sales significantly outpaced prior growth rates. The 16% unemployment rate in April of 2020 as stabilized to 4.4% in October 2021. Instead of residents having difficulty finding a job, businesses are experiencing challenges is finding applicants to fill their job vacancies. Kansas City home prices have reached the highest level in years and upward pressure is expected to continue into the next year. And finally, the shift to remote working has transformed how business is conducted into the future. How the pandemic impacted local governments was nearly the opposite of what was expected, which explains why long term financial forecasting is so challenging. The key takeaway is that nothing stays the same and that change is inevitable.

With the dangers of the pandemic came transformative opportunities. The federal government provided resources to state and local governments to cover the significant costs of fighting the COVID-19 disease spread, providing funds for many needs including vaccination sites, personal protection equipment, augmented unemployment insurance and small business assistance. With the adoption of the American Rescue Plan Act (ARPA), municipalities across the county received badly needed resources to cover lost revenues due to the pandemic and to aid residents that were negatively impacted economically or disproportionately impacted due to systemic equities in healthcare delivery or in housing.

The Unified Government received $87 million in ARPA local fiscal recovery funds to address these needs, of which $21 million was deposited in the General Fund for revenue replacement for 2021 and $14 million for 2022. These ARPA revenue replacement funds, along with prudent spending practices during 2020, made it possible for the Unified Government to preserve its General Fund reserve levels. The forecasted CAFR fund balance at the end of 2022 is 21.6% of total expenditures, which is consistent with the fund balance reserve levels at the end of 2020 at 22.3% of total expenditures.

The finances of the Unified Government are complex due to our unique governance structure as a consolidated government, both a city and a county. To simplify this forecast, references to the General Fund include the consolidation of three distinct general funds. The largest is the Kansas City, Kansas (City) General Fund which collects revenues to spend on services typically provided to city residents, such as police, fire, street maintenance, and recreational activities. The second largest is the Wyandotte County, Kansas (County) General Fund with resources to support services often required by the State of Kansas, such as the sheriff, jail detention, the district attorney, the appraiser, motor vehicle registration and many other services. The third is the Parks General Fund that combines resources from both the City and County to maintain over 2,715 acres of park land.



Out of all Governmental Funds, the General Fund is the largest and is the main operating fund of the UG. Together, the three funds comprise the Consolidated General Fund which has a total 2022 expenditure budget of $248 million and represents over 60% of the entire Unified Government's financial operations. Given its size and the many services it supports for residents, a careful analysis of its long-term fiscal health is provided.

General Fund Net Operating Margin Baseline Forecast

In a household budget, successful performance is measured whether a family's income matches with outgoing expenses – that's the net operating margin. In this forecast, the net operating margin approach is used to single out transactions only occurring during the forecast year, in the absence of prior year fund balance reserves. The net annual surplus / shortfall reflects the difference between the projected General Fund revenues and expenditures for each year of the forecast. The net operating margin cumulative starts with the available fund balance in excess of our two-month target reserve, then tallies each year's performance over the Forecast period, resulting in the estimated change to fund balance over the course of the period.

Despite strong anticipated future revenue growth projections, matching operational obligations with available resources is a fiscal challenge. The Baseline Forecast table below provides a quick view of the annual net margin for the future five years.

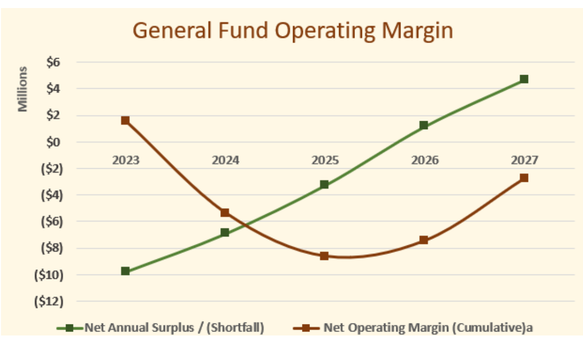
Baseline Long Term Financial Forecast

Fiscal Year 2023 - 2027

($s in 000s)	2022[(a)]	2023	2024	2025	2026	2027
Total Revenue	$243,854	$241,111	$250,562	$260,788	$271,041	$281,006
Total Expenditures	$247,409	$250,882	$257,463	$264,040	$269,854	$276,309
Net Annual Surplus / (Shortfall)	**($3,556)**	**($9,771)**	**($6,901)**	**($3,252)**	**$1,187**	**$4,697**
Net Operating Margin (Cumulative)[a]	**$11,298**	**$1,527**	**($5,374)**	**($8,626)**	**($7,440)**	**($2,742)**

(a) For the Forecast, the Net Operating Margin (Cumulative) approach is used which assumes that no beginning fund balance is available prior 2022. $11.3M net operating margin in 2022 is the amount above the 2-month operating reserve target.

(b) Assuming the estimated cash fund balance of $27 million at the end of 2022.



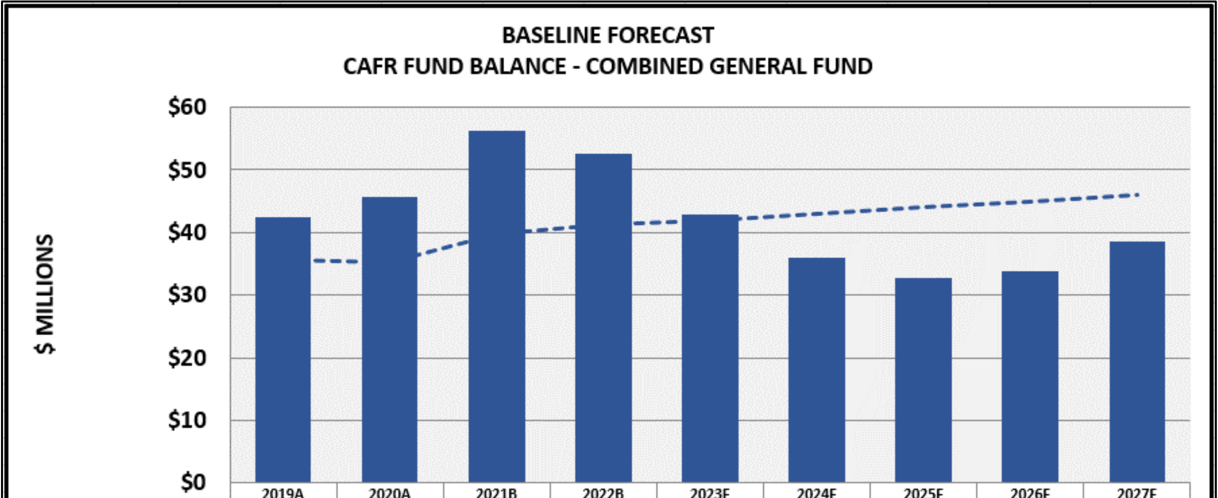
Over the Forecast period, $2.7 million are estimated to be drawn down from the General Fund reserve by 2027 if no actions were taken to remedy the imbalance. The graph on the left provides an illustration of the net operating margins of this base forecast. Net annual surplus/shortfalls fluctuate between a positive $4.7 million in 2027 and shortfall of $9.8 million in 2023. These shortfalls in 2023, 2024 and 2025 reflect one-time spending on capital investments utilizing the ARPA revenue replacement funds received in 2021 and 2022 as the funding source.

Even though this Forecast projects strong revenue growth, annual resources must meet required accrued leave balance payments to the expected increase of retirees while keeping pace with conservative expenditure needs, such as a moderate cost of living adjustment for active employee compensation. It is anticipated that between $7-$11 million in annual operating expenditure efficiencies or additional revenues are needed in 2024 thru 2027 to achieve the reserve target objectives and achieve a more sustainable financial position.

General Fund (CAFR) Total Fund Balance - Baseline Forecast

In 2018, the UG Commission adopted a fiscal policy that prescribes a General Fund reserve level be retained in its ending fund balance (modified accrual basis (CAFR) basis) of 2-months of expenditures, or 2/12th or 16.67% percent. For simplicity purposes, the target reserve is referred to as 17% of expenditures. The reserve fund balance purpose is to accumulate resources to counter economic and/or operating budgetary uncertainty. For purposes of measuring the target reserve, the modified accrual basis fund balance is a better fiscal measure to use than the cash basis because it includes various receivables and payable reflected on the Government's balance sheet, and is the standard approach recommended by credit rating agencies and finance professionals.

At the end of 2021, the Government expects to end the year with over 2-months of expenditures in its General Fund balance with a reserve of 24% of expenditures. Assuming no actions undertaken, the baseline forecast estimates the CAFR fund balance to drop to 21% of expenditures in 2022, 17% in 2023, and stabilize at 14% of total expenditures in 2024 thru 2027. These later year projected reserve levels fall below the 17% target prescribed in the reserve policy.



	2019A	2020A	2021B	2022B	2023F	2024F	2025F	2026F	2027F
FUND BALANCE $	$42	$46	$56	$53	$43	$36	$33	$34	$39
TARGET BALANCE $	$36	$35	$40	$41	$42	$43	$44	$45	$46

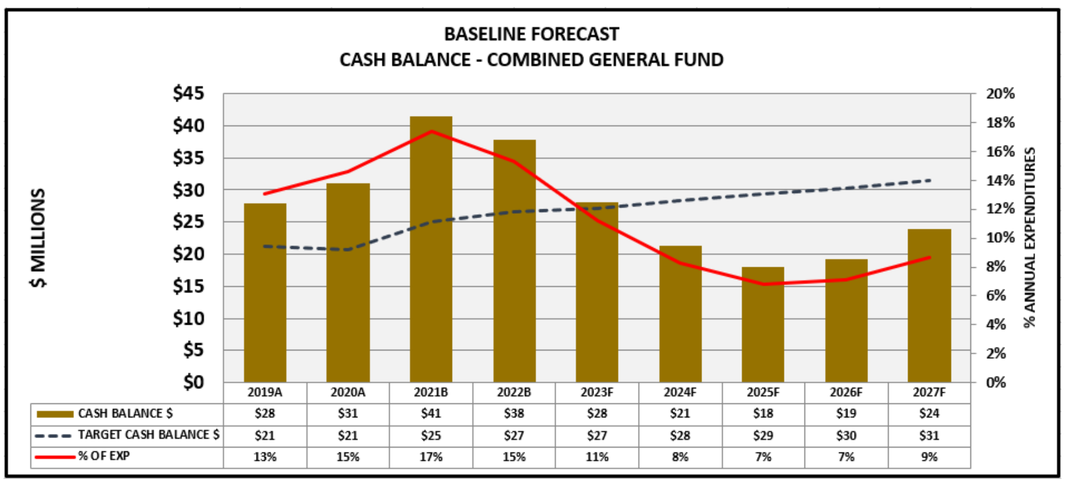
Reserves are recommended so that there are enough resources to meet operating needs during economic downturns or unanticipated events, such as a global pandemic. The reserve policy also stipulates that in the event reserves are required to be utilized, a plan be developed to replenish the reserve over the future five years to the minimum 2-month of expenditures operating reserve level. To restore the fund balance of the General Fund to the 17% target reserve, actions to both augment resources and reduce operating costs will be necessary in 2024. It is anticipated that between $7-$11 million in annual operating expenditure efficiencies or additional revenues are needed in 2024 thru 2027 to achieve the reserve target objectives. The dotted line represents where the fund balance should be in each year if the target reserve policy balance was met.

General Funds Budgetary ($ Cash $) Fund Balance Baseline Forecast

The State of Kansas requires local governments to report their budgets on a cash basis. As a result, the following discusses the projected budgetary (or cash) balances of the General Fund, rather than the CAFR modified accrual basis total fund balance. The charts below illustrate the financial projections of the General Fund on a cash basis through the Forecast period. The dotted line represents where the cash balance should be in each year if the target reserve policy balance was met.

Combined General Fund Position (2019-2027)

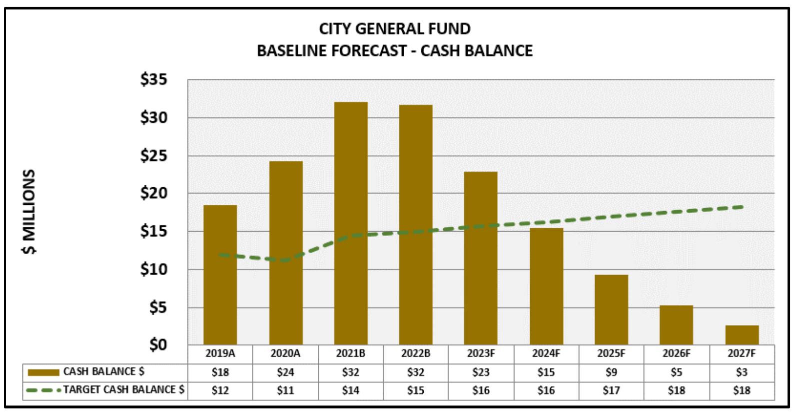
Combining the three UG general funds together, the cash fund balance declines over the forecast period but remains positive.



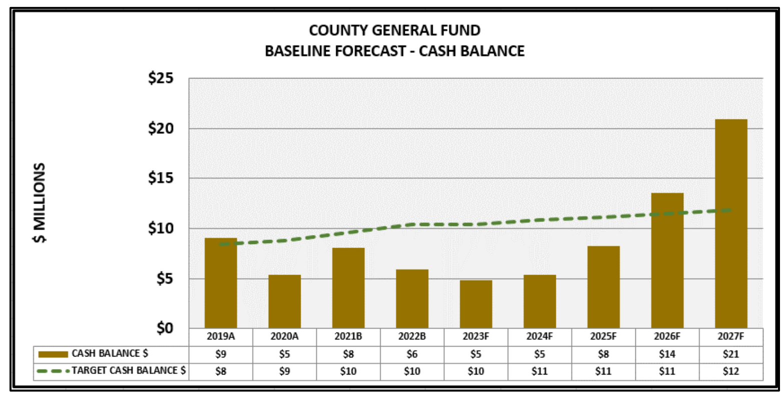
In the years 2023 to 2027, $13.7 million is projected to be drawn from the 2021 ending budgetary basis (cash) fund balance of $18.4 million. Of the total $4 million drawn-down from fund balance, a net estimated $14 million in one-time costs from 2023 to 2027 are required to be paid to *expected* retirees for accrued leave payouts and KP&R retirement special payments upon their separation from service due to the “silver tsunami”. In other words, without the significant level of expected retirements, the General Fund’s reserves would have increased rather than been reduced.

Separately reviewing the financial projections of the individual general funds (City, County and Parks (city/county) funds) is helpful in evaluating the sustainability of the resources used to support the various services recorded in each of these funds. Due to increased reliance on sales and use tax (at 24% in 2022) and given the projected flattening of this source, the City General Fund is forecasted to decline to a near deficit position at $3 million in 2027. Conversely the County General Fund, whose reliance on sales tax is only 10% of its total revenues, shows its fund balance increasing to $21 million in 2027. The Parks General Fund forecasts a stable cash position beginning in 2023.

City General Fund Position (2019-2027)



County General Fund Position (2019-2027)

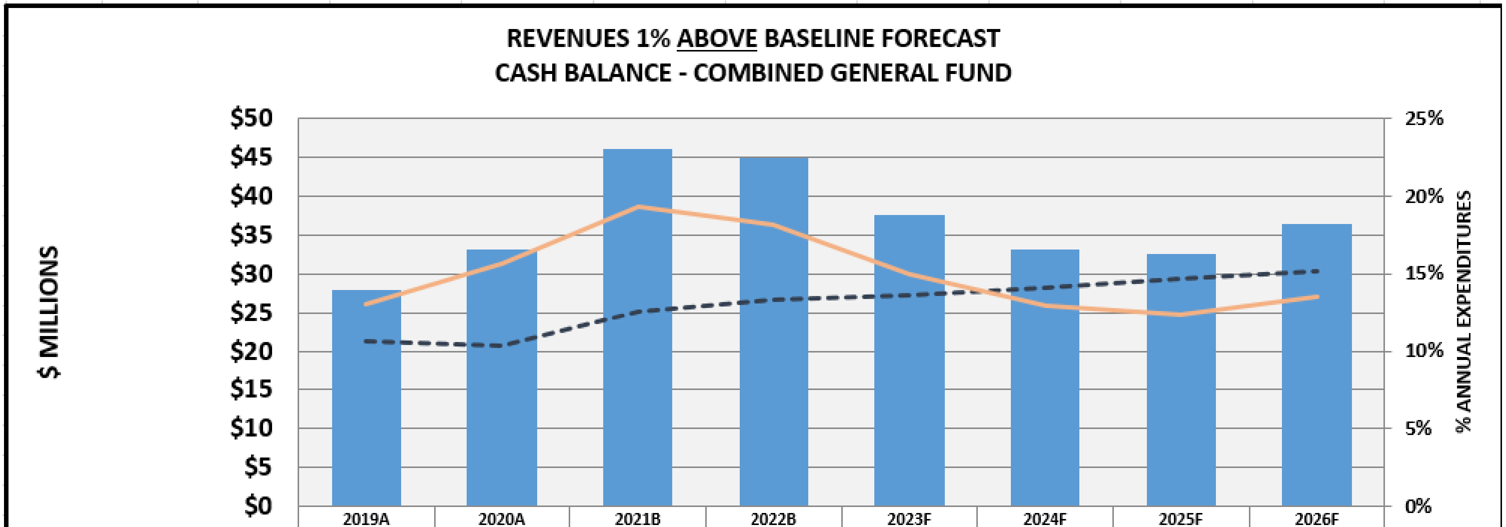


Changes from Baseline Revenue Scenarios

Projected revenues and expenditures will vary from the forecast. As a result, it is useful to see a range of possibilities. The following charts below illustrate how the Combined General Fund financial position would look if the revenue and/or expenditures deviate from the baseline forecast.

Chart A assumes revenue estimates are to be **1% greater than estimated in the baseline** forecast assuming, expenditures remain at the baseline. Under these assumptions, the ending cash fund balance would change from 18% of total expenditures in 2022 (which on a CAFR fund balance basis exceeds the 17% reserve target illustrated by the dotted line) to 14% of total expenditures in 2027 which also exceeds the target.

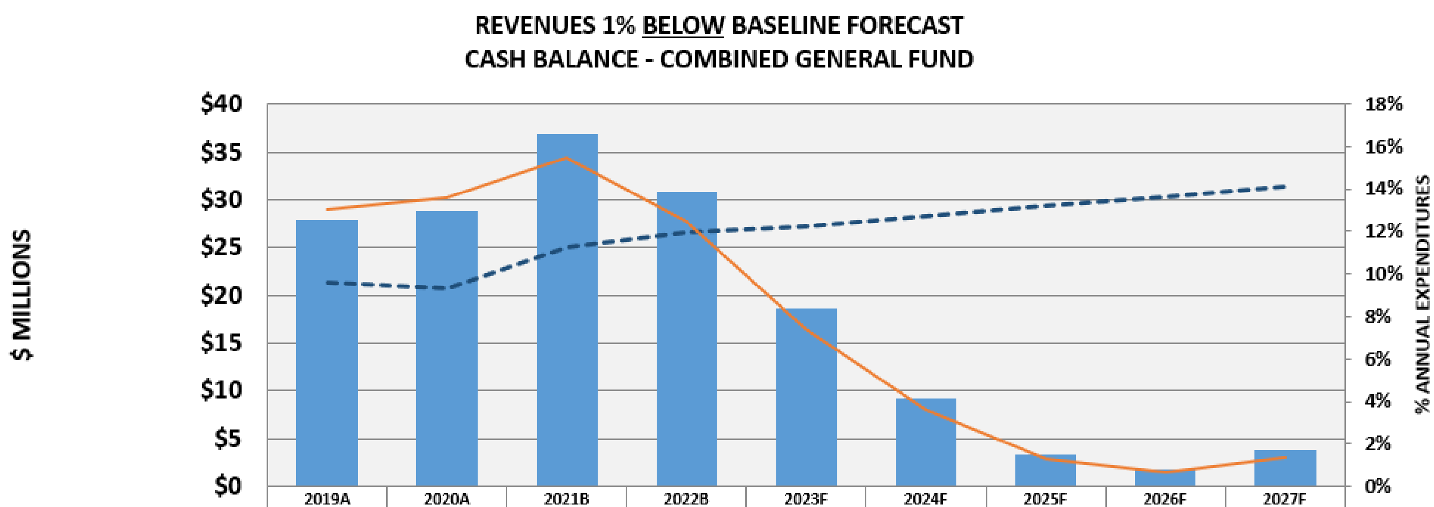
A. 1% above Baseline Revenues



	2019A	2020A	2021B	2022B	2023F	2024F	2025F	2026F
CASH BALANCE $	$28	$33	$46	$45	$38	$33	$33	$36
TARGET CASH BALANCE $	$21	$21	$25	$27	$27	$28	$29	$30
% OF EXP	13%	16%	19%	18%	15%	13%	12%	14%

Chart B below illustrates how the Consolidated General Fund financial position would look if the revenue estimates are to be **1% lower than estimated in the baseline** forecast assuming expenditures remain at the baseline. Under these assumptions, the ending cash fund balance would change from 18% of total expenditures in 2022 (which on a CAFR fund balance basis exceeds the 17% reserve target illustrated by the dotted line) to only 1% of total expenditures in 2027, or far below the reserve target.

B. 1% below Baseline Revenues

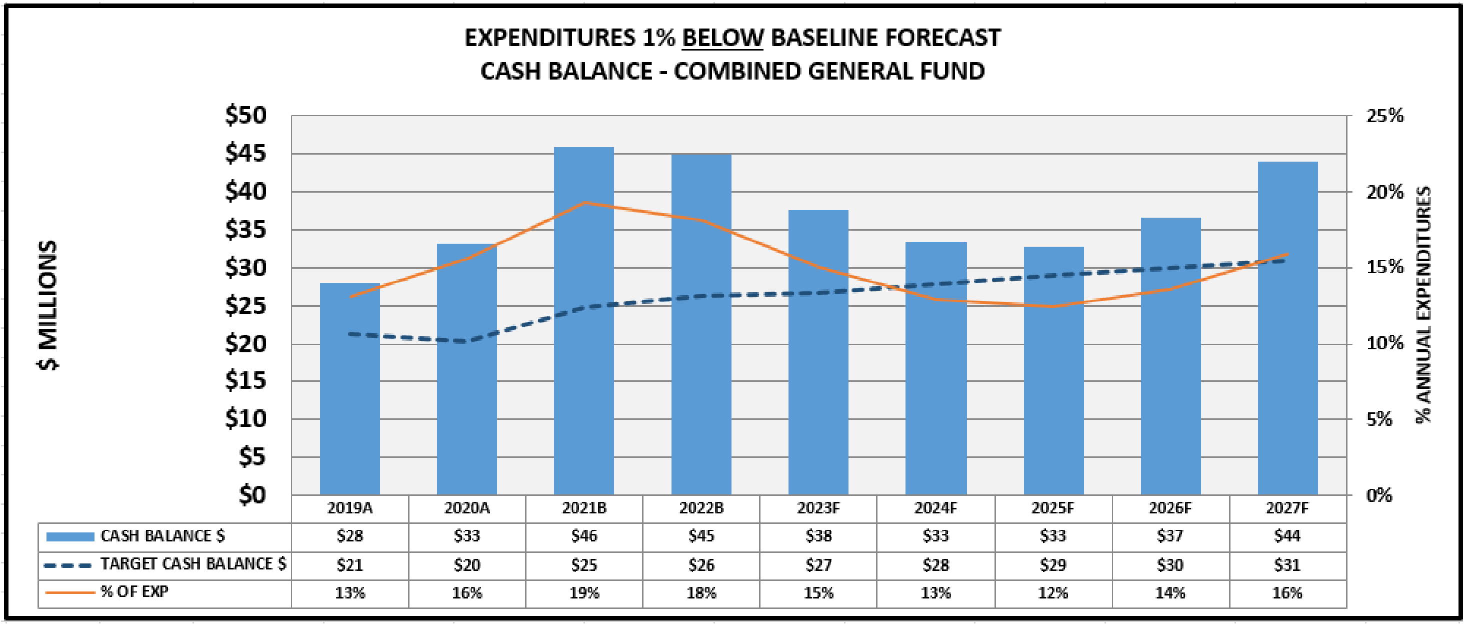


	2019A	2020A	2021B	2022B	2023F	2024F	2025F	2026F	2027F
CASH BALANCE $	$28	$29	$37	$31	$19	$9	$3	$2	$4
TARGET CASH BALANCE $	$21	$21	$25	$27	$27	$28	$29	$30	$31
% OF EXP	13%	14%	15%	12%	7%	4%	1%	1%	1%

Changes from Baseline Expenditures

The charts below illustrate how the Combined General Fund financial position would look if the expenditure estimates varied. **Chart C** assumes that expenditures are **1% less than estimated in the baseline** forecast assuming revenues remain at the baseline. Under these assumptions, the ending cash fund balance would change from 18% of total expenditures in 2022 (which on a CAFR fund balance basis exceeds the 17% reserve target) to a healthy 16% of total expenditures in 2027.

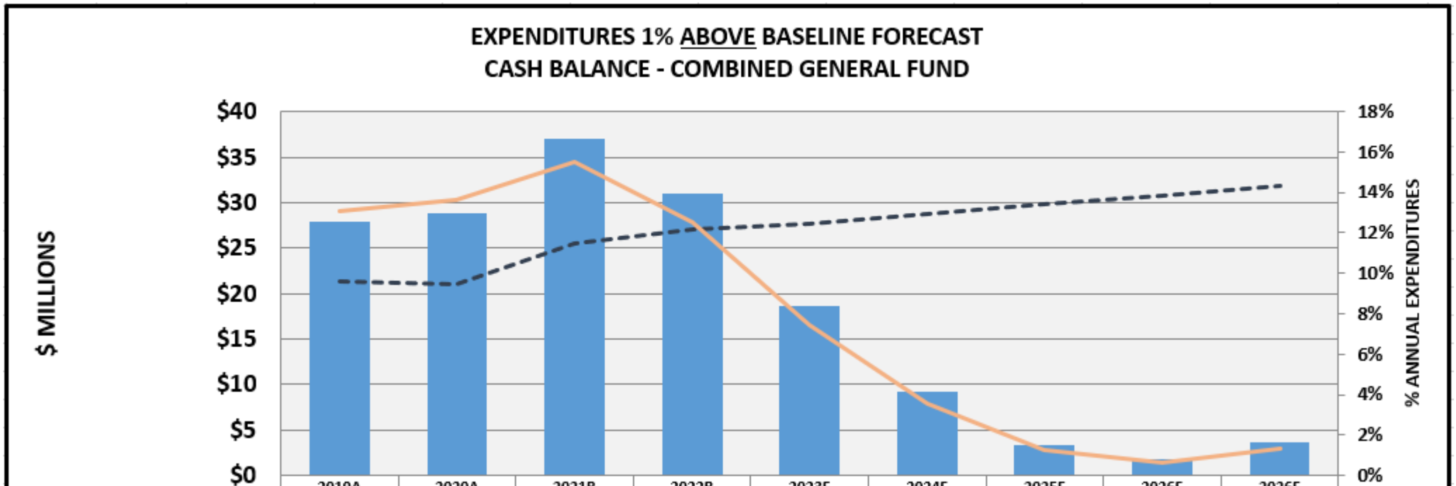
C. 1% below Baseline Expenditures



	2019A	2020A	2021B	2022B	2023F	2024F	2025F	2026F	2027F
CASH BALANCE $	$28	$33	$46	$45	$38	$33	$33	$37	$44
TARGET CASH BALANCE $	$21	$20	$25	$26	$27	$28	$29	$30	$31
% OF EXP	13%	16%	19%	18%	15%	13%	12%	14%	16%

Chart D as follows illustrates how the Combined General Fund financial position would look if the expenditure estimates are to be **1% greater than have been estimated in the baseline** forecast assuming revenues remain at the baseline. Under this assumption, the ending cash fund balance would change from 18% of total expenditures in 2022 (which on a CAFR fund balance basis exceeds the 17% reserve target) to only 1% of total expenditures in 2027.

D. 1% above Baseline Expenditures



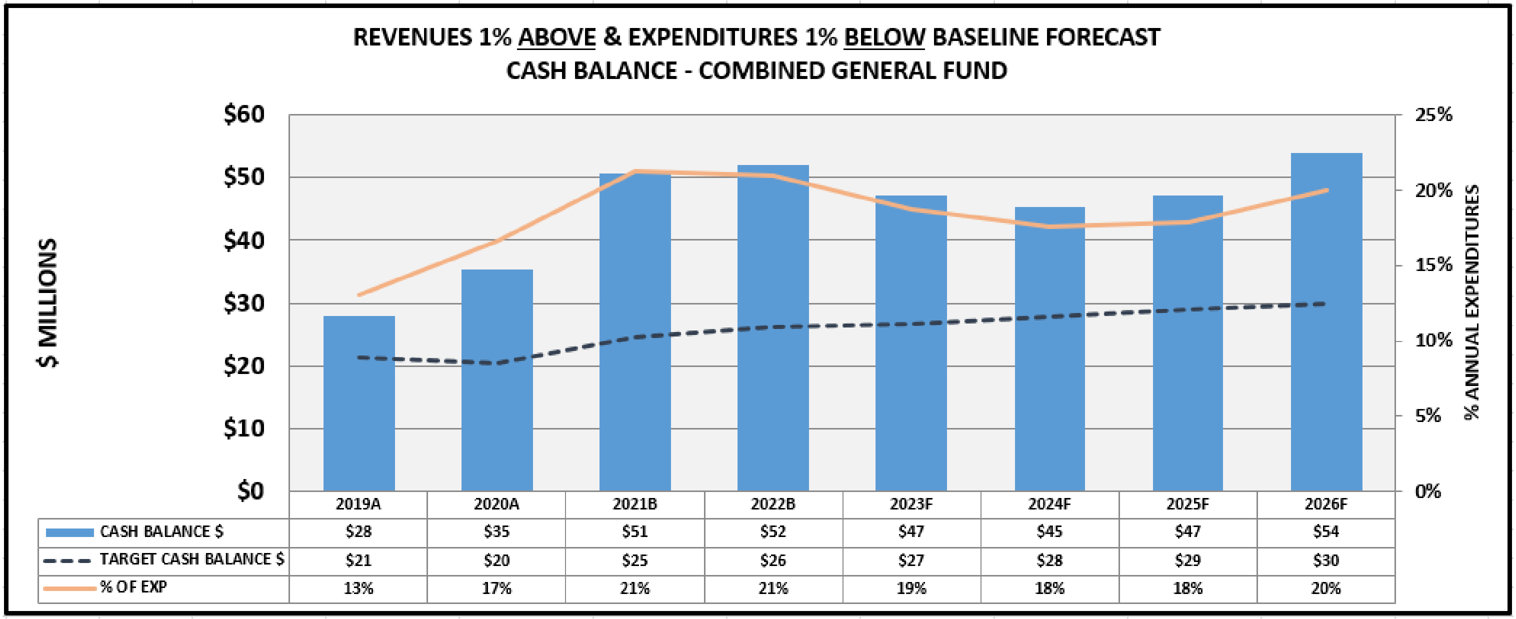
	2019A	2020A	2021B	2022B	2023F	2024F	2025F	2026F	2026F
CASH BALANCE $	$28	$29	$37	$31	$19	$9	$3	$2	$4
TARGET CASH BALANCE $	$21	$21	$25	$27	$28	$29	$30	$31	$32
% OF EXP	13%	14%	16%	12%	7%	4%	1%	1%	1%

Changes from Baseline - Combination of Revenue and Expenditures

Chart B+D as follows illustrates how the Combined General Fund financial position would look if the **revenue estimates are to be 1% greater than the baseline forecast, and expenditure estimates are 1% lower than estimated in the baseline forecast**. Under these assumptions, the ending cash fund balance would improve from 18% of total expenditures in 2022 (which on a CAFR fund balance basis exceeds the 17% reserve target) to 20% of total expenditures in 2027 and would exceed the minimum operating reserve target (refer to dotted line).

The assumptions in this chart on the following page illustrates that having discipline in our revenue collection efforts and operations can significantly improve our financial sustainability. Though Priority Based Budgeting (PBB), the Government is evaluating all its programs to determine which no longer match with the Commission's priorities or can be made more efficient, as well as identifying additional revenue sources. In January 2020, the Commission established the PBB objective of re-allocating 5% of the total governmental expenditures (or $15 million) by 2024. This objective was agreed upon before the COVID-19 pandemic hit the community, which has made this PBB objective even more challenging, but also more necessary.

B+D 1% above Baseline Revenues and 1% below Baseline Expenditures – 20% cash balance reserve in 2027



	2019A	2020A	2021B	2022B	2023F	2024F	2025F	2026F
CASH BALANCE $	$28	$35	$51	$52	$47	$45	$47	$54
TARGET CASH BALANCE $	$21	$20	$25	$26	$27	$28	$29	$30
% OF EXP	13%	17%	21%	21%	19%	18%	18%	20%

Forecasts are conducted to anticipate potential events before they occur so that policymakers can undertake discussions on how best to react and make plans to mitigate the negative impact to residents. The underlying reason for forecasts is because we fundamentally care about people; we seek to minimize harms such as job loss or homelessness when economic downturns occur. Although perfectly predicting the timing of an economic slowdown or catastrophic events is impossible, our residents benefit from having contingency plans as part of our charge to have a sustainable and resilient local government.

General Funds Revenues

REVENUE & OTHER SOURCES (*$s in 000s*)	EST 2022	2023	2024	2025	2026	2027
PROPERTY TAX	$72,736	$79,596	$84,829	$90,805	$96,654	$102,239
SALES & USE TAX	58,362	60,097	61,894	63,755	65,684	67,519
FRANCHISE TAX-ELECTRIC/WATER	32,555	33,023	33,498	33,980	34,469	34,965
FRANCHISE TAX-OTHER SERVICES	9,316	9,339	9,367	9,398	9,433	9,483
PERSONAL PROPERTY TAX	7,611	8,525	8,922	9,337	9,772	10,227
OTHER TAXES	6,032	6,171	6,302	6,405	6,509	6,615
DELINQUENT TAXES	2,477	2,106	2,163	2,221	2,281	2,343
OCCUPATIONAL TAX	2,000	2,066	2,134	2,205	2,277	2,352
IRB / TAX ABATEMENT FEES	1,278	1,306	1,332	1,352	1,371	1,391
SUBTOTAL: TAXES	$192,368	$202,229	$210,440	$219,458	$228,449	$237,132
CHARGES FOR SERVICES	15,111	15,742	16,402	17,085	17,803	18,558
FINES, FORFEITS, FEES	5,455	5,601	5,740	5,851	5,963	6,078
INTERGVTAL REVENUES	18,939	5,066	5,092	5,119	5,146	5,175
MISC. & INTEREST	4,398	4,503	4,602	4,678	4,754	4,833
REIMBURSEMENTS	2,795	3,045	3,226	3,418	3,620	3,801
PERMITS AND LICENSES	2,452	2,526	2,600	2,674	2,749	2,826
SUBTOTAL: NON-TAXES	$49,149	$36,482	$37,662	$38,824	$40,036	$41,269
TRANSFERS	2,337	2,400	2,459	2,507	2,555	2,605
TOTAL SOURCE OF FUNDS	$243,854	$241,111	$250,562	$260,788	$271,041	$281,006

REVENUE & OTHER SOURCES (*% change*)	2023	2024	2025	2026	2027
PROPERTY TAX	9.4%	6.6%	7.0%	6.4%	5.8%
SALES & USE TAX	3.0%	3.0%	3.0%	3.0%	2.8%
FRANCHISE TAX-ELECTRIC/WATER	1.4%	1.4%	1.4%	1.4%	1.4%
FRANCHISE TAX-OTHER SERVICES	0.3%	0.3%	0.3%	0.4%	0.5%
PERSONAL PROPERTY TAX	12.0%	4.7%	4.7%	4.7%	4.7%
OTHER TAXES	2.3%	2.1%	1.6%	1.6%	1.6%
DELINQUENT TAXES	-15.0%	2.7%	2.7%	2.7%	2.7%
OCCUPATIONAL TAX	3.3%	3.3%	3.3%	3.3%	3.3%
IRB / TAX ABATEMENT FEES	2.2%	2.0%	1.4%	1.4%	1.4%
SUBTOTAL: TAXES	5.1%	4.1%	4.3%	4.1%	3.8%
CHARGES FOR SERVICES	4.2%	4.2%	4.2%	4.2%	4.2%
FINES, FORFEITS, FEES	2.7%	2.5%	1.9%	1.9%	1.9%
INTERGVTAL REVENUES	-73.3%	0.5%	0.5%	0.5%	0.6%
MISC. & INTEREST	2.4%	2.2%	1.6%	1.6%	1.6%
REIMBURSEMENTS	8.9%	6.0%	5.9%	5.9%	5.0%
PERMITS AND LICENSES	3.0%	3.0%	2.8%	2.8%	2.8%
SUBTOTAL: NON-TAXES	-25.8%	3.2%	3.1%	3.1%	3.1%
TRANSFERS	2.7%	2.5%	1.9%	1.9%	1.9%
TOTAL SOURCE OF FUNDS	-1.1%	3.9%	4.1%	3.9%	3.7%

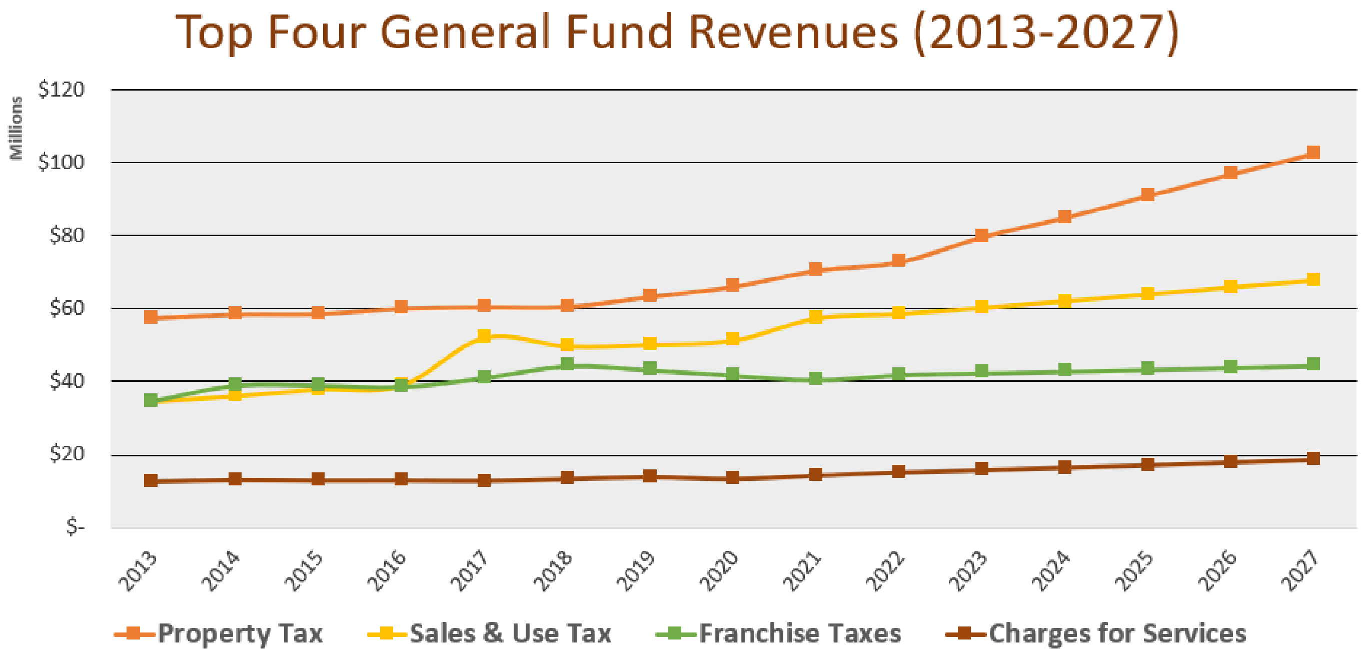
General Fund Forecast for 2023-2027 projects revenue changes ranging from a decline of (1.1%) to an increase of 4.1% on total revenues of $243.9 million in 2022. The economic drivers anticipate slower economic growth early in the forecast with recovery beginning in 2024 as the economy recovers from the pandemic and various economic development initiatives are completed. The first table as follows provides revenue estimates which include year-over-year increases for 2022 to 2027. The second table displays the growth projected for the General Fund revenue streams on a percentage change basis. Fiscal Year 2023 revenues are estimated to decline by $2.7 million or (1.1%) due to the large one-time increase in intergovernmental revenues from the American Rescue Plan Act (ARPA) revenue replacement provision deposited in 2022.

General Funds Revenue Baseline Forecast

Fiscal Years 2023 – 2027

Based on economic analysis, revenue estimates linked to the performance of the regional and local economy reflect modest increases in consumer spending impacted by the anticipated economic slowdown resulting from the pandemic. The upward trend of the General Fund tax revenue in 2023 through 2027 anticipate a moderate economic recovery. This Forecast assumes that the pandemic recession and fall-off in economically sensitive revenues occurred in 2020 and 2021. While it is not staff's intent to predict the exact timing of economic events, anticipated trends are included to inform policy makers of the anticipated cyclical event, so that actions can be taken to sustain the resilience of the organization's operations.

The graph as follows depicts a historical and projected view of the top four major General Fund revenues, constituting 82% of total 2023 revenues. It includes eight years of actual revenue history; the estimated revenue for budget years 2021 and 2022, as well as the projections for the subsequent five-years of the Forecast. The projections are based on current available data and application of annual average growth rates and economic factors. The following section is a discussion of these four revenue sources by category.

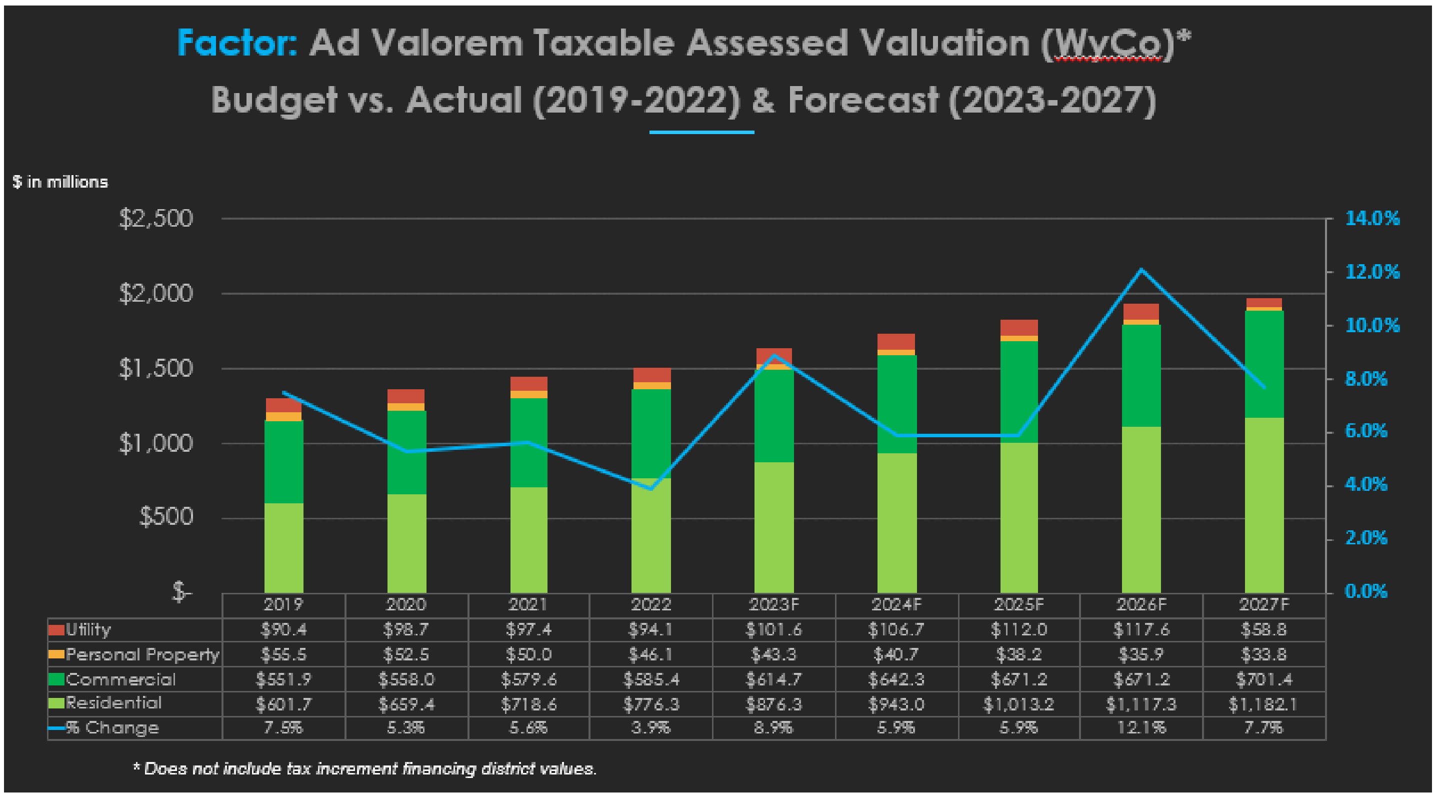


General Funds Property Tax

Property tax revenue is the largest revenue source for the Unified Government at 30% of total General Fund revenues in 2022. Its calculation includes three variables: ad valorem real estate assessed value, the mill levy rate and a discounting factor to reflect delinquent payments. Each factor is discussed in the following section.

Assessed Valuation

Since the end of the Great Recession of 2009 that drove homes and commercial business property values down, the value of real estate has modestly increased at an annual average rate of 2.7% between 2013 and 2019. Over this 7-year period, assessed valuation recovered to its pre-Great Recession high of $1.27 billion in 2009 to $1.299 billion in 2019. The lowest point was in 2012 at $1.078 billion.



	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
Utility	$90.4	$98.7	$97.4	$94.1	$101.6	$106.7	$112.0	$117.6	$58.8
Personal Property	$55.5	$52.5	$50.0	$46.1	$43.3	$40.7	$38.2	$35.9	$33.8
Commercial	$551.9	$558.0	$579.6	$585.4	$614.7	$642.3	$671.2	$671.2	$701.4
Residential	$601.7	$659.4	$718.6	$776.3	$876.3	$943.0	$1,013.2	$1,117.3	$1,182.1
% Change	7.5%	5.3%	5.6%	3.9%	8.9%	5.9%	5.9%	12.1%	7.7%

** Does not include tax increment financing district values.*

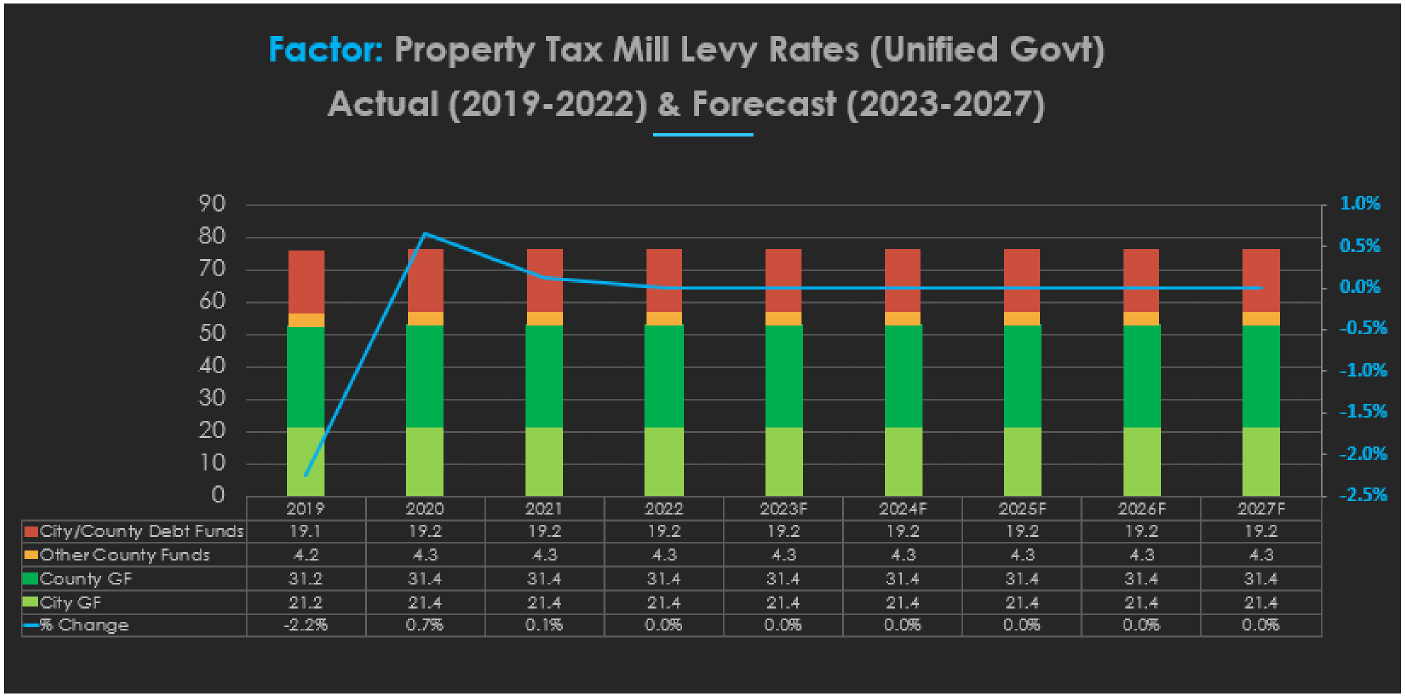
As the chart illustrates, 50% of total Wyandotte County assessed value is residential, 40% commercial, 3% of personal property, and 7% utilities in 2022. Residential assessed value calculation is at 11.5% of appraised/market value, and commercial values are calculated at 25% of appraised/market value. Personal property values are dropping annually an annual average of 5% due to prior legislation regarding machinery & equipment being removed from the tax rolls. Lower growth in 2018 was due to $10 M drop in utility property valuation due to reallocation of land value related to a company reorganization/ownership transfer. Higher overall value in 2019 due to utilities value rebounding to prior levels and a 10% increase in commercial property. The slower growth rate in 2020 value partially due to a reduction in commercial property value resulting from the Hollywood Casino tax appeal.

The assessed value forecast includes an average 6% annual increase in residential and 4.5% increase in commercial, offset by a 6% decrease in personal property values. It is anticipated that single family home real estate values will grow substantially. According to the UG Appraiser, median sales price on homes were up by double digits in some neighborhoods in 2021 (which is reflected in 2023 tax revenues). The Forecast includes a slower growth rate in 2024 and 2025 for both residential and commercial due to potential slowing in real estate market values due to COVID-19 related foreclosures or inventory sell-off should residents be affected by unemployment and experience an inability to keep up with mortgage payments.

Property Tax Mill Levies (All Unified Government Governmental Funds)

The second component in calculating property tax revenues is the mill levy rate adopted by the Commission. The chart below includes the City and County general and debt funds and County special mill levy funds for a total of 78-mills. For informational purposes, the table includes 17-mills for City debt service and 2-mills for County-debt service. Residents also pay another 75 to 100 mills to other govt jurisdictions, depending where they live, for government services provided by school districts, the community college, water drainage districts, library districts and others. On behalf of these districts, the County collects all the property taxes and distributes them five times a year to those governments to support their resident/student needs. To learn more on other jurisdictions, refer to the statistical table of the Comprehensive Annual Financial Report (CAFR) for 10-yrs of mill rates by district.

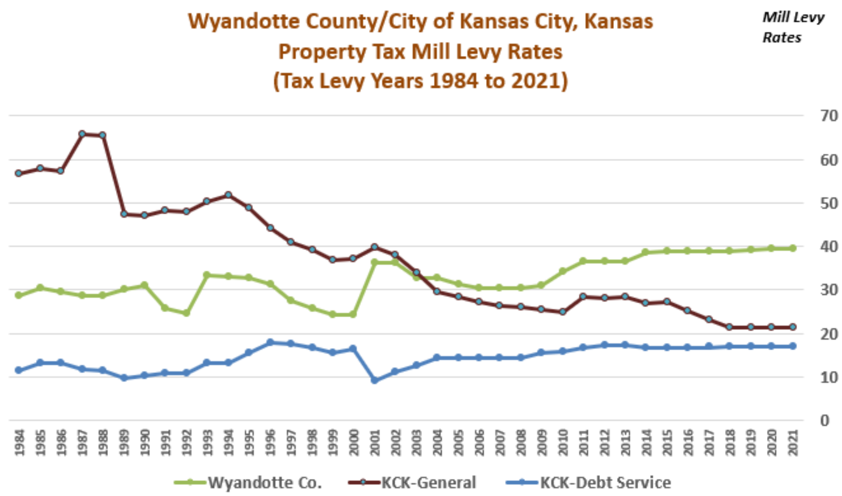
In the chart below, notice the 2-mill reduction in the City General Fund in 2017, 2018 and 2019, for a total of a 6-mill reduction. This equates to the Unified Government reducing its revenues by approximately $7 million per year. The mills have remained the same in 2020 thru 2022 with only slight changes in mill rates compared to 2019 due to adjustment in parcel values that take place between the June and October UG Clerk certifications. Baseline forecast for 2023-2027 assume no change in mill rates.



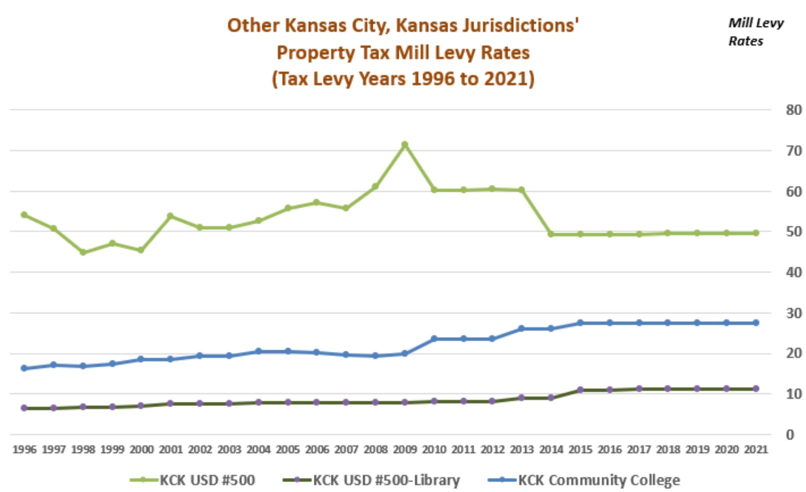
	2019	2020	2021	2022	2023F	2024F	2025F	2026F	2027F
City/County Debt Funds	19.1	19.2	19.2	19.2	19.2	19.2	19.2	19.2	19.2
Other County Funds	4.2	4.3	4.3	4.3	4.3	4.3	4.3	4.3	4.3
County GF	31.2	31.4	31.4	31.4	31.4	31.4	31.4	31.4	31.4
City GF	21.2	21.4	21.4	21.4	21.4	21.4	21.4	21.4	21.4
% Change	-2.2%	0.7%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

The next chart as follows illustrates UG property tax mill levy levels since 1984 for only the County and City. The top two lines are the mill levies supporting property tax revenues deposited to the City and County General Funds to meet operational demands of the Unified Government. The bottom line is the mill levy supporting general obligation debt service payments in the City Bond & Interest Fund.

The Adopted 2018 Tax Year 21.242 City General Fund mill levy rate (purple line), for the 2019 Budget, was at its lowest point over this 35-year period, following a 6-mill reduction over a three-year period beginning in 2016. For 2020 Budget the mill levy was ranked 15th out of 25 Kansas 1st Class Cities category. The County General Fund 39.011 mill levy rate (green line) for the 2019 Budget was at its highest point historically. For 2020 Budget the mill levy was ranked 95th out of the 105 Kansas counties.

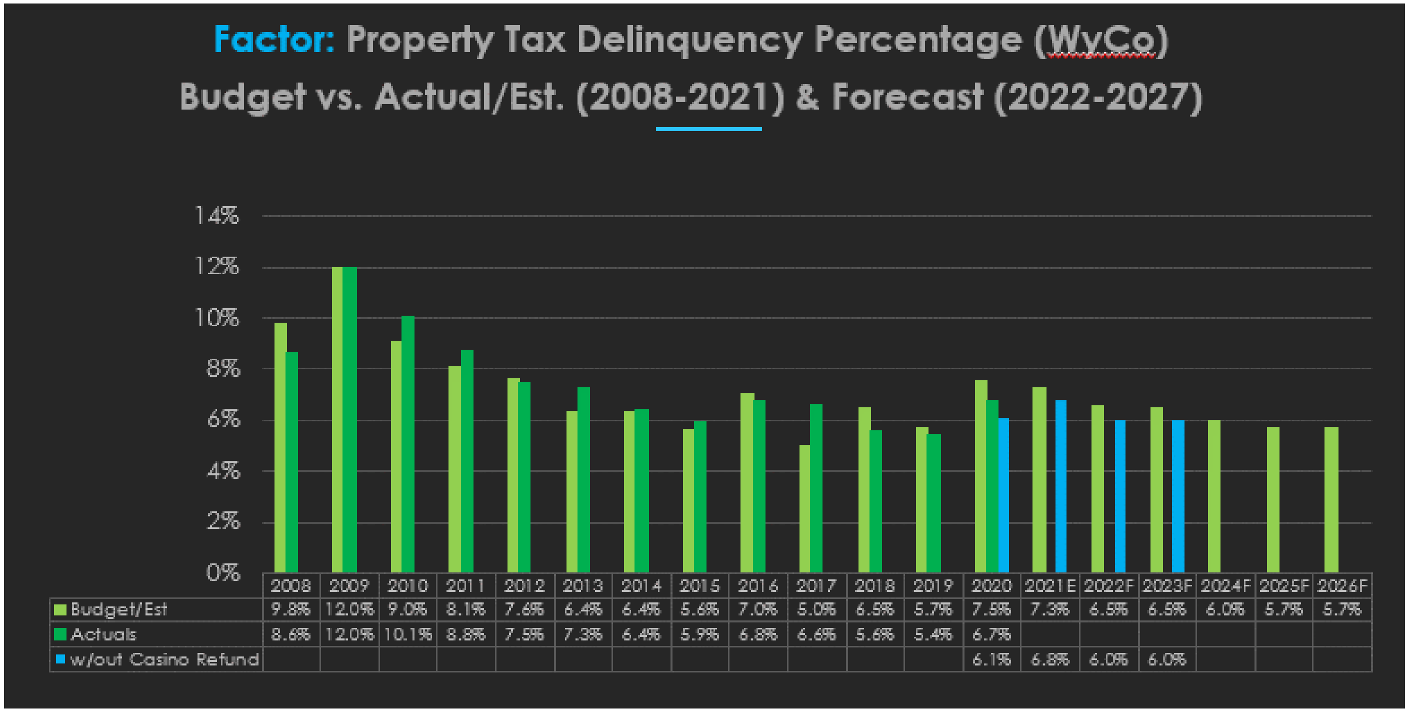


The second chart below shows the historical mill rates levied by other jurisdictions within Kansas City, Kansas. The rates are approved by the USD #500 school district board and Kansas City, Kansas Community College. The UG is responsible for collecting these revenues on their behalf and distributing the revenues to them. Since 2014 these rates have remained generally the same. There are other mill levies for drainage districts and other purposes that vary depending on where residents live.



Property Tax Delinquency Factor

The third factor is the level on delinquent collections for the given budget year's property tax bills. It is the percent of property owners' tax bill that is unpaid for that given budget year. Below is a chart illustrating since 2008 the property tax delinquency rate. We show both the amount the UG estimated as part of the budget process, as well as the actual amount of delinquency that occurred. Highest delinquency collection rate was at 12% in 2009 during the house market meltdown of the great recession, which has progressively dropped over the decade to 5.4% in 2019.



Budgeted delinquency rates in 2017-2021 were estimated higher than the actual, due to successful collection efforts, such as:

- pursuing collections via three tax sales per year of all properties that are over 3 years delinquent,
- more focused efforts in tax collection by the Delinquent Real Estate Division,
- requiring current year taxes be brought current before entering payment plan for past year delinquency,
- a vacancy registry for mortgage foreclosed properties that reduces the time from delinquency from three years to one year,

- pursuing all parcels more than three years delinquent, not just those with the highest amount of revenue owed,
- coordinating directly with UG departments to ensure that they are being accurately tracked and placed into the tax sale,
- ensuring accurate and precise delivery of notice to all parcels going into the tax sale process, and
- ensuring those seeking payment plans make the required payments or are put back in the next tax sale per State Statute.

Beginning in 2020, approximately $650,000 per year is being refunded by the Unified Government back to Hollywood Casino as a result of the property tax appeal settlement. These refunds are scheduled for 2020, 2021, 2022, and 2023. The last line on the chart reflects the delinquency rate if these Hollywood Casino refunds were not being made. The chart includes an estimated increase in delinquencies in 2021 at 7.3% due to the COVID-19 pandemics impact, as residents and businesses are assumed may be having difficulty keeping up payments after job losses and business closures. After 2021 the delinquency rates gradually reduce as the economy is assumed to stabilize after the pandemic.

Prior Year Actual and Budgeted Estimates for Property Tax Revenue

The table below details the amount of property taxes that have been collected and deposited in the three UG General Funds over the past eight years, and an estimated amount for 2021 and 2022. Property tax revenues stayed relatively flat in 2017 and 2018 due to a 2-mill reduction in each of those two years (for a total of 4 mills in 2018 compared with 2016). Revenues increased by $2.7 million in 2019 despite another 2-mill reduction in the City General Fund due to strong growth in assessed value and lower delinquencies. Collections in 2021 thru 2022 include the same level of mill levies as in 2019 and 2020 yet increase by 6.6% and 3.3% respectively. This increase in 2021 is due to strong assessed value growth, offset by higher delinquencies caused by the pandemic and the absence of $650,000 in revenue in each year that was refunded to Hollywood Casino due to the tax appeal settlement. The lower growth rate for 2023 is a result of a very low 1% growth rate in commercial properties that were greatly affected by the 2020 pandemic. This low rate is offset by strong growth in residential property values in 2022.

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	57,493,825	58,487,765	58,605,683	60,118,941	60,506,630	60,615,395	63,336,918	66,053,200	70,437,084	72,736,407
Percent Change %		1.7%	0.2%	2.6%	0.6%	0.2%	4.5%	4.3%	6.6%	3.3%
Changes $$		$ 993,940	$ 117,918	$1,513,258	$ 387,689	$ 108,765	$ 2,721,523	$ 2,716,282	$ 4,383,884	$ 2,299,323
General Funds Mill Rates	59.547	59.893	59.500	59.506	57.506	55.636	53.820	54.177	54.176	54.269

In the Forecast period, property tax revenue is projected to increase over the Forecast period, by a 9.4% increase in 2023, 6.6% in 2024, 7.0% in 2025, 6.4% in 2026 and 5.8% in 2027. The Forecast assumes the property tax mill levies will remain flat during the Forecast period. These 2022 and 2023 estimates include the continued loss of revenue due to the refund resulting from the Hollywood Casino tax appeal, one of the County's largest property taxpayers. The increase in the growth rate in 2023 is based on the assumption that commercial property values will rebound from the pandemic and residential growth will remain strong. The subsequent increases anticipated completion of various economic development projects currently being undertaken.

General Funds Sales and Compensating Use Tax

Sales and use tax revenue is the second largest revenue source constituting 24% of total 2021 General Fund revenues. The tables below display over the past ten years revenue data for sales and compensating use tax separately. The average annual percentage growth of sales and use tax revenue over the period between 2013 and 2022 was 6.4%; but, excluding the influx of STAR bond revenue in 2017 results in an average annual increase in revenue of only 4.0%. At the end of 2016, the Unified Government paid off the STAR Bonds issued to construct public improvements related to the Legends shopping area and as a result beginning in 2017 the sales and use tax revenue generated by the shopping area were then available to deposit in the Unified Government's operating accounts to support a variety of operating needs and one time capital projects.

The decline/stall in 2018 sales tax was due to an unanticipated downturn in retail sales receipts activity beginning in mid-2018 and continuing into 2019. The decline in 2020 of (1.1%) was due to the closure of businesses during the shelter-in-place period in the spring of 2020 and continued slowdown of retail activity due to the COVID-10 pandemic, although this decline was not as bad as was anticipated because grocery store and home improvement sales were up during this same time. A 10.5% growth rate is assumed for 2021 based on year-to-date receipts. The 2022 budgeted estimate shows an increase of only 1.8% because it was developed in mid-2021 before the full growth rate of receipts in 2021 was revealed.

General Fund Sales Tax Revenue

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	27,299,656	28,596,850	29,562,852	29,793,103	41,810,279	41,297,813	41,822,570	41,358,047	45,697,172	46,540,988
Percent Change %		4.8%	3.4%	0.8%	40.3%	-1.2%	1.3%	-1.1%	10.5%	1.8%
Percent Change % without STAR revenues in begin in 2017		4.8%	3.4%	0.8%	5.6%	3.4%	6.8%	-3.7%	18.8%	-1.6%
Changes $$		1,297,194	966,002	230,251	12,017,175	(512,466)	524,757	(464,523)	4,339,125	843,816

Sales tax revenues for the City and County General Funds were estimated in the Amended 2020 Budget to only be $33.4 million, yet collections to date were $41.3 million. Due to the COVID-19 pandemic the Amended 2020 sales tax revenue estimate was set at a (20%) reduction compared with 2019 actuals yet based on actual 2020 collections the decline was only (1.1%). This additional revenue in 2020 compared to its budgeted estimate of $7.9 million coincides similarly to the level of fund balance reserves that were budgeted to be utilized to continue operations without causing disruptions, such as employee layoffs. This unanticipated influx in sales tax revenue in 2020 ensured that the General Fund retain its cash balances for unanticipated events in 2022 and beyond.

During the forecast period an average growth rate of 2.7% is used for sales tax revenue based on conservative views of changing consumer patterns. This projection is based on prior year average growth rate of 3.3% of county-wide retail sales receipts, then discounted to reflect the fact that the $9.6 million received in previous STAR bond revenue from the Legends shopping area is capped per various bond documents.

Compensating use tax is difficult to estimate due to one-time taxes paid by companies purchasing equipment and materials for their growth needs, and the progressively increasing shift of consumer activities from "brick-and-mortar" stores to online retail sales. As the following table details, compensating use tax revenue grew by $1.045 million in 2017 with the significant one-time acquisition of robotic and other equipment for the new Amazon Fulfillment Center. The same use taxes paid by Amazon in 2017 was refunded back to the company in January 2018 in conformance with the development agreement's IRB use tax waiver provisions, partially contributing to a decline in collections in 2018 of $1.875 million. For 2020 and 2021, compensating use tax collections increased by 20% in 2020 and 17% in 2021 as consumers were purchasing products online due to the pandemic.

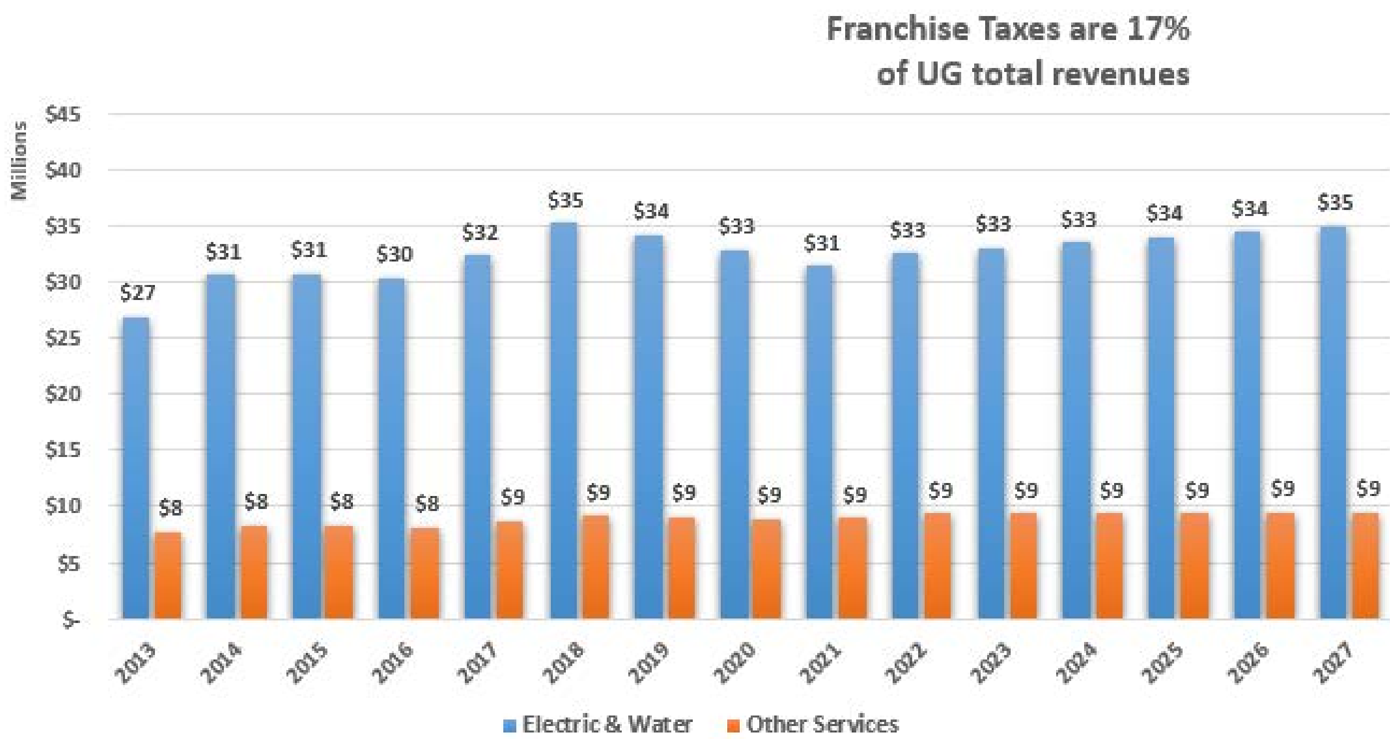
General Fund Compensating Use Tax Revenue

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	7,530,005	7,169,401	8,310,253	9,098,723	10,144,065	8,268,999	8,168,081	9,805,679	11,477,000	11,821,310
Percent Change %		-4.8%	15.9%	9.5%	11.5%	-18.5%	-1.2%	20.0%	17.0%	3.0%
Changes $$		$ (360,604)	$ 1,140,852	$ 788,470	$ 1,045,342	$ (1,875,067)	$ (100,918)	$ 1,637,598	$ 1,671,321	$ 344,310

During the forecast period an average growth rate of 4.3% is used for use tax revenue based on conservative view of changing consumer patterns.

Franchise Taxes and PILOT

Franchise tax revenue is the third largest revenue source at $41.9 million constituting 17% of total 2022 General Fund revenues. The average annual percentage growth of franchise tax revenue over the period between 2013 and 2022 was 1.9%. Most of the franchise tax is from the rate percentages used to calculate the franchise tax payments made by the Board of Public Utilities (BPU), of which many refer to as the "payment in lieu of tax" (PILOT). The current PILOT is 11.9% of BPU electric and water utilities gross revenues. A 1% change in the electric and water utilities franchise tax percentage represents approximately $3.0 million in revenue. Franchise taxes are also collected on the UG's sewer system, and private sector firms providing video services, gas, cable television and telephone.



Increases in 2017 and 2018 for the BPU electric PILOT were due to an increase in their electric rates to fund required capital infrastructure for their power plant and distribution systems. The 4% drop in 2019 is attributed to reductions in electric consumption levels in industry and commercial classifications. These consumption levels are anticipated to continue to drop in 2020 and 2021 related to the COVID-19 pandemic.

Franchise Tax Revenue related to BPU Electric Services (PILOT)

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	22,303,266	25,604,768	25,548,596	25,192,764	27,120,969	29,837,155	28,907,124	27,480,882	26,000,000	27,040,000
Percent Change %		14.8%	-0.2%	-1.4%	7.7%	10.0%	-3.1%	-4.9%	-5.4%	4.0%
Changes $$		$ 3,301,502	$ (56,172)	$ (355,832)	$ 1,928,205	$ 2,716,185	$ (930,031)	$ (1,426,242)	$ (1,480,882)	$ 1,040,000

Franchise Tax Revenue related to Water Services (PILOT)

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	4,576,387	5,043,086	5,151,661	5,210,196	5,282,262	5,386,570	5,301,942	5,400,705	5,460,000	5,514,600
Percent Change %		10.2%	2.2%	1.1%	1.4%	2.0%	-1.6%	1.9%	1.1%	1.0%
Changes $$		$ 466,699	$ 108,575	$ 58,535	$ 72,067	$ 104,307	$ (84,628)	$ 98,763	$ 59,295	$ 54,600

Franchise Tax Revenue related to UG Sewer Services (PILOT)

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	3,716,327	4,023,392	4,360,174	4,719,704	5,062,765	5,198,979	5,286,802	5,349,097	5,470,000	5,523,000
Percent Change %		8.3%	8.4%	8.2%	7.3%	2.7%	1.7%	1.2%	2.3%	1.0%
Changes $$		$ 307,065	$ 336,782	$ 359,530	$ 343,062	$ 136,214	$ 87,823	$ 62,295	$ 120,903	$ 53,000

The average growth rate in the future five years for franchise taxes from BPU electric and water services is 1.4% consistent with BPU gross revenue patterns, and for the UG Sewer System it is 3% due to expected sewer system rate increases to cover the capital costs related to the EPA consent decree. Other services charged a franchise tax include companies providing services in video, telephone, gas and telephone and their average growth rate is varies with the services provided with telephone and cable trending down by (2%-10%) annually. Gas and video services are expected to growth annually in the 2%-3% range.

General Funds Charges for Services

Charges for services revenue is the fourth largest revenue source at $15.1 million constituting 6% of total 2022 General Fund revenues. User fees are charged to fund services that either the City provides or contracts with outside agencies to provide. Fees can be charged for services that are provided to all residents and businesses or could be charged only to a specific user group. This also includes non-residents that are using the services. Charges and fees reduce the need for additional tax revenues and should be used to offset the cost of providing that service. For example, the City charges a monthly trash/recycling fee that is used to pay for trash pickup. Fees are also charged for recreational activities provided by the Parks and Recreation Department.

The following tables display the historic charges for services collections over the past ten years. The first table includes total charges for services in the General Fund, followed by detailed information of several of the larger fee sources. In jail fees category (charges by the Sheriff's Office to the Kansas City, Kansas Police Department) you will find revenues in 2020 dropped 50% due to the COVID pandemic impacting law enforcement efforts, which this reduced level continues in 2021. Planning and building fees for 2021 were increased by 22% due to year-to-date collections.

Total General Fund Charges for Services

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	12,626,784	13,049,760	12,898,947	12,922,898	12,809,286	13,295,764	13,815,597	13,309,704	14,261,800	15,111,175
Percent Change %		3.3%	-1.2%	0.2%	-0.9%	3.8%	3.9%	-3.7%	7.2%	6.0%
Changes $$		$ 422,976	$ (150,813)	$ 23,951	$ (113,612)	$ 486,477	$ 519,833	$ (505,893)	$ 952,096	$ 849,375

Residential Trash Charges for Services

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	6,882,682	7,623,232	7,839,881	7,910,822	7,954,614	8,101,885	8,058,023	8,295,632	8,600,000	8,816,125
Percent Change %		10.8%	2.8%	0.9%	0.6%	1.9%	-0.5%	2.9%	3.7%	2.5%
Changes $$		$ 740,550	$ 216,649	$ 70,941	$ 43,792	$ 147,271	$ (43,862)	$ 237,609	$ 304,368	$ 216,125

Jail Fees

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	1,825,496	1,586,056	1,422,200	947,917	1,335,672	1,439,550	1,739,416	871,842	705,000	1,407,000
Percent Change %		-13.1%	-10.3%	-33.3%	40.9%	7.8%	20.8%	-49.9%	-19.1%	99.6%
Changes $$		$ (239,440)	$ (163,856)	$ (474,283)	$ 387,755	$ 103,878	$ 299,866	$ (867,574)	$ (166,842)	$ 702,000

Planning and Building Inspection Charges for Services

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e
Revenue	1,575,725	1,272,301	1,213,179	1,823,639	1,448,496	1,588,800	1,836,907	1,989,046	2,425,000	2,227,000
Percent Change %		-19.3%	-4.6%	50.3%	-20.6%	9.7%	15.6%	8.3%	21.9%	-8.2%
Changes $$		$ (303,424)	$ (59,122)	$ 610,460	$ (375,143)	$ 140,304	$ 248,107	$ 152,139	$ 435,954	$ (198,000)

The past performance and economic assumptions generally form the basis to project the specific revenue source's future performance. The average growth rate in the future five years for total charges for services is 4.2%. Residential trash charges for services future revenue is forecast to increase by 3% correlated to historic increases in residential trash collection costs. Jail fees future revenue is forecast to increase by 2.2% correlated to historic increases in inmate housing costs. Planning and building inspection fees future revenue is forecast to increase by 6.7% correlated to historic increases in the value of new construction in the community.

General Funds Expenditures

General Fund Forecast for 2023-2027 projects expenditure increases ranging from 1.4% to 2.6%, on total 2022 expenditures of $247 million. The first table as follows provides expenditure estimates which include year-over-year increases for the future five years. The second table displays the steady growth projected for General Fund expenditures. Fiscal Year 2023 expenditures are estimated to modestly increase by $3.5 million or 1.4% due to resumption in 2022 to prior budgeted levels for personnel and cash-funded capital projects and equipment (capital outlay).

General Funds Expenditure Baseline Forecast

Fiscal Year 2023-2027

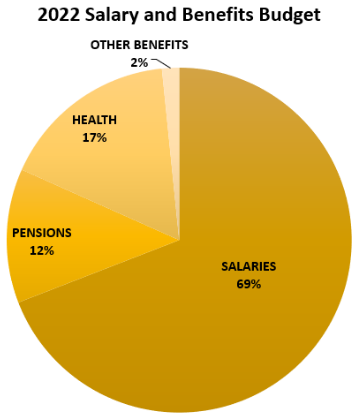
EXPENDITURES & OTHER USES *($s in 000s)*	EST 2022	2023	2024	2025	2026	2027
SALARY	$122,891	$127,637	$131,916	$134,994	$138,144	$141,367
BENEFITS	51,595	51,004	54,086	55,891	58,917	60,463
LEAVE BENEFIT PAYOUTS	2,045	2,687	2,324	2,206	1,896	1,896
KP&F SPECIAL PAYMENTS	1,291	1,537	1,444	1,517	1,145	1,145
SUBTOTAL: SALARY & BENEFITS	$177,823	$182,866	$189,770	$194,608	$200,101	$204,870
SERVICES	45,625	40,913	42,057	43,105	44,189	45,308
SUPPLIES & MATERIALS	6,052	5,672	5,793	5,895	5,998	6,104
GRANTS & CLAIMS	7,219	6,136	6,222	6,309	6,398	6,487
CAPITAL OUTLAY	6,309	11,927	10,253	10,756	9,798	10,172
DEBT SERVICE	516	638	639	638	641	638
SUBTOTAL: OTHER OPERATING EXPENDITURES	$65,721	$65,287	$64,964	$66,703	$67,024	$68,709
TRANSFERS / OTHER	3,865	2,729	2,729	2,729	2,729	2,729
TOTAL USES OF FUNDS	$247,409	$250,882	$257,463	$264,040	$269,854	$276,309

EXPENDITURES & OTHER USES *($s in 000s)*	2023	2024	2025	2026	2027
SALARY	3.9%	3.4%	2.3%	2.3%	2.3%
BENEFITS	-1.1%	6.0%	3.3%	5.4%	2.6%
LEAVE BENEFIT PAYOUTS	31.4%	-13.5%	-5.1%	-14.1%	0%
KP&F SPECIAL PAYMENTS	19.0%	-6.0%	5.0%	-24.5%	0%
SUBTOTAL: SALARY & BENEFITS	2.8%	3.8%	2.5%	2.8%	2.4%
SERVICES	-10.3%	2.8%	2.5%	2.5%	2.5%
SUPPLIES & MATERIALS	-6.3%	2.1%	1.8%	1.8%	1.8%
GRANTS & CLAIMS	-15.0%	1.4%	1.4%	1.4%	1.4%
CAPITAL OUTLAY	89.1%	-14.0%	4.9%	-8.9%	3.8%
DEBT SERVICE	23.6%	0.1%	-0.1%	0.5%	-0.5%
SUBTOTAL: OTHER OPERATING EXPENDITURES	-0.7%	-0.5%	2.7%	0.5%	2.5%
TRANSFERS / OTHER	-29.4%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	1.4%	2.6%	2.6%	2.2%	2.4%

General Funds Salary & Benefits

The table above depicts the salaries and benefit costs for the next six years. Total General Fund salary and benefits increase from $177.8 million in 2022 to $204.9 million in 2027. In 2022, salary and benefits costs represent 72% of the expenditure budget and grows to 74% by 2027.

The tables below detail total combined personnel costs for the General Fund, followed by two tables with salaries and then benefits separately presented. The prior ten-year annual average growth of salary and benefits costs was 2.8%.



Over the Forecast period, salary and benefits costs remain relatively constant on a proportional basis in comparison to other operating expenditures. The five-year growth rate is 2.9% reflecting expected increases in the employer contributions for pensions and while anticipating slightly lower health care cost contributions due to design plan changes. The Forecast period includes a moderate cost of living adjustment for all labor groups and no additional FTE beginning in 2023. Leave benefit payouts and KP&F special payments associated with *expected* retirements are one-time expenses and are expected to drop-off in the years following 2025.

Benefit costs vary due to one-time KP&F special payments to the employees *expected* to retire, on-going increases in employer contributions to both KPERS and KP&F pensions attributed to retirement pay-outs, and on-going estimated annual increases of 5.75% in general health care costs. Pension and health benefit employer contributions are based as a percentage of on-going salary costs; thus, as lower salaries replace retired employee positions, overall benefit costs also decline on a relative basis.

Total General Fund Salaries and Benefits

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 139,438,665	$ 146,109,684	$ 141,659,012	$ 143,636,568	$ 148,228,265	$ 153,756,265	$ 156,758,623	$ 154,072,913	$ 167,099,027	$ 177,822,863
Percent Change %		4.8%	-3.0%	1.4%	3.2%	3.7%	2.0%	-1.7%	8.5%	6.4%
Changes $$		$ 6,671,019	$ (4,450,672)	$ 1,977,556	$ 4,591,698	$ 5,528,000	$ 3,002,358	$ (2,685,710)	$ 13,026,114	$ 10,723,836

The General Fund's salary and wages costs include actual rate of pay by position in accordance with the applicable labor contract between the UG and its labor groups. Additionally, a line for the number of budgeted FTE has been added for more information.

General Fund Salaries and Wages

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 102,938,749	$ 104,447,938	$ 104,940,979	$ 105,233,031	$ 107,898,117	$ 112,536,941	$ 115,791,823	$ 110,595,088	$ 115,367,881	$ 122,891,465
Percent Change %		1.5%	0.5%	0.3%	2.5%	4.3%	2.9%	-4.5%	4.3%	6.5%
Changes $$		$ 1,509,189	$ 493,041	$ 292,052	$ 2,665,086	$ 4,638,824	$ 3,254,882	$ (5,196,735)	$ 4,772,793	$ 7,523,583
Budgeted Positions	1,738	1,755	1,767	1,804	1,773	1,765	1,760	1,772	1,765	1,799

Employee benefits primarily include pensions, healthcare, workers' compensation and unemployment insurance. Pension and health care benefits comprise of 95% of total benefit costs in 2022, amounting to $25 million for employer contributions to the retirement systems and $28 million in health benefit employer contributions. Prior ten-year annual average growth of benefits costs was 5.0%.

General Fund Employee Benefits

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 36,499,916	$ 41,661,746	$ 36,718,033	$ 38,403,537	$ 40,330,148	$ 41,219,325	$ 40,966,800	$ 43,477,825	$ 51,731,145	$ 54,931,398
Percent Change %		14.1%	-11.9%	4.6%	5.0%	2.2%	-0.6%	6.1%	19.0%	6.2%
Changes $$		$ 5,161,830	$ (4,943,713)	$ 1,685,504	$ 1,926,611	$ 889,176	$ (252,525)	$ 2,511,025	$ 8,253,320	$ 3,200,253

General Funds Services

Services expenditures is the second largest cost category of the General Fund totaling $45.6 million in 2022 or 18% of total expenditures. This category includes residential waste (trash), the Kansas City Area Transportation Authority (ATA) contract, inmate medical contract, inmate housing, jail food and transportation, demolition, rents and leases, repair and maintenance, property and general liability insurance premiums, telephone, outside legal costs, counsel/guardian ad litem, and other professional and contractual services.

General Fund Services Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 28,371,296	$ 27,922,519	$ 28,678,536	$ 32,859,175	$ 31,011,737	$ 33,081,428	$ 36,222,275	$ 34,734,215	$ 48,543,367	$ 45,624,693
Percent Change %		-1.6%	2.7%	14.6%	-5.6%	6.7%	9.5%	-4.1%	39.8%	-6.0%
Changes $$		$ (448,777)	$ 756,017	$ 4,180,639	$ (1,847,438)	$ 2,069,691	$ 3,140,847	$ (1,488,060)	$ 13,809,152	$ (2,918,674)

Forecast assumptions vary per the respective cost category and, in most cases, are based on statistical correlation with the cost driver being statistical correlated to the cost category. Correlation is a statistical technique that can show whether and how strongly pairs of variables are related. A correlation is a single number that describes the degree of relationship between two variables, with the closer the correlation calculation approaches 1.0 the more correlated are the two variables.

Services increased an average annual rate of 6.2% over the ten-year period. There were notable increases in 2018 and 2019 for inmate contract bed, inmate food costs, residential waste collection contract costs, and cost increases in other services. The increase in 2019 is due to increases in rents and software leases related to the Police Department's body cameras, upgrades to the Neighborhood Resource Center permitting software and enhancement to the UG-wide Microsoft operating system contract.

Residential Trash Contract Services Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 5,463,117	$ 5,279,711	$ 6,079,157	$ 6,244,160	$ 6,478,461	$ 6,477,000	$ 6,750,000	$ 7,250,000	$ 7,555,000	$ 7,797,000
Percent Change %		-3.4%	15.1%	2.7%	3.8%	0.0%	4.2%	7.4%	4.2%	3.2%
Changes $$		$ (183,406)	$ 799,446	$ 165,003	$ 234,301	$ (1,461)	$ 273,000	$ 500,000	$ 305,000	$ 242,000

Residential waste (trash) 2022 contract costs of $7.8 million (along with related costs in other cost categories) are offset by trash services revenues of $10.0 million which also covers landfill maintenance and other costs in the Environmental Trust Fund. Residential waste management services increased an average annual rate of 4.1% over the ten-year period. For the Forecast, residential waste (trash) contract costs strongly correlate to population and inflationary growth rates combined of 3%.

Area Transit Authority (ATA) Contract Services Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 2,198,271	$ 2,447,137	$ 2,711,325	$ 2,991,742	$ 3,309,973	$ 3,350,037	$ 3,664,864	$ 3,649,676	$ 2,686,163	$ 3,338,190
Percent Change %		11.3%	10.8%	10.3%	10.6%	1.2%	9.4%	-0.4%	-26.4%	24.3%
Changes $$		$ 248,866	$ 264,188	$ 280,417	$ 318,231	$ 40,064	$ 314,827	$ (15,188)	$ (963,513)	$ 652,027

ATA contract costs in 2022 are anticipated to be around $3.3 million being partially offset by an anticipated grants and passenger fare revenue. ATA transit contract services increased an average annual rate of 5.7% over the ten-year period. For the Forecast, the ATA contract cost assumption is 3% annually with the assumption of no changes in routes or loss of grant funding.

Inmate Contract Beds and Medical Contract Services Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 6,351,028	$ 6,769,558	$ 5,872,111	$ 5,984,786	$ 5,553,057	$ 4,213,991	$ 4,737,060	$ 5,358,803	$ 5,676,635	$ 6,134,445
Percent Change %		6.6%	-13.3%	1.9%	-7.2%	-24.1%	12.4%	13.1%	5.9%	8.1%
Changes $$		$ 418,530	$ (897,447)	$ 112,675	$ (431,729)	$ (1,339,066)	$ 523,069	$ 621,743	$ 317,832	$ 457,810

Inmate housing, medical and related jail contract costs of $6.1 million in 2022. These services increased an average annual rate of 0.4% over the ten-year period. Inmate housing and food services cost assumptions are a combination of factors, as the UG transitions away from paying for private sector jail beds to housing inmates in existing adult jail and the new juvenile justice center facilities. For the Forecast, the assumption includes increases for food costs while maintaining constant the amounts paid out in contracted private sector inmate beds. Associated personnel cost increases related to increased jail security needs in existing facilities are reflected in the salary and cost category. Medical inmate contracted costs are forecasted to increase annually over the forecast period by 5.8%, based on the annual rate of medical-related inflation.

Demolition and clearance total budget for 2022 is maintained at $630,000. The Forecast inflates these costs by 4.0% which is the median household income growth rate of which it strongly correlates. Due to their strong correlation, contractual services, rent/lease costs and repair and maintenance cost assumptions are based on the historic percentage changes in assessed valuation, or around 2% annually. The other professional services cost assumption is 1.5% annually. The cost categories for other services and our strongly correlates to inflation, estimated at an annual growth rate of 2%.

General Funds Supplies and Materials

Supplies and materials expenditures of the General Fund total $6.0 million in 2022 or 2.4% of total expenditures. This category includes gasoline and fuel, utilities, clothing, maintenance and construction materials (not included in capital outlay), vehicle parts, office equipment, custodial materials, ammunition and other supplies.

General Fund Supplies and Materials Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 5,737,280	$ 5,333,107	$ 5,389,279	$ 5,496,153	$ 5,989,723	$ 6,482,110	$ 7,074,480	$ 5,898,664	$ 6,708,429	$ 6,052,074
Percent Change %		-7.0%	1.1%	2.0%	9.0%	8.2%	9.1%	-16.6%	13.7%	-9.8%
Changes $$		$ (404,173)	$ 56,172	$ 106,874	$ 493,569	$ 492,387	$ 592,370	$ (1,175,816)	$ 809,765	$ (656,355)

Gasoline and fuel costs have increased over the past few years due to increasing market rates, from $1.1 million in 2016 down to $1.4 million in 2022. The Forecast retains a $1.4 million funding level for this cost category due to year over year price volatility in this cost category and recent increases in gasoline and fuel costs. Utility costs strongly correlates to BPU kilowatt data is projected to increase at 2.4%. All other supplies and materials cost categories strongly correlate inflation of 1.5%.

General Funds Grants & Claims

Grants and claims expenditures of the General Fund total $7.2 million in 2022 or 2.9% of total expenditures. In 2022, this category includes a City General Fund intra-fund contribution to the Consolidated Parks and Recreation (General) Fund of $4.1 million, grants totaling $1.2 million, claims and judgments estimate of $850,000, and taxes that are remitted, rebated and/or refunded totaling $500,000. The grants and claims costs correlate with inflation, or 2% annually. The City General Fund intra-fund contribution (cost) to the Consolidated Parks and Recreation (General) Fund of $4.1 million is offset by a corresponding revenue in the Consolidated Parks and Recreation (General) Fund.

General Fund Grants & Claims Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 4,786,522	$ 4,510,754	$ 4,637,155	$ 5,062,754	$ 6,585,722	$ 5,721,590	$ 5,414,106	$ 5,600,654	$ 6,588,749	$ 7,219,093
Percent Change %		-5.8%	2.8%	9.2%	30.1%	-13.1%	-5.4%	3.4%	17.6%	9.6%
Changes $$		$ (275,768)	$ 126,401	$ 425,599	$ 1,522,968	$ (864,132)	$ (307,484)	$ 186,548	$ 988,095	$ 630,344

General Funds Cash-Funded Capital Projects and Equipment

Cash-Funded Capital Projects and Equipment (or capital outlay) expenditures total $6.3 million in 2022 or 2.5% of total expenditures. Capital outlay expenditures are those capital projects and equipment paid from the “cash” category in the Capital and Maintenance Improvement Program (CMIP). Of the total in 2022, $3.9 million is dedicated to equipment and machinery. The remaining $2.4 million is dedicated to public building improvements, design and engineering, bridge and park improvements, parking lot improvements and capital project contingencies. Capital outlay for 2020 was reduced due to the COVID-19 pandemic but was augmented in 2021 and 2022 to address deferred improvements and equipment acquisition needs.

General Fund Cash-Funded Capital Projects and Equipment Expenditures

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022b
Expenditure	$ 3,324,406	$ 2,888,734	$ 4,687,800	$ 4,595,056	$ 6,243,890	$ 5,808,640	$ 4,986,087	$ 2,219,603	$ 5,476,120	$ 6,308,852
Percent Change %		-13.1%	62.3%	-2.0%	35.9%	-7.0%	-14.2%	-55.5%	146.7%	15.2%
Changes $$		$ (435,672)	$ 1,799,066	$ (92,744)	$ 1,648,834	$ (435,250)	$ (822,553)	$ (2,766,484)	$ 3,256,517	$ 832,732

Cash-Funded Capital Projects and Equipment expenditures in the Forecast for 2022 and 2026 are based on the planned CMIP projects as reflected in the Adopted 2022 Budget. Capital outlay costs are forecast to resume to prior levels, with $6.3 million in 2022 to $10.2 million in 2027, or up to 3.7% of the total expenditures compared to 2.5% in 2022. The 2023 planned projects and beyond are higher due to a budgeted greater cash-funded investment in our street preservation program and facilities deferred maintenance to address the concerns of residents and service delivery demands. Between 2023 and 2027, the levels of funding reflect what has been listed in the CMIP capital schedule in the 2021 Unified Government budget document. This level of funding is maintained in 2027 to reflect an ongoing commitment to fund a basic level of infrastructure and ongoing maintenance and replace equipment.

A recent condition assessment report of the UG’s over 150 facilities and buildings quantified over $250 million in deferred maintenance costs, which is significant given the size of UG organization and geographic service area. Due to on-going operations, additional capital funding to address these deferred maintenance facility needs is challenging. In addition, the Public Works Department has quantified that the UG needs to invest annually an additional $20 million in its street preservation program for the next 18 years to maintain its streets at the UG's Pavement Condition Index (PCI) from 53 to 74. After the 18 years, continued funding of between $12-$14 million annually is needed to maintain the 74 PCI level. Bridges are also in need of repairs with an annual additional unfunded need of $14 million over the next 20 years.

Street and road maintenance have been consistently rated as the top priority for UG focus in resident community surveys of UG services performance. In the absence of operating reductions, a property tax mill rate increase, or other identified resources, the UG's current general obligation debt capacity is not currently large enough to finance this level of infrastructure investment. Funding these deferred maintenance costs will be challenging without additional resources.

[Additional discussion of UG capital projects and infrastructure needs is provided in the executive summary.]

General Funds Debt Service

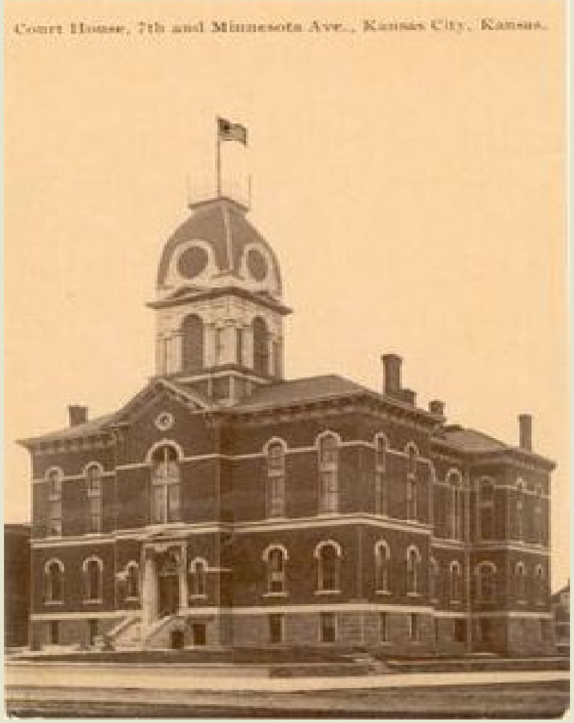
The only debt service payment made directly from the General Fund is the Soccer Stadium Parking General Obligation Bonds (originally issued as Series 2010-H) with principal and interest payment amounting to approximately $638,000 annually. In September 2020, the Unified Government refinanced these bonds which lowered the bond payments in 2021 and 2022. The annual amounts included in the Forecast are based on the bond documents' annual debt service schedule. This debt payment is offset by Soccer Stadium Ticket Tax revenues received from the soccer facility.

All other bonded debt service payments are recorded in the City Debt Service Fund and County Debt Service Fund.

General Funds Transfers & Other

Transfers and Other expenditures total $3.9 million in 2022 and drop to $2.7 million during the forecast period. This category includes transfers-out to other UG funds and budget contingencies in 2022 and beyond. The Forecast keeps transfers-out to other UG funds at a constant level.

Transfers that are budgeted for 2023 and beyond include 1.5 million annually for the debt service on the Juvenile Center project, approximately $250,000 to the Sewer (Water Pollution Control) fund payback of an advance made by the Sewer Fund in 2015, with the remainder going to support activities of the Baseball Stadium and other UG funds.



Wyandotte County was organized on January 29, 1859. The county contains the cities of Bonner Springs (part), Edwardsville, Kansas City and Lake Quivira (part), and was named for the Wyandot Indians (various spellings). The Wyandot Indians arrived in the area from Ohio in 1843. They were responsible for the early cultivation of the land, barn buildings, planting of orchards, and road building. The Wyandot Constitutional Convention met on July 5, 1859, remained in session twenty-one days, and at the close gave Kansas a new constitution. This constitution was approved by the people on October 4, 1859. Other significant historical facts include: White Church was founded in 1832 and is the oldest church in Kansas still in use; the first county fair was held in 1863 on the levee in Wyandot and the first school district was organized in 1867 in the city of Wyandot.

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