

Letter to Board Members and staff,

Understandably, many of you have expressed concern about the status of the *Lexington Herald-Leader* open records request for KLC information. While this is a significant issue for our organization, I do want to put it into perspective.

The *Lexington Herald-Leader* appears to be doing a series of stories which may include operations and expenses for a number of Kentucky organizations. We do not know when the *Lexington Herald-Leader* story about KLC will appear, but their reporting staff has accelerated its inquiries. We have been required to provide information on various expenses on several occasions. The primary reporter has also sought information and comments from board members as well as other leagues. At this juncture we do not know when or if an article will be published. Our executive team is fully committed to working with the *Lexington Herald-Leader* and making sure, to the best of our ability, that its reporting staff is informed of, and hopefully understands and reports, all aspects of our organization's success and scale. Please realize that KLC does not and cannot function under the same guidelines or policies as a city, a public taxing agency or as a publicly subsidized entity. Our success and growth has come as a result of excellent management and a lot of good people making good decisions for the benefit of the association and its members. KLC will continue to be aggressive in our program development, advocacy, marketing and member services. We make no excuses for KLC's success in its effort to provide more and better benefits to its members. As board members, it is important for you to be well-versed on the structure of your organization and how it operates.

About KLC and our related organizations

The Kentucky League of Cities is a unique and complex statewide member association with products and services that rank it as one of the largest and most successful municipal leagues in the country.

It is noteworthy that relatively few years ago our staff and our assets were much smaller. Translated, that means that our board, executives and staff have been extremely proactive in recent years by creating intuitive, highly sophisticated programs and services in response to member needs. KLC, KLC Insurance Services and the KLC Funding Trust Program are models for other leagues around the nation.

With 80 employees, 382 member cities and an annual budget of nearly \$12 million, KLC is positioned to be the most powerful voice and legislative advocate for Kentucky municipal governments at both the state and federal level. As a nonprofit organization KLC reinvests the proceeds from our many enterprise programs to underwrite the benefits and services we provide to our members, which are so numerous that I would be challenged to list them all without leaving several off.

KLC finance pools provide cities and municipal utilities the low cost funds they need to maintain and expand their infrastructure. These loans allow cities to build public buildings, parks, water plants and sewer systems and to make other improvements that add to the quality of life for their citizens.

Kentucky League of Cities Insurance Services (KLCIS) provides a full range of insurance products and services. Our program was created in 1987 based on specific needs brought forth by cities that could not find or afford insurance. KLCIS has its own board of trustees that oversees the operations and policies of this program.

Both our insurance and finance programs are market competitive and also provide a number of features and benefits designed uniquely for our municipal members.

Given our scope, KLC does not fit the definition of a "government agency." We are a voluntary service association.

- KLC is a nonprofit statewide trade association with municipal governments as voluntary members.
- KLC provides no products or services to the public and receives no direct tax revenue from any Kentucky citizen.
- Other than member dues and conference registrations, KLC receives no funds directly from any government entity.
- KLC is not in any way a branch of state government and no local, state or federal government agency has oversight of KLC, our policies, procedures or budget.
- Elected and appointed municipal officials serve as officers and board members but do so as association members and not in the capacity of the public office they hold.

For the 382 cities that choose to be members of KLC, we provide training, legal, legislative advocacy, research, member communications and other member services to the elected and appointed officials and their staff.

Most of our member cities, but not all of them, take advantage of at least some of our insurance products and the added benefits that these policies provide. Loss control, property valuation, law enforcement model policies, employment dispute resolution, disaster recovery, local agent access and safety grants are only a few of the many added benefits provided to customers of KLCIS products.

How we function

KLC conducts business, adopts policies and markets itself consistent with the usual and customary practices of a trade association as well as an insurance and financial organization. KLCIS is seen in the marketplace as a highly competitive, large and successful insurance agency that underwrites the many valuable services that are so beneficial to our members.

Here is a breakdown of KLC revenue and its sources:

- KLC member city dues total around \$400,000 annually and represent less than four percent of the total KLC budget. These dues and conference registrations are the only funds that KLC receives directly from our member cities.
- The KLC Cornerstone Partner Program brings in approximately \$175,000 annually. This is totally private funds and is used to underwrite the benefits of the programs that our corporate partners receive and equals over twice the amount that KLC spends annually for all of its training, social events, board dinners and receptions, employee appreciation events, conference entertainment, golf outings, networking receptions, etc.
- KLCIS, an all lines insurance agency that provides a complete line of competitive insurance products to municipalities and other agencies and has an annual budget of \$44 million. From this revenue KLCIS reimburses

KLC approximately \$6 million for staff salaries, office rent, technology usage, marketing and communications along with administrative oversight.

- The premiums that member cities pay KLCIS are in return for competitively priced municipal specific insurance coverage. Realize that these policies and premiums must compete on the open market with the pricing and services of some of the largest private insurance agencies in the nation.
- Kentucky League of Cities Insurance Agency (KLCIA) is a for-profit insurance agency that is wholly owned by KLC. This agency writes insurance on entities that do not participate in the KLCIS self insurance pool. They collect commissions from health insurance carriers and other insurance products that are sold on the open market. KLCIA reimburses KLC approximately \$2.7 million (23 percent of KLC budget) for agency staff salaries, marketing and administrative cost.
- Kentucky League of Cities Funding Trust Program is a combination of many separate bond pools, and the fees from these combined pools contribute approximately \$1.2 million (eight percent of KLC budget) annually to KLC. These pools are issued as needed in \$50 million bond issues. These funds are made available to cities in smaller increments and used to finance municipal public projects all across Kentucky. They offer Kentucky cities low tax free interest rates along with reduced issuance fees that save them many thousands of dollars in loan origination cost when compared to other loan and bonding options.
- Kentucky League of Cities owns the building that it occupies at 100 East Vine Street in Lexington. This property generates approximately \$1 million each year in rent that is paid by the tenants. The building produces a positive cash flow of approximately \$200,000 each year. KLC occupies two-and-a-half floors rent free.

Other financial data:

- \$100 million in KLCIS financial investments and assets
- \$125 million in KLC Funding Trust Program loans in the last 18 months
- \$45 million in KLCIS insurance earned premium
- \$17 million in KLCIS health insurance earned premium

I hope this summary gives you a clearer understanding of how revenue flows through the many entities that make up your association. I would acknowledge that I have only scratched the surface as far as the complete scope of services and programs that city officials and their staffs enjoy and rely on everyday to make their cities safer, stronger and more livable.

If you have any questions or suggestions concerning this information, please call Robin Cooper, KLC Chief Member Services Officer, at 859-977-4110 or email rcooper@klc.org