



LONG TERM FINANCIAL FORECAST

FISCAL YEARS

2021 TO 2025





unified government
wyandotte county
kansas city, kansas

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EXECUTIVE SUMMARY

This forecast projects the use of fund balance in 2021 to 2025 during which large one-time payments are required for expected retirements. The Forecast reflects a recessionary slow-down in the economy in 2020 and/or 2021, followed by a more positive outlook through 2025. Due to the anticipated economic slowdown and the large one-time retirement payments, the General Fund's financial position is projected to decline over the next five years without budgetary action to repair the annual shortfalls.

Economic indicators demonstrate that the local business environment has rebounded to pre-2009 Recession levels; however, an anticipated recession in 2020 and/or 2021 and substantial financial obligations and added uncertainties are expected to diminish the General Fund reserves over the future five years. One uncertainty is the timing of the anticipated recession. 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.

Kansas City, Kansas economic performance has been mixed over the past few years. On the bright side compared with 2017, single family home prices grew 13%, unemployment rate dropped from 5.2% to 4.8%, median household income increased 2.1%, and annual average wages grew 3.4%. Additionally, the County's assessed valuation grew 2.3% in 2018 and 7.5% in 2019, the value of new construction in the region grew by 43% in 2018, and foreclosures dropped 15% in 2018. These would be signs of positive momentum if it weren't for the region also having experienced a small uptick in inflation from 1.7% to 1.9%, a drop in single-family residential permits from 258 in 2017 to 159 in 2018, and a reduction in new residential units from 306 to 177 in 2018. There has also been a decline in taxable retail sales and food services/accommodations sales of a drop of 2.2% in 2018 and 1.8% in 2017.

To address these short-term and long-term issues, the UG administration will continue reviewing its operations and service delivery options. Over the past years, the UG has outsourced some services to the private sector and entered into negotiations with the non-

profit sector for public-private partnerships. While the UG further explores alternative service delivery models with the goal to realigning staff levels, the UG will also review cost recovery levels of services currently provided to the community.

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 2021 Proposed Budget, which is scheduled to be released to the Commission in July 2020.

In addition to replenishing the General Fund reserve, the Government has long-term challenges in achieving the Commission's goal to identifying resources to invest in our aging public facilities and equipment. A compilation of the various condition assessment reports of the UG's over 150 facilities and buildings will likely arrive at a very significant level of deferred maintenance costs 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 net pension liability as of the end of 2018 was \$173.3 million. 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 \$78 million at the end of 2018.

In addressing these short-term and long-term issues, the UG will continue reviewing its operations and service delivery options. During 2020, staff intends to bring forward a policy framework for Commission discussion and input, which will guide staff in setting appropriate fees for various services based on the values of our community. Staff will also be proposing the establishment of an OPEB Trust to begin setting aside funds for future retiree health care costs that can yield investment earnings greater than the UG's operating funds. Staff has begun the process of implementing Priority-Based Budgeting as a tool for identifying alternative resource allocation options. Additional information will be presented to the Commission at the November Retreat.

Fiscal Sustainability Proposals

The following is a list of fiscal sustainability proposals the Government plans to undertake in the future:

- **Analyze current service delivery costs** to ensure their alignment with the Commission's strategic goals through the Priority Based Budgeting Process;
- **Revise the capital financing debt policy** to ensure the level of future general obligation debt can be supported within the UG's projected resources;

- Adjust budget policy to begin to allow for accumulation of *resources for future equipment replacement costs*;
- Investigate whether the KPERS pension system would allow employees to *divert portions of their leave accrual values to their 457 deferred compensation accounts* prior to retirement in order to smooth the fiscal impact to the Government of these one-time retirement payout costs;
- Develop a plan to address *funding public facility deferred maintenance costs* which would provide a framework for future policy discussions surrounding identifying new resources to fund these needs;
- Identify a revenue source and develop a plan of finance for the *Parks Master Plan*;
- Utilizing community engagement throughout the process, identify the revenue requirements for appropriate funding levels for the Government's *stormwater* future operating and capital infrastructure needs.

Long-Unfunded Term Liabilities

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

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 plan to bring forward a revised capital financing debt policy and comprehensive strategy for debt management 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 \$853,000 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 is the midst of developing a comprehensive, data-driven street preservation strategy which will be presented at an upcoming Commission meeting. The Unified Government's over 2,400 lane miles pavement network has a current Pavement Condition Index (PCI) rating of 56 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, as currently poorly rated streets become "failing" streets in the future due to their age and condition. This baseline Forecast sustains the current funding level for street maintenance and does not include additional resources to address this cost-effective infrastructure investment.
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. Proposal options for funding this Plan will be presented to the Commission.
5. **Deferred Facility Maintenance Costs:** A compilation of the various condition assessment reports of the UG's over 150 facilities and buildings will likely arrive at a very significant level of deferred maintenance costs 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. Additionally, in the absence of a property tax mill rate increase or other identified resource, the UG's current general obligation debt capacity is insufficient to finance this significant level of infrastructure investment. This baseline Forecast does not include funding for these expected costs.

The Public Works and Finance departments are collaborating to develop a condition assessment report and funding strategy to begin the process of identifying solutions. Future funding of these deferred maintenance costs will be challenging without additional resources.

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 has provided for some replacements, however a dedicated fund 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 2018 KPERS pension actuarial report, the UG-wide net pension liability (including the combined KPERS-Local and KP&F-Local group plans) totals \$173 million, which represents a funding status of 69% (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 31% 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). Although the Government Finance Officers Association (GFOA) recommends a policy of fully funding pension plans, credit rating agencies generally categorize pension plans with funding statuses between 80% and 90% as average or above average; and funding statuses between 60% and 70% as below average or weak.²

	KPERS Plan		KP&F Plan		TOTAL COMBINED	
	6/30/2017	6/30/2018	6/30/2017	6/30/2018	6/30/2017	6/30/2018
UG Proportion of collective net pension liability	3.55%	3.65%	13.00%	12.72%	13.00%	12.72%
UG proportionate Share of collective net pension liability	\$51,499,513	\$50,838,678	\$121,926,038	\$ 122,426,702	\$173,425,551	\$ 173,265,380
UG covered-employee payroll	\$70,977,281	\$73,297,503	\$57,280,894	\$59,115,470	\$128,258,175	\$132,412,973
UG proportionate share of collective net pension liability as a percentage of UG employee-covered payroll	73%	69%	213%	207%	135%	131%
Plan fiduciary net position as a percentage of the total pension liability <i>(for combined plans)</i>	67.1%	68.9%	67.1%	68.9%	67.1%	68.9%

The UG is annually contributing 100% of its contractually required contributions, or \$19.0 million in 2018.³ 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. This baseline Forecast does not include additional pension contributions in order to bring down the net pension liability.

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 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 dependents, in addition to pensions. Benefits are not uniform for all retirees, due to differences in negotiated OPEB benefits over time. 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.

For example, in 2018 the Unified Government’s Health Benefit Fund spent \$4.7 million on healthcare cost claims for 702 retirees, and these retirees partially offset these costs by contributing to the UG, through their premium payments, a total of \$2.3 million. This works out to be \$3,295 per/year or \$275 per/month per retiree, although some retired plan participants pay more, while others pay less or no contribution depending on their union contract or if they received an early-retirement subsidy prior to 2011. Each year this \$2.4 million difference between the \$4.7 million in claims and \$2.3 million in retiree premium contributions is recorded as the UG contribution to the net OPEB liability.

At the end of 2018, the Unified Government’s net OPEB liability totaled \$78.0 million, which includes the estimated future health care claims of both the 702 retirees and 1,951 active employees that are projected to be covered with these benefits in the future. We are currently only on a “pay go” basis and are not setting aside funds for these future costs. This baseline Forecast does not include additional OPEB contributions to bring down the net 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 the “pay go” contributions during each year and additional resources in the long-term in investment vehicles that earn better yields than local governments can earn through their more restricted operating accounts.

Stabilization, Occupation and Revitalization (SOAR)

In January of 2016 the Unified Government of Wyandotte County/Kansas City, Kansas established the SOAR program- Stabilization, Occupation, and Revitalization – to tackle the issues of housing rehabilitation and blight remediation within the county. The initiative focuses on breaking down the barriers and information silos within the organization and using its resources in a more strategic and effective manner. The premise involves using data to make strategic decisions on targeting, preventing, and remediating the problems that plague a community and cause property to fall into disrepair. This will involve reducing the amount of delinquent taxes, educating property owners about codes, and creating a database that can track and manage vacant properties and unfit structures. The two overall goals of the initiative is to improve 10,000 properties by 2021 which should help both revitalize the housing stock, and improve the tax base, and to improve the perception of safety within the community which should both attract people in and stop the exodus out of the community.

The Unified Government has partnered with Bloomberg philanthropies and What Works Cities for the initial phase of this project. Two phases, the creation of an open data portal and the development of performance metrics, were addressed in this partnership. What Works Cities used its resources and aided the Unified Government in the implementation of an Open Data Policy and Open Data Portal to enable the sharing of data both internally and with the public. The performance management team came up with cascading goals and metrics that would analyze the progress for the 4-year period. More than a dozen departments are involved in aligning their missions with this effort. The next phases of the project include involving stakeholders in the implementation and partnering with a network of other cities to share ideas and progress toward improving the amount of healthy fabric within the community.



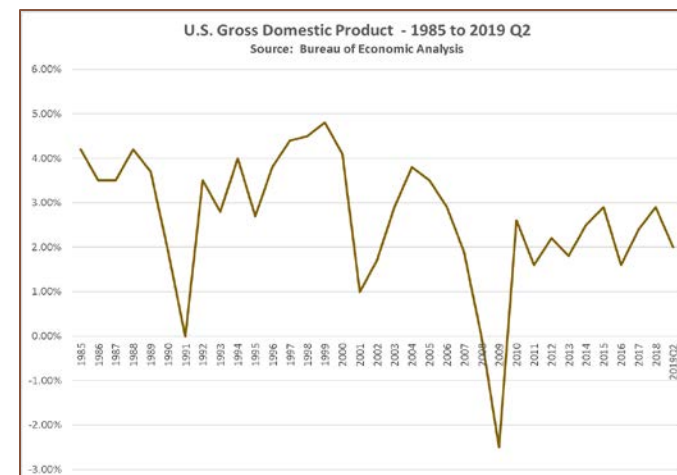
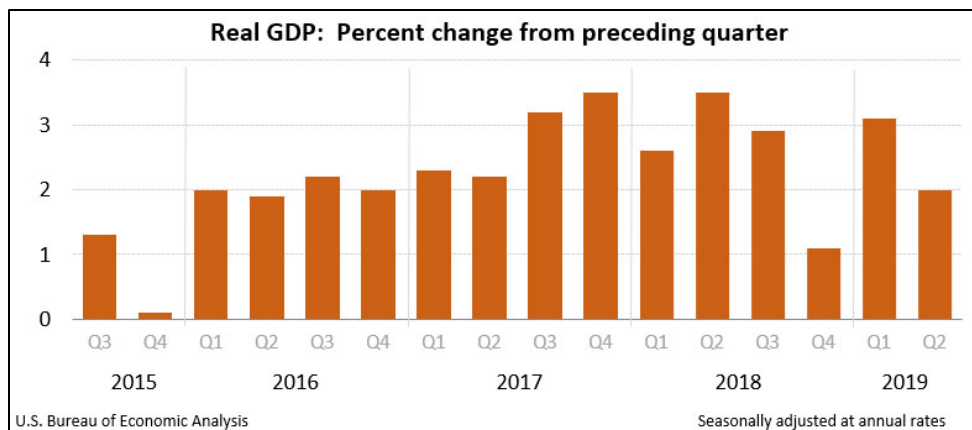
ECONOMIC OVERVIEW

In preparing the 2021-2025 Long Term Financial Forecast, key economic indicators were reviewed. Overall, the economic overview calls for measured optimism as the nation continues its longest period of expansion while several indicators signal the onset of a modest recession in the near-term.

A National View

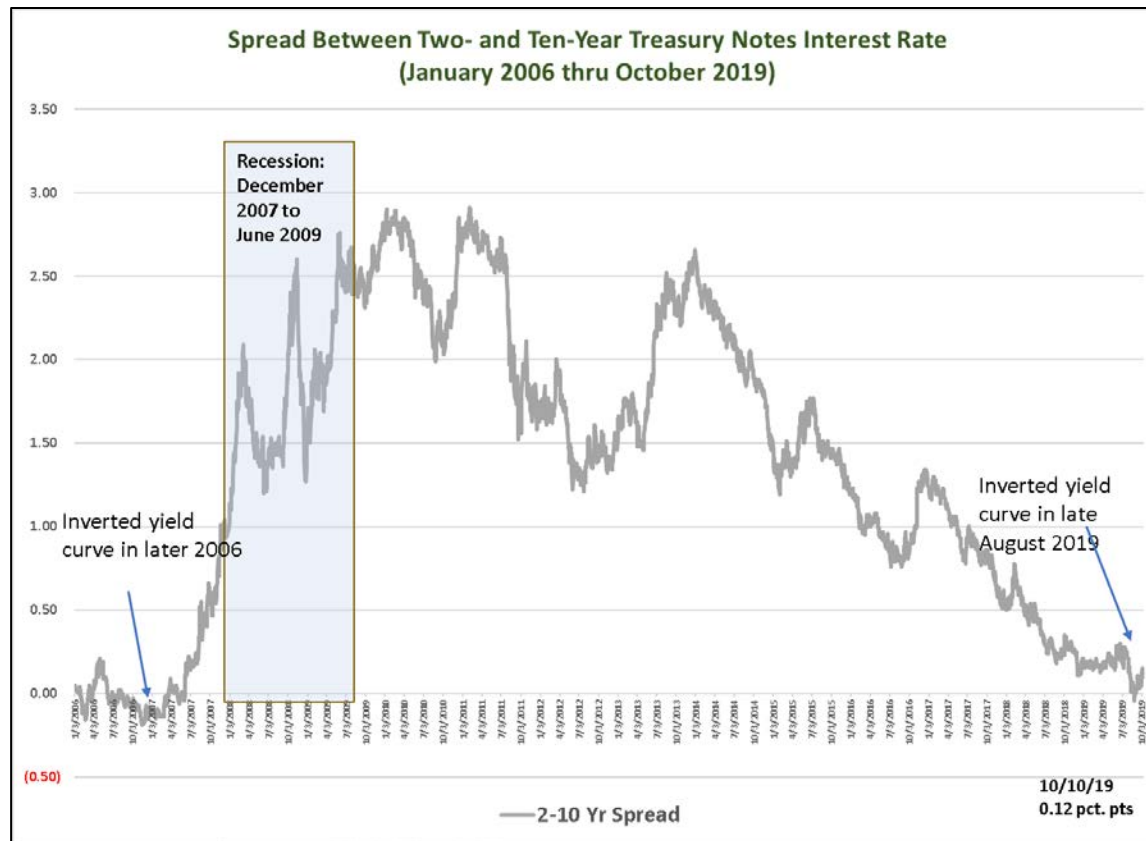
John Kenneth Galbraith said, "The only function of economic forecasting is to make astrology look respectable." Economists use the past to attempt to predict the future. Government policymakers rely on economic forecasts to anticipate economic downturns and make preparations that seek to maintain resilient service delivery to residents.

On the left is a chart of gross domestic product annual growth rates since 1985. The graph illustrates downturns in GDP in 1991, 2001 and 2008. Over the past 30 years, there has been a recessionary period every 8 to 10 years, with latest recession having occurred 10 years ago. The most recent GDP growth of 2.0% for the second quarter 2019 compared to the same period in the prior year is a full percentage point below the 3% GDP for 2018.



Economist warned last year that 2018's GCP growth was unsustainable due to a range of one-time factors, including federal income tax cuts in early 2018 and increased federal spending. Trade tensions in 2018 may have promoted growth by foreign buyers to stock up on American products during 2018. Currently, Europe and China are experiencing a slowdown.

A predictive economic indicator of a recession that is hard to ignore is the difference between the short-term 2-year and the longer-term 10-year US Treasury Note, or the “yield curve”. Typically, when an economy seems in good health, the interest rate on the longer-term notes will be higher than short-term notes. The extra interest is to compensate investors, in part, for the risk that strong economic growth could set off a rise in future prices, referred to as inflation.



Lately, though, long-term notes yields have been slow to rise — which suggests bond traders are concerned about long-term growth — even if the current economy shows vitality. At the same time, the Federal Reserve has been decreasing short-term rates, so the yield curve has been “flattening.” In other words, the gap (spread) between short-term interest rates and long-term rates is shrinking.

When short-term 2-year rates are higher than longer-term 10-year rates, the yield curve is said to be “inverted”. The last time the yield curve was inverted was 12-18 months before the most recent recession that started in December 2007. Since January 2017 there has been a downward trend in the yield curve spread.

Although the October 10, 2019 spread is positive at 0.12%, it was negative for

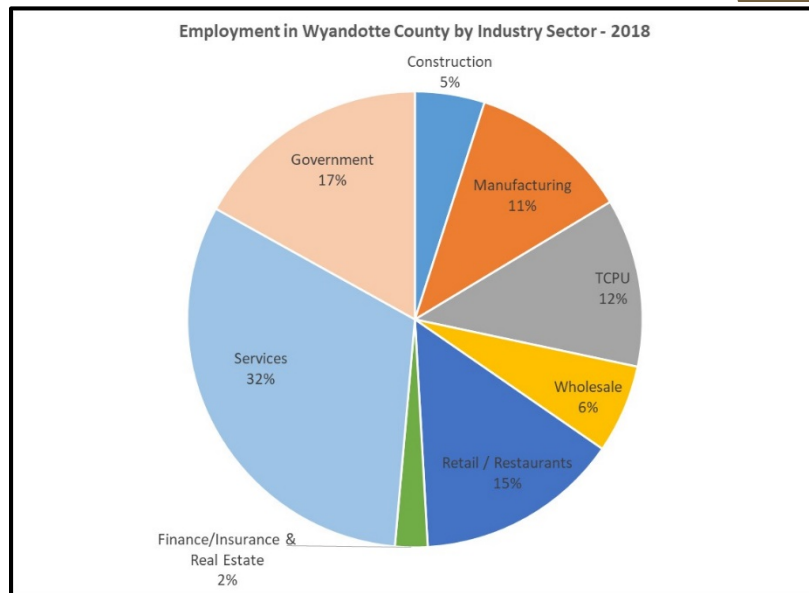
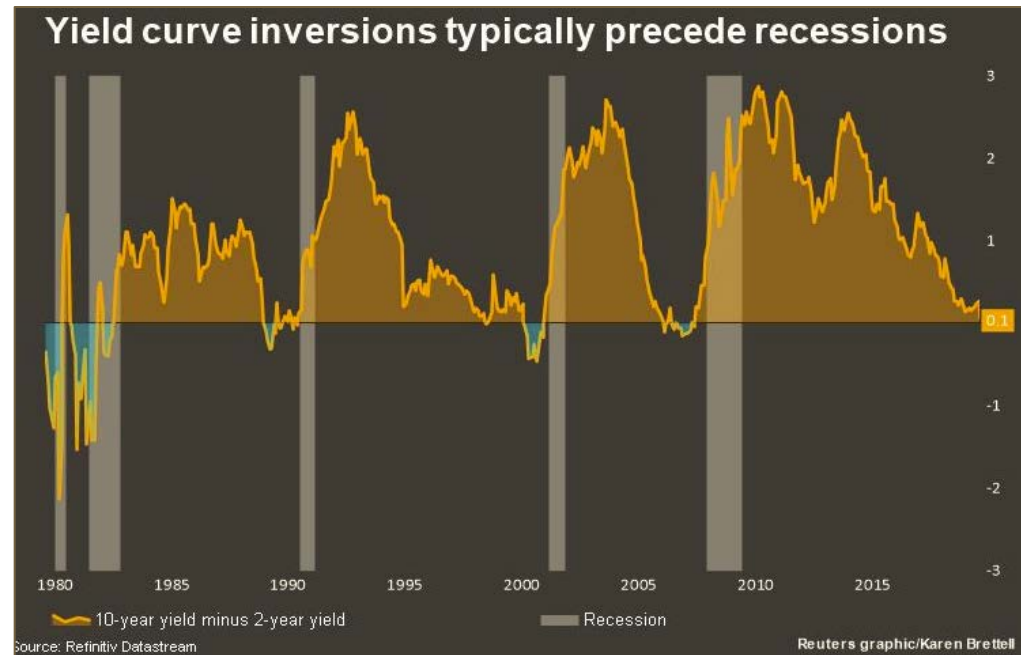
several days in late August. Due to it being negative (inverted), some economist expect a recession in the next 12-18 months.

Every recession of the past 60 years has been preceded by an inverted yield curve, according to research from the San Francisco Federal Reserve. Yield curve inversions have *“correctly signaled all nine recessions since 1955 and had only one false positive, in the mid-1960s, when an inversion was followed by an economic slowdown but not an official recession,”* the bank’s researchers wrote in March 2018.

Anticipating downturns help policymakers plan so that services provided to residents are not disrupted. Such plans include maintaining appropriate reserve levels and investing in infrastructure improvements that will help grow the economy once the recession ends.

Why Care About Fiscal Policy?

In your economics class, the professor told us that $GDP = C + I + G + (Ex-Im)$. C is total spending by consumers. I is total business investment in goods and services. G is total spending by government. $(Ex-Im)$ is net exports. According to this equation, what government spends makes up 17% of our total



economy. Good fiscal policy by governments that retains our workforce plays an important part in a regional economy's ability to weather a downturn and come out of a recession resilient and ready for the upturn that follows.

Fiscal policy is important for two reasons. Firstly, governments employ a lot of people. Governments need operational continuity for our economy to not dip too low in a recession. Further, recessions are very stressful for governments. The volatility of sales taxes which often falls during a recession restricts revenue growth, while structural costs and service delivery often increase, not decrease, during a recession.

A majority of government spending goes for jobs, or employee compensation. In 2018 all federal, state, municipal and school district governments within Wyandotte County employed 15,318, or

17% of the total 90,465 jobs. Many of these government jobs are held by residents of Wyandotte County. As we face the possibility of another recession, the sustainability of our region's economy is dependent on sound fiscal policies its governments execute in the period prior to a recession. Ten years ago, prior to the Great Recession, the percentage government employment was 19% of total employment, or 2 percentage points higher than it is currently. Since 2009, total employment increased 15%, while the total government jobs have remained flat during the same period. Governments are now more efficient and doing more with less since the last recession.

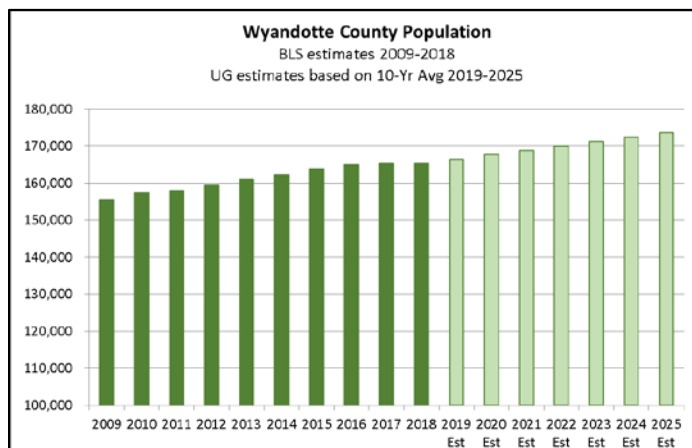
Secondly, fiscal policy is important because sometimes government don't pay their debts. There are three reasons for government defaults: economic shock, contagion and overwhelming debt load. Two of the three reasons trigger a fiscal distress event for a government.

A Regional & Local View

Kansas City, Kansas economic performance has been mixed over the past few years with various indicators demonstrating positive economic activity while signally a slowdown in the economy. The following sections discuss the performance of various economic indicators, most of which are utilized in forming the long-term financial forecast of the Unified Government

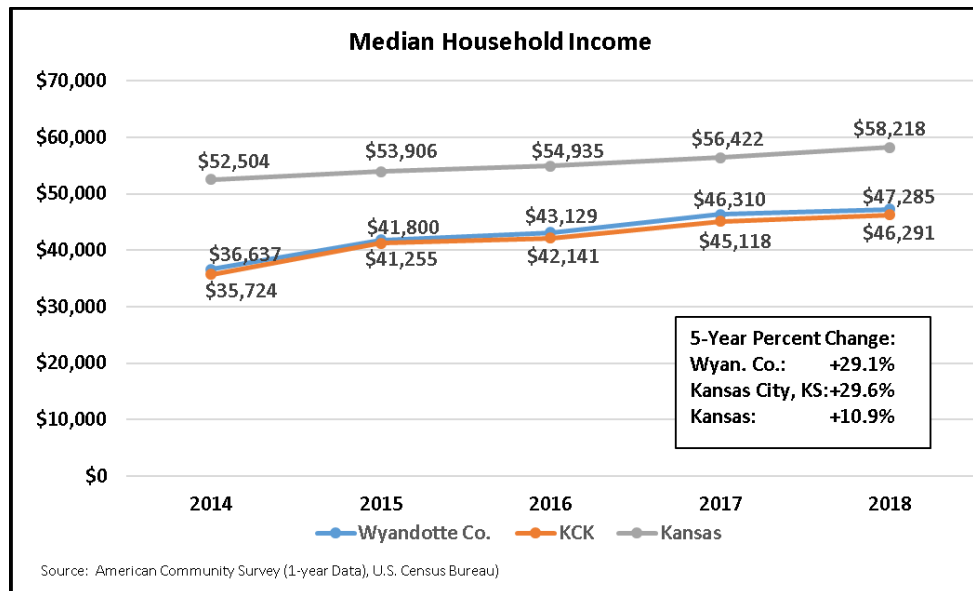
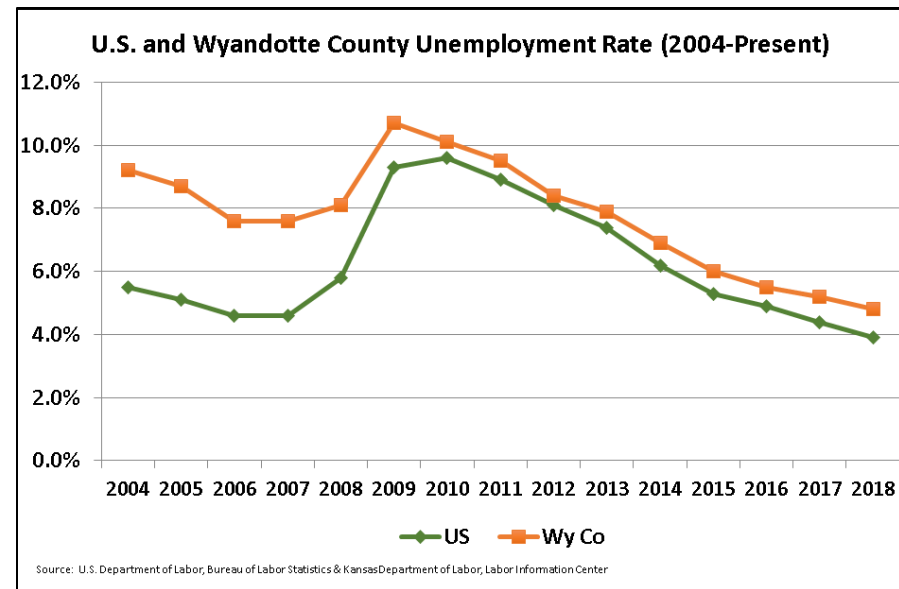
On the Bright Side

On the bright side compared with 2017, single family home prices grew 13%, unemployment rate dropped from 5.2% to 4.8%, median household income increased 2.1%, and annual average wages grew 3.4%. Additionally, the County's assessed valuation grew 7.5% in 2019, the value of new construction in the region grew by 43% in 2018, and foreclosures dropped 15% in 2018.



Wyandotte County's population is 6% higher than it was ten years ago, or an annual average growth rate of 0.70%. While this is a modest growth rate, many communities in Kansas are experiencing declines in population. This ten-year average growth factor of 0.7% is what is used in the forecast for population, growing from 165,324 in 2018 to 173,567 in 2025.

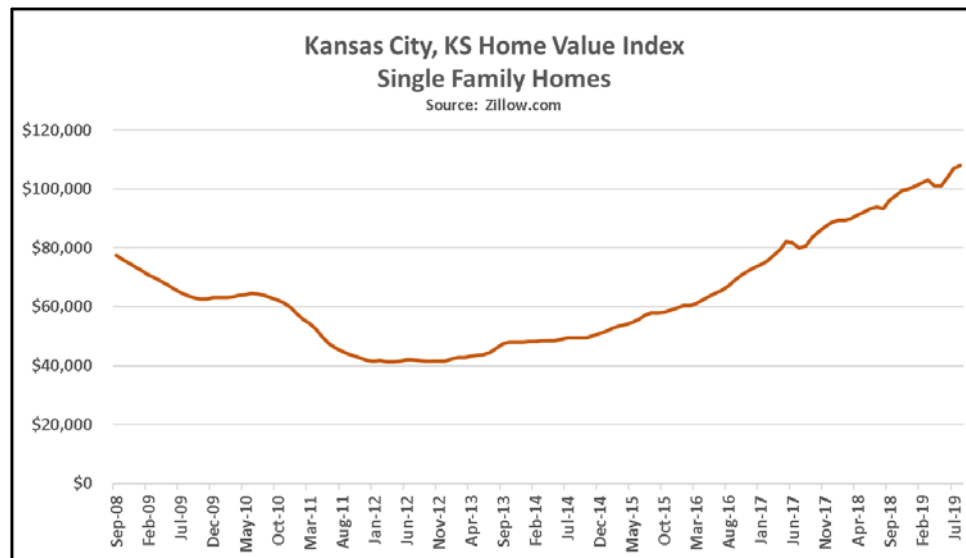
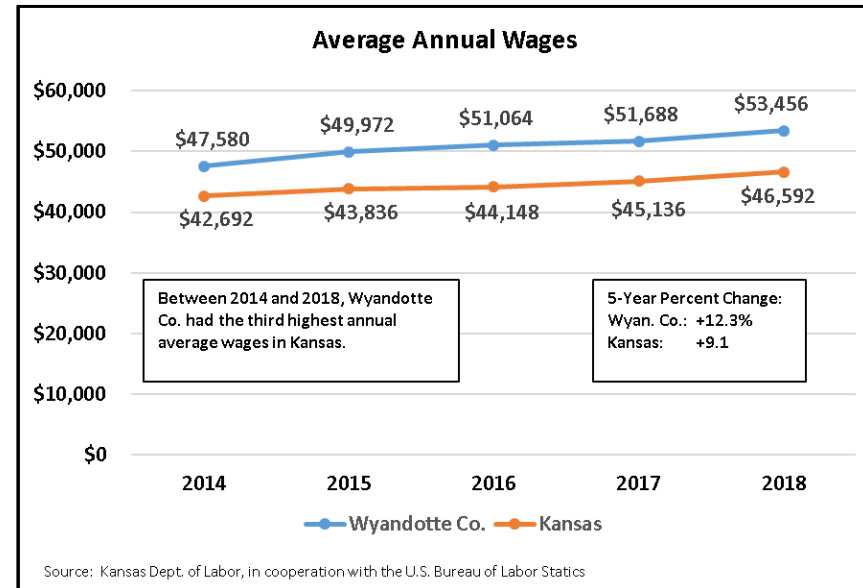
Wyandotte County's unemployment rate has been declining, from 10.7% in 2009 to 4.8% in 2018. The unemployment rate for the County is still above the national level of 3.9% in 2018 but is decreasing at a rate consistent with the national rates. Since 2009, the County unemployment rate has been an average of 0.7% higher than the national unemployment rate. The Forecast uses a 10-year annual average percentage decline assumption along with anticipated increase in the unemployment rate resulting from the expected slowdown in the economy in 2020 or 2021. The Forecast projects unemployment to drop from 4.8% in 2018 to 4.6% at the end of 2019, then ticking up to 5.0% in 2020 and 5.3% in 2021 due to the economic slowdown, then continuing to decline at the same prior 10-yr average rate dropping to 4.4% by 2025.



Kansas City, Kansas and Wyandotte County's median household income is approximately \$47,000 and has grown at a higher level than the State. Kansas City, Kansas has a slight increase over the growth of the County and State levels. Kansas City, Kansas median household income over the five-year period grew 29.6%. Although since 2014 the County and City saw a substantial increase in median household incomes, current income level of \$47,000 are still 25% below the national average for median household income.

Similarly, annual average wages have seen improvement since 2014. From 2014 to 2018 Wyandotte County had the 3rd highest annual average wages in the State. The County's 2018 average wage was \$53,456. County wages are 12.3% higher than in 2014. The national average wage in 2018 was \$57,266. Although improving over the period, the Wyandotte County wages were still only 93% of the national average.

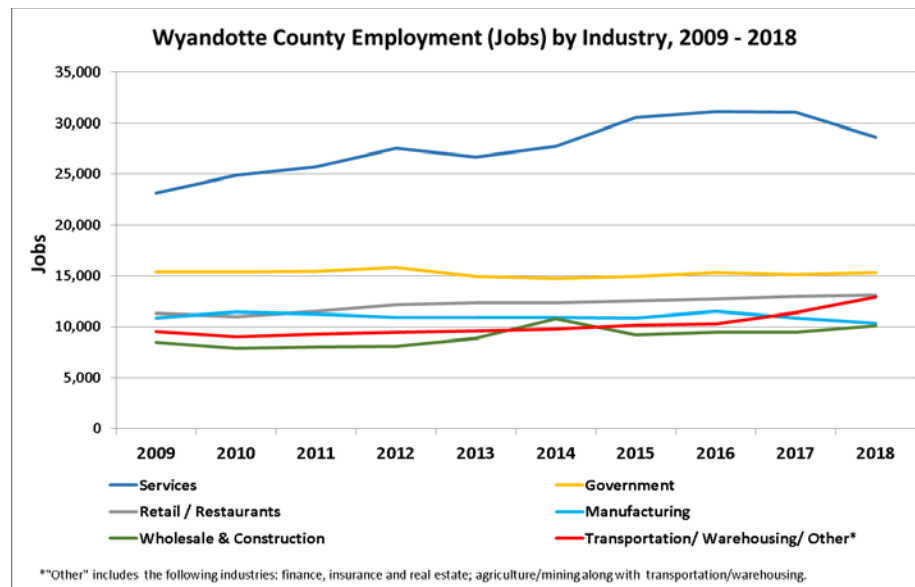
The forecast uses a 5-year annual average growth rate for median income and average wages, calculating to be an annual average increase of 4.4% for median household income and 3.3% for annual average wages.



Home values are increasing at a significant level recently. The Zillow.com Home Value Index for Kansas City, Kansas single family homes of \$108,000 in August 2018 far exceeded the pre-recession high of \$77,600 in September 2008. The current value is a 162% increase since the lowest point in April 2012 at \$41,300. The graph illustrates how home values lag economic downturns, with the lowest prices showing three years after the 2009 recession. The August 2018 \$108,000 home value was an increase of 12.5% compared to September 2018, with increases in prior years of 11.3% in August 2018, and 17% in August 2017 with a home value of \$80,700, following a 16% increase in August 2016. The forecast uses a ten-year average growth rate of 5%.

On the Downside

The positive economic indicators would be signs of positive momentum if it weren't for the region also having experienced a small uptick in inflation from 1.7% to 1.9%, a drop in single-family residential permits from 258 in 2017 to 159 in 2018, and a reduction in new residential units from 306 to 177 in 2018. There has also been a decline in taxable retail sales and food services/accommodations sales of a drop of 2.2% in 2018 and 1.8% in 2017.



Total jobs in the County dropped (0.5%) from 90,908 in 2017 to 90,465 in 2018 for the first time since 2013. Wyandotte County saw an increase in jobs over the past five years due to several companies relocating to the area, increasing from 86,390 in 2014 to 90,465 in 2018. The total number of jobs in 2018 were 15% higher than the number of jobs ten years earlier in 2009. The largest growth over the decade has been in the services sector at 32% of 2018 total jobs, the top blue line in the chart. New developments, such as the Amazon Fulfillment Center, brought over 2,000 additional jobs beginning in 2017.

Services sector jobs have increased over 23% since 2009. Although services have been trending upward, it saw an 8% decline in 2018 compared to 2017. The services jobs lost were made up for in an increase of 1,572 in jobs for

transportation/ warehousing and other categories which saw a 14% increase in 2018 and the addition of 658 in warehousing and construction job in 2018, or 7% increase compared with 2017.

Also notable is the decline in manufacturing jobs from 10,855 in 2017 to 10,353 in 2018, or a 4.6%. Over the ten-year period, manufacturing jobs were 10,866 in 2009, rising to a peak of 11,516 in 2016, then declining to 10,353 in 2018. Retail & restaurants saw strong growth at the beginning of the decade but has flattened at 13,109 in 2018 or 14% of total 2018 jobs. Government sector has 17% of total jobs in 2018 at 15,318 and this total has remained relatively flat over the 10-year period.

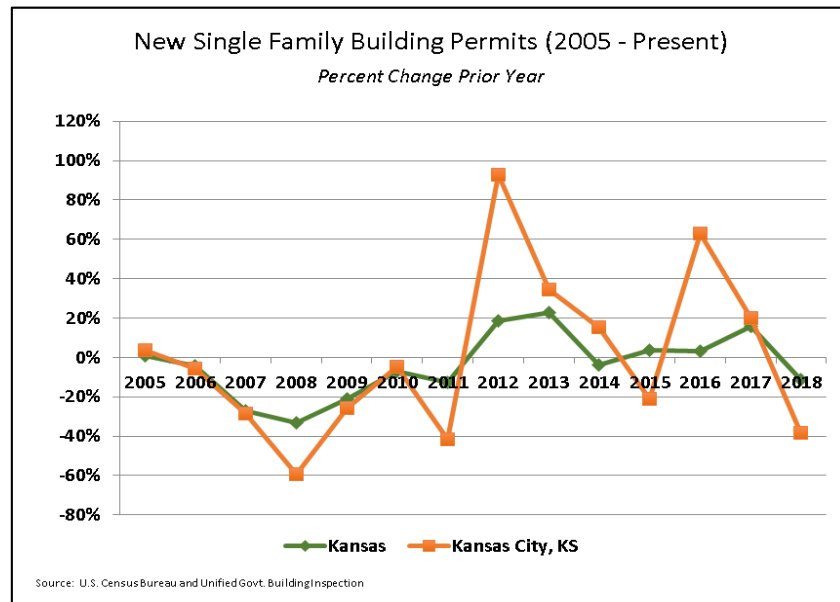
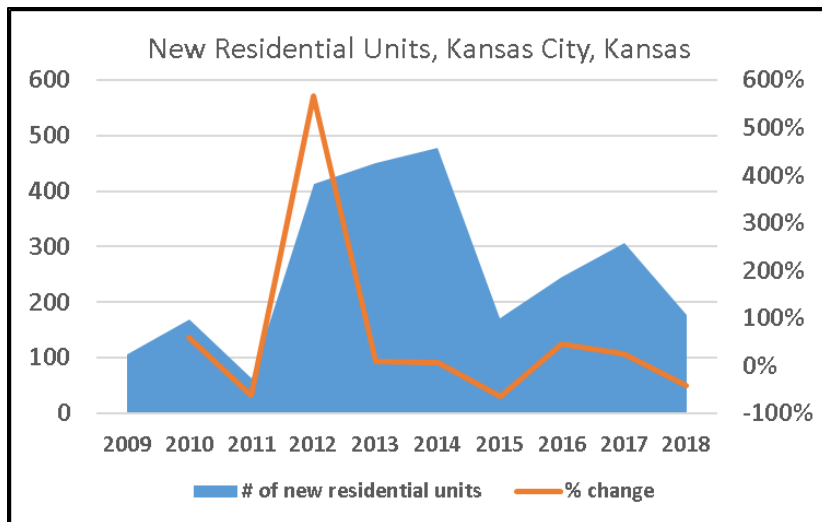
Over the past few years, the data shows a shift away from services and manufacturing, towards more jobs in transportation/ warehousing and wholesale and construction job categories. The Forecast includes no job growth in 2019, an estimated addition of 600 new jobs in 2020 and 2021 with a conservative annual growth rate of 0.7%, and thereafter uses the average annual percentage increase in jobs over the past ten years of 1.1% as a predictor of future job growth.



As median household income and average annual wages have been growing at over the past ten years, growth has also occurred in retail sales and food services and accommodations. Over the 10-year period, the average annual percentage growth was 1%. In 2015 the growth rate was 9% over the prior year, and in 2016 the growth was 11%. During 2017 & 2018, a decrease of 2% occurred in each of these years.

The forecast continues the 2% decline in 2019, then leaves retail activity flat for 2020 due to the expected continued slowdown in the economy. Beginning in 2021, the forecast increases this indicator by 0.8%, then uses an annual average growth rate of 1.2% thereafter.

New single-family residential building permit dropped in 2018 by 38% in Kansas City, Kansas from 258 in 2017 to 159 in 2018. This decrease was also seen statewide, although not as dramatic. The chart on the right illustrates this activity since 2005. The dramatic spike in Kansas City, Kansas (green line) is attributed to a reduction in permitted fee program min place at that time.

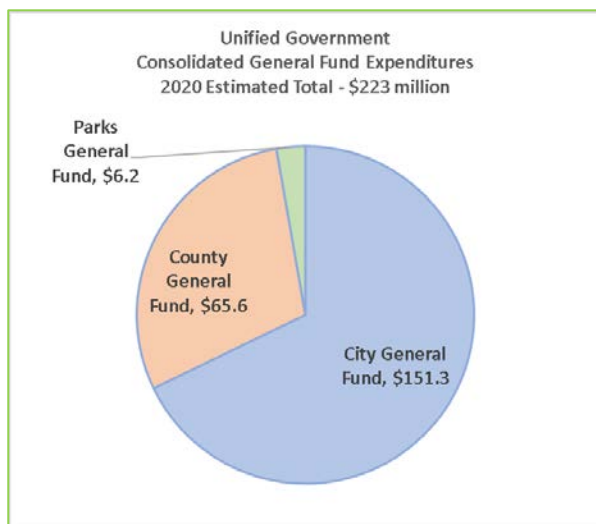


Similarly, new residential permits dropped 42% in 2018 from 306 in 2017 to 177 in 2018. In the forecast both new single family and new residential units are projected to remain at their current level plus a modest 5% increase year-over-year.

GENERAL FUND FORECAST

Although economic indicators and tax revenues of the past decade reveal that the Unified Government has rebounded from the Great Recession, this baseline five-year Forecast reflects a decline of reserves due to financial obligations, one-time retirement payouts, and a possible economic downturn continuing in 2021.

Albert Einstein said, *"Everything should be made as simple as possible, but not simpler."* The finances of the Unified Government of Wyandotte County and Kansas City, Kansas are complex because of our unique governance structure as 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 services. 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, jails, the district attorney, the appraiser, motor vehicle registration and many other services provided to all residents within the county. 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 2020 expenditure budget of \$223 million and

represents over 60% of the entire Unified Government's financial operations. Given its size and the many services it supports for residents, it is important to perform a careful analysis of its long-term fiscal health.

General Funds Net Operating Margin Baseline Forecast

For purposes of 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 variance between the projected General Fund revenues and expenditures for each year of the forecast. The net operating margin cumulatively tallies each year's performance over the Forecast period, resulting in the estimated change to fund balance at the end of the Forecast period.

Despite modest revenue growth projections, the Unified Government continues to face fiscal challenges. The table summarizes the Forecast and provides a quick view of the annual net margin between revenues and expenditures in the future five years.

Baseline Long Term Financial Forecast

Fiscal Year 2021 - 2025

(\$s in 000s)	2020 ^(a)	2021	2022	2023	2024	2025
Total Revenue	\$220,854	\$228,246	\$234,343	\$241,444	\$248,094	\$255,811
Total Expenditures	\$223,083	\$231,567	\$238,963	\$243,526	\$249,743	\$256,201
Net Annual Surplus / (Shortfall)	(\$2,228)	(\$3,321)	(\$4,620)	(\$2,082)	(\$1,650)	(\$391)
Net Operating Margin (Cumulative)	\$0	(\$3,321)	(\$7,942)	(\$10,024)	(\$11,673)	(\$12,064)

(a) For the Forecast, the Net Operating Margin (Cumulative) approach is used which assumes that no beginning fund balance is available prior to the forecast period.

(b) Assuming the estimated cash fund balance of \$23.5 million at the end of 2020.



Over the Forecast period, \$12 million are estimated to be drawn down from the General Fund reserve by 2025 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 shortfalls fluctuate between \$391,000 to \$4.6 million. Although this Forecast projects moderate revenue growth, annual resources are insufficient to meet the required large net \$18 million in one-time retiree payments while keeping pace with conservative expenditure needs, such as a moderate cost of living adjustment for employee compensation. Additionally, the baseline Forecast does not include various potential risks and/or long-term liabilities as discussed in the executive summary section.

More detailed information on all the major revenue and expenditure categories of the General Fund is provided in this section, including discussions of past performance and assumptions of projected future performance.

General Funds CAFR Fund Balance Reserve Baseline Forecast

The UG's recently adopted fiscal policies prescribes a General Fund reserve level to be retained in its ending modified accrual basis (CAFR) fund balance of 2-months of expenditures, or 16.7% percent that for simplicity purposes is referred to as 17% of expenditures. The reserve fund balance is accumulated for 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.

At the end of 2019, the Government expects to end the year with over 2-months of expenditures in its General Fund balance with a reserve of 18% of expenditures. Should no actions be undertaken to repair the net margin imbalance, the baseline forecast estimates the CAFR fund balance to drop to 16.4% of expenditures in 2020, 14.4% in 2021, 12% in 2022, 11% in 2023 and 10% in 2024 and 2025.

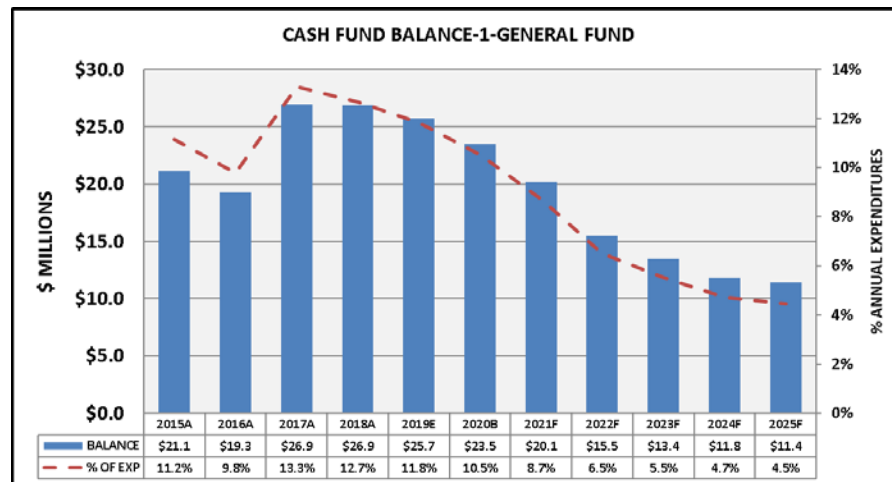
Reserves are recommended so that there are sufficient resources to meet operating needs during economic downturns. This forecast includes a slowdown in the economy during 2020-2021 negatively impacting sales and use tax revenues. The forecast also predicts that sales tax receipts will not recover to prior higher levels in the future years 2022-2025 due to changing consumer retail practices. With the rise of online shopping, sales tax revenue is expected to flatten since tax revenue from online sales is not as closely regulated as on-premise retail sales. 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.

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

In the years 2021 to 2025, \$12 million is projected to be drawn from the 2020 ending budgetary basis (cash) fund balance of \$23 million. Of the total \$12 million drawn-down from fund balance during the forecast period 2021-2025, a net estimated \$18.1 million in one-time costs from 2021 to 2025 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 been expected to increase rather than been reduced.

The charts below illustrate the financial projections of the General Fund through the Forecast period.

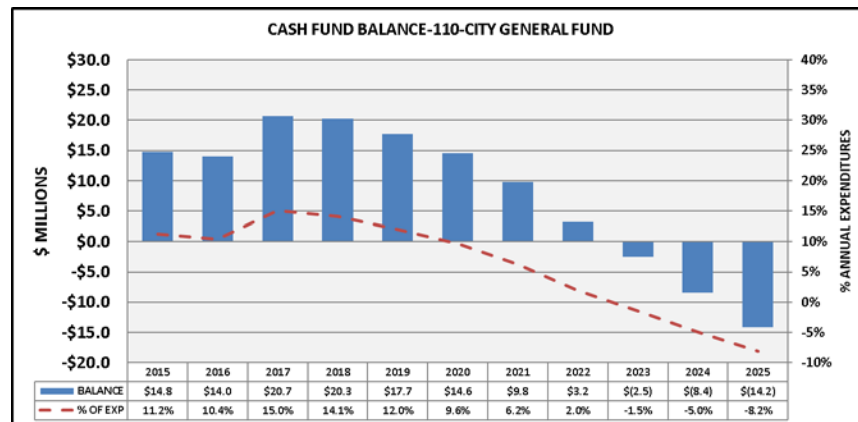
Consolidated General Fund Position (2015-2025)



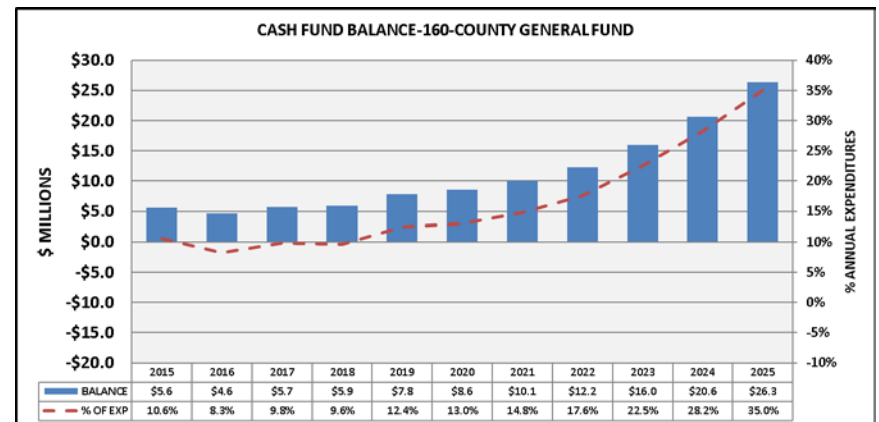
On a consolidated basis, the cash fund balance declines over the forecast period but remains positive.

Separately reviewing the financial projections of the City General Fund and the County General Fund is helpful in evaluating the sustainability of the resources to support the various services recorded in each of these funds. Due to increased reliance on sales tax (at 27% in 2020) and given the recent decline and projected flattening of this source, the City General Fund is forecasted to decline to a deficit position in 2023. Conversely the County General Fund, whose reliance on sales tax is only 10% of its total revenues, shows its fund balance increasing.

City General Fund Position (2015-2025)



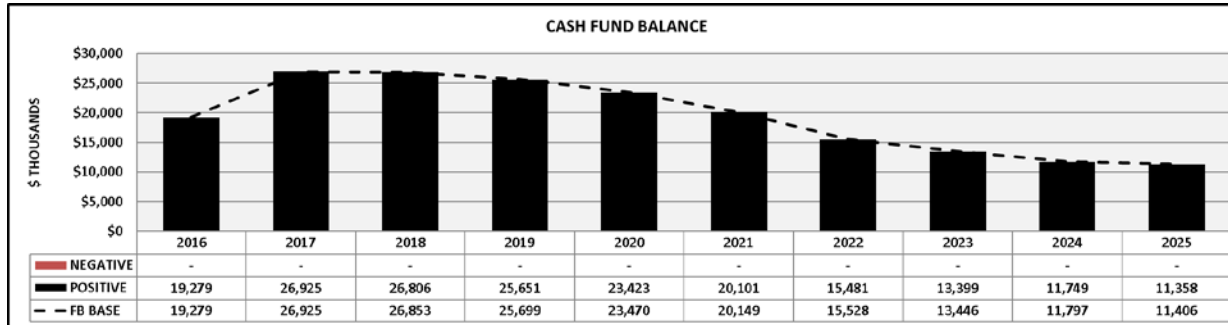
County General Fund Position (2015-2025)



Changes from Baseline Revenues

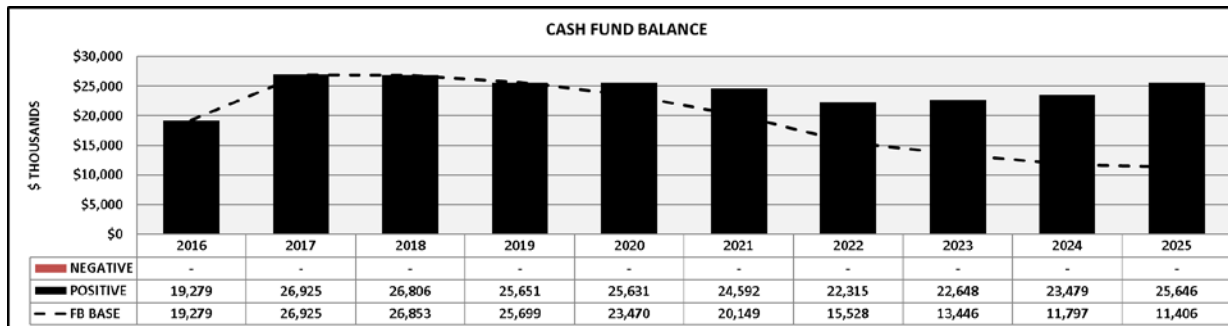
However carefully analyzed, projected revenues and expenditures will vary from the forecast. As a result, it is useful to see the range of possibilities. The chart below shows the **baseline forecast** as previously discussed, for the Consolidated General Fund, with the ending cash fund balance for 2025 at 4.5% of total expenditures.

A. Baseline Forecast



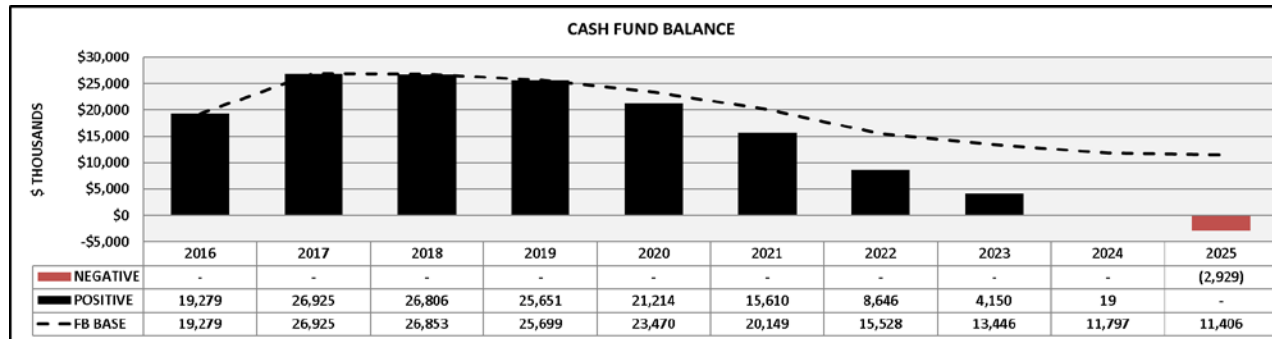
The chart below illustrates how the Consolidated General Fund financial position would look if the revenue estimates were 1% greater than have been estimated in the baseline forecast (dotted line) assuming expenditures remain at the baseline. Under these assumptions, the ending cash fund balance would change from 11.8% of total expenditures in 2019 (which on a CAFR fund balance basis meets the 17% reserve target) to 10% of total expenditures in 2025.

B. 1% above Baseline Revenues



The chart below illustrates how the Consolidated General Fund financial position would look if the revenue estimates were 1% lower than had been estimated in the baseline forecast (dotted line) assuming expenditures remain at the baseline. Under these assumptions, the ending cash fund balance would change from 11.8% of total expenditures in 2019 (which on a CAFR fund balance basis meets the 17% reserve target) to a negative (1.1%) of total expenditures in 2025.

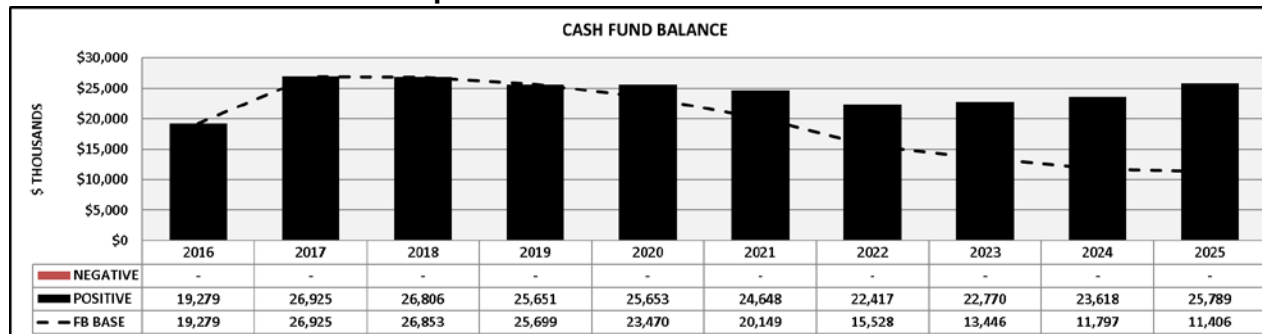
C. 1% below Baseline Revenues



Changes from Baseline Expenditures

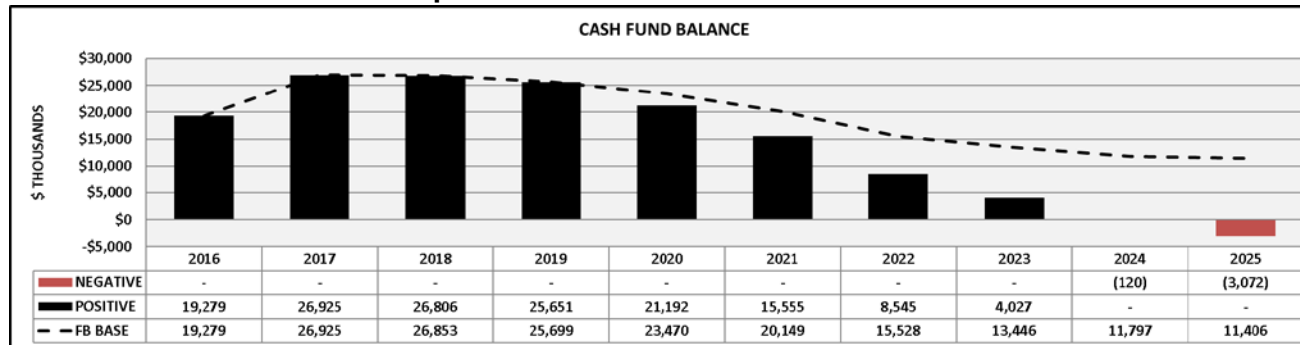
The chart below illustrates how the Consolidated General Fund financial position would look if the expenditure estimates were 1% less than have been estimated in the baseline forecast (dotted line) assuming revenues remain at the baseline. Under these assumptions, the ending cash fund balance would change from 11.8% of total expenditures in 2019 (which on a CAFR fund balance basis meets the 17% reserve target) to 10% of total expenditures in 2025.

D. 1% below Baseline Expenditures



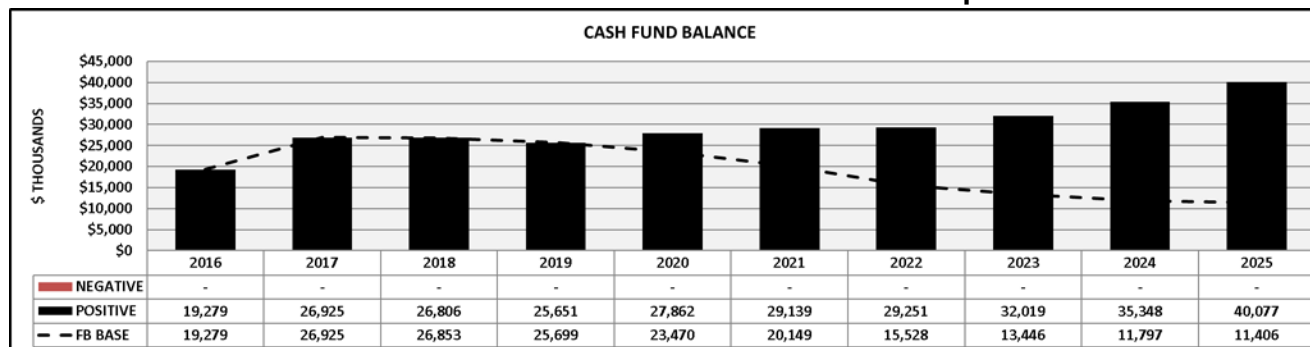
The chart below illustrates how the Consolidated General Fund financial position would look if the expenditure estimates were 1% greater than have been estimated in the baseline forecast (dotted line) assuming revenues remain at the baseline. Under these assumptions, the ending cash fund balance would change from 11.8% of total expenditures in 2019 (which on a CAFR fund balance basis meets the 17% reserve target) to a negative (1.2%) of total expenditures in 2025.

E. 1% above Baseline Expenditures

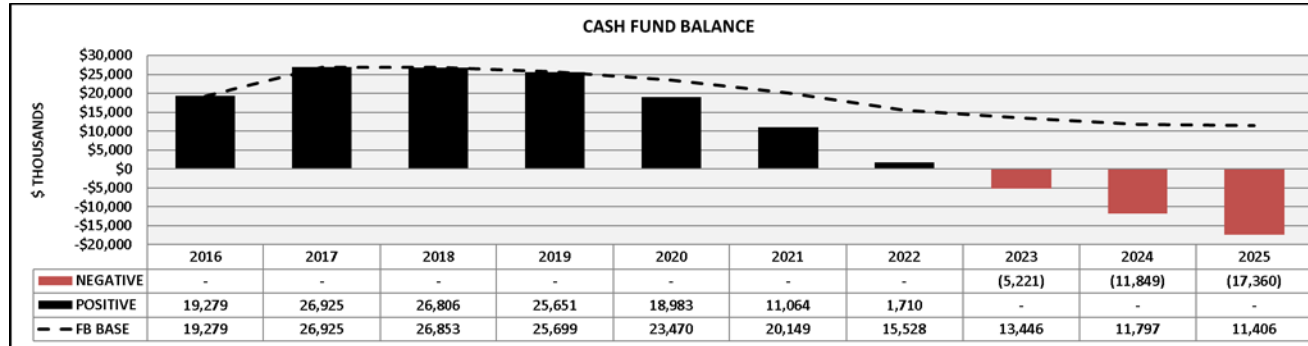


Changes from Baseline - Combination of Revenue and Expenditures

B+D 1% above Baseline Revenues and 1% below Baseline Expenditures – 15.8% cash balance reserve in 2025



C+E 1% below Baseline Revenues and 1% above Baseline Expenditures – (6.7%) cash balance reserve in 2025



Forecasts are conducted to anticipate potential events before they occur so that policymakers can undertake discussions on how best to react to the event and make plans to mitigate the negative impact to residents. The underlying reason for forecasts is because we fundamentally care about people; we desire to minimize harms such as job loss or homelessness when economic downturns occur. Although perfectly predicting the timing of an economic slowdown 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

General Fund Forecast for 2021-2025 projects revenue increases ranging from 2.7% to 3.3% on total revenues of \$221 million in 2020. The economic drivers anticipate a modest economic slowdown early in the forecast with recovery beginning in 2022. The first table as follows provides revenue estimates which include year-over-year increases for 2020 to 2025. The second table displays the steady growth projected for the General Fund revenue streams on a percentage basis. Fiscal Year 2021 revenues are estimated to increase by \$7.4 million or 3.3%.

General Funds Revenue Baseline Forecast

Fiscal Years 2021 – 2025

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
PROPERTY TAX	\$66,328	\$70,669	\$73,327	\$76,912	\$79,989	\$83,188
SALES & USE TAX	49,683	50,287	51,126	52,191	53,284	54,404
FRANCHISE TAX- ELECTRIC/WATER	36,768	37,560	38,074	38,595	39,124	39,659
FRANCHISE TAX-OTHER SERVICES	10,165	10,639	11,069	11,391	11,725	12,071
PERSONAL PROPERTY TAX	8,046	8,424	8,819	9,233	9,666	10,119
OTHER TAXES	6,040	6,139	6,227	6,315	6,405	6,497
DELINQUENT TAXES	2,040	2,107	2,176	2,247	2,320	2,395
OCCUPATIONAL TAX	2,150	2,182	2,216	2,250	2,285	2,321
IRB / TAX ABATEMENT FEES	1,300	1,477	1,767	1,966	2,134	3,155
SUBTOTAL: TAXES	\$182,520	\$189,484	\$194,800	\$201,101	\$206,932	\$213,810
CHARGES FOR SERVICES	14,468	14,814	15,144	15,481	15,826	16,179
FINES, FORFEITS, FEES	6,002	6,143	6,272	6,405	6,540	6,678
INTERGOVTAL REVENUES	4,189	4,206	4,222	4,238	4,255	4,272
MISC. & INTEREST	5,944	5,592	5,685	5,779	5,875	5,973
REIMBURSEMENTS	2,923	3,107	3,232	3,361	3,495	3,635
PERMITS AND LICENSES	2,471	2,509	2,547	2,585	2,624	2,664
SUBTOTAL: NON-TAXES	\$35,997	\$36,370	\$37,101	\$37,849	\$38,616	\$39,401
TRANSFERS	2,337	2,392	2,442	2,494	2,546	2,600
TOTAL SOURCE OF FUNDS	\$220,854	\$228,246	\$234,343	\$241,444	\$248,094	\$255,811

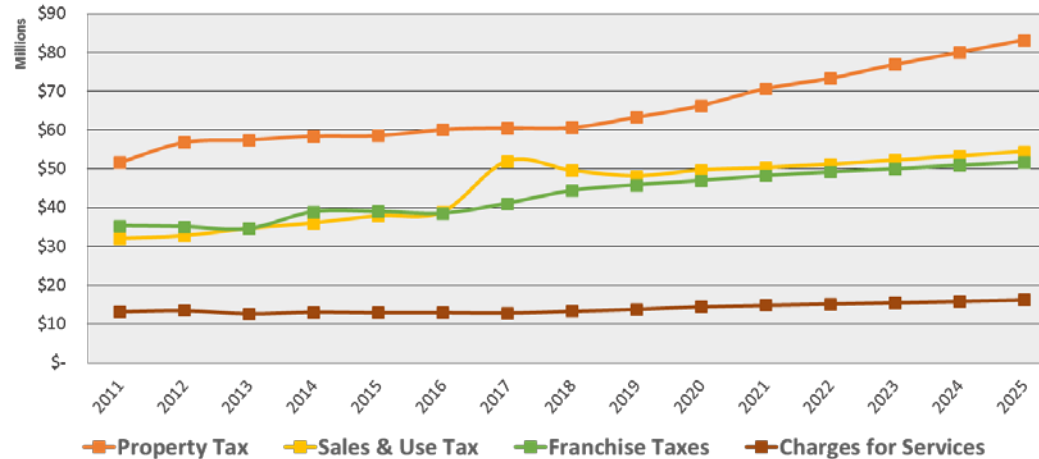
REVENUE & OTHER SOURCES (% change)	2021	2022	2023	2024	2025
PROPERTY TAX	6.5%	3.8%	4.9%	4.0%	4.0%
SALES & USE TAX	1.2%	1.7%	2.1%	2.1%	2.1%
FRANCHISE TAX- ELECTRIC/WATER	2.2%	1.4%	1.4%	1.4%	1.4%
FRANCHISE TAX-OTHER SERVICES	4.7%	4.0%	2.9%	2.9%	3.0%
PERSONAL PROPERTY TAX	4.7%	4.7%	4.7%	4.7%	4.7%
OTHER TAXES	1.6%	1.4%	1.4%	1.4%	1.4%
DELINQUENT TAXES	3.3%	3.3%	3.3%	3.3%	3.3%
OCCUPATIONAL TAX	1.5%	1.6%	1.6%	1.6%	1.6%
IRB / TAX ABATEMENT FEES	13.6%	19.6%	11.3%	8.5%	47.8%
SUBTOTAL: TAXES	3.8%	2.8%	3.2%	2.9%	3.3%
CHARGES FOR SERVICES	2.4%	2.2%	2.2%	2.2%	2.2%
FINES, FORFEITS, FEES	2.3%	2.1%	2.1%	2.1%	2.1%
INTERGOVTAL REVENUES	0.4%	0.4%	0.4%	0.4%	0.4%
MISC. & INTEREST	-5.9%	1.7%	1.7%	1.7%	1.7%
REIMBURSEMENTS	6.3%	4.0%	4.0%	4.0%	4.0%
PERMITS AND LICENSES	1.5%	1.5%	1.5%	1.5%	1.5%
SUBTOTAL: NON-TAXES	1.0%	2.0%	2.0%	2.0%	2.0%
TRANSFERS	2.3%	2.1%	2.1%	2.1%	2.1%
TOTAL SOURCE OF FUNDS	3.3%	2.7%	3.0%	2.8%	3.1%

Based on the economic analysis presented in the previous section of this report, revenue estimates, linked to the performance of the regional and local economy, reflect very modest increases in consumer spending impacted by the anticipated economic slowdown. The upward trend of the General Fund tax revenue in 2022 through 2025 anticipate a moderate economic recovery. This Forecast assumes that a recession and fall-off in economically sensitive revenues occurs once every eight to ten years. While it is not staff's intent to predict the exact timing of the recession, its inclusion in the Forecast for 2020 and 2021 is provided to warn policy makers of the anticipated cyclical event, whereby revenue growth can fail to grow or drop substantially, 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 80% of total 2020 revenues. It includes 8 years of actual revenue history; the estimated revenue for budget years 2019 and 2020; 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.

Top Four General Fund Revenues (2011-2025)



General Funds Property Tax

Since the end of the Great Recession of 2009, property values and property tax revenues have modestly increased at an annual average rate between 2012 and 2020 of 2.9%. Contributing factors include a increase in City property tax 4-mill increase in 2012, offset by a cumulative 6-mill reduction with 2-mill reductions in each of 2017, 2018 and 2019. Also seen over the 10-year period were changes in single family home sale values, commercial property market activity, and incremental assessed value growth especially in 2019 and 2020.

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	51,639,599	56,837,214	57,493,825	58,487,765	58,605,683	60,118,941	60,506,630	60,615,395	63,310,000	66,327,702
Percent Change %		10.1%	1.2%	1.7%	0.2%	2.6%	0.6%	0.2%	4.4%	4.8%
Changes \$\$		\$5,197,615	\$ 656,611	\$ 993,940	\$ 117,918	\$1,513,258	\$ 387,689	\$ 108,765	\$ 2,694,605	\$ 3,017,702

In the Forecast period, property tax revenue is projected to increase by an average of 4.6% over the Forecast period, with a 6.5% increase in 2021, 3.8% in 2022, 4.9% in 2023 and 4.0% in 2024-2025. These estimates include loss of a tax appeal by Hollywood Casino, one of the County's largest property taxpayers. Revenue growth is lower than assessed value growth due to the delinquency factor, Hollywood Casino refunds in 2019-2022 and the decline of machinery and equipment values. The Forecast assumes the property tax mill levies will remain flat during the Forecast period.

General Funds Sales and Compensating Use Tax

Sales and use tax revenue is the second largest revenue source constituting 27% of total 2020 General Fund revenues. The tables below display over the past ten years revenue data for sales and use tax separately. The average annual percentage growth of sales and use tax revenue over the period between 2011 and 2020 was 5.5%; but, excluding the influx of STAR revenue in 2017 results in an average annual increase in revenue is 2.6%.

The stalling/decline in 2018 and 2019 of sales tax was due to an unanticipated downturn in retail sales receipts activity beginning in mid-2018 and continuing into 2019. Compensating use tax revenue grew in 2017 with the significant one-time acquisition of robotic and other equipment for the new Amazon Fulfillment Center, with 2018 revenue returning to prior year levels. The same use taxes paid by Amazon in 2017 was refunded back to the company in January 2019 in conformance with the development agreement's IRB use tax waiver provisions.

General Fund Sales Tax Revenue

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	24,704,290	25,593,221	27,299,656	28,596,850	29,562,852	29,793,103	41,810,279	41,297,813	40,586,242	41,897,867
Percent Change %		3.6%	6.7%	4.8%	3.4%	0.8%	40.3%	-1.2%	-1.7%	3.2%
Percent Change % without STAR revenues in begin in 2017		3.6%	6.7%	4.8%	3.4%	0.8%	5.6%	3.4%	-4.0%	4.2%
Changes \$\$		888,931	1,706,435	1,297,194	966,002	230,251	12,017,175	(512,466)	(711,571)	1,311,625

General Fund Compensating Use Tax Revenue

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	6,569,094	6,770,705	7,530,005	7,169,401	8,310,253	9,098,723	10,144,065	8,268,999	7,550,000	7,785,000
Percent Change %		3.1%	11.2%	-4.8%	15.9%	9.5%	11.5%	-18.5%	-8.7%	3.1%
Changes \$\$		\$ 201,611	\$ 759,300	\$ (360,604)	\$ 1,140,852	\$ 788,470	\$ 1,045,342	\$ (1,875,067)	\$ (718,999)	\$ 235,000

During the forecast period an average growth rate of 1.8% is used for both sales and compensating use tax revenue based on conservative views of changing consumer patterns, with a 1.2% increase in 2021 reflecting a slower economy, followed by a 1.7% in 2022, and 2% from 2023 thru 2025. This projection is based on prior year average growth rates of county-wide retail and food/accommodations sales receipts.

Franchise Taxes and PILOT

Franchise tax revenue is the third largest revenue source at \$46.9 million constituting 21% of total 2020 General fund revenues. The average annual percentage growth of franchise tax revenue over the period between 2011 and 2020 was 3.2%. 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 gross revenues, as shown in the chart on the right. A 1% change in the franchise tax percentage represents approximately \$3.0 million in revenue. Franchise taxes are also collected on the UG’s sewer system, and outside firms providing video services, gas, cable television and telephone.

Franchise Tax Revenue related to BPU Electric Services (PILOT)

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	23,589,692	23,406,647	22,303,266	25,604,768	25,548,596	25,192,764	27,120,969	29,837,155	30,565,259	31,206,564
Percent Change %		-0.8%	-4.7%	14.8%	-0.2%	-1.4%	7.7%	10.0%	2.4%	2.1%
Changes \$\$		\$ (183,045)	\$ (1,103,381)	\$ 3,301,502	\$ (56,172)	\$ (355,832)	\$ 1,928,205	\$ 2,716,185	\$ 728,104	\$ 641,305

Franchise Tax Revenue related to Water Services (PILOT)

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	4,515,201	4,564,419	4,576,387	5,043,086	5,151,661	5,210,196	5,282,262	5,386,570	5,452,346	5,561,393
Percent Change %		1.1%	0.3%	10.2%	2.2%	1.1%	1.4%	2.0%	1.2%	2.0%
Changes \$\$		\$ 49,218	\$ 11,968	\$ 466,699	\$ 108,575	\$ 58,535	\$ 72,067	\$ 104,307	\$ 65,776	\$ 109,047

Franchise Tax Revenue related to UG Sewer Services (PILOT)

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	3,252,713	3,652,698	3,716,327	4,023,392	4,360,174	4,719,704	5,062,765	5,198,979	5,610,000	5,870,000
Percent Change %		12.3%	1.7%	8.3%	8.4%	8.2%	7.3%	2.7%	7.9%	4.6%
Changes \$\$		\$ 399,985	\$ 63,629	\$ 307,065	\$ 336,782	\$ 359,530	\$ 343,062	\$ 136,214	\$ 411,021	\$ 260,000

The average growth rate in the future five years for franchise taxes from BPU electric and water services is 1.5% consistent with BPU gross revenue patterns, and for the UG Sewer System it is 5% 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% annually. Gas and video services are expected to growth annually in the 3.3% to 4% range.

General Funds Charges for Services

Charges for services revenue is the fourth largest revenue source at \$14.5 million constituting 7% of total 2020 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 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 table below displays the historic charges for services collections over the past ten years, and the basis of the economic assumptions used to project the specific revenue source's future performance.

Total General Fund Charges for Services

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	13,194,344	13,475,431	12,626,784	13,049,760	12,898,947	12,922,898	12,809,286	13,295,764	13,785,600	14,467,950
Percent Change %		2.1%	-6.3%	3.3%	-1.2%	0.2%	-0.9%	3.8%	3.7%	4.9%
Changes \$\$		\$ 281,087	\$ (848,647)	\$ 422,976	\$ (150,813)	\$ 23,951	\$ (113,612)	\$ 486,477	\$ 489,836	\$ 682,350

Residential Trash Charges for Services

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	6,974,745	6,917,531	6,882,682	7,623,232	7,839,881	7,910,822	7,954,614	8,101,885	8,155,000	8,635,000
Percent Change %		-0.8%	-0.5%	10.8%	2.8%	0.9%	0.6%	1.9%	0.7%	5.9%
Changes \$\$		\$ (57,214)	\$ (34,849)	\$ 740,550	\$ 216,649	\$ 70,941	\$ 43,792	\$ 147,271	\$ 53,115	\$ 480,000

Jail Fees

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	2,623,876	2,498,502	1,825,496	1,586,056	1,422,200	947,917	1,335,672	1,439,550	1,410,000	1,460,000
Percent Change %		-4.8%	-26.9%	-13.1%	-10.3%	-33.3%	40.9%	7.8%	-2.1%	3.5%
Changes \$\$		\$ (125,374)	\$ (673,006)	\$ (239,440)	\$ (163,856)	\$ (474,283)	\$ 387,755	\$ 103,878	\$ (29,550)	\$ 50,000

Planning and Building Inspection Charges for Services

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	1,323,879	1,736,025	1,575,725	1,272,301	1,213,179	1,823,639	1,448,496	1,588,800	1,680,000	1,750,000
Percent Change %		31.1%	-9.2%	-19.3%	-4.6%	50.3%	-20.6%	9.7%	5.7%	4.2%
Changes \$\$		\$ 412,146	\$ (160,300)	\$ (303,424)	\$ (59,122)	\$ 610,460	\$ (375,143)	\$ 140,304	\$ 91,200	\$ 70,000

The average growth rate in the future five years for total charges for services is 2.3%. Residential trash charges for services future revenue is forecast to increase by 2.1% correlated to historic increases in residential trash collection costs. Jail fees future revenue is forecast to increase by 2.1% correlated to historic increases in inmate housing costs. Planning and building inspection fees future revenue is forecast to increase by 2.5% correlated to historic increases in the value of new construction in the community.

General Funds Expenditures

General Fund Forecast for 2021-2025 projects expenditure increases ranging from 1.9% to 3.2%, on total 2020 expenditures of \$223 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 on a percentage basis. Fiscal Year 2021 revenues are estimated to increase by \$8.4 million or 3.8%.

General Funds Expenditure Baseline Forecast Fiscal Year 2021-2025

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SALARY	\$112,879	\$117,044	\$120,581	\$123,407	\$126,299	\$129,258
BENEFITS	44,145	47,491	49,635	51,443	53,657	56,022
LEAVE BENEFIT PAYOUTS	2,135	2,045	2,687	2,324	2,206	1,896
KP&F SPECIAL PAYMENTS	1,205	1,291	1,537	1,444	1,517	1,145
SUBTOTAL: SALARY & BENEFITS	\$160,364	\$167,871	\$174,440	\$178,619	\$183,679	\$188,321
SERVICES	39,037	40,158	41,078	42,023	42,995	43,993
SUPPLIES & MATERIALS	7,481	7,619	7,747	7,877	8,009	8,144
GRANTS & CLAIMS	5,980	6,078	6,164	6,251	6,339	6,429
CAPITAL OUTLAY	7,216	6,906	6,595	5,816	5,777	6,367
DEBT SERVICE	639	654	659	660	664	666
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$60,353	\$61,415	\$62,242	\$62,627	\$63,784	\$65,599
TRANSFERS / OTHER	2,365	2,281	2,281	2,281	2,281	2,281
TOTAL USES OF FUNDS	\$223,083	\$231,567	\$238,963	\$243,526	\$249,743	\$256,201

EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SALARY	3.7%	3.0%	2.3%	2.3%	2.3%
BENEFITS	7.6%	4.5%	3.6%	4.3%	4.4%
LEAVE BENEFIT PAYOUTS	-4.2%	31.4%	-13.5%	-5.1%	-14%
KP&F SPECIAL PAYMENTS	7.1%	19.0%	-6.0%	5.0%	-25%
SUBTOTAL: SALARY & BENEFITS	4.7%	3.9%	2.4%	2.8%	2.5%
SERVICES	2.9%	2.3%	2.3%	2.3%	2.3%
SUPPLIES & MATERIALS	1.8%	1.7%	1.7%	1.7%	1.7%
GRANTS & CLAIMS	1.6%	1.4%	1.4%	1.4%	1.4%
CAPITAL OUTLAY	-4.3%	-4.5%	-11.8%	-0.7%	10.2%
DEBT SERVICE	2.3%	0.8%	0.0%	0.6%	0.4%
SUBTOTAL: OTHER OPERATING EXPENDITURES	1.8%	1.3%	0.6%	1.8%	2.8%
TRANSFERS / OTHER	-3.6%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	3.8%	3.2%	1.9%	2.6%	2.6%

General Funds Salary & Benefits

Total General Fund salary and benefits increase from \$161 million in 2020 to \$188 million in 2025. Over the Forecast period, salary and benefits costs remain relatively constant on a proportional basis in comparison to other operating expenditures. In 2020, salary and benefits costs represent 72% of the expenditure budget and this grows to 73.5% in 2025. The Forecast period includes a moderate cost of living adjustment for all labor groups and no additional FTE beginning in 2021. Leave benefit payouts and KP&F special payments associated with *expected* retirements are one-time expenses and are expected to significantly drop-off in the years following 2025. The prior ten-year annual average growth of benefits costs was 4.2%, over the five-year forecast the growth rate is 4.5% reflecting expected increases in the employer contributions for pensions and while anticipating slightly lower health care cost contributions due to design plan changes.

Total General Fund Salaries and Benefits

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Expenditure	\$ 124,793,494	\$ 129,401,855	\$ 139,438,665	\$ 146,109,684	\$ 141,659,012	\$ 143,636,568	\$ 148,228,265	\$ 153,756,265	\$ 154,449,733	\$ 160,364,434
Percent Change %		3.7%	7.8%	4.8%	-3.0%	1.4%	3.2%	3.7%	0.5%	3.8%
Changes \$\$		\$ 4,608,361	\$ 10,036,810	\$ 6,671,019	\$ (4,450,672)	\$ 1,977,556	\$ 4,591,698	\$ 5,528,000	\$ 693,467	\$ 5,914,702

[A comprehensive discussion of salary and benefits for all governmental funds, including the expected retirement “silver tsunami” can be found in the expenditure section of this report.]

General Funds Services

Services expenditures is the second largest cost category of the General Fund totaling \$39 million in 2020 or 17% of total expenditures. Services costs increase to \$44 million in 2025 or 17% of the total. 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.

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.

General Fund Services Expenditures

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Expenditure	\$ 26,654,916	\$ 27,428,264	\$ 28,371,296	\$ 27,922,519	\$ 28,678,536	\$ 32,859,175	\$ 31,011,737	\$ 33,081,428	\$ 38,322,742	\$ 39,036,867
Percent Change %		2.9%	3.4%	-1.6%	2.7%	14.6%	-5.6%	6.7%	15.8%	1.9%
Changes \$\$		\$ 773,348	\$ 943,032	\$ (448,777)	\$ 756,017	\$ 4,180,639	\$ (1,847,438)	\$ 2,069,691	\$ 5,241,314	\$ 714,125

Services increased an average annual rate of 4.5% over the ten-year period. The significant 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. There were also increases over 2018 actuals for inmate contract bed, inmate food costs, residential waste collection contract costs, and cost increases in other services.

Residential waste (trash) 2019 contract costs of \$7.6 million (along with \$1.5 million of related costs in other cost categories) are offset by trash services revenues of \$8.6 million. Residential waste (trash) contract costs strongly correlates to population and inflationary growth rates combined of 2.1%.

ATA contract costs in 2019 are anticipated to be around \$3.8 million being offset by an anticipated \$1.4 million in grants and \$660 thousand in passenger revenue. The ATA contract cost assumption is 3% annually with the assumption of no changes in routes or loss of grant funding. Due to their strong correlation, contractual services and repair and maintenance cost assumptions are based on the historic percentage changes in assessed valuation, or 4.7% annually. The other professional services cost assumption is 1% annually. The cost categories for other services and our rent/lease costs strongly correlates to inflation, estimated at an annual growth rate of 1.4%.

Demolition and clearance total budget for 2019 is maintained at \$649,000 in the 2020 budget plus \$1 million that was budgeted in debt due to Commission support of the SOAR initiative for 2018 and 2019. The funding level for the general funds portion is retained at the \$649,000 level during the forecast period, inflated by 4.4% which is the median household income growth rate of which it strongly correlates.

Inmate housing, medical and related jail contract costs of \$5.9 million are partially offset by jail fees of \$1.46 million in 2020. 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 proposed juvenile detention facilities. 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 1.4%, based on the annual rate of inflation.

General Funds Supplies and Materials

Supplies and materials expenditures of the General Fund total \$7.5 million in 2020 or 3% of total expenditures. Supplies and materials costs increase to \$8 million in 2025. 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 Expenditures

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Expenditure	\$ 6,509,930	\$ 5,915,450	\$ 5,737,280	\$ 5,333,107	\$ 5,389,279	\$ 5,496,153	\$ 5,989,723	\$ 6,482,110	\$ 7,728,628	\$ 7,480,633
Percent Change %		-9.1%	-3.0%	-7.0%	1.1%	2.0%	9.0%	8.2%	19.2%	-3.2%
Changes \$\$		\$ (594,480)	\$ (178,170)	\$ (404,173)	\$ 56,172	\$ 106,874	\$ 493,569	\$ 492,387	\$ 1,246,518	\$ (247,996)

Gasoline and fuel costs have increased over the past few years due to increasing market rates, from \$1.1 million in 2016 down to \$1.65 million in 2020. The Forecast retains a \$1.65 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 1.4%.

General Funds Grants & Claims

Grants and claims expenditures of the General Fund total \$6 million in 2020 or 2.6% of total expenditures. Grants and claims costs increase to \$6.4 million in 2025. In 2020, this category includes a City General Fund intra-fund contribution to the Consolidated Parks and Recreation (General) Fund of \$3.4 million, grants totaling \$1.2 million, claims and judgments estimate of \$852,000, and taxes that are remitted, rebated and/or refunded totaling \$490,000. The grants and claims costs correlate with inflation, or 1.4% annually. The City General Fund intra-fund contribution (cost) to the Consolidated Parks and Recreation (General) Fund of \$3.4 million is offset by a corresponding revenue in the Consolidated Parks and Recreation (General) Fund.

General Fund Grants & Claims Expenditures

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Expenditure	\$ 5,455,549	\$ 4,990,132	\$ 4,786,522	\$ 4,510,754	\$ 4,637,155	\$ 5,062,754	\$ 6,585,722	\$ 5,721,590	\$ 6,266,399	\$ 5,979,899
Percent Change %		-8.5%	-4.1%	-5.8%	2.8%	9.2%	30.1%	-13.1%	9.5%	-4.6%
Changes \$\$		\$ (465,417)	\$ (203,610)	\$ (275,768)	\$ 126,401	\$ 425,599	\$ 1,522,968	\$ (864,132)	\$ 544,809	\$ (286,500)

General Funds Capital Outlay

Capital outlay expenditures that are General Fund cash-funded total \$7.2 million in 2020 or 3.2% of total expenditures. Capital outlay expenditures are those projects paid from the “cash” category in the Capital and Maintenance Improvement Program (CMIP). Capital outlay expenditures in the Forecast for 2019 and 2024 are based on the planned CMIP projects as reflected in the Adopted 2020 Budget. Of the total in 2020, \$5.1 million is dedicated to equipment and machinery. The remaining \$2.1 million is dedicated to public building improvements, design and engineering, bridge and park improvements, parking lot improvements and capital project contingencies.

General Fund Capital Outlay Expenditures

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Expenditure	\$ 2,635,028	\$ 3,601,438	\$ 3,324,406	\$ 2,888,734	\$ 4,687,800	\$ 4,595,056	\$ 6,243,890	\$ 5,808,640	\$ 6,768,756	\$ 7,216,371
Percent Change %		36.7%	-7.7%	-13.1%	62.3%	-2.0%	35.9%	-7.0%	16.5%	6.6%
Changes \$\$		\$ 966,410	\$ (277,032)	\$ (435,672)	\$ 1,799,066	\$ (92,744)	\$ 1,648,834	\$ (435,250)	\$ 960,116	\$ 447,615

Capital outlay costs are forecast to be \$6.4 million in 2025 or 2.5% of the total expenditures. Between 2020 and 2024, the levels of funding reflect what has been listed in capital schedule in the 2020 Unified Government budget document. This level of funding is maintained in 2025 to reflect an ongoing commitment to fund a basic level of infrastructure and ongoing maintenance and replace equipment.

A compilation of the various condition assessment reports of the UG's over 150 facilities and buildings will likely arrive at a very significant level of deferred maintenance costs given the size of UG organization and geographic service area. Due to on-going operations, additional capital funding to address these needs is challenging. In the absence of 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 (Series 2010-H) with principal and interest payment amounting to \$654,000 in 2020. The annual amounts included in the Forecast are based on the bond documents' annual debt service schedule. This debt payment is 100 percent 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.

[Refer to the Debt Profile section for more detail.]

General Funds Transfers & Other

Transfers and Other expenditures total \$2.4 million in 2020 and remain relatively constant during the forecast period. This category includes transfers-out to other UG funds and budget contingencies in 2020 and beyond. The Forecast keeps-out to other UG funds at a constant level.

Transfers that are budgeted for 2020 and beyond include \$1.2 million annually for the debt service on the Juvenile Center project, \$435,000 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 T-Bones Stadium and other UG funds.

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 2020 and/or 2021 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 constituting 22% of total General Fund revenues. National government policy changes, such as international trade policy disputes, could impact the regional business climate and job growth.

The Forecast projection for job growth took the number of county jobs at the end of 2018 (which saw a (0.5%) decline compared with 2017) and then applied a slowdown of job growth in 2019-2021 of flat in 2019 and a modest 0.7% increase in 2020-2021, followed by the average annual growth in county jobs over the prior ten-year period of 1.1%. The Midwest Urban Area consumer price index (CPI) increase from 1.7% in 2017 to 1.9% in 2018, with forecast including remaining the same in 2019, adjusting to 1.8% in 2020, 1.6% in 2021, then landing at 1.4% beginning in 2022 it's 10-year average annual rate. Retail and food, services and accommodations sales receipts saw a decline of (1.8%) in 2017, (2.2%) in 2018, and is estimated to see another (2%) decline in 2019. The forecast estimates this indicator remaining flat in 2020, increasing to

0.8% in 2021, then leveling out to its 10-year average annual growth rate beginning in 2022.

2. **Labor Negotiations:** The Unified Government has twelve of thirteen employee organization (labor) agreements expiring 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 2020-2025 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 in today's tight job market. As detailed in the expenditure section, beyond 2020 the Forecast assumes no additional employee positions.
3. **Future Retiree Payout Assumptions:** As discussed in the expenditure section, 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 \$18 million impact over the next five years.

Staff plans to research possible solution to diminish or smooth the pay-out timing of the one-time accrued leave balance payouts of *expected* retirees. One option being explored is to offer retirement-eligible employees the opportunity, on a voluntary basis, to begin liquidating a portion of their accrued leave payouts for deposit into their tax-deferred 457 deferred compensation plans. Discussions with KPERs are required to determine if this is a legally viable option.

Forecast Methodology

The next sections of the report discuss the analysis and assumptions of major revenue and expenditures categories. The methodology for calculating changes for out-years of the Forecast (2021-2025) 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 the revenue or cost driver being statistical correlated to the revenue or 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. Staff also performed a reasonableness test of the results.

This Forecast assumes that a recession and fall-off in economically sensitive revenues occurs once every eight to ten years, and as a result a recession is included in the Forecast in years 2020 and/or 2021. 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 a post-recession modest upswing is incorporated.



SPECIAL GOVTAL FORECAST

The 2021-2025 Long Term Financial Forecast for UG governmental funds includes analysis specific to the following funds: Special County Levy Funds, Dedicated Sales Tax Fund, Special Street and Highway Fund and the Tourism & Convention Promotion Fund. Each fund has resources supporting specific required functions.

Despite modest revenue receipts as projected forward, the Unified Government continues to face fiscal challenges in some areas of the special governmental funds. The largest special revenue funds have been selected for discussion and analysis,

Special County Levy Funds

The Special County Levy Funds each have a specific Wyandotte County property tax mill levy assessed to provide resources to support the specific functions of each fund, as authorized by Kansas state statute. These five funds have been grouped together for simplicity purposes because they share the same revenue source and include the Aging, Developmental Disabilities, Elections, Health Department and Mental Health.

The ***Aging County Levy Fund*** was established by KSA 12-1680 to provide funds for service programs for the elderly. Grants to local providers of service for seniors age 60 and over who reside in Wyandotte County are funded by this mill levy. Services range from funding for three senior centers, providing two transportation systems, educating and monitoring clients with diabetes, providing hearing aids, eye exams and eyewear, providing attendant call services, Lifeline telephone reassurance, support groups, case management for Asian immigrants and connecting seniors with volunteers.

Developmental Disabilities County Levy Fund helps support Wyandotte Developmental Disabilities services. The tax levy is authorized by KSA 19-4004, 19-4007, and 19-4011, which supports services such as: job placement services for disabled and developmentally disabled clients; vocation services to help clients gain wage earning job skills; services to help individuals learn independent living skills; and a preschool designed to prepare disabled children for the school experience.

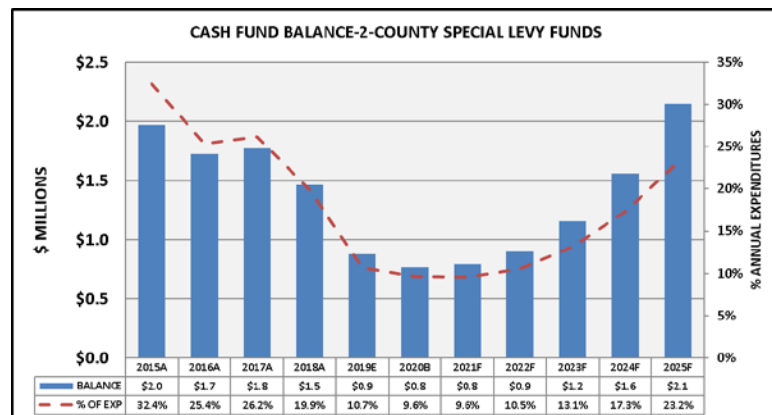
The ***Elections County Levy Fund*** is used to account for the revenues and expenses related to communitywide elections in Wyandotte County. Revenue is used by the Election Commissioner's Office to conduct and oversee all elections: national, state, county, city, community college, school districts, drainage districts, and special elections. Revenues collected to fund these activities are generated from ad valorem property taxes and the local ad valorem tax reduction from the State of Kansas. This fund was established by KSA 19-3435a, 25-2201a, and 39-417.

A ***County Health Department Levy Fund*** is authorized by KSA 65-204 for the purpose of providing funds to assist in carrying out health laws, rules and regulations of the county and to provide funds for capital expenditures for county health purposes. Funds generated by this mill levy help support the County Health Department's operations.

The ***County Mental Health Levy Fund*** is authorized by KSA 19-4004, 19-4007, and 19-4011. This legislation allows the commissioners to levy taxes for the purpose of contracting services with nonprofit corporations to provide either mental health services or services for the intellectually/developmentally disabled. A portion of the funds are used to help support Wyandot Behavioral Health Network offering sexual abuse services, child and adolescent services, community services, psychiatric services, and adult services.

Cash Fund Balances Baseline Forecast

The cash fund balance of the Special County Levy Funds expects to end 2020 at \$768,000 and grows to a projected \$2.15 million by the end of the forecast period. The chart below illustrates the financial projection of all the five funds through 2025. Given current assumptions for service level and without any mill levy adjustments, these funds combined have a cash fund balance of 9.6% the end of 2020 and by 2025 has a cash balance that is 23% of total expenditures.



On a modified accrual CAFR fund balance basis, these five combined funds ended 2018 with a reserve equal to 20% of their total expenditures. Given the estimated revenues and spending during 2019 and 2020, the CAFR fund balance reserve declines to 10% of expenditures. This 10% level is retained thru 2022 then increases to 13.8% in 2023, 18% in 2024 and 24% in 2025.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

In 2020 total revenues are \$7.8 million and growth to \$9.8 million by 2025. Annual average revenue increases by 4.6% over the five-year Forecast, with a 5.9% in 2021 and then ranging from 3.9% to 4.7% thereafter. The chart below provides a 10-year summary of these funds' largest revenue source.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
PROPERTY TAX	\$5,450	\$5,807	\$6,026	\$6,320	\$6,573	\$6,836
PERSONAL PROPERTY TAXES	640	670	701	734	769	805
IRB PILOT/TAX ABATEMENT TAX	110	125	149	166	181	267
OTHER TAXES	29	29	30	30	31	31
DELINQUENT TAXES	149	154	159	164	170	175
SUBTOTAL: TAXES	\$6,378	\$6,786	\$7,065	\$7,415	\$7,723	\$8,114
PERMITS & LICENSES	80	81	82	84	85	86
CHARGES FOR SERVICES	361	370	379	389	399	409
INTERGVTL REVENUES	3	3	3	3	3	3
MISC. & INTEREST	45	46	47	48	49	50
REIMBURSEMENTS	636	676	703	731	760	790
SUBTOTAL: NON-TAXES	\$1,125	\$1,176	\$1,215	\$1,255	\$1,296	\$1,339
TRANSFERS	360	368	376	384	392	401
TOTAL SOURCE OF FUNDS	\$7,863	\$8,330	\$8,656	\$9,054	\$9,411	\$9,853

REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
PROPERTY TAX	6.5%	3.8%	4.9%	4.0%	4.0%
PERSONAL PROPERTY TAXES	4.7%	4.7%	4.7%	4.7%	4.7%
IRB PILOT/TAX ABATEMENT TAX	13.6%	19.6%	11.3%	8.5%	47.8%
OTHER TAXES	1.6%	1.4%	1.4%	1.4%	1.4%
DELINQUENT TAXES	3.3%	3.3%	3.3%	3.3%	3.3%
SUBTOTAL: TAXES	6.4%	4.1%	5.0%	4.1%	5.1%
PERMITS & LICENSES	1.5%	1.6%	1.6%	1.6%	1.6%
CHARGES FOR SERVICES	2.5%	2.5%	2.5%	2.5%	2.5%
INTERGVTL REVENUES	2.3%	2.1%	2.1%	2.1%	2.1%
MISC. & INTEREST	2.3%	2.1%	2.1%	2.1%	2.1%
REIMBURSEMENTS	6.3%	4.0%	4.0%	4.0%	4.0%
SUBTOTAL: NON-TAXES	4.6%	3.3%	3.3%	3.3%	3.3%
TRANSFERS	2.3%	2.1%	2.1%	2.1%	2.1%
TOTAL SOURCE OF FUNDS	5.9%	3.9%	4.6%	3.9%	4.7%

Property Taxes

The Special County Levy Funds are reliant on property tax, constituting 69% of total revenues in 2020. Each fund has a mill levy rate set by the Board of Commissioners during the annual budget process. As of the 2020 budget, the mill levy rates total 4.230 and individually are 1.027 for the Aging Fund, 0.206 for the Developmental Disabilities Fund, 0.873 for the Elections Fund, 1.699 for the Health Department Fund, and 0.425 for the Mental Health Fund. Annual average property tax increases by 4.6% over the five-year Forecast, with a 6.5% in 2021 and 4% thereafter.

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	3,938,332	4,121,856	4,233,863	4,286,337	4,320,798	4,476,258	4,648,653	4,819,011	5,196,614	5,450,440
Percent Change %		4.7%	2.7%	1.2%	0.8%	3.6%	3.9%	3.7%	7.8%	4.9%
\$ Change		183,524	112,007	52,474	34,461	155,460	172,395	170,358	377,603	253,826

Expenditures

A majority of the Special County Levy Funds' costs are in salary and benefits, constituting 66% of total expenditures in 2020. The

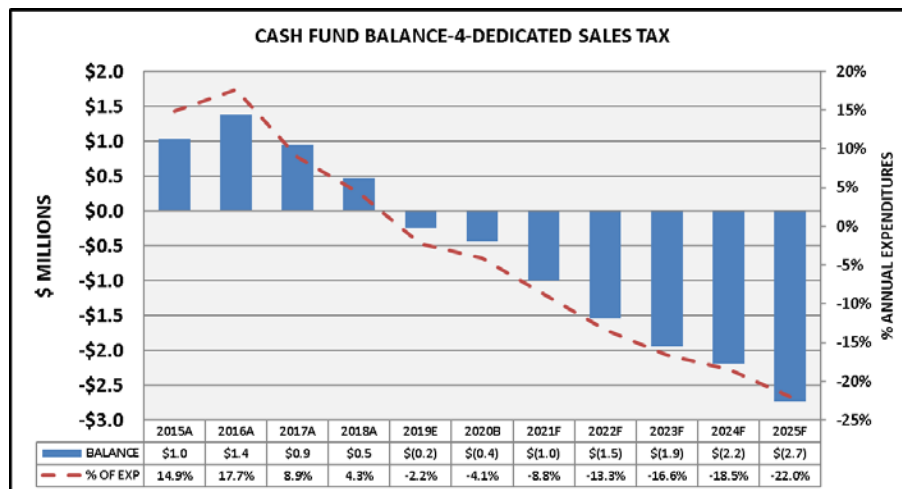
second largest cost center is services. In 2020 total expenditures are \$8.0 million and growth to \$9.2 million by 2025. Annual average expenditure increases by 3.1% over the five-year Forecast, with a 4.2% in 2021 and 2.9% thereafter.

Dedicated Sales Tax Fund

In April 2010 Kansas City, Kansas voters approved a 10-year 3/8th cent sales tax and this tax was renewed by the voters in 2018 for an additional 10-years through 2030. The revenues generated from this sales tax are to be dedicated to public safety and infrastructure. Per the sales tax measure, these resources are dedicated for capital and operating needs of neighborhood streets and public safety functions.

Cash Fund Balances Baseline Forecast

The cash fund balance of the Dedicated Sales Tax Fund expects to end 2020 with a negative fund balance and will continue to be negative through the end of the forecast period. Kansas budget law does not allow a negative cash balance. Expenditures would be required to be adjusted each year to meet revenue estimates, eliminating the negative fund cash balance. The chart below illustrates the financial projection for the Dedicated Sales Tax Fund through 2025.



On a modified accrual CAFR fund balance basis, this fund ended 2018 with fund balance of \$4 million and a reserve equal to 37% of their total 2018 expenditures. This is due to various receivables on the fund's balance sheet. Given the estimated revenues and spending during 2019 and 2020, the CAFR fund balance reserve declines to 29% of expenditures. The projection has the fund with reserves of 23% in 2021, 17.6% in 2022, 14% in 2023, 12% in 2024 and 7% in 2025.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

Sales and use tax are the only revenue source in this fund. The current revenue estimates have been adjusted down for fiscal years 2019 and 2020 from budget by about \$500,000 for each year due to the recent decline in retail sales activities. The forecast for future periods is a modest increase of 1.5% for 2021, 2.1% for 2022 and 2.6% for the remaining future periods.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SALES & USE TAXES	\$10,658	\$10,817	\$11,039	\$11,321	\$11,610	\$11,906
SUBTOTAL: TAXES	\$10,658	\$10,817	\$11,039	\$11,321	\$11,610	\$11,906
INTERGOVTAL REVENUES	0	0	0	0	0	0
MISC. & INTEREST	0	0	0	0	0	0
REIMBURSEMENTS	0	0	0	0	0	0
SUBTOTAL: NON-TAXES	\$0	\$0	\$0	\$0	\$0	\$0
TRANSFERS	0	0	0	0	0	0
TOTAL SOURCE OF FUNDS	\$10,658	\$10,817	\$11,039	\$11,321	\$11,610	\$11,906

REVENUE & OTHER (\$ % change)	2021	2022	2023	2024	2025
SALES & USE TAXES	1.5%	2.1%	2.6%	2.6%	2.6%
SUBTOTAL: TAXES	1.5%	2.1%	2.6%	2.6%	2.6%
INTERGOVTAL REVENUES	0.0%	0.0%	0.0%	0.0%	0.0%
MISC. & INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%
REIMBURSEMENTS	0.0%	0.0%	0.0%	0.0%	0.0%
SUBTOTAL: NON-TAXES	0.0%	0.0%	0.0%	0.0%	0.0%
TRANSFERS	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL SOURCE OF FUNDS	1.5%	2.1%	2.6%	2.6%	2.6%

The revenue increase in 2017 is partially due to the Dedicated Sales Tax Fund's share of a sales tax revenue resulting from the early payoff of STAR Bonds that financed the Village West Shopping Area. Sales tax revenues have been declining since mid-year 2018.

Sales and Uses Taxes

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Revenue	6,053,474	6,241,082	6,760,480	7,049,453	7,486,226	8,180,967	9,769,800	10,346,372	10,350,000	10,657,500
Percent Change %		3.1%	8.3%	4.3%	6.2%	9.3%	19.4%	5.9%	0.0%	3.0%
\$ Change		187,608	519,398	288,973	436,773	694,741	1,588,834	576,572	3,628	307,500

Expenditures

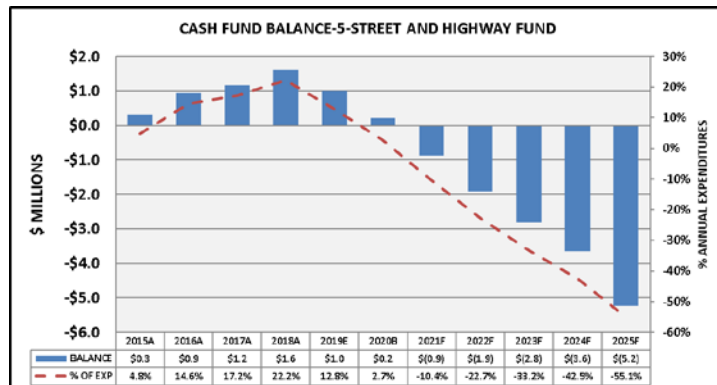
Expenditures are split between the Streets and Public Safety functions. Police and Fire funding can be spent on operating and capital needs and Streets funding can be spent on neighborhood infrastructure. Typically, the resources in this fund are divided by one-third for qualified needs in the Police, Fire and Public Works departments. Approximately 50.25 full time employees are funded in this Fund. Future spending needs in this fund will be limited to the amount of revenue generated by the 3/8 cent sales tax.

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SALARY	\$3,278	\$3,385	\$3,485	\$3,566	\$3,649	\$3,733
BENEFITS	1,368	1,468	1,558	1,594	1,654	1,697
SUBTOTAL: SALARY & BENEFITS	\$4,647	\$4,853	\$5,043	\$5,160	\$5,303	\$5,430
SERVICES	974	996	1,014	1,033	1,051	1,071
SUPPLIES & MATERIALS	232	236	241	245	249	254
GRANTS & CLAIMS	0	0	0	0	0	0
CAPITAL OUTLAY	5,000	5,288	5,288	5,288	5,246	5,699
DEBT SERVICE	0	0	0	0	0	0
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$6,206	\$6,521	\$6,543	\$6,566	\$6,547	\$7,024
TRANSFERS / OTHER	0	0	0	0	0	0
TOTAL USES OF FUNDS	\$10,852	\$11,374	\$11,586	\$11,726	\$11,850	\$12,454

EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SALARY	3.2%	3.0%	2.3%	2.3%	2.3%
BENEFITS	7.3%	6.1%	2.3%	3.7%	2.6%
SUBTOTAL: SALARY & BENEFITS	4.4%	3.9%	2.3%	2.8%	2.4%
SERVICES	2.3%	1.8%	1.8%	1.8%	1.8%
SUPPLIES & MATERIALS	1.9%	1.8%	1.8%	1.8%	1.8%
GRANTS & CLAIMS	0.0%	0.0%	0.0%	0.0%	0.0%
CAPITAL OUTLAY	5.8%	0.0%	0.0%	-0.8%	8.6%
DEBT SERVICE	0.0%	0.0%	0.0%	0.0%	0.0%
SUBTOTAL: OTHER OPERATING EXPENDITURES	5.1%	0.3%	0.3%	-0.3%	7.3%
TRANSFERS / OTHER	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	4.8%	1.9%	1.2%	1.1%	5.1%

Special Street & Highway Fund

The Street and Highway Fund is a special revenue fund, per KSA 12-1119, which accounts for the revenues received from the State of Kansas for road improvements. Revenues are allocations received from the State of Kansas from motor fuel tax collections. The allocation is based on the population of the city and county. The expenditures of these funds are limited to roadway development and maintenance. The Unified Government targets the revenues from this fund toward capital improvement projects and certain operating expenses related to roadway maintenance.



Cash Fund Balances Forecast

The cash fund balance of the Street and Highway Fund expects to end 2020 at \$200,000 and projected to be negative by the end of the forecast period. Kansas budget law does not allow a negative cash balance. Expenditures would be required to be adjusted each year to meet revenue estimates, eliminating the negative fund cash balance. The chart below illustrates the financial projection for the Special Street & Highway Fund through 2025.

On a modified accrual CAFR fund balance basis, this fund ended 2018 with fund balance of \$2 million and a reserve equal to 28% of their total 2018

expenditures. This is due to various receivables on the fund's balance sheet. Given the estimated revenues and spending during 2019 and 2020, the CAFR fund balance reserve declines to 8% of expenditures. The projection has the fund with reserves of -5.6% in 2021, -18% in 2022, -28.5% in 2023, -38% in 2024 and -51% in 2025.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

Intergovernmental revenue from the State of Kansas growth has been about 2% each year for the last several years. The forecast for future periods includes increase of 2.3% for 2021 and 2.1% for the remaining future periods.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
INTERGOVTAL REVENUES	7,100	7,266	7,420	7,576	7,736	7,899
MISC. & INTEREST	0	0	0	0	0	0
REIMBURSEMENTS	5	5	6	6	6	6
SUBTOTAL: NON-TAXES	\$7,105	\$7,272	\$7,425	\$7,582	\$7,742	\$7,905
TRANSFERS	0	0	0	0	0	0
TOTAL SOURCE OF FUNDS	\$7,105	\$7,272	\$7,425	\$7,582	\$7,742	\$7,905

REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
INTERGOVTAL REVENUES	2.3%	2.1%	2.1%	2.1%	2.1%
MISC. & INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%
REIMBURSEMENTS	6.3%	4.0%	4.0%	4.0%	4.0%
SUBTOTAL: NON-TAXES	2.3%	2.1%	2.1%	2.1%	2.1%
TRANSFERS	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL SOURCE OF FUNDS	2.3%	2.1%	2.1%	2.1%	2.1%

Intergovernmental Revenue (Motor Fuel – Gas – Tax)

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	6,837,187	6,572,276	6,410,136	6,617,919	6,847,615	7,029,338	7,047,146	7,540,546	7,100,000	7,100,000
Percent Change %		-3.9%	-2.5%	3.2%	3.5%	2.7%	0.3%	7.0%	-5.8%	0.0%
\$\$ Change		(264,911)	(162,140)	207,783	229,696	181,723	17,807	493,401	(440,546)	-

Expenditures

Expenditures are limited to roadway development and maintenance. This fund currently pays for both operating and capital needs. Future spending needs in this fund will be limited to the amount of revenue generated by the motor fuel tax collections.

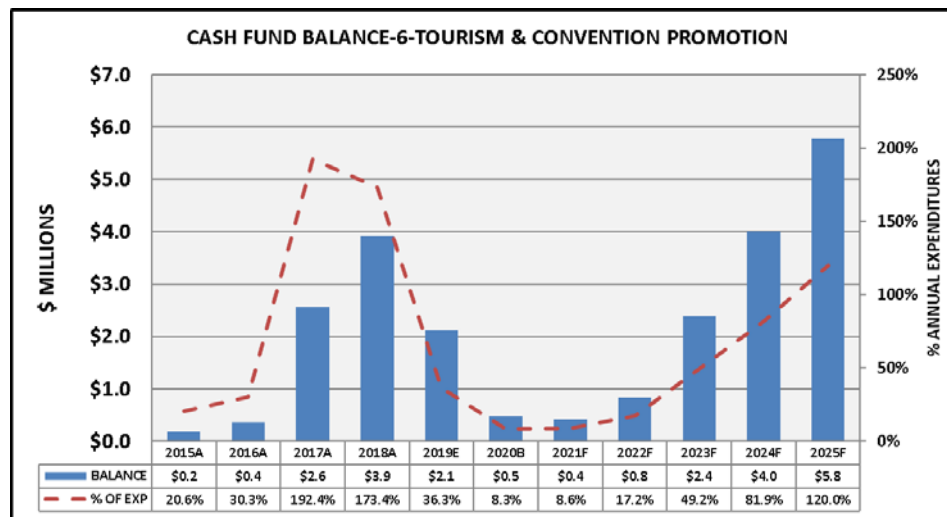
EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SALARY	\$4,019	\$4,184	\$4,312	\$4,414	\$4,519	\$4,626
BENEFITS	1,789	1,892	1,992	2,028	2,118	2,201
SUBTOTAL: SALARY & BENEFITS	\$5,808	\$6,076	\$6,304	\$6,443	\$6,636	\$6,826
SERVICES	93	99	103	107	111	116
SUPPLIES & MATERIALS	470	478	485	492	499	506
GRANTS & CLAIMS	15	15	15	16	16	16
CAPITAL OUTLAY	1,496	1,688	1,569	1,422	1,305	2,028
DEBT SERVICE	0	0	0	0	0	0
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$2,074	\$2,280	\$2,172	\$2,037	\$1,931	\$2,666
TRANSFERS / OTHER	0	0	0	0	0	0
TOTAL USES OF FUNDS	\$7,882	\$8,356	\$8,476	\$8,479	\$8,567	\$9,492

EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SALARY	4.1%	3.1%	2.4%	2.4%	2.4%
BENEFITS	5.8%	5.3%	1.8%	4.4%	3.9%
SUBTOTAL: SALARY & BENEFITS	4.6%	3.8%	2.2%	3.0%	2.9%
SERVICES	6.3%	4.0%	4.0%	4.0%	4.0%
SUPPLIES & MATERIALS	1.7%	1.5%	1.5%	1.5%	1.5%
GRANTS & CLAIMS	1.6%	1.4%	1.4%	1.4%	1.4%
CAPITAL OUTLAY	12.8%	-7.0%	-9.4%	-8.3%	55.4%
DEBT SERVICE	0.0%	0.0%	0.0%	0.0%	0.0%
SUBTOTAL: OTHER OPERATING EXPENDITURES	9.9%	-4.7%	-6.2%	-5.2%	38.1%
TRANSFERS / OTHER	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	6.0%	1.4%	0.0%	1.0%	10.8%

Tourism and Convention Promotion Fund

The Tourism and Convention Promotion Fund is a special revenue fund used to account for the City's portion of the transient guest tax receipts. This tax is paid on hotel and motel lodging within the City and is assessed at 8% per Ordinance 03-08. The revenues are allocated to the Convention and Visitors' Bureau, Sister City Initiatives, and the operational and capital needs of the Reardon Center and Memorial Hall.

Cash Fund Balances Forecast



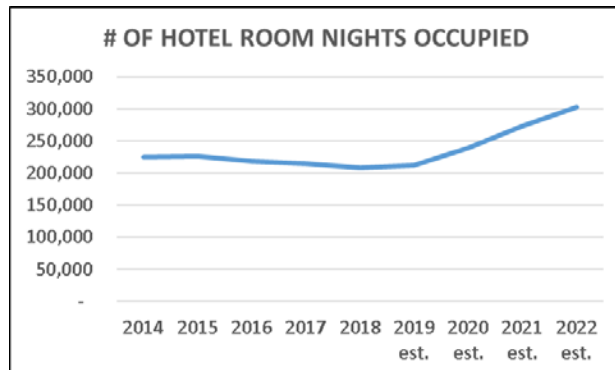
The cash fund balance of the Tourism and Convention Promotion Fund expects to end 2020 at \$500,000 and grow to a projected \$5.8 million by the end of the forecast period. The chart below illustrates the financial projection of all the five funds through 2025.

On a modified accrual CAFR fund balance basis, this fund ended 2018 with fund balance of \$5.58 million and a significant reserve. Given the estimated revenues and spending during 2019 and 2020, the CAFR fund balance is calculated to be 37% of 2020 expenditures. The projection has the fund with reserves of 43% in 2021, - 52% in 2022, 83% in 2023, 116% in 2024 and 154% in 2025.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

Transient guest tax revenue is included in the forecast due to the addition of the Tourism and Convention Promotion Special Revenue Fund, and its revenue source at \$4 million constituting 1.4% of total 2020 revenues. The Transient Guest Tax is a tax imposed on guests of hotels or other lodging facilities. This tax is commonly referred to as a "bed tax," "hotel occupancy tax," or "motel tax." The tax is currently set at 8% as determined by the Unified Government's Board of Commissioners.



The table below displays the historic charges for collections over the past ten years, with the significant increase in 2017 due to the payoff of the Legends shopping area STAR bonds. The Forecast assumes growth in the number of hotel room nights occupied due to several new hotels planned to be constructed and potentially opening in the next four years. The average annual growth rate over the five-year period is 10%. These revenues are dedicated for the promotion of tourism and support the operations of the Kansas City, Kansas Convention and Visitors Bureau.

The forecast for future periods includes increases of 14% to 22% for periods 2021 through 2023 and 1.4% for the remaining future periods. The forecast includes revenues expected to be generated from additional hotel development.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
TRANSIENT GUEST TAX	\$4,138	\$4,730	\$5,238	\$6,416	\$6,507	\$6,599
SUBTOTAL: TAXES	\$4,138	\$4,730	\$5,238	\$6,416	\$6,507	\$6,599
CHARGES FOR SERVICES	0	0	0	0	0	0
MISC. & INTEREST	0	0	0	0	0	0
SUBTOTAL: NON-TAXES	\$0	\$0	\$0	\$0	\$0	\$0
TRANSFERS	0	0	0	0	0	0
TOTAL SOURCE OF FUNDS	\$4,138	\$4,730	\$5,238	\$6,416	\$6,507	\$6,599

REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
TRANSIENT GUEST TAX	14.3%	10.7%	22.5%	1.4%	1.4%
SUBTOTAL: TAXES	14.3%	10.7%	22.5%	1.4%	1.4%
CHARGES FOR SERVICES	0.0%	0.0%	0.0%	0.0%	0.0%
MISC. & INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%
SUBTOTAL: NON-TAXES	0.0%	0.0%	0.0%	0.0%	0.0%
TRANSFERS	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL SOURCE OF FUNDS	14.3%	10.7%	22.5%	1.4%	1.4%

Revenues growth has been increasing for the last several years. The revenue increase in 2017 is partially due to a transient guest tax revenue resulting from the early payoff of STAR Bonds that financed the Village West Shopping Area.

Transient Guest Tax Revenue

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	783,912	778,402	820,417	847,127	1,057,883	990,322	3,537,536	3,619,198	4,017,508	4,138,034
Percent Change %		-0.7%	5.4%	3.3%	24.9%	-6.4%	257.2%	2.3%	11.0%	3.0%
\$\$ Change		(5,510)	42,015	26,710	210,756	(67,561)	2,547,214	81,663	398,310	120,526

Expenditures

Expenditures include the allocation of revenues to the Convention and Visitor's Bureau and Sister City Initiatives. This fund also includes maintenance and capital needs for the Reardon Center and Memorial Hall, as well as other facilities of the UG that support tourism or increase tourist visits. Reserves of \$2 million are set aside for potential tourism promotion projects that are deemed worthy.

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SALARY	\$31	\$32	\$33	\$34	\$35	\$36
BENEFITS	28	30	32	33	34	36
SUBTOTAL: SALARY & BENEFITS	\$60	\$62	\$65	\$67	\$69	\$71
SERVICES	446	457	465	474	483	492
SUPPLIES & MATERIALS	33	34	34	35	36	36
GRANTS & CLAIMS	1,479	1,504	1,525	1,547	1,568	1,590
CAPITAL OUTLAY	1,155	239	234	234	234	130
DEBT SERVICE	0	0	0	0	0	0
RESERVES	2,000	2,000	2,000	2,000	2,000	2,000
OPERATING EXPENDITURES	\$5,113	\$4,233	\$4,259	\$4,290	\$4,321	\$4,249
TRANSFERS / OTHER	600	500	500	500	500	500
TOTAL USES OF FUNDS	\$5,773	\$4,796	\$4,823	\$4,856	\$4,890	\$4,820

EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SALARY	2.9%	2.9%	2.3%	2.3%	2.3%
BENEFITS	5.5%	5.3%	3.0%	4.9%	4.7%
SUBTOTAL: SALARY & BENEFITS	4.2%	4.1%	2.6%	3.6%	3.5%
SERVICES	2.4%	1.9%	1.9%	1.9%	1.9%
SUPPLIES & MATERIALS	2.1%	2.0%	2.0%	2.0%	2.0%
GRANTS & CLAIMS	1.6%	1.4%	1.4%	1.4%	1.4%
CAPITAL OUTLAY	-79.3%	-2.2%	0.0%	0.0%	-44.4%
DEBT SERVICE	0.0%	0.0%	0.0%	0.0%	0.0%
RESERVES	0.0%	0.0%	0.0%	0.0%	0.0%
OPERATING EXPENDITURES	-17.2%	0.6%	0.7%	0.7%	-1.7%
TRANSFERS / OTHER	-16.7%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	-16.9%	0.6%	0.7%	0.7%	-1.4%

Forecast Methodology

The methodology for calculating changes for out-years of the Forecast (2021-2025) 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 the revenue or cost driver being statistical correlated to the revenue or 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. 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 a recession is included in the Forecast in years 2020 and/or 2021. 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 an upswing is incorporated. Historical average growth rates beginning in 2023 reflect the up and down cycles over the past years.



REVENUES

Unified Government Forecast for 2021-2025 projects a 3.5% increase in total governmental funds' revenues in 2021 and increases range from 3.3% to 4.1% the remaining years. The economic drivers anticipate a modest economic slowdown early in the forecast with recovery in 2022 increasing revenues.

Revenue Forecast Fiscal Years 2021 – 2025

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
PROPERTY TAX	\$93,986	\$100,138	\$103,904	\$108,985	\$113,344	\$117,878
SALES & USE TAX	60,974	61,748	62,822	64,185	65,583	67,017
FRANCHISE TAX- ELECTRIC/WATER	36,768	37,560	38,074	38,595	39,124	39,659
FRANCHISE TAX-OTHER SERVICES	10,165	10,639	11,069	11,391	11,725	12,071
PERSONAL PROPERTY TAX	11,574	12,117	12,685	13,280	13,904	14,556
OTHER TAXES	6,722	6,839	6,944	7,050	7,159	7,269
TRANSIENT GUEST TAX	4,138	4,730	5,238	6,416	6,507	6,599
DELINQUENT TAXES	2,893	2,987	3,084	3,185	3,289	3,396
OCCUPATIONAL TAX	2,150	2,182	2,216	2,250	2,285	2,321
ALCOHOL LIQUOR TAX	1,876	1,904	1,934	1,964	1,994	2,025
IRB / TAX ABATEMENT FEES	1,805	2,051	2,453	2,730	2,963	4,380
TIF REVENUE	1,358	914	950	988	1,028	1,069
SUBTOTAL: TAXES	\$234,409	\$243,808	\$251,374	\$261,021	\$268,905	\$278,241
CHARGES FOR SERVICES	15,889	16,269	16,631	17,001	17,380	17,767
FINES, FORFEITS, FEES	6,682	6,839	6,983	7,130	7,281	7,434
INTERGOVTAL REVENUES	11,301	11,485	11,654	11,827	12,004	12,184
MISC. & INTEREST	6,242	5,866	5,963	6,062	6,162	6,265
REIMBURSEMENTS	4,654	4,947	5,145	5,351	5,565	5,787
PERMITS AND LICENSES	2,551	2,590	2,629	2,669	2,709	2,751
SUBTOTAL: NON-TAXES	\$47,319	\$47,995	\$49,005	\$50,040	\$51,101	\$52,188
TRANSFERS	12,560	12,853	15,856	18,179	19,999	21,487
TOTAL SOURCE OF FUNDS	\$294,287	\$304,656	\$316,235	\$329,241	\$340,005	\$351,916

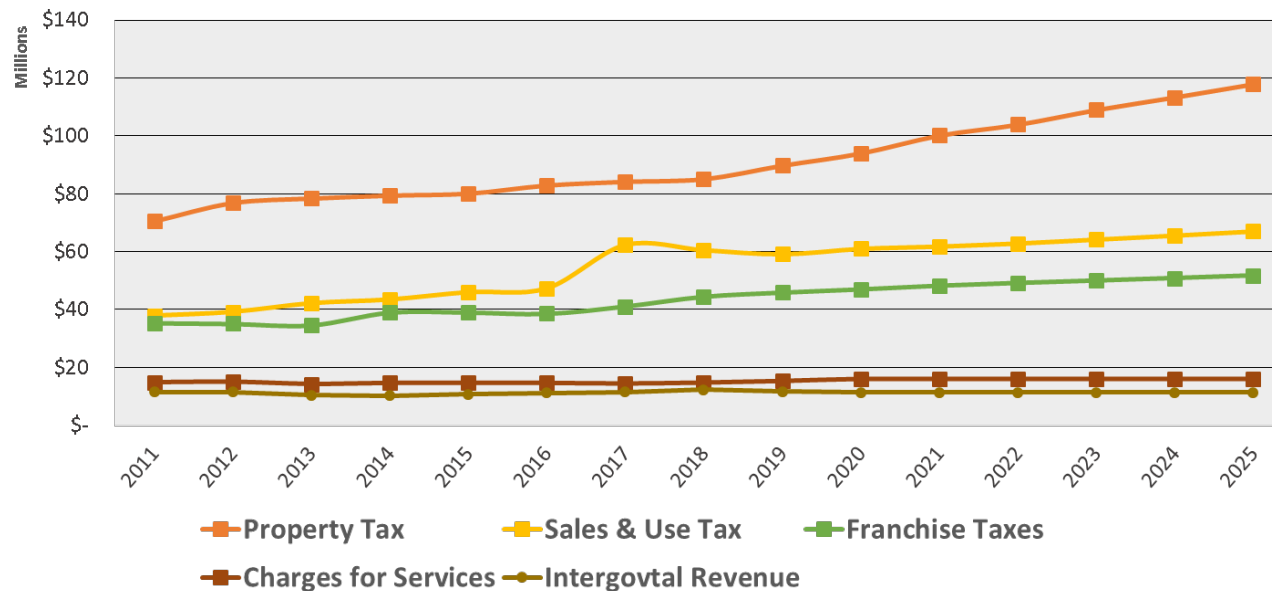
REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
PROPERTY TAX	6.5%	3.8%	4.9%	4.0%	4.0%
SALES & USE TAX	1.3%	1.7%	2.2%	2.2%	2.2%
FRANCHISE TAX- ELECTRIC/WATER	2.2%	1.4%	1.4%	1.4%	1.4%
FRANCHISE TAX-OTHER SERVICES	4.7%	4.0%	2.9%	2.9%	3.0%
PERSONAL PROPERTY TAX	4.7%	4.7%	4.7%	4.7%	4.7%
OTHER TAXES	1.7%	1.5%	1.5%	1.5%	1.5%
TRANSIENT GUEST TAX	14.3%	10.7%	22.5%	1.4%	1.4%
DELINQUENT TAXES	3.3%	3.3%	3.3%	3.3%	3.3%
OCCUPATIONAL TAX	1.5%	1.6%	1.6%	1.6%	1.6%
ALCOHOL LIQUOR TAX	1.5%	1.6%	1.6%	1.6%	1.6%
IRB / TAX ABATEMENT FEES	13.6%	19.6%	11.3%	8.5%	47.8%
TIF REVENUE	-32.7%	4.0%	4.0%	4.0%	4.0%
SUBTOTAL: TAXES	4.0%	3.1%	3.8%	3.0%	3.5%
CHARGES FOR SERVICES	2.4%	2.2%	2.2%	2.2%	2.2%
FINES, FORFEITS, FEES	2.3%	2.1%	2.1%	2.1%	2.1%
INTERGOVTAL REVENUES	1.6%	1.5%	1.5%	1.5%	1.5%
MISC. & INTEREST	-6.0%	1.7%	1.7%	1.7%	1.7%
REIMBURSEMENTS	6.3%	4.0%	4.0%	4.0%	4.0%
PERMITS AND LICENSES	1.5%	1.5%	1.5%	1.5%	1.5%
SUBTOTAL: NON-TAXES	1.4%	2.1%	2.1%	2.1%	2.1%
TRANSFERS	2.3%	23.4%	14.7%	10.0%	7.4%
TOTAL SOURCE OF FUNDS	3.5%	3.8%	4.1%	3.3%	3.5%

The first table above provides revenue estimates which include year-over-year increases for this Forecast from 2021 to 2025. The second table above displays the steady growth projected for the Unified Government's governmental revenue streams on a percentage basis. Fiscal Year 2021 revenues are estimated to increase by \$10.4 million or 3.5%.

Based on the economic analysis presented in the previous section of this report, revenue estimates, linked to the performance of the regional and local economy, reflect modest increases in consumer spending impacted by the anticipated economic slowdown. The upward trend of the UG's tax revenue in 2022 through 2025 anticipates a moderate recovery. This Forecast assumes that a fall-off in economically sensitive revenues occurs once every eight to ten years. While it is not staff's intent to predict the exact timing of

the recession, its inclusion in the Forecast for 2020 and 2021 is provided to signal to policy makers of the anticipated cyclical event, whereby revenue growth can fail to grow, so that actions can be taken to sustain the resilience of the organization's operations.

Top Five UG-wide Revenues (2011-2025)



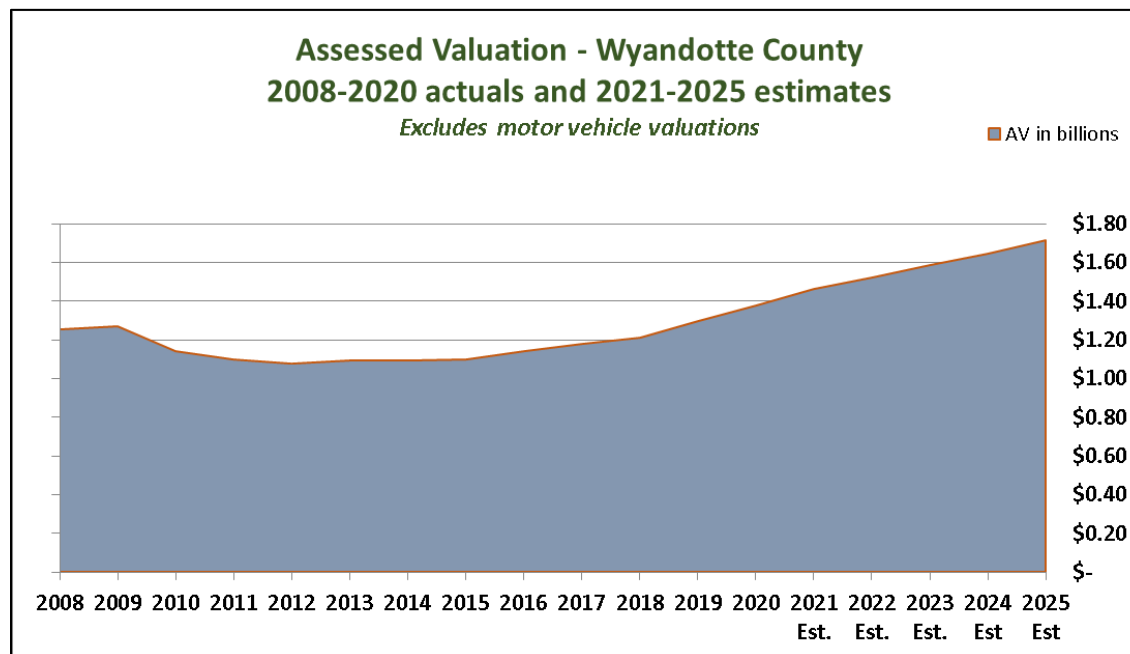
The graph above depicts a historical and projected view of the top five major Unified Government's governmental revenues, constituting 78% of total 2020 revenues. It includes eight years of actual revenue history; the estimated revenue for budget years 2019 and 2020; as well as the projections for the 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 detailed discussion of these tax revenue sources by category, as well as a discussion of transient guest tax, industrial revenue bond/tax abatement revenues, and delinquent property tax fees and associated interest income.

Property Tax (All Governmental Funds)

Since the end of the Great Recession of 2009, property values and property tax revenues have modestly increased at an annual average rate between 2012 and 2020 of 3.3%. Contributing factors include changes in mill rates, single family home sale values, commercial property market activity, and incremental assessed value growth, especially in 2019 and 2020.

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	70,498,740	76,822,393	78,403,972	79,417,503	80,090,095	82,898,378	84,181,598	85,089,617	89,756,614	93,986,410
Percent Change %		9.0%	2.1%	1.3%	0.8%	3.5%	1.5%	1.1%	5.5%	4.7%
\$\$ Change		6,323,653	1,581,579	1,013,531	672,592	2,808,283	1,283,220	908,019	4,666,997	4,229,796

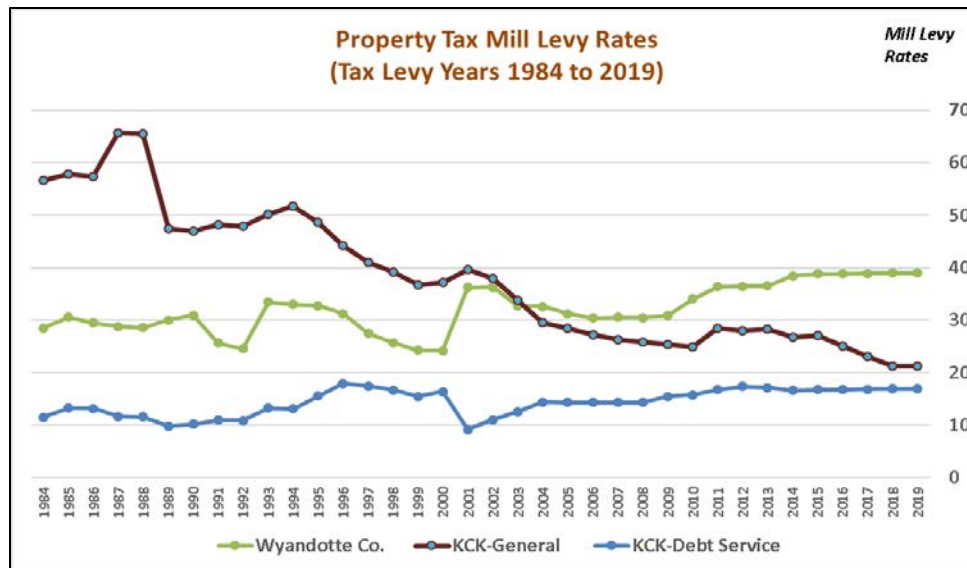
The County assessed value continued the recent years' improvement in market values with a 7.5% increase in 2019 and 6% in 2020. The chart below illustrates county-wide assessed valuation with actuals from 2008 to 2020 and estimated increases of 6.3% 2021, and 4.0% 2022 thru 2025. Although not anticipated, any impact on property values from the downturn would be delayed to 2022.



Property taxes are a focus of policy discussion since they comprise 32% of the total 2020 revenue base. Although this revenue category historically performs in a steady and predictable pattern, the housing market decline in many parts of the nation earlier in the decade is a reminder of how sensitive some revenues sources are to the broader economy and how long it takes to recover from such downturns. This knowledge informs policy makers in developing sound fiscal policies that seek to mitigate sudden disruptions of UG operations resulting from revenue losses.

The previous page's assessed value chart illustrates the 15.8% drop in assessed value between 2010 and 2012. One impact of the Great Recession was a property tax revenue decline of 9.4% in 2010 or a revenue loss of over \$5 million and the lower collection continued in 2011. The steep decline in the assessed value at that time prompted the Commission to increase the mill rate (City and County combined) by 5.9 mills in 2012 to diminish the negative impact to service delivery. Between 2017 and 2019 the Commission reduced the City property tax rate by 6-mills to provide residents property tax relief and to reset the mill rate to pre-recessionary levels, with the revenues offset by increased sales taxes coming from the STAR bond payoff in late 2016. The City 6-mill reduction equates to approximately \$6 million less in previous City General Fund property tax collections.

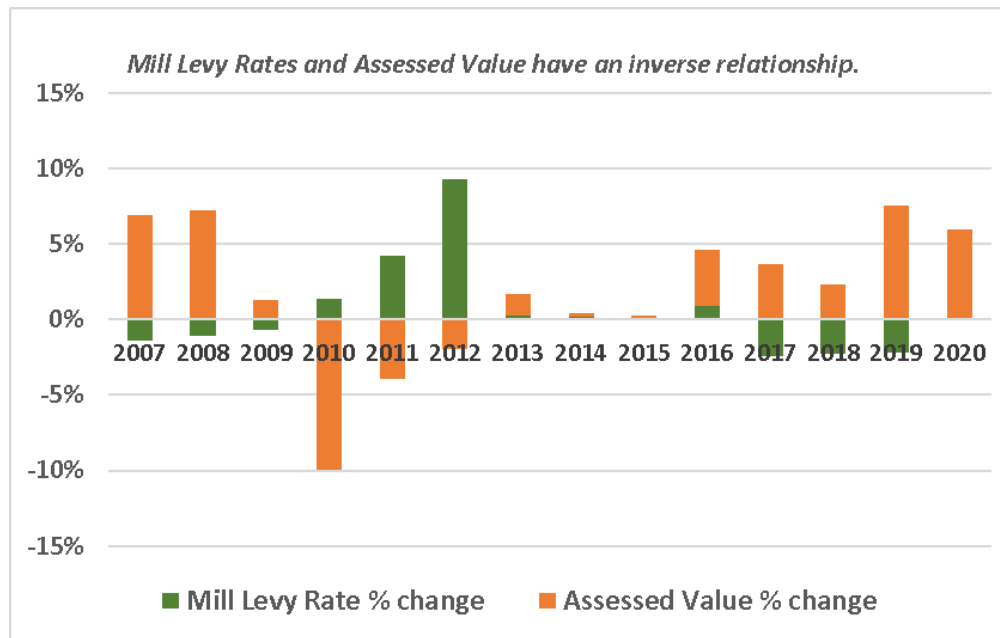
Property Tax Mill Levy Rates – Historic Overview



The chart to the left illustrates property tax mill levy levels since 1984. 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 2019 Tax Year 21.242 City General Fund mill levy rate (purple line), for the 2020 Budget, is at its lowest point over this 35-year period. Conversely, the County General Fund 39.011 mill levy rate (green line) is at its highest point historically.

Discussions often reference the City General property tax mill levy rate to include **both** the mill rate generating property tax revenues for the City General Fund operating needs and the mill rate generating property tax revenues pledged to the repayment of outstanding debt. For example, as part of the 2020 Adopted Budget the mill levy rate for the City General (total) amounted to 38.138 mills, but this “total” mill rate is separately recorded - with the City General Fund (operating) receiving tax collections associated with a 21.242 mill rate, while the City Bond and Interest Fund dedicated mill levy rate is 16.896. These two mill levies are recorded in separate funds.



The policy question for discussion is whether and/or how much the mill levy should be reduced. The following graph may provide additional information for this policy discussion. Displayed is the year-over-year percentage change in county assessed value since 2007 budget year compared with the percentage change in the combined mill levies set for the County and City. The data shows that these two data sets have an inverse relationship. As assessed value grows, property tax mill rates are reduced; as assessed value growth diminishes, mill levy rates increase. Mill levy rates over the past ten years were adjusted generally when assessed valuation percentage change was greater than -5 /+5 percent. For 2020 Budget, one mill rate equals \$1,220,000 in County property tax revenue net of the delinquency non-collection factor.

In the Forecast period, property tax revenue is projected to increase by an average of 4.6% over the Forecast period, with a 6.5% increase in 2021, 3.8% in 2022, 4.9% in 2023 and 4.0% in 2024-2025. These estimates include loss of a tax appeal by Hollywood Casino, one of the County's largest property taxpayers. Revenue growth is lower than assessed value growth due to the delinquency factor, Hollywood Casino refunds in 2019-2022 and the decline of machinery and equipment values. The Forecast assumes the property tax mill levies will remain flat during the Forecast period.

Sales and Compensating Use Tax (All Governmental Funds)

Sales and compensating use tax revenue is the second largest governmental revenue source constituting 21% of total 2020 revenues. Included in this forecast are the 1.0% sales tax by the City, 1.0% sales tax by the County of which approximately 0.06% is distributed to Bonner Springs, Edwardsville and Lake Quivira, and the 0.625% City sales tax dedicated for public safety and neighborhood infrastructure. The City also has a 0.25% sales tax dedicated to emergency medical services (EMS) not included in this report because EMS is an enterprise fund and this report only focuses on governmental functions. These sales taxes combined total to 2.815% on total County retail sales receipts of \$2.35 billion in 2018, last available information.

The STAR bonds early pay-off in December 2016 brought in an additional \$12 million in sales and use tax revenue in 2017 to the City and County General Funds (\$9 million), the Dedicated Sales Tax Fund (\$1.8 million) and the Emergency Management Services Fund (\$1.2 million). The General Funds \$9 million portion of the STAR revenue influx, in addition to the one-month of December 2016 received in 2017, increased the total sales and use revenue line in 2017 by 32%, and increased UG's reliance on sales tax from 18% of 2016 revenues without the STAR revenue to 21% of total 2020 revenues.

The tables below display over the past ten years revenue data for sales and use tax separately. The average annual percentage growth of sales revenue over the period between 2011 and 2020 was 6.8%; but, excluding the influx of STAR revenue results in an average annual increase in revenue is 4.0%. The stalling/decline in 2018 and 2019 was due to an unanticipated downturn in retail sales receipts activity beginning in mid-2018 and continuing into 2019.

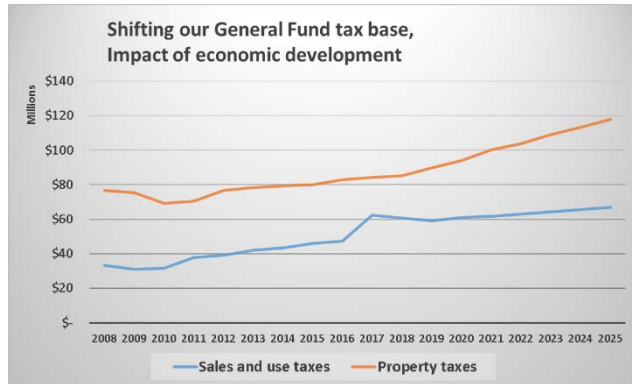
Sales Tax (only) Revenue

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	29,999,329	31,047,243	33,198,688	34,898,144	36,084,730	36,518,580	50,247,264	50,704,413	50,296,242	51,880,617
Percent Change %		3.5%	6.9%	5.1%	3.4%	1.2%	37.6%	0.9%	-0.8%	3.2%
Percent Change % <i>without</i>										
STAR revenues begin in 2017		3.5%	6.9%	5.1%	3.4%	1.2%	9.2%	5.1%	-2.4%	3.9%
\$\$ Change		1,047,914	2,151,445	1,699,456	1,186,586	433,850	13,728,683	457,150	(408,171)	1,584,375

Compensating use tax revenue grew in 2017 with the significant one-time acquisition of robotic and other equipment for the new Amazon Fulfillment Center, with 2018 revenue returning to prior year levels. The same use taxes paid by Amazon in 2017 was refunded back to the company in January 2019 in conformance with the development agreement's IRB use tax waiver provisions.

Compensating Use Tax Revenue

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	7,787,460	8,051,126	8,905,464	8,489,554	9,846,672	10,745,145	12,067,062	9,827,012	8,808,000	9,093,200
Percent Change %		3.4%	10.6%	-4.7%	16.0%	9.1%	12.3%	-18.6%	-10.4%	3.2%
\$\$ Change		263,666	854,338	(415,910)	1,357,118	898,473	1,321,917	(2,240,050)	(1,019,012)	285,200



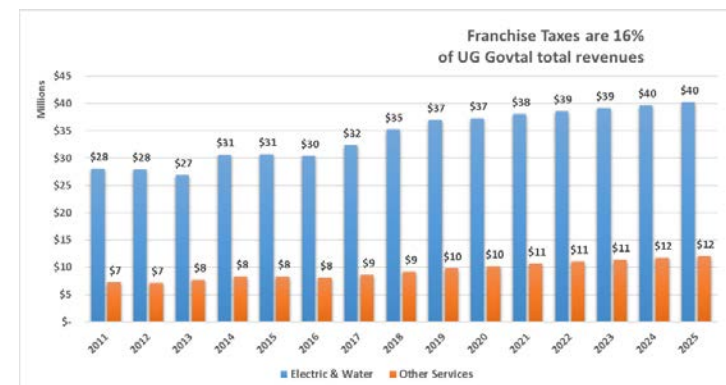
The Commission reduced the City property tax mill levy rate by two mills in 2017, 2018 and 2019 (for a total of a 6-mill reduction), largely because of the significant influx of sales tax revenues starting in 2017 when the STAR bonds were paid off in December 2016. The City 6-mill reduction equates to approximately \$6 million, of which was offset by the \$9 million in City General Fund STAR bond revenue influx.

This policy decision shifted the burden of the Government's reliance on tax revenue to sustain its operation from Kansas City, Kansas property owners to retail shoppers, with some studies have a significant percentage of retail shoppers in the Village West Shopping District coming from outside Wyandotte

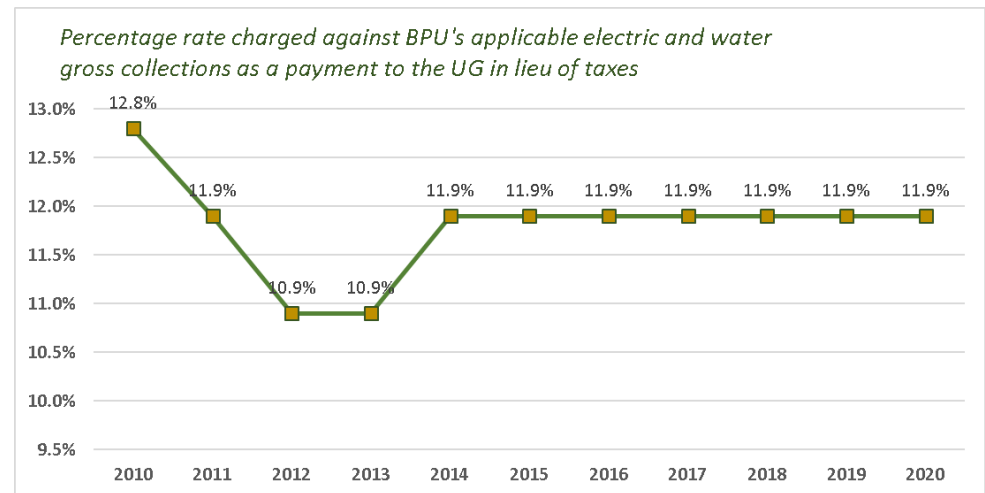
County. In the future five years, the Forecast projects an average annual growth rate of 1.8% for this revenue, with a 1.2% increase in 2021 reflecting a slower economy, followed by a 1.7% in 2022, and 2% from 2023 thru 2025. This projection is based on prior year average growth rates of county-wide retail and food/accommodations sales receipts.

Franchise Taxes

Franchise tax revenue is the third largest revenue source at \$46.9 million constituting 16% of total 2020 revenues. A franchise tax is levied by a local government against businesses and partnerships chartered within its boundaries. This is a privilege tax that gives the business the right to be chartered and/or operate within that entities boundaries. Local government entities have the right to tax or "nexus" solely on the basis that a company has sales or derives an economic benefit from activities within their borders. Franchise taxes are determined based on either a flat fee or on the size of the business's total holdings or revenues.



The average annual percentage growth of franchise tax revenue over the period between 2011 and 2020 was 3.3%. 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 gross revenues, as shown in the chart on the right. A 1% change in the franchise tax percentage represents approximately \$3.0 million in revenue. The Forecast assumes franchise tax electric and water revenue will annually increase by an annual average growth rate of 1.4% over the 10-year period consistent with BPU gross revenue patterns.



Franchise taxes are also collected on the UG’s sewer system, and outside firms providing video services, gas, cable television and telephone. The following tables have the historic franchise tax collections by category since 2011.

Increased in revenue from franchise tax for Electric/Water is due to the BPU service charge rate increases that began in April of 2017 and April 2018. The 2017 the Board of Public Utilities adopted rate increases of approximately 4% for 2017 and 2018 in electric services, which translated to additional franchise tax revenue to the UG. Apportion of this additional revenue due to the rate increase was pledged to repayment of debt service for the Leavenworth Road streetlight and electrical lines undergrounding project.

Franchise Tax Revenue related to BPU Electric Services

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	23,589,692	23,406,647	22,303,266	25,604,768	25,548,596	25,192,764	27,120,969	29,837,155	30,565,259	31,206,564
Percent Change %		-0.8%	-4.7%	14.8%	-0.2%	-1.4%	7.7%	10.0%	2.4%	2.1%
\$\$ Change		(183,045)	(1,103,381)	3,301,502	(56,172)	(355,832)	1,928,205	2,716,185	728,104	641,305

Franchise Tax Revenue related to BPU Water Services

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	4,515,201	4,564,419	4,576,387	5,043,086	5,151,661	5,210,196	5,282,262	5,386,570	5,452,346	5,561,393
Percent Change %		1.1%	0.3%	10.2%	2.2%	1.1%	1.4%	2.0%	1.2%	2.0%
\$\$ Change		49,218	11,968	466,699	108,575	58,535	72,067	104,307	65,776	109,047

The increase in franchise tax revenue from the Sewer Fund is primarily due to rate increases. Rate increases are needed to offset expenses related to the consent decree from the US Environmental Protection Agency regarding combined sewer overflows. The sewer franchise revenue growth assumption of 5% tied to expected rate increases needed to gain resources for the infrastructure improvements required by the consent decree.

Franchise Tax Revenue related to UG Sewer (Water Pollution) Services

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	3,252,713	3,652,698	3,716,327	4,023,392	4,360,174	4,719,704	5,062,765	5,198,979	5,610,000	5,870,000
Percent Change %		12.3%	1.7%	8.3%	8.4%	8.2%	7.3%	2.7%	7.9%	4.6%
\$\$ Change		399,985	63,629	307,065	336,782	359,530	343,062	136,214	411,021	260,000

Charges for Services (All Governmental Funds)

Charges for services revenue is the fourth largest governmental revenue source at \$15.9 million constituting 5.4% of total 2020 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 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 are 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 table below displays the historic charges for services collections over the past ten years, and the basis of the economic assumptions used to project the specific revenue source's future performance. The Forecast assumes different growth rates based on the individual service and its specific revenue performance history over the past ten years, coupled with the charge categories statistically correlated economic factor. The average growth rate during the Forecast is 2.3%. *[A more detailed discussion of the components of charges for services is provided in the General Fund Forecast.]*

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	14,796,775	14,973,108	14,221,401	14,569,003	14,553,652	14,563,594	14,357,856	14,663,981	15,206,800	15,889,150
Percent Change %		1.2%	-5.0%	2.4%	-0.1%	0.1%	-1.4%	2.1%	3.7%	4.5%
\$\$ Change		176,333	(751,707)	347,602	(15,351)	9,942	(205,738)	306,125	542,819	682,350

Intergovernmental Revenues (All Governmental Funds)

Intergovernmental revenue is the fifth largest revenue source at \$11.5 million constituting 3.8% of total 2020 revenues.

Intergovernmental revenue is funding received from another government, either in the form of a grant or as reimbursement for costs incurred. For example, a state government may share a portion of its highway gasoline tax receipts with the county and municipal governments within its boundaries, of which for 2020 totals \$7.1 million. Another \$3.4 million is shared by the City General Fund to the Consolidated City/County Parks General Fund.

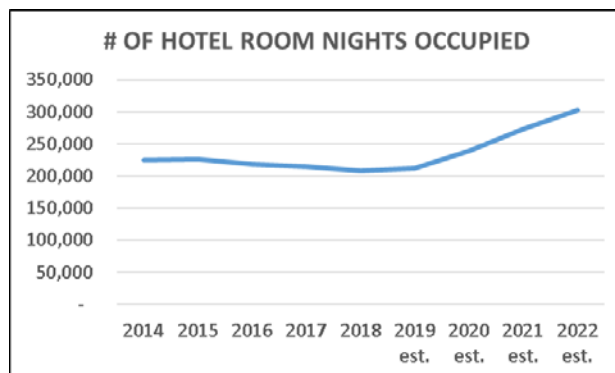
The table below displays the historic intergovernmental revenues over the past ten years. The Forecast assumes a growth rate of 1.5% consistent with population plus inflation. The State of Kansas bases its allocation of the highway gasoline taxes on the population size of the local governments.

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	11,512,514	11,531,164	10,418,037	10,230,947	10,718,158	11,083,472	11,508,587	12,332,714	11,590,650	11,300,650
Percent Change %		0.2%	-9.7%	-1.8%	4.8%	3.4%	3.8%	7.2%	-6.0%	-2.5%
\$\$ Change		18,650	(1,113,127)	(187,090)	487,211	365,314	425,115	824,127	(742,064)	(290,000)

Transient Guest Tax (Tourism and Convention Promotion Fund)

Transient guest tax revenue is included in the forecast due to the addition of the Tourism and Convention Promotion Special Revenue Fund, and its revenue source at \$4 million constituting 1.4% of total 2020 revenues. The Transient Guest Tax is a tax

imposed on guests of hotels or other lodging facilities. This tax is commonly referred to as a "bed tax," "hotel occupancy tax," or "motel tax." The tax is currently set at 8% as determined by the Unified Government's Board of Commissioners.

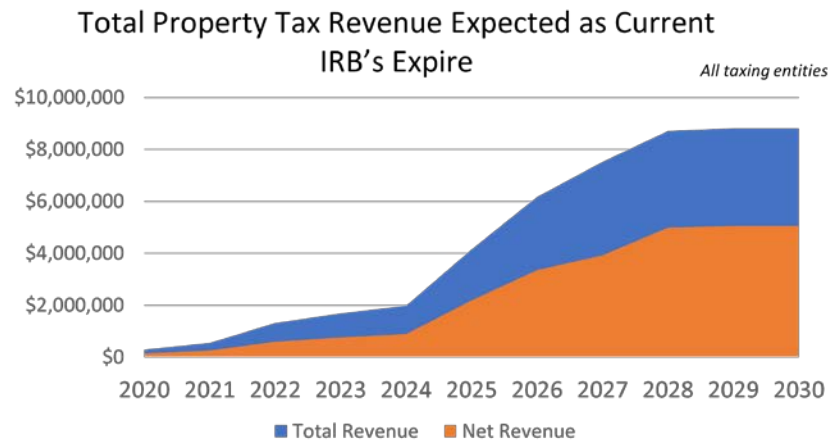


The table below displays the historic charges for collections over the past ten years, with the significant increase in 2017 due to the payoff of the Legends shopping area STAR bonds. The Forecast assumes growth in the number of hotel room nights occupied due to several new hotels planned to be constructed and potentially opening in the next four years. The average annual growth rate over

the five-year period is 10%. These revenues are dedicated for the promotion of tourism and support the operations of the Kansas City, Kansas Convention and Visitors Bureau.

	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	783,912	778,402	820,417	847,127	1,057,883	990,322	3,537,536	3,619,198	4,017,508	4,138,034
Percent Change %		-0.7%	5.4%	3.3%	24.9%	-6.4%	257.2%	2.3%	11.0%	3.0%
\$\$ Change		(5,510)	42,015	26,710	210,756	(67,561)	2,547,214	81,663	398,310	120,526

Industrial Revenue Bonds (IRB) /Tax Abatement Revenue (All Governmental Funds)



Industrial revenue bond (IRB) / tax abatement revenue totals only \$1.4 million constituting 0.5% of total 2020 revenues, but it is expected to grow on current development agreements providing these tax incentives are scheduled to expire in the future years. These are a development incentive tool which allows a new project or redevelopment to utilize the value of newly created property tax to help offset some of their new investment cost. The goal of the incentive is to improve the economic and employment conditions of the region by creating new jobs, and it is intended to help attract new companies to our community. This graph shows total property tax revenue expected as the current tax incentive agreements expire, assuming \$0 as the 2020 baseline. This additional revenue has been added to the long-term financial forecast.

The table below displays the collections over the past ten years. The Forecast assumes the estimated additional revenues as displayed in the graph, with an average growth rate of 20%.

	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	1,521,885	1,587,778	1,243,432	1,219,989	1,601,392	1,824,140	1,667,994	1,681,604	1,715,000	1,805,000
Percent Change %		4.3%	-21.7%	-1.9%	31.3%	13.9%	-8.6%	0.8%	2.0%	5.2%
\$\$ Change		65,893	(344,346)	(23,443)	381,403	222,748	(156,146)	13,610	33,396	90,000

Delinquent Property Tax & Associated Interest Income (All Governmental Funds)

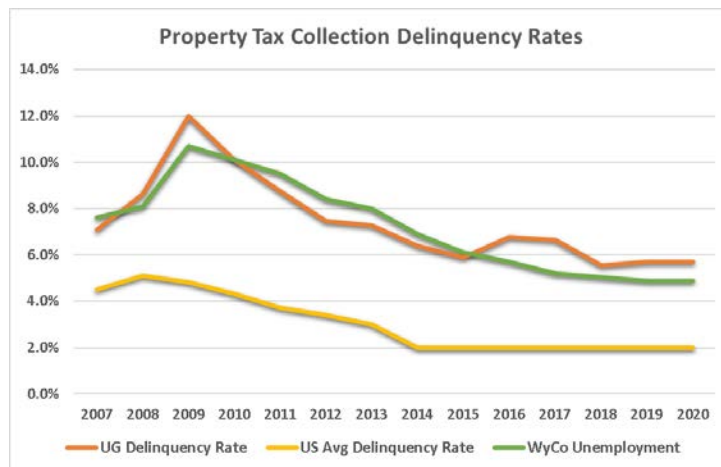
Delinquent property tax fees and its associated interest income revenue totaling \$2.9 million constituting 1% of total 2020 governmental revenues is a resource supporting the UG operations. With increased efforts to collect delinquent taxes and bring taxpayers current on their property taxes, this revenue stream is expected to flatten out or decline.

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	4,210,557	4,287,300	5,387,503	5,432,581	4,503,242	3,864,174	4,076,746	3,329,136	2,963,000	2,892,663
Percent Change %		1.8%	25.7%	0.8%	-17.1%	-14.2%	5.5%	-18.3%	-11.0%	-2.4%
\$\$ Change		76,743	1,100,203	45,078	(929,339)	(639,068)	212,572	(747,610)	(366,136)	(70,337)

With property taxes accounting for 32% of total UG revenues, efficient property tax collection is critical. the payment of delinquent property tax obligations supports basic public services, such as public safety and street maintenance. Without consistent property tax compliance, public officials face deciding whether to cut or modify services, generate additional revenue, or borrow money to fund road improvements. Each of these solutions comes with a tradeoff: cutting services can be politically challenging, finding a new revenue source is difficult, and increasing the amount of debt creates an additional cost due in the bonded interest.

Delinquency Trends

In estimating property tax revenue, the Chief Financial Officer applies a discount factor for property tax payments not received based on the prior year delinquency percentage rate. In 2016 the City delinquency rate was 7.1%, up from 6.0% in 2015, but declined to 5.9% in 2018. The forecast includes a delinquency factor of 6.5% for 2019 thru 2022 due to the Unified Government's agreement with Hollywood Casino to refund prior year tax payments due to losing a tax appeal by the Casino. From 2023-2025, the delinquency factor is reduced to the prior 5.7% level.



As the graph shows, the rate of property tax payment delinquency strongly correlates to the County's unemployment rate. It rose during the recent economic downturn to a high of 12% in 2009 but has steadily improved since that time. The graph also shows that the UG delinquency rate far exceeds the national average of 2% to 5% during the past decade.¹

Delinquency Rate Externalities

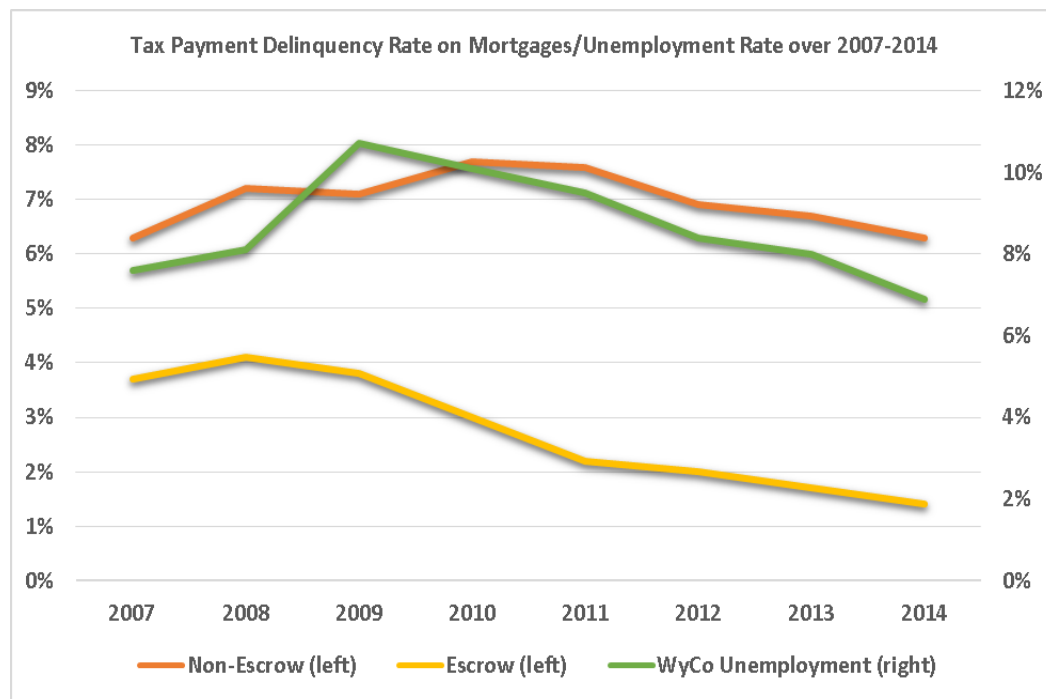
Collection rates of 92% to 95% are viewed with satisfaction, but even these high rates frequently mask externalities. While maximizing this resource is challenging, there is a risk that the Governments' financial needs are being exploited. In real terms, a 5.7% delinquency rate costs the Government \$5.7 million in lost or delayed revenue, compared to the national average of 2% or \$2.0 million. This net difference of \$3.7 million

could have been used to reduce the property tax rate, augment public safety services, engage in neighborhood enhancement efforts as part of the SOAR initiative, or assist in funding street improvements ranked as our resident's highest priority in the recent community survey. Even given recent low municipal tax-exempt interest rates, financing \$3.7 million with general obligations bonds for street infrastructure costs an estimated \$1.5 million in interest payments over 20 years, or 40% of the borrowed principal.

Delinquency rates impose disproportionate negative consequences on neighborhoods, communities, and local government fiscal solvency. Calculations approximate that the Unified Government has between \$6 million and \$8 million in past due property tax revenues, after discounting for balances that are highly unlikely to be collected.

Homeownership Inhibited

Property tax delinquency is an important issue for mortgage lenders and may inhibit the availability of mortgage loans to Wyandotte County citizens seeking to purchase a new home. Since property tax payments are often correlated to mortgage payments, property tax delinquency may be associated with an increased risk of future mortgage delinquency. Property tax payment delinquency often proceeds mortgage delinquency. These factors lead banks to being less likely to extend mortgage loans to potential homeowners with minimal or marginal credit history, which is often the case with first time home buyers.



Escrow vs. Non-Escrow

Some of the challenge in collecting property taxes lies in the proportion of our taxpayers that own property free and clear without a mortgage and thus must make the semi-annual payment rather than having the tax payments collected monthly as part of their mortgage. The figure to the right shows the difference in delinquency rates between escrow and non-escrow accounts, based on national averages.² This data is not available for Wyandotte County. The tax delinquency rate for non-escrow accounts is generally higher than escrow accounts, reflecting the fact that escrow accounts help homeowners with budgeting and avoiding the payment shock that comes with a big lump sum tax bill. On the right axis is the national unemployment rate that shows that tax payments regardless of payment approach improves as the overall economy improves.

More attention can be given to the creation of an efficient, effective, and equitable system of property tax enforcement. Recent studies by property tax experts show that increasing the number of required tax payments for non-escrowed accounts from semi-annually to three per year decreased the delinquency rate by 1.2%.³ Further, as of 2012 at least 218 localities in 28 states are offering non-profits, especially education and health care institutions, to make payments in lieu of taxes (PILOTs) on a voluntary basis as a substitute for property taxes, with total collected amounting to \$92 million per year.⁴ There are various reasons why non-profits offer PILOTs, and governments should weigh the pros and cons. After weighing the options of cutting services or finding new revenues, many local governments elect to generate revenue through the sale of future receivables and property tax liens.⁵ A better understanding about the financial calculations of delayed enforcement, lack of enforcement, and the transfer of enforcement rights to a private third party will assist the Government in meeting its financial sustainability goal. The recent mortgage foreclosure crisis has renewed interest in implementing policies to help our County's homeowners remain in their homes, while also ensuring the Government's resources are made available to sustain safe and vibrant neighborhoods.

Forecast Methodology

The methodology for calculating changes for out-years of the Forecast (2021-2025) are based on historical analysis of increases/decreases 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 the revenue or cost driver being statistical correlated to the revenue or 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. Staff also performed a reasonableness test of the results.

Endnotes

Revenue Section Endnotes:

1. *National Property Tax Delinquency Declining*, Matt Cannon, CoreLogic, Inc., December 29, 2015.
2. Ibid
3. *The Effects of Increasing the Number of Property Tax Payment Installments on the Rate of Property Tax Delinquency*, Paul Waldhart, Lincoln Institute of Land Policy, 2011.
4. *Nonprofit PILOTs (Payment in Lieu of Taxes)*, Daphne Kenyon and Adam Langley, Policy Brief, Lincoln Institute of Land Policy, Nov 2016.
5. *Making Debt Pay: Examining the Use of Property Tax Delinquency as a Revenue Source*, Michelle Marchiony, Emory Law Journal, October 31, 2012.



EXPENDITURES

In developing the Long-Term Financial Forecast, one-time 2020 costs were removed from 2021 to 2025 to provide a baseline for future years. Over the five-year period, total governmental funds' expenditure average annual growth is 4.3%. 2021 expenditures are estimated to increase by \$9.1 million, or 3.1%, primarily due to salary and benefit cost of living adjustments and one-time payments to *expected* retirees.

Expenditures Forecast Fiscal Years 2021 - 2025

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SALARY	\$124,836	\$129,464	\$133,379	\$136,507	\$139,707	\$142,981
BENEFITS	49,007	52,672	55,116	57,081	59,540	62,119
LEAVE BENEFIT PAYOUTS	2,135	2,045	2,687	2,324	2,206	1,896
KP&F SPECIAL PAYMENTS	1,205	1,291	1,537	1,444	1,517	1,145
SUBTOTAL: SALARY & BENEFITS	\$177,184	\$185,472	\$192,719	\$197,356	\$202,970	\$208,142
SERVICES	44,351	45,615	46,647	47,708	48,798	49,918
SUPPLIES & MATERIALS	8,997	9,162	9,313	9,467	9,624	9,784
GRANTS & CLAIMS	8,489	8,628	8,750	8,874	8,999	9,126
CAPITAL OUTLAY	15,505	14,730	14,280	13,395	13,180	14,988
DEBT SERVICE	38,960	39,210	42,973	46,028	48,606	51,312
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$116,301	\$117,345	\$121,964	\$125,472	\$129,207	\$135,128
TRANSFERS / OTHER	5,259	5,075	5,075	5,075	5,075	5,075
TOTAL USES OF FUNDS	\$298,744	\$307,892	\$319,758	\$327,903	\$337,251	\$348,344

EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SALARY	3.7%	3.0%	2.3%	2.3%	2.3%
BENEFITS	7.5%	4.6%	3.6%	4.3%	4.3%
LEAVE BENEFIT PAYOUTS	-4.2%	31.4%	-13.5%	-5.1%	-14%
KP&F SPECIAL PAYMENTS	7.1%	19.0%	-6.0%	5.0%	-25%
SUBTOTAL: SALARY & BENEFITS	4.7%	3.9%	2.4%	2.8%	2.5%
SERVICES	2.8%	2.3%	2.3%	2.3%	2.3%
SUPPLIES & MATERIALS	1.8%	1.7%	1.7%	1.7%	1.7%
GRANTS & CLAIMS	1.6%	1.4%	1.4%	1.4%	1.4%
CAPITAL OUTLAY	-5.0%	-3.1%	-6.2%	-1.6%	13.7%
DEBT SERVICE	0.6%	9.6%	7.1%	5.6%	5.6%
SUBTOTAL: OTHER OPERATING EXPENDITURES	0.9%	3.9%	2.9%	3.0%	4.6%
TRANSFERS / OTHER	-3.5%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	3.1%	3.9%	2.5%	2.9%	3.3%

Salary and Benefits (All Governmental Funds)

The table above depicts the salaries and benefit costs for the next six years. Total salary and benefits increase from \$185.5 million in 2021 to \$208 million in 2025. Over the Forecast period, salary and benefits costs remain constant on a proportional basis in comparison to other operating expenditures. In 2020, salary and benefits costs represent 59.3% of the expenditure budget and this remains at 59.8% in 2025. The Forecast period includes a moderate cost of living adjustment for all labor groups. Leave benefit payouts and KP&F special payments associated with *expected* retirements are one-time expenses and are expected to significantly drop-off in the years following 2025. The prior ten-year annual average growth of all benefits costs was 6.1%, and over the five-year forecast the growth rate is 4.5% reflecting expected increases in the employer contributions for pensions and while anticipating slightly lower health care cost contributions due to design plan changes. The following sections describe the assumed adjustments in salary and benefit costs and depict the reasons for the increases amongst the various cost categories over the Forecast period.

Salary

The Forecast is consistent with the City's salary budget methodology used for the adopted budget. As such, positions are budgeted at actual rate of pay including benefits. Then, by position, salary costs are updated in accordance with the applicable labor contract between the UG and its labor groups. The 2021 and beyond salary forecast includes a moderate salary base cost of living increase per the labor contract. The Forecast includes annual one-time costs for accrued vacation and sick leave pay-outs for the *expected*

retirements of a significant portion of the General Fund labor workforce. For clarity purposes, these one-time payments are presented separately in the above tables.

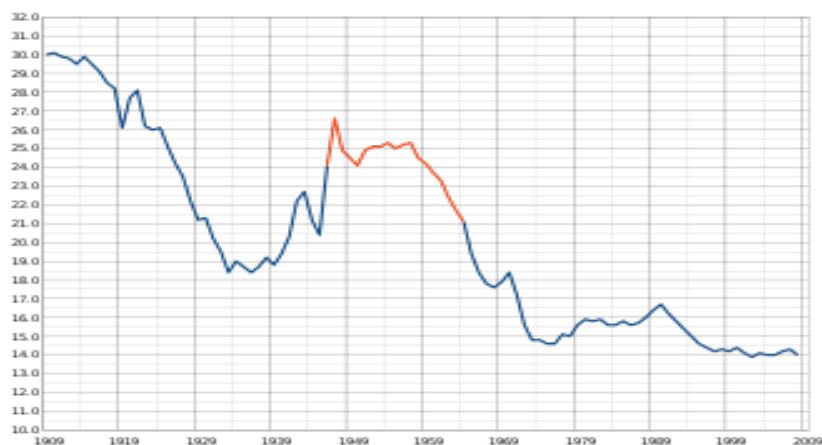
The “*Silver Tsunami*” – Future Retirements

Many articles in the popular press and public administration journals discuss the impending “*silver tsunami*” that will greatly impact local government’s financial statements. The “*silver tsunami*” is due to the retirement of the “baby boomers” – a demographic group born during the post-World War II baby boom approximately the years 1946 and 1964. This includes people who are between 53 and 71 years old in 2017, per the US Census Bureau.

United States Birth Rates (per 1,000 population)¹

The graph illustrates the segment for the years 1946 to 1964 highlighted in red, with birth rates peaking in 1949 and dropping steadily around 1958 reaching pre-war depression era levels in 1963.¹ Baby boomers grew up at a time of dramatic social change. In the United States, 76 million American children were born between 1946 and 1964. Early and mid-boomers were coming of age at the same time across the world, so they experienced events like Beatlemania and Woodstock, organized against or fought in the Vietnam War. The baby boomers found their music, notably rock and roll, as an expression of their generational identity.

Baby Boomer Retirements - UG Impact



Between 2019 and 2025, there are an estimated 558 baby boomer employees across all UG departments that are currently or will be eligible to retire from the Kansas Public Employee Retirement System (KPERS) or the Kansas Police and Fire Retirement System (KP&F). These estimated 558 employees constitute nearly one-fourth of the total UG-wide labor force, a significant majority of which are funded from the General Fund. Not only will the UG organization experience a loss of institutional knowledge and many years of experience with the departure of these retiring employees, but these retirements will place a significant financial impact on the UG organization upon their separation. The retirement separation cost impacts are one-time pay-outs of accrued vacation and sick leave balances categorized

as salary costs, and one-time special payments to KP&F for public safety retirees categorized as benefit costs. For clarity purposes, these one-time payments are presented separately in the following tables.

Special payments to KP&F are required to align the level of associated assets in the KP&F retirement fund with the final compensation calculation attributed to the respective retiring public safety employee. For public safety employees initially employed (or entering the KP&F retirement system) prior to 1993, the final compensation calculation includes accrued vacation and sick leave payouts received at separation from the UG. For many of the police and fire employees, these accrued leave balances can be significant resulting in an increase in their final compensation calculation and a substantial increase in the future retirement payments to these employees during their respective actuarial determined retirement periods.

RETIREMENT ELIGIBLE EMPLOYEES BY CATEGORY												2019 to 2025
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	TOTAL
CIVILIAN	105	38	34	32	36	29	37	34	38	32	32	311
SHERIFF	47	13	12	4	10	16	12	12	8	13	37	114
FIRE	31	22	4	23	4	10	9	10	3	13	5	103
POLICE	15	1	1	3	3	5	2	3	5	5	7	30
TOTALS:	198	74	51	62	53	60	60	59	54	63	81	558

Of the estimated 558 retirement-*eligible* employees across the UG organization, 323 employees are *eligible* to retire during 2019 through 2021, or 58 percent of the total. Given the estimated accrued leave

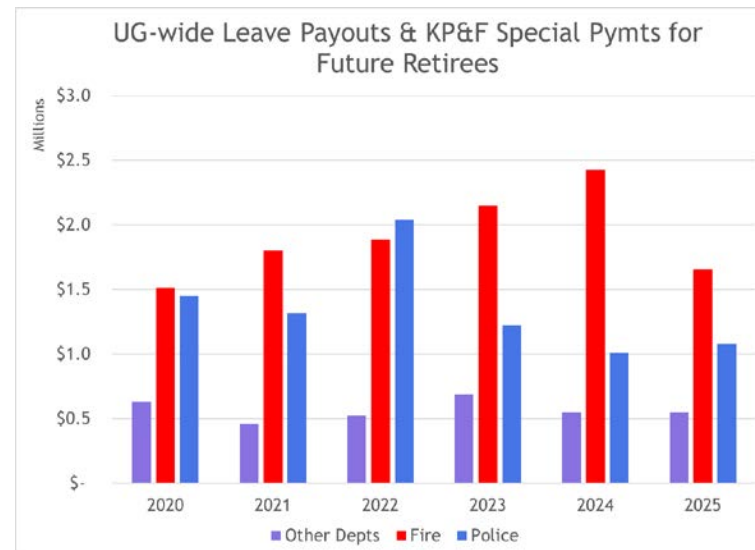
payouts and special payments to KP&F for police and fire retiring personnel, these 323 future retirees could cost the UG a total of \$19.0 million during 2019, 2020 and 2021, which would reduce the General Fund reserve and challenge the General Fund's ability to meet obligations.

Fortunately, retirement-*eligible* and *expected* retirement dates are the key difference in the Forecast cost driver. In reviewing the data, it was apparent that many of the employees eligible to retire during 2019-2021 appeared likely to remain employed with the UG due to their younger age and ability to earn additional service credit to augment their future pensions or are waiting to reach 65 years of age to qualify for Medicare. Thus, a review was performed of each of the 588 eligible retirees considering their age of retirement and years of service. The review was objectively conducted to estimate a deferment schedule for each group of employees eligible to retire in a specific year. The review consisted of analyzing trends in each of the retirement categories (police, fire, sheriff, civilian).

From those trends, percentages were estimated for the first eligible year and for each subsequent year retirement is deferred. This data review resulted in the table that displays the *expected* retirements of UG-wide employees by category and fiscal year. The results of the analysis estimates that instead of 58 percent, only 32 percent (or 180 retirees) of the total 558 retirement-eligible

EXPECTED UG-WIDE RETIREMENTS BY CATEGORY												2019 to 2025
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	Total
CIVILIAN	55	28	23	28	33	28	27	29	27	31	35	222
SHERIFF	4	2	1	0	1	0	1	4	4	3	5	9
FIRE	8	10	12	13	15	16	11	11	10	12	16	86
POLICE	11	14	13	20	12	10	11	8	7	9	7	92
TOTALS:	77	54	49	62	61	55	50	53	49	55	63	408

employees during the Forecast period are *expected* to retire during 2019-2021 estimated to cost \$10.6 million and postponing \$8.3 million in these one-time costs to future years.



Generally, the review resulted in the *expected* retirements being in aggregate more evenly distributed annually amongst the Forecast period. More Fire Department employee retirements are expected to occur between 2021 through 2024, while Police Department employee retirements are expected in 2020 through 2022, both a product of age and years of service. Civilian (non-Fire or Police) employees are distributed throughout the six-year period with peaks in 2019 and 2023.

The "Silver Tsunami" financial impact is significant.

Recommended steps to plan for these costs is advised. Over the seven-year period (2019-2025), a projected total of \$26 million is required by existing labor contracts and the KP&F retirement system. Of the \$26 million total, a \$17 million in accrued vacation and sick leave payouts and \$9 million in KP&F special retirement actuarial true-up payments are required upon retiree separation.

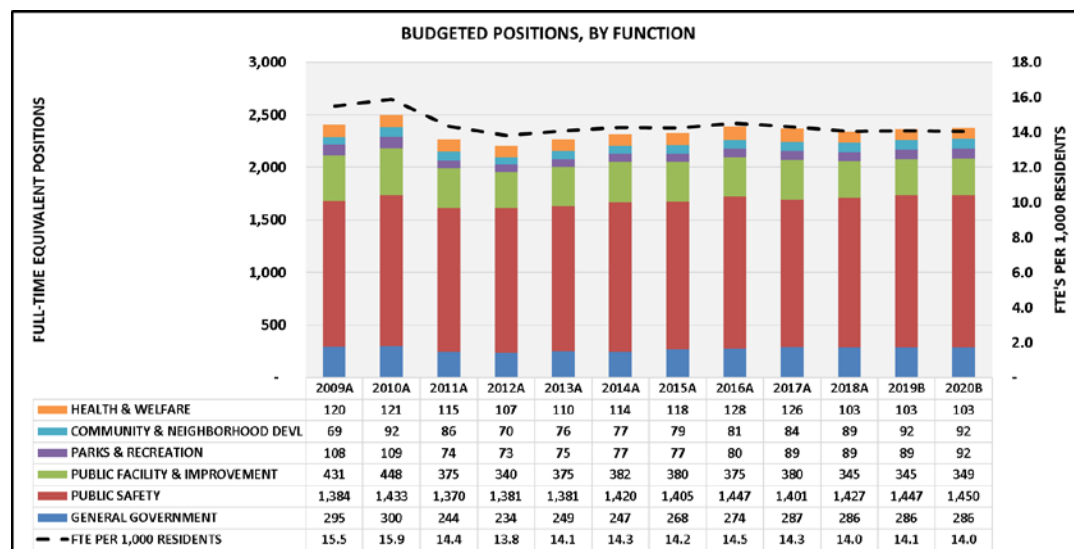
With the loss of knowledge and experience of the retiring employees, the UG will also encounter an opportunity for salary and benefit savings through rehiring employees at lower salary levels and efficiencies encountered through business process improvements. These annual cost savings (reflected in the subsequent corresponding year) have been included in the Forecast, based on an estimated reduction of 10 percent from the 2019 base salary of the retired employees.

SUMMARY TABLE - PROJECTED COSTS FOR ACCRUED LEAVE PAYOUTS AND RETIREMENT PENALTIES												
ASSUMPTION BASED ON EMPLOYEE RETIREMENT EXPECTATION*												
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2019 to 2025 Total
CIVILIAN - PAYOUTS @ 40% OF BASE PAY	1,143,876	566,204	430,824	512,769	661,104	540,425	535,794	550,844	557,684	609,566	180,713	4,390,995
SHERIFF - PAYOUTS @ 35% OF BASE PAY	85,590	39,697	20,651	9,020	15,246	5,664	12,238	106,530	100,629	69,070	106,860	188,106
FIRE - PAYOUTS @ 90% OF BASE PAY	570,732	747,415	891,431	936,924	1,065,283	1,201,372	822,190	774,519	737,684	826,917	1,127,159	6,235,346
POLICE - PAYOUTS @ 80% OF BASE PAY	751,607	1,036,663	940,925	1,456,765	873,295	719,901	772,609	594,189	507,863	626,482	502,869	6,551,765
ESTIMATED ACCRUED LEAVE PAYOUTS:	2,551,804	2,389,979	2,283,830	2,915,478	2,614,928	2,467,362	2,142,831	2,026,081	1,903,859	2,132,035	1,917,601	17,366,212
FIRE - PENALTIES @ 93% OF BASE PAY	582,401	764,973	908,934	951,088	1,083,726	1,225,216	835,443	777,496	744,288	837,343	1,147,593	6,351,782
POLICE - PENALTIES @ 32% OF BASE PAY	300,643	414,665	376,370	582,706	349,318	287,960	309,043	237,675	203,145	250,593	201,147	2,620,706
SHERIFF - PENALTIES @ 32% OF BASE PAY	47,272	25,701	6,185	3,398	11,372	3,707	746	74,067	66,331	32,061	69,684	98,381
ESTIMATED RETIREMENT PENALTIES:	930,317	1,205,340	1,291,490	1,537,192	1,444,416	1,516,883	1,145,232	1,089,238	1,013,764	1,119,997	1,418,425	9,070,869
TOTAL PAYOUTS & PENALTIES	\$3,482,121	\$3,595,318	\$3,575,320	\$4,452,670	\$4,059,344	\$3,984,245	\$3,288,063	\$3,115,319	\$2,917,623	\$3,252,032	\$3,336,025	\$ 26,437,081
TOTAL NUMBER OF RETIREES	77	54	49	62	61	55	50	53	49	55	63	408
Notes: Base Pay uses 2018 salary levels without CPI or step increases. % of Base Pay amounts based on historic levels.												

The following table displays the personnel cost net of potential salary savings. An additional column has been added to the following table to illustrate the cost reduction to the salary and benefit lines in 2026 through 2029. The net impact between the *expected* retirees' accrued leave payouts and KP&F special retirements less the estimated base salary cost reduction of 10 percent of their respective 2019 base salary is displayed in the table below, and totals \$26.4 million between 2019 and 2025. During the five-year period of 2021 to 2025, these net payouts totaling \$18 million are reflected in the baseline Forecast.

SUMMARY TABLE - NET FINANCIAL IMPACT OF EXPECTED RETIREMENTS												TOTAL
	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2026-2029
CIVILIAN	1,143,876	451,816	374,204	469,686	609,827	474,315	481,751	497,264	502,600	553,797	119,757	1,673,418
SHERIFF	132,862	56,839	22,867	10,353	25,716	7,846	12,418	179,372	156,307	91,068	169,637	596,384
FIRE	1,153,133	1,455,315	1,725,623	1,798,869	2,055,316	2,320,060	1,537,496	1,469,796	1,404,519	1,590,492	2,192,061	6,656,868
POLICE	1,052,250	1,376,168	1,213,628	1,945,378	1,076,936	920,532	1,009,662	754,603	651,589	826,289	641,368	2,873,849
TOTAL NET FINANCIAL IMPACT	\$ 3,482,121	\$ 3,340,138	\$ 3,336,322	\$ 4,224,287	\$ 3,767,796	\$ 3,722,753	\$ 3,041,327	\$ 2,901,036	\$ 2,715,015	\$ 3,061,646	\$ 3,122,822	\$ 11,800,519

Budgeted Employee Positions

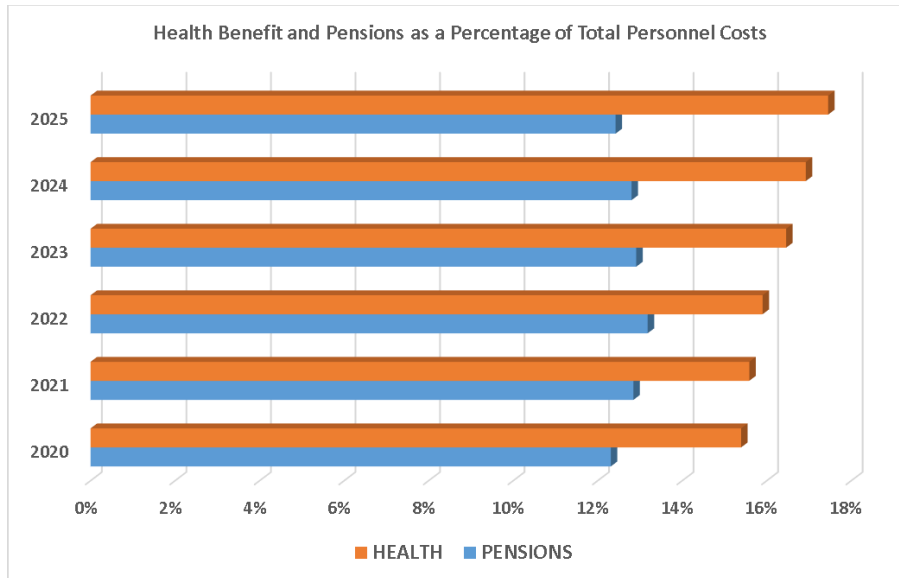


The number of budgeted employee positions across the entire UG organization has remained relatively constant since 2008. As the graph illustrates, 2,407 positions were budgeted in 2009 compared to 2,372 in 2020. As a result of the 2009 recession, 239 positions were reduced in 2011 with about half of these positions restored in the subsequent years as the economy and revenues improved. Full Time Equivalent (FTE) positions per capita reduced during this period from 15.5 positions for each resident in 2009 to 14 employees per resident in 2020, demonstrating the Government's efficiency.

In 2020, public safety comprises 61% of the total budgeted positions, followed by public facility and improvements at 15% and general government at 12%. For the future five-year Forecast, the assumption was made to not include any additional employee positions above the 2020 Budget level.

Benefits

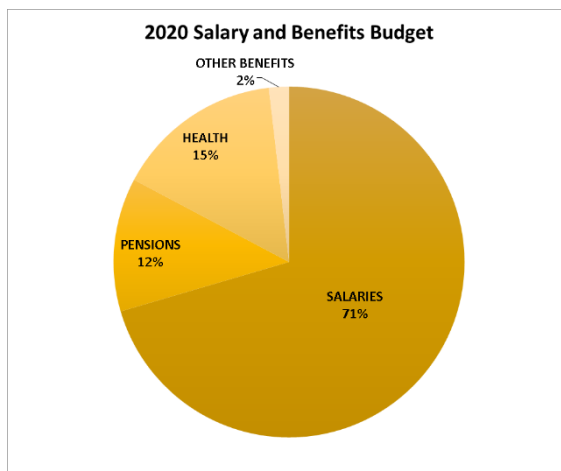
Employee benefits primarily include pensions, health insurance, workers' compensation insurance, and unemployment insurance. Pension and health care benefits comprise of 94% of total benefit costs in 2020, amounting to \$22 million for employer contributions to the retirement systems and \$27 million in health benefit employer contributions. Over the Forecast period, 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 8% 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.



As mentioned earlier, KP&F special payments are required to align the level of associated assets in the KP&F retirement fund with the final compensation calculation attributed to the respective retiring public safety employee. These one-time special payments cause the variability in retirement costs in the first five years of the Forecast period. Once these one-time payments are completed, estimated to begin reducing in 2024, on-going employer contributions to pensions drop and stabilize.

Health care costs exceed retirement costs as a more significant portion of total personnel costs. Aggregate health care costs are estimated to grow annually by 8% in 2020. Over the Forecast period, health care costs are estimated to total \$27 million in 2020 compared to \$36 million in 2025.

Conclusions about Salary and Benefits



Between 2011 and 2020, total salary and benefits had an annual average growth of 2.7%, totaling \$135.6 million in 2011 compared to \$177 million in 2020. Over the past decade, one-time costs for accrued leave payouts and special retirement payments to have contributed to variability in total salary and benefit costs. On-going health care costs increased from \$15.6 million in 2011 to \$27.3 million in 2020, or an annual average growth rate of 5.7%. On-going pension costs increased from \$13.9 million in 2011 to \$21.8 million in 2020, or an annual average growth rate of 7%.

Total salary and benefit costs are estimated to total \$177 million in 2020. These costs climb to \$208 million in 2025 due to moderate cost of living adjustments, expected increases in retirement contributions, an annual increase in health care costs of 6%-7%, and one-time payments associated with "baby boomer" retiring employees that are expected to diminish after 2023.

Services (All Governmental Funds)

Services expenditures is the second largest cost category totaling \$44 million in 2020 or 15% of total expenditures. Services costs increase to \$50 million in 2025 or 14% of the total. 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.

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.

Residential waste (trash) 2020 contract costs of \$8.5 million (along with \$1.5 million of related costs in other cost categories) are offset by trash services revenues of \$9.7 million. Residential waste (trash) contract costs strongly correlates to population and inflationary growth rates combined of 2.1%.

ATA contract costs in 2020 are anticipated to be around \$3.8 million being offset by an anticipated \$1.4 million in grants and \$660 thousand in passenger revenue. The ATA contract cost assumption is 3% annually with the assumption of no changes in routes or loss of grant funding. Due to their strong correlation, contractual services and repair and maintenance cost assumptions are based on the historic percentage changes in assessed valuation, or 4.0% annually. The other professional services cost assumption is 1% annually. The cost categories for other services and our rent/lease costs strongly correlates to inflation, estimated at an annual growth rate of 1.4%.

Demolition and clearance total budget for 2020 is maintained at \$649,000 in the 2020 budget. An additional \$1 million was budgeted in debt due to Commission support of the SOAR initiative for 2018 and 2019. The funding level for the general funds portion is retained at the \$649,000 level during the forecast period, inflated by 4.4% which is the median household income growth rate of which it strongly correlates.

Inmate housing, medical and related jail contract costs of \$5.9 million are partially offset by jail fees of \$1.46 million in 2020. 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 proposed juvenile detention facilities. 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 1.4%, based on the annual rate of inflation.

Supplies and Materials (All Governmental Funds)

Supplies and materials expenditures total \$9 million in 2020 or 3% of total expenditures. Supplies and materials costs increase to \$9.8 million in 2025 at 2.8% of the total. 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.

Gasoline and fuel costs have increased over the past few years due to increasing market rates, from \$1.3 million in 2016 to \$1.8 million in 2020. The Forecast retains the current funding level for this cost category due to year over year price volatility in this gasoline and fuel cost category. Utility costs strongly correlates to BPU kilowatt generation is projected to increase at 2.4%. All other supplies and materials cost categories strongly correlate to inflation and have been increased by a rate of 1.4%.

Grants & Claims (All Governmental Funds)

Grants and claims expenditures totals \$8.5 million in 2020 or 2.8% of total expenditures. Grants and claims costs increase to \$9.1 million in 2025 or 2.6% of the total. In 2020, this category includes a City General Fund intra-fund contribution to the Consolidated Parks and Recreation (General) Fund of \$3.4 million, grants totaling \$3.5 million, claims and judgments estimate of \$867,000, and taxes that are remitted, rebated and/or refunded totaling \$506,000. The grants and claims costs correlate to inflation or 1.4% annually. The City General Fund intra-fund contribution (cost) to the Consolidated Parks and Recreation (General) Fund of \$3.4 million is offset by a corresponding revenue in the Consolidated Parks and Recreation (General) Fund.

Capital Outlay (All Governmental Funds)

Capital outlay expenditures that are cash-funded totals \$15.5 million in 2020 or 5.2% of total expenditures. Capital outlay expenditures are those projects paid from the "cash" category in the Capital and Maintenance Improvement Program (CMIP). Capital outlay expenditures in the Forecast for 2019 and 2024 are based on the planned CMIP projects as reflected in the Adopted 2020 Budget. Of the total in 2020, \$6.3 million is dedicated to equipment and machinery, \$1.6 million for telecommunications and technology equipment. The remaining \$7.6 million is dedicated to public building improvements, design and engineering, bridge and park improvements, parking lot improvements and capital project contingencies.

Capital outlay costs are forecast to be \$15 million in 2025 or 4.3% of the total expenditures. Between 2020 and 2024, the levels of funding reflect what has been listed in capital schedule in the 2020 Unified Government budget document; This level of funding is maintained in 2025 to reflect an ongoing commitment to fund a basic level of ongoing infrastructure and deferred maintenance and equipment replacement.

A compilation of the various condition assessment reports of the UG's over 150 facilities and buildings will likely arrive at a very significant level of deferred maintenance costs given the size of UG organization and geographic service area. Due to on-going operations, additional capital funding to address these needs is challenging. In the absence of 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.]

Debt Service (All Unified Government)

Total costs related to the payment of principal and interest on outstanding UG debt totals \$39 million in 2020 or 13% of total expenditures and is projected to grow to \$51 million in 2025 or 14.7% of total expenditures. The annual amounts included in the Forecast are based on the bond documents' annual debt service schedule of current outstanding indebtedness and the expected debt service payments of future debt-financed capital projects authorized in the CMIP from 2020-2024. All debt payment are entirely offset by various legally dedicated tax revenues, lease payments from operating funds, or transfers from enterprise funds.

Aside from a small debt service payment of \$654,000 for the Soccer facility parking lot paid out of the City General Fund, all other bonded debt service payments of the Unified Government are recorded in the City Debt Service Fund and County Debt Service Fund. The City Debt Service Fund expenditures are supported by a City Debt Service property tax mill rate of 16.896 in 2020, transfers-in from the sewer and storm enterprise funds, tax increment property tax revenues from the various tax increment financing districts, and various other reimbursement transfers. County Debt Service Fund related debt financings have dedicated revenues consisting of lease payments derived from various sources and dedicated property tax. The County debt property tax mill rate is 2.202 in 2020.

[Refer to the Debt Profile section for more detail.]

Transfers & Other (All Governmental Funds)

Transfers and Other expenditures totals \$5.2 million in 2020 or 1.8% of total expenditures and remain relatively constant during the forecast period. The Forecast keeps budget contingencies and transfers-out to other UG funds at a constant amount.

Transfers that are budgeted for 2020 and beyond include \$1.2 million annually for the debt service on the Juvenile Center project, \$435,000 to the Water Pollution Control fund payback with the remainder going to support the T-Bones Stadium Fund and other funds. Additionally, \$2 million is reflected as a reserve in the Tourism and Convention Promotion Fund set aside for related worthy projects as they arise.

Endnotes

Expenditure Section Endnotes:

1. United States Centers for Disease Control, <http://www.cdc.gov/nchs/products/vsus.htm>, "Vital Statistics of the United States, 2003, Volume I, Natality", Table 1-1 "Live births, birth rates, and fertility rates, by race: United States, 1909–2003."



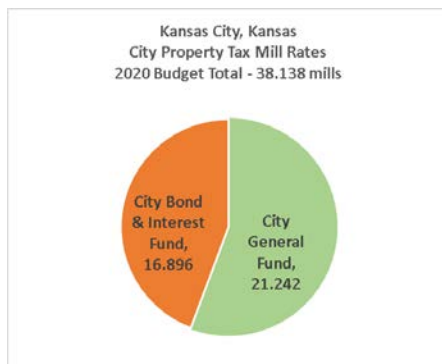
DEBT FORECAST

The FY 2021-2025 LTFF estimates the resources dedicated for debt repayment are sufficient to support the Government's current limited capital infrastructure plan.

The Unified Government finances infrastructure investments through the use of general obligations bonds, utility revenue bonds and various economic development tax increment financing tools. Debt service payments are generally recorded in the City Bond & Interest Fund and the County Bond & Interest Fund. These payments include all governmental debt service, as well as business-type debt such as for the Sewer and Stormwater enterprise funds. Revenues supporting business-type debt is transferred into these funds to meet their annual debt obligations. Tax-Increment Financing debt service payments are recorded in separate sub-funds that roll up to the City Bond & Interest Fund. The following profile focuses on only the governmental debt, which includes Tax-Increment Financing debt. An evaluation of the outstanding governmental debt is necessary to determine the financial sustainability of the Unified Government.

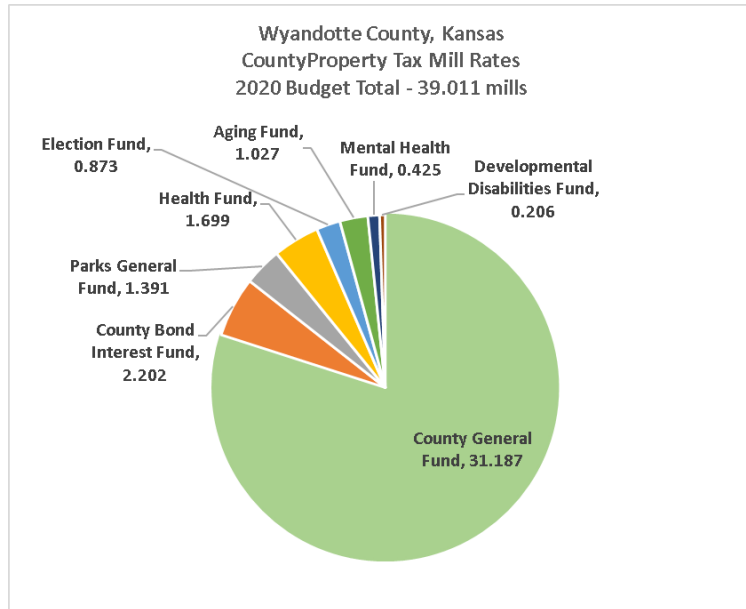
Governmental Debt Profile

Property Tax Mills dedicated for Operational and Capital Investment Needs



The outstanding general obligation debt, often referred to as "General Fund-backed", is reliance on ad valorem property tax revenues as the debt repayment source. Often confusion arises when referencing the City of Kansas City, Kansas General property tax mill levy rate that includes **both** the mill rate generating property tax revenues for the City General Fund operating needs and the mill rate generating property tax revenues pledged to the repayment of outstanding City debt. The pie chart on the left illustrates the 2020 Budget Commission adopted mill levy rate for the City, totaling 38.138 mills. Of this total, the City General Fund (operating) plans to receive property tax collections associated with a 21.242 mill rate, while the City Bond and Interest Fund mill levy rate of 16.896 is dedicated for general obligation bond debt service payments. Legally in accordance with the bond documents and for credit rating

analyst review, the combined mill rate is considered, but for operational purposes these two mill levies are separately reported and analyzed.



The Unified Government of Wyandotte County/Kansas City, Kansas is authorized to issue debt as a city and a county. Because of our consolidated governance structure, the financial framework of the Unified Government is complex. In addition to a KCK City property tax mill rate, there is a mill rate for the operational needs and debt repayment of Wyandotte County. The pie chart on the left illustrates the 2020 Budget Commission adopted mill levy rate for the County, totaling 39.011 mills. Of this total, the County General Fund (operating) plans to receive property tax collections associated with a 31.187 mill rate and the Parks General Fund with a mill rate of 1.391, while the County Bond and Interest Fund mill levy rate of 2.202 is dedicated for general obligation bond debt service payments. The remaining County mill rates are dedicated to support of variety of county government-related services to residents.

City Bond and Interest Fund

The City Bond and Interest Fund includes the annual debt service (principal and interest) for debt issued by the City of Kansas City, Kansas. This fund accounts for those debt service payments, which are determined to be the responsibility of citizens of Kansas City, Kansas and not Wyandotte County. The primary source of revenue for the City Bond and Interest Fund is ad valorem property taxes and transfers from the Sewer Fund and Stormwater Fund for sewer and storm general obligation debt.

For the purposes of this report, tax increment financing district revenue and financing obligations are separately presented.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

In 2020 total revenues are \$32.5 million and growth to \$47.5 million by 2025. Annual average revenue increases by 8% over the five-year Forecast, with a 5.2% in 2021 and then ranging from 7% to 11.6% thereafter.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
PROPERTY TAX	\$19,371	\$20,639	\$21,415	\$22,462	\$23,361	\$24,295
PERSONAL PROPERTY TAXES	2,562	2,682	2,808	2,940	3,078	3,222
IRB PILOT/TAX ABATEMENT TAX	340	386	462	514	558	825
OTHER TAXES	141	143	145	147	149	151
DELINQUENT TAXES	600	620	640	661	683	705
SUBTOTAL: TAXES	\$23,014	\$24,471	\$25,471	\$26,725	\$27,829	\$29,199
INTERGVTL REVENUES	5	5	5	5	5	5
MISC. & INTEREST	200	180	183	185	188	190
REIMBURSEMENTS	630	670	696	724	753	783
SUBTOTAL: NON-TAXES	\$835	\$854	\$884	\$914	\$946	\$979
TRANSFERS	8,663	8,865	11,799	14,107	15,901	17,380
TOTAL SOURCE OF FUNDS	\$32,512	\$34,190	\$38,153	\$41,746	\$44,675	\$47,557

REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
PROPERTY TAX	6.5%	3.8%	4.9%	4.0%	4.0%
PERSONAL PROPERTY TAXES	4.7%	4.7%	4.7%	4.7%	4.7%
IRB PILOT/TAX ABATEMENT TAX	13.6%	19.6%	11.3%	8.5%	47.8%
OTHER TAXES	1.6%	1.4%	1.4%	1.4%	1.4%
DELINQUENT TAXES	3.3%	3.3%	3.3%	3.3%	3.3%
SUBTOTAL: TAXES	6.3%	4.1%	4.9%	4.1%	4.9%
INTERGVTL REVENUES	2.3%	2.1%	2.1%	2.1%	2.1%
MISC. & INTEREST	-10.0%	1.4%	1.4%	1.4%	1.4%
REIMBURSEMENTS	6.3%	4.0%	4.0%	4.0%	4.0%
SUBTOTAL: NON-TAXES	2.4%	3.4%	3.5%	3.5%	3.5%
TRANSFERS	2.3%	33.1%	19.6%	12.7%	9.3%
TOTAL SOURCE OF FUNDS	5.2%	11.6%	9.4%	7.0%	6.5%

The chart below provides a 10-year summary of this fund's largest revenue source.

Property Taxes

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	14,104,149	15,047,389	15,868,563	15,824,342	15,428,308	15,952,291	16,602,035	17,146,669	18,540,000	19,371,034
Percent Change %		6.7%	5.5%	-0.3%	-2.5%	3.4%	4.1%	3.3%	8.1%	4.5%
\$ Change		943,240	821,174	(44,221)	(396,034)	523,983	649,744	544,634	1,393,331	831,034

The City Bond & Interest Fund is reliant on property tax, constituting 60% of total revenues in 2020, with a mill rate of 16.896. Annual average property tax increases by 6.5% over the five-year Forecast, with between 3.8% to 4.9% thereafter.

Expenditures

A majority of the City Bond & Interest Fund costs are for debt service payments, constituting 99% of total expenditures in 2020. In 2020 total expenditures are \$8.0 million and growth to \$9.2 million by 2025. Annual average expenditure increases by 3.1% over the five-year Forecast, with a 4.2% in 2021 and 2.9% thereafter.

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SERVICES	30	30	31	31	32	32
DEBT SERVICE	31,579	31,162	34,909	37,679	40,323	43,010
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$31,609	\$31,193	\$34,940	\$37,711	\$40,354	\$43,042
TRANSFERS / OTHER	294	294	294	294	294	294
TOTAL USES OF FUNDS	\$31,903	\$31,487	\$35,235	\$38,005	\$40,649	\$43,336

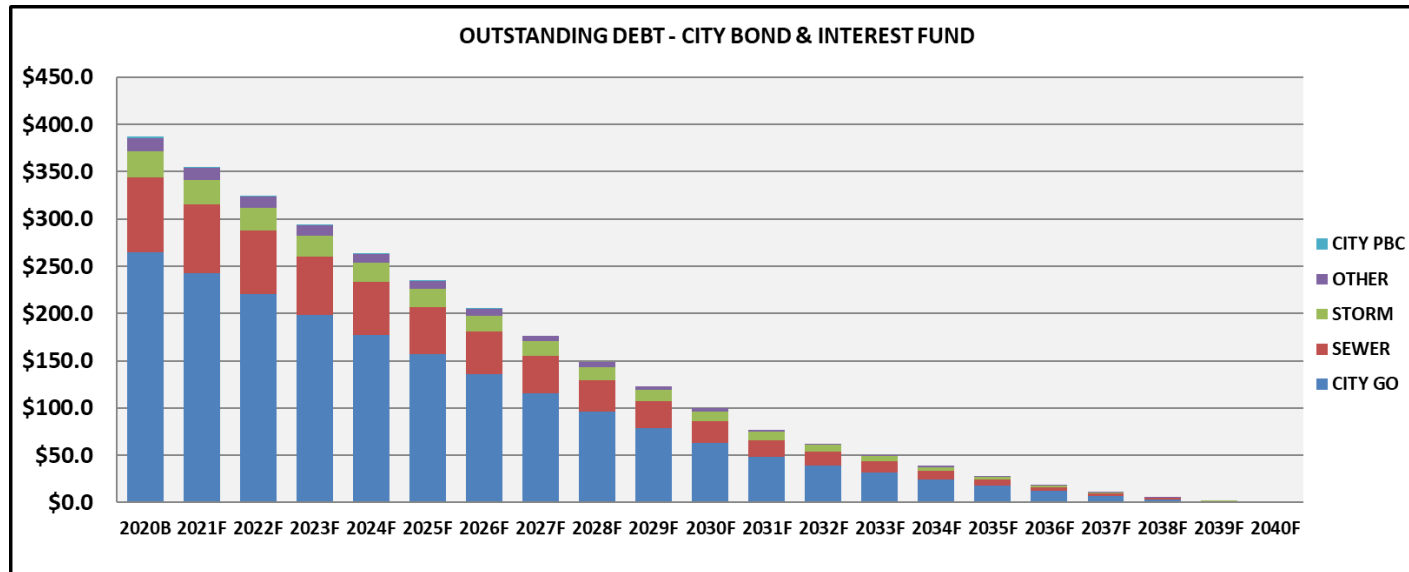
EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SERVICES	1.6%	1.4%	1.4%	1.4%	1.4%
DEBT SERVICE	-1.3%	12.0%	7.9%	7.0%	6.7%
SUBTOTAL: OTHER OPERATING EXPENDITURES	-1.3%	12.0%	7.9%	7.0%	6.7%
TRANSFERS / OTHER	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	-1.3%	11.9%	7.9%	7.0%	6.6%

Kansas City, Kansas (City General) Debt Profile

Current Debt Obligations

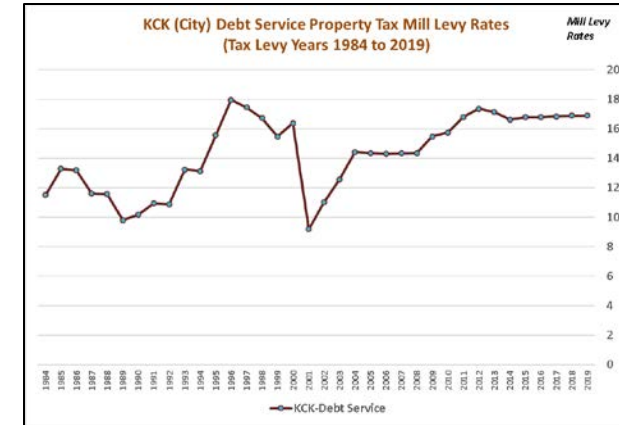
The City Bond and Interest Fund plays an important role in the Government's ability to support capital infrastructure needs, and property tax revenue is a significant source in planning capital investments. Outstanding Kansas City, Kansas General Fund-backed (City Bond & Interest Fund) debt totals \$387.5 million as of August 2019, of which \$110.8 million or 29 percent have dedicated revenue streams outside the property tax revenue base. This \$110.8 million includes, \$78.9 million from sewer services revenues, \$27.6 million in storm water fee revenues, \$2.0 million in electric utility transfers from the KCK Board of Public Utilities, and \$2.3 million in Public Building Commission lease revenues. The remaining outstanding debt fully supported by ad valorem property tax revenues totals \$276.5 million issued with 34 separate bond issues.

Outstanding General Fund-Backed City Debt by Dedicated Revenue Source Category



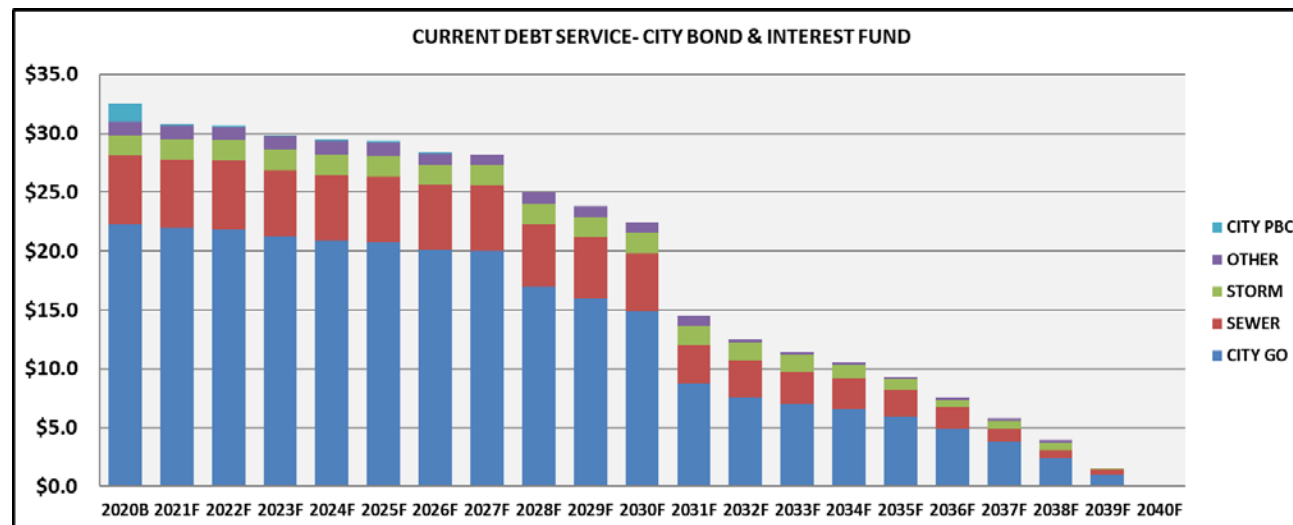
The City Bond and Interest Fund expenditures, consisting of principal and interest debt service payments, are supported by a City debt service property tax mill rate of 16.896 in 2020, as mentioned earlier. The City debt service mill levy is estimated to generate \$19.4 million in tax revenue in 2020, which are combined with other additional revenues of \$4.4 million from personal property and motor vehicle related tax revenues and various other sources, and \$8.66 million in transfers-in primarily from the Sewer and Stormwater funds to support payment of their respective debt service. The total annual debt service payments out of this City Bond and Interest Fund are budgeted at \$31.9 million for 2020. Of this \$31.9 million total, \$23.2 million is for governmental debt service and \$8.66 million is for business-type (sewer, stormwater and other) debt service payments.

A historic review of the mill rate dedicated for debt repayment is important due to significant reliance on property tax revenue to support capital investments. The chart on the right displays the Kansas City, Kansas (City) debt service-related property tax mill levy rate from 1982 to 2019. *[As a note, mill levies are established in the year prior to the collection period; thus the 2019 levy associated revenues are budgeted in 2020.]* Over the 35 years shown in the chart, the City Debt service mill levy increased from 11.495 in 1984 to 16.896 in 2019, or 32 percent. Over the past 22 years since UG consolidation, a slight decrease of (3.2) percent occurred with the City Debt service mill levy from 17.449 in 1997 to today's 16.896 mills.



This chart below displays the debt service payments obligations over the future life of outstanding bonds recorded in this Fund by the repayment revenue source category.

Current General Fund-Backed City Debt Service Payments by Dedicated Revenue Source Category



Future City Debt Affordability and Capacity

The City Bond & Interest Fund's ability to support future capital investments is primarily dependent on the revenue generating capacity of its 16.896 property tax mills. To determine this capacity, the annual growth rates for Kansas City, Kansas's assessed valuation used for this Forecast have been applied, namely 5.6% for 2020, 6.3% for 2021, and 4.0% thereafter. The debt capacity is also impacted by the current municipal bond interest rate environment, which with the Federal Reserve on a path toward holding steady or potentially reducing interest rates, the assumption issued for this analysis is an average of 2.5% interest rate for 20-year general obligation bonds.

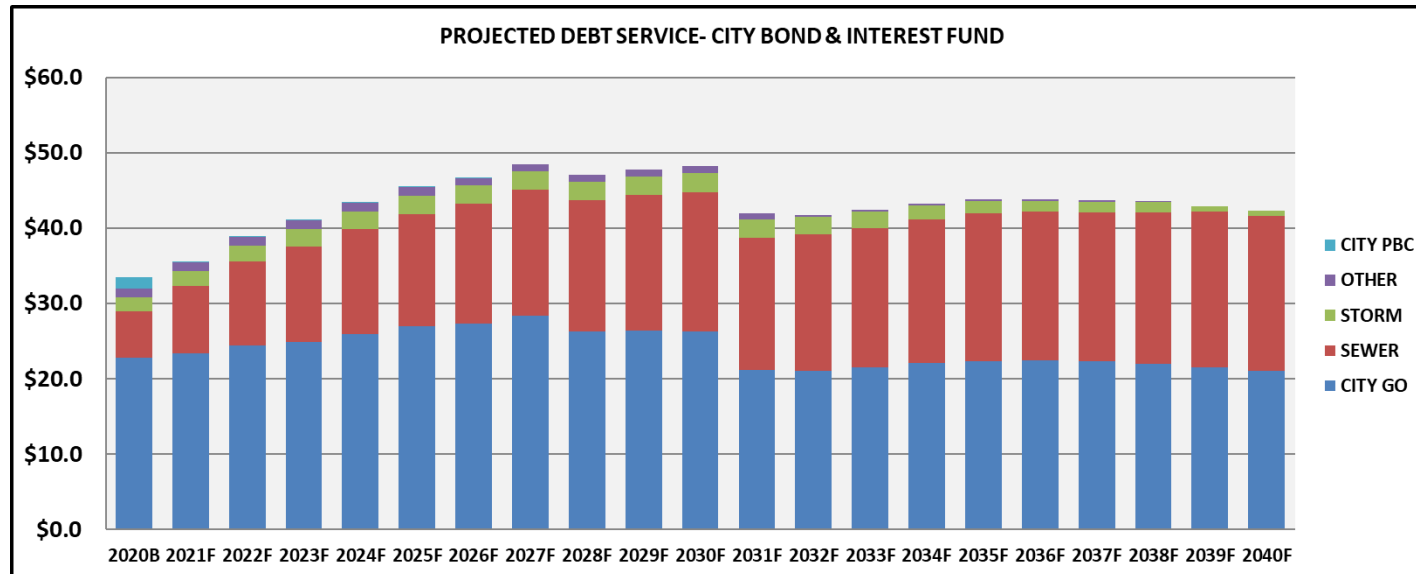
Given these revenue assumptions and the current municipal bond interest rate environment, as well as, known debt service payment outstanding obligations, the City Bond and Interest Fund can support additional new money borrowing. The amount and timing of the additional new money are affected by the current outstanding temporary note and the 2020-2024 CMIP schedule. The addition of new money does not directly influence the schedule of permanent bonding (i.e. adding \$15 million in new money does not necessarily determine that \$15 million will be permanently financed that same year). The schedule for current outstanding and expected future temporary notes to be permanently financed is determined by the timing of project completions and is statutorily limited to 4 years.

For this analysis, it is assumed that new money is permanently financed within 3 years, and years subsequent to the approved CMIP are limited to \$15 million in new money additions. Current outstanding and expected future temporary notes are expected to be permanently financed as 20-year general obligation bonds according to the following schedule which amounts to approximately \$15.3 million in 2020, \$59.6 million in 2021, \$54.4 million in 2022, \$46.1 million in 2023, and \$42.3 million in 2024. The additional stormwater and sanitary sewer debt are assumed to have a corresponding transfer in of revenues to cover their portion of debt service.

Year	City GO (millions)	Sanitary Sewer (millions)	Stormwater (millions)	Total (millions)
2020	\$8.1	\$5.4	\$1.8	\$15.3
2021	\$14.1	\$42.5	\$3.0	\$59.6
2022	\$16.8	\$35.4	\$2.2	\$54.4
2023	\$18.3	\$26.2	\$1.6	\$46.1
2024	\$20.7	\$20.5	\$1.1	\$42.3

With these additions, the adjusted schedule for debt service in the City Bond & Interest Fund is shown below.

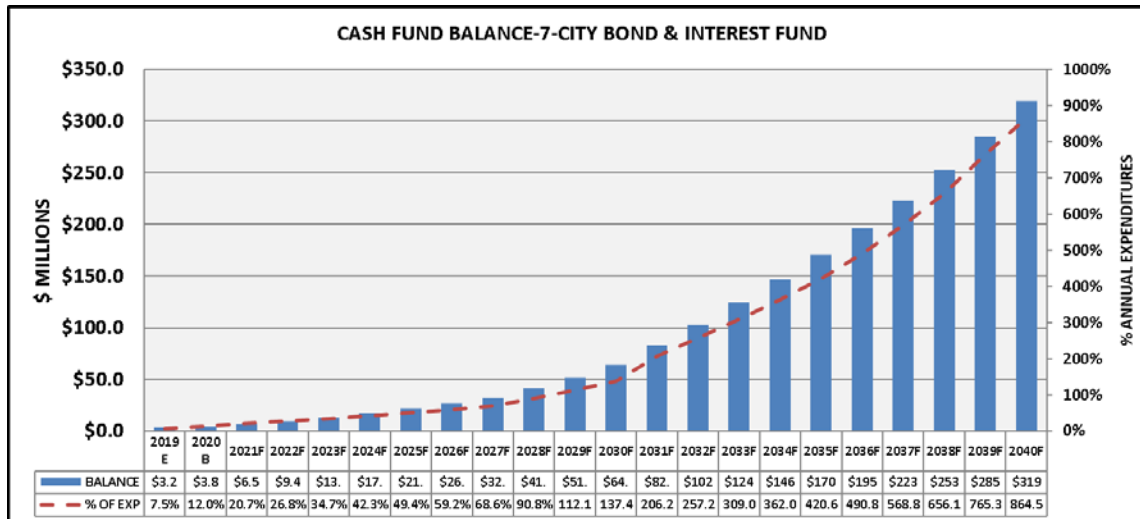
Future General Fund-Backed City Debt Service Payments by Bond Issuance Type



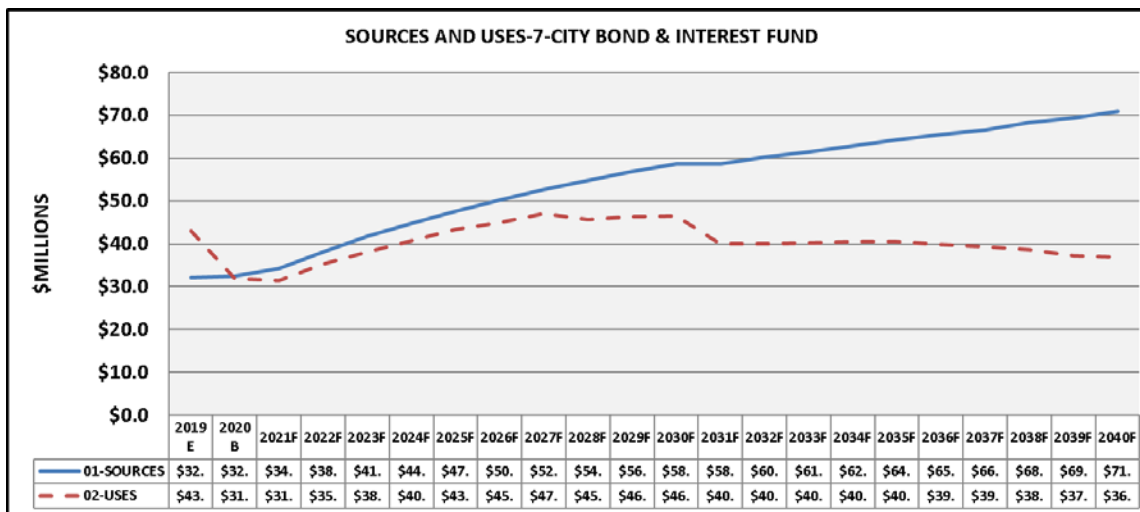
The Unified Government has anticipated an annual capital financial plan of issuing \$15 million in low interest temporary notes for a max of four years (subsequently converted to 20-year general obligation debt) to meet our street infrastructure and other public facilities infrastructure needs, which in the near term is consistent with, but slightly less than the forecasted level of bonded debt that can be supported with the current revenue stream. As a result of the anticipated future revenue growth, the Forecast projects the fund balance to increase.

The next two graphs show the position of the Fund with future anticipated debt service. The first graph shows fund balance as a percent of expenditures. The second graph demonstrates that the issuance of debt in accordance with the method described previously results in sources exceeding uses for the foreseeable future.

City Debt Service Fund Balance with Anticipated Future City Debt



City Debt Service Fund Sources and Uses with Anticipated Future City Debt



County Bond and Interest Fund

The County Bond and Interest Fund includes the annual principal and interest payments on debt issued by the County for capital maintenance and improvement projects, equipment purchases, and legal judgments. The primary source of revenue is from ad valorem property taxes. This mill levy is authorized by KSA-10-113, which requires officials to levy enough taxes to pay annual interest on debt service.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

In 2020 total revenues are \$5.0 million and growth to \$6.1 million by 2025. Annual average revenue increases by 4.1% over the five-year Forecast, with a 5.2% in 2021 and then ranging from 3.6% to 4.2% thereafter.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
PROPERTY TAX	\$2,837	\$3,023	\$3,137	\$3,290	\$3,422	\$3,558
PERSONAL PROPERTY TAXES	326	341	357	374	391	410
IRB PILOT/TAX ABATEMENT TAX	55	62	75	83	90	133
OTHER TAXES	115	117	119	120	122	124
DELINQUENT TAXES	75	77	80	83	85	88
SUBTOTAL: TAXES	\$3,408	\$3,621	\$3,767	\$3,950	\$4,110	\$4,313
INTERGVTL REVENUES	0	0	0	0	0	0
MISC. & INTEREST	50	45	46	46	47	48
REIMBURSEMENTS	390	415	431	448	466	485
SUBTOTAL: NON-TAXES	\$440	\$460	\$477	\$495	\$513	\$533
TRANSFERS	1,200	1,228	1,254	1,280	1,307	1,335
TOTAL SOURCE OF FUNDS	\$5,048	\$5,309	\$5,498	\$5,725	\$5,931	\$6,181

REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
PROPERTY TAX	6.5%	3.8%	4.9%	4.0%	4.0%
PERSONAL PROPERTY TAXES	4.7%	4.7%	4.7%	4.7%	4.7%
IRB PILOT/TAX ABATEMENT TAX	13.6%	19.6%	11.3%	8.5%	47.8%
OTHER TAXES	1.6%	1.4%	1.4%	1.4%	1.4%
DELINQUENT TAXES	3.3%	3.3%	3.3%	3.3%	3.3%
SUBTOTAL: TAXES	6.2%	4.0%	4.9%	4.1%	4.9%
INTERGVTL REVENUES	0.0%	0.0%	0.0%	0.0%	0.0%
MISC. & INTEREST	-10.0%	1.4%	1.4%	1.4%	1.4%
REIMBURSEMENTS	6.3%	4.0%	4.0%	4.0%	4.0%
SUBTOTAL: NON-TAXES	4.4%	3.7%	3.8%	3.8%	3.8%
TRANSFERS	2.3%	2.1%	2.1%	2.1%	2.1%
TOTAL SOURCE OF FUNDS	5.2%	3.6%	4.1%	3.6%	4.2%

The chart below provides a 10-year summary of these funds' largest revenue source.

Property Taxes

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	816,779	815,934	807,721	819,059	1,735,306	2,350,883	2,424,281	2,508,543	2,710,000	2,837,234
Percent Change %		-0.1%	-1.0%	1.4%	111.9%	35.5%	3.1%	3.5%	8.0%	4.7%
\$\$ Change		(845)	(8,213)	11,338	916,247	615,577	73,397	84,263	201,457	127,234

The County Bond & Interest Fund is reliant on property tax, constituting 56% of total revenues in 2020. The fund has a mill levy rate set by the Board of Commissioners during the annual budget process. As of the 2020 budget, the mill levy rate totals 2.202. Annual average property tax increases by 4.6% over the five-year Forecast, with a 6.5% in 2021 and 4% thereafter.

Expenditures

A majority of the County Bond & Interest Fund costs are for debt service, constituting 96% of total expenditures in 2020. In 2020 total expenditures are \$5 million and growth to \$5.7 million by 2025. Annual average expenditure increases by 2.9% over the five-year Forecast, with a 13.9% in 2021 due to the juvenile center financing and constant thereafter.

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
SERVICES	6	6	6	6	6	6
CAPITAL OUTLAY	205	215	215	215	215	252
DEBT SERVICE	4,816	5,504	5,508	5,508	5,506	5,513
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$5,027	\$5,726	\$5,730	\$5,729	\$5,727	\$5,771
TRANSFERS / OTHER	0	0	0	0	0	0
TOTAL USES OF FUNDS	\$5,027	\$5,726	\$5,730	\$5,729	\$5,727	\$5,771

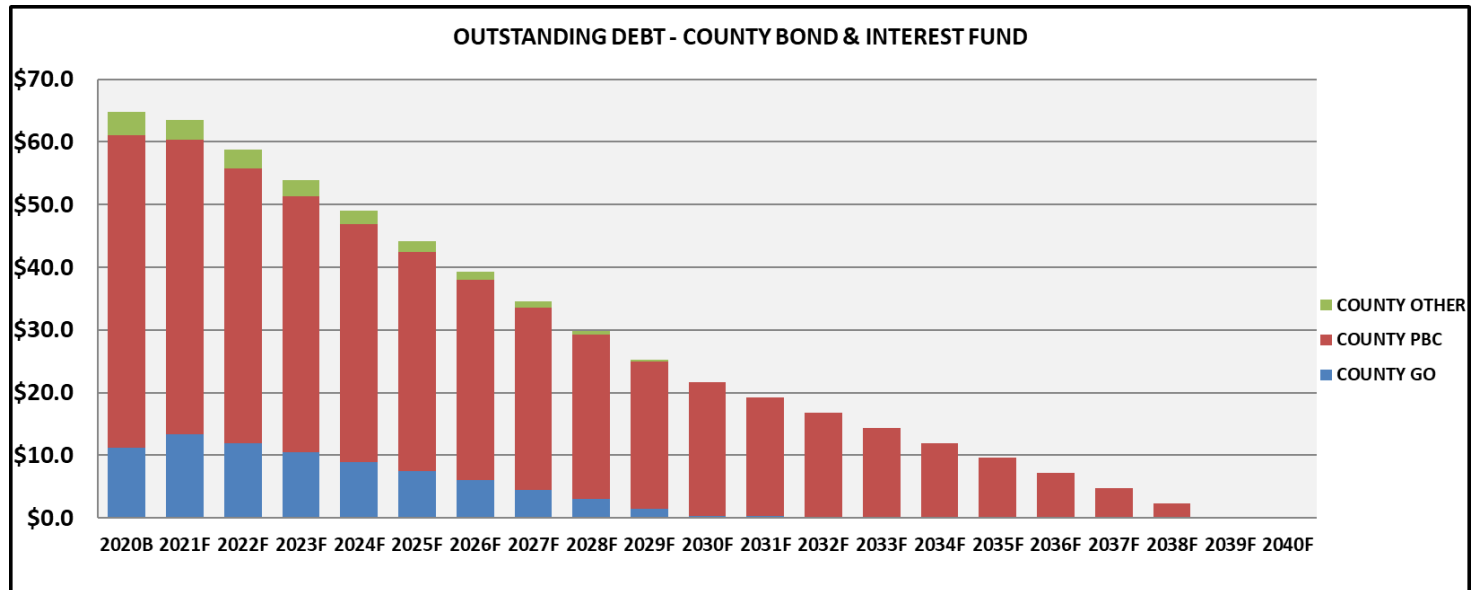
EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
SERVICES	1.6%	1.4%	1.4%	1.4%	1.4%
CAPITAL OUTLAY	5.0%	0.0%	0.0%	0.0%	17.1%
DEBT SERVICE	14.3%	0.1%	0.0%	0.0%	0.1%
SUBTOTAL: OTHER OPERATING EXPENDITURES	13.9%	0.1%	0.0%	0.0%	0.8%
TRANSFERS / OTHER	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	13.9%	0.1%	0.0%	0.0%	0.8%

Wyandotte County, Kansas (County General) Debt Profile

Current Debt Obligations

The County Bond and Interest Fund plays an important role in the Government's ability to support county facility infrastructure needs, and property tax revenue is a significant resource in planning capital investments. Outstanding Wyandotte County General Fund-backed (County Bond & Interest Fund) debt totals \$68.4 million as of August 2019, of which \$53.5 million or 78 percent have dedicated revenue streams outside the property tax revenue base. This \$53.5 million includes \$49.8 million in Public Building Commission lease revenue-backed debt, along with \$3.7 million of transfers from the KCK Board of Public Utilities for the radio project, which was debt financed with both general obligation and public building commission lease revenue bonds. The remaining outstanding debt fully supported by ad valorem property tax revenues totals \$14.9 million issued with 5 separate bond issues.

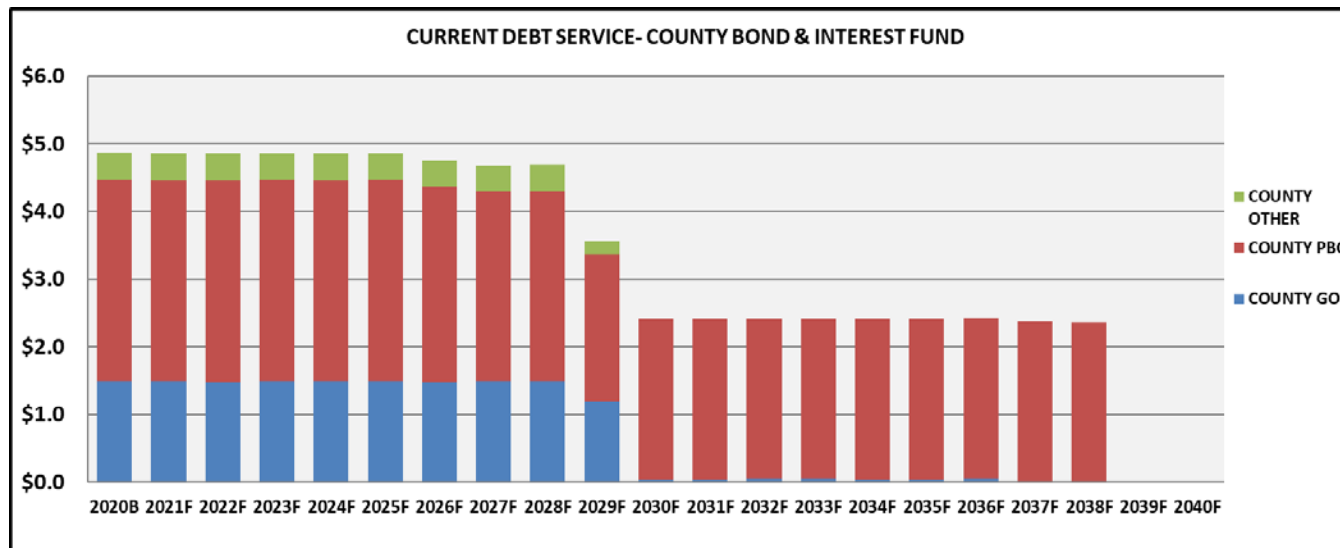
Outstanding General Fund-Backed County Debt by Dedicated Revenue Source Category



The County Bond and Interest Fund expenditures, consisting of principal and interest debt service payments, are supported by a County debt service property tax mill rate of 2.202 in 2020. The County debt service 2020 revenues are \$5 million, of which the mill levy will generate \$2.8 million in tax revenues, combined with \$2.2 million from other revenue sources to support the PBC lease payments. The total annual debt service payments out of the County Bond and Interest Fund are budgeted at \$4.8 million for 2020.

The following is a chart illustrating the County Bond & Interest Fund's debt service payment over the future life of the outstanding bonds issued. The chart displays the debt service payments by the revenue source category.

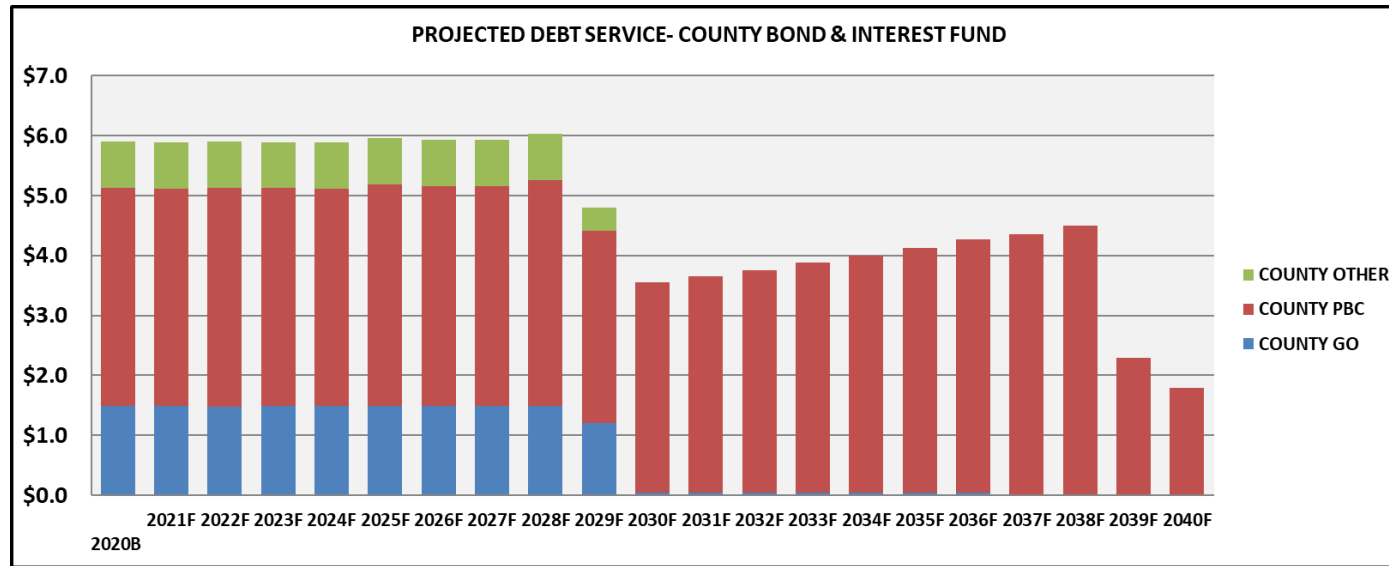
Current General Fund-Backed County Debt Service Payments by Dedicated Revenue Source Category



Future County Debt Affordability and Capacity

The County Bond & Interest Fund's ability to support our future capital investments is primarily dependent on the revenue generating capacity of its 2.202 property tax mills. To determine this capacity, the annual growth rates for Wyandotte County's assessed valuation used for the County General Fund Forecast have been applied, namely 6.0% for 2020, 6.3% for 2021 and 4% thereafter. The debt capacity is also impacted by the current municipal bond interest rate environment, which with the Federal Reserve on a path toward holding steady or potentially reducing interest rates, the assumption issued for this analysis is an average of 2.5% interest rate for 20-year general obligation bonds.

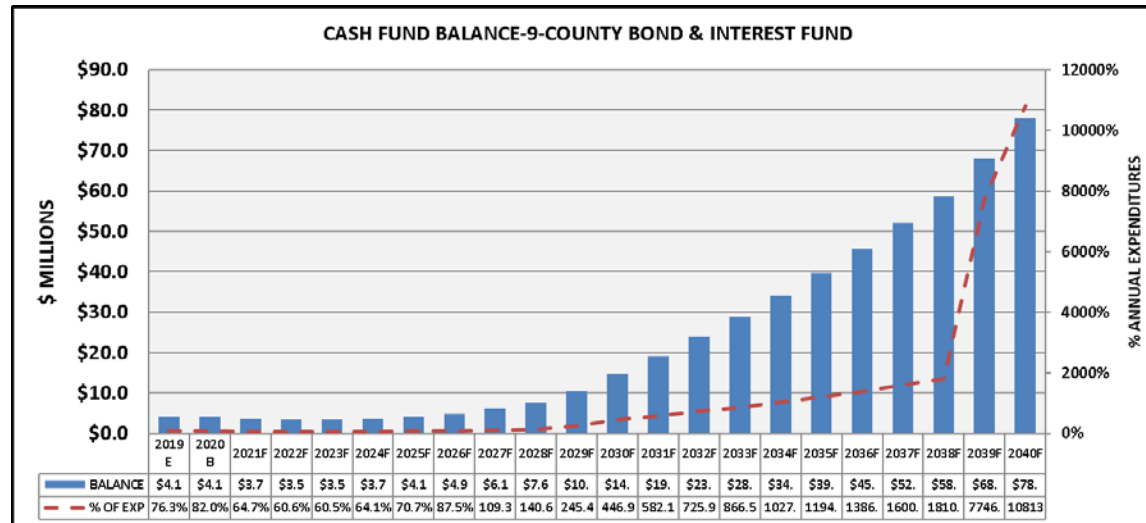
Future General Fund-Backed County Debt Service Payments by Dedicated Revenue Source Category



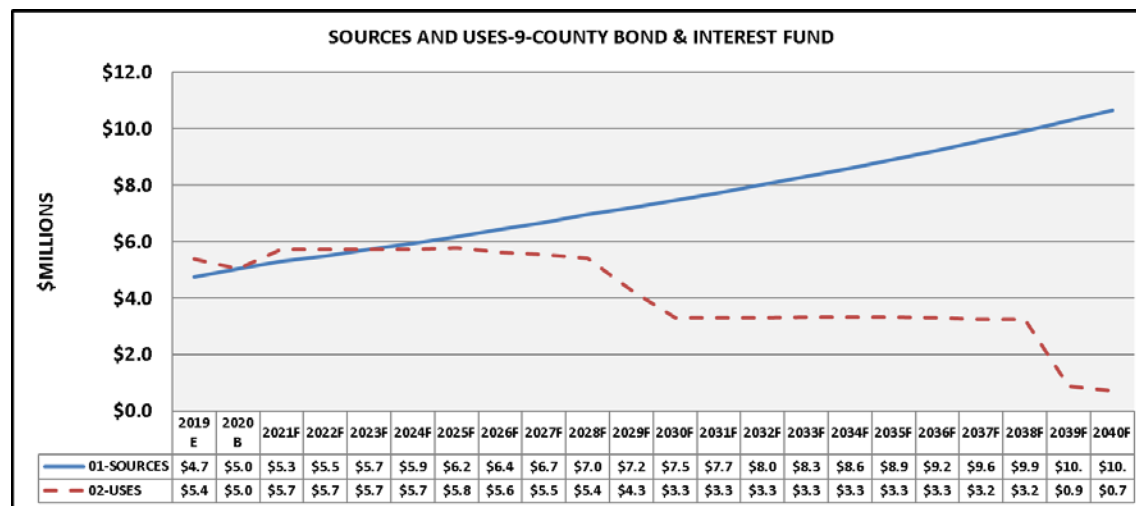
Given these revenue assumptions and the current municipal bond interest rate environment, as well as, known debt service obligations, the County Bond and Interest Fund can support the borrowing for public building commission projects budgeted in the 2019-2024 CMIP, but cannot support any additional borrowing for general obligation bonds over the next three years.

The next two graphs show the position of the Fund with future anticipated debt service. The first graph shows that the fund balance is not expected to grow in the foreseeable future from current revenue sources by taking into account known and anticipated expenditures. The second graph shows that uses (expenditures) exceed sources (revenues) until 2024.

County Debt Service Fund Balance with Anticipated Future County Debt



County Debt Service Fund Sources and Uses with Anticipated Future County Debt



The Unified Government's County infrastructure and other public facility needs are limited, not only by the level of revenue generated by its dedicated debt mill levy, but also by various State statutes. The analysis in the charts above results in the County being able to borrow additional funds in 2024.

Tax Increment Financing Funds

The Tax Increment Financing Funds includes the annual debt service (principal and interest) for debt issued by the City of Kansas City, Kansas for tax increment financing districts. The primary sources of revenue from ad valorem property taxes and sales and use tax revenue.

More detailed information on all the major revenue and expenditure categories is provided below, including discussions of past performance and assumptions of projected future performance.

Revenues

In 2020 total revenues are \$2.2 million and drop to \$2 million by 2025 as TIF district debt is fulfilled and the related tax increment is returned to the Unified Government operation and the operations of the affected taxing entities. Revenue varies year-over-year but generally increases about 3% over the five-year Forecast.

REVENUE & OTHER SOURCES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
TAX INCREMENT						
PROPERTY TAX	\$1,358	\$914	\$950	\$988	\$1,028	\$1,069
OTHER TAXES	195	198	201	203	206	209
SALES & USE TAXES	633	643	656	673	690	708
DELINQUENT TAXES	28	29	29	30	31	32
SUBTOTAL: TAXES	\$2,214	\$1,783	\$1,837	\$1,895	\$1,956	\$2,018
INTERGOVTAL REVENUES	5	5	5	5	5	5
SUBTOTAL: NON-TAXES	\$5	\$5	\$5	\$5	\$5	\$5
TRANSFERS	0	0	0	0	0	0
TOTAL SOURCE OF FUNDS	\$2,218	\$1,788	\$1,841	\$1,900	\$1,961	\$2,023

REVENUE & OTHER (% change)	2021	2022	2023	2024	2025
TAX INCREMENT					
PROPERTY TAX	-32.7%	4.0%	4.0%	4.0%	4.0%
OTHER TAXES	1.6%	1.4%	1.4%	1.4%	1.4%
SALES & USE TAXES	1.5%	2.1%	2.6%	2.6%	2.6%
DELINQUENT TAXES	3.3%	3.3%	3.3%	3.3%	3.3%
SUBTOTAL: TAXES	-19.5%	3.0%	3.2%	3.2%	3.2%
INTERGOVTAL REVENUES	2.3%	2.1%	2.1%	2.1%	2.1%
SUBTOTAL: NON-TAXES	2.3%	2.1%	2.1%	2.1%	2.1%
TRANSFERS	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL SOURCE OF FUNDS	-19.4%	3.0%	3.2%	3.2%	3.2%

The chart below provides a 10-year summary of these funds' largest revenue source.

Tax Increment Property Taxes

Fiscal Year	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e
Revenue	816,779	815,934	807,721	819,059	1,735,306	2,350,883	2,424,281	2,508,543	2,710,000	2,837,234
Percent Change %		-0.1%	-1.0%	1.4%	111.9%	35.5%	3.1%	3.5%	8.0%	4.7%
\$\$ Change		(845)	(8,213)	11,338	916,247	615,577	73,397	84,263	201,457	127,234

Expenditures

All of the TIF Debt Funds costs are for debt service. In 2020 total expenditures are \$1.9 million and growth to \$2.1 million by 2025. Annual expenditure varies year-over-year of the forecast period.

EXPENDITURES & OTHER USES (\$s in 000s)	EST 2020	2021	2022	2023	2024	2025
DEBT SERVICE	1,926	1,889	1,896	2,181	2,114	2,123
SUBTOTAL: OTHER OPERATING EXPENDITURES	\$1,926	\$1,889	\$1,896	\$2,181	\$2,114	\$2,123
TRANSFERS / OTHER	0	0	0	0	0	0
TOTAL USES OF FUNDS	\$1,926	\$1,889	\$1,896	\$2,181	\$2,114	\$2,123

EXPENDITURES & OTHER USES (\$s in 000s)	2021	2022	2023	2024	2025
DEBT SERVICE	-1.9%	0.3%	15.0%	-3.1%	0.4%
SUBTOTAL: OTHER OPERATING EXPENDITURES	-1.9%	0.3%	15.0%	-3.1%	0.4%
TRANSFERS / OTHER	0.0%	0.0%	0.0%	0.0%	0.0%
TOTAL USES OF FUNDS	-1.9%	0.3%	15.0%	-3.1%	0.4%

Tax Increment Financing Districts Debt Profile

Current Debt Obligations

Tax Increment Financing (TIF) allows the Unified Government to work with private developers to authorize redevelopment projects in blighted areas in accordance with State statutory requirements as set forth in K.S.A 12-1770a. In a TIF district, the development project is able to access the incremental property and/or sales tax revenues generated by the project. The districts discussed in this section are those that have been debt financed with the Unified Government's general obligation backing. Toward the onset of the project, general obligation bonds are issued, and the incremental revenues captured over the life of the district are applied toward

debt service. When a TIF district with a general obligation backing is underperforming, revenues from the City Bond & Interest fund are applied to supplement the TIF revenues.

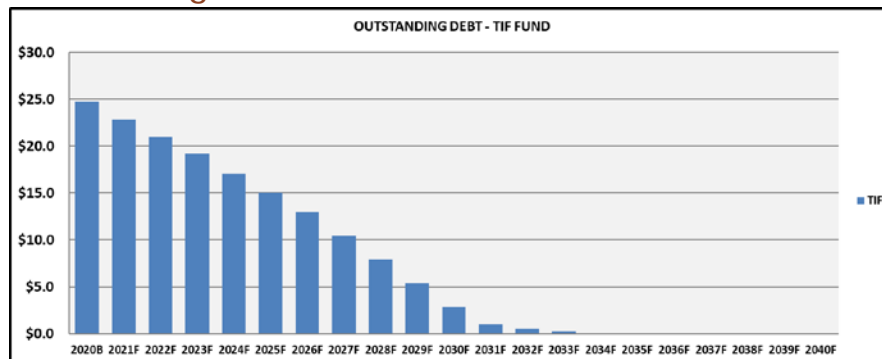
The Tax Increment Financing projects are categorized as sub-funds under the City Bond & Interest Fund. Outstanding Tax Increment Financing debt with the Kansas City, Kansas General Fund-backing (County Bond & Interest Fund) debt totals \$24.7 million as of August 2019. This total consists of the 14 projects listed to the right which are sorted by expiration. A couple of districts are included which have been terminated but have debt service outstanding.

Accumulated revenues from the district allowed for their early termination, but the remaining liability impacts the fund balance as the necessary funds have been received but payments are still outstanding. This is discussed in more detail later. For the purposes of this analysis, TIF expiration date has not been forecasted.

Project	District Approved	TIF Plan	TIF Expires	Outstanding Debt (in millions)
Adams Street	2004	2004	2016	\$ 0.2
NE Armourdale	1999	1999	2018	\$ 1.2
Melrose	2002	2003	2023	\$ 2.6
Rainbow Park	2003	2003	2023	\$ 0.2
St. Peter's Waterway	2004	2005	2025	\$ 3.2
Peregrine Falcon	2005	2005	2025	\$ 0.7
I-70 & Armstrong	2006	2006	2026	\$ 1.7
Prescott	2005	2006	2026	\$ 6.6
Strawberry Hill	2006	2007	2027	\$ 0.2
Mission Cliffs- Project Area B	2005	2008	2028	\$ 0.0
Mission Cliffs- Project Area A	2005	2008	2028	\$ 2.7
Metropolitan Avenue- Project Area 1	2011	2012	2032	\$ 1.4
Metropolitan Avenue- Project Area 2	2011	2013	2033	\$ 3.9

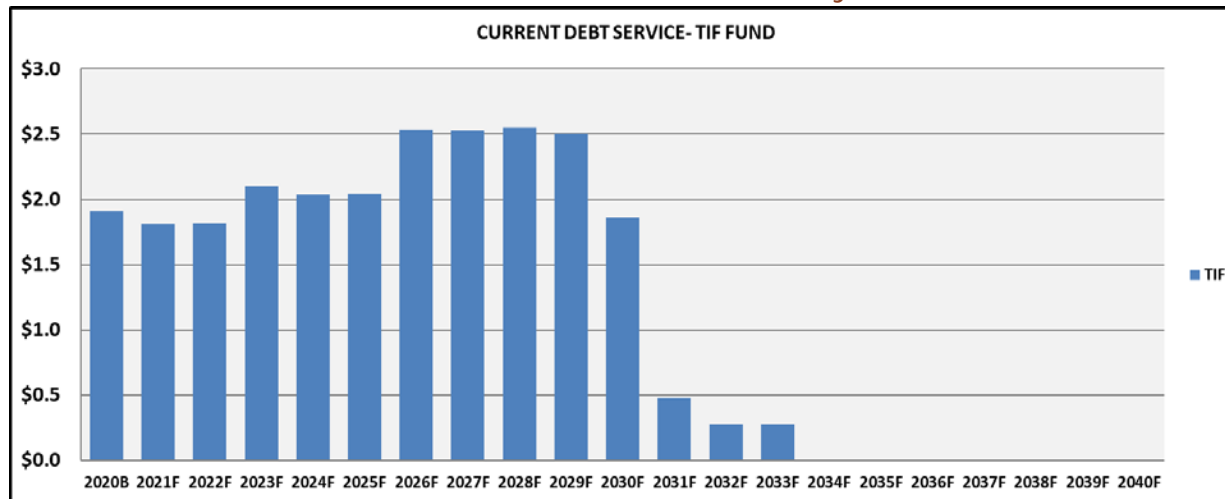
The following is a chart illustrating the combined TIF Fund's debt service payments over the future life of the outstanding bonds.

Outstanding General Fund-Backed TIF Debt



The following is a chart illustrating the County Bond & Interest Fund's debt service payment over the future life of the outstanding bonds recorded. The chart displays the debt service payments by the repayment revenue source category. Annual debt service is supported by 2020 revenues of \$5 million, of which \$2.8 million is from property tax revenues from the 2.202 mill levy. The remaining \$2.2 million are transfers from other sources to support PBC lease payments.

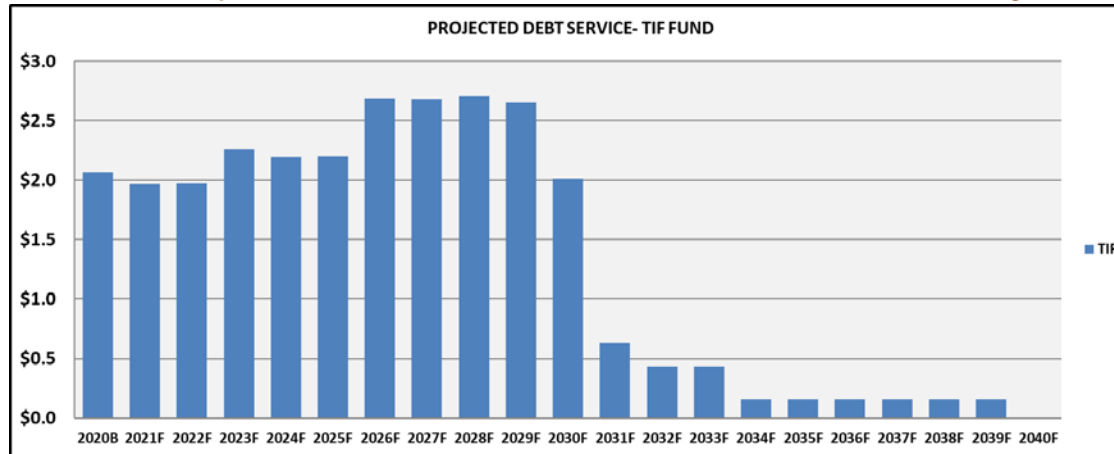
Current General Fund-Backed TIF Debt Service Payments



Future County Debt Affordability and Capacity

The Downtown Grocery Store project has \$2.4 million that will be financed in 2020 with bonds. Adding the estimated debt service of this bond issue results in the projected debt service schedule displayed below.

Future Anticipated General Fund-Backed TIF Debt Service Payments



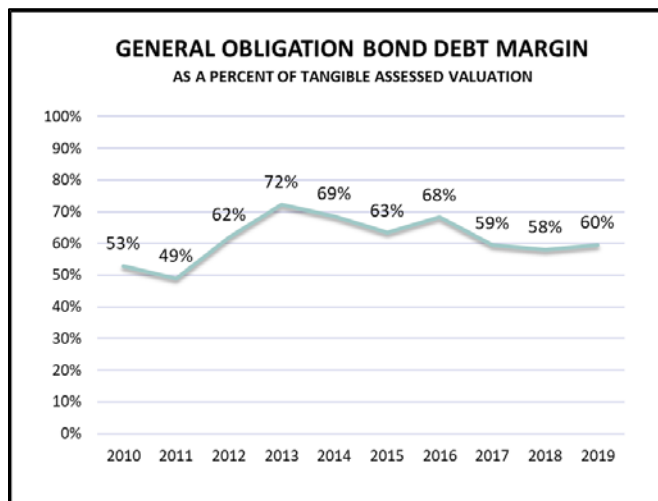
Changes in appraised value have a strong impact on the performance of TIF districts. As stated previously, the assumptions for growth of assessed value are applied in the following manner: 5.6% for 2020, 6.3% for 2021, and 4% thereafter. With these assumptions, the tax increment financing districts are estimated to generate \$2.2 million in tax revenue in 2020 to support payment of the debt service. The total annual debt service payments are budgeted at \$1.9 million for 2020, resulting in a fund balance of \$3.3 million. This positive fund balance is primarily due to a 2019 adjustment of \$10.2 million to reflect the transfer of City General Fund Revenues into the Midtown TIF Fund to close out the fund. In 2019, the debt that was outstanding for the Midtown TIF was refinanced to remove the TIF backing and convert to City Bond & Interest fund general obligation debt.

Opportunities for early payoff of TIF projects financed in this manner are limited. TIF districts that have been bonded with general obligation debt generally are included in a debt issuance that finances dozens of projects and has a set debt service schedule. As a result, the application of TIF revenues to pay down debt ahead of maturity are mitigated by the fact that the interest is set at issuance. Instead, revenues are accumulated in the TIF fund until the liability is reduced to zero and then the district is terminated. Any monies remaining in the fund are distributed to the appropriate taxing jurisdictions.

Unified Government Issuer Credit Ratings

The Unified Government's "issuer rating" on its general obligation debt is rated AA Stable by Standard & Poor's credit rating agency and A1 Stable by Moody's Investor Service. Both rating agencies in their most recent reports affirmed that the UG had strong management practices, strong budgetary performance and flexibility, strong liquidity, yet are negatively impacted by weak economic factors and an overburdened debt load and contingent liabilities, such as our unfunded \$173 million pension and \$78 million retiree health (OPEB) liability. In recent years, the rating agencies have placed greater emphasis on local government's ability to meet these retirement -related obligations.

In their recent reports, both rating agencies emphasized that improvement in the UG ratings (and hence a reduction in our borrowing costs) would improve if the level of outstanding debt were reduced or the level of future borrowing would diminish. They both also stressed the importance of maintaining the General Fund reserves at levels considered to be very strong, or between 10 percent and 15 percent of total expenditures. The reports also mentioned a significant improvement in the County's economic factors could also result in a rating upgrade.



Kansas Statutory Debt Margin for the Unified Government

The debt margin computation is based on a 30 percent of the equalized assessed tangible valuation and the outstanding general obligation debt of which property tax revenues are pledged, per Kansas statutes that specifically references the Unified Government. Given the outstanding debt statutorily included in this calculation, and the Unified Government is at 60% of the General Obligation Debt Margin, with available statutory debt authority remaining as of September 2019 is \$125.3 million. Maintaining at the current level or reducing the debt margin is recommended, while reaching 100% of the debt margin would be ill advised. For comparative purposes, the City of Wichita is at 27%, City of Topeka at 23% and Johnson County at only at 0.4%.

City General Fund (Operating) Debt-Related Items

As mentioned previously, the City General Fund is the main operating fund of the Unified Government. For the most part, it does not record debt-related obligations. There are two notable exceptions which require disclosure in order to provide a complete discussion for this Long-Term Financial Forecast. First, the only debt service payment made directly from the City General Fund is the Soccer Stadium Parking General Obligation Bonds (Series 2010-H), with principal and interest payments amounting to \$639,250 in 2020. The annual amounts included in the Forecast are based on the bond documents' annual debt service schedule. This debt payment is entirely offset by Soccer Stadium ticket tax received from the soccer facility and recorded in the City General Fund.

The second item is the *"annual debt appropriation"* that is added annually to the City General Fund (operating) budget. For 2020, the annual debt appropriation totals \$10,096,605. This annual debt appropriation is required by the bond documents for various outstanding bond series provides bond holders with additional security that the repayment obligations will be met, and as a result the Unified Government received a lower interest rate on those bonds at the time of the bonds' issuance. There are six debt obligations in which the bond documents require an appropriation be adopted annually to authorize the debt service payments from the City General Fund should the primary dedicated revenue source pledged to debt repayment prove to be insufficient. These debt obligations, some of which the UG is not the obligor or issuer, include the 1999 Kansas Speedway International Corporation Taxable STAR Bonds, 1999 Kansas Speedway International Corporation Tax-Exempt STAR Bonds, the 2014 Kansas Speedway International Corporation Sales Tax Refunding Bonds, the 2015B Schlitterbahn Vacation Village STAR bonds, the 2014 Happy Foods TDD Revenue bonds and the 2014 Prescott Plaza TDD Revenue bonds.

The total annual appropriations for 2020 of \$10,096,605 was budgeted as both an expenditure and a revenue in the City General Fund for balancing purposes. Although budgeted, the prior year actual expenditures do not reflect these payments because the City General Fund has never had to make any of these debt service payments. The dedicated revenue sources for these bond issuances were sufficient to meet debt service requirements. As a result, these budgeted figures have been eliminated from the Long-Term Financial Forecast in order to provide more accurate analysis of percentage changes year-over-year.

CONCLUSION

This forecast projects the use of fund balance in 2021 to 2025 during which large one-time payments are required for expected retirements. The Forecast reflects a recessionary slow-down in the economy in 2020 and/or 2021, followed by a more positive outlook through 2025. Due to the anticipated economic slowdown and the large one-time retirement payments, the General Fund's financial position is projected to decline over the next five years without budgetary action to repair the annual shortfalls.

Economic indicators demonstrate that the local business environment has rebounded to pre-2009 Recession levels; however, an anticipated recession in 2020 and/or 2021 and substantial financial obligations and added uncertainties are expected to diminish the General Fund reserves over the future five years. One uncertainty is the timing of the anticipated recession. 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.

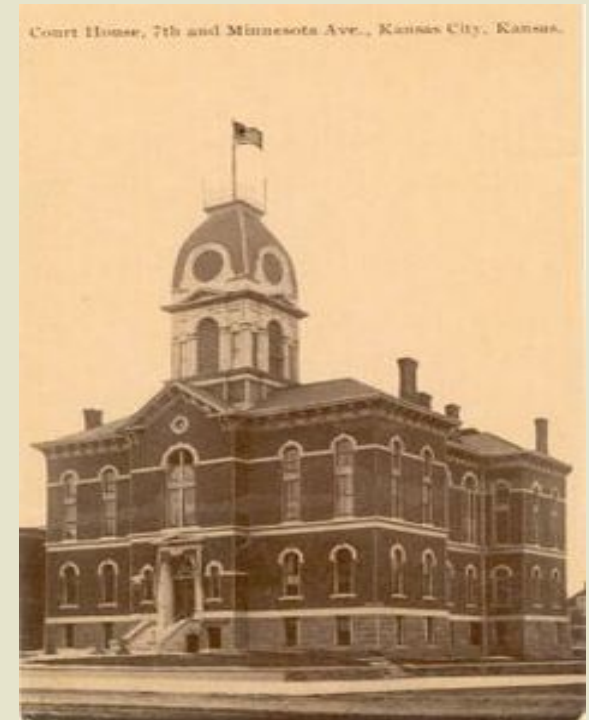
To address these short-term and long-term issues, the UG administration will continue reviewing its operations and service delivery options. Over the past years, the UG has outsourced some services to the private sector and entered into negotiations with the non-profit sector for public-private partnerships. While the UG further explores alternative service delivery models with the goal to realigning staff levels, the UG will also review cost recovery levels of services currently provided to the community.

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 2021 Proposed Budget, which is scheduled to be released to the Commission in July 2020.

Endnotes

Executive Summary Section Endnotes:

1. Unified Government Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2018, Pension Status References, Pages 77-81 and Pages 100-102; web link: [2018 Unified Government of WyCo/KCK CAFR](#)
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, 2018, Pension Status References, Pages 77-81 and Pages 100-102; web link: [2018 Unified Government of WyCo/KCK CAFR](#)
4. Unified Government Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended December 31, 2018, OpeB (Retiree Health Care) Status References, Pages 85-88 and Pages 105-106; web link: [2018 Unified Government of WyCo/KCK CAFR](#)



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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